

Sustainable Investment Market Brief

Giving the Market What it Wants

- Higher Valued Collateral
- Innovation & Good Will
- Enhanced Liquidity
- Reduced Risk
- Stop Dangerous Climate Change
- Improved Investor Confidence
- Near Term Economic Stimulus
- Cheaper Cost of Capital



Capital Markets Partnership

Acting Now to Secure a Healthy & Prosperous Tomorrow

1511 Wisconsin Avenue, NW
Washington, DC 20007

Capital Markets Partnership

An unprecedented Partnership of leaders in the capital markets is tackling the critical and immediate priorities of:

- Stimulating the global economy & promoting energy and national security
- Providing higher valued collateral promoting innovation & investor confidence
- Stopping imminent irreversible dangerous climate change
- Greatly enhancing global sustainability
- Enhancing liquidity

The Capital Markets Partnership (CMP) is a balanced, nonpartisan and nonprofit Partnership of investment banks, investors, national governments and NGOs. It has completed the needed due diligence and is launching within existing bank operations, national sustainable building investment underwriting standards and sustainable building mortgage backed securities (SMBS) for the \$4 trillion global market.

Based on successful precedent and quantified benefits, the Underwriting Standards and SMBS are expected to add \$1 trillion/yr. to the global economy. Green buildings are energy and environmentally efficient and contain certified sustainable building products that are best for the environment, economy and social equity. SMBS are bonds backed by green building mortgages.

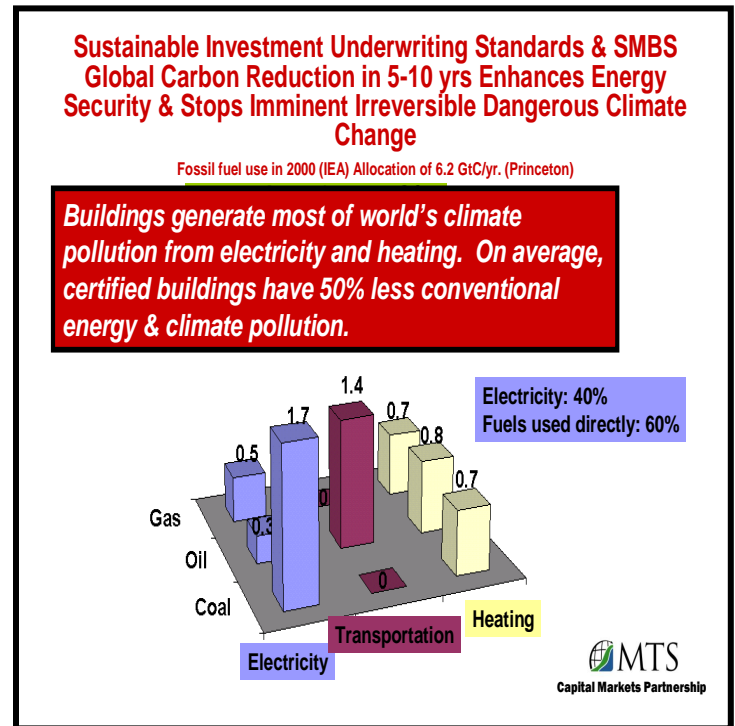
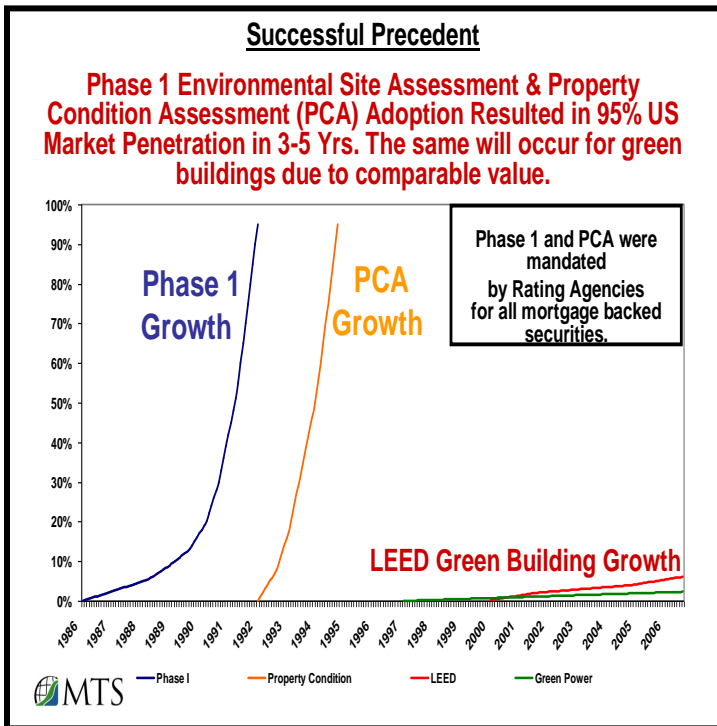
Completed due diligence submitted by investment banks to the Rating Agencies, has generated significant investor interest because green buildings and homes are more valuable and less risky collateral, and provide substantial documented social benefits.

