

# EJIDO VERDE OVERVIEW



MAY 2021

# Table of Contents

pg <b>3</b>	.....	Executive Summary
pg <b>5</b>	.....	Introduction
pg <b>6</b>	.....	The Ejido Verde Story
pg <b>11</b>	.....	The Market Opportunity
pg <b>13</b>	.....	The Pine Chemical Industry
pg <b>18</b>	.....	Ejido Verde Business Model
pg <b>23</b>	.....	Growth Strategy
pg <b>25</b>	.....	Social and Environmental Impact
pg <b>29</b>	.....	Risk Mitigation Strategies
pg <b>33</b>	.....	Senior Team
pg <b>37</b>	.....	Financial Overview
pg <b>41</b>	.....	Investment Opportunity
pg <b>44</b>	.....	Appendices
		pg 45 <b>A.</b> Glossary
		pg 45 <b>B.</b> Pine Chemical Applications
		pg 46 <b>C.</b> The Ejido
		pg 48 <b>D.</b> Cheran: A Case Study
		pg 49 <b>E.</b> Key Partners
		pg 50 <b>F.</b> Disclaimers

# Executive Summary

## The Ejido Verde Opportunity

The pine chemical industry is a 10 billion USD global industry in which Mexico is one of the top five producers of oleoresin and gum rosin. Historically, China has dominated the markets, once accounting for 70% of global exports of gum rosin. However, deforestation, lack of replanting, overly aggressive pine tree tapping, and increased labor costs have reduced China's role in this market to that of a net importer.

Mexico has also experienced the effects of deforestation in a dramatic loss of annual production, yet paradoxically is in a prime position to capitalize on the opportunity to fill the gap and lead the industry.

## Enter Ejido Verde

Ejido Verde is the newest addition to the Pinosa Group, Mexico's largest pine chemicals company. With a 90+ year legacy as a family-owned business, the Pinosa Group represents 50% of the Mexican pine resin market.

The Pinosa Group launched Ejido Verde in 2009 as an experimental social reforestation initiative and formalized the business in 2016. As a mission-driven, for-profit company Ejido Verde's regenerative agroforestry model provides environmentally beneficial solutions, and creates transformative wealth for Indigenous, autonomous, land-owning communities (ejidos).

Ejido Verde aims to create a high-quality, consistent, tapped oleoresin supply for guaranteed buyers Pinosa and Resinas Sintéticas. This non-exploitative economic relationship sets new standards by directly partnering with rural and Indigenous resin tapping communities. Ejido Verde also aims to influence the global pine chemical industry, which includes 800,000 tappers, to adopt more sustainable business practices over the next 20 years.

With anchor investments from the Pinosa Group, debt financing from the Inter-American Development Bank and Kiva, a crowdfunding platform, Ejido Verde has received 18.7M USD since 2009 and planted over 4,200 hectares (10,576 acres) on 625 family farms in collaboration with 13 ejidos.

Ejido Verde seeks an additional 25M - 30M USD in outside investment toward its 2030 goal of establishing an additional 12,000 hectares of plantations and restoring degraded lands with native resin-producing pine trees.

The capital will be fully invested by 2027. Ejido Verde anticipates generating over 220M USD total positive free cash flow by 2041 while purchasing well over 1 billion USD of resin directly from the local communities. Thousands of rural and Indigenous families will be propelled into the middle class while elevating the Mexican pine resin industry as a global market leader.

## **Ejido Verde's innovative business model centers on four pillars:**

### **Community Lending**

Empowering Indigenous communities is a key component of the Ejido Verde business plan. Ejido Verde provides zero-interest loans of 4,800 USD per hectare to ejidos. The loans provide superior seedlings, technical assistance, and land-use maintenance and pay for local workers to monitor the plantations in exchange for offering land and reliable labor.

### **Community Building**

Ejido Verde ensures new healthy forests and cost-efficiency by forging reciprocal community relationships. This exchange creates a non-exploitative environment that helps build local governance and intergenerational wealth.

### **Commercial Agroforestry Plantation Design**

Ejido Verde's adaptive reforestation model is designed to maximize long-term resin yields without harming the trees while improving forest genetics and other aspects of the ecosystem.

### **Guaranteed Demand**

The global market outlook for pine resin remains strong. With a decline in raw resin output, Pinosa is currently operating at only 30% capacity. Ejido Verde guarantees a consistent, high-quality supply of raw resin for Pinosa, allowing it to reach total capacity and fill its existing demand. The contract with the Pinosa Group is for 30 years with fair market pricing and a 12% commission.

**Ejido Verde is currently seeking smart growth with value-aligned capital partners. A partnership with Ejido Verde offers a triple-bottom-line investment transforming the pine chemical industry, restoring degraded lands, fostering the economic development of rural and Indigenous communities, and pursuing climate change mitigation solutions.**

### Catalyzing sustainable pine resin production in Mexico

*In 2020: 955,859 seedlings planted. 4,280 hectares (10,576 acres) under management. 1,003 commercial agroforestry plantations. 1,199 forestry workers. 625 family farms.*

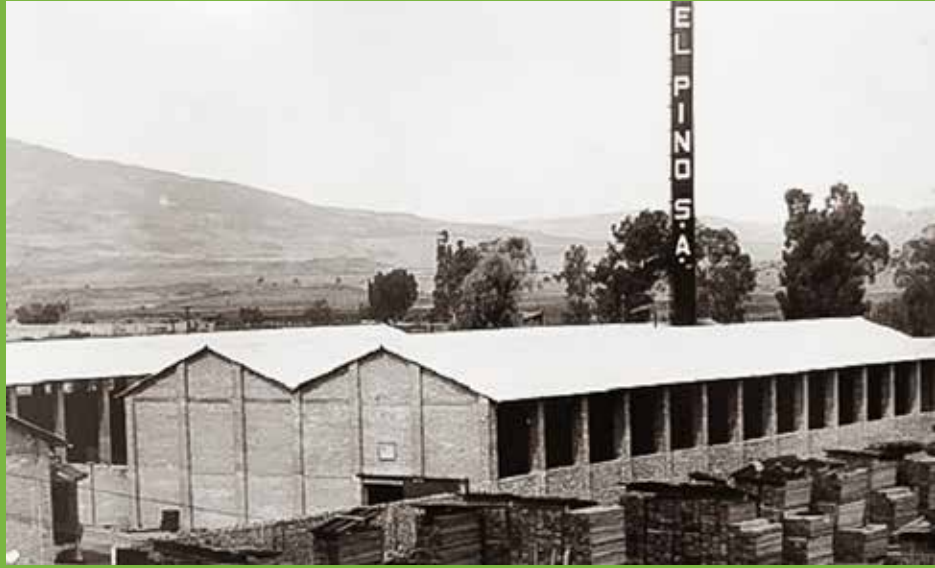
Ejido Verde is a triple-bottom-line Mexican pine resin supply company positioned to become a major supplier in the 10 billion USD global pine chemicals industry. As the newest company of the Pinosa Group, Mexico's leading pine chemicals company, Ejido Verde increases the constrained Mexican pine resin supply. Ejido Verde has strategic guaranteed buyers to meet unsatisfied global customer demand.

Our unique business model includes four strategic components:

- Community Lending
- Community Building
- Commercial Agroforestry Design
- Guaranteed Demand



*This map of Mexico highlights the state of Michoacán (pop. 4.5M). Morelia (pop. 600,000), the historic capital of Michoacán, is home to Ejido Verde, Pinosa, and Resinas Sintéticas. Michoacán uniquely supplies 90% of pine resin produced in Mexico and 80% of the avocados eaten in the U.S.*



# The Ejido Verde Story

THE 93-YEAR LEGACY  
OF THE PINOSA GROUP



*The Pinosa plant was the first factory established in Morelia in 1928 and remains the largest biorefinery of resin in Mexico today.*

In 1917, José Antonio Arias Álvarez, a young and curious entrepreneur, emigrated to Mexico from a small town in northern Spain seeking new opportunities. There he became the manager of his uncle's general store. Antonio's grandson, Fredo Arias-King, describes his grandfather as "bumping into the resin industry" by selling rosin and turpentine at his uncle's store.

Soon enough, Antonio introduced a successful working partnership with rural and Indigenous leaders. He also developed pine chemical infrastructure in remote and previously isolated regions of Michoacán for his new refinery, Pinosa, established in 1928, and now Mexico's oldest manufacturer of rosin and turpentine. Fast forward to 1953, when the family business, the Pinosa Group, founded another company, Resinas Sintéticas to buy rosin and turpentine from Pinosa for the manufacturing of specific chemical ingredients.

Today, Resinas Sintéticas produces close to 50 derivatives sold into 12 industries in 22 countries. In 1973, the group established T&R Chemicals Inc. in Clint, Texas, to better serve U.S. business customers. Antonio worked until his death in 1985, at which point his son, Fredo Arias de la Canal, who had worked alongside his father for decades, took over the management of the Pinosa Group. He still actively advises, and his son, Fredo Arias-King, serves as the President of T&R Chemicals Inc. Fredo also serves as Vice-President of the board of Resinas Sintéticas and Pinosa, in addition to now serving as Founder and Executive Chair of Ejido Verde.

# PINOSA GROUP

The Pinosa Group is a third-generation pine chemical industry leader that has developed a fully integrated supply chain. Its work includes everything from tree tapping and primary processing to advanced derivative ingredient manufacturing and supplying global corporations in diverse industries with pine chemical products.

