

**FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL
URUGUAY**

**FINANCIAL FORESTRY TRUST BOSQUES DEL
URUGUAY**

INFORMATIVE PROSPECTUS

**ISSUE OF PARTICIPATION CERTIFICATES FOR UP TO
USD 50,000,000**



EF ASSET MANAGEMENT
Administradora de Fondos de Inversión S.A.

Trustee



Agroempresa Forestal S.A.

Manager

May 2011

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I. IMPORTANT NOTICE

EF ASSET MANAGEMENT Administradora de Fondos de Inversión S.A., addressed at 1248 Luis Alberto de Herrera Avenue, World Trade Center, Tower B, 12th Floor, Montevideo (hereinafter the "Trustee"), states that the information contained herein related to the Securities to be issued is true and accurate in all material respects and contains no omissions or misleading information.

WHEN MAKING AN INVESTMENT DECISION, INVESTORS SHOULD RELY EXCLUSIVELY ON THEIR OWN ANALYSIS OF THE INSTRUMENTS OFFERED, THEIR CHARACTERISTICS, AND THE RISKS INVOLVED IN SUCH A DECISION.

INVESTORS MUST BE AWARE THAT THE TRUSTEE AND THE MANAGER SHALL NOT BEAR PROPERTY LIABILITY OF ANY KIND FOR THE PAYMENT OF THE SECURITIES. SUCH PAYMENT SHALL BE MET EXCLUSIVELY WITH THE TRUST PROPERTY.

This Prospectus is distributed for information purposes only. It does not imply a recommendation for investors, who will make any decisions at their own risk and by their own research and analysis. Investors will make any decisions based on information obtained from their own resources.

THIS SECURITY WAS REGISTERED IN THE SECURITY MARKET REGISTRY OF THE CENTRAL BANK OF URUGUAY BY RESOLUTION DATED [_____]. THIS REGISTRATION ONLY CERTIFIES THE COMPLIANCE WITH THE LEGAL AND REGULATORY REQUIREMENTS AND DOES NOT IMPLY THAT THE CENTRAL BANK OF URUGUAY MAKES A VALUE JUDGMENT ABOUT ITS ISSUE OR ABOUT THE FUTURE DEVELOPMENT OF THE TRUST.

EF ASSET MANAGEMENT AFISA, ACTING AS TRUSTEE, REPRESENTS AND WARRANTS THAT THE ASSETS OF THE FINANCIAL TRUST "FIDEICOMISO FINANCIERO BOSQUES DEL URUGUAY" ARE TRUE AND LAWFUL, AND ENTITLE THE HOLDERS OF THE SECURITIES TO BE ISSUED TO EXERCISE ALL THE RIGHTS SUBJECT TO THE TERMS AND CONDITIONS PROVIDED IN THE ISSUANCE DOCUMENT, THE TRUST AGREEMENT AND THIS PROSPECTUS.

EF ASSET MANAGEMENT AFISA IS RESPONSIBLE FOR THE VERACITY OF THE ACCOUNTING, FINANCIAL AND ECONOMIC INFORMATION OF EF ASSET MANAGEMENT AFISA AS WELL AS FOR ALL OTHER INFORMATION CONCERNING EF ASSET MANAGEMENT AFISA AS PROVIDED IN THIS PROSPECTUS.

THE INFORMATION INCLUDED HEREIN RELATED TO EF ASSET MANAGEMENT AFISA WAS PROVIDED BY THE TRUSTEE AND IS THE SOLE RESPONSIBILITY OF THE TRUSTEE.

CARE CALIFICADORA DE RIESGO S.R.L. PREPARED THE RISK RATING, (INCLUDING THE EXPECTED CASH FLOW ANALYSIS AND THE INVESTMENT RISKS) WHICH IS CARE'S SOLE RESPONSIBILITY.

THE BOARD OF DIRECTORS OF EF ASSET AFISA STATES UNDER SWORN STATEMENT THAT THIS PROSPECTUS, AS OF THE DAY OF ITS PUBLICATION, PROVIDES TRUE AND SUFFICIENT INFORMATION ABOUT THE CHARACTERISTICS OF THE FINANCIAL TRUST "FIDEICOMISO

FINANCIERO BOSQUES DEL URUGUAY”, ITS ASSETS, THE CONDITIONS OF THE ISSUE, AND THE RIGHTS TO WHICH THE HOLDERS ARE ENTITLED.

BEVSA SHALL NOT BE HELD LIABLE, EITHER AS RESPONSIBLE PARTY OR AS GUARANTOR, NEITHER FOR THE PROMPT COMPLIANCE OF THE OBLIGATIONS ASSUMED BY THE FINANCIAL TRUST NOR FOR THE INFORMATION PROVIDED IN THIS PROSPECTUS. THE REGISTRATION OF THE TRUST SECURITIES IN THE REGISTRY OF ISSUERS AND SECURITIES OF BEVSA DOES NOT IMPLY ANY RECOMMENDATIONS TO PURCHASE SUCH SECURITIES OR ANY PREDICTIONS OF THEIR PROMPT COMPLIANCE. BEVSA HAS NEITHER THE POWER NOR ANY DUTY TO REPRESENT THE SECURITY HOLDERS BEFORE THE FINANCIAL TRUSTEE, ESPECIALLY IN THE EVENT OF ANY DEFAULT, EXCEPT IN THE CASE WHERE THE INSTITUTION HAS BEEN APPOINTED AS REPRESENTATIVE AGENT THEREOF.

MONTEVIDEO STOCK EXCHANGE SHALL NOT BE HELD LIABLE, EITHER AS RESPONSIBLE PARTY OR AS GUARANTOR, NEITHER FOR THE SECURITIES ISSUED BY THE TRUST NOR FOR THE INFORMATION PROVIDED IN THIS PROSPECTUS, WHICH HAD BEFORE ITS EYES. LIKEWISE, NEITHER MONTEVIDEO STOCK EXCHANGE NOR ITS DIRECTORS, SENIOR MANAGERS OR ADVISORS MAKE ANY RECOMMENDATIONS OR PREDICTIONS OF ANY KIND REGARDING THE INFORMATION CONTAINED HEREIN, THE TRUST, THE BUSINESS PROPOSED, OR ANY OF THE ENTITIES, WHO, DIRECTLY OR INDIRECTLY, ARE PART OF THE TRUST. MONTEVIDEO STOCK EXCHANGE HAS NEITHER THE POWER NOR ANY DUTY TO REPRESENT THE SECURITY HOLDERS BEFORE THE FINANCIAL TRUSTEE, ESPECIALLY IN THE EVENT OF ANY DEFAULT, EXCEPT IN THE CASE WHERE THE INSTITUTION HAS BEEN APPOINTED AS REPRESENTATIVE AGENT THEREOF.

Dated _____, 2011.

For EF ASSET MANAGEMENT Administradora de Fondos de Inversión S.A.

II. SUMMARY OF TERMS AND CONDITIONS

Name:	Fideicomiso Financiero Forestal Bosques del Uruguay
Trustee:	EF ASSET MANAGEMENT Administradora de Fondos de Inversión S.A.
Trustors:	Initial Underwriters of the Securities
Manager:	Agroempresa Forestal S.A.
Registrar Agent:	EF Asset Management Administradora de Fondos de Inversión S.A.
Registered Agent:	Bolsa Electrónica de Valores S.A.
Organizer:	Agroempresa Forestal S.A.
Paying Agent:	EF Asset Management Administradora de Fondos de Inversión S.A.
Securities to be Issued:	Book-entry Participation Certificates
Trust Assets:	The Trust shall invest in the purchase of rural Properties for the development of forest exploitation.
Currency:	Interbank dollar
Issue Amount:	Up to USD 50,000,000

Distributions:	Whenever there is Distributable Net Income after each Fiscal Year-End, or because of the sale of the Trust Assets or the final distribution of the Remaining Net Income.
Price:	100%
Subscription Date:	Once the securities are registered at the BCU.
Term of the Trust:	30 years, or until the Participation Certificates issued by the Trustee are fully paid and the other obligations under the Trust Agreement are canceled.
Settlement reserve:	This is the reserve that shall be established and maintained by the Trustee on the termination of this Trust.
Contingency Reserve:	This is the reserve that shall be established by the Trustee with funds of the Trust, to cover eventual contingencies during the term of the Trust.
Risk Rating Agency:	CARE Calificadora de Riesgo S.R.L.
Risk Rating:	BBB (uy)
Legal Advisor:	Ferrere Law Firm
Financial Advisor:	CPA/Ferrere
Registration:	Central Bank of Uruguay
Stock Exchange Listing:	BEVSA and/or Montevideo Stock Exchange
Governing Law:	Eastern Republic of Uruguay Legislation
Subscription:	Participation Certificates shall be issued at Bolsa Electrónica de Valores S.A. (BEVSA) on _____, 2011, and up to 1:00 p.m. on _____, 2011, on such date the subscription period will close. Securities shall be allocated to offerors at the subscription closing date. In the event there is an excess demand in the offers submitted, the Securities shall be allocated pro rata to the submissions. Payments related to the amount allocated shall be made on the Business Day following the subscription closing date and before 4:00 p.m., on such date the subscription period will close.

Commissions
and Expenses:

The Trust shall exclusively bear and pay all expenses, taxes, and other costs incurred to fulfill the purpose of the Trust and the Business Plan, including the remunerations of the Trustee and the Manager.

In compensation for the services the Trustee hereby agrees to render for the operation of the Trust, the Trustee shall receive a monthly remuneration of UI 61,098.

In compensation for the services the Manager hereby agrees to render, the Manager shall receive:

(a) A fixed annual amount of USD 511,000 adjusted by parametric and annual coefficient;

(b) A Performance Fee. Should the Internal Rate of Return (IRR) of the project exceed 6%, the Manager shall receive 15% of the additional return, which shall be calculated by the Trustee.

Amendments:

The Meeting of Holders, by the affirmative vote of one or more Holders, whose Securities represent an aggregate par value of more than seventy-five percent (75%) of the total Securities issued Securities, may resolve to:

(a) Modify the terms and conditions of the Securities issue, only with respect to a reduction in the principal or any other amount owed on the Securities.

(b) Establish the manner of disposition of the Trust assets.

(c) Appoint the person who will be in charge of the disposal of the Trust property, as the total assets comprising it.

(d) Terminate the Trust in the event that the Trust property is insufficient.

(e) Approve the early sale of part or all the assets, as of the fifth year, as proposed by the Manager.

(f) Approve any changes on the Business Plan, as proposed by the Manager.

(g) Approve the extension of the sale of the Assets at the end of the forestry project described in the Business Plan, for up to a [3-year] term. The Meeting of Security Holders may also approve the extension of such sale for more than [3 years] but only with the Manager's consent.

(h) Replace the Registered Agent.

Meetings of Holders:

At any time, the Trustee, at its sole discretion, or the Holders representing at least twenty percent (20%) of the par value of the Securities issued, may call, on behalf of the Trustee, a Meeting of Holders. In the case where the Holders representing the percentage aforementioned call a meeting, the Trustee shall convene the meeting to be held within sixty (60) days upon receipt of such call.

The Registrar Agent is expressly authorized to provide any Holder, upon written request, indicating its will to promote a decision of the Meeting of Holders, with a list of the names and registered addresses of the Holders. At the time of acquiring the Securities, the Holders acknowledge and agree that they expressly authorize the Registrar Agent to provide such information as set forth in this paragraph.

Regarding the Meetings' constitution and procedure for adopting resolutions, the provisions on Meetings of Holders provided in Law 16,060 shall apply in all that does not oppose the Trust Agreement and the public policy provisions set forth in the legislation.

Resolutions shall be adopted by an Absolute Majority of Holders unless this Agreement or the Issuance Document requires a greater majority.

To determine a quorum and meet the majorities required to adopt a resolution, the Holders directly or indirectly related to the Trustee or the Manager shall not be considered or entitled to vote at the Meetings of Holders.

Any resolution adopted by the vote of the Holders representing the percentage required to make such decision at regularly held Meetings shall be binding to each and every Holder even those absent or dissident.

Surveillance Committee:

It is the Trust's internal control body, whose initial members shall be appointed by an Absolute Majority of Holders within 45 days after the issue of the Securities.

The Surveillance Committee shall be composed of up to 3 members representing the Holders, as provided in the Trust Agreement.

Causes for termination:

The Trust shall be terminated in the following events:

- (a) When all the Securities are fully canceled;
- (b) When the authorization for the purchase of fields pursuant to Law 18,092 is not obtained within one year after the relevant request is filed, and provided that a Special Majority of Holders have previously resolved it;
- (c) In case the authorization for planting is not obtained from the Ministry of Livestock, Agriculture, and Fisheries (MGAP, for its acronym in Spanish) and National Environmental Agency (DINAMA, for its acronym in Spanish) within three years after the date of the Issue; and provided that a Special Majority of the Holders previously resolves it;
- (d) When the purposes for which the Trust was incorporated are not fulfilled;
- (e) Any other cause provided in the Trust Agreement; and
- (f) The maximum term as provided by law expires.

III. DEFINITIONS

The terms defined hereunder, which are used in this Prospectus and the Issuance Document, shall have the meanings given in this section, both for their singular and plural meanings:

“Assets” means the property and/or rights, present and future, including the Real Estate and the Financial Assets, and all the economic rights, present and future, comprising the Trust property.

“Financial Assets” means those indicated in Section 4 of this Agreement.

“Manager” refers to Agroempresa Forestal S.A.

“Meeting of Holders” means the meeting of the Holders of the Participation Certificates in accordance with the provisions set forth in this Agreement.

“Auditors” refers to the independent accounting firm hired by the Trustee to audit the financial statements of the Trust.

“Bank” means the financial intermediary institution where the Trustee keeps its Accounts.

“BCU” means the Central Bank of Uruguay.

“Beneficiaries” means the Security Holders.

“Trust Assets” means all the Assets comprising the rights and property of the Trust.

“Forests” means the forests that exist or are planted on the Properties.

“Fiscal Year-End” is December 31 of each year.

“Surveillance Committee” means the committee that the Beneficiaries may appoint in accordance with the provisions of Section 32 of this Agreement.

“Agreement” or **“Trust Agreement”** means the Trust Agreement attached hereto as Annex 1.

“Management Agreement” means the Management Agreement entered into by and between the Trustee and the Manager, and attached hereto as Annex 3.

“Contingency Account” means the bank account opened by the Trustee in the name of the Trust, where the Contingency Reserve funds, if any, shall be deposited.

“Operating Account” means the bank account opened by the Trustee in the name of the Trust and operated by the Manager, pursuant to power of attorney granted by the Trustee. The funds necessary to meet all operating expenses of the Trust shall be deposited in such account.

“Collection Account” means the bank account opened by the Trustee in the name of the Trust, where all income of the Trust, including the proceeds from the issuance of Securities, shall be deposited.

“Accounts” means the Collection, Operating and Contingency Accounts.

“Regulatory Decree” means Decree 516/003 of December 11, 2003, as amended, and amendments thereto, as provided by Law.

“Debtor” means any individual or legal entity who is a debtor for any concept of the Trust.

“Business Day” is a day on which financial intermediation institutions and stock exchanges operate in Uruguay.

“Issuance Document” is the document by which the Trustee issues the Securities in favor of the Holders, as provided in Annex 2 attached hereto.

“Dollars” means the legal tender of the United States of America.

“Fiscal Year” means each fiscal year ending on December 31 of each year.

“Registrar Agent” means the Trustee, who shall keep the Register of the Holders of the Securities to be issued.

“Registered Agent” means the entity that shall represent the Security Holders, pursuant to Section 73 of Law 18,627.

“Subscription Date” means the date on which the issue of the Securities becomes effective, once the public offer is registered by the BCU.

“Payment Date” means the date on which a payment related to the Securities is made.

“Trust” means the trust incorporated by this Agreement.

“Trustors” means the initial underwriters of the Securities.

“Trustee” means EF Asset Management Administradora de Fondos de inversion S.A. or its successor.

“Liquid Funds” means the funds in cash or invested in instruments easily liquidated, which are in the assets of the trust, in the Collection Account. Such funds are generated from the management of the assets of the Trust or from the placement of the Securities.

“Distributable Net Income” means the funds that the Trust effectively received from the operation of its business, which are generated from deducting the cash and cash equivalents after each fiscal year-end, from the expenditure forecast and investments to be made in the following fiscal years, in accordance with the report prepared by the Manager for such purpose. The resulting amount shall not exceed the retained earnings of the Trust in such Fiscal Year-End.

“Remaining Net Income” means the remaining funds in the assets of the Trust, on the maturity date of the Trust, once all the Trust Assets have been disposed of and all the obligations have been canceled.

“Trust Expenses” means the expenses provided in Section 34 of this Agreement.

“Properties” means the rural properties plus tree plantations, which comply with the requirements included in the Business Plan, and which the Manager, following the procedures

provided in this Agreement, has requested the Trustee to purchase them so that they comprise the Trust property.

“**Law**” means Law No. 17,703 of October 27, 2003, as amended and supplemented, which governs trusts.

“**Absolute Majority of Holders**” means the vote of one or more Holders whose Securities represent a par value of more than fifty percent (50%) of the total Securities issued.

“**Special Majority of Holders**” means the vote of one or more Holders; whose Securities represent a par value of more than seventy-five percent (75%) of the total Securities issued.

“**Liabilities**” means all the liabilities (contingent and non-contingent) incurred while the Trust is operating as a consequence of its incorporation, operations and liquidation.

“**Pesos**” or “**Uruguayan Pesos**” means the legal tender in the Eastern Republic of Uruguay.

“**Business Plan**” means the Trust’s business plan under which the Manager shall carry out the investment in accordance with the purpose of this Trust, and which is attached hereto as an Annex 1.

“**Prospectus**” means the prospectus issued by the Trustee for the purpose of issuing the Securities to the Holders, which the Trustor acknowledges in all its terms.

“**Registration**” means a register kept by the Registrar Agent, where the names and other certifying data of the Holders, as well as transfers and other legal transactions related to the Securities are recorded.

“**Trust Liquidation Reserve**” means the reserve established and maintained by the Trustee after the termination of this Trust to cover the contingencies provided in Section 40 of this Agreement.

“**Contingency Reserve**” means the reserve which may be set up by the Trustee with funds of the Trust, to cover the contingencies of the Trust during its term as set forth in Section 39 of this Agreement.

“ **Holders**” means the legitimate holders of the Participation Certificates, as recorded in the Registry.

“**Securities**” or “**Participation Certificates**” means the Participation Certificates, which provide the Holders rights of participation in the results and remainder of the Trust, issued in accordance with the provisions of the Trust Agreement and the Issuance Document.

“**Related Party**” means: (a) in the case of individuals: shareholders, partners, presidents, managers, officers, registered agents, auditors or members of the Auditing Committee, and in general, any member of the senior personnel of the Trustee and/or the Management; and (b) in the case of legal entities, hierarchical relationships shall be taken into account in accordance with the provisions of Section 49 of Law No. 16,060.

IV. PURPOSE AND CHARACTERISTICS OF THE INVESTMENT

PURPOSE

The general purpose of this Trust is to develop a sustainable project based on the plantation of Eucalyptus forests to trade their timber in the Uruguayan and international markets, taking advantage of the comparative benefits of the silviculture in the region.

The purpose is to develop an attractive long-term investment project with a tangible, value-increasing asset and carried out through a well-managed forestry plan.

The financial Trust “Fideicomiso Financiero Forestal Bosques del Uruguay” aims at providing investors with reasonable long-term returns, generated from the increase in the price of forest plantation assets, following the highest productive, environmental, and social standards. All plantations shall be certified with the FSC or PEFC standard and the project has foreseen the sale of Carbon Credits.

The principles promoted in this project are: to ensure security to investors, excellence in performance, responsibility and respect in the different dimensions of all the activities, and trust and ethics as the basis for development.

The Management purpose of the trust “Fideicomiso Bosques del Uruguay” is:

- i. To produce wood for the sawmill and pulp market, maximizing the forest resources and land, and expand it to other alternative uses.
- ii. To promote a scheme and management integrated with the ecosystem and environment of the area.
- iii. To work and conduct operations with a socially responsible perspective and in strict compliance with labor and business regulations.

As previously mentioned, the development of the managed forest enterprise begins with the acquisition of land and forests, continues with planting the trees, and finishes with the harvesting and marketing of solid wood, either for pulp production or sawmilling.

In light of the scope of the project, an investment with an approximate duration of 19 years is estimated.

The main characteristics of the project are:

- The Management is in charge of Agroempresa Forestal, a leading company providing forestry services, with more than 10 years of experience in the local market.
- The Development of an investment option with reasonable long-term profitability, backed up by real estate and forestry operation returns.
- The acquisition of approximately 10,000 hectares of land, of which approximately 6,700 hectares will be forested (67% of estimated yield). In order to purchase such land,

properties, which represent the most profitable option, will be selected which, according to their location and resources (soil, infrastructure, etc.).

- The project is located in the central-east region of the country: in the north of Florida, in Cerro Largo, Rocha, Treinta y Tres, and Lavalleja, as it is an area of great potential for forestry exploitation.
- The development of an efficient and high quality plantation of *Eucalyptus grandis* (approximately 60%) and *Eucalyptus dunnii* (approximately 40%). The plantation of the two species aims at: a) biological diversification, species with different growth curves and therefore different susceptibility to diseases, pests, etc., and b) commercial diversification, timber sales and the margin is divided almost equally between the two timber destinations (solid and pulpwood).
- The projected total harvest is 2.76 million m³: three quarters of the volume for pulp production and the rest for sawmilling. However, more than half of the margin on timber sales comes from high-value timber. The estimated total revenues from sales will be 80% from the sale of timber, 18% from the sale of land at the end of the project, and less than 2% from the sale of Carbon Credits and grazing.
- The investment has several advantages such as excellent risk-reward ratio; limited volatility; low correlation with traditional assets; hedge against inflation; investment in real assets; tax advantages; predictable cash flow; asset with high flexibility at the time of the sale.

PROJECT OPPORTUNITIES AND STRENGTHS

- **Forestry market opportunities**

Forest products are increasing in value because of global demand due to demographic changes (40% increase in population by 2050) and economic growth, particularly in developing economies.

Increasingly stringent environmental regulations will exclude forested areas, particularly native forests.

It gives the opportunity to take advantage of the growth in the use of renewable energies from forest biomass and the increase in wood prices at rates higher than inflation.

- **Forestry opportunities in Uruguay**

It is a sector of significant growth in plantation and industrialization. There are almost one million hectares of forested land in the country, and foreign institutional funds are the main investors in this type of projects.

Its commercial security is secured by its easy access to major markets and a variety of marketing options.

The country has diverse natural advantages, such as high biological growth rates in trees.

There is a strong presence of institutional funds in the forestry sector in Latin America. In fact, Uruguay is second, only to Brazil, in terms of forestry investments by U.S. funds. The area planted in Uruguay by the funds exceeded 250,000 hectares in 2009.

Uruguay has a favorable tax framework for forestry operations and, in particular, for the production of solid wood.

There are possibilities for infrastructure and logistics improvements in the medium term that would increase margins.

The project is carried out through a trust, an ideal legal figure for this type of investment.

AMOUNT OF THE INVESTMENT

“Bosques del Uruguay” forestry plantation project shall require a capital contribution of USD 50 million to cover investment and operating costs until year 9.

The following table shows, in percentage terms, how the total investment shall be managed:

Composition of the Trust “Fideicomiso Bosques del Uruguay” Investment

	Thousands of USD	%
Land and Fixed assets	28,180	56%
Production costs	5,634	11%
Planting of forests	5,447	11%
Manager (year 1 to 9)	5,938	12%
VAT purchases	4,148	8%
Wealth tax	1,854	4%
Carbon Credits costs	440	1%
Restructuring costs (year 1 to 9)	1,745	3%
Others	472	1%
Income	(3,859)	-8%
TOTAL	50,000	

Therefore, it is estimated that 56% of the investment was made in the purchase of land, 22% in planting and the operation of the forests until the first harvest in year 9; 12% of the investment was made in management, 10% in taxes payment, costs of carbon credits and restructuring, net of the income generated in the first 9 years.

V. THE FORESTRY MARKET

5.1. THE INTERNATIONAL MARKET

Investments in forestry have become very popular both in the Northern Hemisphere and in Latin America. According to Standard & Poor's (2007), investments in timber by institutional investors and funds had significantly increased, identifying forestry as an asset with stable returns and low correlation compared to traditional financial assets.

Institutional investors, companies and investment funds owned more than USD 50 billion in forest assets in the United States in 2004, with 40 million hectares in industrial forest plantations, representing 18% of the country's forest area. These authors point out that a third of the planted area has changed owners, due to the increase in purchases by Timberland Management Organizations (TIMOs) and Real Estate Investment Trusts (REITs). Both entities, with technical knowledge and professional management, have come to occupy a preponderant place in the management of forest assets, surpassing a great part of the forestry and paper companies that used to be the owners of the productive forests.¹

The factors behind these changes are: 1) the need to increase shareholder value, 2) debt reduction, 3) tax efficiency due to the advantages of REITs, 4) development of tax strategies that minimize the impact on earnings, 5) commodity production, and attractive risk/return ratio.

The components of the economic return on forestry investments have been studied in the United States. The forest asset is a renewable resource and its biological growth generates value. The return on investment in forestry is thus given by:²

- Biological growth: in the USA, this variable explains more than half of the return of a forestry investment.
- As the tree grows, its diameter and length increase, and increases the value of its timber because it will have other uses. The three most common uses in sequence according to age are: pulp, biomass and sawing for planks. Broadly speaking, for pulp, cycles of less than 10 years are generally considered, while for planks, cycles of 16-20 years are required.
- Timber sales price is the second most important variable.
- Land purchase price.

In summary, TIMOs and REITs have observed in forestry investments:

- 1) Placement with a high relative return when compared to others of the same risk.
- 2) Limited volatility: the standard deviation of the main U.S. forestry indexes has been considerably lower than those shown by others, such as the S&P 500 or the Russell 2000.

¹Fasano and Straka (2009)

² Fasano and Straka, 2009; Mortimer, 2009.

3) Very low correlation (less than 0.15) with traditional assets such as stocks, bonds, and regular real estate operations. In this sense, forestry investments appear as a complementary product and contribute to expand the efficient risk/return frontier of the portfolio.

4) Hedging against inflation, returns have shown higher increases than inflation. Timber is a real commodity, and therefore it has a different dynamic than financial assets. On the other hand, timber prices have had annual increases higher than inflation rates.

5) Tax advantages.

6) Predictable cash flow.

7) Growing assets and flexible management of the timing of timber sales.

In the past, forestry investments lacked mechanisms to compare their performance, it was very difficult to have a benchmark. However, there are now several forestry benchmarks operating on the stock exchange. For example, in the United States, two benchmarks indexes for returns on forestry investments, among others, have been estimated:

1) The National Council of Real Estate Investment Fiduciaries (NCREIF), which has published the Timberland Property Index since 1994.³

2) The John Hancock Timberland Index (JHTI).

The former is the most widely used and popular. Over the last ten years the average return of the NCREIF Timberland Index has been 7.3%, well above the returns of other indicators such as the S&P 500 Index, or the treasury bond indexes.

Standard & Poor's publishes the Global Timber & Forestry Index⁴ comprising 25 of the largest publicly traded forestry companies.

5. 2 THE LATINAMERICAN MARKET

There are 12.5 million hectares of planted forests in Latin America and the Caribbean, which represent 5% of the world's planted forest area, making the region a leader in high-productivity forest plantations. Argentina, Brazil, Chile and Uruguay account for 78% of the region's planted forests. FAO (2009) states that plantation development, driven by the private sector, is supported by governments through favorable policies and financial incentives (cost reimbursement, reduced interest loans, etc.). The high productivity rates and favorable environment have attracted investments from regional and global pulp and paper producers and, recently, North American investments, including forest investment funds (FIFs).

FAO highlights the following characteristics of plantation forestry in the region:

- Investment in productivity-enhancing technologies, especially clonal propagation.

³ <http://vwww.ncreitcomitimerland-returns.aspx>

⁴ <http://www.standardandpoors.com/indices/sp-global-timber-and-forestry/en/us/?indexId=spgbthsutfusdw---p-rgl--->

- The use of fast-growing species, such as Eucalyptus sp., Pinus radiata, Pinus taeda and Pinus elliotii, managed intensively;
- The integration of plantations with timber processing, as well as with cellulose pulp processing.

FAO projections forecast that the 12.5 million hectares harvested in 2006 will increase to 17.3 million hectares in 2020.

TIMOs have become increasingly important in Latin America. TIMOs are forest investment management organizations. Their main responsibilities are to find, analyze, structure, acquire and manage forestry assets for their clients. According to Wiecheteck (2008), there were some 30 TIMOs in the United States, with assets for more than USD 30 billion in 2007, of which about 5% were in South America. However, recently there has been a strong growth in this region due to the above mentioned factors, the reduced forestry investment opportunities in the Northern Hemisphere and the diminishing returns on forestry investments in the United States.

Major North American TIMOs include: Hancock Timber Resource Group (HTRG), Brookfield Asset Management, GMO Renewable Resources (GMO RR), Wagner Forest Management (WFM), The Forestland Group, Forest Capital Partners, Resource Management Services (RMS), Forest Investment Associates, The Campbell Group, Global Forest Partners (GFP), and RMK Timberland Group, among others (Wiecheteck, 2008).

Most of these organizations manage areas of more than one million hectares. As listed on the companies' websites, Hancock manages 1.8 million hectares or assets valued at USD 8 trillion (2009). Other institutions such as Forest Capital Partners, Brookfield, The Campbell Group, have more than 1.3 million hectares each. These TIMOs have managed real returns for their investments between 5-10%.

In 2008 in Latin America, TIMOs, mainly U.S. institutions, owned 410,000 hectares, of which 48% were in Brazil, 36% in Uruguay, 13% in Chile, 3% in Argentina.⁵ The important institutions were Hancock, GMO, Global Forest Partners, and RMK. In Uruguay, there are four TIMOs (Global Forest Partners, GMO, RMK, and Phaunos) operating in 164,000 hectares⁶.

