

STERLING WATERFORD CARBON CREDIT NOTE 2

invest in the future



Company Overview

Sterling Waterford Securities is an established boutique South African asset management company specialising in managing innovative structured products in the Carbon Emissions market and in clean energy private equity investment.

Sterling Waterford was the first advisory firm to list any carbon credit product on a recognized exchange internationally in the form of the Carbon Credit Note and is also the first advisory firm to release investment derivatives in the Carbon Credit Market.

Investing in Clean Energy

Through its relationships with globally established financial institutions in the Clean Energy market, Sterling Waterford is committed to providing new and secure ways for the investor to take advantage of this fast-growing investment market – the Carbon Credit Note being one of many such reliable investment vehicles for the retail and institutional investor alike.

Sterling Waterford is regulated by the Financial Services Board of South Africa.

PAST PERFORMANCE

Carbon Credit Note 1

How the note performed

ISSUED: \$9.90 (R56.41) **LISTED:** \$14 (R84) **PAYOUT:** \$24.17 (R195)

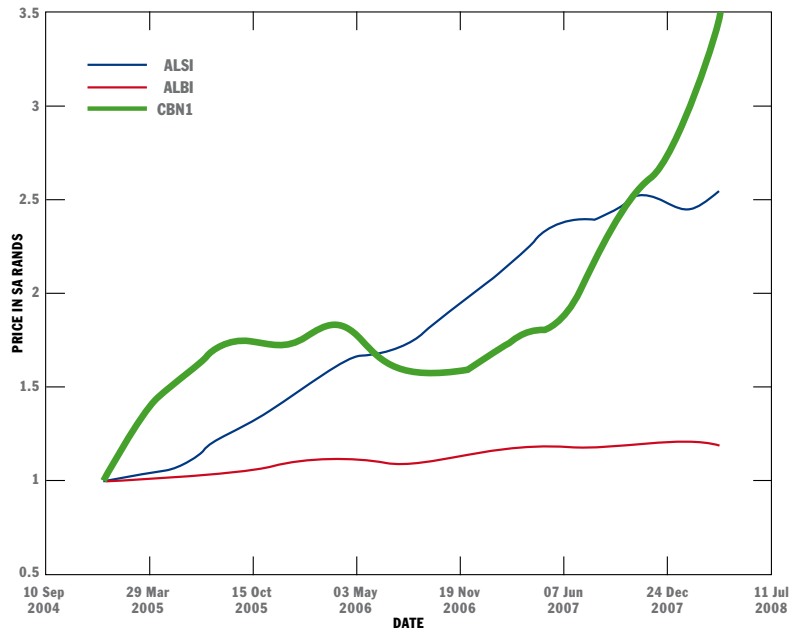
JANUARY 2005: Sterling Waterford releases the World's first Carbon Derivative investment – the Carbon Credit Note. The note is issued to the first investors at \$9.90 (R56.41).

APRIL 2005: Sterling Waterford lists the full issue on the JSE Securities Exchange – another world first – at a price of \$14 (R84).

JUNE 2008: The Note matures and will pay the investor \$24.17 (R195). This represents a significant total Rand return of 250% for the initial investors and 130% for the investors who participated on listing.

