Forest Futures Fund

- $22 million
- IRR 16%
- Exit Year 10
Investment Thesis

- Real Assets, Timber Futures - not land
- Above Market Rate Returns > 10% IRR
- Partnerships with top forest companies
Impact

- 5,000 acres of deforested land into FSC plantations
- 25% increase in net income per small landowner
- >1 million MT of CO2 sequestered
- 250 Local jobs created
Problem: Decreasing Timber Plantations since 1995

- 75% Timber comes from plantation
- Harvest twice as much as replant
- Decreased 35% during last five years
- Lost 24% of job force - 5,000 jobs total in 3 years
Four Main Barriers for Timber Plantations

1. High Cost of Land (Timber Company)
2. Long wait for cash flow and high levels of uncertainty (Landowner)
3. Inexistent forest investment vehicles (Investor)
4. Lack of fiscal incentives (All)
Current Timber Deficit 300,000 m³

Source: FONANFIO - ER Program 2012
Value Proposition

1. Decouple Timber from Land
2. Shorten cash flow and reduce uncertainty
3. Creates link between investors and reforestation sector
4. Spread fiscal burden throughout stakeholders
Timber Futures are Used to Access Capital Market Finance

- Landowners
- Forest Futures Fund
- Market
- Institutional Investors
- Government
- Timber Firms
Financials
Prices Trends, Hurdle Rates and Alternative Land Use - Determines Price of Timber Futures

Current Price → Increase in price (3%) → Expected Price at harvest

Discount Rate (10%) ↓

Purchase price of timber futures → Payment Structure

$ 22 Million in 10 years

Payment Structure
20% Upfront - 80% Annuities + 15% OPEX
Four Main Tranches Used to Finance Forest Futures

- **Lower Risk**
  - IRR 7%  
    - $9 M
  - IRR 12%  
    - $3 M
  - IRR 16%  
    - $7.5 M
  - IRR N/A  
    - $2.5 M

- **Higher Risk**
  - USD $22 Million
  - Forest Futures Fund  
    - $0.5 M
  - Private Investor  
    - $1.5 M
  - Timber Company  
    - $5.5 M

**Notes:**
- USD $22 Million
- IRR 16%
- IRR N/A
- Forest Futures Fund
- Private Investor
- Timber Company
16% IRR on Equity - Low Sensitivity to price
Costa Rica Perfect Venue to Develop the Forest Futures Fund

- Proven expertise in reforestation
- Clear property rights and titled land
- National commitment to increase timber plantations
- Growing timber demand - decreasing supply
Surpasses the Main Barriers

- Allocates risk strategically
- Increases stakeholders return
- Spread tax burden
- Bridge for institutional investors
Conclusions

- Replicable and scalable
- High opportunity to expand in the region
- Protects Native Forests
- Win-win for landowners, timber companies and government
Menor disponibilidad de madera en Costa Rica

POR MARVIN BARQUERO S. / mbarquero@nacion.com - Actualizado el 1 de abril de 2014 a: 12:00 a.m.

- Caída se atribuye a baja en existencia de plantaciones, en especial de teca
- Área sembrada en el país se redujo un 50%, según Oficina Nacional Forestal
### IRR Calculation

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<tr>
<td><strong>Revenue</strong></td>
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<td>$18,504,972.45</td>
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<td><strong>Invested equity</strong></td>
<td>$ (276,403.55)</td>
<td>$ (358,865.51)</td>
<td>$ (778,540.52)</td>
<td>$ (882,342.02)</td>
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<td><strong>Cashflow before tax</strong></td>
<td>$ (276,403.55)</td>
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<td>$ (778,540.52)</td>
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<td><strong>Tax</strong></td>
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<td><strong>Net cashflow</strong></td>
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| **NPV** | $1,349,744.26 |
| **IRR** | 16.5%         |