## MANUFACTURING COMPANIES



**PINOSA**  
Resin treatment plant to produce gum rosin & turpentine

**63%**  
ARIAS  
controlling interest



**RESINAS SÍNTETICAS**  
Processes the rosin & turpentine into derivative products

**100%**  
ARIAS  
controlling interest



**T&R**  
El Paso (TX)  
Only dedicated manufacturer of pine oil in the United States

## CORPORATE CLIENTS



**GUM ROSIN & TURPENTINE**  
to world commodity market



**INTERNATIONAL CORPORATE CLIENTS**  
in 10+ industries, including chewing gum, adhesives, inks, soft drinks, papermaking, paints, etc. in 20+ countries



### From Philanthropy to For-Profit

In 2009, the Pinosa Group launched Ejido Verde as a philanthropic tree-planting project in response to a diminishing supply of raw pine resin. The goal was to scale the supply of pine resin to increase production capacity at Pinosa and Resinas Sintéticas. Until 2015, Ejido Verde experimented with a range of approaches to reforestation, from giving seedlings to farmers, enriching degraded natural forests, and restoring degraded lands to establishing commercial agroforestry plantations. However, a lack of strategy, forestry expertise, and community buy-in led to a low 65% survival rate of the trees.

The transition to formalize Ejido Verde into a for-profit business with a long-term strategy to advance economic, social, and environmental prosperity for rural and Indigenous communities was progressive. This transition began in 2014, coming to fruition in 2016 when Shaun Paul joined the team and built the infrastructure to refine the business model and establish Ejido Verde as an independent for-profit company. The investment between 2009 and 2015 was crucial for research and development, proof of concept, and successful pilot projects for Ejido Verde. With the community building approach, lending zero-interest loans with pine resin as repayment, Ejido Verde offers a financing solution suitable to the land tenure and the culture of Michoacán. Today, the foundation is set for a model that delivers culturally sensitive sustainability and opportunity with market-rate returns.

### Reforestation Process

Of the 13 pine species used globally for commercial resin production, six are native to Central Mexico, including Michoacán.

In 2015, Ejido Verde adopted a new forestry model and allocated the necessary resources to maximize resin production. Replicating the best commercial practices in Latin America, contextually adapted for Michoacán, Ejido Verde adopted a 10-year forestry management plan, which includes rigorous monitoring and stakeholder engagement that is timed to ensure planted trees produce the expected resin while minimizing risk. With this model in place, by 2018, Ejido Verde reached 85% tree survival with the projections of achieving 90%.

### Multi-Stakeholder Buy-in

Resin-producing trees are primarily on lands used and occupied by rural communities organized into ejidos (defined by Mexican agrarian law as farming collectives where land is owned collectively and usufruct rights are assigned by communities to individual farmers). This land tenure regime, coupled with the systemic nature of deforestation, resulted in diminished resin supply, necessitating multi-stakeholder buy-in from farmers, community leaders, and government. Like microfinance models, Ejido Verde's community investment model lends to the entire community, which collectively holds legally recognized land titles and is then co-responsible for repayment.



*T&R Chemicals, near El Paso, Texas. T&R purchases derivative products from its sister processing companies in Mexico. After advanced processing, T&R supplies products to industrial manufacturers for bio-remediation applications, disinfectants, and natural, bio-degradable herbicides.*

In the unlikely case of loan default, Ejido Verde secures usufruct land rights as a guarantee to assume control of forest stands. This guarantee conforms with Mexican agrarian laws and guidelines for free, prior, informed consent as defined in the U.N. Declaration on the Rights of Indigenous People (UNDRIP). In such situations, land-use control returns to the owner when the loan is repaid, and at most after 30 years.



# The Market Opportunity

INCREASING MEXICAN GLOBAL RAW  
PINE RESIN SUPPLIES

The global demand for resin derivatives has grown steadily for decades; however, global deforestation has been a driver of diminishing supply. The same applies to Mexico, which now produces one-third as much resin as 60 years ago. In turn, there has been a contraction of refinery operations, and working refineries are currently under-utilized.

### Global Crude Resin Markets Crude Material Supply Limitations

Pine resin (also known as oleoresin) is processed into gum rosin and turpentine, which are internationally traded commodities with a volume of 2.3 million metric tons, equivalent to cacao. However, global supply has significantly diminished, in large part due to deforestation and drastic cuts in production from China, which in 2015 accounted for 70% of rosin exports. Since then, China continues to reduce oleoresin production due to rising labor costs, more attractive short-term returns from converting pine forests into eucalyptus plantations, and the production of synthetic hydrocarbon resin (petroleum).

### Pinosa, Mexico's Largest Buyer of Crude Resin

Pinosa is Mexico's oldest and largest buyer of crude resin. Currently operating at 30% capacity, processing 12,000 tons of resin per year, Pinosa's loyal suppliers are aging and facing attrition. In 2017, Pinosa bought only 12,000 tons of resin from local producers, while at full capacity, it could process over 30,000 tons annually.

### Guaranteed Seller/Buyer Relationship:

Ejido Verde guarantees a consistent, high-quality supply chain of crude resin for Pinosa. Through **its community lending, community building, and commercial agroforestry plantation models**, Ejido Verde provides the expertise to ensure the raw materials required for Pinosa to scale and maximize production capacity. In return, Ejido Verde gets paid a commission on the resin it brings to Pinosa and creates jobs, living wages, and climate change mitigation and adaptation solutions for Mexico's rural and Indigenous communities.



# The Pine Chemical Industry

The pine chemical industry is a 10 billion USD global industry. Mexico is among the top five producers of oleoresin and gum rosin, after China, Brazil, Indonesia, and Vietnam. According to the study “Pine-Derived Chemicals Market by Type, by Application, by Source, by Processes and Region—Global Forecast to 2021” by marketsandmarkets.com and published in August 2016, increasing demand for pine resin derivatives across varied industries is due to its “economic efficiency and ecological benefits.” Recent acquisitions of Arizona Chemicals, a pine chemical giant, by Kraton Corp. for 1.4B USD, and Georgia-Pacific pine chemical assets by Ingevity Corp. for 310M USD demonstrate the industry’s movement toward scale and growth. Together, these two American global pine chemical companies have more than 1B USD in annual revenues.

### Three Sources of Pine Resin Derivatives

There are three different methods of getting pine resin derivatives: papermaking, tapping live trees, and wood stumps. Papermaking and pulping manufacturing processes produce tall crude oil and crude sulfate turpentine.

Tapping, the only method utilized by Ejido Verde, produces “oleoresin” or resin from living trees, which is separated into gum rosin and turpentine, derived by steam distillation. Gum rosin and turpentine applications include sealants, paint thinner, fragrances, and detergents.

According to Dr. Smita Bhatia, author of “Global Impact of the Modern Pine Chemical Industry,” the pine resin industry is undergoing a profound technological evolution. The industry has improved forestry management techniques through biotechnology, developed new tapping technology, and grown plantations of mature hybrid trees. As a result of genetic improvement, the hybrid pine trees grow two to three times faster and produce twice as much oleoresin as native trees. With forestry management and sustainability as the priorities, the pine chemical industry is positioned to maximize the long-term value of pine resin and its derivatives. In addition, the global industry has initiated a transition from relying on natural forests to forest plantations as the source of oleoresin.

Brazil, for example, initiated resin tapping from plantations in 1978 and has become the second-largest supplier of oleoresin in the world, at about 200,000 tons annually and growing. Ejido Verde and Pinosa are poised to follow suit with the expansion opportunities that plantation forestry provides.

### The Market

#### Maximizing the Value of Pine Resin

The global industry directly employs over 14,000 professionals, including scientists, engineers, plant operations personnel, and other technically trained personnel. Also, **800,000 tree tappers and rural families worldwide depend on pine resin for at least 30% of their annual income.**

The business models of the pine chemical industry are rapidly evolving. The sector collaborates with several universities, industry groups, and company R&D departments to improve pine forests' productivity and economic value.

### Industrial and Consumer Goods

- **Adhesives**
- **Foods & beverages**
- **Inks**
- **Road Paint**
- **Pharmaceuticals**

The pine chemical industry is responsible for essential ingredients in hundreds of consumers and industrial goods. Technological innovations have transformed the use of pine chemicals with widespread applications into dozens of new markets, including electronics, food products, and pharmaceuticals. Chemical manufacturers like Resinas Sintéticas and T&R further process the base products into marketable intermediate compounds, sold for processing consumer-packaged goods. Only resin-derived products are acceptable for food-grade and pharmaceutical products. Oleoresin derivatives can also be substitutes for petrochemical derivatives in a number of industrial applications. With oil prices recovering from recent lows, there is a general expectation of increased demand for gum rosin. After centuries of innovation, the industry is also part of the growth of renewable bio-based products.

### Major Pine Chemical Market's by Sector

#### • **Adhesives**

Adhesives are the largest market segment with a demand for 500–550 kilotons annually. Gum rosin derivatives are used in both hot-melt adhesives and pressure-sensitive adhesives.

#### • **Inks**

Until the technology boom, inks stood as the largest market segment. Nevertheless, 375–400 kilotons of gum rosin resin are used so that letters or printed images literally “stick” to the surface. Packaging offers growth opportunities for inks.