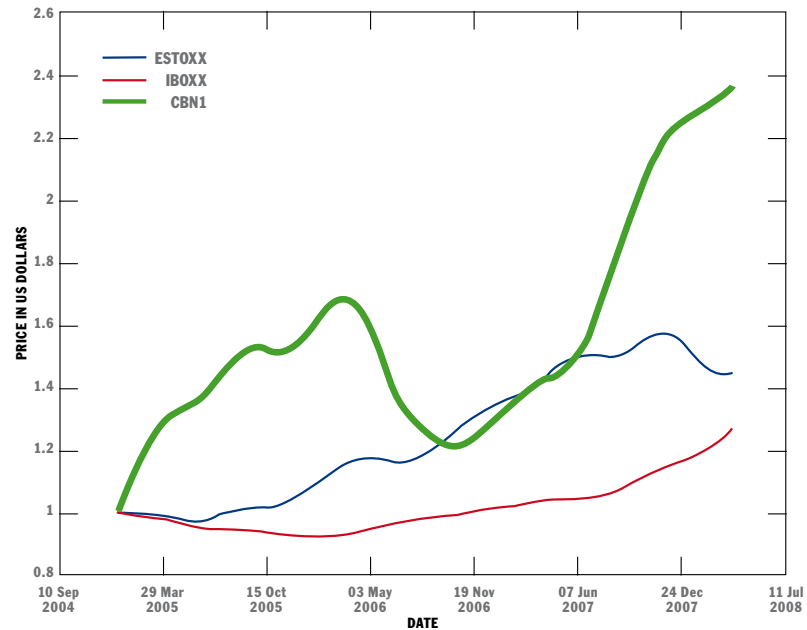
NOTE PERFORMANCE COMPARED TO OTHER ASSET CLASSES

Performance comparison for an SA investor. Growth of 1 SA Rand.



During the period January 2005 to June 2008, the Carbon Credit Note has also outperformed both global Equities and Bonds in dollar terms.

Performance comparison for a US investor. Growth of 1 US Dollar.



During the period January 2005 to June 2008, the Carbon Credit Note has also outperformed in Dollar terms the Global Equity and Bond Index.



Why has the Carbon Credit Note been so successful?

The success of the carbon Credit Note can be attributed to the following four factors:

Rapid Market Growth

The accelerated growth and maturity of the carbon market is a major factor that has contributed to the success of the carbon credit note. Since the initial release of the Note, the rapid growth of the carbon market has outperformed expectation – a factor that has bolstered investor confidence and given the Note significant credibility.

Positive Legislation Shifts

Subsequent ratification of the Kyoto protocol by Russia, as well as the implementation of the European Union Emissions Trading Scheme (EU ETS) in early 2005 has seen unprecedented participation in the market.

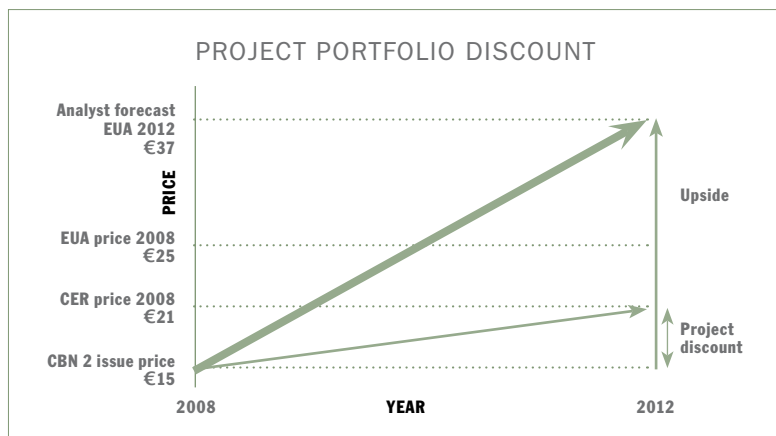
Stable Investment Currency

During the later half of the Note period the South African Rand has displayed some weakness against all the major currencies, in particular the Euro. Over this period the preferred currency for the Carbon market has become the Euro, due to the predominance of the EU ETS.

Resistance to Market Instability

Most recently and perhaps most significantly, the world financial markets have experienced a crisis brought about by the sub-prime woes of the US Mortgage market. Carbon assets have been almost entirely unaffected by this market instability as they are uncorrelated to both equities and bonds, having shown robust price growth in the face of falling prices in nearly every other investment category.

Carbon Credit Note 2



AUGUST 2008

The new Note structure enables SW to issue at a significant discount.