5.3 FORESTRY IN URUGUAY

i. The forestry chain

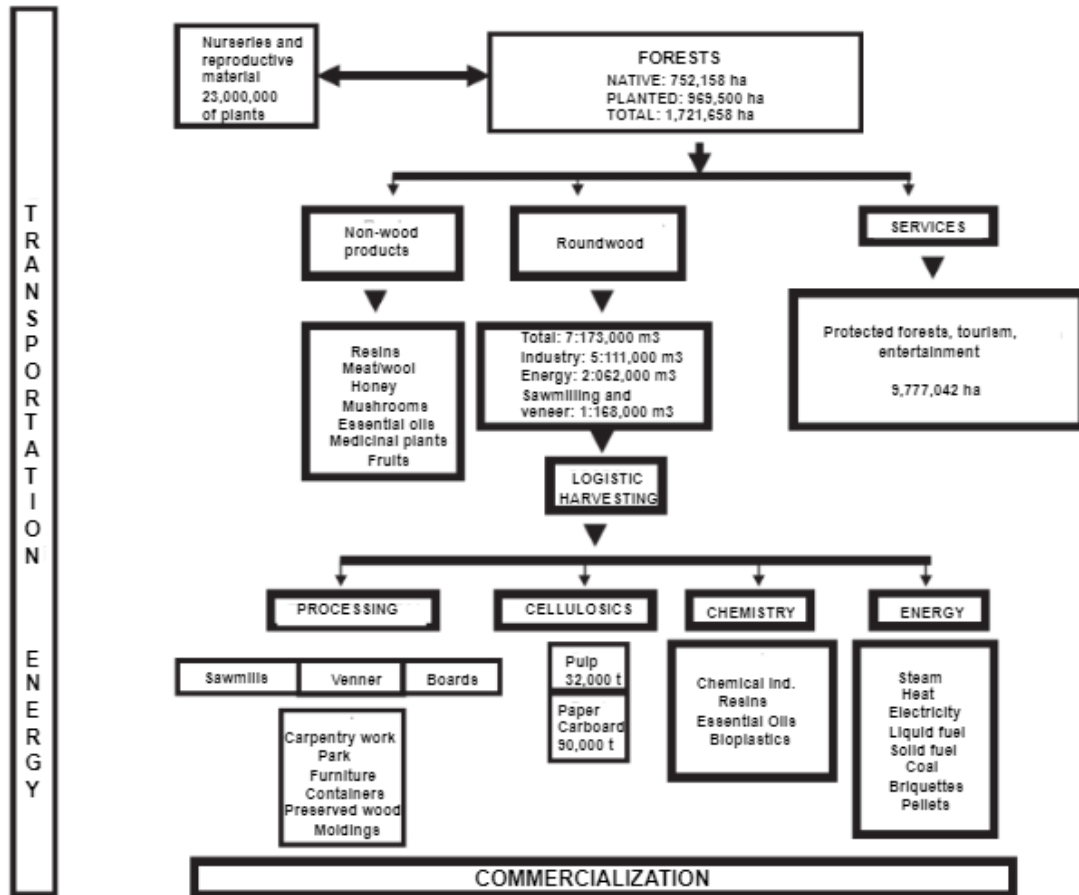
The forestry sector is divided into a forestry phase, a logistics phase, and then an industrial and marketing phase. Different forest-based agro-industrial chains are distinguished: the cellulose-paper chain, processed wood products chain, forest-based chemical industry, and the energy chain. Emphasis will be placed on highlighting the most important aspects of the solid wood chain, i.e. higher-value wood products (sawmilling and debinding), and the pulpwood chain as

⁵ RISI also has this data, see: http://www.risiinfo.com/Marketing/other/south_american_tree_farm.pdf.

⁶ Wiecheteck(2008)

these are the two main commercial markets for the project. Energy use would be an alternative component to pulp.⁷

Forestry Chain in Uruguay, 2008



Source: OPYPA yearbook, Mantero, San Román, Ligone, and others (2008)

ii. Silvicultural phase

The development of forestry took off in Uruguay with the approval of the Forestry Law No. 15,939 (December 28, 1987), which promoted plantations according to soils, species, densities, management, etc. No amendments were made to such law until 2005. A total of 3.57 million hectares of priority forest soils were established, mainly grouped in Coneat groups 2, 7, 8, and 9. In 2004, 77% of the existing plantations were carried out on Priority Forest soils.⁸

⁷ Mantero, San Roman, Lignone and others (2008)

⁸ Dell'Acqua, Petraglia and San Roman, 2008. MGAP

Forest Priority Soils in Uruguay

Coneat Group	Area (hectares)	Proportion	Coneat Index		
			Average	Max.	Min.
7	477,027	13.35%	67	92	31
8	513,066	14.35%	80	109	31
9	822,054	23.00%	77	114	35
2	1,453,774	40.67%	65	83	53
0.7	92,705	2.59%	3	-	-
0.9	165,330	4.63%	60	74	26
S 0.9	50,347	1.41%	41	74	26
TOTAL	3,574,303	100%			

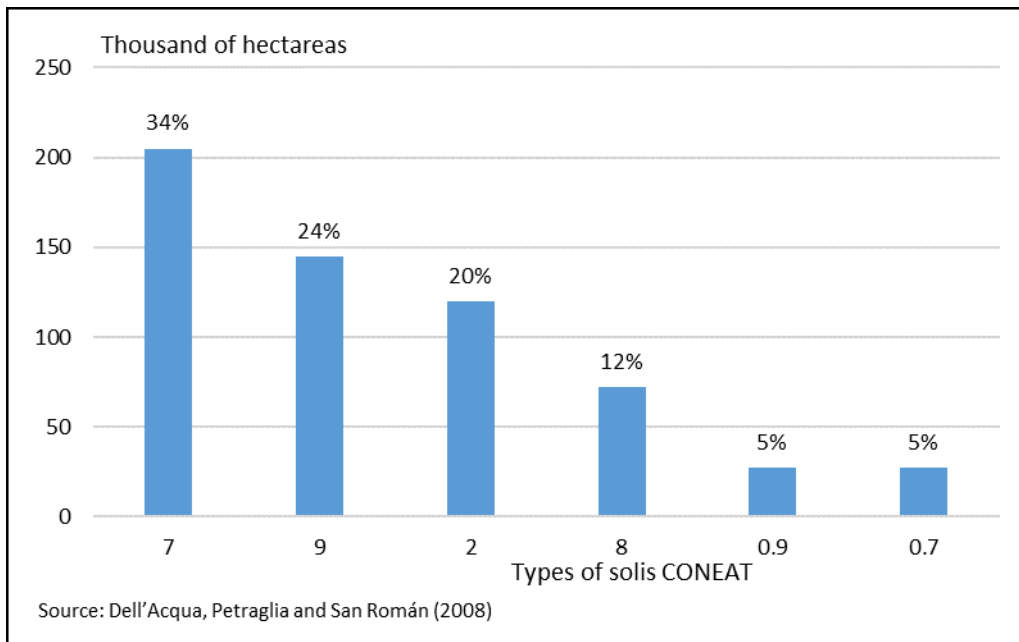
Source: General Forestry Directorate (DGF) MGAP

Decree 191/06 of June 2006 modified the priority forest soils. This resulted in 3.34 million hectares of priority forest soils and additional 776,116 hectares requiring approval.

Coneat group 7 is characteristic of the northern part of the country (Rivera and Tacuarembó), group 2 of the east (Lavalleja, Maldonado, Rocha, Treinta y Tres, and Cerro Largo), group 8 predominates in the central-east (Durazno and Cerro Largo) and group 9 in the west (Paysandú, Rio Negro, Soriano, and Colonia).

According to Dell'Acqua, Petraglia, and San Roman (2008), one-third of the planted area was carried out on soils 7 in the Coneat classification, followed by soils 9 and 2.

Forest plantations by type of soil Coneat (2004)



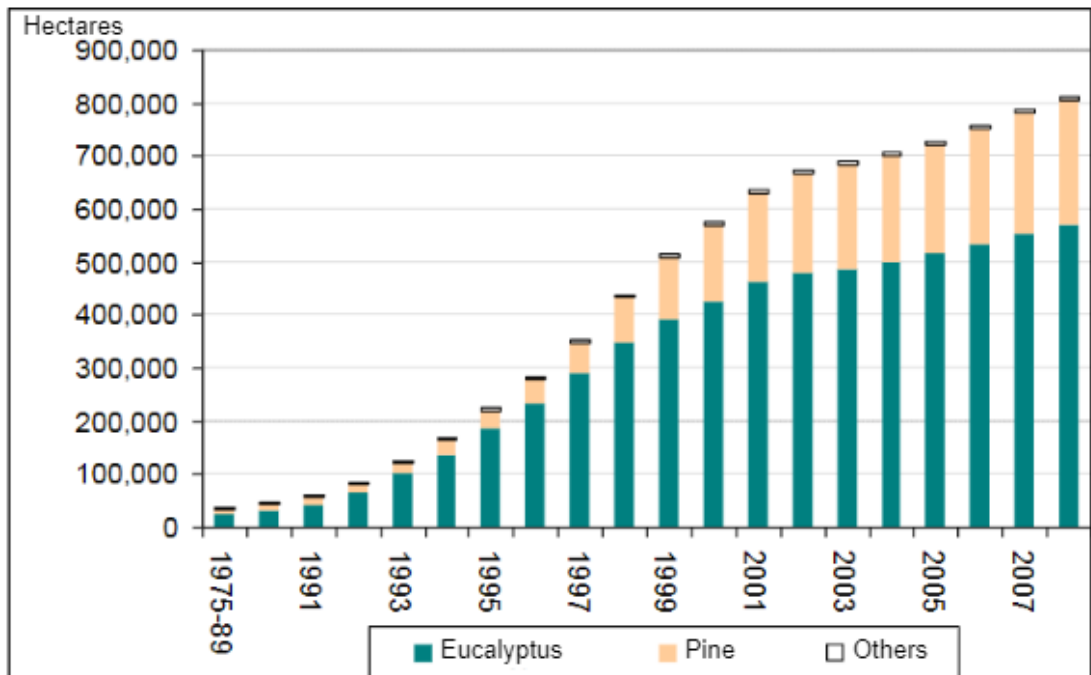
These authors claim that almost half of the Pine species were planted in Coneat soil groups 7 and 15% in groups 9. As for the Eucalyptus species, Globulus was planted predominantly in group 2, while 60% of the Grandis species was planted in groups 7 and 9.

According to aforementioned data and by cross-referencing such data with the priority forest soils and projecting to this date, it can be estimated how much of each priority forest soil group has been planted approximately:

- 62% of group 7
- 25% of group 9
- 12% of group 2
- 21% of group 8

According to data from the Forestry Directorate, in 2008 plantations reached 812,164 hectares, approximately 4.2% of the country's productive area and a fifth of the potential area to be forested considering the priority area besides the one which requires approval.

Evolution of the forested area in Uruguay, 1975-2008

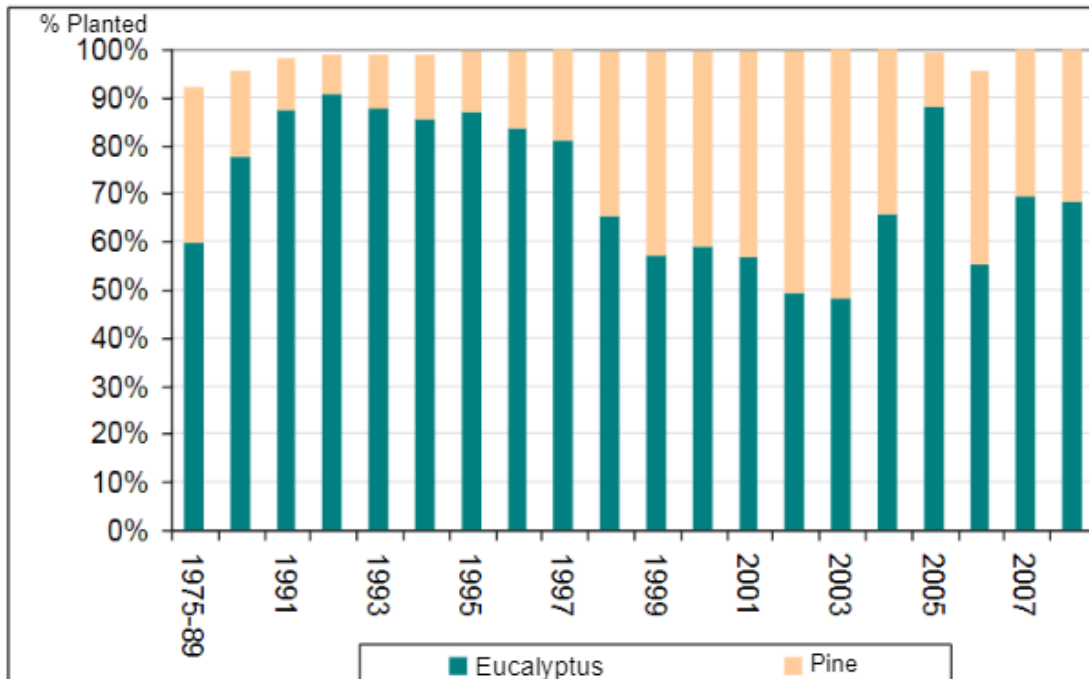


Source: General Forestry Directorate (DGF) – Ministry of Livestock, Agriculture, and Fisheries (MGAP)

Eucalyptus and Pine species account for most of the planted area of the project.

During the nineties, Eucalyptus plantations were predominant, with an average of more than 80%. Towards the end of this decade and the middle of the following decade, the ratio became more balanced. In recent years, the plantation of Eucalyptus has increased again, mainly due to the increase of *E. grandis* and *E. dunnii*.

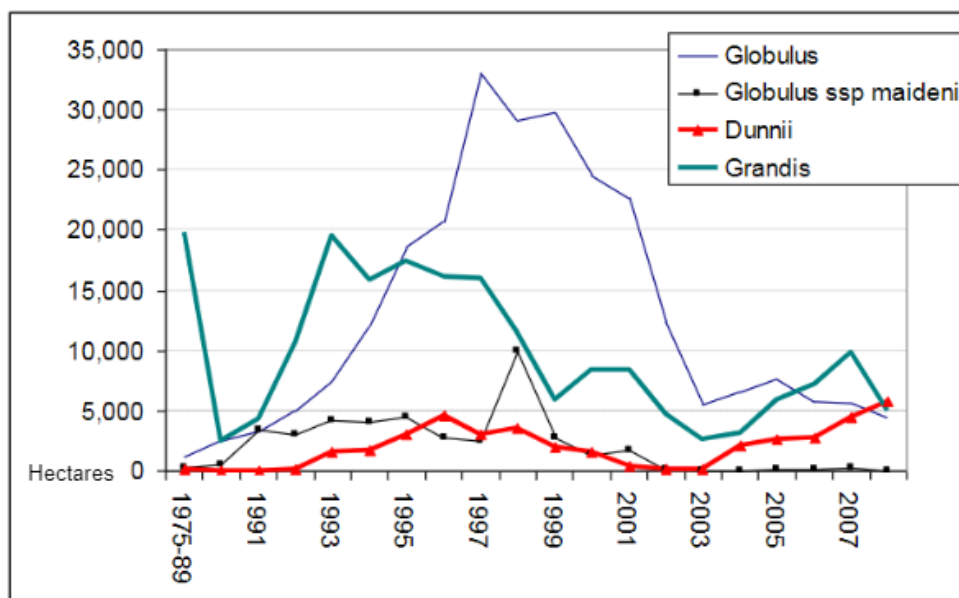
Evolution of Eucalyptus and Pine Plantation (% of planted area)



Source: DGF – MGAP

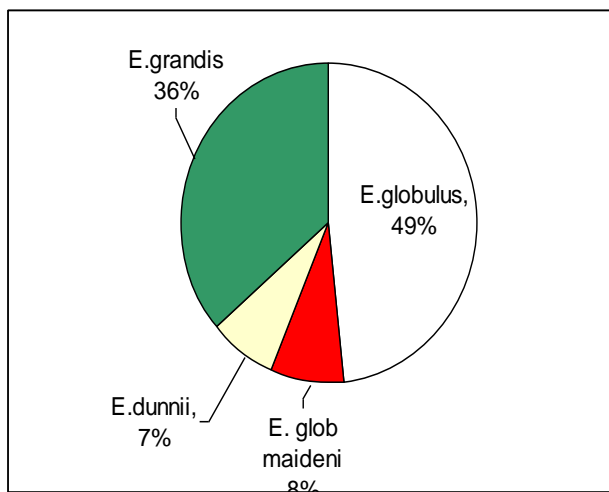
For almost a decade, the main planted species was *Eucalyptus globulus*. Since 2003, however, the planting of *E. globulus* has remained stable, while the one of *Eucalyptus grandis* and *dunnii* has grown.

Evolution of the area planted with different species of Eucalyptus in Uruguay, 1975-2008



Source: DGF – MGAP

Percentage of the different Eucalyptus species in the total accumulated plantations up to 2008



Source: DGF – MGAP

Almost 60% of the country's forestry activity is concentrated in 4 regions (Rivera, Tacuarembó, Paysandú and Río Negro). There is differential planting of Eucalyptus and Pine according to the region. Three quarters of Pine species is concentrated in Rivera and Tacuarembó, while there are more Eucalyptus plantations in the west of the country.

Forested area of the project by department and species (Total as of 2012)

	Total Hectares	Eucalyptus	Pine	% Total Department %	Eucalyptus	Pine
Rivera	154,612	53,588	100,508	19.0%	9.4%	42.7%
Tacuarembó	115,441	40,488	73,273	14.2%	7.1%	31.1%
Paysandú	108,529	76,624	29,457	13.4%	13.5%	12.5%
Rio Negro	104,217	94,900	8,085	12.8%	16.7%	3.4%
Lavalleja	83,214	82,605	489	10.2%	14.5%	0.2%
Durazno	44,915	37,452	7,005	5.5%	6.6%	3.0%
Cerro Largo	38,938	33,073	5,861	4.8%	5.8%	2.5%
Rocha	37,506	35,268	2,132	4.6%	6.2%	0.9%
Florida	36,497	36,093	384	4.5%	6.3%	0.2%
Otros	88,295	79,276	8,098	10.9%	13.9%	3.4%
TOTAL	812,164	569,367	235,292		100.0%	100.0%

Source: prepared with data from DGF-MGAP

Sixty-four percent of industrial forests corresponded to companies with forestry assets of more than one thousand hectares. It is also mentioned that there has been a change in recent years, as a large number of individual investors sold their forests to forestry companies. Much of the

plantation development is the result of foreign direct investment from companies in Finland, Sweden, Chile and Spain, and from U.S. forestry investment fund managers.⁹

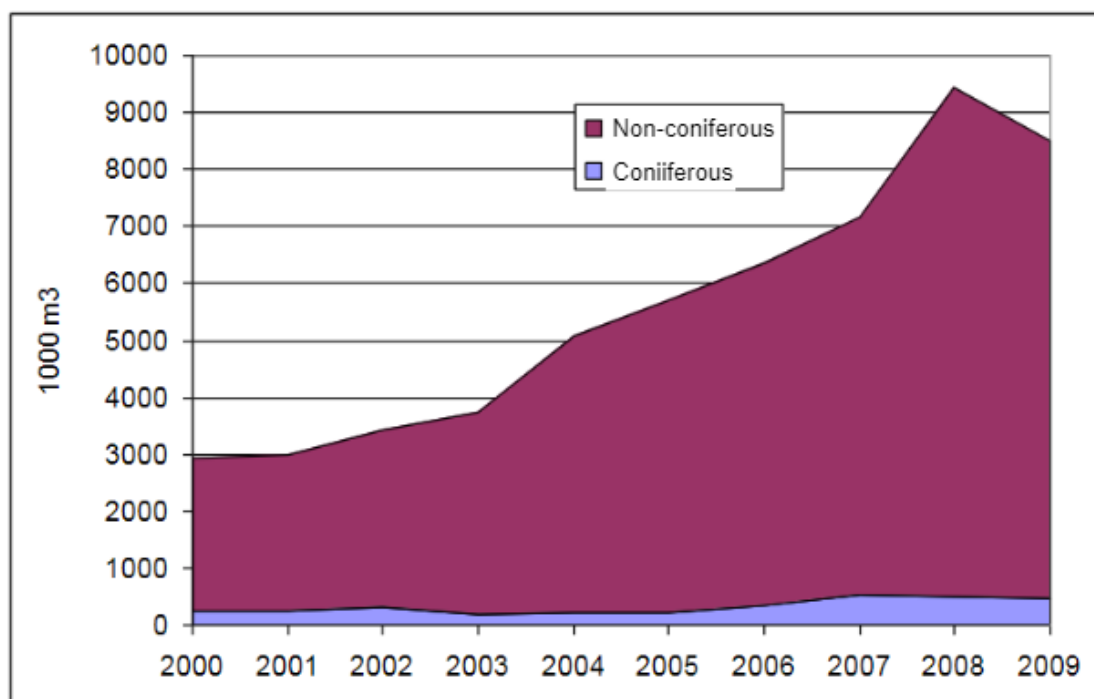
Another interesting point is that agricultural activity grew at an annual rate of 3% between 1990 and 2007, while the forestry sector grew at a cumulative annual rate of 10.9%. Therefore, there was a six-fold increase in the area. As a result, its share in the Gross Agricultural Product increased from 3.8% to 9.5%.

iii. Timber extraction and industrial phase

General Forestry Directorate (DGF) data indicate that roundwood extraction has grown steadily since 2000, exceeding 9 million m³ in 2015, which represents the triple volume compared to the one recorded at beginning of the decade.

This trend has also been reported by OPYPA yearbook (2008 and 2009), which notes the increase in the growth of Non-coniferous trees (mainly Eucalyptus) due to a higher demand for pulp production and a shorter planting cycle. The extraction of coniferous trees increased in 2007, but in the last five years it has averaged 5% of the total.

Evolution of roundwood extraction, 2000-2009



Source: DGF-MGAP

⁹ OPYPA (2008)

The OPYPA report (2008) highlights a remarkable growth of the industrial phase since 2006, particularly in the wood industry (boards, laminate and veneer wood, etc.) since Urupanel and Weyerhaeuser were installed. Additionally, Botnia pulp mill started operations in November 2007, and currently is the main destination for timber. As a result, industrial timber extraction has doubled.

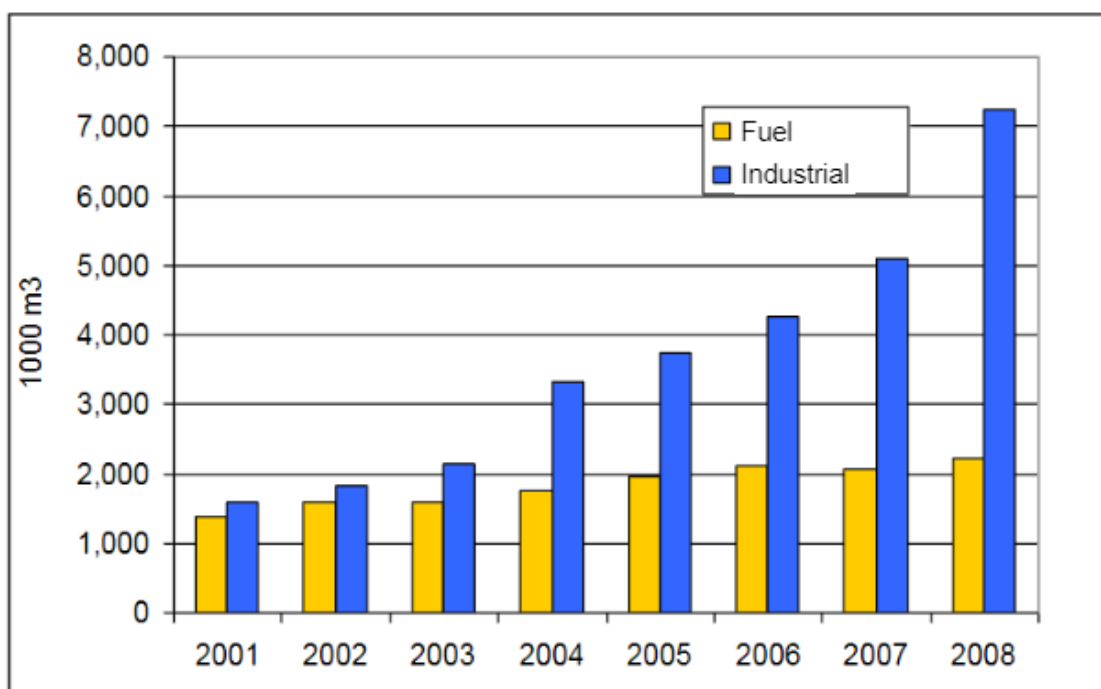
The forestry sector has significantly grown, especially the pulp industry, which has become an international trend. However, 20%-30% of raw material supply must be bought in different markets. Recently, forestry companies have implemented partnership plans with agricultural producers to develop new plantations or long-term lease payments. An example of this is the “Fomento de Forestal Oriental” proposal, where the producer is guaranteed the purchase of the timber produced at a fixed price, and provided with genetic material, advice, and Forest Stewardship Council certification.

Regarding the sawn timber sector, vertical integration with the silvicultural phase is less accentuated, and the larger companies use domestic raw material. The wood industry is more fragmented, with a greater presence of SMEs. According to OPYPA (2008) in 2004 there were 169 sawmills in Uruguay, of which 120 were categorized as micro and small, 10 as medium and large and another 39 were unspecified.

Industrial uses of wood include: wood chips, sawn timber, plywood and MDF, furniture, pulp, paper and manufactures. According to OPYPA (2008), wood industries grew at a cumulative annual rate of 18.8% between 2002-2007, being above the annual average.

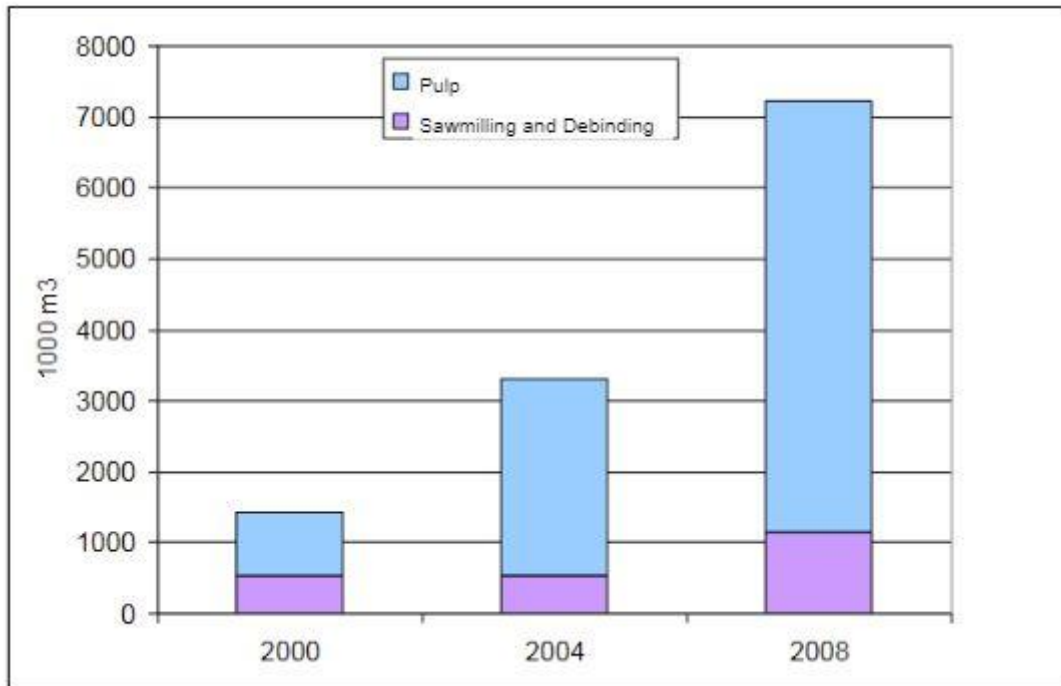
In 2008, 23% of the harvest was used as fuel and the remaining 77% was for industrial use. Almost 90% of the wood for industrial use was for pulp production.

Fuelwood and wood for industrial uses extraction, 2001-2008



Source: DGF – MGAP

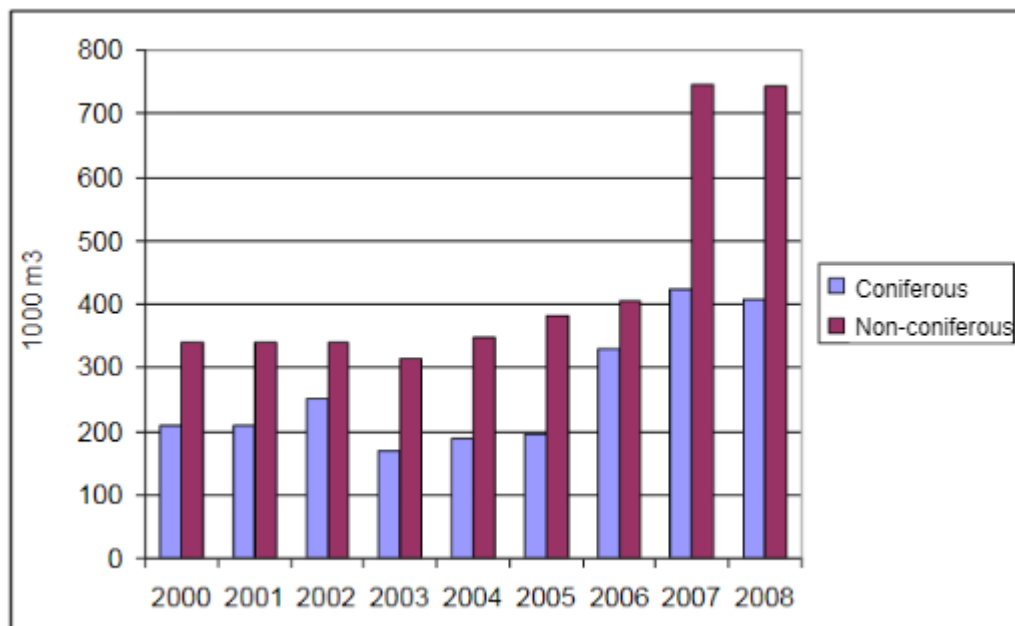
Industrial use of wood in selected years



Source: DGF – MGAP

Considering the use of wood for sawmilling and debinding, the volume harvested doubled between 2000 and 2008, reaching more than one million m³. The use of non-coniferous wood for sawmilling increased significantly in 2007 and 2008.