In addition to providing much needed more valuable collateral, the resulting pollution reductions documented by the Partnership with the State of California, Stanford University, and leading IPCC Scientists are expected to stop imminent irreversible dangerous climate change (*Creating Economic Stimulus While Stopping Climate Credit Risk / Irreversibility* (CMP Report 2008).

The CMP Report also cites the Mortgage Bankers Association report showing that climate damages to the insurance industry resulted in less than full replacement costs in insurance contracts in real estate finance deals which Moody's calls a "serious credit risk."



Sustainable Investment & SMBS are expected to penetrate the US, Canadian, Western European & Australian building stock rapidly just like the Phase 1 & PCA because the substantial risk reduction and value enhancement will stimulate Wall Street to ensure this value is quickly achieved.



All Sustainable Investment & SMBS due diligence has been completed. The Partnership spent \$500,000 and four years allowing Launch now within existing bank operations. Sustainable Investment & SMBS Launch helps the global capital markets fulfill its legal obligation to accurately reflect climate risk.

Higher Valued Collateral Reducing Risk. Green buildings have documented higher value from attributes like:

- Energy efficiency and onsite Green-e renewable power reducing rising utility bills and power interruptions
- Commissioning preventing capital outlays
- Improved indoor air quality and daylighting increasing lease up rates and tenant retention
- Locational benefits improving access and reducing flood risk and environmental impact
- Water efficiency reducing rising bills

These benefits are summarized in the box on page 6 in *Green Building Value Rating System*® prepared with investment banks and submitted by Citi to S&P recommending green building commercialization.

The Partnership's Investor Survey completed at the request of S&P, shows almost \$3 trillion in social investment funds with no real estate option. Thus, green buildings counter the subprime crisis caused by large scale subpar collateral leading to foreclosures and financial institution defaults.

Near Term Economic Stimulus. The severe constraints of long term rising energy costs, avoiding imminent irreversible dangerous climate change (climate credit risk), and substantial threats to global sustainability, call for immediately converting the building stock to Green more efficient buildings and homes with certified sustainable products.

The building industry is the world's largest and causes the most pollution including climate pollution (see *Princeton Wedges* box on p. 3), but it also represents the largest amount of wealth. Much of it is securitized to reduce economic risk and provide capital.

Green building investment and resecuritizing the building stock with green buildings similar to how it was done through the Phase 1 Environmental Site Assessment, will not only solve the energy and climate crises, but also generate much more value estimated at \$1 trillion /yr. based on this successful precedent and quantified benefits (see graphs of Phase 1 and PCA on p.3).

Wall Street is financially motivated to commercialize green building investment in the near term since there is higher value, reduced risk, and it stands to make hundreds of billions of dollars for many years from fees and profits on green building investment instruments.

Enhanced Liquidity. The subprime crisis substantially reduced available capital especially in the real estate market due to financial institutions' need to allocate capital reserves to cover further expected losses and stricter underwriting to reduce future risk.

Green building investment products, including funds and securities, provide safer, less risky, more valuable financial instruments that can infuse the markets with much needed capital.

Increased Innovation & Good Will. Given the uncertain duration of the subprime crisis and its adverse effect on the economy, there are several choices for Wall Street and business. They can wait to weather out the storm of an uncertain duration. They can fire people and cut activities. Or they can innovate.

Innovation through green building investment has few risks since it is based on consensus national standards for green buildings and certified sustainable products with sufficient traction and documented added value. For the last 15 years, a substantial international standardization effort was completed reaching agreement on consensus market definitions of green buildings and certified sustainable products whose attributes cover the global supply chain.

Government and the capital markets require such consensus standards to reduce risk and uncertainty, like the Phase 1 and PCA.

Not only can we innovate, but green buildings and certified sustainable products are motherhood and apple pie. Business knows it because sustainable marketing and brands are at an all time

high with no end in sight. The reason is due to longstanding very high consumer demand to improve quality of life and sustainability and consensus definitions of green buildings and sustainable products.

About 40% of share value is intangibles and sustainability is the largest portion (*Enhancing Brand Value Through Corporate Social Responsibility*, Lippincott Mercer 2006).

According to a corporate business survey conducted by CoreNet Global and Jones Lang LaSalle, called *Sustainability Perceptions and Trends in Corporate Real Estate Industry*, nearly 80 percent of the 418 respondents (who are industry leaders) stated sustainability is a major issue for today's businesses and are willing to pay a premium to achieve it. Even though respondents cited higher costs to build and maintain green buildings, they also believe the payoffs in terms of lower environmental impact and increased sustainability for the companies was more than worth the cost.