*Indicative

CARBON MARKET FORECASTS			
EXPECTED PRICES FOR EUA (EURO)			
	2008	2010	2012
Deutsche Bank	35	35	35
Societe Generale	27	31	39
UBS	30	21	35

Analysts are bullish on the performance of Carbon to 2012.

(Note: Deutsche Bank year on year figures based on period average).

Based on the successful performance of the first Carbon Credit Note release, Sterling Waterford will be releasing a second Carbon Credit Note onto the South African market.

This Note will be listed on the JSE Securities Exchange in the course of 2008 with a Maturity date of December 2012.

As with the first Carbon Credit Note, the new Note will offer the investor exposure to the Carbon Market by delivering to the Investor the cash equivalent on the maturity date. In addition, this second Carbon Credit Note issue has been tailored to offer further investment features outlined below.

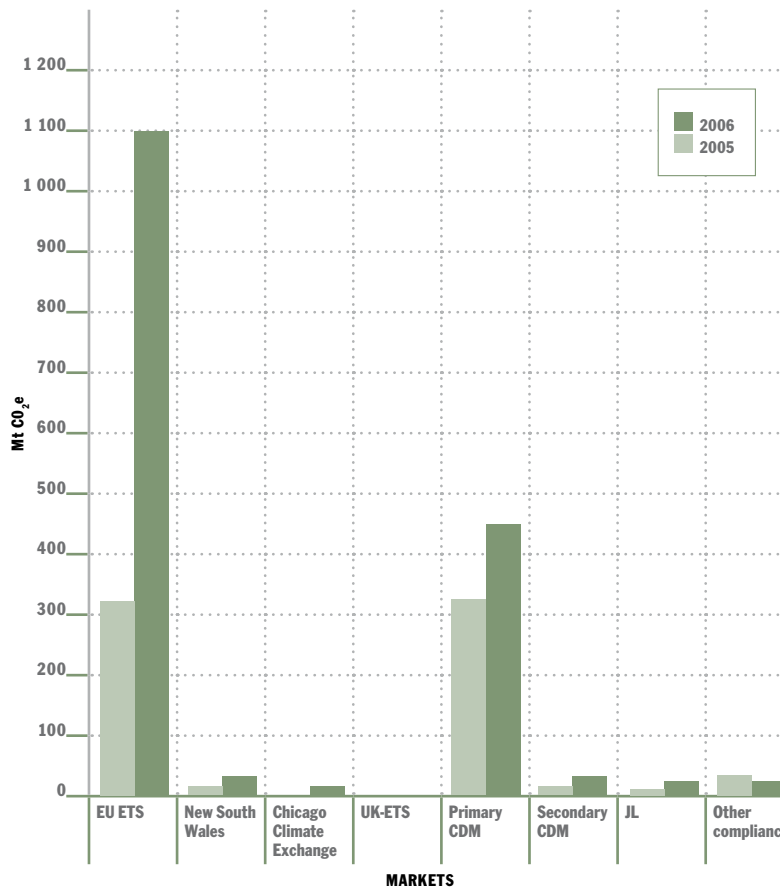
Additional Features

1. The Carbon Credit Note is backed by a project portfolio owned and managed by BNP Paribas. BNP Paribas is a global bank with over 170,000 employees in over 85 countries. It is the largest company in France and the World's 6th largest bank.
2. In the case of non delivery and change in international rules of Emission Trading, the Note offers capital protection.
3. Sterling Waterford Hedge Fund Management Services will make a market in the Note on the JSE, at all times showing a bid and offer price
4. The new Note will initially be priced in Euros as opposed to US Dollars. As a result of the success of the EU ETS, the carbon market is increasingly priced in Euros. Recent dollar weakness and concerns over the long term dollar weakness have also contributed to this decision.

Carbon as an Asset Class

CARBON MARKET SIZE

Source: World Bank



Carbon market

The Carbon Emissions trading markets are now viewed as the fastest growing financial markets around the world.

