



Loan Stock Offer— Issue 1

Issue date: March 2011



The Cochabamba Project Ltd. is an industrial and provident society that was formed to enable socially minded investors to invest in the reforestation of one of the world's most valuable and bio-diverse habitats - the Bolivian Amazon Rainforest - whilst also providing poor communities with genuine sustainable alternatives to farming that would otherwise lead to further deforestation and loss of biodiversity.

The Cochabamba Project is an Industrial and Provident Society (IPS) engaged in the business of commercial forestry and the trading of carbon credits in order to fund its commercial forestry activities as part of the ArBolivia project in Bolivia.

The information provided is important and requires your detailed attention. You should read the rest of this notice before proceeding further. If you require advice you should consult a bank manager, solicitor, accountant, stock broker or independent financial adviser authorised under the Financial Services and Markets Act 2000 (FSMA 2000).

The Cochabamba Project is an Industrial and Provident Society, registered on 9th March 2009 with number 30642R with the Financial Services Authority. Its registered office is: 52a High Street Sheffield, S20 2ED Its Rules and its latest annual accounts are available online (www.cochabamba.coop).

This communication is not intended to be distributed or passed on directly or indirectly to any other person. It is supplied to you at your request and for your information only.

The Cochabamba Project's website and any communication issued by The Cochabamba Project are intended for the personal use of UK residents only. It may be used by them only in relation to their activities within the UK.

The Cochabamba Project is not an authorised body under FSMA 2000. The Cochabamba Project does not accept deposits. There is no deposit protection scheme for unsecured loan stockholders.

Unsecured loan stock is not covered by the Financial Services Compensation Scheme. The Cochabamba Project is not a member of an Investor Protection Scheme.

Unsecured loan stockholders are not and are not deemed to be members of The Cochabamba Project. Unsecured loan stockholders are not entitled to receive notice of or to attend and vote at any meeting of the members of The Cochabamba Project.

Industrial and Provident Societies are exempt from the FSMA 2000 financial promotion restriction in respect of unsecured loan stock. Pursuant to Article 35 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (**Order**) the financial promotion restriction does not apply to loan stock issued by the Society as set out in para 15 of the Schedule to the Order.

The documents that are available for your inspection are as follows:

- The Rules of The Cochabamba Project Ltd
- The contracts relating to investments in the ArBolivia project
- Financial Accounts for the period to 31/10/2010

You may inspect these, during normal business hours at the registered office with prior arrangement

Registered office: 52a High Street, Beighton, Sheffield, S20 1ED
Contact Address: 100 Whirlowdale Road, Sheffield, S7 2 NJ

Advisers and Bankers

Solicitors:

Coffin Mew LLP, Kings Park House, 22 Kings Park Road, Hampshire, SO15 2UF

Bankers:

The Co-operative Bank, PO Box 250 Skelmersdale, WN8 6WT

Contact:

For all enquiries contact David Vincent, 100 Whirlowdale Road, Sheffield, S7 2NJ.

Tel: 0114 2368 168

Email: dav@ethicalinvestments.co.uk

Website: www.cochabamba.coop

The information relating to the making of applications for the First Issue of unsecured loan stock to The Cochabamba Project remains valid until 31st May 2011 at 5.00pm or such later date as the directors may decide.

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The Society invests in the Arbolivia Project, which has been established to tackle the multiple problems of poor land management, deforestation, coca growing and poverty. The origins of the project date back to 1995 (see page 13), since when the project has been established as a commercial enterprise, having planted over 1500 hectares of predominantly native hardwood trees in previously deforested areas of the Bolivian Amazon.

The project is pioneering a new model of community based forestry that shares the net proceeds of the timber equally between investor and farmer, thereby giving farmers sufficient economic incentive to both reforest part of their land and to remove the need to clear further areas of prime tropical rainforest. Technical assistance is provided to the farmers so that they can derive a better income from their land as a whole and can also manage this in a more ecologically sustainable manner. Intercropping is encouraged so that farmers can cultivate both food crops and timber on the same plot of land, whilst predominantly native species of trees are used in a patchwork of different tree types. Instead of planting one non-indigenous tree type in a concentrated area, 19 different species have been planted on widely dispersed small plots of land. The resulting biodiversity gains together with the focus on putting farmers' interests at the heart of the project, make Arbolivia a very special forestry project that stands out from other 'sustainable' forestry schemes (see page 14 for further details).

Managing almost 1000 widely dispersed farmers (as at 1st October 2010) in what can be quite a difficult environment with poor communications, poses something of a challenge and requires a sizeable team of technicians and managers to ensure that quality standards are met and to maintain good relations with farmers, many of whom have little or no education. This necessitates much higher costs than would normally be associated with a project of this size but it also means that the community aspects of the project have enabled it to attract additional funding from the sale of carbon credits and environmental services (see page 16), without which the project would not have been possible.



The project is managed on the ground by the Sicirec Bolivia, a company limited by guarantee established in Bolivia by – but independent from - Sicirec Group BV, a firm of Dutch forestry professionals with considerable experience of assessing and managing tropical forestry projects around the world. However, the project is also notable for its partnerships between NGOs, international governments, peasant farmers, forestry experts, investors and academics (see Interests and Partnerships page 19 for further details). At the current time, Arbolivia is committed first to raise finance to fund the project at its current size of 1400 hectares until it reaches breakeven, which is expected in 2015/16, and further planting will only take place when sufficient funds are in place to proceed. Maintaining the current plantations will require a total investment of around £2.4m (at current exchange rates) over the next 5 years and the society has committed to funding Arbolivia until the project is self-financing. This will require ongoing fundraising and sale of carbon credits and tree subsidy certificates.

The project is pioneering community based forestry which confers major social and environmental benefits

Environmental Returns

- High rates of carbon capture through reforestation in the Tropics
- Avoidance of further deforestation
- Enhanced biodiversity
- Nature conservation
- Protection of stocks of native seed
- More sustainable agricultural practices
- Intercropping to produce food as well as timber
- Carbon capture through intercropping
- Low impact on soil, water systems and micro-climate
- Enhanced soil water retention leading to reduced flooding
- Erosion control

Social Returns

- Prospective trebling of incomes on forested land of participating smallholders
- Increased incomes from non-forested land through increased yields
- Increased incomes from fair trade accreditation and collective bargaining
- Employment of up to 200 people in the nurseries (during high season)
- Establishment of microenterprises including seed farms, nurseries and maintenance contractors
- Capacity building through forestry committees, marketing support and technical assistance



Many of these benefits have been independently verified and through ArBolivia's comprehensive online database and Google Earth, it is possible to connect with individual farmers on the project's website (www.arbolivia.org) by viewing the individual parcels and the details of the farmers and also tree species associated with individual plots. For further details on the social and environmental aspects of the project see page 15.

Financial Return

In determining the level of interest for its Loan stock, the directors will primarily take into account the society's intention to contribute financially to the community, with the expectation of a social dividend, rather than any personal financial reward. However, the directors are also mindful of the need to pay an interest rate sufficient to attract and retain capital, especially given the relatively high level of risk associated with the project. With this in mind the directors have set

Investors should be aware that they are responsible for declaring interest payments through their Self Assessment return and are liable to tax on their interest when it is actually received.

Early Bird Incentive

The society's financial year ends on 31st October. Interest payments on the society's loan stock will therefore be based on the level of investment at the end of each quarter. In other words an investor who applies for loan stock before 30th April 2011 will be awarded 2 full quarters' interest for the year to 31st October 2011. An investor who pays for shares between 1st May and 31st July 2011 will only receive interest for 1 quarter.

