



MALUA

Wildlife Habitat Conservation Bank

An opportunity to help address one of the world's most pressing issues

Businesses and individuals have begun to realize that economic development and the conservation of our spectacular natural environment must support, rather than compete with, one another. Businesses today realize that consumers increasingly value products and services that have a positive and meaningful association with the environment, with nature and with a healthy world. What if your business could establish a link between the conservation of some of the world's most charismatic animals and your company's products?

The Malua Wildlife Habitat Conservation Bank is a world-leading model for accomplishing just this.



Integrating Rainforest Conservation into the Supply Chain

The jungles of Borneo are home to some of the world's last wild orangutans. But these intelligent and unique animals represent just one piece of an amazing assemblage of nature: rhinos, pygmy elephants and sun bears roam under 60-meter trees supporting flocks of giant hornbills. This is truly one of the world's most captivating natural systems. Yet, logging and the development of oil palm plantations have reduced the area of rainforest and threatened many of Borneo's important wildlife species. The loss of these forests for the production of timber and palm oil is driven by the myriad natural products – cosmetics, food and fuel to name a few – that we use in our daily lives.

Is there a new way of doing business that could integrate rainforest conservation into the supply chain? The Malua Wildlife Habitat Conservation Bank (the "Malua BioBank") was founded by a group of conservation and business pioneers who believe that the answer is *yes*.



The Malua BioBank is a joint effort between the Sabah State Government (the Malaysian part of the island of Borneo) and New Forests. Via investment from a private fund, the BioBank will restore formerly logged areas of the forest and protect one of the most important areas of tropical rainforest in Sabah. The 34,000-hectare Malua Forest Reserve provides vital habitat for one of the world's highest concentrations of orangutans, as well as for the Bornean clouded leopard and the pygmy elephant. Tracks from the critically endangered Sumatran rhinoceros have been spotted in Malua and over 300 species of birds inhabit this unique rainforest. Sitting adjacent to the internationally famous Danum Valley Conservation Area, one of the last remaining pristine lowland tropical rainforests in the world, Malua is a crucial buffer zone between virgin primary rainforest and oil palm plantations.



A New Currency for Conservation

The Malua BioBank will generate Biodiversity Conservation Certificates. Each Certificate represents 100 square meters of rehabilitation and protection of the Malua Forest Reserve. The sale of Certificates will make the restoration and conservation of the Malua Forest Reserve commercially viable and therefore sustainable. In effect, the sale of Biodiversity Conservation Certificates will give the investor a return on their money and make rainforest conservation commercially competitive with alternative land uses.

Through the purchase of Biodiversity Conservation Certificates, businesses can play a pioneering role in making conservation financially sustainable.

- For cosmetics, energy and food companies, whose complex supply chains may include the use of palm oil as a key ingredient, Certificates enhance a product's brand value to sophisticated consumers.
- For palm oil growers and processors, the purchase of Certificates is a direct and measurable contribution to conservation.
- For Malaysian companies, Certificates can help align a company with a conservation venture that has strong government support and highlights Malaysia's image as a world leader in conservation.
- For conservation-oriented organizations, Certificates can help support brand image and provide a way to engage in an innovative rainforest conservation project.



World-Class Forest Rehabilitation and Conservation

The Conservation Management Plan for the Malua BioBank was written with the help of respected scientists from local and international non-governmental organizations and research institutions; it will be reviewed annually. The rehabilitation process will include planting seedlings to reestablish key rainforest species, enhancing natural food resources for wildlife and preventing poaching and illegal logging. Regular monitoring of forest regeneration, water quality and wildlife are just a small part of the comprehensive conservation strategy. The Malua BioBank will also work with local communities and landowners to uphold the prohibition against hunting within the reserve and to prevent illegal logging.

As the Malua rainforest recovers, water quality for downstream communities will improve and the people of Sabah will enjoy the option value associated with future opportunities in eco-tourism and potentially even undiscovered new markets for rare natural products.

