



**LAS AZUCENAS™**  
TROPICAL HARDWOOD FOREST

## WHITE PAPER

### **LAS AZUCENAS: RESTORATION OF DEGRADED CATTLE FARMLAND USING NATIVE BIOSPHERE PALMS AND TREES**

Las Azucenas is an expertly managed restoration farm encompassing 10,000+ planted hardwood trees of significant economic value. The farm boasts three varieties of prized hardwoods: mahogany (*Swietenia macrophylla* King), cedar (*Cedrela odorata* L.), and ciricote (*Cordia dodecandra* Dc.). While hardwoods in other regions take 80 to 100 years to mature, in the Peten region of northern Guatemala, well-nurtured hardwoods achieve maturity in an average of 18-20 years. The synergy of ideal soil, a humid climate, and ample rainfall provides the optimal conditions for rapid and robust tree growth.

Las Azucenas benefits not only the ecosystem but also the local workforce. The project generates around 100 seasonal jobs annually over a 20-year period, and it maintains a dedicated core technical team responsible for tree cultivation, nurturing, and continuous care. This onsite technical team is indispensable, as allowing high-value trees to grow without intervention would expose them to premature felling and the risk of fires caused by human activities.

We cordially invite you to acquaint yourself with the Las Azucenas project and contemplate becoming a proud owner of a prized hardwood tree. Under the leadership of Las Azucenas owner, Javier García Esquivel, the Los Santos team has innovatively democratized the concept of environmental impact restoration projects. Their sustainable model encompasses all project resource requirements, determining the necessary units for equilibrium. This approach transforms the project into an attractive proposition for a community of potential investors. Diverging from exclusive timber investment endeavors, this initiative enables individuals to purchase as few hardwoods as they desire or can afford – even a single tree. Furthermore, this restoration endeavor empowers owners to actively engage in the preservation and safeguarding of their trees.

Collectively, tree proprietors contribute to the environment by sustaining a thriving forest, generating employment opportunities, safeguarding ecosystems, and achieving carbon sequestration in a managed and sustained manner. While we cannot guarantee the perpetuity of individual trees, we can certainly nurture and protect a flourishing forest, thereby maximizing the lifecycle of trees within our farm. Participants are privileged to own and preserve some of the world's most sought-after timber species: precious hardwoods.

The Los Santos team extends a sincere invitation for you to collaborate with Las Azucenas in the restoration of degraded cattle and farmland. Your journey toward this collaboration commences with acquiring and owning a tree, along with your commitment to its care and cultivation.

Owners often find it immensely rewarding to be part of this project for several reasons, as mentioned earlier (supporting sustainable forestry, protecting ecosystems, and promoting carbon sequestration). Additionally, there is a compelling financial incentive to invest in hardwood trees. The cost of owning and preserving a hardwood tree is \$450 over the tree's lifespan. Once a tree matures, boasting an impressive length of 350 board feet, it currently commands an average price of \$2,000. Given the persistent trends in supply and demand, it's highly likely that tree prices will continue to ascend.

In their second life, hardwoods find new purpose as they are transformed into works of art, musical instruments, intricate sculptures, and exquisite home and automotive finishes, among a myriad of other possibilities. The utility of these refined, precious, and scarce hardwoods is truly diverse. Their value only appreciates even when markets face turbulence. Unlike the volatile swings of the stock market, a tree remains steadfast in its pursuit of growth and arboreal grandeur, thereby perpetually enhancing its value. It's worth noting that even Harvard's Endowment has invested in hardwood trees.

Today, you possess the privilege of owning a tree and shouldering its care, secure in the knowledge that it will be nurtured with the utmost integrity and adhering to the highest standards. Your tree will not only contribute to the local indigenous communities that tend to it but also to the environment and the global world we inhabit.

Welcome to the realm of restoration. Welcome to Las Azucenas.

Farm Owner, Project Designer, and Manager: Javier Garcia Esquivel - [\[CV LINK\]](#)

## PROJECT DETAILS

Production of trees of significant economic value: mahogany (*Swietenia macrophylla* King), cedar (*Cedrella odorata* L.), and ciricote (*Cordia dodecandra* Dc.), for restoration purposes in areas degraded by agricultural and cattle-raising activities.

### 1. General Information about the Mahogany, Cedar, and Ciricote Species

#### ***Swietenia macrophylla* King**

This species presents as a grand tree, naturally attaining heights of 30 to 45 meters. It typically features limbs, odd-pinnate leaves, and deep-fissured, dark-brown bark. Renowned globally for its quality and beauty, it stands as an ideal material for furniture and finishes. Its commercial history in Guatemala spans over a century. A primary obstacle to its cultivation in forest plantations is its vulnerability to attacks by the meliaceae apex borer, *Hypsipyla* spp.