#### • **Foods & beverages**

60–80 kilotons of food-grade gum rosin derivatives are modified as tackifiers and softeners in chewing gum and packaging applications with direct food contact. Applications as emulsifiers are used in carbonated beverages. Food-grade resins cannot be substituted by petrochemical resin.

#### • **Road Paint**

Globally, 20–25 kilotons of gum rosin derivatives are incorporated into asphalt paint for road delineation. The inherent properties of gum rosin maintain the permanence of the paint.

### Long-Term Industry Growth

Only a handful of the 1,250 chemical compounds that compose resin are used commercially today, and the potential for many more commercial applications is demonstrated by new product development. Bio-based resins are being researched to replace petrochemical and non-sustainable materials. Pharmaceuticals are expanding applications for blood pressure, biomedicine with applications for topical pain relief, and experimentation to provide a natural alternative to blockbuster drugs like Adderall used to treat attention deficit hyperactivity disorder (ADHD) and to replace herbicides such as glyphosate.

### The Mexico Opportunity

Primed for Leadership in Mexico and Central America

In 2016, the Mexican Government registry stated the annual production of 22,000 tons of crude resin in Mexico, representing approximately 1% of the global market share of all pine-chemical raw materials.

The Pinosa Group controls roughly 50% of the Mexican market share, positioning Ejido Verde and the Pinosa Group with 0.5% of the global market.

### Profitable, Stable & Growing Market

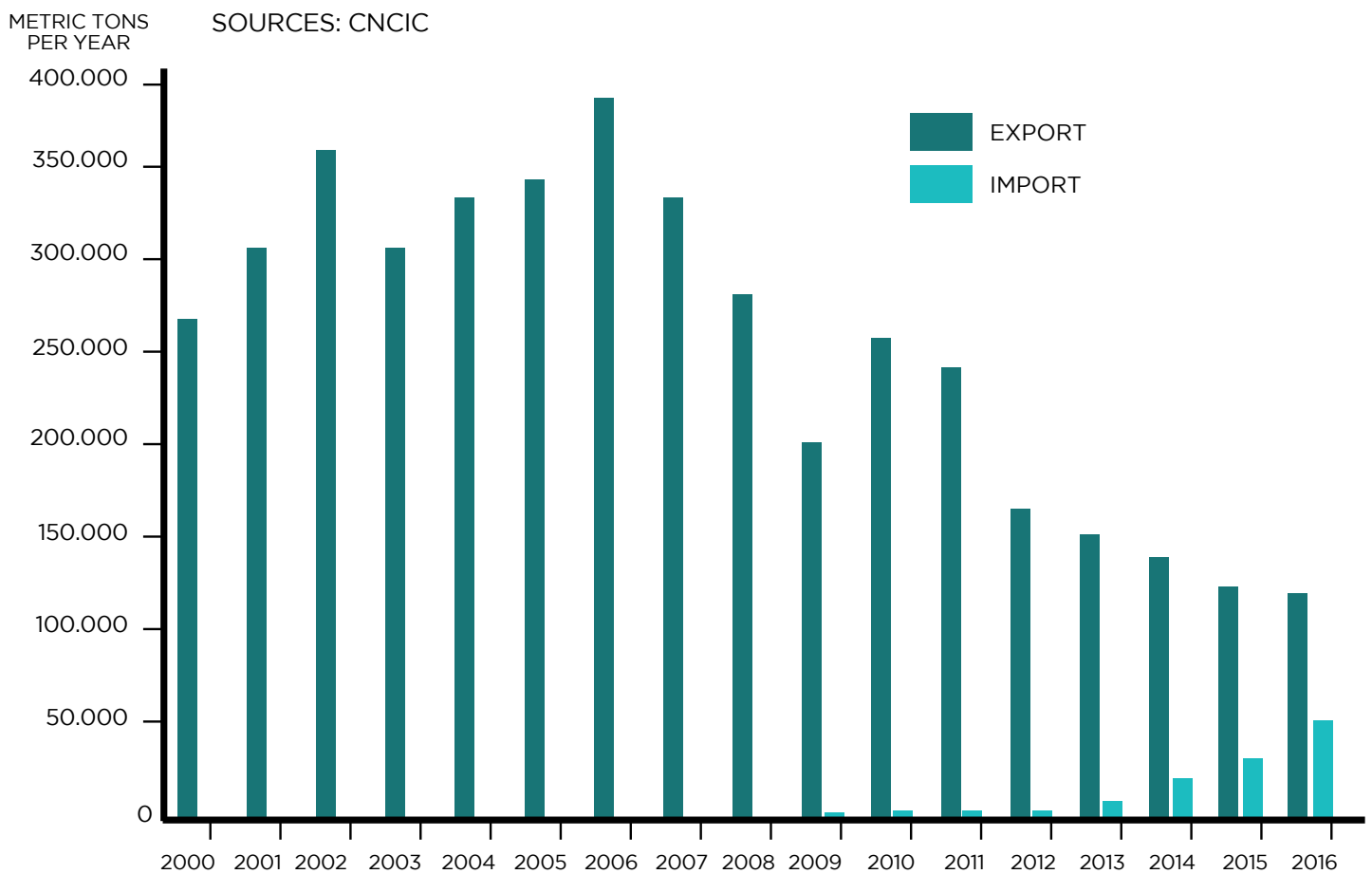
The Global Opportunity

Although direct revenues from the multi-billion-dollar pine chemicals industry are distributed among China, North America, and Europe, China has historically dominated the global markets for products produced from oleoresin. As shown in the graph on the next page, total production in China has dropped significantly. Just over a decade ago, China accounted for more than 70% of global exports of gum rosin. By 2017, it had shifted to being a net importer of rosin.



### Long-Term Industry Growth

#### CHINESE GUM ROSIN PRODUCTION, EXPORTS AND IMPORTS



Source: China National Chemical Information Center / Pinetappingworld

Over the past decade, China has significantly reduced its production of oleoresin. From being the globally dominant exporter, China is now an importer of rosin, the main derivative of oleoresin.



# Ejido Verde Business Model

- Community Lending
- Community Building
- Commercial Agroforestry Plantations
- Guaranteed Demand

### Meeting Local & Global Pine Resin Demand

Ejido Verde is established as a Sociedad Anónima Promotora de Inversión (SAPI). SAPIs are the primary legal structures used in Mexico today for private investment and joint venture operations with investors. SAPIs are an attractive investment vehicle primarily because they offer great flexibility, offer strong minority investor rights protections, and easily transition into publicly traded companies. Their flexibility includes ease in incorporating commitments to a social mission.

### Community Lending

#### Interest-free Loans for Reforestation

The business model of Ejido Verde depends on the economic health of Indigenous and rural communities. Ejido Verde provides zero-interest loans and technical assistance to ejidos. Loans of 4,800 USD per hectare range from 175,000 USD to 3.5M USD depending on the area planted. Loans are gradually repaid with pine resin after the trees start producing resin within 10 years.

### Community Building

#### Strengthening Local Governance

Ejido Verde leverages the long-term relationships of the Pinosa Group and has developed a model based on multi-stakeholder engagement. Our vision is to

strengthen community governance and natural resource management with the leadership of the community councils. Ejido Verde ensures healthy forests, cost efficiency, and risk mitigation by forging reciprocal community relationships.

Ejido Verde fosters the independent economic autonomy of rural communities. It pays funds to the ejido councils, who directly manage and pay locally contracted workers according to negotiated contract terms and traditional customary practices. Labor costs are dependent on production, and wage prices are set by the local communities led by their elected councils.

### Commercial Agroforestry Plantations

#### A Regenerative Forestry Management Model

Ejido Verde's expert forestry team has designed a unique commercial agroforestry plantation model that maximizes pine resin production and regenerates degraded lands. Ejido Verde replicates the best commercial-scale Latin American pine plantations contextually tailored for Mexico. Ejido Verde's adaptive management model is timed to ensure planted trees produce the expected resin and yield the highest production. Intercropping, mixed land use, and biodiversity restoration techniques are considered. In collaboration with each community, Ejido Verde designs plantations produced and immediately resells it to its partners, Pinosa and Resinas Sintéticas.

### 1. Forestry Research and Development

Research and development includes:

- improving forest genetics to increase resin yields.
- plantation management techniques to maximize growth.
- experimentation with biological and chemical inputs, resin stimulants, soil restoration, resin-tapping techniques.
- improving forest planting and management processes to increase cost efficiency.
- remote sensing for forest management and fire mitigation, along with digital and automation technologies.

### 2. Community & Land Prospecting

Ejido Verde uses a systematic and validated procedure to identify eligible land for commercial agroforestry plantations. Technical, social and economic factors inform the selection of communities and specific parcels to qualify for an investment agreement between Ejido Verde and rural and indigenous ejidos. If eligibility requirements are met, the partnership ensues through legal investment contracts.

### 3. Technical Assistance & Training

Ejido Verde provides technical support and best practices adapted to the unique cultural, social, and environmental conditions of every ejido. This includes support in:

- employee contract management.
- production enhancement training.

- maintenance and security.

- worker safety.

### 4. Tree Procurement

Ejido Verde procures seeds from high-yield pine trees and contracts state-of-the-art local nurseries to produce seedlings.

### 5. Maximize Resin Production

By year 10, each tree is tapped to draw about 4 kilograms of resin each year. At 18 years of age—that is, 8 years after tapping begins—a second face is made, increasing the production of resin by 42% on average or over 5 kilograms per tree. Ejido Verde maximizes output by monitoring projected versus actual tree growth, fertilizer use and pest management, and establishing safeguards for disease and fire prevention.