The Cochabamba Project Ltd is an Industrial and Provident Society for the Benefit of the Community and operates on a 'one member one vote' principle, irrespective of the size of a member's shareholding. The society is governed by its rules which are available on the society's website at www.cochabamba.coop. The purpose of the society is to benefit the communities of the departments of Cochabamba, Santa Cruz, Beni and La Paz in Bolivia. The directors intend to achieve this by investing the society's funds for the foreseeable future in the ArBolivia project.

The society was formed on 9th March 2009. As at 1st January 2011 the society had issued share capital of £1,223,903 and had 213 members, including Rathbones Investment Management and Ethical Investments Ltd, who act as nominees on behalf of a number of private clients.

The current directors of the society are David Vincent, John Fleetwood and Daniel Brewer, who between them, have considerable experience and expertise in advising on sustainable forestry and other investments with a high social impact (see page 21 for director profiles). The society has also appointed an advisory committee to provide guidance to the directors on different aspects of the project. We are currently fortunate to have two of the leading experts in their fields on our advisory committee – former head of the Financial Services Authority, David Jackman and leading environmental academic, Mike Berners-Lee (see page 22 for profiles). Membership of the society is afforded to holders of ordinary shares. These shares can be withdrawn in accordance with the society's rules and this Invitation to Invest but cannot be sold or transferred and there is no prospect of them ever being worth more than their nominal value).



Monies raised from the issue of unsecured loan stock will be used to refinance loans from private investors in the ArBolivia project, which is working with almost 1000 smallholders and their families in the tropical regions of Bolivia on the western fringes of the Amazon rainforest

Successful applicants to The Cochabamba Project will receive from us an unsecured loan stock certificate.

Your application is not a donation nor is it a deposit or loan. Subject to the terms of your application you may receive repayment in full. You may not transfer your holding to a third party at any time. However the society may, at its discretion, consider early repayment as outlined on page 8

You must therefore be prepared to retain your loan stock for the full term that you select.

Since our revenues will come from sales of timber from our maturing trees, we hope that investors will select as long a term as possible, although they should bear in mind the limited liquidity available.

It is also helpful for us to be able to spread out our repayment commitments over as many years as possible in order to minimize the impact on our cash flow.

For these reasons we are offering a complete range of investment terms with interest rates that encourage longer term investment

The minimum term is 5 years.

The standard rate of interest for loan stock with a term of 5, 6, 7, 8 or 9 years is 4%

The standard rate of interest for loan stock with a term of 10, 11, 12, 13 or 14 years is 5%

The standard rate of interest for loan stock with a term of 15 years or longer is 6%

The Cochabamba Project recognises the contribution of stockholders to our wider social and environmental objectives and we are therefore also offering you the option to select a lower rate of interest if you prefer for the society to benefit from a lower cost of finance. Your application will be treated with equal fairness, whether you choose a higher or lower interest rate.

In addition, we are offering a range of interest payment periods and options. You may choose for all the interest to be paid out monthly, quarterly, annually or to be rolled up. Again, your choices will be a matter of personal preference based on your individual circumstances. The Cochabamba Project will treat all applications equally on the specified terms.



1 Applicants must be resident in the United Kingdom and be at least 16 years of age. In the case of joint applications, all must sign.

2 The unsecured loan stock shall be repaid in full at the end of term.

3 Interest is payable on unsecured loan stock and in accordance with the Rules of the Society.

4 Applications to the Society for unsecured loan stock may be refused by the Board of the Society without giving any reason therefore in which case your cheque will be returned to you through the post at your risk. A contract will not exist between us until we have issued your unsecured loan stock certificate.

5 Applications for unsecured loan stock may be made either by post or on-line.

6 Successful applicants will receive an unsecured loan stock certificate.

7 The Society may, at its discretion, accept applications for early repayment of Loan Stock subject to the following conditions: (a) A written notice stating the amount requested to be repaid should be sent to the Society together with the Loan Stock Certificate. (b) Repayment will normally be made within the following periods of time after proper notice has been received: Up to £20,000 within 30 days and amounts over £20,000 within 90 days.

8 Interest is payable after deduction of tax at the basic rate from time to time. If exempt from tax send R85 with this form.

9 Unsecured loan stock is not transferable in any circumstances.

10 Unsecured loan stockholders shall cease to be entitled to amounts due in respect of interest which remain unclaimed for a period of 6 years and to amounts due in respect of principal which remain unclaimed for a period of 10 years, in each case from the date on which the relevant payment first became due.

11 No application has been made to any Stock Exchange for the unsecured loan stock to be listed or dealt in. However the society does intend to offer a "matched bargain" facility once demand is significant. This means that a register will be held of parties willing to sell and parties wishing to buy stock. An indication will be given of the acceptable range of prices and where possible buyers will be matched up with sellers.

12 Unsecured loan stock, as and when issued, shall rank pari passu equally and rateably without discrimination or preference as an unsecured debt obligation of the Society for the punctual payment of the principal and interest in respect of it and for the performance of all the obligations of the Society with respect to it.

13 Unsecured loan stock certificates are sent by post at your risk to your address given in the application form.

14 Unsecured loan stock will be repaid automatically on maturity together with accrued interest. You do not have to send in a repayment notice or letter. Shortly before the maturity date the Society may send to you a notice inviting you to re-invest your unsecured loan stock in the new issue then available and on the terms of that new issue.

15 Any notice required to be given to the Society under the Terms and Conditions of the unsecured loan stock shall be in writing (which includes email) and may be given either personally, by email, or by sending it by post in a prepaid envelope addressed to the Society at its registered office or to such other address as the Society may from time to time notify to the unsecured loan stockholders for the purpose.

16 A notice given or sent by an unsecured loan stockholder to the Society shall not be effective unless and until received by the Society's Secretary. Any other notice given or document sent by post within the United Kingdom shall be deemed to be served or received at the expiry of 48 hours (or when sent by second class mail 72 hours) after the time it is posted and in proving service or receipt it shall be sufficient to prove that the envelope containing the notice or documents was properly addressed, stamped and posted. In case of email the notice shall be deemed to be served on the day of transmission if sent before 4.00pm and if sent after 4.00pm shall be deemed to be served on the next following working day.

17 Extract from the Rules

Rule 33.1 of the Society states that it may:

- 33.1.13 take mortgages, charges, liens and other security to secure obligations of others to the society;
- 33.1.14 borrow money and accept credit and grant mortgages, charges, liens and other security to secure the society's obligations, but
 - 33.1.14.1 the society may not carry on a deposit taking business (within the meaning of the Banking Act 1987; and
 - 33.1.14.2 where:
 - 33.1.14.2.1 the loan is unsecured, and
 - 33.1.14.2.2 the lender is not itself authorised under the Banking Act 1987,
 - 33.1.14.3 the society will not pay a rate of interest that is higher than the society needs to fund its activities; in setting the rate, the directors will take particular account of the society's intention to provide an opportunity for other public-spirited people and organisations to contribute financially to the community, with the expectation of a social dividend, rather than personal financial reward;

18 Data Protection

By completing this unsecured loan stock form application you consent to the Society holding personal data about you in accordance with the Data Protection Act 1998 (as amended). The Society does not sell or exchange mailing lists.