#### ***Cedrela odorata* L.**

This species takes the form of a large tree reaching heights of 30 to 40 meters. Adorned with deeply fissured reddish-brown bark and paripinnate leaves, it yields a prized, light, durable, and aromatic wood. This wood is of exceptional quality, easy to manipulate, and resilient against termites and fungi. Its applications span furniture, musical instruments, and various other crafted items. Like mahogany, it is significantly susceptible to attacks by *Hypsipyla* spp. Elements such as site selection, nutritional needs, foliar deficiency levels, nursery fertilization, and transplantation warrant consideration in cedar plantations.

#### ***Cordia dodecandra* Dc.**

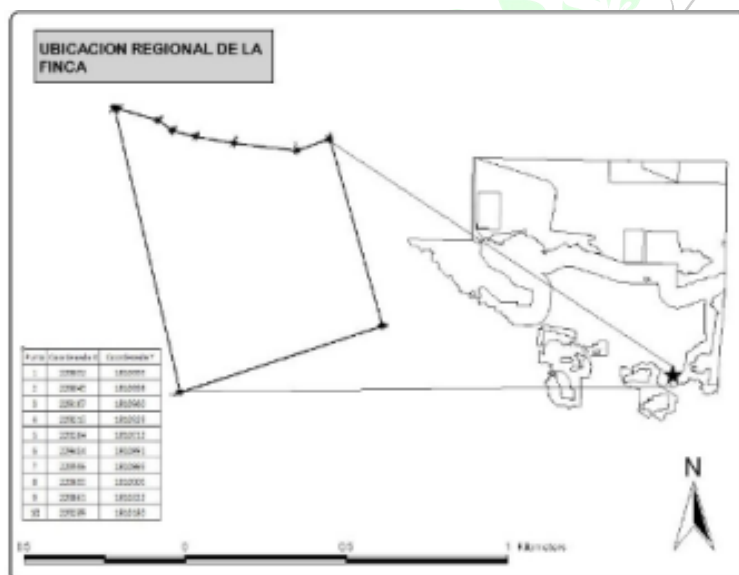
This species presents as a medium-sized tree with delicate limbs, achieving heights of 8 to 12 meters. It showcases grayish, fissured bark, along with alternate simple leaves. Comprised of sturdy, weighty wood, it features a dark brown heartwood with intricate veins. It's a material of choice for crafting elegant furniture and a wide array of crafts. Furthermore, it holds value for its edible fruits.

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## 2. Location

Finca Las Azucenas, or the Las Azucenas Ranch, resides in the department of Petén, within the Poptún Municipality, Concomá Village. The property falls outside the Guatemalan System of Protected Areas. The approximate distance to the departmental center of Flores is 97 km, and to the municipal center of Poptún, it is around 29 km.



Map 1. Regional location of the property

## 3. Execution Timeline

This project operates within a medium-term scope, estimated to span eighteen (18) years until the inaugural timber harvest takes place. The realization of this timeline hinges upon adept management and the seamless execution of forthcoming activities integrated into the ongoing project focused on producing these esteemed high-value trees: *Swietenia macrophylla* King, *Cedrella odorata* L., and *Cordia dodecandra* Dc.

## 4. Background

Spanning a surface area of 45.00 hectares (ha), the Las Azucenas Ranch was previously dedicated to cattle-raising endeavors. However, commencing in the year 2000, a strategy was employed to add economic value to the forest and reinstate its natural landscape. To this end, enrichment plantations of fishtail xate

(*Chamaedorea ernesti-augusti*) were initiated across 16 hectares of land, primarily within the domains of degraded forest zones. This ecological restoration effort was facilitated through forest succession processes.

## 5. Justification

Historical records indicate that the extraction of timber products in the Petén department and the exploitation of *Swietenia macrophylla* King (mahogany) and *Cedrella odorata* L. (cedar) commenced between the years 1900 and 1907 (Development of Petén Seminar, 1964). In the 1970s, the construction of the Guatemala-Petén highway (CA-13) led to significant immigration to Petén, driven by industry-centric initiatives and livestock exports. Regrettably, despite this influx, inadequate technical support resulted in rampant deforestation of the remaining forests in southern Petén. The prized species of mahogany (*Swietenia macrophylla* King), cedar (*Cedrella odorata* L.), and ciricote (*Cordia dodecandra* Dc.) have sustained value in both national and international markets due to their exceptional wood quality. However, their prevalence has dwindled due to illegal logging and unregulated management practices. To counter the crisis of diminished high-value species, this project endeavors to plant 10,000+ trees to facilitate wood production, subsequently revitalizing the forest landscape within agricultural and cattle-raising domains.