### 6. Plantation Maintenance

As the plantations mature, Ejido Verde regulates the development of the seedlings, maximizing survival rates, tree vigor, productivity and the health of intercropped species. On-the-ground maintenance from Ejido Verde's forestry team continues with each ejido as the ejido produces the resin.

### 7. Purchase and Sell Crude Resin

In addition to executing an investment agreement to establish plantations, Ejido Verde signs a future purchase contract that ensures communities can depend on a fair market price. Ejido Verde buys all resin produced and immediately resells it to its partners, Pinosa and Resinas Sintéticas.

### The Revenue Model

Ejido Verde’s revenue model has three main revenue sources:

#### 1. Resin Repayment of Loan

After trees start producing resin in year 10, the ejidos pay back the loan with 10% of the harvested resin until they reach a cap of 4,000 kilograms of resin per hectare. The ejidos will repay the capital investment in years 10-20.

#### 2. Buyer’s Commission Purchase Agreement

The pine chemical industry pays Ejido Verde a buyer’s commission of 12% over the market price for the resin supply. It can finance this through savings at the distillery due to the economies of scale from processing closer to installed capacity than the current under-utilization of assets permits.

#### 3. Government Subsidies

One-time payments are made to Ejido Verde per reforested hectare of land.

### 4. Secondary Revenue Sources

By 2023, Ejido Verde expects the growth of secondary revenue sources, which include the following:

- **Natural Forests**





Capturing resin from tapping mature natural forests not currently in production.

- **Intercropping & Animal Grazing**

Selling agricultural products grown among the pine trees, intentionally designed into each commercial agroforestry plantation with consideration for free-range livestock.

- **Carbon Credits**

CO2 captured by pine resin trees may be sold in global carbon credit markets.

EJIDO VERDE COMMERCIAL AGROFORESTRY PLANTATION	
 Biodiversity	Mixed species / Multiple crops
 Soil	Improve soil fertility and biomass
 Water	Increased water retention
 Wildlife	Increased multi-species habitation

# THE ECONOMICS OF ONE HECTARE

## Capital Inputs

**4,800 USD**

Loan for:



Seedlings



Labor



Maintenance



Monitoring



**350 USD**

in Mexican Government subsidies  
(part of the 4,800 USD loan above)

## Technical Inputs



Genetic Selection for  
**High-yield Trees**



Commercial Agroforestry  
**Plantation Design**



Technical Tree  
**Tapping Training**



Community  
**Building**



Risk Mitigation  
**Strategies**

## HECTARE METRICS



Trees per hectare:  
**800**



Total weight of resin produced yearly  
**1 hectare = 3,200 kilograms**



Yearly resin production per tree:  
**4 kilograms**



Resin price:  
**\$1 per kilogram**  
(Q1 2021)

## TAPPED PINE RESIN

**15%**

of resin is used for  
Ejido Verde loan repayment  
during years 10–20

**85%**

reliable cash payment  
by Ejido Verde for resin at full  
market price



## **Growth Strategy**

Ejido Verde is the only operator in Michoacán growing the supply of pine resin at a significant scale, in a region that produces 90% of Mexico's resin. Because resin is sourced from community-owned lands, this model does not require the capital-intensive and politically risky approach of large-scale land acquisition. Furthermore, the model is uniquely predicated on deep intergenerational relationships between industry and forest communities.

### Michoacán

Expansion in Michoacán: Ejido Verde will grow to establish 12,000 hectares of commercial agroforestry plantations in Michoacán by 2030. Initial surveys within Michoacán indicate a potential total of at least 120,000 additional hectares for commercial agroforestry plantation. Ejido Verde has grown from six to 13 communities between 2017 and 2019. Expansion is predicated on establishing plantation clusters in six regions of Michoacán that offer optimal conditions.

### Mexico

Estimates show that thousands of hectares are presently deforested and suitable for developing commercial plantations. While Ejido Verde focuses on establishing new forests, we are also working on gaining access to

resin from untapped natural woodlands that provide a basis for us to generate early revenue from commissions by selling resin to industry partners. Beginning in 2019, Ejido Verde has initiated pilots to purchase resin from untapped mature forests with the possibility of adding this as a new revenue source.

### International Markets

Ejido Verde is exploring international opportunities that will replicate its forestry expertise and community-building and investment models in other countries where pine trees grow and are tapped. For example, on land owned by the Indigenous Miskito community in Nicaragua, 200,000 hectares of natural forests are ready for tapping. This single region has more resin production capacity than the current resin production in Mexico. Ejido Verde has extended its first purchase order for over 26,000 kilograms of crude resin with the Miskito leadership in Nicaragua. Plantation managers and distilleries have also approached Ejido Verde to establish partnerships that include buying crude resin, rosin, and turpentine from Panama, Colombia, Paraguay, and Kenya.





# Social and Environmental Impact

#### ESG

Ejido Verde addresses environmental, social, and governance factors with three major approaches: regulatory compliance, voluntary guidelines and standards, and impact monitoring.

##### Regulatory compliance

- Personnel policy that meets requirements respecting worker rights.
- Worker health and safety as defined by the Department of Labor to mitigate worker health and safety risks.
- Forestry management plans that comply with the Department for the Environment guidelines for sustainable forestry management.

##### Voluntary guidelines & standards

- The Forest Stewardship Council provides a leading international certification for sustainably managed forests. Ejido Verde follows the council's guidelines, including low-impact pesticides and fertilizers.
- Community Conservation Biodiversity is a standard that accompanies the Voluntary Carbon Standard and offers guidelines especially relevant to impact and engagement with communities and biodiversity.
- B Corps is organized under Sistema B for Latin America and provides guidelines for overall good corporate governance practices.

#### Impact Monitoring & Reporting

Ejido Verde uses a 'regenerative dashboard' to measure, manage and communicate impact with all stakeholders. We select indicators that reflect key performance metrics, mitigate critical risks, and track financial and non-financial value creation. Verifiable and measurable indicators are chosen from Impact Reporting and Investment Standards (IRIS). If IRIS does not offer a relevant standardized indicator, Ejido Verde creates new ones while considering qualitative data and assessments.

#### Social Impact

- Transformative Wealth-Building
- Social Equality
- Community-Sustained
- Community Governance

#### Current Impact Numbers and Where We Are Going

Current impacts in 2020 included:

- 4,280 hectares of plantations under management.
- 86,892 tCO<sub>2</sub> sequestered per year at our existing scale.
- 625 family farms.
- 1,199 year-to-date jobs earning 1.8 times more than the minimum livable wage.
- 13 rural and Indigenous communities with strengthened environmental and social governance.

#### Impact by 2030

- 12,000 hectares of plantations under management.
- Millions of tons of sequestered CO<sub>2</sub>.
- Over 2,000 family farms.
- Thousands of individual commercial agroforestry plantations.
- 6,000 full-time jobs earning four times above the minimum livable wage, propelling families into the middle class.

#### Higher Wages & Secure Job Creation

The minimum wage in Mexico is less than 5 USD per day. Michoacán is the fifth poorest state of Mexico. The lack of economic opportunities in Michoacán resulted in Michoacán experiencing the highest emigration rate of all Mexican states by 2015, when 60% to 77% of the total population had emigrated to the United States and other parts of Mexico.

By 2022 Ejido Verde projects to create 1,500 jobs. Ejido Verde creates job security through the community investment model and develops liveable wages for workers at commercial agroforestry plantations. They make an average of three to five times more by tapping resin plantations compared to subsistence farming.

#### Expanded Career Opportunities

The average age of forestry workers in Michoacán is 48. Ejido Verde is providing younger generations with an incentive to

remain in Michoacán, reducing emigration rates with stabilized incomes and job security. In communities where Ejido Verde is most active, such as Cherán, community leaders have noted that the average age of tappers has already shifted from 48 to 30. Ejido Verde also provides job training, including planting skills, maintenance, human resource management, resin tapping, and general business skills. Most importantly, it offers increased expectations of local economic viability for the future.

#### Gender and Social Equality

Resin collectors are almost exclusively men, but Ejido Verde forecasts the rise of female pine resin tappers over time. In Cherán, for example, as of 2018, 10% of the tappers were women, reflecting a significant rise over the past few years.

#### Revitalization of Cultural Heritage

For the Purépecha, the Indigenous people of Michoacán, the pine forests represent sacred, cultural heritage. As native forests are restored, people's connection to the ancient land renews. Caring for and communing with the land helps them see themselves as an integral part of the prosperity of their community. The millennial tradition of pine tree resin tapping that Mexico has is an essential element of its competitive advantage.

#### Community-Sustained Governance Models

Establishing community loan agreements and enforcement results in decentralized community governance practices, ensuring legitimate elections and responsible community decision-making. Overall, Ejido Verde is empowering good governance of community obligations and assets. Over the next two years, Ejido Verde will build more robust impact monitoring systems consistent with practices advanced by the Global Impact Investment Network (GIIN) and B Corp B Impact Assessment.

#### Environmental Impact Stewards of Mexico's Native Forests: Cultivating Native Agroforests

Stewards of Mexico's Native Forests: Cultivating Native Agroforests  
Per the standards for responsible forest management established by the Forest Stewardship Council, Ejido Verde's commercial agroforestry plantation design contributes to the regeneration of biodiverse habitats. The long-term environmental effects of reforestation have three main impacts: carbon sequestration, aquifer replenishment, and habitat connectivity, enhancing the security and health of native wildlife.