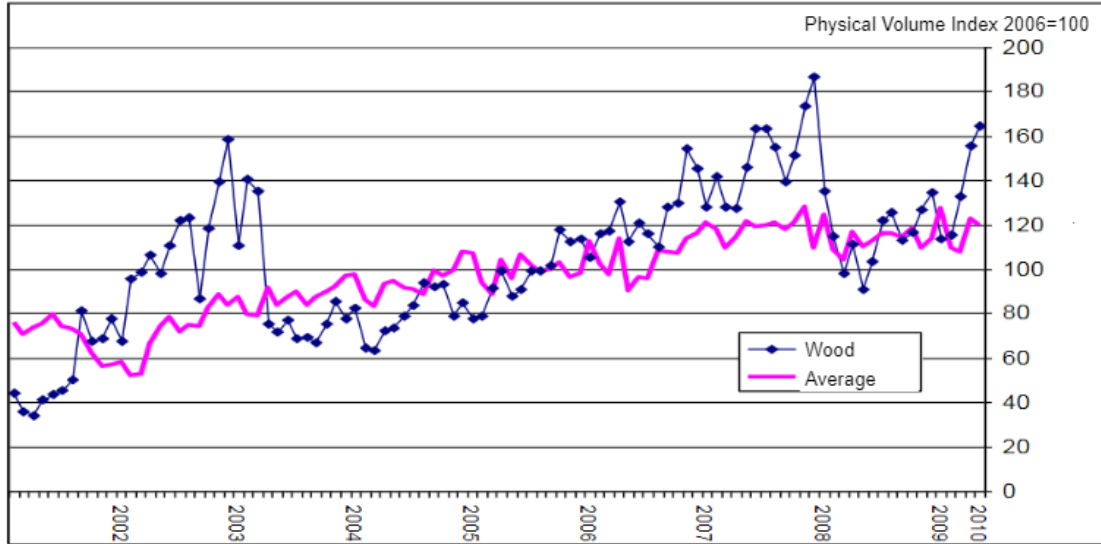
Timber for sawmilling extraction, 2000-2008



Source: DGF – MGAP

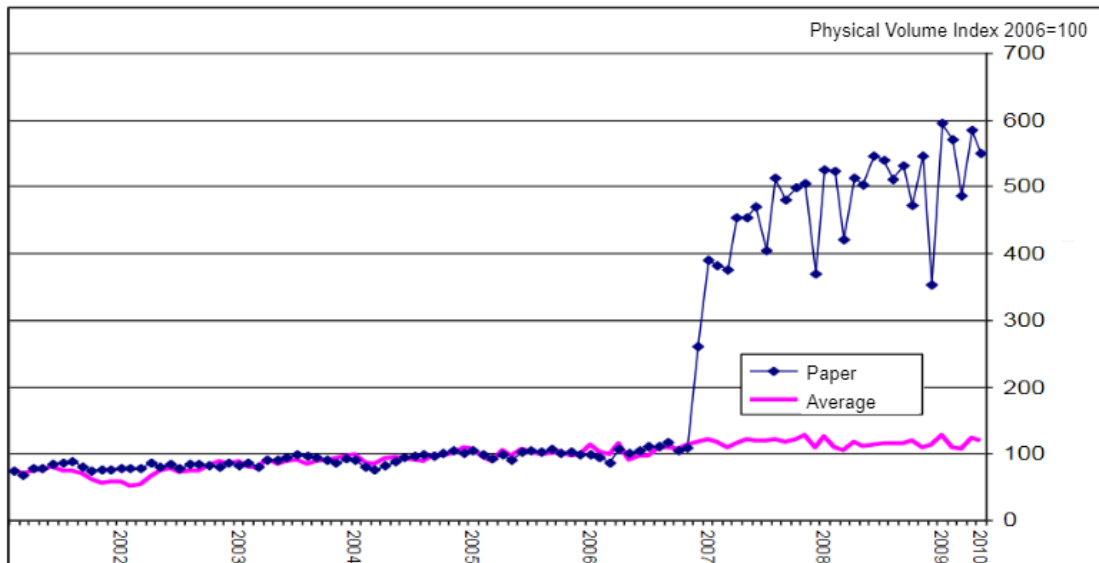
The expansion of the manufacturing industry is also reflected in the physical activity index prepared by the National Institute of Statistics.

Evolution of the average Physical Volume Index for the wood industry, 2002-2010



Source: INE [National Institute of Statistics]

Evolution of the average Physical Volume Index for the paper industry, 2002-2010



Source: INE [National Institute of Statistics]

iv. Logistics phase

Forestry cargo is characterized by its large volume and low unit value; therefore, the impact of transport margins is very important. Each hectare of a forest for pulpwood with a 10-year cycle requires between 4 and 5 trucks to transport wood. Therefore, factors such as the location of the plantations, accessibility, transport selection, loading, and unloading methods play key roles in the overall forest business economy. The growth of the harvested volume at a rate far exceeding infrastructure investments has somewhat stressed the logistics system in Uruguay.

The options for forest transport in Uruguay are road and rail. The fluvial option is limited by the dams; consequently the only navigable route is from Nueva Palmira to Salto¹⁰. The roads have been the main way of transportation. The rehabilitation of the railroad system is a factor that can offer a great potential for the forestry business, particularly in areas of more than 300 km of destination. An extraction close to 10 million m³ needs more than 250 thousand trucks.

To date, the main timber flow is to the UPM and Montes del Plata mills for pulp production. Other important flows are the main flow of the country Rivera-Tacuarembó-Durazno-Montevideo, and the central flow from the east (mainly Lavalleja).

Additionally, it should be noted the medium-term improvement scenario for the Rio Branco Montevideo and Durazno Montevideo railroad, as set out in the MTOP [Ministry of Transportation and Public Works] strategic plan presented in April 2010¹¹.

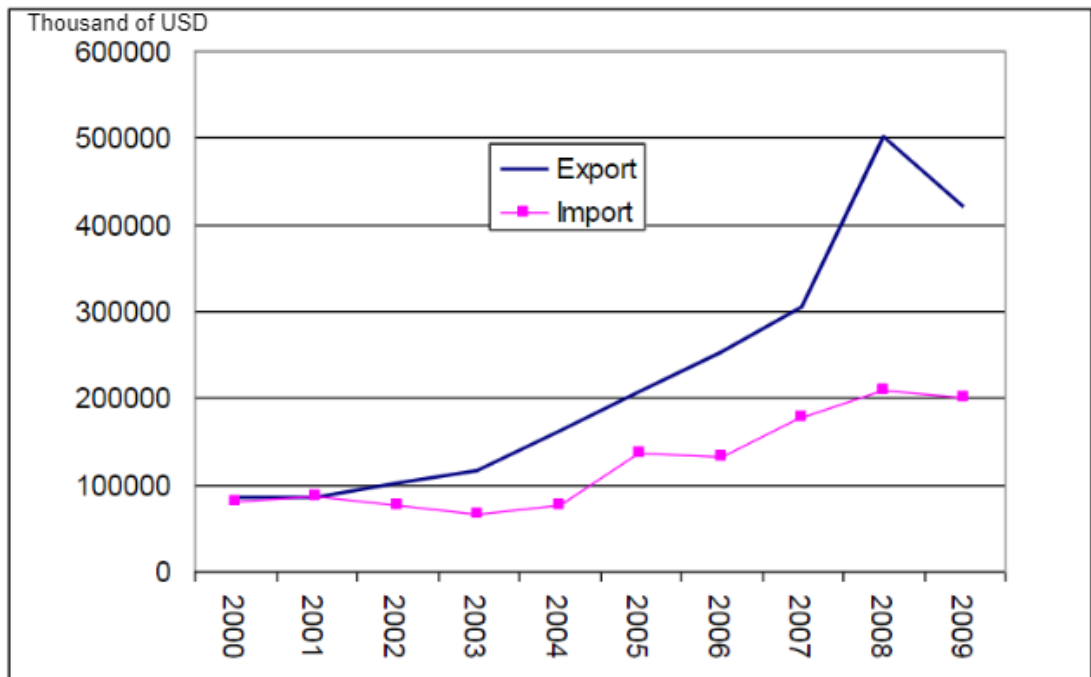
v. Markets and Foreign Trade

The trade balance for primary and secondary wood products (timber, boards, pulp, paper and cardboard) has shown a positive balance since the early 2000s, as it has double. Pulp exports were not taken into consideration.

¹⁰Uruguay has 2,000 km of railways, a national road network of 8,696 km, 1,600 km of waterways, placing the country in 74th, 64th and 53rd place in the world ranking according to the CIA Country Factbook in 2008.

¹¹ MTOP. Proposals for the Preparation of the 2010-2015 Five-Year Plan. Downloaded in June 2010 from: http://www.mtop.gub.uy/Documentos/presentacion_MTOP.ppt

Uruguay: foreign trade of wood products

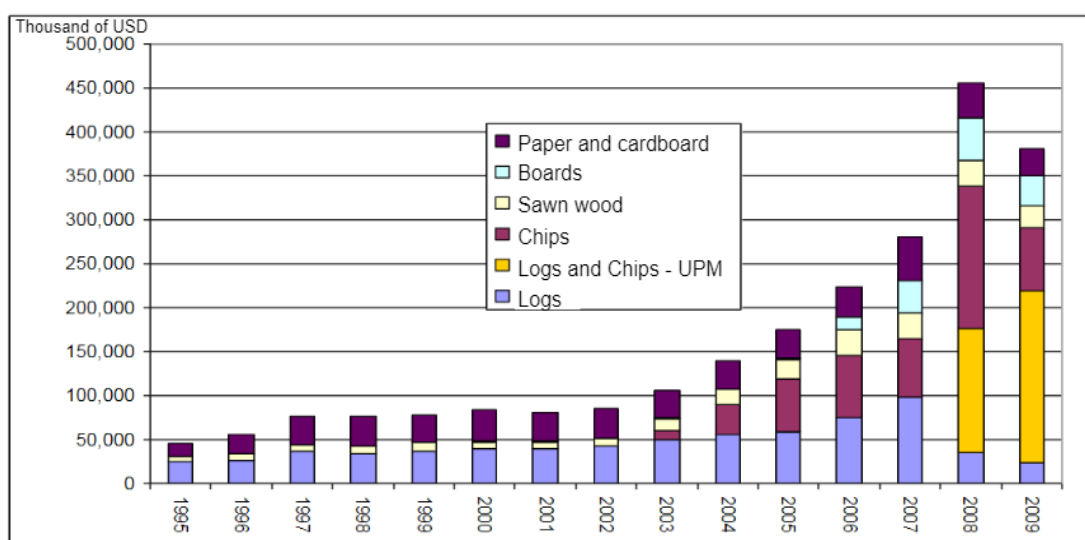


Source: Forestry Directorate and Society of Forest Producers [SPF] (not including cellulose pulp exports)

Exports grew significantly between 2003 and 2008, mainly due to the increase of exports of chips, logs, sawn wood and boards.

In 2008, logs and chips began to be exported to the pulp mill in the Free Trade Zone. Approximately half of the value of Uruguay's exports in 2009 and the first four months of 2010 were destined for that pulp mill. Except for exports to the Free Trade Zone, all the other export sectors fell in 2009. However, in the first four months of 2010 there was a strong recovery and therefore, export levels are expected to resume their upward trend.

Uruguay: exports of primary and secondary wood products

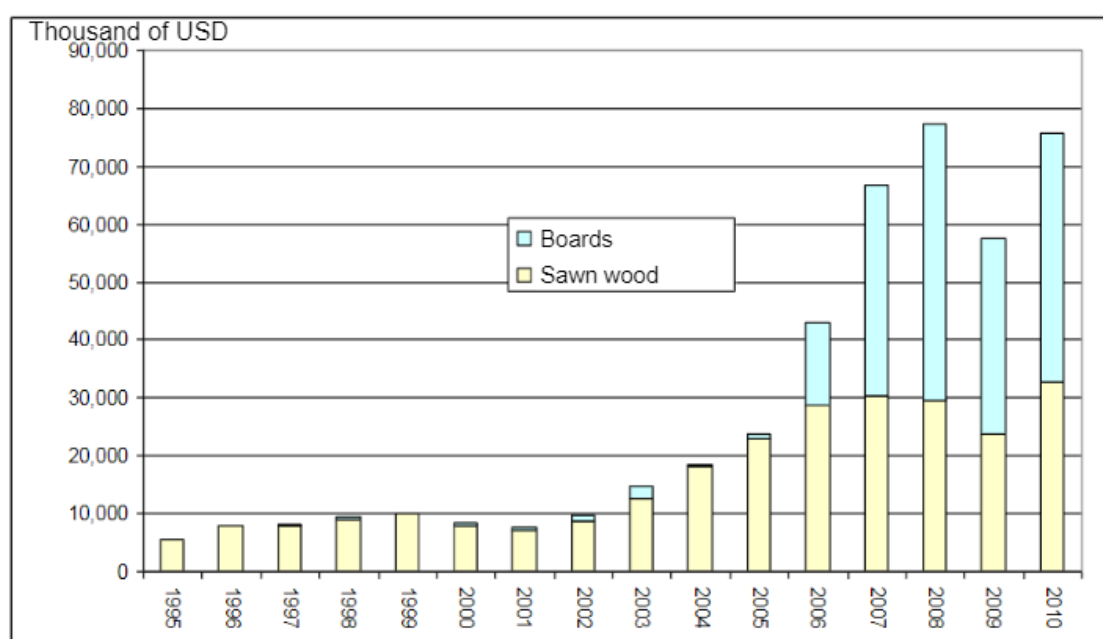


Source: Forestry Directorate and Society of Forest Producers

Ninety-six percent of log exports are mainly for pulp production, and the rest of the exports are sawn logs (Opyya 2009).

Sawn wood exports in recent years have almost tripled the export value of the early 2000s, growing at a rate of more than 20%. From 2006 onwards, the largest exports of panels are expected to break the 2008 record (USD 50 million) in 2010. In other words, the export of higher quality timber products has consolidated from 2006 to date, multiplying by 6 or 7 times the levels exported a decade ago.

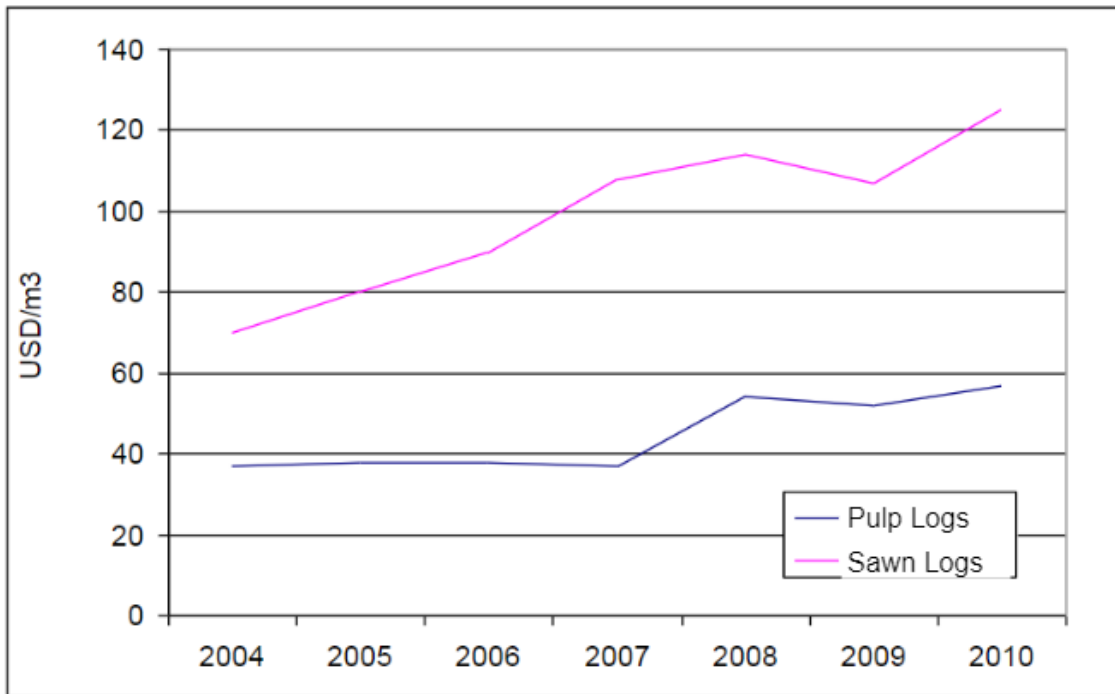
Uruguay: value of sawn wood and boards exports



Source: Source: Elaborated with data from DGF and SPF (2010 estimate)

The way to obtain price references is from export records. Taking the country's total exports, average export values do not distinguish between quality, type of product or species, and therefore should be taken as indicators. According to the Opya report (2009), the international crisis affected exports in 2009, but prices did not fall. In any case, it is worth noting the increase in average income in recent years, pulpwood increased 30%, in the case of Eucalyptus sawn wood increased almost 100% in the last five years.

Uruguay: average annual export revenue of selected products (FOB)

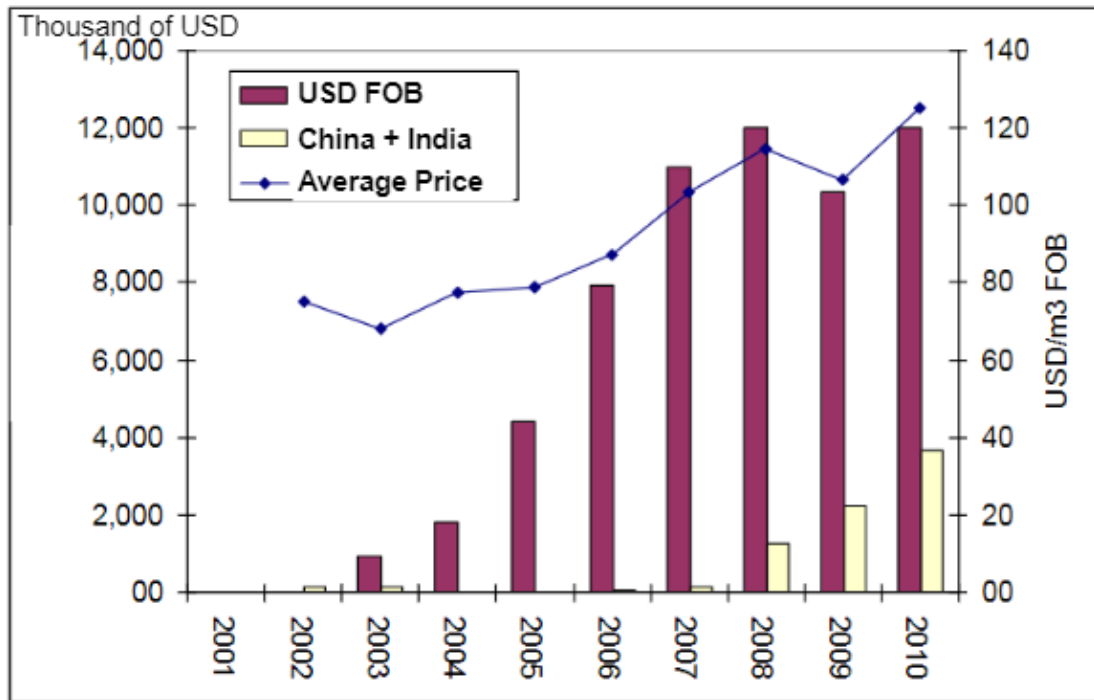


Source: Opya 2009

According to Urunet data, between 80-90% of the Eucalyptus logs are for export to the Fray Bentos Free Trade Zone. As it was previously mentioned, the primary destination of the logs is the UPM plant, followed by 10 other destinations, including Portugal, Vietnam, China, India, Morocco and the United States.

Vietnam is the main market for sawn logs (the project timber), followed by China and India, both having an increasing participation in the market.

Eucalyptus logs exports to Vietnam, China and India



Source: Prepared with Urunet data

The average export price has improved in recent years, reaching a peak in the first half of 2010. Prices of Eucalyptus logs to the target market (Vietnam) have increased at a cumulative annual rate of 5.8% from 2000 to June 2010.

According to United Nations data, imports of non-coniferous logs (HS Code 440399) reached a record of USD 5 billion in 2008 and then fell to USD 2.5 billion in 2009, reflecting the global crisis. In 2009, China accounted for 46% of world imports, followed by India with 24%. Other important importers were Sweden, Finland and Vietnam. Major exporters include Russia, Malaysia, the United States and Uruguay.

Chip exports fell in 2009, Japan and Finland were the main destinations.

Regarding sawn wood, the main demand comes from the United States, Spain, Chile and Canada. In the case of Eucalyptus sawn wood, the Opya report (2009) highlights that 27 destination countries were recorded in 2009, the main one was the United States, absorbing more than one third. Indonesia, Vietnam, China, Taiwan and South Korea stand out accounting for almost 40%.

Plywood was exported to 19 countries. Mexico and the United States are the main destinations, accounting for almost 70% of the total, followed by the United Kingdom.

vi. Trends and projections

According to FAO (2009), until 2030, the main long-term demand drivers will be:

- Demographic changes: World population will increase 6.4 billion in 2005 to 8.2 billion in 2030.
- Economic growth: Global gross domestic product is expected to double by 2030.
- Differential growth in developing economies, particularly in Asia.
- Stricter environmental regulations that will prevent forested areas from being exploited, particularly native forests. Commercial forestry plantations will become the main resource.
- Increased use of renewable energy from forest biomass.

FAO estimates a global sawn wood consumption growth of 1.4% per year until 2030, with higher rates in Africa and Asia compared to North America and Europe. For panels, FAO forecasts an even higher growth, close to 3% per year on average, and with rates of 4.5% in Asia, consolidating the trend towards the use of particleboard and fiberboard to replace plywood. For pulp and paper, FAO also predicts a sustained growth of close to 3% on average worldwide, with 4% growth in Asia and Africa.

China and India will continue dominating the increase in forest products imports. According to RISL¹², China's log imports have exceeded 25 million m³, growing at a cumulative annual rate of over 40%. This trend is expected to continue, not as strong as in the past, but it will position China as a major importer of forest products. Demographic factors, the increase in domestic consumption and the expansion of the industrial phase of the forestry complex (paper, furniture, wood products, etc.) account for this trend. India has recorded a remarkable increase in its forest products trade deficit but is still significantly behind China in import volumes. RISI also projects a steady increase in this country's imports.

The production and consumption of forest products will continue to increase based on historical trends (FAO, 2009). One of the changes will be the significant growth of the production and consumption of forest products in Asia and the Pacific, due to the increasing demand from China and India. The most drastic change will be the use of wood for energy purposes, particularly in Europe, as a result of renewable energy promotion policies. Asia will become the largest producer and consumer of panels, overtaking North America, but with a lower per capita consumption. In this region, roundwood consumption will be well above its production capacity, which will determine a growing increase in imports from these countries. The increasing use of cellulosic sources for energy production will trigger unprecedented changes in the global forestry sector. Transportation will continue to play a critical role because of its impact on costs. The report concludes that these factors, as well as other macroeconomic factors such as exchange rates, will dominate the sector in the future.

Market mechanisms such as certification will continue to play a major role in guiding the forest value chain. According to FAO (2009), 300 million hectares globally are certified, which represents 8% of the total area. The most widespread certification systems (initiated in 1993) are the Forest Stewardship Council (FSC) and the Programme for the Endorsement for the Forest

¹² <http://www.risiinfo.com>

Certification Schemes (PEFC)¹³. In 2006, a quarter of the roundwood commercialized was from FSC-certified forests. It is estimated that almost half of the roundwood world's trade will come from certified forests by the end of the next decade. Much of the expansion of these schemes will depend on how consumers in India and China perceive them. These systems were initially intended to promote sustainable management of tropical forests, but they were adopted mainly in Europe and North America.

Two areas¹⁴ are especially important for the future development of technological resources: 1) forest and resource management for production and environmental services; 2) timber harvesting, transportation and processing. In these areas the development purposes are: to reduce costs and increase productivity, to develop new products and services, to conserve resources and reduce environmental impacts and to increase energy efficiency. Biotechnology, nanotechnology and information technology will continue to have a significant impact on all those areas. For example, there have been recent efforts in mapping the *Eucalyptus grandis*' genome, which will dramatically improve the possibilities of growth, yield, uses, etc.

vii. The forest land market in Uruguay

In the last decade, there has been a significant increase in the purchase and sale of land in Uruguay. According to data from DIEA (2010) [Agriculture Statistics Division in Uruguay], between 2000 and 2009, there have been 24,183 sales and purchases, equivalent to 6 million hectares. There have been significant transactions and sales between 2003 and 2007, falling to the levels of the beginning of the decade in 2009. In 2009, land sales fell for the third year in a row.

On the other hand, the average transaction price has risen steadily from USD 448 per hectare in 2000 to USD 2,329 in 2009. In nominal terms, it increased fivefold. The price increase has been differential according to land use and its type. The following table shows the evolution of sales transactions and the average price for different types of land. The price increase is differential, being higher in agricultural and livestock lands, which clearly reflects the agricultural expansion that took place during such period. Forestry land had a higher increase in price compared to livestock land.

¹³ www.fsc.org and www.pefc.org

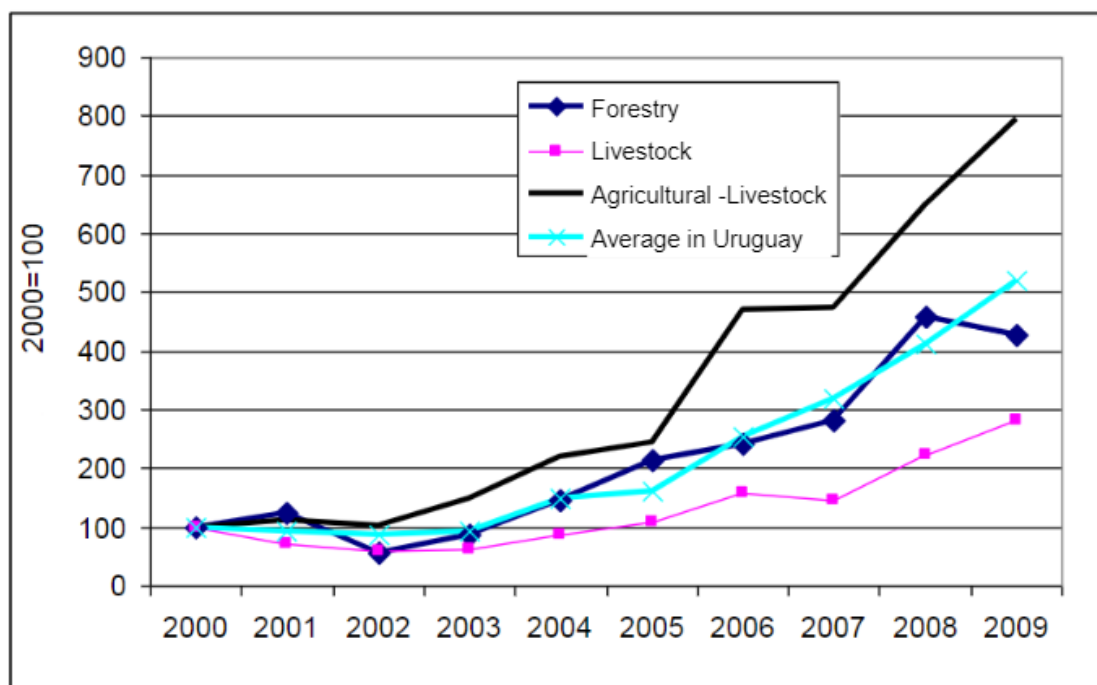
¹⁴ Topic addressed in: Developments in forestry science and technology and in: The state of the World Forests, FAO (2009).

Area and prices of land purchase and sale transactions, 2000-2009

	Transactions		Prices USD/ha ¹⁵			
	Number	Area sold (Thousands of ha)	Average	Forestry (a)	Livestock (b)	Agricultural-Livestock (c)
2000	1517	308	448	399	443	440
2001	1966	530	413	488	310	489
2002	1598	365	385	226	260	445
2003	2156	741	420	344	280	650
2004	2746	758	664	586	380	962
2005	2872	846	725	849	485	1073
2006	3245	859	1132	967	700	2063
2007	3277	676	1432	1123	639	2080
2008	2959	684	1844	1832	992	2863
2009	1847	323	2329	1700	1250	3500
Multiplier x			5x	4x	3x	8x
Cumulative Annual Growth			20%	17%	12%	26%

Source: DIEA 2010

Evolution of the average land price in Uruguay, 2000 = 100



¹⁵ a) It is the average price of transactions registered in Rivera;

b) It is the average price of transactions registered in Salto and Artigas;

c) It is the average price of transactions in Soriano.

In 2009 the forestry sector was seriously affected, which was reflected in the average price of transactions. However, this situation was reversed at the beginning of 2010, as a result of the sector's good performance.

VI. PROJECT BUSINESS PLAN

1. PROJECT LOCATION

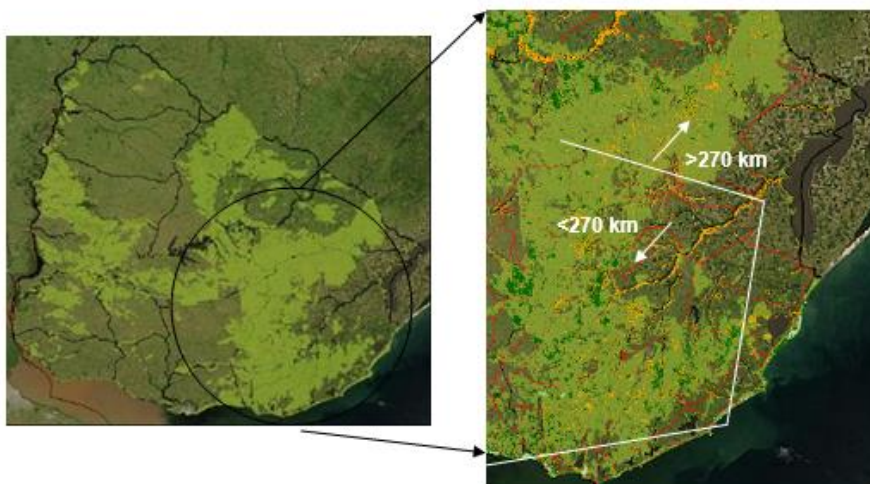
In order to optimize the management of the forestry business, the Manager shall evaluate the following resources all together:

- (i) Forestry priority of fields and lands;
- (ii) Road accessibility and logistics management;
- (iii) Commercial accessibility and potential yield in industrial uses (due to new industrial facilities).

