

Blue Forest Conservation is tackling some of the most pressing environmental challenges – extreme drought and severe wildfire – in an innovative and sustainable way. The Forest Resilience Bond will invest private capital in forest health, generating more than just financial returns by contracting with beneficiaries such as the US Forest Service and utilities to monetize the diverse benefits of forest restoration.

Twin Challenges: Wildfire and Drought



WILDFIRE

- 9 of the 10 worst wildfire seasons on record have occurred since 2000, with 2015 the worst ever¹
- Fire suppression costs growing from 17% to over 50% of US Forest Service (USFS) budget in just 20 years²



DROUGHT

- Drought or “abnormally dry conditions” affecting all 11 Western states³
- CA hydro generation “substantially below average” during drought, adding \$2.0B of economic costs⁴

An Integrated Solution – The Forest Resilience Bond (FRB)

Forest restoration (the strategic removal of overgrown brush and shrubs and thinning of small trees) is proven to address both drought and wildfire challenges yet **budget limitations** restrict the ability of public forestry agencies such as USFS to accelerate treatments in areas of need. The FRB utilizes **private capital** to fund the upfront costs of forest restoration while contracting with **multiple beneficiaries** – USFS, water and electric utilities, state governments and potentially private water-dependent companies – to repay investors over time based on benefits received.

Advantages of the Forest Resilience Bond

1. Provision of upfront capital decreases risk and aligns incentives for beneficiaries by allowing them to repay on an ex-post basis once benefits have accrued
2. Splitting of costs among beneficiaries creates compelling economics for beneficiaries and investors while accelerating much-needed restoration work
3. Competitive returns, social and environmental impact, and portfolio diversification for investors
4. Economies of scale as FRB is replicated across watersheds

Primary Beneficiaries

US Forest Service



Decreased wildfire severity, protection of wildlife habitat, recreation areas, and ecosystems

Utilities & Water-Dependent Companies



Protected water quality, increased water quantity and hydropower (in some cases), and protected infrastructure

State Governments



Job creation, public safety, clean air

BENEFITS

CASH FLOWS

Annual contracted cash flows as a % of restoration costs

Annual contracted cash flows as a % of restoration costs and/or pay-for-success cash flows for increased water quantity (when applicable)

Annual contracted cash flows

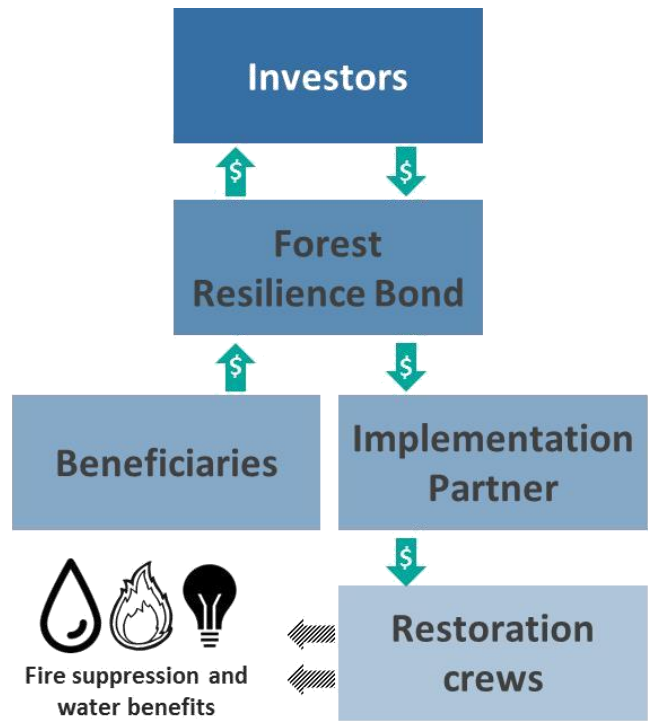
1. [National Interagency Fire Center](#), Total Wildland Fires and Acres, 1960-2015.
 2. [“The Rising Cost of Fire Operations”](#), 8/2014.

3. [“United States Drought Monitor”](#), 6/2016.
 4. [Impacts of California’s Drought: Hydroelectricity Generation 2015 Update](#).

Mechanics of the Forest Resilience Bond

The FRB accelerates restoration treatments while creating value for beneficiaries through cost sharing and the use of private capital to fund the upfront costs of forest restoration. Funds will flow as follows:

1. Debt and equity investors provide capital to the FRB investment vehicle to cover restoration costs;
2. Capital flows to the implementation partner (such as CAL FIRE or National Fish and Wildlife Foundation) as restoration work is completed;
3. Once work is completed, beneficiaries make annual repayments to the FRB investment vehicle as benefits are realized over ~10 years;
4. Beneficiary payments pass through FRB investment vehicle to investors. These cash flows provide return of investor principal plus interest; and
5. FRB can be reapplied using similar contacts for additional treatments when needed.

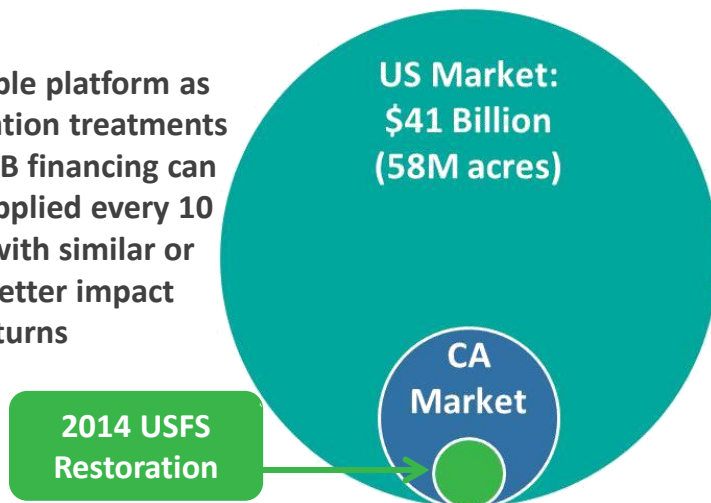


Social, Environmental, and Economic Impacts of the Forest Resilience Bond

↓ Wildfires	↑ Water Resources	↑ Hydroelectricity	↑ Employment
<ul style="list-style-type: none"> • Reduced CO2 emissions • Protected habitats, lives, homes, and recreation • Taxpayer savings 	<ul style="list-style-type: none"> • Protected water quality • Increased water yield (in some cases) • Ratepayer savings 	<ul style="list-style-type: none"> • Reduced CO2 emissions • Enhanced storage capacity • Ratepayer savings 	<ul style="list-style-type: none"> • Safe, sustainable forest restoration jobs • Agriculture job preservation

Market Size

*Scalable platform as restoration treatments and FRB financing can be reapplied every 10 years with similar or even better impact and returns



Partner Network



From Crisis to Opportunity

USFS has identified **58 million acres of restoration backlog**, a number that will only grow as the agency's budget crisis intensifies. Blue Forest Conservation and its partners are transforming this funding crisis into a multi-billion dollar investment opportunity by leveraging **private capital** and **aligning incentives** of beneficiaries to repay investors over time. The Forest Resilience Bond platform generates a sustainable pipeline of environmental investments to **accelerate forest restoration** while creating social, environmental, and financial returns for stakeholders.

Visit www.blueforestconservation.com to learn more.