## 6. Objectives

The central goal of this initiative is to cultivate trees of substantial economic worth, specifically targeting mahogany (*Swietenia macrophylla* King), cedar (*Cedrella odorata* L.), and ciricote (*Cordia dodecandra* Dc.). This is executed with the purpose of rejuvenating areas that have suffered degradation due to agricultural and cattle-raising activities. The overarching aim is to plant a total of 10,000+ trees to facilitate medium- and long-term wood production.

## 7. Goals

The ultimate ambition involves the planting of 10,000 trees, encompassing the commercially sought-after species of mahogany, cedar, and ciricote. This action is undertaken to revitalize 30 hectares situated within agricultural and cattle-raising domains. The project is anticipated to unfold over a span of twenty (20) years, during which the main harvest is projected to occur. Forecasts for mahogany and cedar wood hover around 450 board feet per tree, priced between \$7.00 and \$9.00. Similarly, ciricote is expected to yield 100 board feet per tree, valued at \$44.00 per board foot. The specifics are elucidated in the ensuing table.



Species	Volume at Maturity	Current Prices	Prices at Maturity
Mahogany	450	\$4.50	\$9.00
Cedar	500	\$3.80	\$7.60
Cericote	100	\$22.00	\$44.00

*Table 1. Estimated volumes, Current Prices and Prices at Maturity in BF.*

## 8. Description of Activities to be Executed

Critical activities are integral to the comprehensive execution of the project, centered on the production of mahogany (*Swietenia macrophylla* King), cedar (*Cedrella odorata* L.), and ciricote (*Cordia dodecandra* Dc.), trees of notable economic value.

### Activities for Nursery Establishment

This phase encompasses:

- a. Collection, Handling, and Storage
- b. Initiation of Nursery and Production Systems
- c. Nursery Work for Sapling Generation
- d. Application of Pre-Germination Techniques
- e. Seed Sowing
- f. Transplanting or Segmentation of Seedlings upon reaching specified height
- g. Effective Shade Management
- h. Implementation of Inoculation
- i. Maintenance of Weed Control and Fertilization

### Activities for Plantation Establishment

This phase entails:

- a. Identification of Site Location and Characteristics for Plantation
- b. Hands-on Activities for the Sustenance of Cedar, Mahogany, and Ciricote Plantations
- c. Vigilance Over Pest and Disease Incidence, Alongside Silvicultural Practices
- d. Ensuring Plantation Protection Measures
- e. Initiating Marketing Endeavors

## 9. Targeted Beneficiaries

The project is centered at the private Las Azucenas Ranch, nestled in proximity to Concomá Village. This village comprises approximately 100 families, out of which 30% (equating to 150 individuals) will derive direct advantages from both temporary and enduring employment opportunities stemming from the project.

## 10. Activity Schedule

ACTIVITY	Year																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
<b>Establishing nursery</b>																		
Infrastructure, purchase of materials, supplies, land preparation, irrigation installation, and others	1	2																
Work in the seedbed, shade placement, pre-germination treatment, sowing, transplanting or separating seedlings once they have reached a desired height, weed control and fertilization, prevention, and control of pests, diseases and hardening, and others	1	2																
Land rental throughout the project	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
<b>Establishing plantation</b>																		
Maintenance of cedar, mahogany, and circote plantations			3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Pest and disease control, silvicultural treatments, protection of plantations, marketing			3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Hiring 2 technicians over an 18-year period			3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Two guards over an 18-year period			3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
<b>Transportation and equipment</b>																		
Purchase of vehicle		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Purchase of motorcycle		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18

Fuel		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
<b>Technical assistance, plantation management, and administration</b>																		
Technical assistance, from establishment to final felling (includes supervising engineers) over an 18-year period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Administrative and legal expenses	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18

**11. General Budget Summary Per Tree over 18 Years**

Rent and Establishment	\$15.00
Maintenance	\$160.00
Technical Team, Gas and Equipment	\$275.00
<b>Total Cost</b>	<b>\$450.00</b>



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## APPENDIX

Map: Satellite image of Las Azucenas Ranch location. [LINK to geo location.](#)



### Forestry Industry in Guatemala

The very name "Guatemala" derives from the local term "Coactemalan," which translates to "land of trees." This title aptly acknowledges the country's profoundly fertile lands and the diverse range of microclimates that facilitate the growth of an extensive array of premium-quality tree species, including Spanish cedar, genuine mahogany, and circicote, among others.

