

Sustainable Investment Initiative

Green & Climate Neutral Buildings
Green Mortgages
Green Building Securities
Green Building & Sustainable Manufacturing Underwriting Standards

Reduced Risk & Higher Valued Collateral
Cheaper Cost of Capital / Increased Liquidity
Green Convertible Securities



Lacey Due Care National Defense Standard

Overview

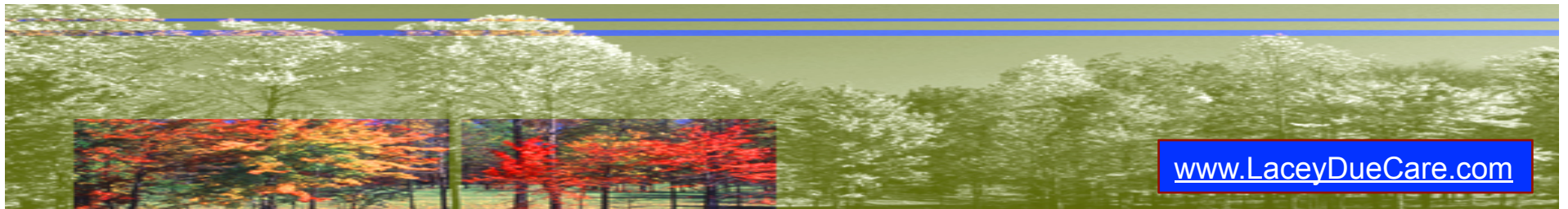
Background on Capital Markets Partnership (CMP) & its Sustainable Investment Initiative

Documented Added Economic Value of Lacey Standard Based on Peer-Reviewed Wall Street Due Diligence Released at NYSE

Standard Summary & FAQs

Standard Benefits

Next Steps



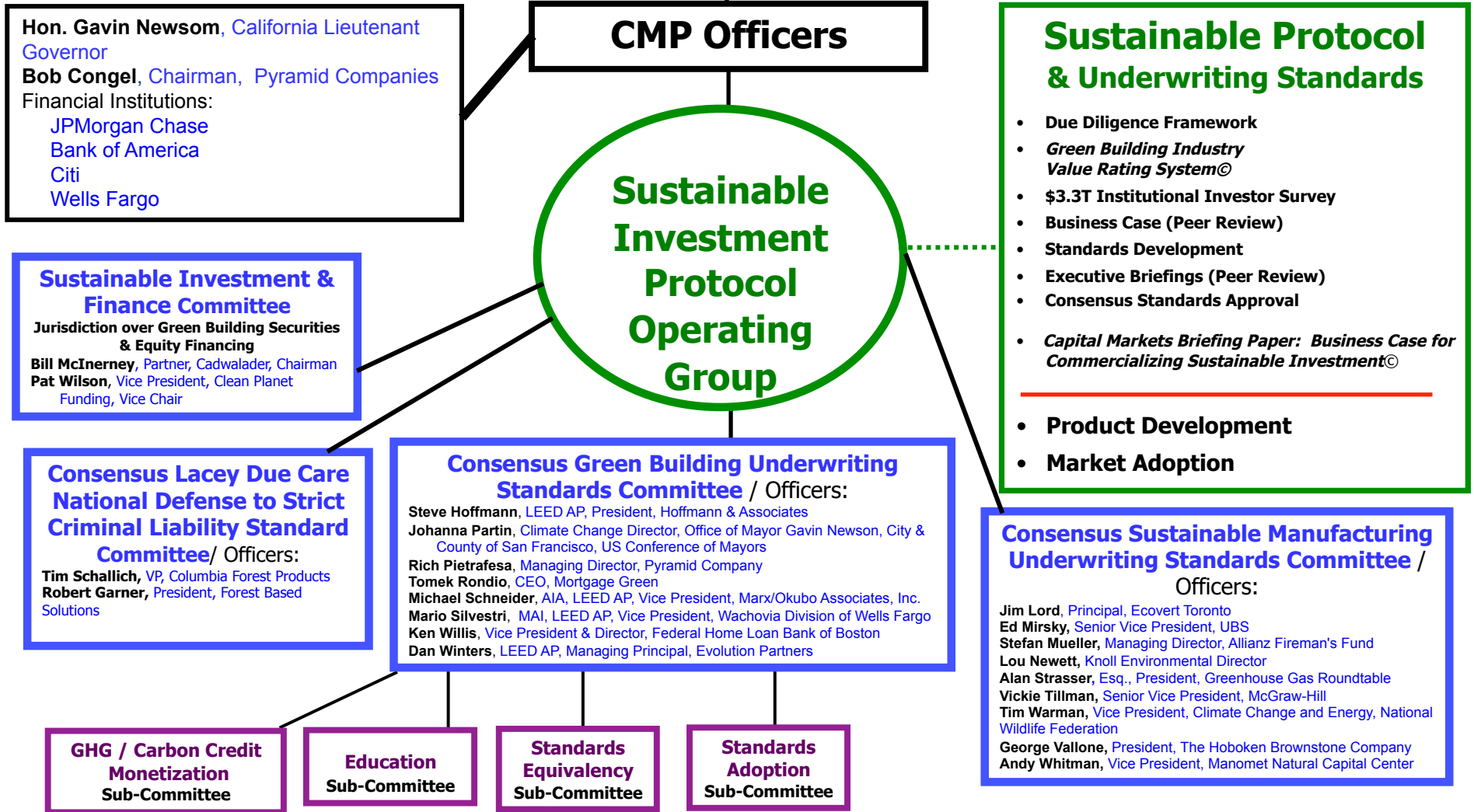
Capital Markets Partnership (CMP) - Partial List

