



LAS AZUCENAS™

TROPICAL HARDWOOD FOREST

FREQUENTLY ASKED QUESTIONS

Q. Why is timber a desirable asset class?

A. Timber is a desirable asset class for several reasons. First, timberland has historically generated excellent returns. Second, timberland has historically had a low correlation with other major asset classes, therefore, providing portfolio diversification. Third, timberland returns have been positively correlated to the rate of inflation, which creates a hedge for the portfolio. Finally, including timberland in a diversified portfolio can increase total return at commensurate levels of risk.

- **Timber beats stocks and real estate.** Managed timber (as professional investors call it) has actually beaten the stock market – with less risk – over the long run. From 1973-2013, managed timber returned roughly 14% annually as an investment, while stocks returned about 11%. Timber has also beaten real estate even though real estate packed quite a punch between 2001 and 2006, appreciating 12.4% annually, according to the S&P/Case-Shiller U.S. Home Price Index. A study by Jack Clark Francis, a finance and economics professor at Baruch College in New York City, and Yale's Roger G. Ibbotson compared the annual returns of real estate from 1978 to 2004. The results? Housing delivered a solid but unimpressive annualized return of 8.6%. Commercial property did better at 9.5%. Other studies argue that real estate returns are much worse. Yale finance and economics professor Robert Shiller, author of *Irrational Exuberance*, who looked back to 1890, contends that only twice has real estate produced truly outstanding returns: after World War II, when returning troops were starting their families, and from 1998 to 2005, a period he thinks was a bubble. Housing's rate of return, he argues, has to trend back to the mean of about 3% a year - barely above the inflation rate. If that's starting to happen now, he says, we could be facing many years of losses. Looking forward over the next decade, it seems highly likely that real estate investment returns could have a tough time comparing with those of the stock market, but are sure to fall well below those of timber investments.
- **Timber is uncorrelated to stocks.** Trees don't know about the war in Ukraine, or a bear market in the Nasdaq or S&P. While stocks couldn't keep up with inflation in the 1970s, timber investments never had a losing year! Trees just keep growing year after year. So, investing in timberland is an excellent way to balance your portfolio as its value often rises even when stocks are falling.
- **The price of timber has consistently beaten inflation.** Think of your timber investment as a good inflation hedge - the numbers show that to be true. According to legendary investor Jeremy Grantham, over the last century, timber prices have risen at 3.3% above the rate of inflation. Add 5% a year in income, and 4% to 6% in biological growth, and you've got a timber investment asset that has returned double digits.

Q. Why is timber well-suited for institutional investors?

A. Institutional investors are desirable owners of timberland for several reasons. Primarily, institutional investors are capable of funding larger transactions and are typically longer-term investors. These attributes uniquely suit timberland ownership. Also, institutional investors are more flexible with harvest levels based on log prices. Notably, the institutional investor is not motivated by mill requirements.

Q. Why is timber well-suited for individual investors?

A. Individual investors are desirable owners of timberland for many reasons too. Individuals have to make all kinds of financial plans not only during their lifetimes but for wealth transfer reasons as well. Since 2000 the stock market

has lost 40% or more of individual investors' money not once, but twice. This has been especially devastating and has caused irreparable financial damage. We all know that compounding interest over time is a highly effective wealth-building tool; but when we lose 40% of our money, and a decade or two of time, reaching our goals becomes that much harder. Families have college educations to plan for, weddings, first homes to buy, all while planning for the individual financial needs of retirement. Timberland ownership can help you navigate all of these without placing your money in high-risk vehicles yet still have your money perform well above almost every other asset class.

Q. How is the investment return generated for investors?

A. Acquisition price, biological growth, **active management**, price trends, and timberland value changes generate timberland returns.