Guatemalan forestry products and raw materials boast significant certifications that ensure adherence to first-world standards. Notably, a substantial number of plantations have earned the coveted distinction of "certified plantations." Moreover, furniture and wood articles slated for export often bear the esteemed "Chain of Custody" certification, a testament that they originate from certified forests. This assurance holds immense importance for the industry's global participation and its engagement with international markets.

As per information from the Bank of Guatemala, the sector exhibited a production value of approximately US\$816.2 million in 2013. Its robust growth over recent years underscores its vitality. The sector's output encompasses an array of products, including rubber, latex, wooden items, furniture, paper, cardboard, pencils, and wooden boards. Notably, it stands as a significant foreign currency source for Guatemala due to its exports to major international markets. By 2013, its

export tally neared US\$100 million, signifying a 17% expansion compared to the figures from 2011. Among its export offerings, furniture (32%) and sawn timber (21%) emerge as primary categories. Additionally, doors, floors, plywood, scaffolding, coffins, baskets, and fences contribute substantially (43%). The most prominent recipients of these exports are Central America (El Salvador, Honduras, and Costa Rica), the United States, and Mexico (collectively absorbing 79% of the total exports). Other noteworthy markets encompass Colombia, Peru, Chile, Italy, Brazil, Venezuela, the Dominican Republic, Ecuador, Argentina, Belgium, and Spain.

This advantageous geographic positioning empowers companies to cater not only to the domestic market but also to the Mesoamerican region (encompassing Southern Mexico and Central America) as well as other international markets.

### **Forestry Sector**

The forestry sector constitutes a multifaceted ensemble of stakeholders, including the public sector, private enterprises, NGOs, individual landowners, local communities, indigenous groups, concession-awarded communities, women's collectives, and municipalities. Their interconnected roles span activities such as exploitation, safeguarding, commercialization, and industrialization, culminating in the creation of products that serve other sectors within the national and global economic frameworks, encompassing both forestry commodities and services.

### **Economic and Legal Landscape in the Forestry Sector**

The economic significance of forests in Guatemala encompasses the provision of timber-related goods, satisfying a substantial share of the internal forestry industry's demand. This demand, estimated in 2006, encompassed 3.15 million m<sup>3</sup> of wood for furniture and manufacturing, alongside 2.71 million m<sup>3</sup> for sawmills and wood-based product creation [BANGUAT (Bank of Guatemala), URL (Rafael Landívar University), and IARNA (Institute of Agriculture, Natural Resources and Environment, 2009)]. Furthermore, forests fulfill the requirement for firewood as a combustible material, estimated at 15,771,187 tons (INAB, IARNA-URL, FAO/GFP, 2012).

Beyond timber, forests furnish non-timber forest products, including flora and animal protein, and incite demand for environmental services related to forest ecosystems. On a social dimension, over 69.82% of Guatemalan households rely on firewood as their primary cooking energy source, predominantly in rural regions (INE, National Statistics Institute, 2014).

Protected areas cover 31.85% of Guatemala's territory, officially designated and recognized internationally across six categories, varying by management type. The category with the largest expanse comprises Biosphere Reserves (Maya BR, Chiquibul Mayan Mountains BR, Trifinio BR, Sierra de las Minas BR, and Visis Cabá BR), Wildlife Refuges (El Pucté, Petexbatún, Machaquilá, Xutilhá, Bocas del Polochic, and Punta de Manabique), and Multi-Purpose Areas (Lake Atitlan's Basin, Monterrico, Ipala's Volcano and Lagoon, Sarstún River, and Hawaii).

The range of land rights holders in Guatemala encompasses the state, municipalities, private entities, individuals, and communities, which also include indigenous lands. Tenure rights (and engagement with incentive schemes) for these groups vary based on ownership status (registered title), possession (documented but unregistered title), or occupation of lands belonging to third parties. This entails those involved in leasing, unregulated peaceful habitation, and illegal occupation. The "possessor" classification, while less legally definitive, is common among small landowners and residents within protected areas.

### **Relevant Legal Framework**

The National Forestry Institute (INAB) emerged from the Forestry Law of 1996 to execute the law and manage forest policy in Guatemala. This autonomous, decentralized agency functions within the Ministry of Agriculture, Livestock, and Food (Ministerio de Agricultura, Ganadería e Alimentación; MAGA).