In signing the application form you (each of you if more than one is applying) confirm you understand that the personal information that you have given on the application form and give during the period of your holding unsecured loan stock will be retained by the Society on computer and other records. You also understand that your personal information and unsecured loan stock details may be:

- used to process your application; provide the services you request; deal with enquiries you make or authorise to be made and contact you regarding your unsecured loan stock;
- used for market research purposes, developing products and services, statistical business analysis, and creating and maintaining a customer profile;
- disclosed to appropriate regulatory authorities (including regulators of voluntary codes of practice), auditors, any other body having legal right to the information or anyone you appoint to administer or operate your holding of unsecured loan stock;
- used to investigate complaints, and disclosed for auditing purposes;
- used to check your identity to ensure The Cochabamba Project meets money laundering regulations;
- used to identify and tell you (by telephone, post or other electronic media) about any products and services that might be beneficial to you.

The Society will not share any information about you and your unsecured loan stock outside the Society for marketing purposes.

You have the right to receive a copy of the information we hold about you if you apply to us in writing. A fee of £10 will be payable.

19 Money Laundering

The Society complies with the Money Laundering Regulations 2003, the Proceeds of Crime Act 2002 and other rules and regulations relating to money laundering. Accordingly the Society is required to verify the identity of any applicant. You may be asked to provide further details about yourself. If satisfactory evidence of identity is not provided this may result in delays to processing your application and may even result in it being rejected. Any monies then returned to you will be without interest. A cheque from your personal bank account must accompany the application form. Cheques are sent by post at your risk to the address given above.

20 Complaints

If you have a complaint, write to or telephone the Company Secretary on 0114 2368 168

21 The laws of England apply to this application. The courts of England and Wales have exclusive jurisdiction. English language is the definitive language.

22 If you are having difficulty completing this form please telephone David Vincent on 0114 2368 168

23 *YOU SHOULD KEEP A PAPER COPY OF YOUR APPLICATION FOR YOUR RECORDS.*

The directors consider the main risks of the society's business to be as follows:

Default Risk:

The society may not be able to pay the interest owed or to repay the capital borrowed, for example if it is not successful in raising sufficient finance from other sources or if costs within the project escalate. However the project does own considerable assets in the form of timber rights and carbon credits, and also plans further share issues. We anticipate that between them, these will generate more than sufficient cash to be able to repay loans in full, but this can not be guaranteed, and regulations prevent us from offering direct security to loan stock holders against any of the society's assets..

Market Risk:

The market for carbon credits is itself still young and, like any market, will always be subject to volatility. The market price for carbon credits can go down as well as up. If there is a sustained drop in the value of carbon credits then the society may be forced to sell credits at lower price than is required to fulfill its obligations. If the society is unable to sell its credits or is unable to sell them at a high enough price, there would be a resultant likelihood that it would not be able to honour its commitment either to pay interest or to redeem the original capital in full at the end of the term.

Validation Of Carbon Credits:

There is a risk that the projects with which the society signs agreements for the purchase of emissions reductions may not achieve verification under the chosen standard as intended. This would make it difficult to sell credits at a profit and could impact on the society's ability to pay interest or repay capital.

The ongoing validity of carbon credits depends on the survival of trees over the qualifying period. All accreditation schemes, including Plan Vivo, have standard safeguards to ensure that risks to the validity of credits is minimized.

The trees may be damaged or destroyed by natural or man-made disasters or by a lack of management control. The validity of credits may be negated if deforestation occurs in other areas as a result of not being able to log or clear trees within the project area itself. This is known as "leakage"

In the Arbolivia project natural risks are mitigated through the design and management of the project itself (see page 9). Each parcel is minute in comparison to normal commercial forestry practice and parcels are scattered over a huge area. This means that any incidence of fire, disease, drought, flooding, termite attack etc. would have a much lower impact than on a normal commercial plantation. The variety of native species and the precise matching of species to individual locations also reduce the risk of failure.

Due to the location and climate, natural fire risks are small but there is a risk from irresponsible "slash and burn" practices during the dry season. This is naturally controlled through the quantity, size and physical separation of each small forestry parcel. It is also minimized through extensive training and education in fire prevention and control.

As part of any accreditation scheme it is common practice to insist on withholding a buffer of available credits to act as an insurance against failures from any of the above sources

ArBolivia therefore retains a buffer of 30% of the total credits available for sale. This means that should the trees which produce specific credits fail, they can be replaced by trees from other locations in order to preserve the validity of the credits in question.

With this in mind The Society does not currently intend to not maintain insurance for any loss to its credits from natural disasters or other similar causes, which is consistent with normal industry practices. All forestry parcels are formally registered on the official land use register and they must therefore be used only for the registered purpose, i.e. forestry. This means that leakage cannot occur as it would involve a change of land use within the smallholding, which would be ruled out under the terms of the contract with the project.

The most likely cause of a failure through lack of management control is a lack of funding. However, even if the project ran out of money and no management controls could be implemented, it is unlikely that the land-owners would cut down their trees before the end of the qualifying period. This is because they would still have a legal obligation to continue growing trees on the land and it would be a criminal offence to clear fell trees in order to put the land for alternative use.

Liquidity

The liquidity of the assets and investments held by the Society cannot be guaranteed. Any illiquidity may prevent the Society from concluding an investment transaction on satisfactory terms and, in certain circumstances, may prevent redemptions of investments. The directors have the right to refuse redemption requests, so unlike a commercial fund it is not possible for a run of redemptions from the society's own members to trigger a forced sale of assets.

Valuation Risk

In calculating the Net Asset Value and the Net Asset Value per Share, the value of the society's rights to carbon credits are calculated on a cost basis until verification is achieved. Once verification is achieved an estimated market value is used. There can be no guarantee that credits can be sold at the estimated value.

Political Risks

The society's projects will invariably be based in developing countries. The political risks associated with these countries may lead to delays in achieving the project's goals or in the worst case may lead to a failure of the project. Each country will have its own unique issues. Bolivia for example does not have a serious problem with fraud or corruption. However inward investment from the developed world has been stifled by concerns over the current government's socialist policies, which has included the nationalization (through majority ownership) of major utility companies. The directors are confident that the democratic, not for profit structure of the society and the vital social, environmental and economic benefits it creates protect it effectively from any risk of interference.

Civil rest is also not unheard of in Bolivia although this is invariably confined to the major cities and, given the vast expanse and scattered distribution of the project's participants, this does not provide any cause for concern.

Changes In Legislation

Changes in legislation, either at a national level or at an international level, particularly with regard to the trading of carbon credits or the financing of forestry projects in general may affect the viability of the society's projects. In particular, the Bolivian government's decision to withdraw support for CDM and its lack of clarity in making its position clear has affected progress with the ArBolivia project over the past year.

Limit of Directors' Experience

Whilst the society's current directors bring a wealth of appropriate experience to the society, the officers elected to represent the members of the society at any one time may not have sufficient experience or ability to deal effectively with certain aspects of its business. The society's profitability may also be affected should one or more of its directors become incapacitated or choose to leave.

The ability of the Society to achieve its investment objective is significantly dependent upon the expertise of the current directors of both the society and its partner organisations. The Society is also reliant upon the skills of its other non-executive Directors and the loss of any of these persons could reduce the Society's ability to achieve its planned investment objectives if no suitable replacement is identified and appointed in a timely manner.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE EXPLANATION OF ALL OF THE RISKS INVOLVED. POTENTIAL INVESTORS SHOULD READ THIS OFFERING DOCUMENT IN ITS ENTIRETY BEFORE DETERMINING WHETHER TO SUBSCRIBE FOR SHARES.