Q. How is the Las Azucenas Private Owner Program Structured?

A. You have two options for investing in tropical hardwood. We have standing trees of varying ages you can buy according to their age. You own the tree, not the land. We also offer a deeded, fee-simple real estate ownership in timberland. We call this a "pure play" position. We are not a fund, partnership, or REIT where your funds are pooled with other investors. You own the land, you own the trees, and you can choose who you want to manage and oversee the growth of your trees and property for you (we hope you choose our teams). Ownership options start with as little as a ¼ of an - acre parcel with 113 newly planted trees and can be any size above this that fits a client's preference.

Q. What is included in the purchase price and how are those costs broken down?

A. When you buy the tree, we transfer ownership of the tree through a bill of sale, with the price of the management, care, protection, and cultivation included, and along with the **bill of sale a management agreement** is also part of the transaction. When you buy a plot (stand) of trees the full purchase price includes the land costs, the land preparation costs, the cutting in of an access road for ingress and egress, the nursery growing of your saplings, the planting of your saplings, the registration of your plot, and all crop care and maintenance through harvest.

Q. Who else owns timberland?

A. In the U.S. the Forest Products industry owns approximately 70 million acres, federal and state governments own approximately 240 million acres, and private individuals and families own the rest. Over the last 15 years, a fundamental change has occurred in the ownership of a significant part of these commercial timberlands. Institutional investors, such as public and private pension funds, endowments, foundations, and high net-worth individuals are purchasing large tracts of timberland as they learn more about Cross Laminated Timber and Mass Timber construction.

Q. How big is the industry in Latin America?

A. Like most Latin American countries, Guatemala has a thriving forestry business. The region exports more than \$7.2 billion annually, and Guatemala alone exports more than one-hundred million annually.

Q. What are the primary end-use products from a High-Grade Las Azucenas grows?

A. Because we only grow some of the world's most valuable wood (Mahogany, Spanish Cedar, and Guatemalan Rosewood) the majority of the lumber we grow is used for fabricating high-quality furniture, flooring, doors, musical instruments, finishes, etc.

Q. What risks are involved in timberland investing?

A. The risks associated with timberland investments can be classified into two major categories: physical risks and economic risks. Physical risks include natural disasters, pest infestation, disease, animal damage, and theft. Economic risks include price risk, supply risk, regulatory risk, demand risk, and liquidity risk. With proactive on-site timberland management, most risk factors can be dramatically minimized. The most perceived risk to an established timber plantation is fire, a natural force that can devastate an entire forest in a matter of hours. Contrary to popular belief however, fire and other natural disasters damage less than 0.5% of privately owned

high-grade forests every year. The trees we grow enjoy an unusually high ignition temperature of between 300 - 425 degrees centigrade making them almost immune to forest fires. Our forests are located inland and close to the Maya Rainforest, which remains green and moist for most of the year. Natural streams run through some of the farms keeping the moisture content in the air which dramatically reduces the possibility of fire. In countries with low political stability, illegal logging was once a major threat to forests. Today, illegal logging generally only poses a problem in natural forests where loggers can set up sawmill operations totally unnoticed. In order for theft to occur on private property where employees are present day and night, a great deal of equipment would have to be transported unnoticed within the property. Most Central and South American countries today have strict laws in place and have undertaken drastic measures to curb this type of risk. Guatemala's legal and environmental government departments have implemented strong laws with serious consequences in order to crack down on any possible illegal logging practices. Moreover, Las Azucenas is very much a community-centered company with permanent staff working and living onsite. The local and surrounding villagers support our projects wholeheartedly and benefit from the employment they provide as well as the humanitarian efforts that form a part of it. Our projects are focused on Impact Investing, where local communities also benefit.

Q. If owning timber is such a good investment, how come I have never heard of this before and why isn't everyone investing in timber?