Guiding the forestry sector is Guatemala's Forestry Law (Decree 101-96). This legislation underscores restoration's critical nature, promotes forest conservation, and ushers in opportunities for sustainable forestry development. The National Institute of Forests is designated as the sector's administrative and regulatory authority. The law also outlines parameters for industrializing Guatemala's forestry sector.

A new Climate Change Framework Law, enacted in September 2013, introduced two climate change institutions: the National Climate Change Council (Consejo Nacional de Cambio Climático; CNC) and the Climate Change Fund (Fondo de Cambio Climático; FONCC). This law also clarifies ownership of emission reduction credits.

Crucial pieces of forestry legislation comprise the 1996 Protected Areas Law and the 1996 Forestry Law. The former establishes the Guatemalan System for Protected Areas (Sistema Guatemalteco de Áreas Protegidas; SIGAP) and the National Council for Protected Areas (Consejo Nacional de Áreas Protegidas; CONAP), tasked with SIGAP coordination. The latter creates the National Forestry Institute (Instituto Nacional de Bosques; INAB) and institutes the Forestry Incentive Programme (PINFOR). The Forest Incentives Law for Small-Scale Possessors of Forest or Agro-Forest Land in 2010 led to the establishment of the significant national forestry subsidy, PINPEP. PROBOSQUE extends the National Forestry Incentives Program (PINFOR) to bolster forest conservation, expand forest acreage, and reduce emissions. The law sets explicit targets for emissions reduction in the forestry sector and land-use alterations, with a goal of restoring 1.2 million hectares over 30 years (2016-2046).

The 2005 Forest Law Regulations elaborate on forest management specifics, while the Forest Regents Regulations outline guidelines for forestry experts endorsing forest management plans.

Guatemala's 1985 Constitution underscores the paramount importance of environmental protection and recognizes indigenous peoples' land rights. Among the 12 Peace Accords culminating in the end of the 1996 civil war, two pertain significantly to collective land tenure, indigenous rights, and consequently, REDD+: (i) the Agreement on Socio-Economic Aspects and the Agrarian Situation, and (ii) the Agreement regarding Indigenous Peoples' Identity and Rights. The 2005 Land Registry and Cadastre Law modernized Guatemala's land registry system.

The Law of Urban and Rural Development Councils regulates Regional, Departmental, Municipal, and Community Development Councils. These councils serve as pivotal platforms for public participation in policy formulation across different tiers.



Guatemala ratified the 169 OIT Convention in 1996 and supported the UN Declaration on the Rights of Indigenous Peoples in 2007. The country further ratified several international environmental agreements, including the United Nations Framework Convention on Climate Change (UNFCCC) in 1995, the Kyoto Protocol in 1999, the Convention on Biological Diversity (CBD) in 1995, the United Nations Convention to Combat Desertification (UNCCD) in 1998, the International Tropical Timber Agreement, and the RAMSAR Convention in 1988. However, CONAP notes that Guatemala lacks implementation plans for the majority of these conventions, rendering progress tracking challenging (CONAP 2009).

### **Risk Factors**

The acquisition of Business Units (trees) and participation in tree management entails inherent risks. In addition to the information provided in this plan, careful consideration should be given to the following risk factors, along with other potential risks, when evaluating the Company's strategy regarding proposed forestry production and the act of purchasing trees and engaging in management services from the company.

The plan incorporates forward-looking statements that are associated with risks and uncertainties. Actual results may significantly differ from the discussions within this Memorandum. Factors contributing to such variations include those outlined below and elsewhere in the plan. The risk factors mentioned in this section, coupled with other factors discussed elsewhere, encompass certain risks and uncertainties that could potentially diverge from the content of any forward-looking statement. Individuals considering the acquisition of Business Units should only proceed if they are financially positioned to accept the risk of losing their entire investment.

The key risks to the Company align with those encountered by most forestry and agricultural operations. Mitigating these risks and minimizing their impact adheres to the best practices followed by the Company and all responsible agricultural teams engaged in sustainable restoration and agri-industry.

### **Theft**

Historically, illegal harvesting posed a substantial threat to forests and agricultural properties, especially in politically unstable countries. However, current instances of illegal harvesting generally remain localized to natural forests or agri-fields where thieves can operate discreetly. On our plantation, round-the-clock

employee presence deters large-scale theft and the illicit movement of significant timber quantities within our borders.

Most Central and South American nations have implemented strict regulations and adopted stringent measures to counter this risk. Legal and environmental government entities have instituted robust laws with severe consequences to address potential illegal harvesting or logging practices.