Based on the aforementioned variables, it is noted that it will be mainly purchased the forestry land located in the central-eastern part of the country. Due to greater availability, the Manager shall choose fields within the soil groups with Coneat index 2 and 8.

- **Coneat soil group 2**- It is located in an irregular strip running southwest-northeast from Piriápolis (Maldonado), passing through Lavalleja, Treinta y Tres to Cerro Largo. This area is characterized by having a flat landscape, with rocky outcrops of variable density and hills.
- **Coneat Soil Group 8**- This group comprises those types of soils with sandy textures and low fertility, although higher, and with greater agricultural possibilities and generally shallower than those of Group 7. The geological material is formed by sandstones from the Devonian and San Gregorio-Tres Islas formations, or sandy materials settled on these formations. Its main use is for breeding and full cycle livestock. Most of the vegetation of this soil group is summer prairie with few fine species and low winter production.

Map of priority forest soils and regions where Bosques del Uruguay's fields will be located



In terms of access and transportation logistics, the purpose is to look for fields suitable for planting the project's species, with the objective that the average distance will not exceed 270 km. It is likely that new sawmill industries will be installed in the eastern region and improvements in the railway infrastructure will be made.

2. SPECIES TO BE PLANTED

The silvicultural model adopted is based on planting *Eucalyptus dunnii* and *grandis* species or their subspecies.

With reference to the genus *Eucalyptus*, Uruguay is among the five countries with the largest planted area of this species in the world, behind India, Brazil, China and Australia. More than 200,000 hectares of *E. grandis* species had been planted in the country to date, while *E. dunnii* plantations exceed 50,000 hectares.

Main characteristics of the Trust “Fideicomiso Bosques del Uruguay”

	Unit	Value
Acquired land area	Hectares	10,000
Total area of forested land	Hectares	6,700
Use of Fields	%	67
Planting of <i>E. grandis</i>	Hectares (%)	4,020 (60)
Planting of <i>E. dunnii</i>	Hectares (%)	2,680 (40)
Time to Final Harvest		
<i>E. grandis</i>		18
<i>E. dunnii</i>	Years	9
MAI (Mean Annual Increment)		
<i>E. grandis</i>		24
<i>E. dunnii</i>	M ³ /ha/year	22
Total Volume of Wood Production		
Pulp	Millions of m ³	2.0
Sawmilling		0.72

(Estimated data)

Eucalyptus grandis

It is the most widely planted species for industrial wood use in tropical and subtropical regions. Massive programs have been conducted in South Africa and Brazil and there are commercial plantations in Angola, Argentina, India, Uruguay, Congo, Zambia, and Zimbabwe. Recently, this tree species has been mainly used for solid wood production.

The pink Eucalyptus natural distribution climate is humid subtropical, with average minimum temperatures during the coldest months of between 2 and 10°C and average maximum temperatures of about 29°C during the warmest months, and an average rainfall of between 1020 and 1780 mm per year. In terms of uses, the sapwood of *E. grandis* is pale pink and the heartwood is light to dark red. Its wood has a straight grain, coarse texture, and is moderately strong. The pink Eucalyptus wood is used for general construction, joinery, palisades, boat building, flooring, fence posts, etc. Its advantages are: its fast-growing characteristic, its medium hardness, which makes it easy to work with, it has a good color and behavior, and very good mechanical properties (resistance and elasticity).

The breeding plan for *Eucalyptus grandis* in Uruguay began in 1992, building the genetic base of the first generation with an extensive introduction of seeds from Australia and an intense local selection in commercial plantations distributed throughout the country. In 1993, in agreement with forestry companies, 9 progeny tests were set up to test these materials in representative sites of the most suitable areas for this species, and in that same year a progeny test trial was run at the INIA [National Agriculture Research Institute] Tacuarembó Experimental Station.

Eucalyptus dunnii

The origin of this species is also Australian. One of its main peculiarities is its extraordinary growth in height and volume in regions with rainfall of 1000-1500 mm/year (present in several countries with subtropical and temperate climates). It has proved to be the coldest resistant Eucalyptus species, tolerating light frosts. This is one of the reasons why it is planted in regions where the temperature is low. Another advantage of this species is its rapid growth, with an average of 20-50 m³/year in several countries, with cycles of less than 10 years. Its main use is for pulp production, making forestry activities easier.

3. PRODUCTION AND LIFE CYCLE OF THE PLANTATION

E. dunnii and *grandis* life cycle is 9 and 18 years respectively. It is expected that the purchase of fields and planting will be carried out in 2 years (50% for each), and therefore, the project will have a total estimated duration of 19 years, in two stages for *E. dunnii* and one stage for *E. grandis*. These species are planted at a ratio of approximately 60-40% for *grandis* and *dunnii* respectively.




Different plantation species are distinctly managed. It begins with the selection of soils. Then, management and silviculture techniques are conducted, genetic material is selected, the plantation is monitored and finally, pruning takes place.



The project estimates a total harvest of 2.7 million m³, 74% of which will be for pulpwood or energy wood. This timber will be produced from the two final harvests of *E. dunnii*, and from the thinning and part of the final harvest of *E. grandis*. Sawn wood will be produced from thinning in year 14 and from the final harvest of *E. grandis*. An average volume of 395 m³/ha is estimated considering the two harvests of *E. dunnii* and 423 m³/ha for *E. grandis*.

The main phases of the project are described below.

Physical activity flow of the project



<p>Year 0 and 1</p>	 <p>The areas are selected, which involves identifying and acquiring those areas with appropriate soils, topography, location, etc. Seedlings are prepared in the nursery and then planted. Herbicides are applied, and then planting and fertilization are conducted.</p>
<p>Year 2</p>	 <p>Weed and ant control applications are conducted.</p>
<p>Year 3 to 9 and 14</p>	 <p>The growth rate increases, and forest control and maintenance activities are carried out.</p>

	<p>In the case of <i>Eucalyptus grandis</i>, thinning is conducted at age 9 and 14.</p>
<p>Year 9 and 18</p>	<div style="display: flex; justify-content: space-around;">   </div> <p>The final harvest is conducted at age 9 and 18. Regrowth management operations are carried out during the second cycle in the case of <i>E. dunnii</i>.</p>

4. SELECTION OF RURAL PROPERTY

Considering that Bosques del Uruguay aims at an investment of approximately 10,000 hectares of land, for the selection process, it is estimated that between 40 and 50 properties will be listed and evaluated for their correct valuation. Likewise, between 5 and 8 properties are expected to be acquired to develop the forestry investment.

The Manager shall be in charge of the evaluation and selection of each property. It is therefore necessary to search for Properties with priority forest soils. The following conditions shall be evaluated on each offer:

- At least 50% of the area shall be composed of priority forest soils.
- Information shall be gathered regarding:
 - Roads;
 - Infrastructure;
 - Topography;
 - Soils, presence of rocky outcrops, texture and depth;
 - Distance to pulpwood customers (km);
 - Distance to sawmill/board customers (km);
 - Proximity to other companies' properties (km);
 - Proximity to population centers (km).
- Taking into consideration this data, a model is loaded in order to carry out a cash flow forecast and then calculate the land purchase price.
- Should there be any interest in purchasing the land, an analysis of a planting design is conducted.

A maximum term of three years is projected for the purchase of all properties.

In case very attractive properties which are further than 270 km from the processing destination are offered, this option can be evaluated but replacing *E. dunnii* with Pine. Pine is preferred because it produces timber of higher value and, therefore allows to pay longer freights.

It will also be possible to purchase a forested field, provided that the existing forestation is positively evaluated.

5. PLANTING

In spring or fall, a team led by the Manager will be in charge of plating. Planting density will be 1,333 and 1,000 trees per hectare for *E. dunnii* and *E. grandis* respectively.

Well-known nurseries for their high-quality products will be responsible for seedling production. In order to produce these seedlings, seed sources are selected based on evaluations conducted by Uruguayan institutions or companies. The criteria for evaluating their genetic origins consider the desirable characteristics to produce solid wood (for example: straightness, density, production/hectare, health).

Planting costs were estimated at USD 772 and USD 742 per hectare for *E. grandis* and *E. dunnii* respectively.

Estimated planting costs for *E. dunnii* and *E. grandis* (USD/ha)

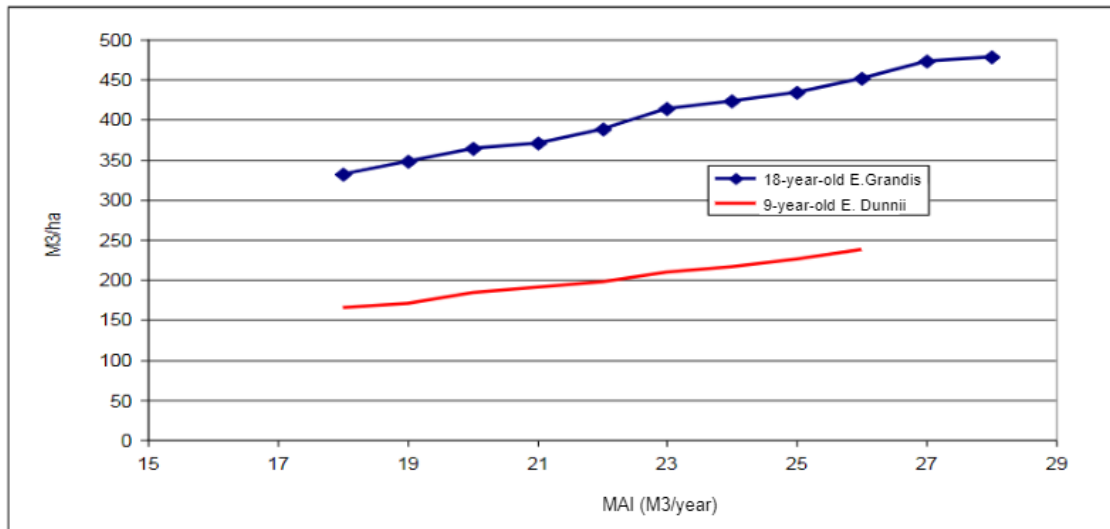
	<i>E. dunnii</i>	<i>E. grandis</i>
Tillage (field marking, subsoiling)	228	221
Herbicides (before and after planting)	189	189
Fertilizing	131	138
Seedlings	168	139
Others (ant control, etc.)	57	56
Total	772	742

6. GROWTH

Growth curves were modeled for both species according to different Mean Annual Increments (MAIs). The table below shows an example of the modeling software data for *E. grandis* and *E. dunnii* according to different MAIs. Roughly speaking, the model calculates as follows:

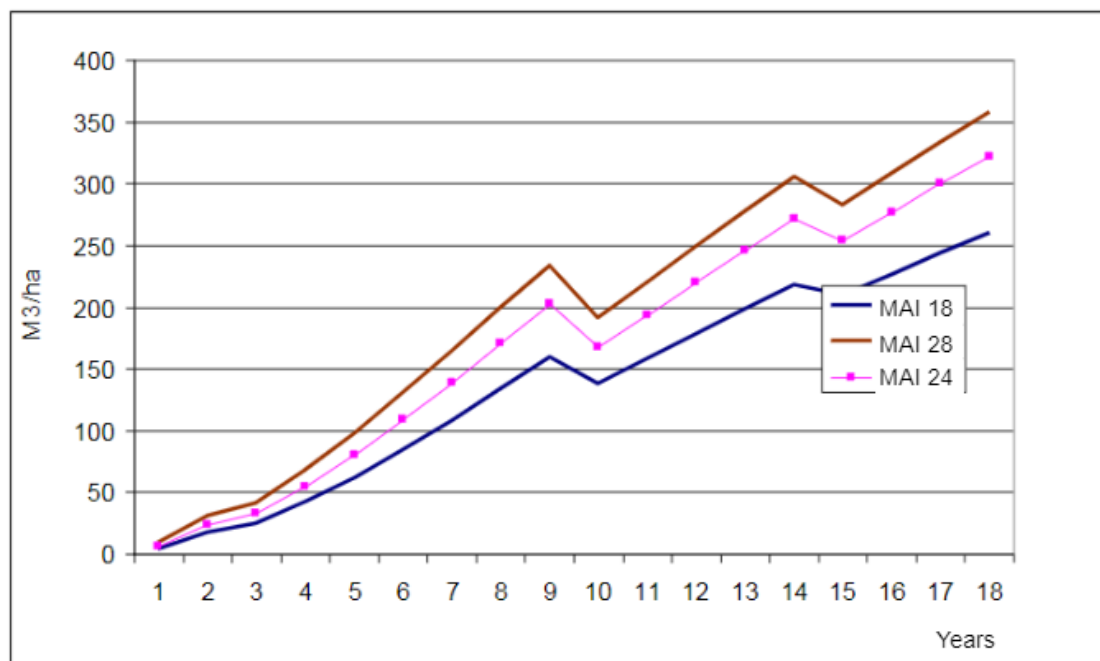
- *E. dunnii*: an increase of 1m³ in the growth of the MAI implies a 9 m³ increase in production per hectare.
- *E. grandis*: an increase of 1 m³ in the growth of MAI implies a 15 m³ of increase in production per hectare.

Timber production for *E. grandis* and *E. dunnii* according to different MAIs

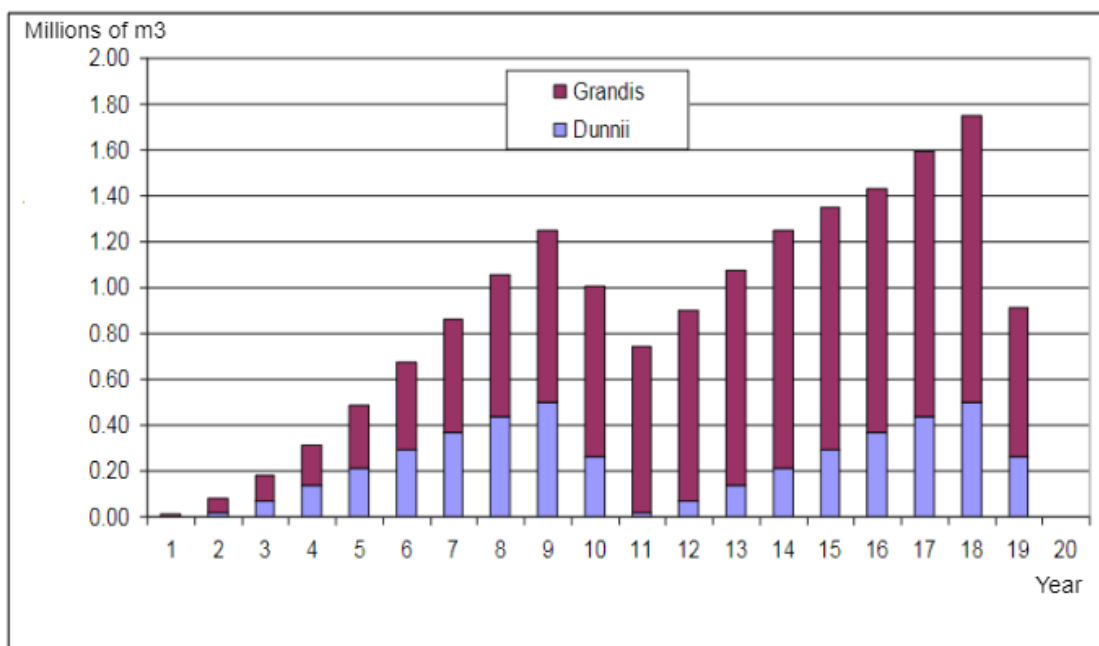


The objective for *E. Grandis* is to obtain wood free of defects and knots; for this purpose, the thinning will leave the best trees, i.e. the largest diameter, for the end. In this case, intensive silviculture will be used.

Evolution of the volume per hectare for *E. grandis* according to different MAI for Bosques del Uruguay



Evolution of cumulative timber volume during Bosques del Uruguay project according to Eucalyptus species



7. SILVICULTURE

Plantations for sawmill wood production demand a more intensive silviculture than those for cellulose pulpwood production, since intermediate pruning and thinning treatments are necessary throughout the growing season.

These treatments allow to harvest longer and larger diameter logs with knot-free wood, thus increasing the value of raw material.

Year	E. dunnii	E. grandis
1	Weed and Ant Control	Weed and Ant Control
2		Thinning to waste, Pruning N° 1 up to 2.5m – and Stump control
3		Pruning No. 2 up to 4 m – 475 trees/ha
4		Pruning No. 3 up to 6.5m – 475 trees/ha
5		Pruning No. 4 up to 9m – 200 trees/ha (including marking)
9	Pre-harvest Inventory + Ant Control	Stump Control + Pre-harvest Inv.

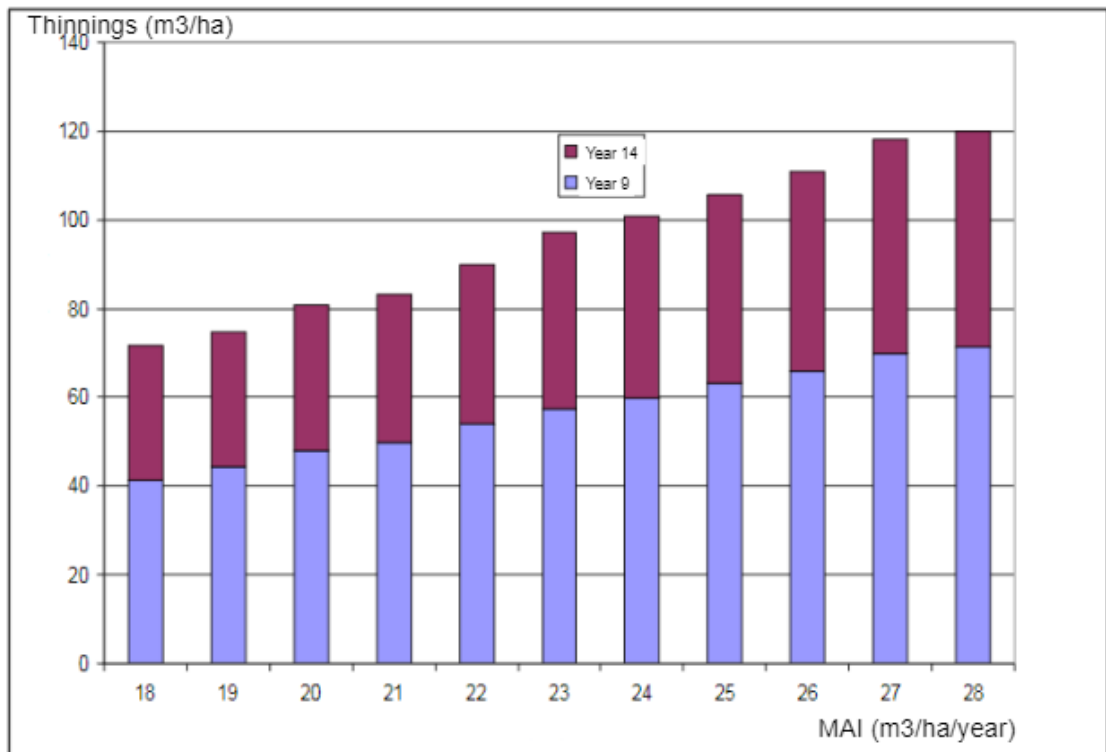
10	Regrowth management + Weed Control	
18	Pre-harvest Inventory + Ant Control	Stump Control + Pre-harvest Inv.

8. PRUNING AND THINNING

Pruning and thinning activities are not conducted in *E. dunnii* species. A final density of 1,177 trees at age 9 is reached.

E. Grandis will be thinned three times (at age 2, 9 and 14). All the production from *E. grandis* thinning at age 9 is for pulp. At age 14, approximately one-third of the production is timber for sawmilling and the remaining is for pulp. For the project, a MAI of 24 m³ per hectare per year will be used, which yields about 100 m³/ha of thinned timber.

Timber production in 2nd and 3rd *E. grandis* thinning according to different MAIs



9. FINAL HARVEST

Final harvest is conducted at age 9 for *E. Dunnii* and at age 18 for *E. Grandis*. Considering the MAIs of the project, a final harvest volume of 197 m³ for *E. Dunnii* and 322 m³ for *E. Grandis* is estimated.

In both cases, a pre-harvest inventory is made. In E. Dunnii, regrowth is managed after the second cycle harvest. In E. Grandis, regrowth and stumps are controlled.

10. MANAGER REPORTS

The Manager shall provide accurate records and reports of all operations pertaining to the establishment, management and maintenance of the Forest and, in particular, maintain a system of record keeping.

The manager shall report as follows:

- Monthly: This is a monthly financial report including invoices and expenses.
- Quarterly: Operational and commercial report on quarterly activities, comparing actual performance with the Management Plan and Budget, and a report including details on the purchase of agrochemicals, their price and supplier.
- Annually: Operational and commercial report including the closing of the last quarter.

11. PROCESS STANDARDS

The Trust “Fideicomiso Bosques del Uruguay” shall operate under a Management System run by the Manager (ISO 9001 certified), which shall follow procedures and operations manuals. Likewise, forest certification of the Forest Stewardship Council (FSC) will be obtained.

The management objective shall be to carry out an efficient organization, with trained and motivated personnel, complying with legal requirements, control the impact of undesirable situations, and develop good relationships with clients and the community. The following documents shall be associated with the process standards.

- i) Forest Management Plan (operational and environmental).
- ii) Field manuals to carry out tasks.
- iii) Annual operating budget.
- iv) Occupational safety standards.

12. RELATIONSHIP WITH SUPPLIERS

Essential suppliers are those individuals or entities that provide a service which directly affects the performance and quality of the services rendered by the Manager to the Trust.

As an example, essential suppliers offer services such as:

- Weed control,
- Planting,
- Tillage,
- Ant control,

- Pruning,
- Thinning and harvesting,
- Fire Prevention and Control,
- Project Management,
- Mapping Solutions,
- Inventories,
- Implementation of the Management System under the FSC standards.

(a) Supplier Selection

In order to select such suppliers some of these criteria shall be met:

- Availability of machinery for the required work.
- Condition of machinery (it should be inspected directly).
- References from other places where suppliers have worked, if it is possible to be more than one (call those places).
- Financial situation (previous debts, type of machinery ownership, if suppliers do other work apart from the one they are going to do for the Manager).
- Interview with more than one member of the Management (e.g. Operations Manager, General Manager or Management).
- Contractor's current commitments (what other works they are doing or are committed to do).

Following these criteria, a decision is made subject to the approval of the Management.

(b) Supplier Evaluation

Companies are evaluated according to the Supplier Evaluation Form. Based on their annual average of monthly evaluations, it will be decided whether or not they continue working.

These elements shall also be considered:

- The suitability of the personnel.
- The results of the client satisfaction survey.
- The results of internal audits.

These annual evaluations are carried out in the Management Review and the results are uploaded to the List of evaluated suppliers.

In order to evaluate the *essential suppliers for project management, mapping solutions, inventories and implementation of the management system under the FSC standards*, the following elements shall be considered:

- Quality of work;
- Meeting the requested requirements;
- Neatness and clarity of reports/projects/cartography;
- Delivery of work on time;
- Results of customer satisfaction survey;
- Results of internal audits.

(c) Documentation required from contractors

The control criteria and documentation may change due to any amendments to legislation or changes in the working conditions. The Manager may submit such changes for the approval of the Surveillance Committee.

1. Contractors working for the first time or who have interrupted their work with the Manager shall submit the documentation and information indicated in Items 4 and 5 below, and obtain the Manager's approval.
2. Contractors working for the Manager shall provide documentation and information of the current month.
3. The documentation and information provided, in both cases, shall be examined by the Manager's evaluation team, and compared with the field inspection results. In the event that observations are made, the contractors shall rectify them in order to be paid for the current month.
4. Documents that contractors shall submit to the Manager are:

Document	Frequency
Current DGI [General Revenue Office] Certificate	Before beginning any work and at each renewal
Current BPS [Social Security. Institution] Certificate	Before beginning any work and at each renewal
Worksheet	Before beginning any work and on a monthly basis on a specific date

Consulting Activity: Assets and Liabilities	Before beginning any work and on a monthly basis on a specific date
Monthly and quarterly BPS [State Insurance Bank] payment	Monthly for the Industry and Commerce sectors and quarterly if it is for the Rural sector
Monthly and quarterly payrolls	Monthly for Industry and Commerce sectors and quarterly if it is for the Rural sector
Payroll receipts	Monthly
Receipts for severance payments	Monthly, if applicable
Receipts for bonuses, vacations and leaves	Where applicable
Health Card and Photocopy of Identity Card	Before beginning any work and on a monthly basis on a specific date, if there are any modifications or expirations
Employment Agreements	Before beginning any work and on a monthly basis, each time a new worker joins the company
Payment of BSE [State Insurance Bank] Vehicles. (For vehicles with more than 6 passengers a special insurance is used depending on the Department)	Monthly or once in case of annual payment and then at each renewal.
Payment of BSE [State Insurance Bank] Officers	Monthly whenever applicable a separate insurance
Daily control of operators	Monthly
Information of the personnel who worked for the Manager (Name and Surname, I.D. and Category)	Monthly

5. Documents that contractors shall have at the work place:

Document	Observations
Worksheet	Update it if there are any changes
Consulting Activities: Assets and Liabilities	Update it monthly
Health Card	Current for all officers or certification that it is in process

Identity Card	Current for all employees, including the foreman
Vehicle Ownership Card	Inside the vehicle
Driver's License	Driver must have it
Vehicle Insurance	Inside the vehicle
SUCTA S.A. or Ministry of Transport and Public Works (MTOPI)	If required, inside the vehicle

13. COMMERCIAL PLAN

The Trust “Fideicomiso Bosques del Uruguay” aims at entering into commercial agreements with well-known and experienced operators with good track records, in order to sell their timber, optimizing its price and its diversification as much as possible.

Over the life of the project, it is estimated that the Trust “Fideicomiso Bosques del Uruguay” will produce 2.7 million m³ of timber to commercialize:

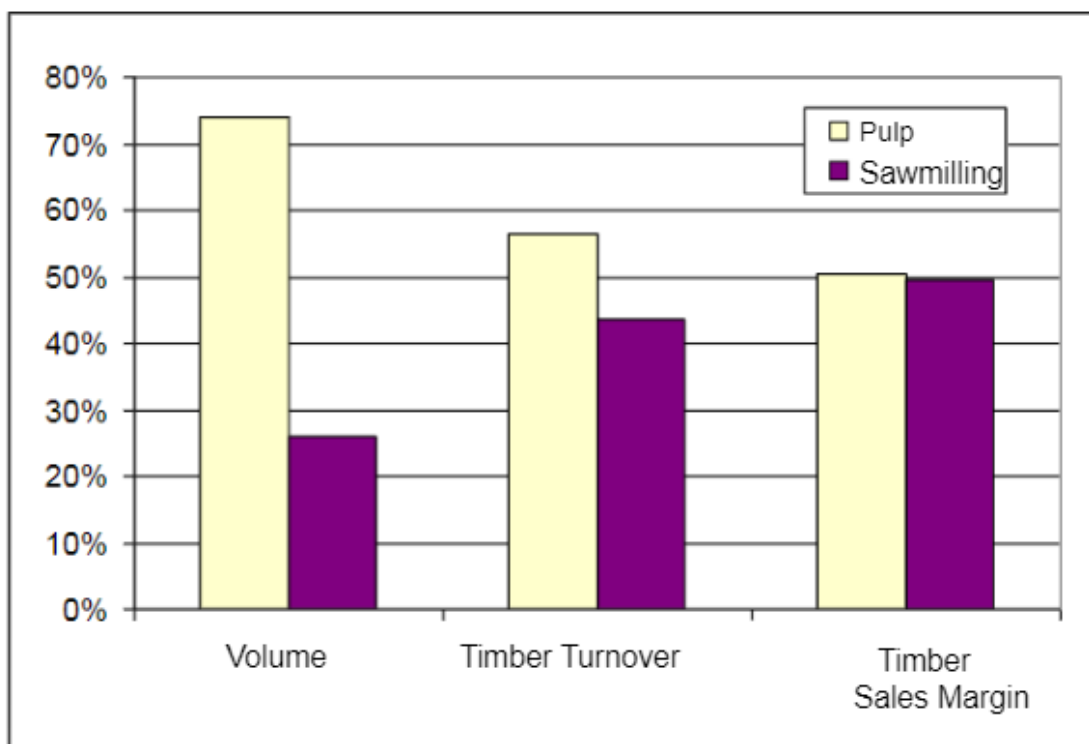
- 1.7 million m³ from E. grandis; 1.0 million m³ from E. dunnii.
- 2 million m³ for pulp and 0.7 million m³ for sawmilling.

Timber production to be commercialized:

	Grandis	Dunnii	Total Project	Per Ha project
Pulp	244	395	2,039,420	304
Sawmilling	179		719,506	107
Total	423	395	2,758,926	412

The project aims at having a balanced profile in the mix of product, i.e. wood for pulp production (shredded) or to be processed as solid wood. In terms of volume, ¾ of the project is destined for pulp production. However, when considering revenues, this figure drops to 56%, and in terms of contribution to the margin, it is half and half.

Participation of the different uses of Bosques del Uruguay timber



Project revenues are generated from the sale of timber, grazing revenues, and the sale of lands at the end of the project. The sale of timber accounts for 80% of the total project revenues. The estimated turnover during the life of the project shall amount to USD 363 million.