The market was created by international agreement, as a global initiative to reduce the amount emissions that contribute to global warming and in February 2005, The Kyoto Protocol entered into force to limit greenhouse gas (GHG) emissions.

An innovative feature of the Kyoto Protocol (KP) is to rely on market mechanisms to achieve lowest-cost emission reductions (set the cap, and let the market work).

The European Union implemented the Kyoto protocol early and started trading Carbon Emissions in 2005. The European Emissions Trading Scheme (EU ETS) is currently the worlds most active carbon market.

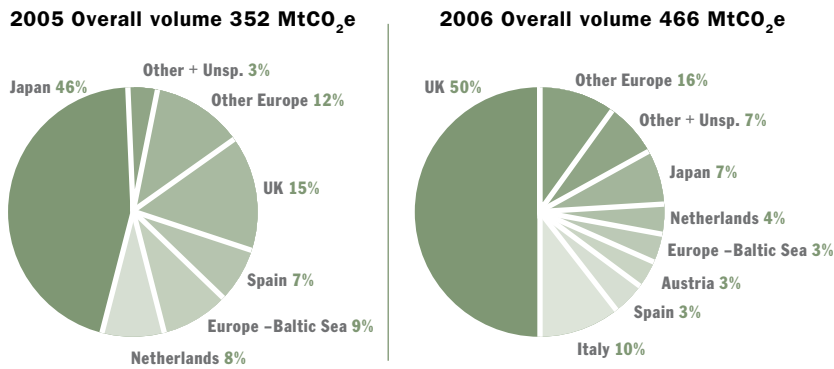
Developed Countries that have ratified, accept a cap on their Greenhouse Gases emissions over 2008-2012 (avg. 5.2% below 1990).

Global trade in carbon assets topped €24 billion (US\$30bn) in 2006.

Bulk of trade was in EU-ETS and CDM/JI project credits. Estimated for growth in 2007 exceeds 50%.

Analysts estimated that €9 billion had been invested in 58 carbon funds or investment vehicles as of March 2007, compared to €3.7 billion in 40 funds and vehicles as of May 2006. More than 50% of all capital in the global carbon value chain is managed in the City of London. Analysts place the total value of global carbon assets through 2012 at just under 1 trillion US\$, not taking into account any future participation by the US.

WHO IS BUYING? Source: World Bank and Point Carbon



European buyers totally dominated the CDM market in 2006 with 86% of volumes transacted.

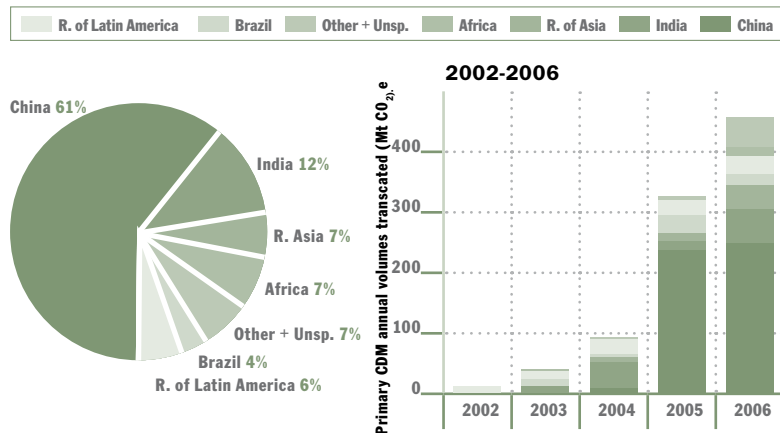
Project credit market

Carbon projects can be registered and credits are issued by fulfilling rigid project cycles. These are called UN Certified Emission Reduction (CER) or carbon credits and equate to one ton CO₂ equivalent. Ownership of one Carbon Credit gives right to emit one ton of CO₂ equivalent.

Purchasers of credits are both individual companies or countries expecting to exceed their emissions quota and investment funds/banks. Primary sellers are project developers in developing economies or “economies in transition”.