A. First of all, most of the world's timber is privately owned by individuals however, the average investor doesn't own a portfolio of various-sized forests, they own a portfolio of diversified stocks, bonds, real estate, etc. Why is this? This is because the financial industry has educated investors to believe stocks are the best place for long-term gains and they need it this way to continue to earn sales and trading fees. The more they can convince investors to buy & sell something, the more commission they earn. People who buy forests and timber have no interest in buying and selling, they understand the value of buying and harvesting, and then harvesting again. The investment world – whether television, internet, brokers, etc., has no interest in discussing a vehicle as mundane as timber or forestry. It just isn't the kind of subject that is going to have their viewers or customers tuning in every night or renewing their memberships each year. Timber is a pretty boring – albeit profitable – investment, but we live in a time where most investors want results now, and the idea of having to wait eighteen years to realize a profit is unimaginable. In the tree-growing business, time periods of twenty years are common. Moreover, people with traditional schooling in financial management will usually reject long-term timber investments in favor of short-term vehicles. They clearly understand the average investor today is impatient and is focused more on investment performance than they are investment stability. Today, we are fortunate to have a wide range of investment alternatives, and while most are easy to manage, few provide a respectable return. In short, the competition for investment capital is intense, and the financial industry has managed to do a wonderful job of keeping people moving their money from one asset class to another in search of instant profit gratification. Another reason is liquidity – today's society is an instant one, and while stock investing provides you with virtual instant liquidity at the click of a mouse, most investors are unaware of the premium they are paying for this liquidity.

Q. What stands out about Las Azucenas when compared to other timber growers in Latin America?

We adhere to a vertical integration philosophy which effectively means virtually all management of our company and farms are provided by employees of the Company (i.e., performed in-house) rather than through third-party providers or consultants. For optimal performance, Las Azucenas employs committed on-site career forestry professionals rather than relying on third parties or consultants to execute our strategies. Our philosophy and strategy are focused on client service and adding value. We believe these key goals are best achieved when performed by our own employees who share in the goals we set. This structure is unique in the region, and we work hard to protect and nurture it. We follow strict reforestation practices that not only save and protect endangered flora and fauna but also the wildlife and habitat they support. We offer a triple bottom line opportunity for our private owner clients and generate a measurable, beneficial social and environmental impact alongside a financial return. We create jobs, restore degraded forests, and create new wildlife corridors for endangered species. We do this in partnership with our clients and embrace the opportunity to work together to make positive, meaningful change.

Q. How does an investor best diversify their timberland investment portfolio?

A. The addition of timberland, by itself (even in a single investment), provides positive diversification benefits to an investor's portfolio. As an investor builds their timberland portfolio, over time, a diverse portfolio of timberlands of varying age classes, species, locations, regions, and country locations can be achieved. Timberland is generally a niche investment and therefore the investor should focus on the region that offers the most favorable value and opportunity and not focus on diversification of the timberland portfolio simply to "diversify".

Q. When is the best time to invest in timberland?

A. Based on Las Azucenas investing approach; it is always the right time to invest in timberland. The critical factor is whether one will "make" the decision to invest. Too many times we see individuals study the benefits of owning timber yet still revert back to what they have been investing in that has underperformed or in some cases resulted in a total loss of money.

Q. Can I use the funds in my IRA to own timber with Las Azucenas?

A. With a self-directed IRA you can invest your retirement funds when, where, and how you want in any qualified vehicle. You can create your financial future with the freedom to make choices with your retirement plans. Self-directed IRA's give you the unique ability to choose from a variety of investment options from real estate, private placements, timber, agriculture, and more. And by diversifying your investments, you may protect and enhance your retirement. We can recommend to you several of the most trusted administrators and custodians.

Q. What does the future look like for timber?

A. The worldwide demand for timber isn't going away. It has been said that every American "consumes" one 100-foot tree per year. We write notes on paper (from a tree), sit on chairs made of wood, live and work in offices and homes with wood trim all around, in buildings that were likely framed with wood. Are there alternative materials other than wood that could have been used? Sure. But the use of wood doesn't appear to be shrinking. Emerging economies around the globe are working to create lives like the ones we take for granted, and to build the infrastructure to accomplish this they need all kinds of natural resources, and wood plays a vital role. As the world moves from concrete and steel construction to virtually One-hundred-percent Cross Laminated / Mass Timber, the future profits for timber owners will likely increase.