Activities involved in the sale of timber would be conducted at:

Tree Age	Activity	Pulp Volume (m ³ /hectare)	Sawn Volume (m ³ /hectare)
9	E. Grandis sale of thinning	60	
9	E. dunnii harvesting	197	
14	E. grandis thinning	28	13
18	E. grandis harvesting	156	166
18	E. dunnii harvesting	197	

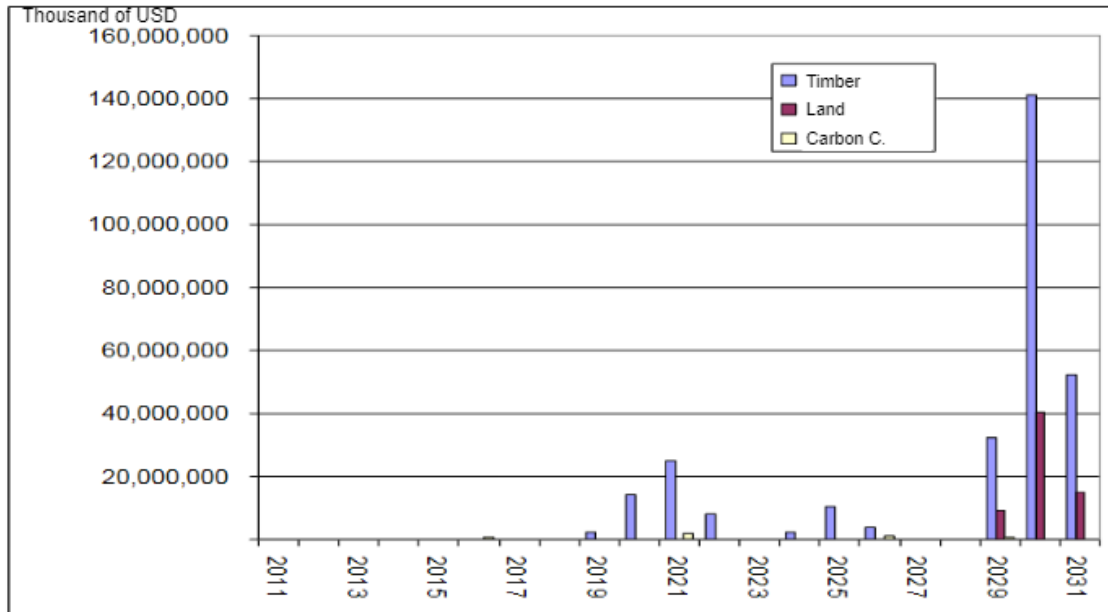
With regard to prices, a reference of USD 45 per m³ for dunnii and grandis pulp, and of USD 90 per m³ for grandis logs for sawmilling have been taken. These are average references placed at destination. In the case of sawlogs, it refers to those over 30 cm in diameter.

It is estimated that these values will have a cumulative annual increase of 1.5% above inflation. Over the last ten years there has been an upward trend of between 5% and 6% per year in both pulpwood and solid wood log prices.

As for grazing, the average income for leasing is USD 9 per hectare.

In accordance with the project, planting should be conducted in two years, consequently sales will take place in 6 years.

Bosques del Uruguay sales



The breakeven point for operating costs is reached at the end of the first felling of *E. dunnii* and second thinning of *E. grandis* (year 9 and 14).

Certified Emission Reductions

Forest plantations sequester CO₂ from the atmosphere, which contributes to reduce the greenhouse effect. It is for this reason that properly designed forestry projects could be eligible for the Clean Development Mechanism (CDM) provided by the Kyoto Protocol, and carbon credits could be commercialized on the regulated market.

There are also voluntary markets where private or public organizations from both developed and developing countries can purchase VERs or voluntary carbon credits. These emission reductions are verified by independent standards, most notably the VCS (Voluntary Carbon Standard) and the Gold Standard, both of which have widely well-known methodologies.

The forestry projects whose main purpose is timber production, as opposed to those intended for pulp production, have the advantage that carbon is accumulated for a longer period, since once the trees are cut, a large part of it remains in long-lasting products (furniture, houses, etc.).

The volume of carbon sequestered evolves with the timber stock in the forest, and in the case of “Bosques del Uruguay”, the following table shows an estimate of its evolution (only *Eucalyptus grandis* is considered):

Years	Hectares Planted	Tons of Carbon Sequestered Accumulated	Carbon Credits Tons
2010		-	
2011	1,200	-	
2012	1,500	9,391	
2013	1,320	48,341	
2014		106,430	
2015		187,830	
2016		285,807	142,903
2017		417,382	
2018		562,849	
2019		717,737	
2020		878,424	
2021		939,821	327,007
2022		967,304	
2023		999,150	
2024		1,133,366	
2025		1,267,551	
2026		1,334,022	197,100
2027		1,379,512	
2028		1,429,443	
2029		1,547,466	106,722
2030		1,131,682	
2031		547,536	

As a reference, prices of certified emission reductions from forestry projects reached higher prices than 5 Euros, so their contribution would significantly influence the cash flow of the project (the expected price considered is 3.5 Euros).

Furthermore, obtaining Carbon Credits is a social recognition of the positive impact that the project has on the sustainable regional development, providing social, economic and environmental improvements.

14. OPERATING COSTS

It should be noted that the operating costs of the Trust provided herein are estimates. They represent only an attempt to anticipate actual costs.

Therefore, actual costs will be subject to rectification as they are incurred.

(a) Forest Manager's Costs

The activities of the Forest Manager shall exclusively include:

- (a) Carry out the Business Plan, managing the Trust Assets for such purpose.

(b) Select and analyze those Properties to be purchased and carry out the negotiations for such acquisitions. Prior to any Trustee's purchases, the Manager shall send a copy of the reports on the lands to be acquired to the Surveillance Committee, at least 5 Business Days prior to any purchase.

(c) Manage, coordinate and control the activities with subcontracted companies. The Trust shall bear the costs of contracting them, in accordance with section 34.

(d) Manage the commercialization of timber produced by the plantations carried out on the Properties.

(e) Carry out other negotiations and activities for forest exploitation, including the negotiation for granting farms for grazing.

(f) Prepare and coordinate forest certification (e.g. under the FSC standard).

(g) Prepare monthly, quarterly, and annual reports as provided in the Business Plan.

(h) Carry out all the necessary tasks on the fields where the Properties are located.

(i) Negotiate the necessary agreements with suppliers.

(j) Carry out performance and quality controls to suppliers and third parties hired to conduct other activities.

(k) Demand compliance and comply with all regulations, laws, and obligations relevant to the sector and to the country.

(l) Monitor the Properties to develop techniques that ensure the sanitary condition of the Forests.

(m) Plan and conduct fire prevention and firefighting.

(n) Receive from Debtors any sums owed to the Trust. For this purpose, the Manager shall request the Trustee to initiate any necessary actions.

(o) Make payments to any Trust Creditor, using for such purpose the funds transferred to the Operating Account as provided herein. The Manager shall have access to the balances and movements of the Accounts, but shall only have the power to draw on the funds deposited in the Operating Account.

(p) Make all purchases and hire the personnel that may be necessary in order to carry out the Business Plan.

(q) Prepare the Trust's annual budget in accordance with the Business Plan (the "Budget"). The Budget shall be submitted to the Trustee and to the Holders upon 15 Business Days from the beginning of each Fiscal Year. The Budget shall include the estimated costs, expenses, and any other payments associated with the management of the Trust assets, during the budgeted period. In all cases, the Manager shall indicate the payments' connection and degree of compliance with the Business Plan, as well as any

other information that the Manager or the Trustee may deem relevant. The Budget shall indicate the amount to be deposited by the Trustee in the Operating Account that is deemed necessary to carry out the Business Plan during the period covered by the Budget.

(r) Prepare quarterly management reports in accordance with section 33 of the Trust Agreement, providing the development of the investment program, as well as any other information that may be relevant to the Beneficiaries. Likewise, the Manager shall promptly inform the Trustee of any events or acts that may occur related to the execution of the Business Plan, and which may have a significant impact on the investment made by the Holders.

(s) Prepare quarterly reports for the Surveillance Committee, informing about purchases of agrochemicals, including their prices, others similar options in the market, and the supplier.

(t) Calculate the Distributable Net Income at each Fiscal Year-End to report it to the Trustee to make the relevant payments.

(u) Propose the anticipated sale of part or all of the assets to the Meeting of Holders, in the cases where the Manager considers that there is an opportunity that may be beneficial to the Holders.

The aforementioned listed activities are included in the Manager's remuneration. All other costs shall be borne exclusively by the Trust.

As for the remuneration, the Manager shall receive a fixed annual payment of USD 511,000. This amount shall be multiplied by the following coefficients that take into account the intensity of activities during the forestry cycle:

YEAR	COEFFICIENT
1	1
2	1.5
3	1.5
4	1.5
5	1
6	1
7	0.5
8	0.5
9	1.5
10	1

YEAR	COEFFICIENT
11	1
12	0.5
13	0.5
14	1
15	1
16	0.5
17	0.5
18	1.5
19	1.5
20	1

This remuneration shall be adjusted on an annual basis by a parametric that includes: the interbank US dollar rate, diesel oil price, Average Wage Index (AWI) and the annual Consumer Price Index (CPI).

Parametric = 0.6* AWI variation + 0.17 * diesel price variation + 0.17* CPI variation + 0.06 * dollar variation.

Secondly, the Manager shall also receive a performance fee. Should the Internal Rate of Return (IRR) of the project exceed 6%, the Manager shall receive 15% of the additional return, which shall be calculated by the Trustee. In that case, the payment will be made in year 20 or earlier if the investors withdraw or liquidate their investment.

(b) Silviculture Costs

This item includes all the silvicultural activities detailed in the production chapter (ant control, thinning, pruning, pre-harvest inventories, etc.). They are carried out in E. Dunnii at age 1 and 9, while in E. Grandis from age 1 to 5 and at age 9 and 18. The costs of silvicultural activities have been estimated following the Forest Management Plan of “Bosques del Uruguay” and at market price.

(c) Maintenance Costs

Maintenance costs amount to USD 40.5 per hectare per year with the following breakdown:

Activity	Cost USD/ha/year
Fire Prevention and Firefighting	15
Insurance	15
Maintenance of fences/houses	5
Real Estate Tax	2

Inventories and FSC certification	3.5
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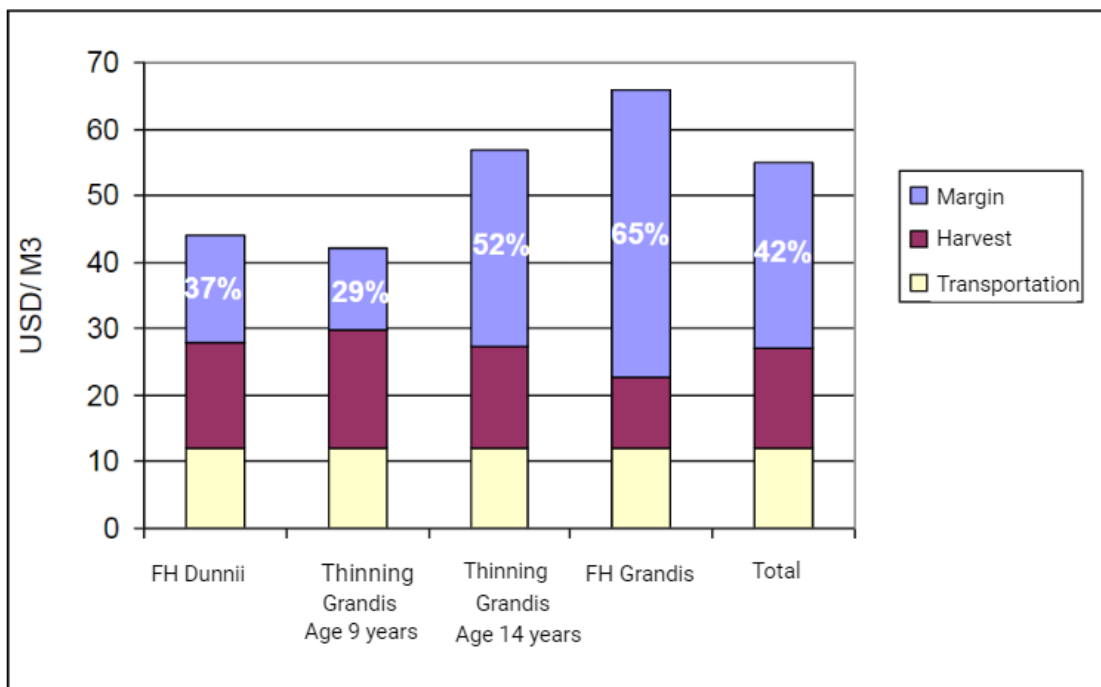
(d) Harvesting and Transportation Costs

Harvesting and roads costs have been considered separately from transportation costs. Both are very important in forestry. The values used in the model are as follows (USD/ m³):

	E. dunnii	E. grandis
Thinning and Final Harvest		
Thinning - age 9 years		18
Thinning - age 14 years		15.5
Final harvest	16	10.9
Transportation (270 km)	12.9	12.9

In other words, harvesting and transportation costs represent 63% of the final price in the case of the final harvest of E. dunnii and 35% in the case of E. grandis (in the latter case the weighted price is better since half of the production is destined for sawmilling).

Harvest and transportation costs according to sales price



VII. PRIOR AUTHORIZATIONS

The Trust “Fideicomiso Bosques del Uruguay” shall request three authorizations to carry out the Business Plan: from the Executive Branch, the General Forestry Directorate (DGF) of the Ministry of Livestock, Agriculture and Fisheries (MGAP) and from the National Environmental Agency (DINAMA).

1. THE EXECUTIVE BRANCH

Law 18,092 and its Regulatory Decree 225/007 and subsequent amendments provides that Trustees of financial Trusts, included in Law 17,703, whose capital mainly comprises securities issued by means of public offering procedures in the Stock Exchange, shall hold the rights of ownership of rural, agricultural and livestock properties, with prior authorization of the Executive Branch.

The procedure begins with the submission of the application to the Advisory Commission of the Executive Branch (Law No. 18,092), which shall advise the latter on such authorizations, as well as on the subsequent compliance with the requirements related thereto.

The authorization submitted to the Executive Branch shall indicate the specific rural properties related thereto, and shall be reapplied each time the tenancy area increases or any properties are substituted. Once the first authorization has been obtained, it follows a fictitious authorization regime if the Executive Branch does not issue an authorization within 30 days.

Once the public offering of the Securities has been made, the first request for authorization shall be submitted to the Executive Branch indicating the fields that at that time meet the requirements to be acquired.

In the event that such authorization is not obtained within one year after the relevant request has been submitted, and upon resolution of a Special Majority of Holders, the Trust shall be terminated as provided in Section 22 of the Agreement, and the remaining funds shall be given back to the Trustors.

2. MINISTRY OF LIVESTOCK, AGRICULTURE AND FISHERIES (MGAP) FORESTRY DEPARTMENT

In order to benefit from the special treatment given to the forestry sector, the project shall be submitted including the farms to be planted. The forestry plan is described, and its approval is granted as a forestry project, yield forest.

Succinct information shall be submitted regarding¹⁶:

- Company’s information:
 - Owner, department, judiciary and police section, area, aerial photos, notarial certificates.

¹⁶ To see the complete form: <http://www.mgap.gub.dy/Forestal/InstructivoAprobacionplan.doc>

- Forestation
 - Area to be forested (by register), effective planting area, information on soils where the forest will be established, geological material, drainage, soil profiles and analysis, purpose of planting, species chosen, origin of plants or seeds, afforestation plan.

- Management
 - Details of planting and subsequent cultural activities, final cutting, expected timber production, yields, products and thinning, plot plans, and soil map.

- Financial evaluation
 - This item shall be applicable only if applying for a credit from BROU. In this case, details of investments, analysis of income and expenses, annual budget and profitability shall be added.

- Fire Prevention Plan.
 - A plan that complies with Decrees 849/88, 188/02 and Resolution of the General Forestry Directorate dated July 4, 2002 shall be submitted.

It shall take approximately 3 months to obtain the authorization from the MGAP.

In the event that such authorization to plant is not obtained within three years as of the Issue, and provided that a Special Majority of Holders previously so resolves, the Trust shall be terminated in accordance with the provisions of Section 22 of this Agreement, and the remaining funds shall be given back to the Trustors.

3. NATIONAL ENVIRONMENTAL AGENCY (DINAMA)

Decree 349/005 of September 2005, provides that all new forestations of more than 100 hectares shall have the Prior Environmental Authorization (AAP) issued by the National Environmental Agency (DINAMA) of the Ministry of Housing, Land Management and Environment (MVOTMA).

Once the project has been approved by the DGF, the Project Communication shall be submitted to DINAMA, so the office shall issue the Preliminary Environmental Authorization. The projects evaluated by the DINAMA can be classified from A to C. Those classified as A are granted the AAP directly, those classified as B or C shall require a previous environmental study, which shall have a sectoral or overall scope, respectively.

This process shall take approximately 2 months.

In the event that such authorization to plant is not obtained within three years of the Issue, and provided that a Special Majority of Holders previously so resolves, the Trust shall be terminated

in accordance with the provisions of Section 22 of the Agreement, and the remaining funds shall be given back to the Trustees.

VIII. FINANCIAL AND ECONOMIC ANALYSIS

ALL PROJECTIONS AND ESTIMATED RETURNS ARE MADE FOR INDICATIVE PURPOSES ONLY, AND DO NOT IMPLY ANY RESPONSIBILITY FOR THE TRUSTEE, THE MANAGER OR ANY OTHER THIRD PARTIES TO COMPLY WITH SUCH PROJECTIONS AND ESTIMATES. THE INVESTOR SHALL MAKE ITS OWN ANALYSIS AND PROJECTIONS OF THE BUSINESS, RATES OF RETURN AND THE OVERALL PROJECT.

1. BACKGROUND AND PROJECTION ASSUMPTIONS

In order to calculate the profitability indicators of the project, an explicit projection period equal to the duration of the Trust, 20 years (2011-2031), was established.

As a discount rate for the cash flows, the Weighted Average Cost of Capital (WACC) rate was calculated using the Capital Asset Pricing Model (CAPM) methodology.

For this purpose, the following variables were used:

- Yield on 10-year U.S. treasury bonds
- Market risk premium (geometric average, period 1977-2009)
- Country risk (UBI as of July 2010)
- Paper/Forest Products Sector Beta (Aswath Damodaran - updated January 2010)

Since the investment is 100% financed with Participation Certificates, the estimated Weighted Average Cost of Capital rate coincides with the Cost of Equity rate, which is 7.55%.

Income and expense figures are provided in the following paragraphs.

The projected Financial Statements are presented in U.S. dollars. Model variables are presented at current values, adjusted for the expected dollar inflation.

2. REVENUE AND EXPENSES PROJECTIONS

Project revenues are generated from the following sources:

- Sales of timber
- Sales of land
- Sales of Carbon Credits
- Grazing

Forests growth is registered in accordance with International Accounting Standard No. 41- Agriculture.

Expected timber sales are generated from the following activities:

- Eucalyptus dunnii plantation:
 - o Destination: pulpwood.

- o 2,680 ha. planted
- o Two planting stages (at age 9 and 18 years).
- Eucalyptus grandis plantation:
 - o Destination: 49% pulpwood and 51% sawmilling.
 - o 4,020 ha. planted
 - o Two thinnings (at age 9 and 14 years)
 - o Harvest at age 18 years

A field yield of 67% of the total hectares acquired (10,000 ha) was estimated, of which 40% is planted with E. dunnii and 60% with grandis.

The following base prices have been taken (plant prices):

- Eucalyptus dunnii: for Pulp USD/ m³ 45
- Eucalyptus grandis
 - o For pulp: USD/ m³ 45
 - o For sawmilling: USD/ m³ 90
- Grazing: USD 9 per hectare

A real annual growth rate of 1.5% over the base price of timber was considered.

The price of land was fixed at USD 2,700 per hectare, with expenses amounting to USD 90 and a real annual growth rate of 3%.

Operating costs were projected as indicated in item 7 of this document, adjusted by the expected inflation in dollars.

An income tax was calculated equivalent to 25% of the net revenues generated from the sale of E. dunnii timber and the sale of the fields on the termination of the Trust. The wealth tax was calculated on the investment in fields, while the fields are not forested.

3. INVESTMENTS AND FINANCING

One hundred percent of the investment is made by Participation Certificates in year zero. The investment amounts to USD 50 million and includes the following items:

- Investment in land purchase (10,000 hectares)
- Forest implantation
- Investment in working capital
- Operating costs to be incurred up to year 9 (2019), including the relevant taxes and excluding grazing revenues. In 2020, the first revenues from timber sales (E. grandis and dunnii thinning) will be generated.

It is assumed that idle funds yield an interest rate equal to inflation.

4. PROJECTION OF THE FINANCIAL STATEMENTS OF THE TRUST

Based on the information provided above, the Income Statements, Balance Sheet and Cash Flow Statement of the Trust for the period 2011-2031 were projected.

Income Statement USD

	Projected																				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating income																					
Timber sales	-	-	-	-	-	-	-	-	-	10,780,314	20,433,718	10,084,680	-	-	11,842,487	5,280,280	-	-	-	165,704,231	73,893,374
Land sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,151,782	28,242,501
Carbon Credits revenues	-	-	-	-	-	712,353	-	-	-	-	1,865,225	-	-	-	-	1,270,020	-	-	729,475	-	-
Grazing revenues	-	-	-	82,443	108,085	100,205	112,417	115,723	110,127	122,831	128,237	120,050	133,772	137,707	141,757	145,028	150,218	154,636	159,184	163,866	50,608
Sales income	-	-	-	82,443	108,085	821,557	112,417	115,723	119,127	10,882,944	31,425,180	11,114,510	133,772	137,707	11,984,244	6,702,815	150,218	154,636	888,690	228,019,879	102,176,481
Forests growth	-	-	-	0	-	3,071,664	7,071,145	8,692,305	9,919,840	10,758,429	15,155,516	247,554	5,159,212	11,188,509	15,076,967	20,848,658	8,078,271	10,974,995	15,782,931	16,835,294	5,540,814
Cost of sales																					
Cost of forest sales	-	-	-	-	-	-	-	-	-	(3,685,142)	(11,323,118)	(4,371,678)	-	-	(6,451,348)	(2,901,824)	-	-	-	(104,128,288)	(48,716,633)
Cost of land sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,726,000)	(8,454,000)
Cost of sales	-	-	-	-	-	-	-	-	-	(3,685,142)	(11,323,118)	(4,371,678)	-	-	(6,451,348)	(2,901,824)	-	-	-	(123,854,288)	(55,170,633)
Operating costs																					
Harvest and freight	-	-	-	-	-	-	-	-	-	7,075,172	18,110,599	6,612,882	-	-	5,391,141	2,378,445	-	-	-	81,577,945	27,188,741
Restructuring costs	124,500	190,000	188,275	192,886	198,333	204,188	210,171	218,383	222,718	220,288	238,010	242,651	260,007	257,482	265,025	272,810	280,843	289,104	297,807	306,360	315,370
Wealth Tax	-	738,088	323,762	188,794	159,270	135,614	117,392	102,424	90,808	80,643	69,922	138,238	126,251	104,890	85,918	122,900	159,533	142,498	116,450	90,638	997,666
Carbon Credits costs	198,990	-	-	43,800	-	154,148	-	-	43,800	-	399,874	-	-	43,800	-	271,419	-	-	168,188	-	-
Manager fee	511,000	516,536	849,557	877,874	802,326	820,041	319,130	328,525	1,014,553	806,260	718,747	383,014	370,784	791,888	504,884	414,268	428,453	1,318,088	1,355,721	930,307	11,889,780
Total operating costs	(834,060)	(1,744,625)	(1,358,593)	(1,300,925)	(959,929)	(1,113,969)	(646,702)	(647,302)	(1,371,887)	(8,069,350)	(19,554,152)	(7,360,985)	(756,112)	(1,188,010)	(6,546,848)	(3,459,512)	(866,829)	(1,748,575)	(1,967,966)	(62,905,340)	(40,149,445)
Fixed assets amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating results	(834,060)	(1,744,625)	(1,358,593)	(1,218,482)	(853,844)	2,779,252	6,556,860	8,160,725	8,667,080	9,886,881	15,685,226	(570,598)	4,536,872	10,138,005	12,062,917	21,190,138	7,361,660	9,381,056	14,703,625	58,095,548	12,197,216
Financial Results	-	865,515	574,561	354,807	238,573	178,881	130,921	94,448	65,944	12,212	28,822	115,109	165,808	154,315	117,104	157,711	254,182	235,754	184,890	135,221	1,371,857
Pre-tax profits or losses	(834,060)	(879,110)	(784,032)	(863,674)	(617,271)	2,998,132	6,667,781	8,255,172	8,733,025	9,899,094	15,709,848	(253,490)	4,702,678	10,292,321	12,180,021	21,347,848	7,615,822	9,616,810	14,888,315	58,230,769	13,569,073
Income Tax	-	(2,140)	(18,025)	-	-	(38,710)	-	-	-	-	(1,607,287)	(602,750)	(26,828)	-	-	(226,264)	(38,056)	-	(30,374)	(10,180,320)	(2,007,672)
FISCAL YEAR RESULT	(834,060)	(881,250)	(800,057)	(863,674)	(617,271)	2,919,414	6,667,781	8,255,172	8,733,025	9,899,094	14,012,561	(948,240)	4,676,051	10,292,321	12,180,021	21,121,584	7,577,766	9,616,810	14,848,942	48,050,450	11,471,401

Balance Sheet

USD

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
											Projected											
ASSETS																						
CURRENT ASSETS																						
Cash and cash equivalents	1,729	2,699	2,997	2,676	2,769	2,936	2,919	3,008	3,099	101,461	264,814	96,220	3,474	3,676	78,998	36,820	3,901	4,016	4,133	889,604	-	
Short-term investments	26,617,499	14,661,318	10,334,267	8,043,470	6,081,943	4,461,311	3,211,231	2,242,112	415,222	906,160	3,913,691	6,637,396	6,248,723	3,961,543	6,362,167	6,641,521	6,016,661	6,279,488	4,997,516	46,643,139	(0)	
Sales receivables	-	-	-	6,870	6,843	9,100	9,368	9,644	9,527	906,512	2,463,200	526,209	11,148	11,476	996,897	482,183	-	-	-	13,266	16,001,697	-
Advance payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
DGI (General Revenue Office)	142,670	1,294,163	2,116,406	2,866,010	2,847,379	3,262,009	3,024,127	3,799,008	4,147,962	4,147,962	2,462,676	1,787,916	1,721,289	1,721,289	1,721,289	1,529,028	1,466,969	1,466,969	1,427,696	0	0	
TOTAL CURRENT ASSETS	28,661,898	18,948,106	12,462,233	10,618,026	9,040,914	7,928,139	6,928,245	6,928,245	4,976,204	6,061,474	9,082,910	8,416,741	6,992,632	9,727,683	8,170,602	10,633,932	9,499,020	7,762,340	6,042,910	60,304,320	-	
NON-CURRENT ASSETS																						
Land	32,644,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	28,180,000	8,464,000	-
Forests	13,000	4,242,462	6,938,610	7,611,526	8,648,286	12,966,448	20,826,648	29,667,416	38,924,761	47,828,388	62,371,838	48,823,196	54,379,740	66,964,933	73,026,268	81,379,083	88,686,812	111,324,221	127,897,828	41,227,784	-	
Fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL NON-CURRENT ASSETS	32,657,000	32,422,462	35,118,610	35,791,526	37,029,286	41,146,448	48,926,548	57,837,416	68,104,761	75,928,388	80,551,838	77,023,196	82,933,740	94,144,933	101,135,336	119,539,093	128,076,812	139,504,221	156,077,829	162,110,439	136,196,064	-
TOTAL ASSETS	61,318,898	51,370,568	47,579,863	46,709,554	46,070,209	48,993,585	55,654,791	63,891,261	72,881,966	81,889,862	89,634,347	85,419,936	89,546,374	99,872,616	109,595,979	130,194,605	137,575,852	147,267,561	162,110,439	136,196,064	-	
LIABILITIES																						
CURRENT LIABILITIES																						
Trade and other payables	62,969	63,673	66,236	66,196	66,722	66,664	44,109	46,406	103,107	666,728	1,508,613	602,062	62,468	66,610	639,419	266,461	68,941	123,841	137,777	6,234,668	-	
DGI (General Revenue Office)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Current financial debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL CURRENT LIABILITIES	62,969	63,673	66,236	66,196	66,722	66,664	44,109	46,406	103,107	666,728	1,508,613	602,062	62,468	66,610	639,419	266,461	68,941	123,841	137,777	6,234,668	-	
NON-CURRENT LIABILITIES																						
Non-current financial debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL NON-CURRENT LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL LIABILITIES	62,969	63,673	66,236	66,196	66,722	66,664	44,109	46,406	103,107	666,728	1,508,613	602,062	62,468	66,610	639,419	266,461	68,941	123,841	137,777	6,234,668	-	
EQUITY																						
Paid-in capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000	48,726,163	41,666,201	39,276,649	39,276,649	39,276,649	36,126,882	36,126,882	36,126,882	36,126,882	36,126,882	62,664,726	(166,377,632)	
Retained earnings	-	(934,062)	(1,716,210)	(2,616,267)	(3,376,241)	(3,996,613)	(1,077,099)	6,690,692	12,946,664	22,679,979	32,477,973	46,490,634	46,642,266	60,219,226	60,610,667	72,690,678	93,612,262	101,390,028	111,006,826	126,669,790	173,906,220	
Result for the Period	(634,062)	(831,262)	(800,087)	(863,874)	(617,271)	2,819,414	6,667,781	8,266,172	8,733,026	9,664,984	14,012,681	(648,249)	4,676,061	10,262,921	12,180,021	21,121,684	7,877,766	8,616,810	14,848,940	48,060,460	11,471,401	
TOTAL EQUITY	49,216,940	48,284,690	47,484,683	46,620,759	46,008,487	48,922,901	55,949,682	63,845,184	72,578,679	81,295,156	88,045,734	84,817,834	89,498,385	99,798,206	108,817,540	128,999,144	137,516,910	147,334,720	161,962,662	130,951,506	-	
TOTAL LIABILITIES AND EQUITY	61,318,898	51,370,568	47,579,863	46,709,554	46,070,209	48,993,585	55,654,791	63,891,261	72,881,966	81,889,862	89,634,347	85,419,936	89,546,374	99,872,616	109,595,979	130,194,605	137,575,852	147,267,561	162,110,439	136,196,064	-	