#### Carbon Sequestration

A feasibility study of Ejido Verde's

greenhouse gas emission reductions conducted by The Clean Trade Group in 2009 estimated that the agroforestry plantations will deliver **significant emission reductions, estimated at 6 million tons of CO2 over 30 years**. Additionally, as an indirect impact, Ejido Verde is substituting hydrocarbons in global supply chains with biomaterials that further reduce carbon emissions. We are also considering selling carbon credits as a part of a long-term revenue strategy.

#### Aquifer Replenishment

Unlike other tree species (most notoriously, eucalyptus), native pine trees protect and nourish aquifers, combating desertification and erosion. In turn, local ecosystems benefit from safe and reliable water sources while the capacity of landscapes to retain water and soil humidity is enhanced.

#### Ecosystem Services and Preserved Wildlife Health

There is a credible observation by rural and Indigenous landholders that pine trees restore soil health, as evidenced by microorganism indicators, generate an increase in bird migration, and create an amassment of wild mammals.

Photos on the next page are of a mature Brazilian pine tree plantation and make up a snapshot of the future Ejido Verde.



# Risk Mitigation Strategies

TURNING RISK INTO OPPORTUNITIES

Five main risks present opportunities for innovation and continuous research and development for the Ejido Verde Team:

- tree health and survival
- community-owned land
- production cycles
- political corruption
- early-stage company

### Risk 1

#### Tree Health and Survival: Weather, Fire & Disease

Large-scale agroforestry is faced with risks of extreme weather events, fire, and disease exacerbated by climate change. Ejido Verde deploys fire prevention, early detection, and rapid response programs in coordination with landholders and local, state, and federal government agencies. Firebreaks are established and maintained around the perimeter of each plantation. Community leaders are trained annually in fire detection and rapid response. Ejido Verde also works with government authorities to train and compensate local seasonal fire brigades. To date, Ejido Verde has replanted 0.0013% of plantations due to fire loss.

#### The Mitigation Strategy: Commercial Agroforestry Plantation Design

Ejido Verde's agroforestry plantations are geographically dispersed and have an average plot size of 4.36 hectares, minimizing the risk of massive failure due to pests or fire. Species diversification, using

seven native species, also mitigates the risk of crop failure in addition to meeting our requirements for intercropping. The varied micro-climates of Michoacán further reduce risk. Ejido Verde is not exposed to the risk of losing its entire supply chain, which consists of hundreds of small, strategically dispersed parcels.

### Risk 2

#### Community-Owned Lands

Ejido Verde does not own the land where it manages forests, representing a risk and an opportunity regarding site control. Mexican land tenure dictates that land is owned collectively by communities or ejidos, which assign land-use rights to individual families permitted to use but not sell their land. Site control used by the forestry industry globally relies on private property, whereas Ejido Verde has innovated a solution suitable for collective property rights.

#### The Mitigation Strategy: Community Building

CEO Shaun Paul and Director of Forestry Raúl Rodríguez together bring over 50 years of community-building experience with Indigenous leaders in seven different Latin American countries. They identified three key elements for successful, long-term relationships, on which the community-building model of Ejido Verde is contingent: multi-stakeholder engagement, decentralized decision-making, and cultural contextualizing. To formalize the partnership, communities

must meet compliance requirements related to location, environmental conditions, and governance structures. Legal contracts signed with each ejido hold the community leadership accountable for proper planting, maintenance, just labor practices, financial planning, and exclusive selling rights. Ejido Verde pays Indigenous community leaders cash on delivery for the resin and provides maintenance, technical support, and training. These community-building practices promote loyalty to Ejido Verde. In the case of a breach in contract or delinquency, Ejido Verde assumes land-use control of the established plantations, conforming with the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and Mexican agrarian law.

### Risk 3

#### Long-term Production Cycle

Trees planted produce resin after about 10 years and can produce resin for the tree's natural life (about 70 years). The relatively long delay from initial planting to generating revenue from resin tapping represents two major risks: opportunity cost for the land user and market risk due to uncertain future resin prices. Opportunity cost is addressed by providing land users with annual maintenance payments, allowing them income while trees grow before tapping. Market risk is mitigated by offering future purchase contracts to pay for resin at a fair market price. Current contracts require selling resin until the debt is repaid, expected to be for about

20 years from initial planting. Until resin tapping in year 10, Ejido Verde incurs costs to maintain agroforestry plantations.

#### The Mitigation Strategy: Progressive Planting & Varied Revenue Streams

To compensate for this revenue delay as the trees mature, Ejido Verde strategically takes two approaches. First, trees are planted progressively year by year. For example, trees planted in one year will generate resin in 10 years. Revenues from resin sales will increase steadily from 2022. Secondly, Ejido Verde has established a strong relationship with CONAFOR, Mexico's Forestry Commission, and has secured over 2,249,054 USD in government subsidies since 2012. Additionally, Ejido Verde explores secondary revenue streams such as intercropping with agricultural products and sales of carbon credits as the agroforestry plantations come to full production maturity.

### Risk 4

#### Corruption, Public Security & Crime

Historically, the State of Michoacán, among other states in Mexico, has been renowned for organized crime, narcotic drug trafficking, and political corruption. Michoacán regularly ranks on the U.S. State Department's Travel Advisory Lists. Currently, criminal activities are geographically isolated in regions of the state where Ejido Verde is not active.

### **The Mitigation Strategy: Threat Assessment**

Ejido Verde addresses security very seriously and incorporates threat assessment as part of the strategic partnership assessment with each ejido. Overall, Ejido Verde only enters communities with low or no risk posed by organized crime. In addition, Ejido Verde's seasoned local team is adept at mitigating risks with a range of tactics. At its core, Ejido Verde is generating local jobs and income, which is viewed favorably by the local communities (whose hearts and minds are coveted by crime syndicates). We also confer with security experts, including the former head of the U.S. Drug Enforcement Administration and Michael Hershman, an expert in security, litigation, and accountability with the Fairfax Group.

### **Risk 5 Early-Stage Company**

As an early-stage company, Ejido Verde minimally faces the usual risks of not executing plans due to capacity constraints or mistakes and not securing all the necessary financing.

### **The Mitigation Strategy: Execution and Capital Raising Risk**

Ejido Verde is building upon nine years of operational experience and is now led by a world-class executive management team with decades of highly relevant experience. Progress indicators under this leadership confirm their ability to execute. In addition, Ejido Verde is adapting an already proven model.

Ejido Verde's anchor investors are the owners of the companies committed to buying the resin from Ejido Verde. Their investment commitment includes covering all forest maintenance costs if additional capital is not secured. No matter the scale, the investment can be a success for anchor investors. Subsequently, Ejido Verde can succeed at any scale, even if all funding sought to establish 12,000 ha is not secured or is secured over a period of time beyond current projections.





# Senior Team

## SENIOR TEAM

---



**Fredo Arias-King**  
**Executive Chair of Ejido Verde**

Fredo Arias-King is vice president of Resinas Sintéticas (Mexico), the leading manufacturer of pine chemicals in Mexico and with clients in 22 countries worldwide. He is also founder of Ejido Verde, a mass-reforestation project of 12,000 hectares in partnership with Mexican indigenous nations whose purpose is tripling the output of natural pine resin in the country. He is also publisher of the 130-year-old international magazine of record of the industry, the *Pine Chemicals Review*. He holds an MA in Russian Studies and an MBA, both from Harvard University—where he serves on the Advisory Board of the Davis Center for Russian and Eurasian Studies.

**LinkedIn:** <https://www.linkedin.com/in/fredo-arias-king-90a4205/>



**Shaun Paul**  
**Chief Executive Officer**

Shaun Paul is responsible for Ejido Verde’s strategy and day-to-day operations. Shaun joined Ejido Verde in September 2015 in a consulting role and then assumed growing responsibilities that culminated in his service as interim CEO beginning in November 2015. By January 2017, he entered a long-term contract with Ejido Verde’s anchor investors, charged with scaling Ejido Verde as a for-profit, purpose-driven enterprise. He brings 25 years of highly entrepreneurial experience in philanthropy, private finance, and leading growth companies innovating solutions for sustainable rural livelihoods and environmental stewardship, primarily with rural and Indigenous communities in Latin America.

Prior to joining Ejido Verde, Shaun served as the Managing Director and Founding Partner of Reinventure Capital, an impact venture fund, to invest in innovative entrepreneurs scaling businesses creating solutions for social inequality, healthy living, and ecosystem renewal. In 1992, Shaun founded and led the EcoLogic Development Fund, which included managing forests with Indigenous communities and establishing forest plantations in Mexico, Guatemala, Honduras, and Belize. As a founder and president of Pico Bonito Forests LLC in Honduras, he pioneered forestry finance with carbon offsets beginning

## SENIOR TEAM

---

in 2004. In addition, Shaun led the incubation of Root Capital, which has lent over 1 billion USD to small and growing businesses in Latin America and Africa. Shaun has served on the boards of International Funders for Indigenous People, Creative Action Institute, Root Capital, and Accelerating Appalachia for nature-based companies. He is a past advisor to EcoMadera in Ecuador and serves as a research fellow at the Global Development and Environment Institute at Tufts University to innovate next-generation impact metrics, empowering entrepreneurs and investors to realize superior performance by applying regenerative principles and a living systems framework.