Moreover, our company's ethos is deeply rooted in community involvement, as reflected by our permanent staff living and working on-site 24/7. The local population and neighboring communities wholeheartedly endorse the project and derive benefits from the employment opportunities it generates. Consequently, the local community serves as a protective shield for the project. Each Company-owned and managed plantation rigorously upholds monitored property boundaries. Our staff members frequently patrol these boundaries during both day and night to bolster security.

### **Biological Pests (Insects, Fungus)**

Indigenous insects pose potential challenges, primarily during the saplings' vulnerable stage. We employ stringent care and management practices to mitigate this risk. Young saplings are particularly susceptible to natural pests such as insects, beetles, and worms. Their less mature stems lack the protective trunk barrier found in mature trees. Rapid tropical vine and grass growth also provide a habitat for pests. Our plantation teams actively manage these areas to restrict the proliferation of these vines and grasses, ensuring tree areas remain clear of overgrowth. As young trees mature, their trunks thicken, reducing this risk. We guarantee comprehensive replacement: any project trees that fail to survive will be promptly replaced and replanted.

### **Fires**

Fire presents the most immediate risk to an established plantation. Within a few hours, fire can lay waste to an entire forest. However, contrary to common perception, fires and other natural disasters impact less than 0.5% of privately owned plantations annually.

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Our property's inland location ensures its verdant and moist state for most of the year. Natural streams traverse the land, maintaining humidity and drastically decreasing fire risk. Furthermore, year-round irrigation sustains a moist environment, rendering the area virtually fire-resistant. Hardwood trees boast a significantly high ignition threshold, ranging between 300 to 425 degrees Celsius, rendering them almost impervious to forest fires. Local hardwood species are so fire-resistant that they function as natural firebreaks, credited with preserving vast areas of forests, farms, wildlife, livestock, and residences.

### **Natural Disasters**

While our plantation lies outside hurricane zones, the Southern region of Central America contends with flooding, robust winds, intense heat, and earthquakes. The region experiences two main seasons: summer and winter. Summer months, spanning from December to May, are marked by minimal rainfall and potential dryness, especially in certain locales. The property's extensive wells and irrigation systems ensure our trees receive the requisite daily water supply during the dry season and any pre-wet season delay. During the winter months, from June to November, heavy rains and sporadic flooding may occur. However, the property's topography mitigates adverse effects.

### **Market Fluctuations**

Market price fluctuations for core products can exhibit substantial variance and cyclical trends. Nevertheless, historically, our woods have demonstrated relative stability in demand and the market prices offered by buyers.

### **No Escrow of Investor Funds - No Escrow**

The offering can become effective without requiring a minimum amount of sale transactions. Consequently, as funds are received from participant buyers, they will be immediately allocated to the project.

### **General Economic Trends**

Detrimental shifts in economic and business conditions, monetary and fiscal policies, or global and U.S. economic growth, stagnation, or recession could impact

inventory value, the collectability of accounts receivable, customers' financial stability, and end users' or consumers' capacity to afford timber.

### **Potential Future Debt**

The sustained financial health of our operations is paramount to fulfilling our obligations to the Investors in the timber plantation Fund outlined in this Memorandum. The Company currently adheres to a no-debt policy; however, the possibility of incurring debt in the future to facilitate additional acquisition and development endeavors cannot be dismissed.

Should the Company choose to incur debt in the future, such a decision would limit its financial maneuverability. If not effectively managed, this debt could significantly impact the Company's financial standing and operational outcomes in a materially adverse manner. Elevated indebtedness levels within the Company could heighten the risk of default on debt commitments.

**Ultimately, the Company's capability to meet such obligations would hinge on its future performance.**

In the event that the Company is unable to repay future debt obligations using available cash, it may explore options such as refinancing the debt or using the proceeds from a debt or equity offering to service the debt. The feasibility of raising funds through a stock offering or debt refinancing on favorable terms depends on factors like financial market conditions, the Company's market value, and its operational performance at the time of such endeavors. In situations where insufficient funds are available and the Company struggles to negotiate renewed borrowing arrangements or secure fresh financing, the Company might be compelled to divest substantial assets. Such asset sales under unfavorable terms could indirectly impact the Fund's business and financial operations.

### **Attract and Retain Key Personnel**

The effective management of the plantation hinges on the Company's ability to maintain a capable workforce. The Company's ongoing success in providing proficient management services is closely linked to the contributions of its present staff. The potential loss of pivotal managerial and technical personnel or challenges in attracting and retaining experienced technical staff could detrimentally affect the Fund's operational success. While life insurance coverage

is provided for key management and technical personnel, there is no assurance of its sustained availability at reasonable premium costs throughout the Fund's duration. The continued prosperity of the farm activities is partly contingent on the Company's continued ability to recruit and retain experienced key personnel, whether as staff members or consultants.