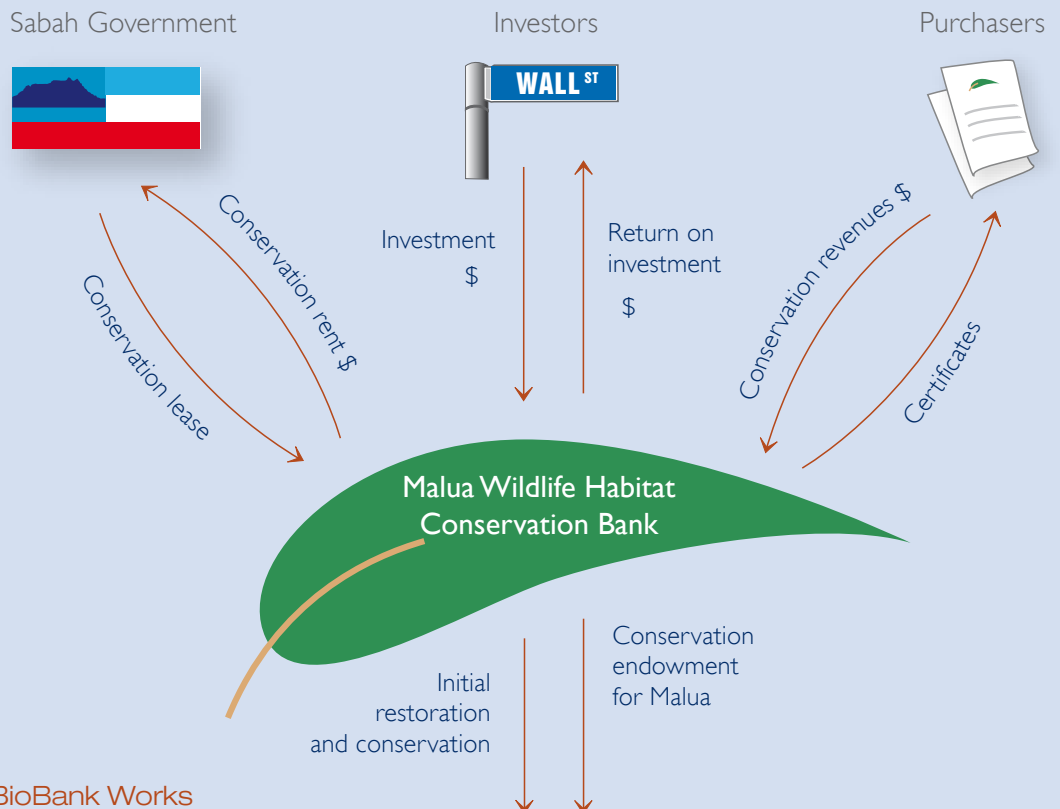


Reliable Stewardship, With Built-In Checks and Balances

The structure of the Malua BioBank has built-in checks and balances to ensure reliable stewardship for the long term.

- The Sabah Government has contractually agreed to implement the Conservation Management Plan and be monitored by the Malua Trust.
- The Sabah Government has committed to halting logging in the Malua Forest Reserve, and there are significant financial penalties for any breach of the Malua Bio-Bank agreement.
- A Steering Committee, composed of members of the Sabah Government and the Malua BioBank, will review the implementation and budgeting of the Conservation Management Plan written in cooperation with the Sabah Forestry Department.
- An Advisory Committee, composed of local and international environmental groups, community groups and scientific experts, will provide guidance on conservation and local community issues.
- The Malua Trust will fund its activities via an Endowment which will be capitalized by a portion of the revenues from Biodiversity Conservation Certificate sales.





How the Malua BioBank Works

The BioBank works through an innovative partnership between private and public entities:

1. A Sabah Government-owned company that holds the license to the Malua Forest Reserve ceased all logging operations on December 31, 2007.
2. A specialized fund will invest up to US\$10 million to rehabilitate the Malua Forest Reserve and receive the right to create and market Biodiversity Conservation Certificates to interested third parties.
3. The Malua Trust will oversee and finance the conservation management of the Malua Forest Reserve into the future.

Revenues generated through the sale of Biodiversity Conservation Certificates are shared in a way that meets the financial interests of all parties concerned. Specifically, revenues will be split between:

- An endowment for the Malua Trust, to fund the future conservation management of the Malua BioBank;
- Yayasan Sabah, a foundation established by the Sabah Government to improve the livelihoods of Malaysians in Sabah; and
- Malua BioBank investors, who will receive a return on their investment.



Ensuring the Conservation Outcome

Through input from independent third parties, New Forests will bring legal rigor and environmental and social best practice to the emerging market for Biodiversity Conservation Certificates. The Conservation Management Plan includes monitoring via state of the art satellite imagery and mapping systems. These systems will track forest recovery and overall health and will verify that the Malua BioBank is protected from harmful activities such as logging, fire and conversion to agriculture now and into the future.

A complete discussion of the legal, technical and financial agreements surrounding the Malua Bio-Bank can be found in the Malua Wildlife Habitat Conservation Bank Product Description.

For Further Information

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