**LinkedIn:** <https://www.linkedin.com/in/shaunpaul/>



### **Raúl Rodríguez** **Forestry Director**

Experienced and passionate forester working in the forestry industry for over 15 years. Raúl Rodríguez joined Ejido Verde in October 2020. Seasoned background in silviculture and the establishment and management of forest plantations of the following species, Eucalyptus (grandis, urophylla, pellita), Gmelina arborea, Pinus Caribaeae, Acacia mangium, and Tectona grandis. Highly effective in process improvements through the application of DMAIC methodology, statistic tools, and process analysis to ensure quality outputs.



### **Osvaldo Farias Blanco** **Manager of Finance and Administration**

Trained as a Certified Public Accountant, Osvaldo Farias Blanco served from 1997 to 2014 in management positions of increasing responsibility in FEMSA, one of Mexico's largest corporations, including Coca-Cola FEMSA, the largest Coca-Cola franchise bottler globally, where he supervised regional operations, including Central America. He excels at building scalable business systems and accounting practices that comply with national and international standards. In 2014, Osvaldo shifted his professional priorities to advance social programs in his home state of Michoacán, where he worked briefly coordinating governmental social service programs before joining Ejido Verde in 2016.

## SENIOR TEAM

---



### **Antoine Cocle** CFO

Antoine has been advising Latin American social enterprises for over nine years after spending five years in international financial institutions and earning his second Master's degree with Columbia University. He has provided financial advisory to Ejido Verde since 2015, focusing on its capital raise and playing the role of interim CFO since 2018. He is also the CEO and founder of Kaya Impacto, a Mexican boutique financial consulting firm working with social entrepreneurs, investors and impact accelerators. Under his leadership, Kaya has advised financial investments in social businesses for more than 20 million dollars.

### **Advisors**

#### **Sebastian Carducci**

Impact Equity Advisor, Gray Matters Capital

#### **Todd Farrington**

Impact Debt Advisor, Formerly Symbiotics S.A.

#### **Kevin Jones**

Social Capital Advisor, Principal SoCap | ReGen Good Capital

#### **Gerardo Napolitano**

Partner, Muñoz Manzo y Ocampo, S.C., Mexican Fiscal Advisor

#### **David Shoch**

Forest Carbon Advisor, Principal, TerraCarbon

#### **Peter Strugatz**

Strugatz Ventures, Senior Advisor

### **Legal Team**

#### **America Bárcenas**

Attorney, General Counsel, QB Asesores Fiscales SA CV

#### **José L. Carbonell**

ScottHulse PC, US Corporate & Investment Attorney

#### **Alejandro Huerta Ramos**

Agrarian Legal Attorney

#### **Iván Pérez Correa**

SMPS Corporate & Investment Finance Lawyer



# Financial Overview

CAPITAL INVESTMENT TO DATE

From 2009 through 2020, Ejido Verde has received a total investment of 18.7M USD. Primary capital sources include the Pinosa Group, the Inter-American Development Bank, Mexico's National Forestry Commission (CONAFOR), and crowdfunding platform Kiva. The Pinosa Group invested over 8.4M USD and committed another 10M USD in equity to cover future expenses to maintain established commercial agroforestry plantations.

### 2009 to 2015

In this period, most of the investment came from the Pinosa Group. CONAFOR and the Mexican Congress also granted subsidies of almost half a million USD. In 2014, Ejido Verde also received its first outside investment of 200,000 USD as a zero-interest loan from the San Francisco-based non-profit partner Kiva.

### 2016 to 2020

The financial history of Ejido Verde between 2016 and 2020 reflects its transition from a philanthropic endeavor to a triple-bottom-line business. The acceleration in the establishment of over 4,200 hectares under management was primarily funded through capital contributions from the Pinosa Group (10M USD), CONAFOR subsidies (1.2M USD), and loans from the Inter-American Development Bank (7M USD). By 2017, Kiva provided an additional 80,000 USD based on Ejido Verde's early repayment of the same amount, which resulted in Kiva doubling the credit line to 400,000 USD in 2018. During the same period, Ejido Verde secured its two first large-scale external investments through the Inter-American Development

Bank: a 2M USD loan co-funded by the GEF disbursed in 2019, and a 5M USD loan co-funded by the GCF partially disbursed in 2020.

### Key Assumptions of the Finance Model

- Ejido Verde's financial model assumes 12,000 hectares of commercial agroforestry plantations will be under management in 2024.
- Resin production: Average production of resin per tree starts at 2 kilograms in year 10, and 3 kilograms in year 11. By year 12, production reaches 4 kilograms. A second face is made in year 18, after which each tree produces 5.5 kilograms of resin per year.
- The price of resin: In Q1 2021, the price of resin was 1 USD per kilogram which is projected to increase on a real basis by on a real basis by 3% annually based on the past performance of this commodity.
- Forest fires and land-use change: Our cost projections allow for 1.5% of our parcels to disappear each year during the first 10 years (which is greater than the actual rate of loss). Each plot lost within the first 10 years is replaced, delaying future income from that area.
- Costs per hectare: Ejido Verde assumes a total cost per hectare of 4,800 USD over the first 10 years, for plantation, maintenance, vigilance, and all indirect costs.
- Government subsidies: Ejido Verde receives on average 350 USD per hectare, paid one year after plantation establishment. The per hectare subsidy is subject to annual negotiation and competitive bidding. Precedent suggests that per hectare and total subsidies may increase over time.

# 25 YEAR PROFIT & LOSS (USD) PROJECTION

Overview

Years	Area Under Management (ha)		Plantation and Maintenance	Indirects & Capex	Gross Profit	Free Cash Flows	Accumulated FCF
	New	Total					
2021	1,200	5,480	3,440,301	2,131,564	72,139	-5,499,726	-5,499,726
2022	2,000	7,480	4,811,959	1,546,132	549,611	-5,808,480	-11,308,206
2023	2,200	9,680	5,726,573	1,852,219	923,901	-6,654,890	-17,963,097
2024	2,320	12,000	6,084,117	1,999,703	1,190,486	-6,893,334	-24,856,431
2025	-	12,000	4,208,166	3,175,336	1,607,650	-5,775,852	-30,632,283
2026	-	12,000	2,893,745	3,394,247	1,632,128	-4,655,864	-35,288,147
2027	-	12,000	1,919,615	2,531,737	2,691,327	-1,760,025	-37,048,173
2028	-	12,000	1,519,842	2,422,643	4,339,658	397,173	-36,651,000
2029	-	12,000	1,285,208	2,336,889	5,484,968	1,862,871	-34,788,129
2030	-	12,000	1,193,522	2,554,593	7,202,408	3,454,293	-31,333,836
2031	-	12,000	1,070,392	2,390,900	9,684,090	6,222,799	-25,111,037
2032	-	12,000	856,441	5,325,094	13,405,429	7,223,894	-17,887,144
2033	-	12,000	607,054	1,937,705	18,139,065	15,594,306	-2,292,838
2034	-	12,000	333,119	639,502	21,543,542	20,570,921	18,278,083
2035	-	12,000	295,894	318,361	24,084,215	23,469,960	41,748,043
2036	-	12,000	270,052	278,959	26,117,795	25,568,784	67,316,827
2037	-	12,000	252,964	201,300	26,956,892	26,502,628	93,819,455
2038	-	12,000	241,812	161,403	28,590,755	28,187,540	122,006,995
2039	-	12,000	233,278	117,743	29,913,385	29,562,365	151,569,360
2040	-	12,000	225,675	107,558	33,113,749	32,780,516	184,349,876
2041	-	12,000	219,726	55,629	36,440,188	36,164,833	220,514,709
2042	-	12,000	216,535	57,102	36,392,592	36,118,955	256,633,664
2043	-	12,000	216,412	58,576	33,895,964	33,620,976	290,254,640
2044	-	12,000	219,564	60,053	30,612,744	30,333,127	320,587,768
2045	-	12,000	222,761	61,534	27,136,695	26,852,400	347,440,168

Revenues come from resin supply from newly established pine plantations and mature existing forest currently untapped.

The investment is fully deployed by 2027 when accumulated Free Cash Flows peak at 37.0M USD.

Ejido Verde gets to Positive Free Cash Flows in 2028, after which revenues and gross profits increase rapidly. Within 20 years, Free Cash Flows reach 36.1M USD and 220M USD on an accumulated basis. The resin-producing life of a pine tree is approximately 50-70 years.

### Revenue Projections

From the existing 4,280 hectares currently under management (including the 720 hectares from 2009-2015, which were recovered in 2016), we expect 2.1M USD of gross profit between 2021 and 2026, along with 2.3M USD in subsidies from the Mexican government and 1.6M USD in gross profit from natural forests resin purchases. In 2027, annual revenues are projected at 16.4M USD, with gross profit exceeding 4.3M USD, and in 2028 the company reaches break-even with revenues of 25M USD and gross profits at 4.3M USD. After that, Free Cash Flows quickly grow to over 3M USD by 2030 and over 15M USD by 2033, bringing accumulated total Free Cash Flows of over 67M USD by 2036, over 220M USD by 2041, and a total of 347M USD within 25 years.