Cash Flow Statement

USD

	Projected																				
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Operating Activities																					
Net income	(834,060)	(881,260)	(800,057)	(863,874)	(817,271)	2,919,414	8,667,781	8,255,172	8,733,025	9,899,094	14,012,561	(848,249)	4,678,051	10,292,321	12,180,021	21,121,884	7,577,766	9,616,910	14,848,942	48,060,460	11,471,401
+ Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Forest growth	-	-	-	(0)	-	(3,071,604)	(7,071,145)	(8,692,303)	(9,919,840)	(10,768,429)	(15,135,316)	(247,854)	(5,159,212)	(11,189,309)	(13,076,967)	(20,848,859)	(8,078,271)	(10,974,995)	(15,782,931)	(18,833,294)	(3,340,814)
+ Cost of forest sales	-	-	-	-	-	-	-	-	-	3,685,142	11,323,118	4,371,678	-	-	6,451,348	2,901,824	-	-	-	104,126,285	48,716,633
+ Cost of land sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,726,000	8,454,000
Variation in minum cash flow	(1,729)	(910)	52	(89)	(79)	(81)	(83)	(80)	(80)	(80,357)	(183,363)	189,894	91,748	(102)	(74,952)	41,735	32,923	(115)	(118)	(888,371)	889,804
Variation in trade receivables	-	-	-	(8,970)	(1,970)	(260)	(268)	(276)	(284)	(866,985)	(1,586,418)	1,537,120	915,061	(328)	(987,211)	548,904	439,885	(388)	(379)	(18,988,391)	19,001,657
Variation in advance payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Variation DGI (General Revenue Office)	(142,670)	(1,161,480)	(821,266)	(449,605)	(382,366)	(415,514)	(241,837)	(194,368)	(348,877)	0	1,697,287	692,769	26,626	0	(0)	226,264	38,056	(0)	39,374	1,427,696	(0)
Variation in other current debts	82,958	30,920	2,388	2,959	(22,474)	1,982	(24,878)	1,297	87,700	863,619	921,887	(886,861)	(549,874)	34,122	451,809	(282,958)	(196,520)	74,899	3,936	5,096,761	(5,234,656)
FCF Operating Activities	(925,501)	(2,002,719)	(1,638,903)	(1,317,479)	(1,024,160)	(966,142)	(670,128)	(630,552)	(1,478,364)	2,934,083	11,109,757	4,576,797	700	(862,296)	4,944,015	3,706,295	(186,381)	(1,283,768)	(891,176)	141,790,056	75,927,823
Investing Activities																					
Forest implantation	(13,000)	(4,227,462)	(2,698,148)	(973,316)	(937,367)	(1,064,491)	(869,951)	(338,967)	(348,525)	(629,319)	(931,253)	(676,441)	(391,373)	(402,884)	(414,733)	(426,931)	(438,488)	(452,414)	(790,777)	(822,826)	(148,056)
Investment in land and other assets	(22,844,000)	(5,636,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF Investing Activities	(22,857,000)	(9,863,462)	(2,698,148)	(973,316)	(937,367)	(1,064,491)	(869,951)	(338,967)	(348,525)	(629,319)	(931,253)	(575,441)	(391,373)	(402,884)	(414,733)	(426,931)	(438,488)	(452,414)	(790,777)	(822,826)	(148,056)
Financing Activities																					
Capital Contributions (Withdrawals)	50,000,000	-	-	-	-	-	-	-	-	(1,274,837)	(7,169,963)	(2,279,652)	-	-	(3,148,667)	-	-	-	-	(99,081,606)	(122,422,907)
Dividends Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Variation in financial debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF Financing Activities	50,000,000	-	-	-	-	-	-	-	-	(1,274,837)	(7,169,963)	(2,279,652)	-	-	(3,148,667)	-	-	-	-	(99,081,606)	(122,422,907)
Cash Flow for the Period	26,517,499	(11,866,181)	(4,317,051)	(2,290,797)	(1,961,527)	(1,630,633)	(1,240,079)	(969,120)	(1,826,890)	489,928	3,008,541	1,725,705	(390,675)	(1,265,180)	1,380,615	3,279,363	(625,870)	(1,736,182)	(1,681,955)	42,085,624	(46,643,139)
Opening Balance Short-term Investments	-	26,517,499	14,651,318	10,334,267	8,043,470	6,081,943	4,451,311	3,211,251	2,242,112	416,222	905,190	3,913,691	5,637,396	5,246,723	3,951,543	6,382,157	8,641,621	8,015,651	6,279,469	4,597,515	46,643,139
Final Balance Short-term Investments	26,517,499	14,651,318	10,334,267	8,043,470	6,081,943	4,451,311	3,211,251	2,242,112	415,222	905,190	3,913,691	5,637,396	5,246,723	3,981,543	5,362,157	8,641,521	8,015,651	6,279,469	4,597,515	46,643,139	-

5. SOURCES AND APPLICATION OF FUNDS PROJECTION

The cash flow of the project shows the following figures:

Cash Flow of Funds for Evaluation

USD

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Projected											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Cash flow from operating activities																						
Net profit before taxes	(834,060)	(879,110)	(784,032)	(863,874)	(817,271)	2,955,132	5,887,781	8,255,172	8,733,025	9,899,094	15,709,848	(255,490)	4,702,678	10,292,321	12,180,021	21,347,848	7,615,822	9,616,810	14,888,318	58,230,759	13,969,073	
Adjustments																						
Forests growth	-	-	-	(8)	-	(3,071,664)	(7,071,145)	(8,892,303)	(9,919,840)	(10,758,428)	(15,138,318)	(247,554)	(5,158,212)	(11,188,300)	(13,078,967)	(20,848,658)	(8,078,271)	(10,974,995)	(15,782,931)	(18,833,294)	(5,340,814)	
Cost of forest sales	-	-	-	-	-	-	-	-	-	3,685,142	11,323,118	4,371,676	-	-	8,451,346	2,901,824	-	-	-	-	104,126,285	46,716,633
Cost of land sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,726,000	8,454,000
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interests	-	(865,515)	(574,561)	(354,607)	(236,573)	(178,881)	(130,521)	(84,448)	(55,944)	(12,212)	(28,622)	(115,109)	(165,806)	(154,315)	(117,104)	(157,711)	(254,162)	(235,754)	(154,650)	(135,221)	(1,371,857)	
	(834,060)	(1,744,625)	(1,358,593)	(1,218,482)	(853,844)	(292,412)	(594,285)	(531,578)	(1,252,750)	2,813,594	11,871,028	3,759,525	(622,840)	(1,050,903)	5,437,296	3,243,303	(736,611)	(1,593,939)	(1,079,306)	165,114,539	62,027,036	
Taxes																						
Income Tax	-	2,140	16,025	-	-	38,719	-	-	-	-	1,697,287	692,759	26,626	-	-	228,264	38,066	-	36,374	10,190,320	2,097,672	
VAT	142,670	1,151,450	821,256	449,605	382,366	415,514	241,837	104,358	348,877	1,898,606	4,398,514	1,716,041	224,671	317,285	1,512,666	788,342	252,293	452,871	537,703	13,866,256	6,078,637	
Certificates used	-	-	-	-	-	-	-	-	-	(1,898,606)	(6,096,101)	(2,408,901)	(261,256)	(317,285)	(1,512,666)	(994,606)	(290,345)	(452,871)	(577,077)	(15,383,852)	(6,078,637)	
	142,670	1,153,612	837,281	449,605	382,366	454,232	241,837	194,358	348,877	-	-	-	-	-	-	-	-	-	-	8,752,724	2,097,672	
Investments																						
Land and Fixed Assets	22,544,000	5,638,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Forest implantation	-	3,765,410	1,876,367	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Production costs	13,000	459,062	1,019,780	973,315	937,367	1,084,491	889,951	338,887	348,525	629,319	931,253	575,441	391,373	402,894	414,733	426,501	439,400	452,414	790,777	622,526	145,056	
Working capital	(51,229)	(30,010)	(2,410)	4,000	24,552	(1,621)	24,628	(836)	(57,328)	431,723	787,894	(710,164)	(457,234)	(33,992)	610,384	(303,281)	(276,068)	(74,417)	(3,439)	14,746,861	(14,628,602)	
	22,505,771	9,892,452	2,695,728	977,315	961,990	1,062,969	934,977	337,631	291,197	1,061,042	1,719,145	(184,723)	(62,861)	369,192	1,025,118	121,621	163,421	377,998	787,338	15,969,806	(14,478,547)	
Residual value																						
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Financial Results																						
Interests	-	865,515	574,561	354,607	236,573	178,881	130,521	84,448	55,944	12,212	28,622	115,109	165,806	154,315	117,104	157,711	254,162	235,754	154,650	135,221	1,371,857	
	-	865,515	574,561	354,607	236,573	178,881	130,521	84,448	55,944	12,212	28,622	115,109	165,806	154,315	117,104	157,711	254,162	235,754	154,650	135,221	1,371,857	
Cash flow for evaluation	(25,482,501)	(11,895,181)	(4,317,051)	(2,290,797)	(1,961,527)	(1,630,633)	(1,248,079)	(959,129)	(1,826,890)	1,764,765	10,178,584	4,055,356	(390,673)	(1,265,180)	4,529,282	3,279,365	(625,870)	(1,736,182)	(1,681,935)	141,127,238	75,779,798	

6. INVESTMENT PROFITABILITY VALUATION (IRR and NPV)

ESTIMATES OF EXPECTED RETURNS ARE MADE FOR INDICATIVE PURPOSES ONLY ON THE BASIS OF ESTIMATED PROJECTIONS, AND NEITHER THE TRUSTEE NOR THE MANAGER SHALL ASSUME ANY RESPONSIBILITY OR PROVIDE ANY GUARANTEE FOR THE COMPLIANCE WITH SUCH ESTIMATES OR PROJECTIONS. THE INVESTOR SHALL CARRY OUT ITS OWN RISK ANALYSIS, ESTIMATES AND PROJECTIONS OF THE PROJECT.

According to the projections made, the project may offer an estimated IRR for the investor of 8.58%, with a 90% probability of being between 6.49% and 9.55%.

As a result of the estimates made, the project has an Internal Rate of Return (IRR) in dollars of 9.85% and a Net Present Value of USD 18 million, considering an effective annual discount rate of 7.55% in dollars.

The cash flow for evaluation form an investment approach is presented below:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Projected										
											2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
FCF Investment approach	(834,080)	(879,110)	(784,032)	(883,974)	(817,271)	(113,531)	(403,384)	(437,130)	(1,186,815)	2,825,808	11,897,650	3,888,634	(456,534)	(895,988)	5,554,400	3,401,014	(482,448)	(1,358,185)	(894,618)	165,249,760	63,390,893
IRAE	-	(2,140)	(16,826)	-	-	(38,719)	-	-	-	-	(1,697,287)	(892,759)	(26,826)	-	-	(228,284)	(38,098)	-	(39,374)	(10,180,320)	(2,067,672)
Investments	(22,505,771)	(9,833,452)	(2,665,738)	(977,318)	(961,860)	(1,062,869)	(594,877)	(337,631)	(291,197)	(1,061,042)	(1,719,148)	134,723	65,961	(369,192)	(1,025,118)	(121,651)	(163,421)	(377,998)	(787,338)	(15,369,806)	14,478,547
Residual value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF for evaluation	(23,339,831)	(10,714,702)	(3,485,795)	(1,841,192)	(1,579,161)	(1,215,119)	(998,242)	(774,762)	(1,478,013)	1,764,765	8,481,217	3,310,597	(417,299)	(1,265,180)	4,529,282	3,053,099	(663,923)	(1,736,182)	(1,721,327)	139,699,634	75,779,768

According to these projections, it is estimated that the investor would obtain an IRR in dollars of 8.58%, as shown in the following table:

Cash Flow

Thousand of USD	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Initial contribution	(50,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Withdrawals	-	-	-	-	-	-	-	-	-	1,275	7,170	2,280	-	-	3,149	-	-	-	-	99,082	122,423
Cash Flow	(50,000)	-	-	-	-	-	-	-	-	1,275	7,170	2,280	-	-	3,149	-	-	-	-	99,082	122,423

As previously mentioned, the investors' contributions arise from analyzing the investment and operating costs to be incurred until timber sales revenues are generated for the first time. Thereafter, the investors withdraw the net proceeds resulting from the sale of timber, after deducting the investments and expenses to be incurred until the next cutting. On the termination of the Trust, 100% of the forests are felled and the acquired fields are sold. The Manager's performance fee, if applicable, is deducted from the revenues generated on that time.

7. RISK ANALYSIS

a) Identification of risk variables

These are the sensitive variables defined for the model:

Main variables of the model

Categories	Variable	Unit	Expected scenario	Low	High
<u>Growth</u>	MAI E. grandis	m ³ /ha	24	20	28
	MAI E. dunnii	m ³ /ha	22	18	26
	Plantation of E. grandis	% Forested Area	60	50	70
<u>Farms</u>	Utilization	%	67	60	70
	Land Purchase Value	USD/ha	2700	2200	3200
	Annual increase in land value	%	3	0	6
<u>Commercial</u>	Sawn Wood Price	USD/m ³	90	70	120
	Pulpwood Price	USD/m ³	45	27	55
	% Mean Annual Increment	%	1,5	0	3
	Average distance to pulp destination	km	270	250	300
	Average distance to sawmill destination	km	270	200	300
	Harvesting Cost Dunnii	USD/m ³	15	10	18
	Harvesting Cost Grandis	USD/m ³	10.2	10.2	24
	Cost of Grandis Thinning T9	USD/m ³	15	15	21
	Cost of Grandis Thinning	USD/m ³	13.5	11	13.5

Categories	Variable	Unit	Expected scenario	Low	High
	T 14				
	Freight Cost	USD /km Truck	2	1.6	2.8

b) Sensitivity analysis to main indicators

This analysis was carried out by building a simulation model using the @Risk, risk management simulation tool, which made it possible to explicitly introduce the uncertainty in the key variables. In fact, the sensitivity analysis was carried out based on estimates, modifying the variables according to historical information.

In particular, instead of using specific values in different scenarios, a triangular probability distribution was assigned to each of the selected variables, according to the variations presented in the table. To perform the sensitivity analysis of forest growth, a discrete distribution was used, based on three growth curve models defined for each species.

As a result, the expected Net Present Value and the Internal Rate of Return, as well as the probability that the NPV is within a certain range of values were obtained with this methodology.

The result of the Monte Carlo simulation analysis shows that the IRR of the project has a 90% probability of being between 7.39% and 11.00% in dollars per year and that the NPV, calculated at a discount rate of 7.55%, has a 90% probability of being between USD -1.1 million and USD 29.4 million.

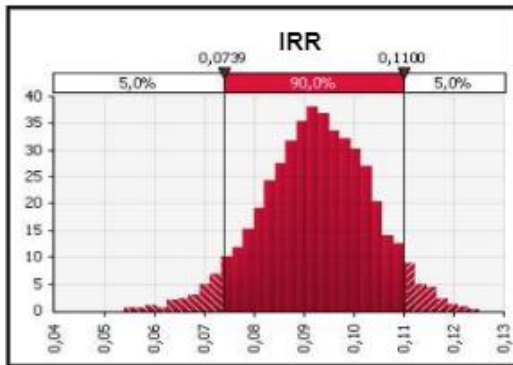
Additionally, the IRR of the investor has a 90% probability of being between 6.49% and 9.55%.

The maximum, minimum and average values are shown in the following table:

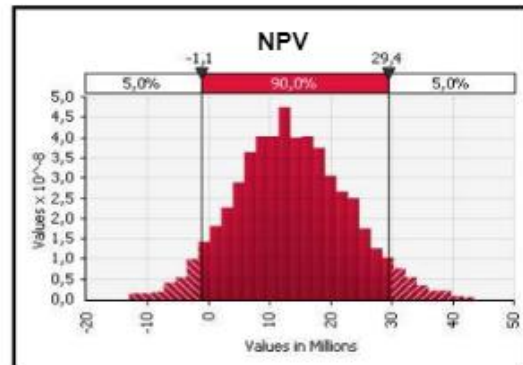
	Minimum	Average	Maximum
Project IRR	4.75%	9.25%	12.52%
NPV (millions USD)	-18.6	13.5	49.1
Invertor IRR	4.50%	8.07%	11.16%

The figures below show the distributions of the project indicators:

Project IRR



NPV



Investor IRR



IX. EVALUATION OF THE MAIN RISKS OF THE OPERATION

The investment in the Securities is subject to a series of risks related to the Securities' nature and characteristics. The description of the risks outlined herein is illustrative and not exhaustive. Potential purchasers of the Securities shall carefully read this Prospectus and analyze the risks associated with the investment in the Securities, and as the case may be, at their own expense and risk. Potential purchasers shall request advice from qualified advisors and consultants in the relevant matters.

1. CRITICAL FACTORS

Critical factors to meet the project's purposes:

- 1) Acquire properties in the best location and with appropriate resources (soil, infrastructure, etc.). This requires knowledge of the forestry industry and business.
- 2) To carry out quality plantation and silviculture activities to enhance biological growth and therefore, the forest asset.
- 3) Comply with all the sector and country's requirements and regulations.
- 4) Responsible and excellent technical and commercial management.
- 5) Forestry projects have a long-term nature, requiring cash flow in the first few years. Financial resources are necessary to carry out the investment.

2. ENVIRONMENTAL RISKS AND RISKS ASSOCIATED WITH FORESTATION

Risk factor	Risk description	Likelihood of occurrence ¹⁷	Risk mitigation
Weather: excess or lack of rainfall, winds and tornadoes	<p>Extreme adverse weather conditions can affect plantations.</p> <p>The greatest impacts occur at the beginning of the cycle.</p> <p>This is an external variable, out of the Management control.</p>	<p>1</p> <p>(Extreme weather conditions have a low likelihood of occurrence)</p>	<p>a) Use of weather insurance at critical times.</p> <p>b) Geographical diversification in different areas.</p> <p>c) Avoid critical activities in periods with adverse weather forecasts.</p>

¹⁷ 1= Very low; 6=Very high

Fires	Wildfires. This is a latent threat. Its impact may vary depending on its magnitude.	3	a) Insurance b) Forest management and cleaning c) Control, monitoring and prevention.
Insects, pests, diseases and soil nutrition	Some insects, pests and diseases can damage the plantations, especially at the beginning. Its impact may vary depending on the scale and response to each case.	2 to 3	a) Monitoring the weed and insect control plan. b) Apply control, monitoring and prevention protocols. c) Diversification in species (grandis and dunnii) with different cycles and different environments.
Technology	Problems with the technologies available (e.g., genetics) that do not work as expected	1 to 2	Use genetic materials tested in Uruguay, with the maximum guarantees of performance. Minimum diversification of species.

3. MARKET AND ECONOMIC RISKS

Risk factor	Risk description	Likelihood of occurrence¹⁸	Risk mitigation
Domestic product demand	Domestic demand in the region of influence of the project does not develop	2	Export of all products or delay in harvesting.

¹⁸ 1= Very low; 6=Very high

Foreign Demand	Significant changes in the behavior of international demand for the project's products	1 Demand is a consistent long-term trend, affected by demographic variables	Wait for improvements in the prices to harvest. Look for alternative markets
Increase in supply of competitive or substitute products	The supply of competitive products increases both in Uruguay or in the rest world	2	Lower costs and increase sales efforts
Logical insufficiencies of the sector	The necessary investments to maintain and improve the logistics infrastructure for cargo and transport are not made in Uruguay, leading to an increase in costs	2 The project's starting point is based on the assumption of expensive transportation.	Postpone the sale of lower value products or look for in situ processing projects (e.g., convert to energy).
Macroeconomic	Unfavorable trend in the exchange rate or interest rates (would have an impact on labor and transportation costs).	2-3	Commercial schemes where purchase and sale transactions are prepared in the same currency.
Changes in government legislation or tax system (in Uruguay)	Significant changes in laws and regulations affecting the project's assets or their sale ("Country Risk").	1-2	Adapt to new conditions in the event of any changes in Uruguay.
Difficulties to access the land resource	Fail to ensure the supply of land or the usufruct of such land, which may have an impact on a smaller area or greater investment.	1-2	Less forested area. If it was due to structural reasons, there would be less supply of timber, and therefore, prices would rise, which would mitigate

			the impact on the project's IRR.
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X. TRUSTEE INFORMATION

EF ASSET MANAGEMENT Administradora de Fondos de Inversion S.A. hereby acts as Trustee of the Securities issued by the financial Trust “Fideicomiso Financiero Forestal Bosques del Uruguay”.

1. GENERAL INFORMATION

EF ASSET MANAGEMENT is authorized by the Central Bank of Uruguay to carry out activities as Trustee of financial Trusts in Uruguay as of July 2004.

Address: 1248 Luis Alberto de Herrera Avenue
World Trade Center, Tower B, 12th Floor
Montevideo, Uruguay
Telephone: 2623 0000
Fax: 2628 2100
E-mail: efam@ferrere.com

2. BOARD OF DIRECTORS:

The Board of Directors shall be comprised as follows:

Chairman	Mr. Diego Rodríguez Castagno, Attorney at Law
Chief Officer	Ms. Sandra González Vila, Attorney at Law
Auditor	Mr. Bruno Gili, Certified Public Accountant

Its Chairman, Mr. Diego Rodriguez, shall be in charge of the Executive Management. The management of its operations is carried out by the firm CPA/Ferrere. Mr. Nelson Mendiburu shall be the partner responsible for rendering the services of such firm.

3. EXTERNAL AUDITORS

The Trustee’s external auditor is Deloitte S.C.

4. FINANCIAL STATEMENTS

The latest audited financial statements of the Trustee, as well as the one corresponding to the closing quarter available, are included as **Annex 6**.

XI. MANAGER INFORMATION

1. AGROEMPRESA FORESTAL S.A.

(a) Introduction

Agroempresa Forestal S.A. (hereinafter “AF”) is the forestry operator appointed to manage the financial Trust “Fideicomiso Financiero Forestal Bosques del Uruguay”.

AF’s structure and processes have been forged based on more than 10 years of working experience in Uruguay and enriched by a management and technical team with experience, reputation and extensive knowledge of the forestry sector, its regulations and essentially of the agribusiness sector.

AF’s address is Brasil Avenue, Rivera, Uruguay, its telephone and fax number is (06) 236-482, and its e-mail address is info@af.com.uy.

(b) Board of Directors

The Board of Directors of AF is chaired by Francisco Bonino, Agricultural Engineer, and the General Manager is Dan Guapura, Industrial Mechanical Engineer.

Francisco Bonino: is founder and president of AF in Uruguay since 2000. He is in charge of the strategic planning and decision making, as well as coordinating and monitoring the General Manager’s activities and new business development. He is also president of Agroempresa Forestal in Chile since 2007 and in Brazil since 2010. Additionally, he is manager of Ernal S.A, a company in charge of agricultural production in Uruguay, with operations in agriculture and livestock. Previously, Francisco served as Operations Manager of Agroempresa in Argentina between 1998-2000. Between 1997 and 1998 he was in charge of Product Development for Monsanto in the north of Argentina, Bolivia and Paraguay. He holds a bachelor’s degree in Agricultural Engineering from the School of Agronomy (UDELAR) and an MBA from the New York Institute of Technology (INYIT).

Santiago Piñeyrúa: started working in Agroempresa Forestal in 2000. He is in charge of the company's operations. In 2009, he became General Manager, responsible for all the company's business units. Previously, he was in charge of silvicultural activities in other forestry companies. He is an Agricultural Engineer, graduated from the School of Agronomy (UDELAR), and holds a degree in Program for Management Development from ESADE Business School.

2. BRIEF HISTORY OF AGROEMPRESA FORESTAL

In August 2004, Agro Empresa Forestal S.A. began developing its forestry operations in the Uruguayan market, having previously expanded to other countries of the region, such as Chile and Brazil.

In our country, AF provides forestry services in more than 80,000 hectares per year for different clients, with revenues averaging USD 7.2 million in the last four fiscal years. Additionally, the company is currently managing assets valued at more than USD 100 million.

AF's mission is to manage with independence, transparency and excellence the assets on behalf of the investors, who trust this management, adding value through the creation of efficient investment vehicles.

Its vision is to become a leading company in the forest services market, recognized for its high standard of quality, safety and respect for the environment.

AF has a professional, specialized and totally independent team (8 agricultural engineers, 19 forestry technicians and field supervisors, and 8 administrative officers), as well as 40 associated service companies that together employ 600 people, making AF one of the leading companies in the national market in providing forestry services.

Other AF achievements include:

- ISO 9000 standard since 2004.
- Forest Stewardship Council (FSC) standard. AF has prepared and obtained the FSC certification of more than 15,000 hectares in Uruguay.
- 9th in the *Great Place to Work* 2006 ranking.
- Co-founders of the Corporate Social Responsibility Index of Uruguay.

i. Clients and Hectares operated

AF has provided services for: Cambium-Fondo Global Forest Partners, Weyerhaeuser, UPM-Forestal Oriental, Montes del Plata, RMK Fund, Fondo Forestal Atlántico Sur (Wachovia-Forestal Sur), GMO Renewable Resources Fund (Boston), Fondo Rio Biabo (Wachovia-Octavio Larrain), Bosques del Uruguay, Uruguayan Forest Company.

In Uruguay, AF has provided forestry services (pruning, thinning, applications) to more than 300,000 hectares of forest land in the last four years.

Operator Data, Agro Empresa Forestal in Uruguay 2006-2009

	2006	2007	2008	2009	Average	Total 2006-2009
Total hectares operated	63.500	73.425	76.960	89.260	75.786	303.145
Hectares herbicide application	19.387	25.960	51.000	63.300	39.912	159.647
Product Sales (Thousands of USD)	1.044	2.449	3.889	2.686	2.517	10.068
Payments to Contractors (Thousands of USD)	3.332	4.023	2.133	1.508	2.749	10.996
Total Turnover (Thousands of USD)	6.411	9.101	8.001	5.474	7.247	28.986

AF has four business units: (a) Weed Control; (b) Agrochemical Sales; (c) Forestry Management; (d) Consulting.

Weed Control	Agrochemical Sales	Forestry Management	Consulting
<ul style="list-style-type: none"> • Control Guarantee • Tasks • Monitoring • Turnkey Service 	<ul style="list-style-type: none"> • DOW Products • Technical knowledge in applications • Strict execution under environmental and labor standards • Contractor management and training 	<ul style="list-style-type: none"> • Management and supervision of all tasks related to forest management • Budgets and reports • Forest certification and occupational safety prevention 	<ul style="list-style-type: none"> • Forestry projects • Forest operations • Management audits • Business consulting

(a) Weed control and agrochemical sales

AF is a leader in the provision of weed control services and in the sale of herbicides in the forestry sector, with a very high market share. The company operates in the three segments of the forestry sector: companies, managers and medium-sized producers or groups (individual producers and companies).

(b) Forestry Management

AF currently operates approximately 20,000 hectares in Uruguay. The activities included in the management and which AF is responsible for are as follows:

- Acquisition (screen, source and due diligence) of land and forestry assets;
- Management and supervision of all work related to forest management;
- Soil preparation and Planting;
- Pruning;
- Thinning to waste and sanitary;
- Commercial thinning and harvesting;
- Inventories;
- Roads;
- Infrastructure maintenance;

- Pastures;
- Commercialization of all forest products and by-products,
- Implementation and control of the budget agreed with the client;
- Forest certification and occupational safety prevention;
- Relationships with the external environment (government agencies, purchasers, suppliers, community, etc.).

(c) Consulting Background

- StoraEnso Uruguay: development of forestry projects, work instructions for its operations and design of weed control programs.
- Uruwood (UPM plus minority shareholders): responsible for auditing the project manager and all company operations on a monthly basis.
- Global Forest Partners: development of forestry projects and advice on weed control.

ii. Suppliers and Contractors

Agroempresa Forestal has two alliances in the supply of herbicides. In 2001, the company entered into a strategic alliance with Dow Agro Sciences for herbicides, becoming the main distributor of the Dow brand in the forestry sector. In 2005, AF entered into another agreement with Agritec for the supply of specific products.

AF is linked through its parent company, AF Global SRL, to Novillada S.A., a company created to trade agrochemicals for the forestry sector, including insecticides, fungicides, herbicides and fertilizers.

AF has been operating with contractors for a long time. It is linked to some 40 companies, many of them have been with AF since its beginnings. All these companies represent a total of about 600 people.

Besides, AF has worked with banks from the very beginning. To date, it operates with different banking institutions, such as BROU, BBVA, HSBC and Banco Santander.

iii. Agro Empresa Forestal in Chile and Brazil

AF began its operations in Chile in 2007, employing around 14 people and contracting 10 service providers. It has a turnover of USD 5 million. To date, it operates around 50,000 hectares, specifically on weed control and management activities. Its clients include Forestal Celco (Arauco), Forestal Valdivia (Arauco), Forestal Mininco (CMPC), Comaco and Massisa.

In Brazil, AF started operating in 2010, focusing on herbicide application services and forestry management operations in southern states. The company has a Commercial Manager and has just began to implement its strategic plan in this country.

iv. Role of the Forest Operator in the Fideicomiso Bosques del Uruguay

The following table shows AF's main activities, indicating which ones will be executed by the forest operator and manager (Agroempresa Forestal), and by third parties.

ACTIVITY	Agroempresa Forestal (AF) or Third Party
Farm selection, property analysis, negotiation, etc.	AF
Modeling and projections (planting, sales, budgets, etc.). Silvicultural management strategies, sanitary surveillance, etc.	AF
Planting Weed control Fertilization Silviculture and pruning and thinning	Third Party Third Party Third Party Third Party
Infrastructure maintenance	Third Party
Roads	Third Party
Harvest	Third Party
Wood Sales	AF
Other commercial negotiations (e.g. grazing)	AF
Transportation	Third Party
Preparation and coordination for FSC certification of the Forests	AF
Operational and commercial reporting to investors	AF
Relationship with the environment	AF
Supplier contracting, quality and performance control	AF
Performance and supervision of activities according to the Forestry Management Manual, purposes, environmental standards and legal framework.	AF

XII. ANNEXES

ANNEX 1: FINANCIAL TRUST AGREEMENT

FINANCIAL TRUST AGREEMENT

In the city of Montevideo, on May 6, 2011, this Financial Trust Agreement is entered into by and between: **EF ASSET MANAGEMENT Administradora de Fondos de Inversión S.A.** (hereinafter the “**Trustee**”), represented herein by Sandra González, with an address for the purpose of this contract at 1248 Luis Alberto de Herrera Avenue, World Trade Center, Tower B, Floor 12, Montevideo, TIN 21 476953 0012, and registered in the National Registry of Commerce on April 7, 2003 under number 2014; **Agroempresa Forestal S. A.** (hereinafter the “**Manager**”), represented herein by Francisco Bonino, with an address for the purpose of this contract at 1061 Brasil Avenue, Rivera; and the **Initial Underwriters of the Securities** (hereinafter the “**Trustors**” and jointly with the Trustee and the Manager, the “**Parties**”).