This Flexible Mechanism incentivises and monetises CO₂e emission reductions in countries with no emission caps.

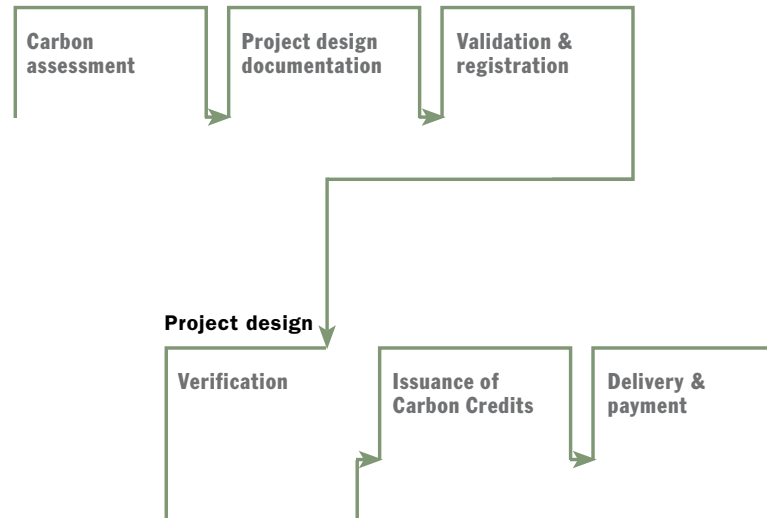
WHO IS SELLING? Source: World Bank



For the second consecutive year, China dominated the CDM market on the supply side with a 61% market share of volumes transacted, down slightly from 73% in 2005.

PROJECT IMPLEMENTATION

CDM project cycle



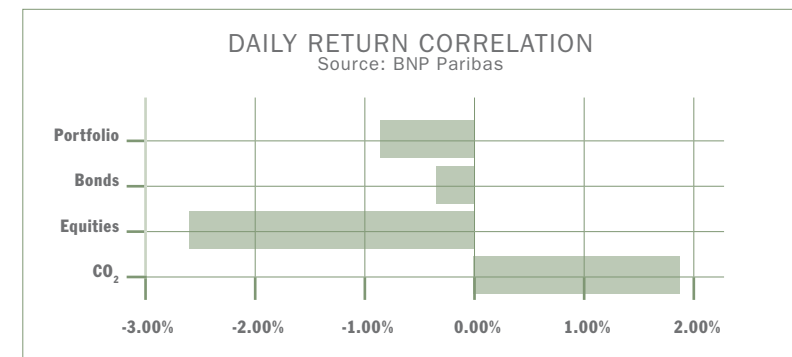
Portfolio diversification

As an Asset Class, Carbon performs uniquely differently when compared to Equities and Bonds and is also Highly Diversifying. Research has shown that it can improve return of a portfolio without increasing risk.

- Study of correlation between the assets and with a generic portfolio of:
 - 80% Bonds and
 - 20% Equities
- Risk-Return Indicators of the assets computed

ASSET CLASS CORRELATION				
Source: BNP Paribas				
	CO ₂	Equities	Bonds	Portfolio
CO ₂	1.00			
Eurostoxx	-0.10	1.00		
Iboxxtr	-0.03	-0.12	1.00	
Portfolio	-0.11	0.76	0.56	1.00

Research has also shown that Carbon has a Positive Impact on Downside Risk by maintaining the overall value of a portfolio when markets are declining.



Daily performance was computed in the 5% worst case scenarios for an equity and bond portfolio. Carbon investment mitigated losses on the equity and bond components in each case.