Q. When it is time to harvest my trees, what happens next? How and when do I get paid?

A. When the time comes to harvest your trees you will have the option to have us sell your logs for you or you can arrange a sale yourself. If you choose to have us market your logs, we will harvest your trees as directed by you and approved by our foresters in the same professional manner we harvest process, and sell our own trees. You will receive a pre-harvest report that will include our forester's recommendations. The net proceeds from the sale will be deposited into the appropriate custodial account within 14 days of us receiving payment from the buyer. Your funds will be accessible to you at this time. Las Azucenas charges 10% on the gross proceeds that cover, the sale, felling, and hauling of your logs to the gate where they will be loaded on a truck to its next destination.

Q. Is it possible to sell my trees before harvest time and cash out?

A. You are free to sell your trees at any time you wish. Las Azucenas remains focused on producing valuable logs to maturity, and the projected returns from this provide an above-average rate of return. You, however, can personally determine when you want to exit. Timberland owners have several options to choose from should they wish to sell their trees and/or property before harvesting fully-grown logs. These options are: 1. We have created an online marketplace where buyers and sellers can communicate and conduct personal buy/sell business transactions. 2. You can sell on the open timberland buy/sell marketplace through places like **www.landwatch.com – www.farmandforest.com – www.investinginfarmland.com** and hire our forester to prepare a report to see what the current log values may be.

Q: I have special financial needs and thus, desire a tailored approach. Is this something that can be accomplished by investing in timber?

A. Yes, High-Value tropical timberland as an investment can be structured to your specific needs. Las Azucenas can customize a timberland plan to fit any individual's specific financial goals and objectives. Most of our clients work with us to tailor-build the right program that will fit their personal financial planning goals.

Q. Can foreigners own property in Guatemala?

A. By law, any individual, local or foreign, or any corporate entity, local or foreign, may legally own land in Guatemala. The laws there make no substantial differences between its citizens and foreigners regarding the rights of ownership of property.

Q. Is the property fee simple (titled)?

A. Yes, all the real property we buy to restore and grow valuable trees is fee-simple titled land; you, or the entity you choose, will take 100% ownership of the property (or any part thereof you determine). Please note, in Guatemala, the ownership of property occurs immediately after the buyer (you), and the seller (LA), sign the purchase documents and the payment for the property and trees has been made. Registering the title comes shortly thereafter via the services of a local attorney.

Q. How do I know the title is clear?

A. The local attorneys do their due diligence. They review the chain of title of the property making sure that all of the past transfers of the property have been made legally and no mortgages are pending, no outstanding municipal taxes, no lawsuits, no promises to sell to someone else, and nothing else that could affect your ownership rights after you buy the property. They also make sure that the property is updated in terms of its survey, that it's not overlapping any other properties, and that the person selling is the actual owner in the survey office. The good thing about the legal system in Guatemala is that if it is not in the records then it cannot affect you.

Q. How/when do I get my deed?

A. Once the plot map has been generated and all the trees are planted the attorney will reach out to you letting you know transfer and registration of the title and deed is ready to happen. Our attorney will walk you through every step of the way.

Q. Do I need a lawyer to help me finalize my purchase of High-Value Tropical hardwoods and the property?

A. Yes, you need a local attorney to assist you in the registration process of any property purchase. While it is much faster to process and finalize title transfer and registration paperwork in the country, you don't need to be in the country to register your property. A Limited Power of Attorney via a local attorney (POA) is often used and these can be drawn up in the country and forwarded to you anywhere in the world.

Q. What are the approximate closing fees on property purchases?

A. The current standard closing fees are 12% Land Transfer Tax (IVA), 1% to 3% Municipal Tax and IUSI, \$21 Title Registration Tax, and attorney Fee of \$800. These fees only apply to the purchase price of the property, and not what you are planting on the property. Please be sure to ask us for further clarity. These fees are not included in the purchase price.