- City of San Francisco
- City of Chicago
- City of Dallas
- City of Denver
- City of Miami
- City of New York
- City of Oakland
- City of San Jose
- City of Santa Monica
- City of Seattle



Capital Markets Partnership

See also MTS Org Chart



MTS / CMP is an accredited & audited ANSI Standards Developer

Capital Markets Partnership

CMP Officers

Green Building Underwriting Standards Committee Officers

Johanna Partin, Director, Climate Change Initiatives, San Francisco Mayor Edwin Lee
Steve Hoffmann, President, Hoffmann & Associates
Rich Pietrafesa, Managing Director, Pyramid Company
Tomek Rondio, President, Mortgage Green
Michael Schneider, Vice President, Marxa Kubo
Mario Silvestri, Vice President, Wells Fargo Wachovia
Ken Willis, Vice President & Director, Federal Home Loan Bank of Boston
Dan Winters, Managing Principal, Evolution Partners

**EMERGENCY Consensus Standards Launched in April 2008 at JPMorgan Chase.
Unanimously Approved Sept. 2, 2008 & Amended Sept. 4, 2009
Market Tested by JPMorgan, Jones Lang LaSalle, CB Richard Ellis, Comerica,
Transwestern.**

Capital Markets Partnership

CMP Officers

Sustainable Manufacturing Underwriting Standards Committee Officers

Jim Lord, [Ecovert Toronto](#)

Ed Mirsky, [UBS](#)

Stefan Mueller, [Managing Director, Allianz Fireman's Fund](#)

Lou Newett, [Knoll Environmental Director](#)

Alan Strasser, [Chairman, Greenhouse Gas Roundtable](#)

Vickie Tillman, [Senior VP, McGraw-Hill](#)

Tim Warman, [Vice President, Climate Change, National Wildlife Federation](#)

Andy Whitman, [Vice President, Manomet Center for Conservation Sciences](#)

EMERGENCY Consensus Standard Launched at August 18, 2009 CMP NYSE Meeting, Planning Meeting April 27, 2009 at the Milken Institute Global Conference Session on Convertible Securities, Organizational Meeting November 12, 2010, Allianz Global Investors, NYC, and unanimously approved February 4, 2011

