Pico Bonito, LLC

**Description of Business** Pico Bonito, LLC is a newly formed company whose mission is to establish, and manage a precious tropical hardwood plantation. In addition to commercial forestry the company will repair, enhance, and sustainably manage previously degraded habitats within the Pico Bonito National Park in La Ceiba, Honduras. This effort encompasses the reforestation of more than 2,500 hectares (6,200 acres) in selected sites in and around the park. Specific goals of the company include:

- Establishing commercial reforestation in degraded areas of the national park to restore habitats and watersheds, while providing acceptable returns on investment. Achieve sustainable timber revenues as well as realize revenues from the sale of carbon credits generated from reforestation activities. The project is one of only 4 worldwide to be awarded an “A” certification by the United Nations’ Clean Development Mechanism – the certifying body for all carbon emissions reduction projects (CERs) worldwide - for the carbon sequestration methodology process to be utilized.
- Reintroduce and manage native tree species to improve slope stabilization, water quality, and biodiverse habitats.
- Expand use of trees in local agricultural practices, thereby expanding agroforestry and replacing conventional slash-and-burn farming practices. The project will abide by the internationally recognized Forest Stewardship Council (FSC) process for certification of timber and related agroforestry products produced by the project.
- Education, training, economic/social benefits for 216 communities and over 1,000 local inhabitants to better align future generations’ need for improved living standards with the maintenance of the park’s eco-systems and biodiversity.
- Establish this project as a successful and replicable model for future forestry opportunities.

**Financing Sought and Use of Proceeds** The company is currently raising $5.5 million to initiate startup activities leading to full-scale operations. With this capital, the Company will formalize a management contract with its identified forestry management firm, commence purchasing of identified land areas for the project, and initiate all necessary activities leading to initial planting and cultivation of both tree and agroforestry crops, leading to sequestration of carbon and harvesting activities. No further rounds of equity financing are anticipated.

**Summarized Investment/Financial Information** ($’s in thousands)

<table>
<thead>
<tr>
<th>Description</th>
<th>Year 2</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 10</th>
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</thead>
<tbody>
<tr>
<td>Equity Capital Required</td>
<td>$5,500</td>
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<tr>
<td>Initial Start-Up Costs</td>
<td>$1,250</td>
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<tr>
<td>Revenue Generation Commences</td>
<td>Year 2</td>
<td>Year 6</td>
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<td>Year 10</td>
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<td>Operating Profit Achieved</td>
<td></td>
<td>Year 6</td>
<td></td>
<td>Year 10</td>
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<tr>
<td>Cash Distributions to Investors Commences</td>
<td>Year 7</td>
<td></td>
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<td>Year 10</td>
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<tr>
<td>Major Harvest/Revenue Commences</td>
<td>Year 10</td>
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<td>Year 10</td>
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<tr>
<td>Operating Project IRR*</td>
<td></td>
<td>15.2%</td>
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<tr>
<td>Commercial Forestry Revenue</td>
<td>$416,619</td>
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<tr>
<td>Agroforestry Revenue</td>
<td>511</td>
<td></td>
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<tr>
<td>Carbon Credit Revenue</td>
<td>3,290</td>
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<tr>
<td>Total Revenue</td>
<td>$420,420</td>
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<tr>
<td>Operating Costs</td>
<td>(194,245)</td>
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<tr>
<td>EBITDA</td>
<td>$226,175</td>
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*IRR does not include leverage financing, exits, and/or capital gains from sale of equity position, which would add to this return.

**Kyoto Protocol/CDM “A” Rating Approval** - The company has already completed the extremely rigorous scientific and political process of gaining Clean Development Mechanism (CDM) approval for its carbon sequestration methodology, which will lead to having all sequestered carbon credits being certified by the CDM for trade – one of only 4 such projects in the world to achieve this objective.

**Prior Financing** – The company has already secured initial financing of over $1.1 million from a variety of financiers and institutions including the government of Japan and Citigroup Foundation. In addition, a definitive agreement with the World Bank BioCarbon Fund has been established for the purchase of up to $3.5 million in carbon credits produced by the project.

**Established Relationships** - The company maintains numerous business relationships among the principals and a myriad of governmental and multilateral organizations including: the World Bank, The United Nations, various Honduran government ministries, local government agencies and NGO’s, and various financing and grant-making organizations such as the World Bank BioCarbon Fund, Citigroup, Overseas Private Investment Corporation, Oak Foundation, and Calvert Funds. With the successful launch of this first project, a replicable model will then be deployed in similar areas with little or no competitive threat, due to this extremely high “relationship barrier”.

**Domain Expertise** – The company has assembled management and project team leadership which encompasses decades of successful experience in all relevant areas of the project including: Forestry Management, Ecosystems, Clean Development Mechanism (CDM) compliance, Carbon Markets, Forest Stewardship Counsel (FSC) compliance, World Bank compliance, Operations and Finance, Start-Up Business Management, International Business, Investment Management/Investor Relations, Corporate Oversight, Non-Profit and NGO Management, Governmental and Multilateral Agency relations and compliance, Local Community relations, and Legal and Tax expertise.