Carbon Credit Note 2 Terms

Issue Name	Sterling Waterford Carbon Credit Note 2
Issuer	Sterling Waterford CCN SPV4 GBC1
Description	A Carbon Credit Note is a pre-paid forward contract in terms of which the investor is exposed to the value of a carbon credit to be issued out of a portfolio of projects owned and managed by BNP Paribas.
Capital protection	The investors benefits from capital protection in Euro in the case of : <ul style="list-style-type: none"> • non delivery of carbon credits from the portfolio • any change in international rules
Currency	Euro
Issue Amount	TBD
Number of Notes	2,500,000
Investment Minimum	€1,500 (Indicative)
Indicative Trade Date	3 October 2008
Indicative Issue Date	14 October 2008
Maturity Date	31 December 2012
Listing	The Note will be listed on the JSE Securities Exchange in the section Asset Backed Securities
Market Making	Sterling Waterford Hedge Fund Management Services will make a market in the Note on the JSE, by guaranteeing a bid and an offer price at all times

Why invest?

DISCLAIMER

This Brochure is for marketing and information purposes only and should be treated as such by the recipient. This Brochure does not purport to contain all information that recipients may require. No obligation is accepted by or on behalf of Sterling Waterford Securities to provide recipients with any additional information. Neither Sterling Waterford Securities, nor any of its directors, employees, agents or advisers makes any express or implied representation or warranty, and no responsibility or liability is accepted by any of them, with respect to any errors or omissions in this Brochure or any other information supplied at any time to or on behalf of the recipient, or with respect to the fairness, adequacy, accuracy or completeness of the information in this Brochure, including without limitation the reasonableness of the projections, forecasts, estimates or any associated assumptions contained in it, or any information otherwise supplied at any time to the recipient. Each interested party must make its own independent assessment after undertaking such investigations as it sees fit before investing in Carbon Credit Notes and is recommended to seek its own professional and financial advice. Any recipient of this Brochure who intends to acquire Carbon Credit Notes shall make such decision solely on the basis of its own assessment.

Carbon Credit Note offers investors:**Rand hedge**

Carbon Emissions are traded and settled internationally in Euros. The Carbon Credit Note therefore offers exposure to a Euro denominated asset protecting against potential underperformance of the Rand.

Exposure to fastest growing financial market

The Carbon Market is growing rapidly and the CCN offers a simple and effective way to gain exposure to this lucrative investment market.

Anti correlated asset class

The investor can increase returns without affecting his/her risk. Carbon Emissions are not correlated positively or negatively with equities offering portfolio diversification and downside risk protection.

Tradeability and liquidity

The CCN is listed on the JSE and is easily tradeable. It therefore avoids the pitfalls and lack of liquidity of investing directly in the projects. It also offers the greater level of investor protection from the JSE and FSB that is inherent in a listed product.

Discount to market

Investing in project portfolio gives investor a discount to market value. By offering direct exposure to the underlying projects the CCN is initially issued at a significant discount to secondary market value of a same dated Carbon Credit

Capital protection in Euros

The investor's capital is protected in the case of non delivery by the project portfolio or in the case that the International Rules governing Emissions Trading change for whatever reason.



Invest in the future

The growing awareness of the reality that man-made climate change poses one of the greatest threats to the future of our planet, has triggered a call to action.

Effective solutions will depend upon integrated measures implemented across the whole of society.

This has led to the establishment of global and regional greenhouse emissions cap and trade schemes and an emerging 'green' asset class.

The Sterling Waterford Carbon Note offers investors an attractive opportunity to participate in the resulting value creation, providing direct economic exposure to the existing Certified Emission Reduction (CER) market on a global basis.

It offers a redemption linked to performance of a high quality carbon credit portfolio managed and owned by BNP Paribas.

Investment in the Note can potentially enhance or hedge portfolio returns whilst allowing participation in multilateral frameworks aimed at reducing greenhouse gas emissions.





STERLING WATERFORD SECURITIES

Sterling Waterford Securities, 2nd Floor Protea Place, Claremont 7735 • Postnet Suite #85, Private Bag x1005, Claremont 7735 • Tel: +27 21 674 6591 Fax: +27 21 674 6653