If you have any doubt about the action you should take or the suitability for you of applying to The Cochabamba Project for unsecured loan stock you should contact your independent financial adviser (authorised under FSMA 2000) or other appropriately qualified adviser. Your holding of unsecured loan stock should be seen as a social investment and not solely an investment for personal gain or profit. Applying for unsecured loan stock in the Society is not suitable for anyone who needs guaranteed income from investments or immediate access to their capital. There is always a risk that you could lose some, or all, of your unsecured loan stock.

The Financial Services Authority, which regulates The Cochabamba Project, may be contacted online at www.fsa.gov.uk



Since 1995, the Food and Agriculture Organisation of the United Nations (FAO), the European Union and the Belgian government together with the regional government in Bolivia have funded the reforestation of 2000 hectares as part of the regional sustainable development programme. The aim of this program was to promote and implement economically viable and labour-intensive land-use and forest resource management practices in the Cochabamba Tropics region of Bolivia, in the form of plantation forestry, agro forestry, silvipastoral systems and sustainable management of residual primary forests. The program served as a pilot for the ArBolivia project and generated knowledge on how trees can fit into an integrated farming system as part of plantation forestry, agro forestry and silvipastoral systems.

In 2002 the Centro Tecnico Forestal (Cetefor), a Bolivian foundation set up to attract international investment into sustainable forestry and farming development, signed an agreement with Sicirec, an experienced firm of consultants specialising in sustainable tropical forestry from the Netherlands, as advisers to the project with the objective of creating a comprehensive programme, which would qualify as a Clean Development Mechanism activity. A joint venture organisation, Asociacion Accidental Cetefor – Sicirec, was established in order to establish contracts with individual smallholders, apply for accreditation as a Clean Development Mechanism and receive funding from the sale of the resultant carbon credits, known as Certified Emissions Reductions. After 6 years of monitoring and research relating to a the whole portfolio of activities ArBolivia received a positive validation report from the Designated Operational Entity (DOE) in 2007 which resulted in the registration of the first official CDM-AR Small Scale Activity (registration number 2510) in 2009. An Emissions Reduction Purchase Agreement was signed by the Flemish government for the forward purchase of credits for the years 2008, with a further option to purchase credits for the years 2013 – 17.

A series of research documents and evaluation tools relating to the project is available at:

- http://www.joanneum.at/encofor/casestudies/Chapare_tools.html
- The full validation report can be found on the UNFCCC website at:
- <http://cdm.unfccc.int/UserManagement/FileStorage/H56C84P7GYEWT9U3XDNB1ZVFSORLQA>

A total of 8 separate Project Design Documents covering a total surface of 5,000 hectares were to be submitted for registration under UNFCCC regulations. A further 1,000 hectares were also to be dedicated to conservation activities outside the remit of CDM activity.

However at the end of 2010 only the first of these PDDs had received a letter of approval from the Bolivian government. Following the failure of talks at the Copenhagen summit in December 2009 the Bolivian government withdrew its support for the Clean Development mechanism, which meant that ArBolivia could no longer count on further Letters of Approval and would therefore no longer be able to deliver the certification required by the Flemish government under the ERPA. This has meant that ArBolivia has had to seek alternative certification in order to sell its credits in the voluntary market, where the approval of the host country is not required.

A new submission for current and projected activities has now been made under the Plan Vivo standard. The verification is now well underway and should reach a conclusion by the end of March 2011.

It is worth mentioning that, at the time of writing, the market price of Plan Vivo credits was substantially higher than the price agreed under the ERPA with the Flemish government. However the financial projections on pages 20 and 21 have assumed a conservative initial price of £4.00 per tonne, slightly below the price agreed with the Flemish in 2007 (5 Euros per tonne).

This latest development means that the project should be able to generate greater financial subsidies, sooner than originally anticipated, which should in theory contribute to providing earlier and more substantial profits in the long run.

At full scale the project will be responsible for planting approximately 5,000 hectares of commercial timber within small, isolated parcels owned by roughly 2000 smallholders who belong to co operatives within the departments of Cochabamba, Santa Cruz, Beni and La Paz. A further 1,000 hectares will be planted for agro-forestry (cocoa and citrus fruits) and a further 1,000 hectares of planting will be devoted purely for conservation.

The commercial forestry enterprise undertaken by the ArBolivia project is very different from more conventional forestry plantations, even those that are termed 'sustainable':

- The forested land is not owned by the project manager. Each forestry parcel is owned by an individual smallholder.
- As at 1st October 2010 the forested areas consist of 2789 separate "sectores" (an area defined by a specific species and planting date) spread across 4 separate "departamentos" (federal states). This geographic distribution and isolation of individual parcels means that any incidence of fire, disease or insect attack is confined and will have little or no impact on other forestry parcels, providing highly effective natural, risk management.
- Farmers can choose from 19 native tree species as well as teak, which is not indigenous but is a globally popular timber species that has adapted well locally. Having a range of indigenous tree species on widely dispersed plots contrasts starkly with the norm of monoculture plantations where "identikit" trees stretch monotonously in to the horizon.
- This diversity is not only good for the environment but it means that smallholders are able to select species to match the exact conditions of their land, ensuring that survival rates and yields are optimised.
- The high levels of technical expertise and management demanded by this model serve to reduce significantly the risk of disease or poor growth. The cost of this additional skilled manpower is compensated by carbon credit payments, which are only awarded if the project is able to show "additionality" the provision of social benefits (i.e. additional local employment) and environmental benefits (improved soils and biodiversity) that a purely commercial project would not consider.
- Some of the species are faster growing but the most valuable timber is from trees which may take 35 – 40 years to mature. This is much longer than most commercial forestry enterprises will entertain so the ability to generate carbon credits and revenues from other environmental services whilst the trees are growing is extremely valuable.
- Each smallholder will receive 50% of the net timber revenues from the trees he/she plants and maintains as well as receiving regular payments and technical support in managing the whole of their land. By aggregating and co-ordinating supplies for the larger timber merchants ArBolivia believes it is able to secure much higher prices than individual smallholders are able achieve by themselves. Current estimates indicate a premium of at least 300% and as much as 800% for more mature timber sold for export over that sold domestically. Smallholders therefore have a huge incentive to look after their forestry parcels. There are also a range of additional safeguards to ensure that smallholders fulfil their contractual obligations



The Arbolivia Project is remarkable for its high social and environmental impacts. These include the following:

- Carbon capture - The project is an accredited "Clean Development Mechanism" under the terms of the Kyoto protocol. This means that the carbon absorption of the project has been independently verified to a very high order. At full scale the verified amount of carbon captured over a 21 year period 2,196,129 tonnes.
- Avoided deforestation – the project addresses the root causes of deforestation by providing a real economic alternative to further deforestation and by improving agricultural practices.
- Enhanced biodiversity – By using 19 indigenous species of trees, intercropping and working with over 2,000 farmers on widely distributed plots, as well as creating wildlife corridors, biodiversity is substantially enhanced.
- Increased incomes for poor farmers - Profits are shared between local farmers and investors. The average current annual earnings of participating smallholders are only around \$2,300 and the livelihood of local farmers is central to the vision and operation of the project. By participating in the project smallholders can expect to treble their earnings on their forested land over the 40 year project term. Smallholders are also benefitting from both financial and practical assistance to increase efficiency and the yields on their remaining land through agro-forestry (e.g. cocoa and citrus fruits) and through collective bargaining and fair trade accreditation
- Conservation - The Society's trees not only absorb carbon, but the tree growing programme includes valuable conservation work to combat erosion and improve biodiversity.
- Improved Agricultural Management – Arbolivia works with smallholders to improve agricultural management practices, thereby reducing deforestation and improving smallholder incomes.
- Employment in nurseries - A number of new nurseries have been established which are privately owned by local families and employ hundreds of people at the height of the season.
- Education and Capacity Building - Many additional social benefits are provided through a programme of education and capacity building, which makes use of existing social structures such as community committees, farmers co-operatives and other NGOs working in the area. For example, training on fire risks and control is an important additional weapon against "slash and burn" farming methods. The Society also wants to promote the integrated approach of the project on websites, publications and presentations for schools, local organisations and business clubs.
- Nature conservation - A conservation project has been initiated to plant 400,000 trees in designated conservation areas. The objective is to counter the loss of biodiversity by repairing dedicated areas and corridors in order to provide a network of secure habitats and thoroughfares. Much of the conservation work is focussed on controlling erosion from increased local flooding during the wet season (which is itself a direct consequence of deforestation).
- Support of local communities - In the longer term, the directors believe that significant surpluses of revenue may accrue over and above the amounts needed to retain capital for investors. Any such surplus profits after the payment of reasonable interest to members will be used by The Cochabamba Project Ltd to benefit the local communities in the areas in which the project operates.
- Technical & Marketing Support - Smallholders receive one-to-one practical advice and support on all aspects of farm management, including land use, crop and stock selection as well as marketing support.
- Intercropping - Many of the trees are inter-planted with other crops to improve fertility, reduce labour, provide structural support, competition for growth and increased yields per hectare.
- Locally sourced seed - The project only buys locally sourced seed. ArBolivia certifies the best seed trees, which then provide a source of income for the owner and a financial incentive to preserve the tree for the future.
- NGO Alliances - ArBolivia has also fostered relations with other NGOs and development projects, including, for example, a fair-trade organic cocoa project based at ArBolivia's office in Chapare.

In order to fund the many social and environmental aspects of the project which could be regarded as less commercial, the project is able to benefit from selling carbon credits, which serve to subsidise the project activities. Whatever the merits /faults of the current system of carbon offsetting and carbon trading, it is an undisputable fact that the ArBolivia project relies heavily on its ability to monetise the social and environmental aspects of its work.

There are two distinct markets for carbon credits;
– the *compulsory* market and the *voluntary* market:

The compulsory market includes buyers from the 39 developed countries, who signed up to the Kyoto protocol. The most common type of compliance credit is a CER (Certified Emission Reduction unit) which originates from projects in developing countries. Certification and overall approval of these abatement projects and their credits is known as the Clean Development Mechanism (CDM).

In order to gain accreditation CDM projects must demonstrate:

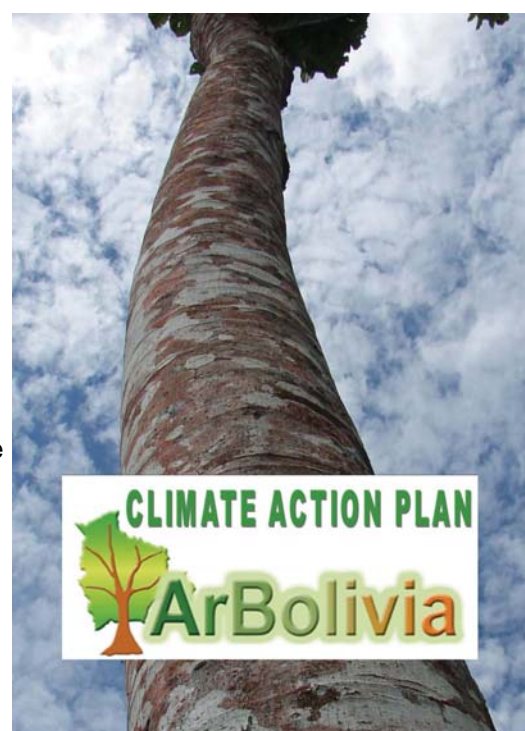
- The amount of carbon they lock up for the long term after taking account of all “leakage” (caused, for example by relocating the damaging activities elsewhere)
- A positive effect on biodiversity
- A positive and sustainable effect on local communities, based on full consultation and agreement
- “Additionality” – i.e. that the project would not have gone ahead without accreditation and the subsequent benefits from carbon credits.

It is extremely difficult for forestry projects both to fulfil the conditions for CDM status and also to be able to evaluate whether these conditions have been met. For these reasons only a handful of reforestation projects in the whole world have so far been accredited – and ArBolivia was one of them.

However, the Bolivian government has decided not to support the CDM system and therefore ArBolivia has no prospect of being able to sell certified credits under CDM. It has nevertheless been independently audited and has been shown to have met all the exacting quality standards required to do so. It is therefore very clear that this is a project of the highest quality, whose credits should command a significant premium in the voluntary market.

The project also produces substantial additional volumes of voluntary credits (VERs) by planting trees in new conservation areas and creating ecological corridors. Partnerships have been formed with a number of organisations to sell these credits to both individuals and major corporations.

In the light of on-going criticism of the existing carbon trading market and the failure of the international community to agree alternative mechanisms for reducing carbon emissions (and deforestation in particular), a growing number of organisations are committing to sponsoring tree planting schemes, without linking their investment to levels of carbon sequestration. Tree sponsorship deals have been concluded with a number of well-known brand names including Nestlé Vittel, Procter and Gamble and Hugo Boss. Carbon credits and environmental services are expected to contribute around 50% of ArBolivia’s overall financing costs over the next 5 years, so they constitute a vital part of the project and demonstrate the value of such financing mechanisms to projects like Arbolivia. The society already has a letter of intent from HAFTrust for a minimum of 50,000 tonnes over the 12 months following Plan Vivo accreditation. A copy of this letter is available on the “downloads” page of our website.



As at 31st December 2010 The Cochabamba Project Ltd had raised a total of £1,223,903

At the same date, ArBolivia had planted a total of 1557 hectares of commercial forestry parcels on land owned by approximately 1000 participating smallholders.

As at 1st March 2011 the society owned the rights to 50% of the net timber revenues from a total of 986 hectares of forestry parcels. It had also agreed the acquisition of a further 123 hectares from 3 private investors.

As a result of the re-adjustments required now that CDM accreditation will not be forthcoming, the society has now agreed to commit to funding future managements costs for the current 1400 hectares in full (subject to agreed budgets, as shown on pages 20 and 21).

In exchange the society has negotiated the repayment of some of the Sicirec Bolivia's loan commitments and is refinancing a number of arrangement with private investors in the UK. It has also acquired the rights to 311,256 tonnes of Voluntary Emissions Reductions units, which it intends to sell as soon as accreditation has been received under Plan Vivo (a field visit by external verifiers commenced on 28th February).

Once verification is completed, which is expected by the end of March, the society fully expects to sign an agreement with HAFTrust for it to sell its credits to its corporate sponsors and partners.

The society is also in discussion with a small number of private investors to acquire the rights to further timber revenues in consideration for its commitment to underwriting the ongoing maintenance costs from its acquisition of carbon credits.

The primary objective of this loan stock offer is to refinance a loan of £225,000 plus interest. The directors are seeking to defer the repayment of capital, spread repayment over a number of years when timber revenues are forthcoming and reduce the rate of interest.