**Market**

1. **Purchasers of precious tropical hardwoods** who produce finished products and/or product components for established markets. Recently, the worldwide market has seen a decline in production and a rise in import demand resulting in a rise in prices. According to the International Tropical Timber Organization (ITTO), total 2001 tropical log imports were 18.8 million m³, a 9% increase from 2000.
2. The newly formed market for Emission Reduction Purchase Agreements, also known as carbon credits. This market is based on the recent ratification of the United Nations’ Kyoto Protocol whereby participating nations are obligated to reduce greenhouse gas emissions via both upgraded clean emissions technology, as well as through the purchase of certified carbon offsets. As reported by the Chicago Climate Exchange, a recent World Bank study reports that the dollar volume of carbon transactions has already surpassed $100 million. Furthermore, The Economist magazine projects an annual volume of trading from $60 billion to $1 trillion.

3. The local consumption of pre-harvest thinnings of the forest as well as agroforestry products such as vanilla and allspice. Local demand is strong for these products with the resulting revenue utilized to offset ongoing operating costs in the early years of the project.

Business Model  Investor participation will be via a special purpose U.S. based entity. The investor will hold a preferred class of shares that will offer preferred rights, oversight, and financial terms vis-a-vis all other shareholders. Other major shareholders will include FUPNAPIB, EcoLogic Development Fund, as well as possibly employees, and local community groups. A professional forestry management company – Brinkman Associates - will be appointed for all operations. To achieve the various goals of the company, operating activity will not only focus on the proper acquisition of land areas for the project and the subsequent planting and early-stage management of the fledging forest and agroforestry crops, but also the incorporation of a significant number of local indigenous peoples and communities as part of overall project activities. This will result in benefits from these peoples’ local knowledge and experience in the region and their relatively low requirements for compensation, while providing the necessary incentives for these groups to embrace and advocate for the business, thus lowering the risks of operating failure due to local community disinterest or negative perceptions. Once land areas have been acquired and initial plantings have been established, ongoing management will commence leading to initial harvesting of agroforestry crops and tree thinnings, and thereafter, regular cycles of major tree harvests. Harvested trees will be milled and sold for both local consumption and export, based on current market demand and pricing. The current overall cycle of planting and harvesting activities for the project shows a time horizon of 42 years, during which sustainability will have been achieved.

Social and Environmental Impact  Over 1,000 inhabitants from more than 50 villages will receive significant education, training, and work opportunities from the project. Beyond direct employment opportunities within the project, community based development of alternative agricultural practices will be heavily promoted in 20 villages by the project, thus increasing sustainable forestry and agroforestry management practices while enabling local inhabitants to raise their standard of living. These economic and social benefits of the project will encourage local community members to protect the timber resources in which they will have an interest.

Approximately 800 hectare (2,000 acres) of land will be reforested for restoration purposes only - to protect vulnerable water catchments and expand habitat for rare and endangered species. These activities will sequester carbon from the atmosphere and thus create carbon credits, reintroduce native forest species, and set in place a permanent mechanism for plant, animal, and ecosystem preservation. The project will promote sustainable forestry and agroforestry practices land areas adjacent to the project. This will expand sustainable agroforestry management practices and replace previously prevalent and destructive slash and burn farming practices. This will lead to the project sequestering well over 1 million metric tonnes of carbon – directly contributing to a cleaner, more sustainable global climate.

Key Principals

Shaun Paul, Co-Chair - Mr. Paul is co-founder & Executive Director of EcoLogic Development Fund. He has 20 years experience in rural Latin American economic development, environmental protection, and natural resource management. Mr. Paul has held positions with the United Nations Non-Governmental Organization Liaison Service, the UN Development Program, and the Inter-American Foundation. He has a M.A. in natural resource/development economics from the Univ. of Michigan and a B.A. in international relations from American Univ.

Ricardo Steiner, Co-Chair - Mr. Steiner, a native of Honduras, is President of the Foundation for the Pico Bonito National Park (FUPNAPIB). Mr. Steiner serves as a World Bank consultant on establishing conservation easements for Emerald Hummingbird protection. He was previously president of Tropical Forests RL where he was responsible for managing a 500-hectare commercial tree plantation. Mr. Steiner served as a board member of Bosques Atlantidas, where he was responsible for the planning and initial construction of the Lodge at Pico Bonito, a small luxury hotel initially financed by US investors together with the World Bank.

Winsted Rouse - Mr. Rouse is a Board Director of EcoLogic Development Fund and an investor in the project. He is also a partner with Struever Bros. Eccles & Rouse, Inc. where he is in charge of residential development. Mr. Rouse also serves as Chairman of the American Visionary Art Museum, a Co-Chair of the Waterfront Promenade Committee for the Living Classrooms Foundation, and Board Member of the Jim & Patty Rouse Charitable Foundation, the American Bird Conservancy and the Chesapeake Bay Maritime Museum.

Robert L. Lapides - Mr. Lapides is an investor in the company and will serve as the managing member and CEO. He is the principal of Robert L. Lapides Co., LLC – a specialized private equity investment and advisory firm based in Wellesley, Massachusetts. His areas of expertise include: new fund establishment, private equity financings, portfolio company oversight, strategic relationships, and successful exit strategies. His work includes advisory, co-investment, and ongoing representation for the benefit of private equity funds, investing institutions, and high net worth individuals. He brings to his role over 20 years of experience in the private and nonprofit sector. He currently serves as advisor and/or board director to several private equity groups, operating companies, and nonprofit organizations including: Verizon, Inc., Celedon Capital, First Elements Ventures Ltd., Tenacity, Inc., SFS Group Plc., The Boston Institute for Arts Therapy, Phoenixx TPC, and ITC Ventures. Mr. Lapides earned his B.S. and M.B.A. degrees from Babson College in Wellesley, MA.

For More Information

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