### Expense Projections

The majority of expenses are associated with the development and maintenance

of commercial agroforestry plantations. Any new hectare requires approximately 3,600 USD in direct costs, two-thirds of which during the first three years of the plantation. Plantation, maintenance, and surveillance themselves represent each year between 3.5M USD and 5M USD. In 2021, administrative and operating expenses are projected at 1.4M USD but only increase slightly over the years as Ejido Verde benefits from scale economies requiring only modest internal capacity development to expand its area under management. Direct and indirect costs, significantly decrease after 2023 once 12,000 hectares have been established because maintenance and technical assistance expenses decrease rapidly while the trees mature.

### Use of Funds

Investment capital will be predominantly used for plantation and maintenance of forests and general administrative costs.

## USE AND SOURCE OF FUNDS, 2021 TO 2027

### Use of funds, 7 years 2021-2027

Direct Costs	29,084,476	65.6%
General & Administrative	8,205,957	18.5%
CAPEX	165,025	0.4%
Financial Expenses	5,512,541	12.4%
Loans Principal Amort	1,243,484	2.8%
Cash Reserve / Buffer	120,463	0.3%
<b>TOTAL</b>	<b>44,331,945</b>	<b>100%</b>

### Source of funds, 7 years 2021-2027

Gross Revenues	6,326,727	14.3%
Subsidies	2,340,513	5.3%
IDB	3,000,000	6.8%
Pinosa Group	8,164,704	18.4%
Additional Commitments	24,500,000	55.3%
<b>TOTAL</b>	<b>44,331,945</b>	<b>100%</b>





# Investment Opportunity

25M-30M USD ADDITIONAL CAPITAL

Ejido Verde’s unique model of community lending, community-building with rural and indigenous populations, commercial agroforestry plantation, and guaranteed demand provides a transformational and scalable opportunity for mission-aligned, long-term investors. Ejido Verde is raising a total of 25M – 30M USD with an offer informed by a blended finance strategy, with a range of instruments of debt and equity.

For Ejido Verde to reach its goal of 12,000 hectares of commercial agroforestry plantations by 2024, the total capital required over the next five years is around 44M USD. The Pinosa Group has committed another 10M USD, while IDB Lab has disbursed 2M USD in mid 2020 out of its commitment of 5M USD. Consequently, Ejido Verde is raising a total of 25M – 30M USD in new commitments. Expected annualized returns vary and can range up to 4 to 16%, depending on the instrument, currency and investment horizon.

Specific offerings include the following:

Investment Options	Investor Type	Target Return <sup>(1)</sup>	Years	Comments
Equity	Strategic Long-term Partner / Family Offices	7-10x	25+	Minority interest; return targets from dividends only <sup>(2)</sup> ; preferred return on principal
Mezzanine	Family Offices / Mezzanine funds	5.0x 1.75x	20 7	Performance based, tied to top line revenue; option for early exit at year 7 <sup>(3)</sup>
Debt with/without guarantees	Commercial Institutions	9% per year 7% per year	20 10	Unsecured, balance sheet
	Development Banks	6% per year 4% per year	20 10	Asset backed, partial guarantees

<sup>(1)</sup> Target return is expressed in investment multiple for equity and mezzanine options; and in interest rate for straight debt.

<sup>(2)</sup> Growth strategy could lead to a higher return through increased dividends and/or selling back the equity stake.

<sup>(3)</sup> Subject to minimal productivity targets being achieved.

#### Equity

Ejido Verde seeks to incorporate a strategic, long-term, and mission-aligned equity investor. This 5M–10M USD equity partner would own a significant but minority stake in the company in preferred shares. Based on dividends only, an equity investor can expect to receive 7 to 10 times its investment over 25 to 30 years. Any additional revenues from expanding the plantation beyond 12,000 hectares or bringing new revenue streams (see “Growth Strategy”) would increase these return expectations. A potential exit either through a repurchase by a strategic partner or through a public listing of the company could further increase those return expectations.

#### Straight Debt

Unsecured debt to Ejido Verde offers an interest rate of up to 9% over 20 years or 7% on a shorter 10-year term. Partial guarantees can be offered, leading to a reduction in the interest rate provided.

#### Structured Debt / Mezzanine

Ejido Verde can offer a debt instrument through which financial return is tied to the revenues from the resin, leading

to an early redemption for an amount of 1.75 times the initial investment. Additionally, an early redemption option can be offered seven years after the initial investment, when the investor will have the opportunity to request an early redemption for an amount of 1.75 times their initial investment.

#### U.S.-Based Special Partnership Vehicles for Equity and Debt

For U.S.-based investors, all previous instruments can be offered through a Special Partnership Vehicle incorporated in the U.S. These U.S.-based entities will aggregate specific investors and strategic angels or family offices with the same terms (minimum 100,000 USD per individual; minimum 1M USD per vehicle).

Ejido Verde requests your consideration as a long-term strategic partner.



# Appendices

### A Glossary

#### Commercial Agroforestry

An intensive land management system that benefits from the biological interactions created when trees and/or shrubs are deliberately combined with agriculture and/or livestock in a manner that generates positive cash flow.

#### Ejido

Autonomous, community-owned land that defines the land tenure regime in 51% of Mexican territory. Land in ejidos cannot be sold, leased, or used as collateral without the formal consent of the majority of the community population.

#### Ejido Verde

Meaning “green rural collective”; a Mexican regenerative forestry enterprise aiming to initially restore 12,000 hectares (29,640 acres) of degraded lands with native resin-producing pine tree plantations. Ejido Verde believes this will create transformative wealth for rural and Indigenous Purépecha communities.

#### Michoacán

One of the 32 states in Mexico, and where Ejido Verde operates.

#### Oleoresin

Also known as “pine resin” or “crude gum,” an exudate of the living pine tree with a very long history of human use; derivatives are rosin and turpentine.

#### Purépecha

An Indigenous ethnic and linguistic group that makes up about 5% of the population in Michoacán.

#### Rosin

A derivative of oleoresin. It is extracted by a distillation process that separates oleoresin into turpentine and rosin. Rosin is used in inks, varnishes, adhesives, and more.

#### Turpentine

A derivative of oleoresin. It is extracted by a distillation process that separates oleoresin into turpentine and rosin. Turpentine is used as a solvent in oil-based paints and varnishes. It is used most commonly in cleaning products and fragrances.

### B Pine Chemical Applications

Applications of pine resin include food preservatives, food flavoring, food glazing agents, cholesterol-reducing food additives, pharmaceutical medicines, vitamin intermediates (helps the body absorb vitamins), biodegradable plastics, mouthwash, chewing gum, carbonated beverages, soft drinks, wine, soaps, cleansers, disinfectants, hair-removal compounds, clothing (makes fabric supple), shoe glue, paint, ink, print magazines, scotch tape, duct tape, perfume, fragrances, incense, body lotion, shampoo, lip balm, hand salve, furniture

glue, wood finishes, varnishes, pine oil, biofuel, sealant (waterproofing), glue, furniture glue, solvents, coatings, paint thinner, massage oils, flypaper, fiberglass, sculpture medium, plus remedies against rheumatism, burns, sores, eczema, cough, parasites, inflammation; with some studies suggest even anti-cancer properties.

### **C The Ejido**

#### **The History of the Purépecha**

The Purépecha, also known as the Tarascan Civilization, is the predominant Indigenous population in Michoacán. From 1100 to 1350 CE (Common Era), their empire spanned over 75,000 kilometers, second in power only to the Aztecs. Today, approximately 200,000 Purepécha people live in Mexico, making it one of the largest Indigenous groups remaining. The Purépecha have been tapping pine trees for resin for thousands of years; their identity is tied to the land. Their spiritual relationship with the forests translates into the modern labor of pine resin tapping; tapping builds the local economy and connects them to their ancestral and spiritual practice. The pine forests provide clean air, safe water, fertile soil, and homes to an abundance of biodiverse species. Forests have served the Purepécha as a refuge during the Spanish occupation and from organized crime. The Purepécha view it as their honorable obligation to live and work in loving harmony with the forests. As the land prospers, they believe they benefit as well, economically, spiritually, and communally.

### **The Ejido: autonomous community-owned land**

Ejidos are collective farms that extend across 51% of Mexican territory. They result from agrarian reforms arising from the Mexican Revolution and designed to assure smallholders' livelihoods. Ejidos and Indigenous communities remain fiercely protected by the Mexican Constitution and, originally, by the Leyes de Indias (laws which date back to the 1500s). Ejidos collectively maintain communal and legal holdings and are primarily used for agriculture. Land in ejidos cannot be sold, leased, or used as collateral without the formal consent of the majority of the community population. Ejido Verde actively strengthens good land-use governance for communities to elect their leadership every three years while adapting to each community's unique culture and practice.

### **Community Building and Legal Agreements**

For 90 years, the Pinosa Group has assured a reliable supply of Mexican pine resin because of its deep understanding of and respect for the idiosyncratic dynamics of the rural and Indigenous communities and the role of the ejido. Built upon Pinosa's legacy of honesty and reliability in the resin industry, Ejido Verde is developing these long-term relationships through multi-stakeholder engagement and reciprocal partnership. Partnerships with the ejidos are more viable than a purely private venture for the following reasons.

#### Multi-Generational Community Lands

- Property rights protection: Ejido Verde benefits from the strength of the property laws that protect ejidos. They offer a higher degree of legal protection than private property laws in rural Mexico.
- Pre-existing land: Partnerships with the ejidos allow Ejido Verde to expedite reforestation. The legal and capital investment needed to purchase and maintain privately owned property would significantly delay the opportunity to scale resin supply.
- Buy-in and expertise: Communities recognize the collective economic benefits for themselves offered by Ejido Verde. Their incentives to maintain and care for the resin trees are aligned with the business model. They support Ejido Verde by providing their knowledge of land management and pine resin tapping techniques.