1. DEFINITIONS

For the purposes of this Agreement, the terms defined hereunder shall have the meanings given in this section, both for their singular and plural meanings:

“**Assets**” means the property and/or rights, present and future, including the Real Estate and the Financial Assets, and all the economic rights, present and future, comprising the Trust property.

“**Financial Assets**” means those indicated in Section 4 of this Agreement.

“**Manager**” refers to Agroempresa Forestal S.A.

“**Meeting of Holders**” means the meeting of Holders of Participation Certificates in accordance with the provisions set forth in this Agreement.

“**Auditors**” refers to the independent accounting firm hired by the Trustee to audit the financial statements of the Trust.

“**Bank**” means the financial intermediary institution where the Trustee keeps its Accounts.

“**BCU**” means the Central Bank of Uruguay.

“**Beneficiaries**” means the Holders of the Participation Certificates.

“**Trust Assets**” means all the Assets comprising the rights and property of the Trust.

“**Forests**” means the forests that exist or are planted on the Properties.

“**Fiscal Year-End**” is December 31 of each year.

“**Surveillance Committee**” means the committee that the Beneficiaries may appoint in accordance with the provisions of Section 32 of this Agreement.

“**Agreement**” or “**Trust Agreement**” means this Trust Agreement.

“Management Agreement” means the Management Agreement entered into by and between the Trustee and the Manager.

“Contingency Account” means the bank account opened by the Trustee in the name of the Trust, where the Contingency Reserve funds, if any, shall be deposited.

“Operating Account” means the bank account opened by the Trustee in the name of the Trust and operated by the Manager, pursuant to power of attorney granted by the Trustee. The funds necessary to meet all operating expenses of the Trust shall be deposited in such account.

“Collection Account” means the bank account opened by the Trustee in the name of the Trust, where all income of the Trust, including the proceeds from the issuance of Securities, shall be deposited.

“Accounts” means the Collection, Operating and Contingency Accounts.

“Regulatory Decree” means Decree 516/003 of December 11, 2003, as amended and supplemented, as provided by Law.

“Debtor” means any individual or legal entity who is a debtor for any concept of the Trust.

“Business Day” is a day on which financial intermediation institutions and stock exchanges operate in Uruguay.

“Issuance Document” is the document by which the Trustee issues the Securities in favor of the Holders.

“Dollars” means the legal tender of the United States of America.

“Fiscal Year” means each fiscal year ending on December 31 of each year.

“Registrar Agent” means the Trustee, who shall keep the Register of the Holders of the Securities to be issued.

“Registered Agent” means the entity that shall represent the Holders, pursuant to Section 73 of Law 18,627.

“Subscription Date” means the date on which the issue of the Securities becomes effective, once the public offer is registered by the BCU.

“Payment Date” means the date on which a payment related to the Securities is made.

“Trust” means the trust incorporated by this Agreement.

“Trustors” means the initial underwriters of the Securities.

“Trustee” means EF Asset Management Administradora de Fondos de inversion S.A. or its successor.

“Liquid Funds” means the funds in cash or invested in instruments easily liquidated, which are in the assets of the trust, in the Collection Account. Such funds are generated from the management of the assets of the Trust or from the placement of the Securities.

“Distributable Net Income” means the funds that the Trust effectively received from the operation of its business, which are generated from deducting the cash and cash equivalents after each fiscal year-end, from the expenditure forecast and investments to be made in the following fiscal years, in accordance with the report prepared by the Manager for such purpose. The resulting amount shall not exceed the retained earnings of the Trust in such Fiscal Year-End.

“Remaining Net Income” means the remaining funds in the assets of the Trust, on the maturity date of the Trust, once all the Trust Assets have been disposed of and all the obligations have been canceled.

“Trust Expenses” means the expenses provided in Section 34 of this Agreement.

“Properties” means the rural properties plus tree plantations, which comply with the requirements included in the Business Plan, and which the Manager, following the procedures provided in this agreement, has requested the Trustee to purchase them so that they comprise the Trust property.

“Law” means Law No. 17,703 of October 27, 2003, as amended and supplemented, which governs trusts.

“Absolute Majority of Holders” means the vote of one or more Holders whose Securities represent a par value of more than fifty percent (50%) of the total Securities issued.

“Special Majority of Holders” means the vote of one or more Holders, whose Securities represent a par value of more than seventy-five percent (75%) of the total Securities issued.

“Liabilities” means all the liabilities (contingent and non-contingent) incurred while the Trust is operating as a consequence of its incorporation, operations and liquidation.

“Pesos” or **“Uruguayan Pesos”** means the legal tender in the Eastern Republic of Uruguay.

“Business Plan” means the Trust’s business plan under which the Manager shall carry out the investment in accordance with the purpose of this Trust, and which is attached hereto as an Annex.

“Prospectus” means the prospectus issued by the Trustee for the purpose of issuing the Securities to the Holders, which the Trustor acknowledges in all its terms.

“Registration” means a register kept by the Registrar Agent, where the names and other certifying data of the Holders, as well as transfers and other legal transactions related to the Securities are recorded.

“Trust Liquidation Reserve” means the reserve established and maintained by the Trustee after the termination of this Trust to cover the contingencies provided in Section 40 of this Agreement.

“**Contingency Reserve**” means the reserve which may be set up by the Trustee with funds of the Trust, to cover the contingencies of the Trust during its term as set forth in Section 39.

“**Holders**” means the legitimate holders of the Securities, as recorded in the Registry.

“**Securities**” or “**Participation Certificates**” means the Participation Certificates, which provide the Holders rights of participation in the results and remainder of the Trust, issued in accordance with the provisions of the Trust Agreement and the Issuance Document.

“**Related Party**” means: (a) in the case of individuals: holders, partners, presidents, managers, officers, registered agents, auditors or members of the Auditing Committee, and in general, any member of the senior personnel of the Trustee and/or the Management; (b) any individual who has a familial relationship up to the third degree of consanguinity and second degree of affinity, or is the spouse and/or common-law spouse of any of the above mentioned people; and (c) in the case of legal entities, hierarchical relationships shall be taken into account in accordance with the provisions of Section 49 of Law No. 16,060.

2. THE PARTIES

The following are parties to this Trust:

- (a) **Trustors:** are the initial underwriters of the Securities.
- (b) **Trustee:** is EF Asset Management Administradora de Fondos de Inversion S.A.
- (c) **Beneficiaries:** are the Holders.
- (d) **Manager:** is Agroempresa Forestal S.A.

3. TRUST INCORPORATION

Pursuant to the provisions of Law, the Parties hereby incorporate the Trust “**FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL URUGUAY**” with amounts contributed by the Trustors, in their capacity as initial underwriters of the Securities, under the provisions set forth in this Agreement, and to serve the purposes of the Trust.

The Trust shall become effective on the Subscription Date.

The incorporation of the Trust also entitles the Trustee to act under this Agreement.

4. TRUST ASSETS

The Trustee shall invest the proceeds from the placement of the Securities in the purchase and lease of rural Properties, with the purpose of developing the forestry activities, in accordance with the provisions set forth in this Agreement, and to integrate them into the Trust Assets. The Trustee shall invest in those Properties that the Manager recommends, as provided in the Business Plan, following the procedures set forth in this Agreement.

The Trust Assets shall also be as follows:

(a) amounts contributed by the underwriters of the Securities that remain in the Trust, and which are not invested in Properties;

(b) amounts held in the Contingency Reserve; and

(c) all other assets; rights of any nature that comprise the Trust property, including those Forests growing due to the implementation and development of the Business Plan, and the proper operation of the Trust and the temporary placement of the securities.

The Trust shall not invest its resources in securities not permitted to Pension Savings Funds.

The Trustee shall invest the Liquid Funds only in the following Financial Assets, which shall meet the fund utilization needs in the terms and currencies projected by the Manager:

(a) Securities issued by the Uruguayan State or any other state entities;

(b) Fixed income securities issued by international credit organizations or foreign governments with very high risk ratings;

(c) Deposits in local financial intermediation entities AAA local rating.

5. TRUST PROPERTY

The Trust property shall comprise all the Assets, and all present and future economic rights generated therefrom.

The Trust property shall solely and exclusively be encumbered for its intended purposes, and those rights and actions related to such property are the only ones that may be exercised.

6. VALUATION OF THE TRUST PROPERTY

The Trust assets and liabilities shall be valued in accordance with the International Financial Reporting Standards (IFRS) and the regulations provided by the BCU.

An appraisal of the Properties and Forests shall be carried out annually by a prestigious appraiser with experience in the valuation of forest assets. Such appraiser shall be selected by the Manager and hired by the Trustee, upon the prior approval of the Surveillance Committee.

7. TRUST PURPOSE

The Trustee shall invest the proceeds from the placement of the Securities in the purchase and lease of rural properties located in the Eastern Republic of Uruguay, with the purpose of developing the forestry activities.

The Business Plan provides the framework within which the Trust shall develop its strategy to fulfill the purpose, and shall expressly indicate the general requirements that the Properties shall meet for the Trust to make such investments. Under no circumstances shall the terms and conditions of the Business Plan be construed as a commitment or promise that the strategy provided therein will be successful. The Beneficiaries acknowledge and accept that due to the special characteristics of the assets that will comprise the Trust property, the investments made are subject to the fluctuations of the market.

All information provided in this section is entirely subject to the terms and conditions set forth in the Business Plan attached hereto as an Annex.

8. MANAGEMENT OF THE TRUST ASSETS

The Trustee shall appoint the Manager by means of the Management Agreement, executed simultaneously with the Trust Agreement, to perform the task of managing the Trust Assets and carrying out the Business Plan, in accordance with this Trust and the Management Agreement. Notwithstanding the foregoing, the Trustee shall be responsible for the performance of the Manager and its subcontracted activities.

Each Beneficiary, by the sole acquisition of the Securities, consents that the Manager shall act in such capacity under the Trust and the Management Agreement, and perform the duties set forth therein.

9. DUTIES AND RESPONSIBILITIES OF THE MANAGER

The Manager shall specifically have the following duties and responsibilities, notwithstanding, those detailed in the Business Plan:

- (a) Carry out the Business Plan, managing the Trust Assets for such purpose.
- (b) Select and analyze those Properties to be purchased, and carry out the negotiations for such acquisitions. Prior to any Trustee's purchases, the Manager shall send a copy of the reports on the lands to be acquired to the Surveillance Committee at least 5 Business Days prior to the purchase.
- (c) Manage, coordinate and control the activities with subcontracted companies. The Trust shall bear the costs of contracting them, in accordance with Section 34.
- (d) Manage the commercialization of timber produced by the plantations carried out on the Properties.
- (e) Carry out other negotiations and activities for forest exploitation, including the negotiation for granting farms for grazing.
- (f) Prepare and coordinate forest certification (e.g. under the FSC standard).
- (g) Prepare monthly, quarterly, and annual reports as provided in the Business Plan.
- (h) Carry out all the necessary tasks in the fields where the Properties are located.
- (i) Negotiate the necessary agreements with suppliers.
- (j) Carry out performance and quality controls to suppliers and third parties hired to conduct other activities.
- (k) Demand compliance and comply with all regulations, laws, and obligations relevant to the sector and to the country.
- (l) Monitor the Properties to develop techniques that ensure the sanitary condition of the Forests.

- (m) Plan and conduct fire prevention and firefighting.
- (n) Demand Debtors any sums owed to the Trust. For this purpose, the Manager shall initiate any necessary actions.
- (o) Make payments to any creditor of the Trust, using for such purpose the funds transferred to the Operating Account as provided in this Agreement. The Manager shall have access to the balances and movements of the Accounts, but shall only have the power to draw on the funds deposited in the Operating Account.
- (p) Make all purchases and hire the personnel that may be necessary in order to carry out the Business Plan.
- (q) Prepare the Trust's annual budget in accordance with the Business Plan (the "Budget"). The Budget shall be submitted to the Trustee and the Holders upon 15 Business Days from the beginning of each Fiscal Year. The Budget shall include the estimated costs, expenses, and any other payments associated with the management of the Trust Assets, during the budgeted period. In all cases, the Manager shall indicate the payments' connection and degree of compliance with the Business Plan, as well as any other information that the Manager or the Trustee may deem relevant. The Budget shall indicate the amount to be deposited by the Trustee in the Operating Account that is deemed necessary to carry out the Business Plan during the period covered by the Budget.
- (r) Prepare quarterly management reports, in accordance with Section 33 of this Agreement, providing the development of the investment program, as well as any other information that may be relevant to the Beneficiaries. Likewise, the Manager shall promptly inform the Trustee of any events or acts that may occur related to the execution of the Business Plan, and which may have a significant impact on the investment made by the Holders.
- (s) Prepare quarterly reports for the Surveillance Committee, informing about purchases of agrochemicals, their prices, others similar options in the market, and the supplier.
- (t) Calculate the Distributable Net Income at each Fiscal Year-End to report it to the Trustee, who shall make the relevant payments.
- (u) Propose the anticipated sale of part or all the Assets to the Meeting of Holders, in the cases where the Manager considers there is an opportunity that may be beneficial to the Holders.

The Manager shall defend and preserve the Trust Property. Therefore, the Manager shall promptly inform the Trustee of any event or circumstance that may adversely affect the Trust Property, and take all conservative and defensive measures, notwithstanding those that the Trustee may take.

The Manager shall be responsible for selecting and monitoring the contractors that perform tasks for the Trust, applying for such purposes the criteria for selecting and monitoring contractors set forth in the Business Plan.

Notwithstanding the foregoing, such criteria may be modified due to changes in the regulations or the conditions under which such work shall be carried out. For this purpose, the Manager shall present such modifications for the Surveillance Committee approval.

The Manager shall be responsible for any complaints related to the subcontracted companies, only when such complaints have been initiated due to the Manager's noncompliance with any of the contractors' control obligations set out in the Business Plan. In the case where the Manager has complied with all the obligations, applying all the required selection and monitoring criteria, and a complaint is submitted, then the Trust property shall be liable for such complaints.

The Manager shall deliver a copy of the audited financial statements of the previous year to the Trustee, within 120 days after each fiscal year-end. Such financial statements shall be available to the Holders in case they would like to have access to them.

10. MINIMUM PERFORMANCE STANDARDS OF THE MANAGER

The Manager shall comply with the following minimum performance standards, which shall be evaluated annually, according to the following criteria:

(a) Land Purchase: at least 50% of the land indicated in the Business Plan shall be purchased within the first three (3) years as of the Subscription Date. In the event such purchases are greater than 50% but less than the total project, the Surveillance Committee may recommend the Meeting of Holders whether to extend the purchase term or return the money from the land which was not purchased, reducing the final project area.

(b) Planting: at least 80% of the purchased areas evaluated as plantable shall be planted within 2 years as of the date the sellers delivered the fields.

(c) Planting survival and early growth: a minimum survival and early growth of 80% of the initial stand shall be achieved in the total planted area each year. This evaluation shall be carried out in May of the year following the year evaluated. In case of extreme weather conditions, whether drought (precipitation deficit equal to or greater than 45% of the local average in the following 2 months after planting), frost or hailstorms affecting plantations, the Manager shall not be responsible for failure to comply with such goal, provided that such non-compliance is proven.

The Trustee shall be directly in charge of supervising the purchase of land based on the purchases that have already been made.

To monitor the planting, and survival and early growth standards (items b and c above), the Surveillance Committee shall appoint a qualified technician to carry out the relevant operational audits to monitor the Manager's compliance with such standards. Operational audits shall be conducted semi-annually for the first 3 years and annually thereafter.

Once the operational audit reports have been submitted, the Trustee shall notify the Holders of such reports.

Failure to comply with any of the foregoing standards shall be sufficient cause for the Holders by a Special Majority resolution to remove the Manager from office.

11. ACTIONS OF THE MANAGER ON BEHALF OF THE TRUST

Any collection related to the Trust Assets, whether in cash - by means of receipt of sums of money - in kind -, by means of donation of goods in payment -, as well as any waiver, release or remission of sums to be received associated to the Trust Assets, for any reason whatsoever, and receipts, instruments or documents evidencing such legal transactions shall be subscribed by the Manager with the express acknowledgment that they are delivered by the Trust. For such purpose, the Trustee shall grant a power of attorney to the Manager.

The Manager shall previously request and justify all disbursements that the Trustee shall make for the purpose of carrying out the Business Plan.

For the purpose of meeting the operating expenses of the Trust, the Trustee shall transfer the funds detailed in the annual Budget prepared by the Manager to the Operating Account within 2 Business Days after receipt of a written request from the Manager.

Besides, the Trustee shall also transfer such additional funds to the Operating Account, within 2 Business Days after receipt of a written request from the Manager, to meet extraordinary expenses of the Trust, provided that such expenses do not exceed 20% of the Budget for that year. In the event that amounts exceeding this percentage are required, the Surveillance Committee approval shall be requested.

The Manager shall, at its sole discretion, advance its own funds in order to carry out his duties. The Trustee shall monthly reimburse such funds to the Manager, provided that they correspond to the activities set forth in this Agreement. Such advances shall not be compensated nor shall they bear any interests whatsoever.

12. RESIGNATION OF THE MANAGER

The Manager shall only resign from the obligations and duties as Manager under this Agreement based on a Just Cause. In that case, the Manager shall send a written notice to the Trustee, ninety (90) days in advance, clearly stating the cause for such resignation.

Just Cause shall occur when due to the passing of any rule, law, decree, regulation, judicial or administrative order, or the occurrence of any event of force majeure or act of God, the Manager is substantially adversely affected in the performance of the rights and obligations provided herein, except in those cases in which the Manager has committed fraud or gross negligence and has been ruled as such by a final judicial sentence or the decision of a competent court of law.

If applicable, the resignation of the Manager shall not become effective until a substitute Manager shall assume the Manager's responsibilities and obligations in accordance with the provisions of this Agreement. The Manager shall continue receiving the agreed remuneration until his resignation becomes effective.

13. CAUSES FOR REMOVAL OF THE MANAGER

By resolution of a Special Majority of Holders, the Manager shall be removed, without any right to any compensation, when any of these events may occur:

- (a) The Manager fails to comply with any of the obligations provided herein and to remedy such noncompliance within thirty (30) Business Days after receiving the relevant Trustee's notice;
- (b) The Manager fails to comply with any of the minimum management standards set forth in Section 10 of this Agreement;
- (c) The Manager fails to provide the relevant and necessary information to the Trustee, as provided herein, in such way that the Trustee shall comply with its duty to provide such information to the Holders;
- (d) The Manager fails to promptly perform such public and/or private acts, which may be necessary to fulfill the Trust's purpose;
- (e) Any encumbrance, restraining order or any other precautionary measure shall be ordered against the Manager for an aggregate amount exceeding ten percent (10%) of the par value of the Securities issued, and such precautionary or definitive measures are not lifted within thirty (30) Business Days, except in the case of labor contingencies brought against the Trust by the subcontracted companies' personnel;
- (f) The dissolution or bankruptcy of the Management;
- (g) The BCU issues an unfavorable note, ruling, resolution or opinion on the Manager's performance, or suggest or request the Manager's removal.

The Manager hereby agrees to inform the Trustee, by any reliable means and no later than the third Business Day after becoming aware of the occurrence of any of the foregoing situations. Failure to comply with such obligation shall also be a cause for removal of the Manager, unless the Manager proves, in a reliable manner, that such causes do not longer exist.

The Manager shall receive the remuneration accrued up to his removal. The expenses and fees related to such removal for cause shall be borne by the Manager.

14. APPOINTMENT OF A SUBSTITUTE MANAGER

In any case of disqualification, removal or any other event of vacancy in the Manager's office, the Trustee shall immediately require the consent of an Absolute Majority of Holders in order to appoint a substitute Manager. At least three (3) possible substitutes shall be proposed.

The appointment of the substitute Manager by the vote of an Absolute Majority of Holders shall be sufficient for the outgoing Manager to be duly notified of such appointment and acceptance of such position.

The replacement of the Manager shall become effective once: (i) the substitute Manager has been appointed in accordance with the foregoing provisions, and (ii) accepts such appointment.

The Trustee shall be notified in writing of such appointment. The Manager shall continue in office until the foregoing requirements have been met.

If within thirty (30) Business Days after the Trustee has removed the Manager, an Absolute Majority of Holders has not appointed a substitute Manager, or the substitute Manager has not assumed the duties of Manager, the Trustee may proceed to liquidate the Trust.

All expenses related to the removal of the Manager and the appointment of the substitute Manager shall be borne by the Trust, except for the removal for cause, in which case, the expenses shall be borne by the Manager.

15. CONFLICTS OF INTEREST

The following regulations shall be applied to the actions of the Trustee and the Manager in order to prevent any possible conflicts of interest:

(a) When complying with Trust assets investment policy, the Manager shall act with absolute independence from any other interests in the agroforestry sector. The Manager shall require from the personnel involved in decision-making investment special care and transparency in such process, in order to avoid conflicts of interest, and thus, manage the Trust at its best, pursuing at all times that the operations of acquisition and disposal of assets made on behalf of the Trust are carried out in the exclusive interest of the Beneficiaries.

Notwithstanding the foregoing, if any entity in which the Trust has invested, for reasons beyond the control of the Trustee and the Manager, carries out a related-party transaction, such situation shall be reported to the Surveillance Committee, if it is constituted, or to the Meeting of Holders within 5 Business Days following the day on which the event occurred. This situation shall be regularized within two years after the date of occurrence.

(b) The Manager and any Related Party shall not carry out transactions or render services of any nature whatsoever to the Trust, except those provided herein. Upon execution of this Agreement, the Manager hereby agrees to submit an affidavit to the Trustee indicating all its Related Parties, and update such affidavit whenever any amendments are made thereto.

Notwithstanding the foregoing, the Manager is expressly authorized to purchase agrochemicals from Novillada S.A. (company affiliated to the Manager) under market conditions. The Surveillance Committee shall be informed of such purchases by means of periodic reports. In the event the Surveillance Committee makes any observations, an Absolute Majority of Holders may revoke such authorization to operate with Novillada S.A.

(c) The Trust shall not purchase any land owned by the Manager and/or any Related Party. Prior to any purchase, the Manager shall submit an affidavit to the Trustee stating that the seller is not Related to the Manager. In the event it may exist a blood relationship up to the third degree or affinity up to the second degree between the Manager or its senior personnel and the seller, notwithstanding it shall not be a Related

Party, the Manager shall notify the Trustee and the Surveillance Committee, and the purchase shall only be made subject to the prior approval of the Surveillance Committee.

(d) The Trust shall not execute any transactions with persons or entities that own Securities on their own behalf, regardless of who the registered Holder of such Securities may be, unless such transactions are approved by an Absolute Majority of Holders. This restriction shall not apply to such Holders who hold Securities on behalf of third parties and they have expressly stated.

(e) The Board of Directors and Manager shall not offer any advisory or consulting service, or any other service of the same nature to the Trust.

(f) Neither shall the Trust carry out transactions with persons indebted to the Manager nor with any of his Related Party. However, for such purposes, a person related to the Manager shall not be considered a person who acquires such condition due to the investment of the Trust assets in such Related Party.

(g) While that the Trust is investing in land, the Manager shall not, directly or indirectly, participate in any other new project of publicly offered timber and trust investment funds in Uruguay that purchase land in the Trust's area of influence, unless authorized by a Special Majority of Holders.

Upon completion of the Trust's investment in land, the Manager may participate in other publicly offered timber and trust investment funds, subject to at least 60 days' prior written notice is submitted to the Holders.

(h) The duties of the Trustee and the Manager shall always be carried out independently, and the companies performing such duties shall not be Affiliated companies.

16. ISSUANCE OF SECURITIES

The Trustee shall issue Securities for an aggregate amount of up to fifty million dollars (USD 50,000,000) on the terms and conditions herein below and pursuant to the purposes of the Trust.

The Securities to be issued by the Trustee shall be Participation Certificates, which entitle the Holders to participation rights over the Trust assets, according to the following terms and conditions:

Securities to be issued:	Participation Certificates
Amount:	Up to USD 50,000,000
Currency:	Interbank Dollar
Distributions:	Whenever there is Distributable Net Income after each Fiscal Year-End, or because of the sale of the Trust assets or the final distribution of the Remaining Net Income.
Price:	100%

Subscription Date:	Once the public offer is registered at the Central Bank of Uruguay
Registration:	Central Bank of Uruguay
Stock Exchange Listing:	Montevideo Stock Exchange and/or BEVSA
Applicable Law:	Eastern Republic of Uruguay Legislation

The securities shall be book-entry Participation Certificate issued in favor of the Holders by means of the Issuance Document.

In the event the total amount of the Securities offered is not subscribed, the Trustee shall not proceed with such Issue, unless it has the prior written consent of the Absolute majority of Holders and the Manager. If such approval is not obtained within one Business Day after the subscription has been made, the Trustee shall cancel the Issue. In such case, the Trust shall be automatically terminated, and the parties shall not bear any costs or liabilities.

17. SUBORDINATED PAYMENTS

The payments that for any concept may correspond to the Holders shall be subordinated to the cancellation of all Liabilities and Expenses of the Trust, including but not limited to all debts, taxes, charges, and any other type of obligation resulting from the development of the object, and/or the operation of the Trust, and/or the previous creation of the capital reserve necessary, for such purpose.

18. DISTRIBUTION OF CASH FLOW, PRIVILEGES AND SUBORDINATION

The Liquid Funds of the Trust deposited in the Collection Account shall be used as follows:

- (a) To cancel the Trust Expenses, including taxes, fees, commissions, and those expenses necessary to create the reserves and to incorporate the Trust;
- (b) To reimburse the corresponding reserves;
- (c) To discharge the Liabilities that are due and payable;
- (d) To make the necessary investments to carry out the Business Plan;
- (e) To distribute the funds to the Holders, if there is Distributable Net Income; and
- (f) To distribute the Remaining Net Income generated from the liquidation of the Trust.

19. SUBSCRIPTION AND PAYMENT

Securities may be subscribed at the Trustee's registered office, at the offices of such underwriters and/or in stock exchanges as the Trustee may designate, at such times and on such terms and conditions as the Trustee may set forth in this Prospectus. Interested parties shall comply with such requirements as provided by the Trustee and shall submit the documentation that the Trustee may deem necessary.

The Securities shall be paid in accordance with the provisions set forth herein by the Trustee. In the event that subscriptions for amounts greater than the amount offered are submitted, Securities shall be distributed pro rata among the investors based on their submissions.

20. DEDUCTIONS FROM THE PROCEEDS RECEIVED FROM THE ISSUANCE

From the proceeds received from issuing Securities, the Trustee shall deduct the amounts necessary to pay expenses and fees derived from this Agreement (including those amounts advanced by the Manager):

- (a) The Trustee's initial remuneration for the first month of management;
- (b) The Risk Rating Agency's remuneration for the initial rating of the issuance, equivalent to USD 16,500 plus VAT;
- (c) The Registered Agent's remuneration as provided in the Representation Agreement;
- (d) The law firm's remuneration (Ferrere Law Firm) equivalent to USD 45,000 plus VAT;
- (e) The financial consulting firm's remuneration, CPA/ Ferrere, which has participated in the whole process of structuring the issue, equivalent USD 30,000 plus VAT; and
- (f) The expenses necessary to obtain the registration or trade of the Securities in the Electronic Stock Exchange and/or in Montevideo Stock Exchange, if applicable.

The expenses shall be borne and invoiced to the Trust.

21. REGISTRAR AGENT

The Trustee shall act as "Registrar Agent" of the Securities issuance, in accordance with the terms and conditions set forth in this Agreement and the Issuance Document.

The Registrar Agent shall be in charge of recording the order number of each Security, the payments made by each Holder, and the identification data of the Holder in the Register. The Registrar Agent shall also record all legal transactions related to the Securities, any other mention arising from their legal status, as well as, any modifications thereto.

The Registrar Agent may keep the Register by physical or electronic means.

In case of any doubt regarding the ownership of the Security rights, or in any case it deems appropriate, the Registrar Agent may require the opinion of an independent legal counsel, or a court's decision, in order to ensure the regularity of its conduct as Registrar.

The Registrar Agent shall bear all the expenses incurred by such inquiries or legal proceedings, provided that the Registrar Agent is responsible for such registrations. Otherwise, such expenses shall be borne by the Holders, the Trustee or the Trust property, as the case may be.

22. TRUST TERM

The Trust shall remain in full force and effect for up to 30 years, or until all the Trust Assets are liquidated and all obligations under this Agreement are discharged.

Notwithstanding the foregoing, the Trust may be terminated before such term, due to the absolute failure to comply with the purposes for which it was incorporated.

Likewise, the Trust shall be terminated, prior resolution of a Special Meeting of Holders, in the event that: (i) the authorization to purchase land pursuant to Law 18,092 is not obtained within one year after the corresponding request has been filed; or (ii) the authorization to plant is not obtained from the MGAP and DINAMA within three years after the Issue.

On the termination of the Trust, the Trustee shall proceed to liquidate the Trust, preparing a final liquidation balance sheet for such purpose.

23. DESTINATION OF THE ASSETS ON THE TERMINATION OF THE TRUST

On the termination and liquidation of the Trust, the Trustee shall liquidate the remaining Trust Assets, as well as deliver the resulting amounts to the Holders according to their participation rights.

In the event, the Trust property is insufficient to comply with the obligations assumed by the Trustee with respect to third parties, or in the event other contingencies may affect such compliance, the Trustee shall summon a Meeting of Holders, where they may resolve on how to manage and liquidate such property.

In any case, the liquidation of the Trust shall be carried out privately as provided by Law.

24. OBLIGATIONS OF THE TRUSTEE

In order to serve the purposes of the Trust, the Trustee shall perform the following duties:

- (a) Manage the Trust property in accordance with the provisions set forth herein and the regulations in force.
- (b) Issue the Securities in accordance with the terms and conditions set forth in this Agreement.
- (c) Grant such general or special powers of attorney, as may be required, to serve the purposes or protect the Trust property.
- (d) Enter into such contracts, agreements and any other acts as may be required to serve the Trust purposes, which are not among those provided in Section 9 of this Agreement, at the expense of the Manager.
- (e) Keep at its own expense an inventory and separate accounting of the assets, rights and obligations that comprise the Trust property. In case of being involved in several trust businesses, the Trustee shall keep a separate accounting for each of them.
- (f) Refrain from encumbering the Trust Assets, except for involuntary or forced encumbrances resulting from applying legal, regulatory or judicial provisions or others that shall be complied with.
- (g) Refrain from any borrowings or entering into financial or any other transactions for which the Trustee may become a debtor against the trust assets, except as expressly provided herein.