Capital Markets Partnership

CMP Officers

Lacey Due Care National Defense Standard Committee

Officers

Tim Schallich, VP, Columbia Forest Products

Robert Garner, President, Forest Based Solutions

Some Other Key Committee Members

Anderson
Home Depot
Kimberly-Clark
NAMM, National Association of Music Merchants
Staples
Williams Sonoma
Knoll
Martin Guitar
Rainforest Alliance

Wood Flooring International
Goldberg & Associates
Floor Covering Institute
Danzer Group
National Wood Flooring Association
Venable, LLP
Sustainable Furnishings Council
National Wildlife Federation
Leading Global Office & Home Furnishings Retailers


Consensus Standard Providing Definition of Due Care and Liability Defense
Pursuant to the Lacey Act, for the Sale of Wood & Paper Products.

Develop / Finance / Occupy Green Buildings



US Conference of Mayors Support Resolution

June 2008



THE UNITED STATES CONFERENCE OF MAYORS
The Voice of America's Mayors in Washington, DC Celebrating **75** Years

SUPPORTING SUSTAINABLE INVESTMENT INITIATIVE

Sponsored by:

Hon. Gavin Newsom
Mayor, City & County of San Francisco

Hon. Richard Daley
Mayor, City of Chicago

Hon. Chuck Reed
Mayor of San Jose

Hon. Manuel A. Diaz
Mayor of Miami
President, US Conference of Mayors

Adopted at the 76th Annual Meeting of the US Conference of Mayors,
June 20-24, 2008
Miami

WHEREAS, the Intergovernmental Panel on Climate Change, the international community's respected assembly of scientists, has found that human activities are largely responsible for increasing concentrations of greenhouse gas pollutants in the atmosphere and resulting climate change; and

WHEREAS, the U.S. Conference of Mayors has taken action to combat climate change, including the establishment of the U.S. Conference of Mayors' Climate Protection Agreement, signed by over 830 mayors representing over 79 million Americans; and

WHEREAS, the U.S. building sector is responsible for 48 percent of greenhouse gas emissions in the United States, according to the U.S. Energy Information Administration; and

WHEREAS, the U.S. Conference of Mayors and the American Institute of Architects have called for immediate energy reduction of all new and renovated buildings to one-half the national average for that building type, with increased reductions of 10 percent every five years so that by the year 2030 all new buildings will be carbon neutral; and

Wall Street Due Diligence Released at NYSE Documented that 2.8 Million Green Buildings & 1.2 Certified Sustainable Products are Needed by 2016 to Prevent Dangerous Climate Change From Going Irreversible & Stopping Ongoing Systemic Financial Market Risks Already Existing in Insurance, Government, Agricultural, Fisheries & Forestry Sectors.

Sustainable Manufacturing National Consensus Underwriting Standard

- 25-100 CMP Corporate *Green Value Score* for FSC & SMaRT
- Value measured by increased profits, share value & reduced risk documented by Wall Street due diligence released at NYSE
- Three product lines must be certified & higher Score for more lines
- Higher value for Green-e Power & Conventional Energy Reductions
- Higher value for higher reduction of pollutants
- Higher value for reuse – avoids disposal risks
- Covers all manufacturers & retailers

Underwrites Green Convertible Securities (GCS)

For manufacturers & retailers. GCS cover debt & equity.

Launched at Aug. 19, 2009 MTS / CMP NYS Meeting & Unanimously Approved February 4, 2011