Q. What are the steps to purchasing High-Grade / High-Value timberland with Las Azucenas?

Step One: After discussing your options, you will select a timber option that best suits you and your financial planning goals. You will receive a purchase agreement, along with the tree management and maintenance agreement, to review, complete, and sign. This is an online process.

Step Two: Filling out documents.

When both purchase and management agreements have been signed (electronic signatures are legally accepted) and returned to us, your order will be registered in our office. Orders are not considered confirmed until full payment has been made.

Step Three: Plot Map Preparation.

Once agreements are signed and paid, a surveyor will be hired to create and record your GPS-surveyed plot map. This plot map will then be registered and delivered to your attorney. Upon receiving this plot map the attorney will notify you of the start of the title registration process. You can arrange to give your attorney power to sign title transfer documents on your behalf in the process of recordation.

Step Three: Title Registration Preparation.

An “Escritura” (an Escritura is the local equivalent to the Title Deed) will be prepared by the attorney and delivered to the property registry office. This will show the transfer of the property to you, at that moment you are the deeded owner. This step is usually completed within 30-60 working days after plot map preparation.

Step Four: Registering the property in the new owner’s name.

While you are now the legal owner of the land, the registration process in Guatemala requires patience as the process can several weeks, and sometimes much longer for registration in the Public Register. However, the property ownership is transferred at closing and the legal testimony from the closing is 100% valid proof of ownership. Your attorney will notify you as soon as they receive the registered title. It isn’t unusual for the whole process to take several months, so please be patient.

Q. How is real property measured in Guatemala?

A. In Guatemala property is measured in hectares.

One Hectare is equal to 2.47 acres.

Q. Is Guatemala a safe country to visit?

A. Absolutely! Yes, **Guatemala is safe to visit right now.** For a long time, Guatemala wasn’t necessarily safe. Like the rest of Latin America, Guatemala has problems that just require a fair bit of savviness. There is crime in Guatemala, but they don’t generally involve tourists. Guatemalans are warm, friendly people and often welcome travelers with open arms. Nowadays, tourism is one of the main forces behind the Guatemalan economy. The local authorities and Tourist Police will help all visitors, and the Guatemalan government is focused on safety.

Q. Do I need a visa and what is the best way to get there?

A. U.S. citizens traveling to Guatemala do not need a visa for short visits. Here are the entry requirements:

1. **Passport Validity:** Your U.S. passport must be valid at the time of entry.
2. **Length of Stay:** U.S. citizens are admitted to Guatemala for up to **90 days** without requiring a visa.
3. **Passport Documentation:** Carry your passport or a photocopy with you at all times while in Guatemala.
4. **Onward or Return Travel:** You’ll need to show documentation of onward or return travel (such as a return flight ticket).

The country is serviced by American Airlines, Continental, Avianca, Copa, and Delta. All international flights arrive in the capital city of Guatemala City.

Q. What is the weather like?

A. Guatemala enjoys a tropical climate, hot all year round in the lowlands, while in mountainous areas, it becomes cooler with increasing altitude. In almost all of Guatemala, there is a dry season from late November to mid-April, when the northeast trade winds blow, and a rainy season from May to October. Geographically, the country is divided into three zones: in the north, there's an area almost entirely occupied by plains (departments of Petén, north of Alta Verapaz, and Izabal), with a short stretch of coastline on the Gulf of Honduras (Caribbean Sea); in the center, there's a large mountainous area, where the capital is also located; and finally, in the south, we find a thin flat strip south of the mountains, overlooking the Pacific Ocean. From December to March, Guatemala can be reached by cool air masses from the United States, and in these cases, the temperature at night can drop below 10 °C (50 °F) in Guatemala City, and around 13/15 °C (55/59 °F) in the plains.

Q. Are the highways paved?

A. In general the main roads across the country are well paved and in generally good condition. In remote areas, many gravel roads become difficult and/or impossible to pass in the wet season unless you are driving a 4-wheel drive SUV-type vehicle.