### **Insufficiency of Insurance Coverage and Uninsured Liabilities**

Insurance coverage may not fully cover certain losses and uninsured liabilities that the farm might incur. We intend to maintain insurance to address various losses and liabilities stemming from our operations, in accordance with standard industry practices and prudent coverage levels. However, we do not plan to carry business interruption insurance at levels that would ensure business continuity without access to supplementary capital. Losses and liabilities arising from uninsured or inadequately insured events, or those exceeding existing insurance coverage, could adversely impact our business, financial position, or operational results.

### **Absence of Registration Under Applicable Securities Laws**

Prospective buyers of trees must recognize that tree investments and related care benefits are offered and sold through exemptions from registration under federal and state laws and regulations. Consequently, no regulatory authority has reviewed the disclosure of inherent investment risks or the compensation amounts for managers and owners connected to the project.

### **Limited Liquidity and Marketability; Restriction on Transfer of Interests**

Tree investments are solely offered and sold for investment purposes and should not be acquired with the intention of resale or distribution. The trees are not registered under federal or state securities laws. As the Interests in the Project represent involvement in a farm offered and sold under specific exemptions from registration provided by federal and state securities laws for private offerings, the availability of these exemptions depends partially on the investment intentions of each investor. As a result, purchasers of individual tree interests should be prepared to bear the financial risks of their investment for an indefinite period.

## **No Right to Remove Managing Members or Managers**

Tree investors will not become managers of the Company, nor will they generally possess the right, individually or collectively, to remove the Managing Member, any of the member's officers, or officers of the Company. In the unlikely scenario where an investor becomes or acts as a manager, they would incur personal liability.

## **No Reliance on Projections or Opinions**

No representative of the Company has been authorized to provide projections or express opinions regarding future events or projected production, except as stipulated within this Memorandum and related documents used in connection with Tree sales. Oral opinions that differ from the written information provided to investors have not been endorsed and should not be relied upon. Opinions concerning potential future events are founded on subjective assessments and assumptions. All projections inherently carry uncertainty. Every prospective buyer should understand that written projections if provided, may not materialize, underlying assumptions might prove inaccurate, initial production levels may not be sustained, and operations could yield losses due to unforeseen risk factors or unexpected events.

## **Delay in Receipt of Income**

The Company intends to vend harvested timber to unrelated parties. If a purchaser experiences delays in payment or fails to remit payment for any reason, the distribution of sales proceeds to individual tree owners and investors from the sale of each tree could be delayed or withheld altogether.

## **Conflicts of Interest**

While management strives to act in the best interests of each tree owner, conflicts of interest may arise under certain circumstances between the interests of Fund investors and the interests of plantation management. The Company sponsors other programs or ventures within different spheres of the agricultural or forestry industries, potentially leading to competition for management's time and attention, to the detriment of the timber plantation project.

## **Changes in Laws, Regulations, or Trade Policies**

Alterations in political, economic, or trade policies, as well as shifts in laws and regulations (including those framed as measures to enhance food safety) within domestic agriculture industries of countries to which the Company or related entities ship products, could restrict access to foreign markets for products utilized in tree care.

## **Inventory Risks Due to Market Conditions**

Fluctuations in market conditions could entail risks, including the possibility that market valuations of timber might fall below the cost of acquiring such tree inventories.