*The Deepest
Shade of
Green©*



9th DRAFT

Lacey National Consensus Due Care Defense Standard©

SUMMARY Outline

1. Standard Purpose, Scope, Definitions & Background
 - [Successful precedent](#)
 - [Technology Transfer Act obligation for government to adopt consensus standards](#)
 - [APA rulemaking petition option for government standard adoption with judicial review](#)
 - [Standard intent to also constitute a legal opinion & its effect](#)
2. Lacey Act Statutory Purpose & Retroactivity
3. What is the Meaning of Due Care Under the Law?
 - [Statutory construction, legislative history & case law](#)
 - [Justice & USDA Guidance Supporting Industry Standards](#)
4. Encouraging Lacey Compliance & Benefits
5. Rationale for Levels of Due Care & Implications
6. Principles Governing Due Care
7. Level 3 Due Care
 - [Stepwise Approaches to Levels 2 & 1 Due Care using multiple certification systems](#)
 - [Mandatory risk reduction activities including laws & practices of country, audits](#)
8. Level 2 Due Care
 - [Mandatory standards: FSC Mixed & Recycled, Risk-Based Controlled Wood](#)
 - [Mandatory risk reduction activities including laws & practices of country, audits](#)
9. Level 1 Due Care
 - [Mandatory standards: FSC Mandatory Chain of Custody, Controlled Wood Forest Management & Forest Management](#)
 - [Mandatory risk reduction activities including laws & practices of country, audits](#)
10. Equivalency Petitions & Burden of Proof
11. Legally Binding Certification to the Standard - Options
12. Bibliography & Appendices

Lacey Due Care National Defense Standard FAQs

Question: Since there is no description of what constitutes due care under Lacey, what are wood and paper sellers' position or defense in the event of raids and criminal prosecution against the company and employees?

Answer: ??????

Question: Why does the government not define due care?

Answer: It is reported that the government has no intention to define due care as provided for in the statute, because it does not want to limit its prosecutorial discretion.

Question: What does strict criminal liability mean for sellers?

Answer: It is criminal liability for product seizure and forfeiture even though the seller is not at fault and there is no intent to commit a crime. It is the most onerous liability. Further, criminal liability can also result in fines and incarceration. The threat of criminal liability through raids on company offices and product and record seizure, destroys the seller's brand and business relationships, and incurs substantial legal fees.

Lacey Due Care National Defense Standard FAQs

Question: Who is accountable for sellers in the event of a Lacey Prosecution?

Answer: Employees in supply chain responsible for wood procurement, environmental management, sustainability, top management, board of directors

Question: Why is the government publicly committing to additional Lacey prosecutions and allocated enforcement staff even though there is no new government funding?

Answer: Many organizations including those in the environmental and forest products communities, are lobbying for Lacey enforcement due to known Lacey compliance greenwash by many companies globally and substantial evidence of illegal logging globally and in North America. The European Union is very aggressively negotiating compacts with foreign countries to stop illegal logging, and the US is thus being pressured to also act on illegal logging through enforcement.

Lacey Due Care National Defense Standard FAQs

Question: Would the government prosecute another company with certified wood?

Answer: ??? Justice's only known Lacey enforcement priority is that enforcement is a top priority. Wood and paper products sold in US interstate commerce in the global supply chain anywhere in the world are subject to Lacey.

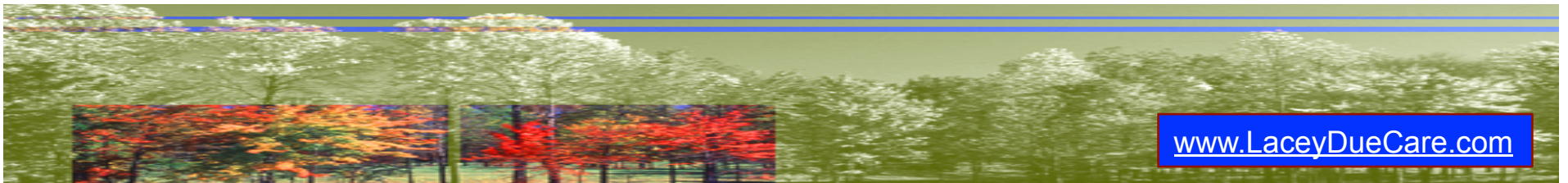
Question: Why have Rainforest Alliance, National Wildlife Federation, Forest Ethics, Forest Stewardship Council, Anderson Floors, National Wood Flooring Association, Knoll, Wood Flooring International, Sustainable Furnishings Council, Home Depot, Williams Sonoma, Mannington, Staples, National Association of Music Merchants, Columbia Forest Products, Danzer Group, Martin Guitar, Floor Covering Institute, Forest Based Solutions, leading global retailers and consumer products companies and Capital Markets Partnership and others supported development of the national consensus standard defining Lacey Due Care based on best supply chain forest management practices?