Commercializing sustainable investment can only increase share value and good will.

Improved Investor Confidence. The capital markets in essence are primarily psychological given human nature (*Consilience: The Unity of Knowledge*, at 202-209, E.O. Wilson 1998, winner of the Pulitzer Prize).

Waiting out a financial storm of uncertain duration in a market lacking investor confidence will likely only make things worse. It is difficult to predict the duration due to the lack of sufficient reserves by Wall Street companies insuring securities, the substantial number of contracts outstanding, and continuing real estate defaults placing these contracts at risk (*Emerging Risks in Bond Insurance Add to Turmoil*, Wall Street Journal, Jan 18, 2008). A large scale additional government bailout has been suggested as necessary.

Investor confidence will be boosted by launching sustainable investment products:

- based on higher valued collateral reducing risk
- that investors clearly want
- addressing the key social challenges of energy, climate and global security and
- providing greater returns

Cheaper Cost of Capital. Where products like green building investment provide demonstrated more value, competition will ensure that capital is provided at a cheaper rate than for conventional products.

This in turn will attract more deals, more investors, more capital, and more investor confidence.

Sustainable Investment & SMBS are expected to add an estimated \$1 trillion/yr. to the global economy after five years based on quantified benefits and successful precedent.



Economic Benefits

Projected* 70% US Commercial Green Building Market Penetration*

Energy Savings & Daylighting:	\$36 Billion/yr
Construction Waste Reduction:	\$6.7 B/yr
Water Pollution Savings from Water Conservation:	\$20 B/yr
Energy Savings from appliances & Lighting:	\$24 B/yr
Added Value from Increased Occupant Productivity (5%), IAQ & Reduced Absenteeism:	\$632 B/yr
Health Care Savings	\$75 B/yr
Emission Reductions' Market Value:	\$ 1.1 B/yr
Total	\$795 Billion/yr. value added

- * 1. Leonardo Academy / MTS Projections 2003, Surgeon General 2006 (certified bldgs).
 2. Green retail buildings will also accrue increased retail sales.
 3. Excludes overwhelming benefits from avoided climate damages, & originator profits.
 4. Dollar benefits are \$200B/yr. for UK, \$200B/yr. for rest of Western Europe, \$87B/yr. for Canada & \$80B/yr. for Australia. MBS is \$4 trillion global industry (SEC 2003).



MTS Green Building Value Rating System©

Real estate value is a combination of cash flow, timing and risk. Green buildings positively affect all three of these metrics.

Basis of Wall Street Initiation of Sustainable Investment & SMBS

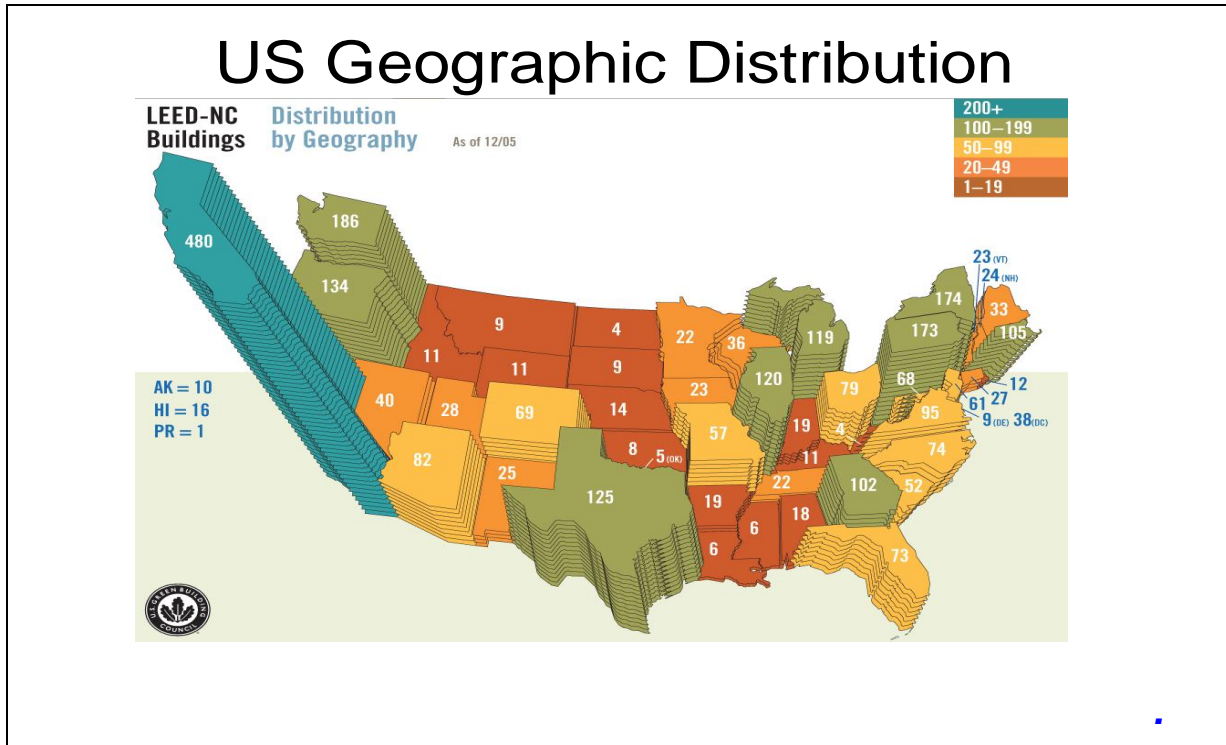
The Greatest Qualitative & Quantitative Value Exists for:

1. Mold protection (VERY HIGH: 26, adjusted total score)
2. Reduced energy use and exposure to future energy pricing volatility (VERY HIGH: 25)
3. Reduced climate risk (VERY HIGH: 24)
4. Commissioning/Operational risk (HIGH: 17)
5. Improved indoor air quality and health (HIGH: 17)
6. Lower operating costs and default risk (HIGH: 17)
7. Improved tenant productivity, comfort & a corresponding increase in rents (MEDIUM: 11)





Sustainable Investment & SMBS will Increase Good Will, Share Value, & Value of MBS Pools.


California has the most green buildings and is the first to adopt certified sustainable products incorporated into green buildings.




LEED EB CERTIFIED

National Geographic Society Headquarters, Wash., DC



The Society added \$16M in value from this LEED certification from a higher appraised value, raising tenant rents, lower operating costs, increased credit rating from Moody's, & lower interest rates on large loans secured to the building. *Presentation at 2003 Congressional Green Building Luncheon by Chris Liedel, CFO, National Geographic Society.*


MTS

Sustainable Flooring Case Study – Forbo Linoleum: *A Culture of Long Term Commitment to Optimized Environmental Performance.*

Forbo Linoleum manufactures and sells linoleum floorcovering, wallcovering and finishing for office furniture. The company attributes the following superior economic performance to its sustainable practices (Forbo internal data 2001):

- EBIT (Operating Result) performance as a percentage of sales that is, at a minimum, 25% better than any of its competitors.
- Internal profitability shows its sustainable products' EBIT level performance more than double, as a percent of sales, those of traditional products.
- Five year share price performance is 100% greater on average than its three largest competitors.

Forbo Linoleum is a Platinum Certified Sustainable Product eligible for credit for certified green buildings in underwriting investment standards and Sustainable MBS pools.

Conclusion. The capital markets can work fast and effectively to stimulate the economy and stop imminent irreversible dangerous climate change within the next 5-10 years. Successful precedent and quantified benefits show this to be true.

Partners initiated \$70B in climate change investments and are expeditiously adopting Sustainable Investment Standards & SMBS pools.



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<p>Hon. Gavin Newsom San Francisco Mayor</p> <p>Bob Congel, CEO Destiny USA</p> <p>ACEEE Australia Bank of America Securities BOMA Foundation BOMA International Canada Green Building Council Canada Mortgage & Housing Corp. Citi CitiGroup Smith Barney Citi Property Investors City of Chicago City of Dallas City of Denver City of New York City of Oakland City of Santa Monica City of San Francisco City of Seattle Citizens Bank of Canada CoreNet Global</p>	<p>Delaware Valley Green Building Council Destiny USA Dewey & LeBoeuf Durst Development EPA ENERGY STAR Environmental Bankers Association Evolution Partners Fannie Mae Fireman's Fund / Allianz First Affirmative Financial Forbo Flooring Forest Stewardship Council Gerding Edlin Development Goldman Sachs Green Building Alliance Global Green Paul Epstein, Harvard Medical School Hoffmann & Associates, Home First Mortgage Corp. Investors' Circle JPMorgan Chase Lafarge Malachite LLC Milliken</p>	<p>Mortgage Green My Energy Loan National Association of Realtors New Jersey Green Building Council New York Green Building Council NYSERDA Philips Prohoff & Associates Sempra Energy Social Investment Forum State of California State of New Jersey Swinerton Builders Turner Construction UBS Securities United Kingdom US Green Building Council US Treasury Department Vancity Bank Vinson & Elkins Wachovia Wells Fargo Wendel Rosen Black & Dean West Coast Green World Green Building Council</p>
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