## **Competition**

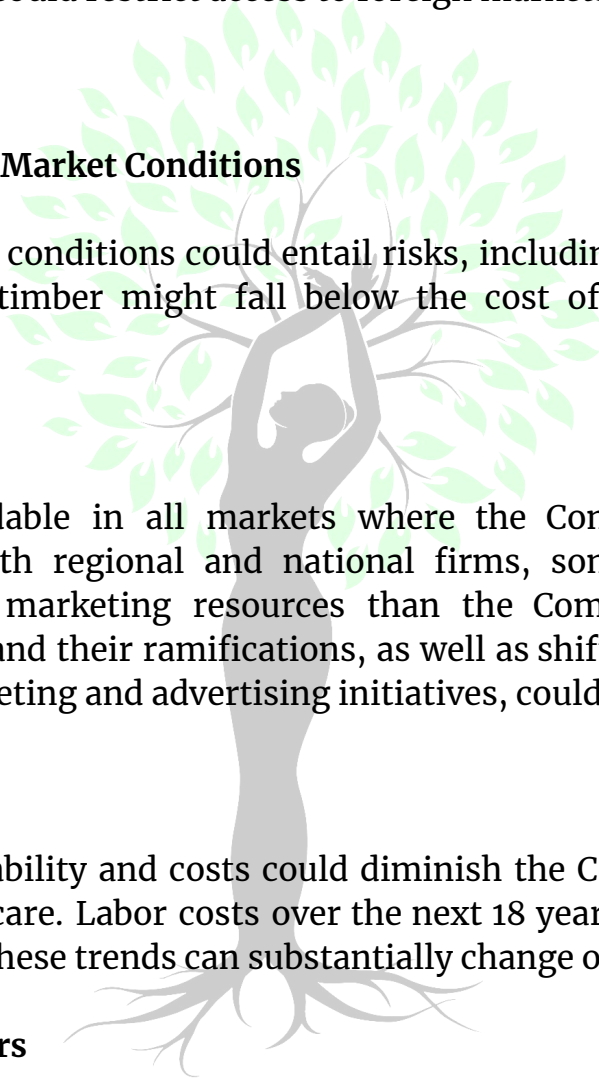
Competition is formidable in all markets where the Company operates. The Company contends with regional and national firms, some of which possess greater financial and marketing resources than the Company. Alterations in competitive dynamics and their ramifications, as well as shifts in the effectiveness of the Company's marketing and advertising initiatives, could amplify risks.

## **Labor Costs**

Changes in labor availability and costs could diminish the Company's capacity to provide adequate tree care. Labor costs over the next 18 years are projected based on historical data, but these trends can substantially change over time.

## **Loss of Major Customers**

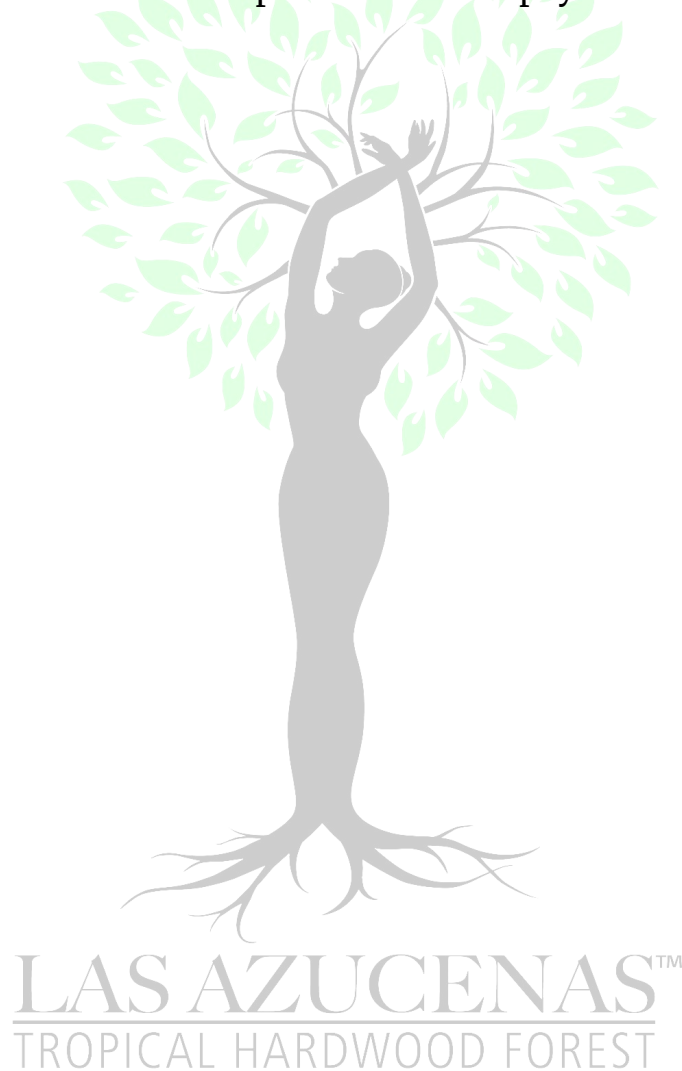
The loss of any major customers could curtail the Company's ability to effectively market trees on behalf of owners, whether temporarily or over a more extended period.



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**ULTIMATE RISK:**

Ultimately, each investor in individual trees must acknowledge full responsibility for their investment due to the aforementioned reasons, any unlisted factors, or a combination of potential factors. The investment might be entirely lost or remain unpaid indefinitely, potentially necessitating the indefinite or even perpetual holding of the investment in the Project. The Company's and Managers' efforts and expectations do not guarantee, imply, offer, or ensure absolute protection against a complete tree loss or an indefinite period of non-repayment.





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