Answer: To increase Lacey compliance, address the substantial risks, and uncertainties detailed above, provide an added competitive advantage, and follow successful precedent where a similar defense to liability was secured before in the capital markets by Lacey Due Care National Consensus Committee Leaders.

Lacey Due Care National Defense Standard

Lacey 110 Year Old Enforcement Scheme & Effects

- The statute provides that enforcement agents can be armed and warrantless searches may be conducted.
- The statute provides for strict liability seizure and forfeiture of wood and paper products, corporate records, hard drives, emails and authority to shut down corporate facilities. No showing of fault by the seller is required.
- Companies raided suffer from brand destruction, productivity losses, damage to business relationships and substantial attorneys fees and transaction costs.
- Products sold in violation of Lacey carry that liability to the purchasing customers who are also subject to prosecution.
- Statutory purpose is to protect the forest environment from illegal logging.
- Misdemeanors are punishable by 1 year in prison and a fine of \$ 100,000 (\$200,000 for corporations).
- Felonies are punishable by 5 years in prison and a \$250,000 fine (\$500,000 for corporations).



Lacey Due Care National Defense Standard

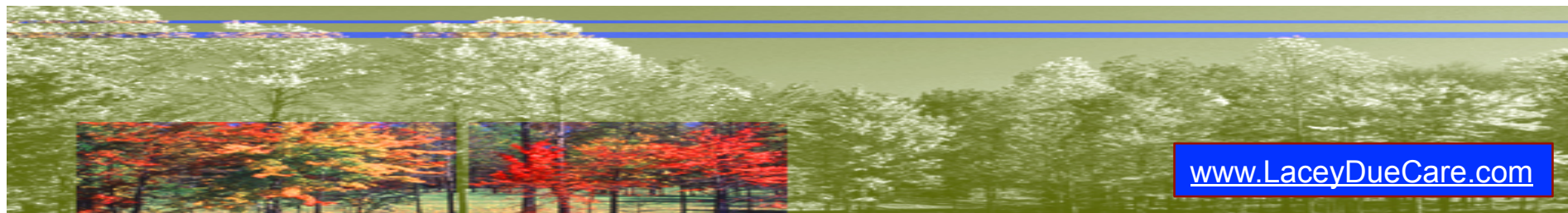
Benefits

The Standard Increases:

- Market clarity, certainty and forest certification value
- Competitive advantage, and profitability for companies with three or more product lines certified as documented by Wall Street due diligence released at NYSE and measured by Sustainable Manufacturing Underwriting Standard.
- Lacey compliance and protection of the forest environment
- Reduction of imminent irreversible unmanageable dangerous climate change and resulting ongoing systemic financial market risks already apparent in the insurance, government, agricultural, fisheries & forestry sectors

The Standard Reduces Litigation and Risk of:

- Brand destruction
- Strict liability (no fault) seizure / forfeiture of products, hard drives and records
- Substantial legal fees and transaction costs
- Business and customer interruption
- Fines & Jail time