#### Strengthening Community Governance

Ejido Verde formalizes relationships with the ejidos via loan contracts and purchase agreements. Ejido Verde has hired a multi-disciplinary team of legal experts and advisors to ensure contracts are legally enforceable, fully understood, and agreed to by all parties. Before signing contracts with the community councils, Ejido Verde engages in an extensive assessment with the communities that lasts for at least six months to ensure the ejido can maintain the

land, labor, and governance requirements as defined by Ejido Verde's streamlined community investment process, which includes:

- Respecting distinct cultural contexts: Decision-making according to local culture and customs strengthens Indigenous community governance practices.
- Rigorous documentation:
  - Detailed repository of decision-making documentation that informs current and future community leaders of decisions made by their predecessors.
  - Council meeting minutes with agreed actions in a customary, confidential communally managed "book of acts," acknowledged by signature.
  - Governance decisions with legal consequences consistent with Mexican regulatory guidelines for Indigenous communities.

Ejido Verde also applies internationally adopted best practices in its partnerships with the ejidos, as outlined by the United Nations declarations on the Rights of Indigenous People (UNDRIP); the Free, Prior and Informed Consent of Indigenous People (FPIC); and the Community, Conservation and Biodiversity (CCB).

### **Cross-Sector Partnerships**

CEO Shaun Paul was hired to nurture and grow community relations. His vision is to strengthen community governance, natural resource management, and cost-efficiency by forging reciprocal community relationships. Accordingly, Ejido Verde responds to the needs and aspirations of community partners with the time, talent, and resources of partner organizations. To reduce risks and costs while increasing value creation, Ejido Verde partners with organizations in diverse sectors: government, the private sector, academia, civil society organizations, and international organizations.

### **D Cherán: A Case Study**

#### **Cherán: From a Place of Fear to a Land of Resilience, Peace, and Regeneration**

In the Purépecha language, the name of the Michoacán town Cherán means “a place of fear”. For decades, Cherán notoriously embodied its reputation as one of the most dangerous places in Mexico. Because of La Familia, once one of Mexico’s most powerful organized crime groups, between 2008 and 2011, corruption, kidnapping, rape, and environmental destruction plagued the community. Massive deforestation resulted from the 2009 disputed municipal elections, in which the winning candidate had financed his campaign with criminal money. In exchange, the Mayor opened the gates of Cherán to massive illegal logging. In two years, 7,000 hectares

were clear-cut, and sex trafficking and drug production attempts were made. Leaders pleaded for federal and police intervention; however, the response was the assassination of anyone challenging criminals and the government’s chastising of Cherán for impeding loggers. Very early on the morning of April 15, 2011, after many deaths and assaults, the senior women led an uprising against the illegal loggers. Beating the loggers with sticks and small weapons, the community held them hostage until they could shut down the roads and barricade the entry points. The months following were not easy for Cherán. The town shut down. All transportation, academic and economic activity halted. Night watches stood guard, and bonfires were kept ablaze to safeguard against invasion by the drug cartel and illegal loggers. The community leaders expelled anyone connected to the drug cartel and political corruption. After months of round-the-clock vigils, the town organized its community police and began to rebuild. Seven years later, on September 4, 2018, Cherán ushered in its third, newly-elected, 20-person council, four of them women. It was the beginning of an era of decentralized governance for Cherán. Though the town receives state and federal funding, residents elect the local council, which governs via assemblies and campfire discussions; state and national political parties and campaigns are prohibited. Today a community of 20,000 residents,



Cherán has an entrepreneurial scene, including several collectively-operated businesses, such as a nursery focused on pine restoration with a capacity of 2 million seedlings, a sawmill, a quarry, and a pine resin biorefinery.

### **An Over 20-Year Partnership**

Ejido Verde shares an over 20-year partnership with the community of Cherán via the legacy of the pine resin processors, Pinosa and Resinas Sintéticas, both of which are members of the Pinosa Group. Cherán manages 5,000 hectares of pine trees that annually produce an average of 1,200 tons of resin from the labor of 700 tappers, 30 percent of whom are between the ages of 15 and 20 years. David Romero, a member of the Indigenous community of Cherán and the Cherán pine-resin-processing plant manager, manages the relationships between local pine resin tappers and Ejido Verde. By 2028, Romero estimates that Cherán will produce 4M USD in annual sales. Though Cherán receives offers from smaller buyers, it regards Ejido Verde as a loyal, long-term partner and views other buyers as exploitative in prices and relationships. The high-value currency of trust and honesty that Ejido Verde shares with its Indigenous community suppliers like Cherán is the foundation of Ejido Verde's value proposition and competitive advantage.

For further reading and photographs, see [When Indigenous Women Win](#)

### **E Key Partners**

Key and strategic partners include:

- Pinosa Group: Leader of the Mexican pine chemical industry and primary investor of Ejido Verde.
- Pine Chemicals Review: Leading pine chemical industry publication. Executive Chair of Ejido Verde and President of T&R Chemicals, Fredo Arias-King, serves as its publisher.
- National Forestry Commission in Mexico (CONAFOR): Provides subsidies awarded on a competitive basis.
- Michoacán State Forestry Commission (COFOM): Provides plants and government support and contributes to subsidies.
- National Institute of Statistics and Geography (INEGI): Federal agency that provides high-value geographical data.
- Kaya Impacto: Mexico City-based social finance consulting firm, helping Ejido Verde with its capital-raising strategy and structuring investment vehicles.
- United Nations Development Programme (UNDP) Biodiversity Finance Initiative.
- Reforestamos México: A non-profit dedicated to reforestation to promote sustainable development.
- Instituto Nacional de Investigaciones Forestales, Agrícolas y Pecuarias.

(INIFAP): Dedicated to agriculture R&D and genetic improvement with partners.

- Resinas Sintéticas and T&R Chemicals are active members.
- Pine Chemicals Association: Association dedicated exclusively to the global pine chemicals industry.
- Unión Nacional de Resineros (UNR): A 68-year-old non-profit industry association that represents the Mexican resin industry.
- Kiva: A non-profit crowdfunding organization and platform that channels about 100M USD annually from people worldwide to lend to low-income entrepreneurs internationally.
- Inter-American Development Bank (IDB): Primary multilateral financing source in Latin America.
- Global Environment Facility (GEF): Largest multilateral funder of projects to improve the global environment.

### F Disclaimers

#### **General notices for all prospective investors.**

This is only an information memorandum. This memorandum does not constitute an offer or solicitation in jurisdictions in which such an offer or solicitation is unlawful.

This memorandum has been prepared by Ejido Verde solely for the benefit of institutions and individual investors exploring a potential investment in the organization, and any distribution or reproduction of this memorandum, in whole or in part, without the prior written consent of Ejido Verde, is prohibited.

No person has been authorized to make any representations or provide any information with respect to the interests except such information as is contained in this memorandum.

The contents of this memorandum should not be construed as investment, legal, or tax advice. A number of factors material to a decision to invest in Ejido Verde have been presented in this memorandum in summary or outline form only in reliance on the financial sophistication of the prospective investors. Each prospective investor is urged to seek independent investment, legal, and tax advice concerning the consequences of investing in Ejido Verde.

The investment proposal is available only to people willing and able to bear the economic risks of this investment. The investment in the partnership is speculative and illiquid and involves a high degree of risk (see “Risk Mitigation Strategies”).

The investments are suitable as investments for only a limited portion of the risk segment of an investor's portfolio. To the extent that these materials contain statements about the future, such statements are forward-looking and subject to a number of risks and uncertainties. These risks could affect the value of the interests described herein and could cause the results for the current fiscal year and beyond to differ materially from those expressed in any forward-looking statements made herein.

This memorandum is being given to the recipient solely for the purpose of evaluating an investment in Ejido Verde. It may not be reproduced or distributed to anyone else (other than the identified recipient's professional advisers). The recipient, by accepting delivery of this memorandum, agrees to return it and all related documents to Ejido Verde if the recipient determines not to invest.

Investors (and each employee, representative or other agent of investors) may disclose to any and all persons, without limitations of any

kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analysis) that are provided to investors relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of the first discussions between such investor and Ejido Verde regarding the transactions contemplated herein.

Discussions in this memorandum below as they relate to certain tax consequences are not intended or written to be used, and cannot be used, for the purpose of avoiding tax penalties. Such discussions were written to support the promotion or marketing of the transactions or matters addressed in this memorandum, and any taxpayer to whom the transactions or matters are being promoted, marketed or recommended should seek advice based on its particular circumstances from an independent tax advisor.

# THANK YOU



## Contact Us

For more information:  
Shaun Paul, CEO  
[shaun@ejidoverde.com](mailto:shaun@ejidoverde.com)  
M +1 617 515 0070  
O +52 443 312 0448



Fecha de edición: 2021/07/09

DISCLAIMER - This document is informational only and does not constitute an investment offer or solicitation. It has been prepared solely for the benefit of institutions and individual investors exploring a potential investment in the organization. No person has been authorized to make any representations or provide any information with respect to the interests except such information as is contained in this document. The contents should not be construed as investment, legal, or tax advice. Each prospective investor is urged to seek independent investment, legal, and tax advice concerning the consequences of investing in Ejido Verde.