Things to Do in Guatemala

Learn Spanish in Antigua. Antigua is one of the best and most affordable places to learn Spanish in Central America. Climb to the top of Cerro de la Cruz. When you're in Antigua, head to Cerro de la Cruz for a great view of the city. It's a pretty steep fifteen-to-twenty-minute walk, or you can take a taxi.

Visit the church ruins. Antigua has some truly incredible church ruins (mainly in ruins due to the numerous earthquakes that hit the city.) Favorites are La Catedral de San Jose and Iglesia de San Francisco. The ruins only cost around \$2 to \$3 to enter.

Hang out on a rooftop in Antigua.

Explore the towns of Lake Atitlan. Lake Atitlan is surrounded by lots of little towns with unique personalities. Some of the best to visit are Panajachel, San Marcos, Santiago, and Santa Cruz. It's easy to get around by public boat (*lancha*).

Escape to the beach. On the Pacific Coast, Guatemala has some excellent beaches for surfing.

Head to Semuc Champey. Semuc Champey is a very remote part of Guatemala that is hard to reach. But its incredible natural turquoise pools are well worth a visit while in Guatemala.

See the ruins of Tikal. Some of the most impressive Mayan ruins in Central America are located at Tikal, in the northern part of the country not too far from Belize.

Shuttles are good for long distances. For long distances (more than a couple hours) tourist shuttles are a good option. They're more comfortable than chicken buses, don't make as many stops, and aren't too expensive. (Usually between \$20 and \$40 for multi-hour journeys.)

Plan for extra time when traveling. Buses and shuttles are rarely on time in Guatemala and may make unexpected stops. Not to mention, the traffic can be bad at the most random times. So always add in some extra time when planning to go anywhere in Guatemala!

Uber works in Guatemala. You can use Uber in the larger towns and cities of Guatemala, and it's super cheap.

Money

The currency in Guatemala is the quetzal. 1 US dollar is worth about 7.8 quetzales.

Get a card with no foreign transaction fees. Be sure to get a credit and a debit card you can use anywhere in the world with no foreign transaction fees.

You can't drink the water. Like many developing countries, you cannot drink tap water in Guatemala. Fill up a reusable bottle with potable whenever possible to avoid buying too many plastic bottles!

Guatemala is known for its coffee. Much of it is produced on farms around Antigua. So be sure to try some while you're there! You can also tour a *finca* (farm) and see exactly how coffee is produced.

Safety in Guatemala

Guatemala is not as unsafe as they say. A lot of people seem to associate Guatemala with crime and violence. This could not be further from the truth!

Be careful in the capital. Guatemala City is probably the most dangerous part of the country, and depends on what *zona* you're in. There are a handful of zones that are quite safe for tourists, but others should be avoided.

Keep an eye on the weather. While it's unlikely to affect you on your trip, it's important to be aware that Guatemala sometimes experiences volcano eruptions, earthquakes, and floods.

Things to Know

Guatemala has two seasons. Dry season (summer) and rainy season (winter.) The dry season is from November to April and is the best time to visit, with little rain and milder temperatures. The wet season (May to October) is hotter, and it rains almost every day.

Tipping is not customary in Guatemala. Many restaurants will add a mandatory 10% table service tip to your bill, but it's not expected to tip beyond that. If you want to tip, it's polite just to round up your bill to the next tenth quetzal (i.e., the next dollar.)

Be sure to pack mosquito repellent. If you're going to the beach or the jungle, you'll want to be prepared with mosquito repellent or else prepare for some nasty bites!

The Mayan culture is prevalent. About 40% of Guatemalans are of Mayan heritage. There are many traditional Mayan communities (especially in the western part of the country) where you will hear Mayan languages like K'iche' or Kaqchikel spoken more than Spanish!

The national bird is the quetzal. Guatemala's currency shares a name with its national bird, the colorful and majestic quetzal. The Mayans used their feathers as money!

A little Spanish goes a long way. Many people in Guatemala (especially outside of Antigua) don't speak any English at all. You'll have an easier time if you know some Spanish.



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