	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
CASH FLOW						
Income						
Timber revenue	0	0	0	0	0	22,189
Carbon credit sales	180,000	270,000	342,000	427,000	448,000	362,292
Tree Planting Certificates	0	0	0	0	0	0
						0
Expenditure						
Marketing	(43,980)	(28,800)	(28,800)	(19,200)	0	0
Directors remuneration	(17,100)	(17,100)	(17,100)	(17,100)	(17,100)	(17,100)
Administration	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Timber Maint. Costs	(353,354)	(355,000)	(300,000)	(257,500)	(232,500)	(232,500)
Maint. Annual Adjustment	0	(40,000)	(35,500)	(30,000)	(28,000)	0
Interest paid DCT		0	0	0	0	0
Loan Interest paid	(11,250)	(17,497)	(16,060)	(12,561)	(9,061)	0
Loan stock interest	0	(7,457)	(5,985)	(4,509)	(3,028)	0
Bank charges	(300)	(300)	(300)	(300)	(300)	(300)
Share interest paid	0	0	0	0	(28,480)	(34,266)
Capital in						
Shares issued	366,500	240,000	240,000	160,000	0	0
Loans drawn down	342,000	0	0	0	0	0
Loanstock	200,000	0	0	0	0	0
Loans repaid ArBolivia	238,797	0	0	0	0	0
Capital out						
Purchases of hectares	(349,500)	0	0	0	0	0
Purchase of carbon credits	(291,610)	0	0	0	0	0
Shares redeemed	0	0	0	0	(101,195)	(81,195)
Loans repaid	(235,595)	(68,400)	(68,400)	(68,400)	(68,400)	(68,400)
Loan stock repaid	0	(40,000)	(40,000)	(40,000)	(40,000)	(40,000)
Cash flow	18,608	(70,554)	63,854	131,430	(86,064)	(95,280)
Balance	227,259	156,705	220,559	351,990	265,926	170,646
PROFIT & LOSS						
Income						
Timber revenue	0	0	0	0	0	22,189
Profit on carbon credit sales	36,000	122,391	342,000	427,000	448,000	362,292
Tree Planting Certificates	0	0	0	0	0	0
Loan Interest received	7,797	(0)	(0)	(0)	(0)	(0)
Expenditure						
Marketing	(43,980)	(28,800)	(28,800)	(19,200)	0	0
Directors remuneration	(17,100)	(17,100)	(17,100)	(17,100)	(17,100)	(17,100)
Administration	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Loan interest	(29,578)	(25,092)	(20,030)	(14,921)	(9,806)	(4,687)
Bank charges	(300)	(300)	(300)	(300)	(300)	(300)
Share interest	(103,793)	(121,793)	(139,793)	(151,793)	(144,203)	(138,113)
Profit Before Tax -5	(156,954)	(76,694)	129,977	217,686	270,590	218,281

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
BALANCE SHEET						
Fixed Assets						
Timber interests Net Book Value	1,484,714	1,879,714	2,215,214	2,502,714	2,763,214	2,995,714
Carbon Credits Net Book Value	147,610	0	0	0	0	0
Current Assets						
Bank	227,259	156,705	220,559	351,990	265,926	163,542
Loans	(0)	0	0	0	0	0
Current Liabilities						
Loans	(554,108)	(445,845)	(335,429)	(224,881)	(114,198)	(3,381)
Share interest due	(156,216)	(278,008)	(417,801)	(569,594)	(685,317)	(789,165)
Net Assets	1,149,259	1,312,566	1,682,543	2,060,229	2,229,624	2,366,710
Capital and Reserves						
Called up share capital	1,383,903	1,623,903	1,863,903	2,023,903	1,922,708	1,841,513
Profit and loss account	(234,644)	(311,337)	(181,360)	36,326	306,916	525,197
Shareholders funds	1,149,259	1,312,566	1,682,543	2,060,229	2,229,624	2,366,710

Marketing costs:

The directors intend to limit advertising costs for its share offer to £10,000. The directors do not intend to allocate any additional resources to advertising this loan stock offer. In addition to advertising costs a fee of up to 8% of capital raised will be paid to Ethical Investments Ltd. Ethical Investments may in turn pay independent financial advisers and other introducers a fee of up to 3% of capital invested, which will be paid from (i.e. not in addition to) the amount it receives.

2) Directors Salaries.

The current level of remuneration for each director is £5,700 per annum.

3) Timber Maintenance / Annual Maintenance Adjustment:

The society has agreed to pay to Sicirec Bolivia the fixed amounts shown in order to maintain the full current 1400 hectare project as explained above (Employment of the Society's Funds page 15). An annual amount is also paid in December to meet additional regular costs incurred in that month

4) Loans.

The society has received two loans of £150,000 and £75,000 respectively, with an interest rate of 10% per annum. The society is currently paying £1,250 per month until 30th June 2011 in respect of the £150,000 but interest is accruing on the £75,000. The society intends to use the proceeds of this loan stock offer to refinance these loans. The society has also recently agreed a financing deal with two private investors in exchange for the timber rights to a further 120 hectares. The society will pay 5% and, subject to favourable cash flow will repay 20% of capital each year starting in October 2012.

5) Interest On Shares

For the purposes of these financial projections annual interest for members / holders of ordinary shares has been assumed at 7.5%. Interest on loan stock has been assumed at 5%.

6) Profit Before Tax

For tax purpose the directors intend to exclude appreciation of the society's timber assets in order to create capital losses which can be carried forward in order to offset these against higher anticipated future timber revenues.

One of the unique characteristics of forestry is the length of time between the initial capital investment and the receipt of eventual revenues. It is therefore standard accounting practice to seek to minimise future tax liabilities by carrying forward substantial annual losses in order to offset them against even larger anticipated future revenues. One of the unique features of the “Industrial and Provident Society for the benefit of the community” model is the ability to award interest to individual investors in each financial year from year one, without reference to the actual accounting profit or loss achieved in any particular year. In this way the society is able to reward all investors fairly from the very first year whilst also reducing the level of tax payable by the society once its revenues start to come on-stream. Interest awarded to shareholders is noted as a normal business expense and hence serves to reduce profit or create a larger loss to be carried forward. The financial projections provided here cover the next five years and assume that no further planting will occur beyond the current 1400 hectares. In practice the society hopes that the project will attract sufficient funding to expand further, thus achieving efficiencies of scale and a resulting higher return on capital. The figures also assume that additional income received by the society from carbon credit sales is sufficient to meet ArBolivia’s operational costs each month. However no additional income has been assumed for other ecosystem services, such as tree planting sponsorships.

Timber revenues are expected to begin in earnest in 2016/17 and the trend will be for revenue levels to increase steadily from then on although there will be one or two odd years where no revenue is expected. Further details of the anticipated management costs and timber revenues for each year until 2043 are available on request.

The directors hope to be able to pay interest at a rate to its members of up to 7.5%, based on the annual increase in the value of timber assets and carbon credit sales (Holders of loan stock are not members of the society). The value of growing forestry assets is normally assessed using a “discounted cash flow” method – in other words a discount is applied to the predicted future revenues according to the length of time the investor has to wait before receiving them. This discount is then reduced steadily as time elapses. In this way the society expects to be able to offer all members a fair return on their investment whenever they choose to withdraw their holding.