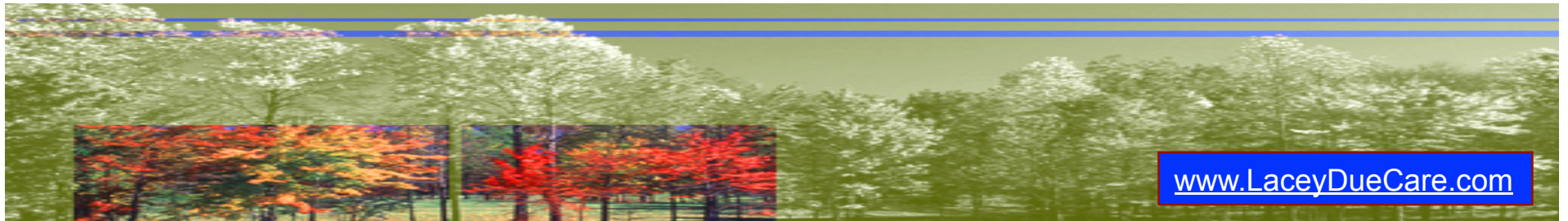
Lacey Due Care National Defense Standard

Benefits

Overcoming Widespread Global Government Trade Fraud & Corruption Undermining the Rule of Law

According to the *WSJ* & *Sierra Club*, Anderson conducted Lacey legality assessment for leading Asian countries and concluded it was not feasible due to government corruption. It is relying on FSC Certification & substantially reduced its wood imports.

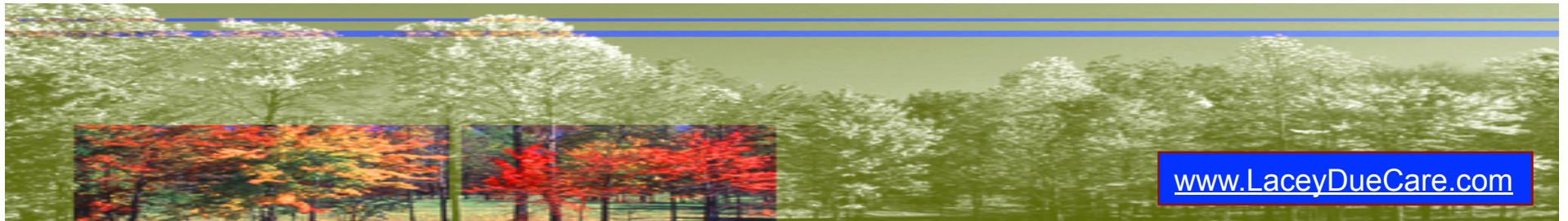
Credible Forest Certification with Legality & Risk Assessment Is Best Option.



Lacey Due Care National Defense Standard

Benefits

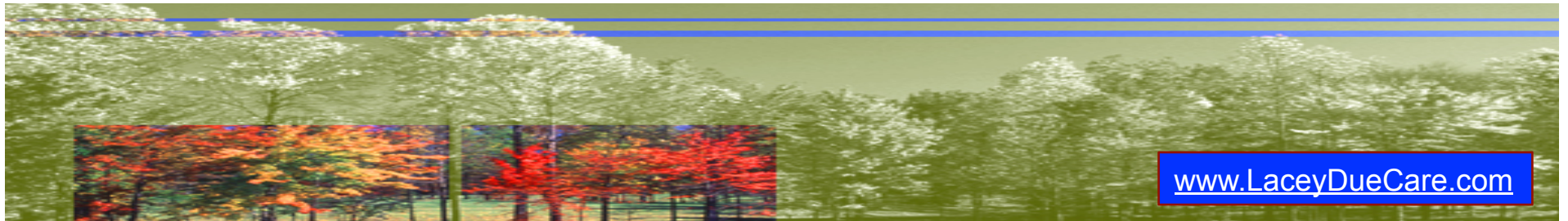
**Legally Binding Certificate of Standard Compliance
Pursuant to §11 can be used to Prevent
Strict Liability Seizure, Forfeiture, Criminal &
Civil Liability, Brand Destruction & Uncertainty, &
Increase Business Value Including with
Customers & Other Partners.**



Lacey Due Care National Defense Standard

Next Steps

1. **Submit 9th Draft Outline to Lacey National Consensus Committee for Approval**
2. **Brief Key Constituents**
3. **Convert 9th Draft Outline to Draft Standard**
4. **Start National Consensus Process with Notice & Conduct of National Public Meeting in DC**





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