In recognition of the loss of anticipated revenues from the Flemish Government and its commitment to providing a commitment to meet the ongoing operational costs for the 1400 hectares planted to date, the society has recently acquired the rights to all the carbon credits relating to these hectares – a total of 311,256 tonnes. The society has already had a written commitment from HAFTrust to purchase a minimum of 50,000 tonnes within the next 12 months at a price in excess of 6.50 US\$. We have therefore used a cautious estimate of £4.00, which also allows for any unfavourable movement in currency rates.

An additional advantage to the society of owning the rights to carbon credits is that we can sell these in the UK – or indeed anywhere in the world so we are less vulnerable to currency risks than we would be if we had to rely solely on timber revenues.

A major factor that will influence the long term financial return on the society’s investments in the ArBolivia project is how quickly, if at all, the project is able to expand to its full size (5,000 hectares). Due to efficiencies of scale, the rate of return should increase significantly if the project expands beyond the existing 1400 hectares. However, the Society also has significant costs which need to be taken in to account in setting the annual rate of interest, including the cost of finance, marketing costs, administration, legal costs and directors’ salaries, as outlined. These costs may increase as the Society grows and will obviously impact on the society’s profitability. With these points in mind the directors believe that it will be able to award interest in the range of 5 – 7.5% each year, depending on the scale of the project and the speed at which it is able to expand. However the longer term increase in the value of the Society’s assets cannot in any way be guaranteed and the rate of interest will continue to be reviewed each year.

The Society's Directors

David Vincent

David began his career in financial services in 1988 and established his firm Ethical Investments in 1996 with a view to advising on investments which incorporated social and environmental criteria. Together with John Fleetwood he co-founded the Ethical Investment Association, a trade association for independent financial advisers with a specific interest in socially responsible investment and he remained as a member of its steering committee until 2008. David became involved in forestry investment in 2003 and has worked as a consultant for the Quadris Environmental Fund. In 2009 David took the decision to relinquish his authorisation as an independent financial adviser in order to promote direct investment in specific social / environmental projects. The Cochabamba Project Limited is the first of such projects and was established in March 2009.

John Fleetwood

John has been involved in the financial services industry since 1991, initially as an independent financial adviser specialising in ethical investment, and latterly developing ethical investment portfolios that focus on investing in solutions to social and environmental challenges. John's company, Ethical Money, provides consultancy services to a number of ethical fund and portfolio managers and has increasingly focussed on investments with a high social or environmental impact.

Daniel Brewer

Daniel is one of the founder directors of Resonance Limited. The organization was founded in 2002 by Daniel Brewer and the Dawe Charitable Trust as a financial intermediary to match values-led Investors with high impact businesses. It has particular, but not exclusive, expertise in raising risk capital for property acquisitions and development, sustainable energy businesses, businesses employing marginalized people and businesses tackling global poverty. To date Resonance has introduced over £10m of investment to around 20 social enterprises. Daniel also acts as a non-executive director for a small number social enterprises.

Advisory Committee

David Jackman

David is the author of the FSA's Training and Competence rules and was part of the management team that set up the FSA. Previously he was in charge of T&C, internal training and consumer education at IMRO and had related roles at SFA and the Securities and Investment Institute. David started his career in banking. The first CEO of the Skills Council for Financial Services (FSSC), David chairs the British Standard's Committee for Financial Services and is closely involved with the continuing development of T&C, especially in the institutional sector. As first 'Business Ethics Adviser' for FSA David pioneered principles-based regulation and Treating Customers Fairly (TCF). He joined Compliance.co.uk Group in October 2006 to steer the development of services particularly focussing on business principles and ethics.

Mike Berners-Lee

Mike is a director of Small World consulting group which brings together environmental and business expertise, to enable strategic and value enhancing responses to climate change. Mike is an expert in greenhouse gas foot printing and organisation development and author of "How Bad Are Bananas?: The carbon footprint of everything".

The overall design of the ArBolivia has been the responsibility of Sicirec Group, a private consultancy based in The Netherlands. In order to deliver the project on the ground Sicirec Group established a separate, independent company, Sicirec Bolivia Limitada, which is registered in Bolivia. Sicirec Group does not own shares in Sicirec Bolivia but is represented on its board of directors. This ensures that, in the event of the demise of Sicirec Group, no charge would be levied against the assets of Sicirec Bolivia.

At the start of the project Sicirec Bolivia also worked with a local NGO, Cetefor (Centro Tecnico Forestal – “Technical Centre for Forestry”). The formal name of this joint venture vehicle is the “Asociación Accidental Cetefor Sicirec”. In practice Cetefor has suffered like many NGOs from lack of funding and this partnership is to all intents and purposes redundant with Sicirec Bolivia having a majority on the board of the AACs and complete control of the project and its finances.

The following organisations are associated with the ArBolivia Project and/or the society:

Sicirec Group:

The Sicirec Group is based in The Netherlands, where interest and expertise in tropical forestry and agriculture is highly developed, with some forestry investment schemes dating back to the 1980s. Sicirec SA was originally established in 1991 in Costa Rica by Popko P. van der Molen and has been one of the leading environmental consultancies in its field for almost 20 years with experience of designing and managing successful commercial projects in developing countries in Latin America, South America and Africa. Sicirec Investment Management BV is one of only a handful of companies in the Netherlands authorised to manage and promote forestry funds. These funds are only available to suitably qualified investors in the UK with a minimum investment level of 50,500 Euros. Sicirec Investment Management BV is responsible for finding the finance necessary for the further expansion of the ArBolivia project. Sicirec Forestry Consulting BV provides consultancy services in project design, investment structures and carbon credit accreditation. Ecosafe Trust BV holds forestry assets in custody on behalf of investors in the Netherlands. Mr van der Molen, a biologist and forest ecologist, established Sicirec SA in 1991 in Costa Rica with the remit of providing services for investors in tropical forestry (primarily teak). In 1997 he became vice president of a failing plantation teak forestry company, Bosque Puerto Carrillo (BPC) and led a successful effort to rescue the business. In 1998 he set up NIBO (Nederlandse Internationale Bosbouw-Onderneming), which acquired a controlling stake in BPC. A new company, Pan American Woods (PAW), was subsequently created, which is still trading successfully. He left PAW in 2001 to concentrate on developing new projects and in particular the FAO pilot project which became ArBolivia

Further information is available on the group's website at www.sicirec.org

Sicirec Bolivia Limitada / Sicirec Bolivia SA:

Sicirec Bolivia Limitada is the independent company established under Bolivian law by the directors of Sicirec Group. Sicirec Bolivia's board of directors are Popko van der Molen (also CEO of Sicirec Group), Anko Stilma, managing director, Rodrigo Méndez, a Bolivian lawyer, and David Vincent, who represents the interests of the society and other UK investors. Sicirec Bolivia Limitada does not have any shareholders and as such its assets are fully protected in the event of the demise of Sicirec Group. However the company is currently in the process of restructuring as a “Sociedad Anonima”. The society will be represented as a shareholder in the new company through a shareholding in ArBolivia (UK) Ltd (see below).

Sicirec Mixfund

This is the forestry investment fund managed by Sicirec Investment Management and authorised in the Netherlands. It has an interest in 130 hectares of the 1400. Under a recent agreement the society has now acquired the carbon credits relating to these hectares in exchange for a commitment to pay the Mixfund's share of the maintenance costs. Further information about the Sicirec Mixfund can be found at www.sicirec.org

Arbolivia:

Arbolivia is the name of the project in Bolivia, in which the society invests. A special purpose vehicle has been established under Bolivian law between Sicirec Bolivia S A and Cetefor Carbono Limitada, the trading arm of a local NGO, Fundación Cetefor in order to conduct the day to day field management and monitoring of the project.

AACS – Asociación Accidental Cetefor- Sicirec

This is the formal name of the project management organisation established to carry out the day to day business of the project. In practice, Sicirec Bolivia has a controlling interest in the AACS and is fully responsible for the financial management of the project and is ultimately responsible for all management decisions.

Fundacion Cetefor:

Cetefor stands for Centro Técnico Forestal (Centre for Technical Forestry) and is a Bolivian NGO which promotes the sustainable use of land, forest and other natural resources.

Arbolivia (UK) Ltd

This is a newly established UK company set up by the directors of the society with a view to representing the interests of all UK investors, including the society, on the board of Sicirec Bolivia. All UK investors in the ArBolivia project, including the IPS are invited to purchase shares of a nominal value in ArBolivia (UK) Ltd, which has a seat on the board of Sicirec Bolivia SA, which will be maintained at least as long as the society remains the largest investor in the project. This seat is currently taken by David Vincent.

Ethical Investments Ltd:

Sheffield based Ethical Investments, undertakes to promote the share offer and to provide administrative services to the Society (www.ethicalinvestments.co.uk). Ethical Investments Ltd also provides specialist services to facilitate and support socially responsible investment projects in the UK and abroad, having advised on tropical forestry investment since 2003.

Food and Agriculture Organisation of the UN

The FAO leads international efforts to defeat hunger by helping developing countries and countries in transition modernize and improve agriculture, forestry and fisheries practices and ensure good nutrition for all. FAO provided the finance and technical expertise for a pilot project, which formed the basis of the ArBolivia project. The FAO's project leader, Anko Stilma has since become the project leader for Arbolivia and has recruited a number of key staff from that time.

FECAR (The Federación de Comunidades Agropecuarias de Rurrenabaque)

This is one of the largest of the organisations which represent the smallholders who provide the land on which the project's trees are grown and the labour for planting and maintaining them.

Vlaams Gewest (Government Of Belgium)

The Belgian government signed a major agreement for international aid for Bolivia in 1995 and much of the early development work for the current project has been based on funds from this source. The Belgian government was also the first purchaser of carbon credits from the project having signed a contract to purchase certified emission reductions (CERs) for the period from 2007 to 2012 and a further option to purchase credits for the period 2013 – 18.

Pur Projet (France)

Pur Projet is an established environmental consultancy based in France, which provides sponsorship from socially minded blue chip corporations for a portfolio of environmental projects in developing countries. Pur Projet's clients provide funds which directly subsidise Tree Planting within the ArBolivia project. ArBolivia agrees to independent monitoring in order enable Pur Projet's clients to provide information to their customers. Pur Projet has so far secured contracts with Vittel, Procter & Gamble and Hugo Boss. Pur Projet also acts as a broker for carbon credits and has recently secured a contract with ABN AMRO.

HAFTrust

HAFTrust (Hadlow Agriculture and Forestry Trust) is a foundation with links to Hadlow College, which is part of Greenwich University. The Trust invests in agricultural and forestry projects in developing countries. HAFTrust has indicated its intention to buy at least 50,000 tonnes of credits from the society during 2011.

Plan Vivo

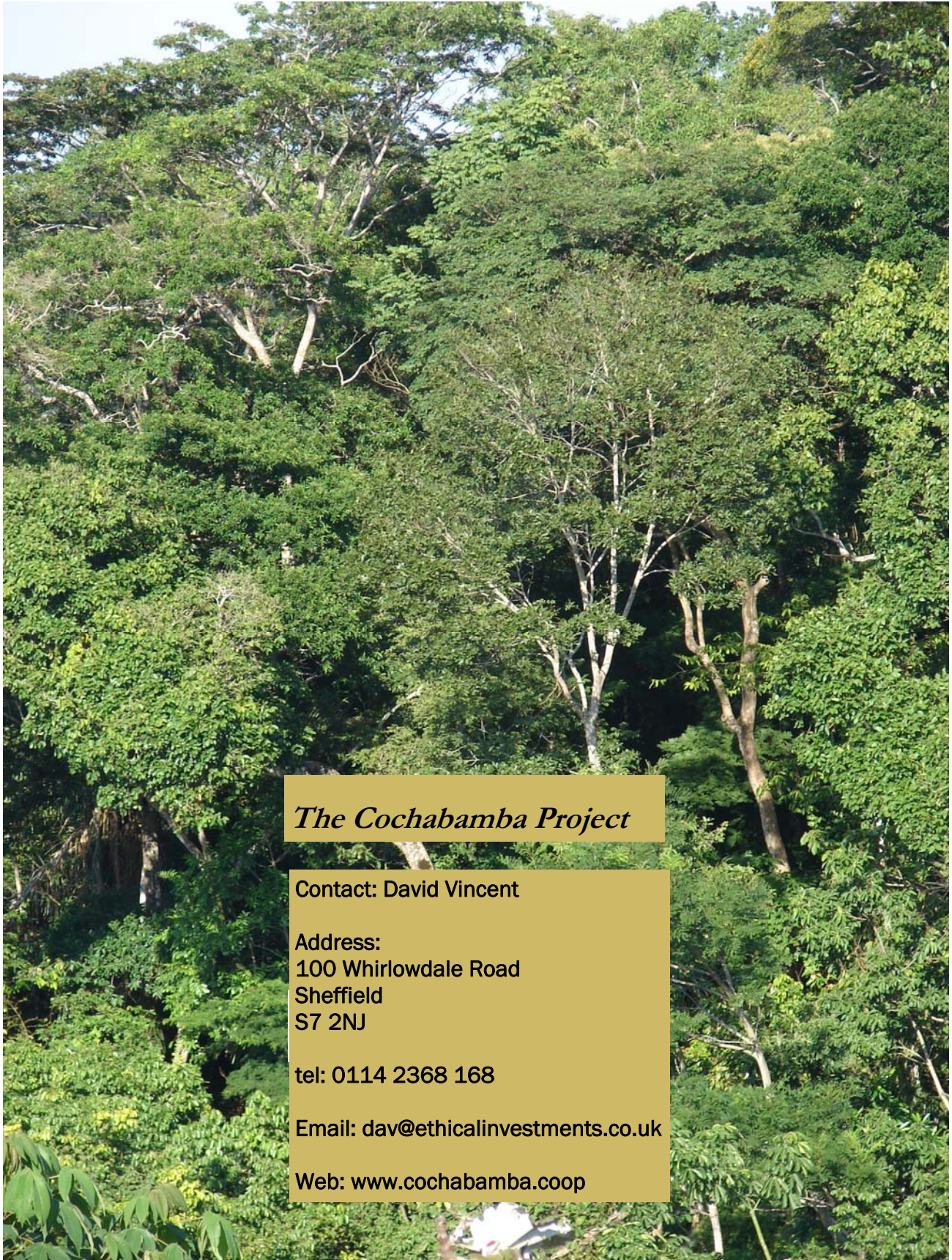
Plan Vivo is UK based foundation which provides accreditation for carbon credits from forestry projects with additional social and environmental credentials. ArBolivia is currently undergoing external verification for accreditation under the Plan Vivo Standard as an alternative to CDM and as a basis for promoting additional environmental services in the UK and elsewhere.

The Cochabamba Project



The Cochabamba Project Limited

industrial and provident society



The Cochabamba Project

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