(h) Keep the operations, acts, agreements, documents and information related to this Agreement confidential, subject to the foregoing, the Trustee shall provide information to the Manager related to all the activities of the Trust, who shall keep such duty of confidentiality.

(i) Deliver all the necessary information to the Manager in order to fulfill its duties.

(j) Deliver the funds requested by the Manager within 2 Business Days of receipt of such request in accordance with the provisions of Section 11 of this Agreement.

(k) Send the reports provided in Section 33.

(l) Once the Securities and other obligations provided in this Agreement have been cancelled, the Trustee shall transfer the remaining assets, if any, to the Holders.

(m) Annually report the Holders on the Distributable Net Income and the commissions paid to the Manager.

25. POWERS OF THE TRUSTEE

The Trustee shall have the broadest powers over the Trust assets to fulfil the purpose of the Trust, and shall perform its duties in accordance with the provisions set forth herein. Any acts and agreements entered into by the Trustee violating the provisions of this Agreement shall be inapplicable to the Holders.

The Trustee shall have the ownership of the Trust property to serve the purpose of the Trust and for the benefit of the Beneficiaries. To this end, the Trustee shall carry out the recommendations made by the Manager, which shall always follow the guidelines provided for each case in the Business Plan.

Notwithstanding any recommendations put forward by the Manager, the Trustee shall act with the prudence and diligence of a good businessman at all times, making such decisions, in accordance with its judgment, and for the benefit of the Trust purposes, avoiding any waste of activity and money which are manifestly unproductive and unreasonable. The decisions made by the Trustee in these respects shall be at its sole discretion and shall not imply any liabilities whatsoever, except in the case of fraud or gross negligence. In the event of any disagreements between the Trustee and the Manager, the opinion of the Trustee shall prevail.

26. PROHIBITIONS OF THE TRUSTEE

Under no circumstances, the Trustee shall:

(a) Be discharged from its obligation to account for its acts in accordance with the provisions under this Agreement.

(b) Be released from its responsibility for grossly negligent or fraudulent acts performed by the Trustee, its employees or the Manager.

(c) Provide any surety, bond, or guarantee to the Holders of the income, operations, acts and agreements related to the Trust.

(d) Carry out operations, acts or contracts with the trust assets, for its own benefit, or the Board of Directors, senior personnel, or any legal entities' benefit, in which they hold a position of power or control.

(e) Carry out any other act or legal business with the Trust assets, in which the Trustee has an interest of its own, except if it has the joint and express authorization of the Absolute Majority of Holders.

27. DUTIES OF THE TRUSTEE

The Trustee shall only perform the obligations hereinafter provided. The Trustee shall not be liable for any failure to comply with its obligations due to acts of God or force majeure.

The Trustee shall only be liable for the acts it performs to serve the purposes of the Trust managing the Trust property and up to the amount thereof. The Trustee shall not be liable for the obligations assumed on behalf of the Trust before the Holders and other third parties.

The Trustee shall not be liable for any acts or deeds of third parties which impede or hinder the performance of this Agreement, in the event of any dispute originated by a competent authority or a third party.

28. REMOVAL OF THE TRUSTEE

The Trustee shall cease to hold office in the following cases:

- (a) Failure to comply with any of the conditions required to perform its duties.
- (b) Dissolution or bankruptcy of the Trustee.
- (c) Cancellation of registration as provided by BCU.
- (d) Resignation in accordance with the terms set forth in Section 29 of this Agreement.
- (e) Substitution in accordance with the terms set forth in Section 30 of this Agreement.
- (f) Judicial removal, in case of any breach of the obligations provided by the law or this Agreement.

Upon termination of office, the Trustee shall prepare a balance sheet of the Trust property covering the period from the last report rendered by the Trustee to the effective date of removal or resignation.

The substitute Trustee shall be appointed by the Absolute Majority of Holders within the terms detailed in the following sections in the event of resignation or replacement, or within 60 days in all other cases.

Upon acceptance of the position by the substitute Trustee, the new designated Trustee shall be entitled to all the powers, rights, and obligations of the former Trustee, and shall take possession of the assets comprising the Trust property.

29. RESIGNATION OF TRUSTEE

The Trustee may resign from its duties under this Agreement in the following events:

(a) Upon the imposition of any tax or charge against the Trustee and/or its profits, which in its opinion would make its future operations unbearable.

(b) In the event any law, decree, rule or any other regulation is passed, which in the Trustee's opinion, would make it impossible or unbearable to continue in such position.

In all cases, its resignation shall be effective after the Trust property is transferred to the substitute Trustee. The Trustee shall not be liable for the non-acceptance of the Trustee's capacity as such by a third party.

In order to make its resignation effective, the Trustee shall call a Meeting of Holders, at least 60 days prior to the date on which the meeting is to be held, to inform the Holders of its resignation.

Within 60 days after such Meeting of Holders was celebrated, the Holders shall appoint a successor Trustee by the resolution of an Absolute Majority of Holders and shall notify the Trustee of such appointment by written notice, including the name and registered office of the successor Trustee. Within 30 days upon receipt of such notice, the Trustee shall give and deliver all notices, instructions and other documents related to this Agreement for the purpose of transferring the Trust property to the successor Trustee.

In the event that the Absolute Majority of Holders does not notify the appointment of the successor Trustee within the aforementioned 60-day period, the Trustee shall place the Trust property at the disposal of the competent court.

30. SUBSTITUTION OF THE TRUSTEE

In the event that the Trustee fails to comply with any of the obligations under this Trust Agreement, the Issuance Document or the Prospectus, a Special Majority of Holders may replace the Trustee by another one authorized to act as such in this type of Trust in the Eastern Republic of Uruguay. The expenses and fees related to such substitution shall be borne by the Trustee.

In such event, the Trustee shall transfer all of its rights and obligations under this Agreement to the new trustee appointed by the Special Majority of Holders.

The Special Majority of Holders shall notify the Trustee of the appointment of a successor Trustee by the resolution of the Special Majority of Holders, 45 days prior to such appointment, including the name and registered office of such successor trustee. Within 30 days upon receipt of such notice, the Trustee shall give and deliver all notices, instructions and other documents related to this Agreement for the purpose of transferring the Trust property to the successor Trustee.

The new Trustee and/or the Special Majority of Holders shall communicate such substitution and the details of the new entity that will become the Trustee of this Trust to the Manager.

31. MEETINGS OF HOLDERS

31.1 Proceedings at the Meeting of Holders

Proceedings at Meetings: Any request, requirement, authorization, instruction, notice, consent, decision and any other action set forth in this Trust Agreement, in the Representation

Agreement or in the Securities related to the Holders or to certain majorities of Holders shall be adopted at a Meeting of Holders.

Evidence of resolutions adopted by Holders: The execution of any instrument by any Holder or by proxy shall be evidenced by any means deemed satisfactory to the Registered Agent and the Trustee.

31.2 Meetings of Holders

Calling a meeting: At any time, the Trustee, the Registered Agent or any Holder representing at least twenty percent (20%) of the par value of the Securities issued, may convene, on behalf of the Registered Agent, a Meeting of Holders. The Registered Agent shall convene such meeting within sixty (60) days upon receipt of such request.

Date and place of Meetings: The Meetings shall be held in the city of Montevideo in the place determined by the Registered Agent. The provisions on the Meetings of Holders set forth in Law No. 16,060 (sections 345, 346 and 347) shall apply in all matters related to the constitution and operation for adopting resolutions as provided in this Agreement, the Issuance Document or the Prospectus.

Closing day for registration: The Registered Agent shall set a closing day for the registration of the Holders, in order to determine their identity.

Formalities of the call: The Registered Agent may not comply with the aforementioned formal requirements to call a meeting of Holders, when the Holders representing all the issued and outstanding Securities are present.

31.3 Meetings procedures

Attendance: The only persons entitled to attend the Meetings of Holders shall be the registered Holders, who have the right to vote, the registered agents of the Trustee, the Manager, the Registered Agent, the Stock Exchanges where the Securities are listed, the BCU and such advisors or any other third parties as the Registered Agent may reasonably and in its sole discretion accept their attendance at the Meetings.

Chairman of the Meetings: The Meetings shall be chaired by the Registered Agent, a Holder or any third party appointed by the Registered Agent.

Procedure for conducting Meetings: The Registered Agent shall have full and broad powers to resolve any doubt or controversy that may arise regarding the procedure to carry out the meetings, being entitled to regulate its operation during the development of the meeting or at any time, and even without such regulation, decision or interpretation being a precedent for other situations in the same or future meetings. In all cases, the Registered Agent shall retain the broadest powers to adopt a final resolution. The Registered Agent may provide, among other things, that a vote shall be by secret voting.

Quorum: Quorum shall be validly constituted when such Holders representing a percentage of the par value of the Securities, equal to or greater than the percentage corresponding to the majorities required to adopt the resolutions proposed, are present at a meeting.

In order to determine a quorum and meet the majorities required to adopt any resolution, the Holders, directly or indirectly related to the Trustee, shall not be entitled to vote at the Meetings of Holders.

Absolute Majority of Holders: Any resolution of Holders shall be adopted by the affirmative vote of one or more Holders, whose Securities represent a par value of more than fifty percent (50%) of the total Securities issued, deducting the Securities owned by the Holders of the Trustee, related, controlling or controlled companies or any individuals as provided in Sections 48 and 49 of Law 16,060, unless a higher majority is provided in this Agreement, the Representation Agreement, the Issuance Document or the legislation in force.

It is expressly stated that the holders of the Trustee, related, contracting or controlled companies may participate in the Meetings according to the Securities they hold, however, their decisions shall not be counted for voting purposes.

Voting rights: Those Holders present at the Meeting, who are duly registered as Holders of Securities according to the records kept by the Registrar, shall have the right to vote. Each Participation Certificate shall entitle the Holders to one vote. In order to determine the quorum to hold a meeting and the corresponding majorities to resolve, those Securities acquired by the holders of the Trustee, related, controlling or controlled companies or any individuals as provided in Sections 48 and 49 of Law 16,060 shall not be taken into account and shall not give any voting rights. The Registered Agent may require the Trustee to state in writing and under its responsibility if it has acquired, directly or indirectly, Securities or if it is aware that the holders, related, controlling or controlled companies or any individuals (as provided in Sections 48 and 49 of law 16,060) have done so, and to indicate the amount thereof.

Binding effect of the Meeting's resolutions: All resolutions adopted by the vote of Holders representing the percentage required for such resolution shall be binding on all Holders, even those absent or dissenting.

31.4 Competence of the Meetings of Holders

The Meeting shall have the competence to adopt any resolutions on any matter included in the agenda.

The Meeting of Holders by the affirmative vote of one or more Holders, whose Securities represent an aggregate par value of more than seventy-five percent (75%) of the total Securities issued, may resolve to:

- (a) Modify the terms and conditions of the issue of the Securities.
- (b) Determine the form of disposition of the assets comprising the Trust property.
- (c) Appoint the person who shall be in charge of the disposal of the Trust property as a unit of the assets comprising it.
- (d) Terminate the Trust in the event that the Trust property is insufficient.

(e) Approve the early sale of a part or all of the assets, as of the fifth year, as proposed by the Manager.

(f) Approve any changes on the Business Plan, as proposed by the Manager.

(g) Approve the extension of the sale of the Assets at the end of the forestry project described in the Business Plan, for up to 3 years. The Meeting of Holders may also approve the extension of such sale for more than 3 years but only with the Manager's consent.

(h) Replace the Registered Agent.

32. SURVEILLANCE COMMITTEE

In order to ensure the transparency of the operation of the Manager and the Trustee, an internal control body called Surveillance Committee shall be established, whose initial members shall be appointed by an Absolute Majority of Holders within 45 days after the issue of the Securities.

The Surveillance Committee shall be composed of up to 3 members representing the Holders, who shall be elected by an Absolute Majority of Holders. The term of office shall be one year, and such members may be reelected. The positions in the Surveillance Committee shall be honorary. Only one of such positions may be compensated with the Trust Assets, upon resolution of an Absolute Majority of Holders. The members of the Surveillance Committee shall not be persons who are Related Parties to the Manager and the Trustee. The income and expense budget of the Surveillance Committee shall be defined at the time of its creation and at each renewal of its members. The Surveillance Committee shall meet at the request of any of its members, with the presence of an Absolute Majority, and resolutions shall be adopted by a majority of the members present.

The Surveillance Committee shall have the duty and power to:

(a) Monitor that the Manager complies with the provisions set forth herein, in the Business Plan and in the Prospectus. For such purpose, the members of the Surveillance Committee, acting reasonably, shall have the broadest powers to inspect, review, consult, request clarifications or expansions related to the information submitted, and to the activities carried out by the Manager and/or the Trustee, under this Agreement;

(b) Verify that the information provided to the Holders is sufficient, truthful and accurate;

(c) Approve the purchase of lands proposed by the Manager, in cases where they are acquired at a rate greater than 20% variation of the maximum price per hectare established in the Financial Model;

(d) Approve the Manager's request for additional funds, necessary to meet extraordinary Trust expenses, which exceed 20% of the Budget for the relevant year;

(e) Verify that the investments, expenses, or operations of the Trust are carried out in accordance with this Agreement or the market and the sector evolution. In the event

that the Surveillance Committee determines that the Manager has not complied with such provisions, it may request the Trustee to inform such situation to the Holders;

(f) Hire any services required to carry out its duties;

(g) Appoint a qualified technician to carry out operational audits to ensure compliance with the minimum management standards. Such audits shall be submitted twice a year for the first 3 years, and thereafter on an annual basis;

(h) Review the results of all audits performed.

(i) Approve the appointment of any appraiser, who shall annually perform an appraisal of the Trust's existing Properties and Forests;

(j) Approve the modifications in the criteria for the selection and control of suppliers as proposed by the Manager.

The members of the Surveillance Committee hereby agree to keep confidential the business and information of the Trust to which they have access due to their position and which has not been disclosed by the Trustee or the Manager. Such confidentiality shall not apply to the information they provide to the Holders.

33. INFORMATION AND ACCOUNTABILITY REPORT TO THE HOLDERS

To each Holder, at its registered address, and to the Risk Rating Agency, the Trustee shall send:

- Quarterly: a copy of the Manager's report including the development of the investment program, as well as any other information that may be relevant to the Beneficiaries.
- Semi-Annually: a report including the Trust's Financial Statements and a copy of the quarterly operating and commercial reports prepared by the Manager.
- Annually: a copy of the Trust's Financial Statements, a report on the Distributable Net Income, if any, commissions paid to the Manager, a copy of the annual operating and commercial report, and the Trust's annual budget prepared by the Manager.

Each annual report shall be deemed as an accountability report and accepted if it is not objected in writing by the Holder within ten (10) calendar days from the date it was sent.

Upon the report's express or implied approval, the Trustee shall not be liable for any of the accounts rendered to present or future Holders or to any other entities, nor for all acts that may have occurred during the accounting period.

Notwithstanding the foregoing reports, any Holder may, upon ten Business Days' notice and in writing, request information about the Trust property and any other information that the Trustee may have, which may reasonably be of interest to the Holder. In the cases of requests for additional reports, special charges shall be applied to such Holders as the Trustee may from time to time determine.

The Trustee shall not provide any other information different from the one agreed with the Holder.

34. EXPENSES, TAXES AND OTHER TRUST COSTS

All expenses, taxes and other costs incurred to serve the purpose of the Trust and to fulfil the Business Plan, including the remuneration of the Trustee and the Manager as provided herein, shall be borne and exclusively paid with the Trust property.

The Trust Expenses shall be the following, including without limitation:

- (a) All expenses and taxes incurred due to the Trust's incorporation;
- (b) All Trust's Taxes;
- (c) All Trustee, Manager and Registered Agent's fees;
- (d) All costs related to the hiring of subcontracted companies;
- (e) All expenses derived, accrued, charged or incurred for the plantations, management and maintenance of the Forests and Properties;
- (f) All expenses incurred for the purpose of acquiring, disposing, reinvesting or transferring the Trust Assets. As well as, all expenses incurred in the transfer of funds to the Holders, insurance, account maintenance and expenses related thereto, and custodial expenses;
- (g) All attorneys and auditors' fees of the Trust, legal advisors' fees of the Trustee and of the Manager required by the Management Body of the Trust. As well as, architects, engineers, appraisers, surveyors or other professionals' fees whose services are necessary for the proper operation of the Trust, and any necessary expenses for the preparation of reports, external audits, appraisals, expert opinions and any other work performed by such professionals;
- (h) All fees and expenses for the purpose of risk rating the Securities;
- (i) All expenses incurred for the purpose of liquidating the Trust, including the liquidator's remuneration or fees;
- (j) All expenses incurred for publication purposes that shall be made in accordance with the applicable regulations, including reasonable expenses for publication or notification, convening and holding the Meetings of Holders, if necessary;
- (k) All expenses incurred for acquiring any Properties;
- (l) Advance payments related to reserves, price and guarantee deposits, and any other similar expenses to be incurred in connection with offers or options to purchase or acquisitions, prior to the investment;

(m) All interests, taxes and other expenses related to loans contracted on behalf of the Trust, as well as any interests on any other obligation of the Trust or any other financial expense;

(n) All costs and expenses, professional fees and other legal expenses incurred for the purpose of representing the Trust's interests and/or the Trustee and/or the Manager's performance of their duties in court, including those of an extra-judicial nature for the purpose of preventing or terminating litigation;

All Expenses of the Trust shall be reasonable, in accordance with market prices and duly recorded.

The Trustee may not advance such taxes, expenses or costs if they cannot be borne by the Trust property.

Neither the expenses that are covered with the remuneration received by the Trustee or the Manager for the management and accounting of the Trust nor the expenses or costs that the Trustee or the Manager have incurred in shall be borne by the Trust, in accordance with this Agreement.

35. TRUSTEE REMUNERATION

The Trustee shall be paid sixty-one thousand ninety-eight Indexed Units of Account (UI 61,098) per month, within the first 10 days of each month, in compensation for the services the Trustee agrees to render for the management of this Trust.

The corresponding Value Added Tax [VAT] shall be added to such remuneration.

The remuneration shall be paid with the Trust property.

Present or future taxes levied on such payments or on the Trustee, for the management of the Trust, including the Financial System Regulatory Control Tax and excluding the Trustee's Income Tax shall be paid with the Trust Assets.

The Trustee shall be paid the anticipated remunerations until the Trust Assets are fully liquidated, all the Securities and Liabilities are cancelled, and the net proceeds from such liquidation, if any, are distributed.

36. MANAGER REMUNERATION

In compensation for the services that the Manager agrees to render and in accordance with the terms set forth herein, the Manager shall receive:

(a) a fixed annual amount of five hundred eleven thousand dollars (USD 511,000) adjusted by the parametric and annual coefficient;

(b) a Performance Fee. Should the Internal Rate of Return (IRR) of the project exceed 6%, the Manager shall receive 15% of the additional return, which shall be calculated by the Trustee.

In order to determine the amount of the Performance Fee, the Project's Internal Rate of Return for the last year of operation of the Trust shall be calculated, considering the free cash flow

generated by the investors during such period and the value of the Trust's property prior to its liquidation. The initial investment (USD 50 million) shall be revaluated in such year, using the IRR obtained above. To the resulting difference between the initial investment discounted at IRR and the investment discounted at 6%, a 15% shall be applied, thus obtaining the Performance Fee that the Manager shall receive in the last year.

The corresponding Value Added Tax shall be added to such remunerations.

The Trust shall pay such remunerations.

The fixed remuneration payment shall be made within ten Business Days of the following month, upon presentation of the Manager's invoice. In the event the Manager is entitled to such Performance Fee, it shall be paid in the 20th year or before if the Trust is previously liquidated.

Any present or future taxes levied on such payments to the Manager for the management of the Trust, excluding the Manager Income Tax, shall be paid by the Trust.

The Manager shall be paid the aforementioned remuneration until the Trust Assets are fully liquidated, all the Securities and Liabilities are cancelled, and the net proceeds from such liquidation, if any, are distributed.

37. INDEMNITY OF THE TRUSTEE

The Trust shall indemnify and hold the Trustee harmless out of the Trust Assets and from any claims, proceedings or lawsuits filed against the Trustee and/or its employees or registered agents, by any acts performed in connection with this Trust, unless resulting from the Trustee, its employees or registered agents' gross negligence or willful misconduct.

The Manager shall indemnify and hold the Trustee harmless from any loss, cost and/or expense which the Trustee, its employees or registered agents may incur in as a result of, on the occasion of and/or by reason of: (i) failure of the Manager to comply with the obligations provided herein; (ii) the information provided by the Manager in the Prospectus; (iii) failure to deliver in due time and form any information required by the Manager to the Trustee under this Agreement, (iv) any error, omission or inaccuracy in the aforementioned information delivered to the Trustee, (v) any payment to third parties due to any breach of obligations assumed by the Manager, except for those cases provided in this paragraph caused by the Trustee, its employees or registered agents' fraud or gross negligence.

The Trustee hereby agrees to provide prompt written notice of any claim or injunction in connection with this Trust and/or the Trust Property to the Holders and the Manager.

38. INDEMNITY OF THE MANAGER

The Trust shall indemnify and hold the Manager harmless out of the Trust Assets and from any claim, proceeding or lawsuit filed against the Manager and/or its employees or registered agents, by any of the acts performed in relation to this Trust, unless resulting from the Manager, its employees or registered agents' gross negligence or willful misconduct. Additionally, indemnity shall not apply in the case of labor or social security claims for services subcontracted by the Manager or its own employees.

The Trustee shall indemnify and hold the Manager harmless, directly and exclusively, including without limitation, from any loss, cost and/or expense that the Manager, its employees or registered agents may incur in as a consequence of, on the occasion of and/or in connection with any payment to third parties based on the breach of obligations assumed by the Trustee; unless resulting from the Manager, its employees or registered agents' fraud or gross negligence.

The Manager hereby agrees to provide prompt written notice of any claim or injunction in connection with this Trust and/or the Trust Property to the Holders and the Trust.

39. CONTINGENCY RESERVE

The Trustee shall require the opening of a Contingency Account (the "Contingency Reserve"), where the amounts estimated in the accounting analysis of the Trust prepared by the Auditors shall be deposited. Such account shall serve the purpose of meeting any legal contingencies resulting from any claims and/or legal actions, provided that the cause of such actions is any claim for damages.

The Contingency Reserve may also include the possible tax contingencies as the Trustee may deem necessary to estimate, generated from the Trust operation or any other risks. A report from the Trustee's legal counsel including such contingencies shall be sufficient to establish this reserve.

The Contingency Reserve shall be funded at any time with Liquid Funds, notwithstanding the order of application of funds agreed on Section 18. The Trustee and/or the Manager, in the event that they are not indemnified, shall have the right to withdraw money from the funds deposited in the Contingency Account.

The amount deposited in the Contingency Account may be invested in Financial Assets, and the profits generated from such investments shall be deposited in the Contingency Reserve, except in the event that such profits totally or partially exceed the provisions for claims and actions set forth in this section. In this case, they shall be promptly transferred to the Collection Account.

40. TRUST LIQUIDATION RESERVE

After the liquidation of the Trust, the Trustee may establish a Trust Liquidation Reserve with funds from the Trust property to pay any tax or other contingencies related to the Trust until its liquidation, in case there are any or in the event that they may arise on the date of its liquidation or termination, and provided that there is reasonable doubt of such contingencies due to conflicting interpretations of particular regulations in this aspect.

The amount of the Trust's Liquidation Reserve shall be calculated by the Trustee and based on the advice of an independent advisor, in accordance with current tax regulations.

The Trust Liquidation Reserve shall be deposited in a special account opened by the Trustee, until an independent advisor gives a favorable opinion that there are not any contingencies, and therefore no obligation to pay any of them. From time to time, an independent advisor's opinion may be required on such matter. The amounts corresponding to the Trust's Liquidation Reserve may be invested in Financial Assets, and the profits generated therefrom shall be allocated to such Reserve.

Upon cancellation of the Trust's Liquidation Reserve, the funds shall be available to the Beneficiaries.

41. AUTOMATIC ARREARS

In the event of failure to comply with any of the obligations set forth herein, arrears shall occur by operation of law with no need of in court or out court demand of any kind.

42. JURISDICTION AND GOVERNING LAW

This Agreement shall be governed by and subject to the applicable law of the Eastern Republic of Uruguay. Any matter arising from this Agreement shall be heard by the courts having competent jurisdiction in the city of Montevideo.

43. NOTICES

All notices, requests, demands or any other communications between the parties shall be deemed as duly submitted, if sent by any reliable means to the address provided by each party in this Agreement.

In the case of the Holders, the address provided by each of them when acquiring the securities issued, shall be deemed valid.

44. REGISTRATION OF THE TRUST

This Trust Agreement shall be registered in the National Registry of Personal Acts, Universalities Section in accordance with provisions of Section 17 of Law 17,703 and 2 of Decree 516/003.

The costs arising from such registration shall be borne by the Trust.

45. NOTARIAL CERTIFICATION OF SIGNATURES

The parties shall request the notarial certification of the signatures appearing herein below.

The parties sign herein below, at the place and on the date first written above.

ANNEX TO THE TRUST AGREEMENT

PROJECT BUSINESS PLAN

1. PROJECT LOCATION

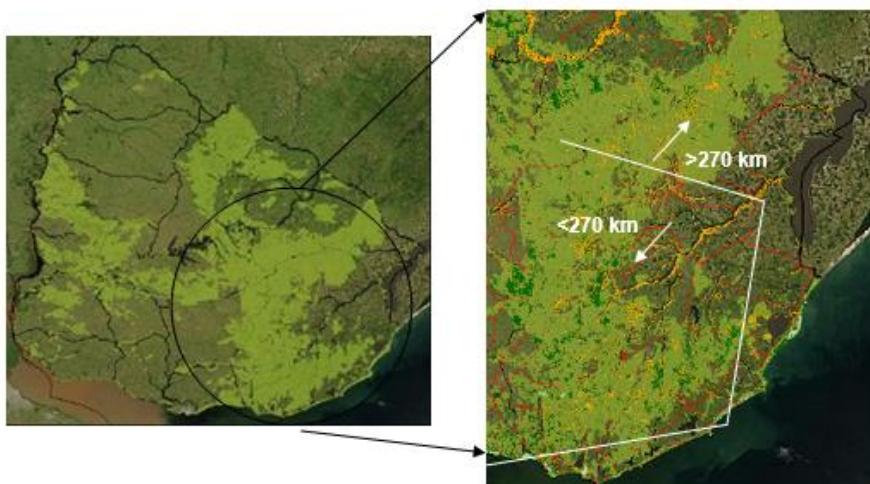
In order to optimize the management of the forestry business, the Manager shall evaluate the following resources all together:

- (iv) Forestry priority of fields and lands;
- (v) Road accessibility and logistics management;
- (vi) Commercial accessibility and potential yield in industrial uses (for new industrial facilities).

Based on the aforementioned variables, it is noted that it will be mainly purchased the forestry land located in the central-eastern part of the country. Due to greater availability, the Manager shall choose fields within the soil groups with Coneat index 2 and 8.

- **Coneat soil group 2-** It is located in an irregular strip running southwest-northeast from Piriápolis (Maldonado), passing through Lavalleja, Treinta y Tres to Cerro Largo. This area is characterized by having a flat landscape, with rocky outcrops of variable density and hills.
- **Coneat Soil Group 8-** This group comprises those types of soils with sandy textures and low fertility, although higher, and with greater agricultural possibilities and generally shallower than those of Group 7. The geological material is formed by sandstones from the Devonian and San Gregorio-Tres Islas formations, or sandy materials settled on these formations. Its main use is for breeding and full cycle livestock. Most of the vegetation of this soil group is summer prairie with few fine species and low winter production.

Map of priority forest soils and regions where Bosques del Uruguay's fields will be located



In terms of access and transportation logistics, the purpose is to look for fields suitable for planting the project's species, with the objective that the average distance will not exceed 270 km. It is likely that new sawmill industries will be installed in the eastern region and improvements in the railway infrastructure will be made.

2. SPECIES TO BE PLANTED

The silvicultural model adopted is based on planting *Eucalyptus dunnii* and *grandis* species or their subspecies.

With reference to the genus *Eucalyptus*, Uruguay is among the five countries with the largest planted area of this species in the world, behind India, Brazil, China and Australia. More than 200,000 hectares of *E. grandis* species had been planted in the country to date, while *E. dunnii* plantations exceed 50,000 hectares.

Main characteristics of the Trust “Fideicomiso Bosques del Uruguay”

	Unit	Value
Acquired land area	Hectares	10,000
Total area of forested land	Hectares	6,700
Use of Fields	%	67
Planting of <i>E. grandis</i>	Hectares (%)	4,020 (60)
Planting of <i>E. dunnii</i>	Hectares (%)	2,680 (40)
Time to Final Harvest		
<i>E. grandis</i>		18
<i>E. dunnii</i>	Years	9
MAI (Mean Annual Increment)		
<i>E. grandis</i>		24
<i>E. dunnii</i>	M ³ /ha/year	22
Total Volume of Wood Production		
Pulp	Millions of m ³	2.0
Sawmilling		0.72

(Estimated data)

Eucalyptus grandis

It is the most widely planted species for industrial wood use in tropical and subtropical regions. Massive programs have been conducted in South Africa and Brazil and there are commercial plantations in Angola, Argentina, India, Uruguay, Congo, Zambia, and Zimbabwe. Recently, this tree species has been mainly used for solid wood production.

The pink Eucalyptus natural distribution climate is humid subtropical, with average minimum temperatures during the coldest months of between 2 and 10°C and average maximum temperatures of about 29°C during the warmest months, and an average rainfall of between 1020 and 1780 mm per year. In terms of uses, the sapwood of *E. grandis* is pale pink and the heartwood is light to dark red. Its wood has a straight grain, coarse texture, and is moderately strong. The pink Eucalyptus wood is used for general construction, joinery, palisades, boat building, flooring, fence posts, etc. Its advantages are: its fast-growing characteristic, its medium hardness, which makes it easy to work with, it has a good color and behavior, and very good mechanical properties (resistance and elasticity).

The breeding plan for *Eucalyptus grandis* in Uruguay began in 1992, building the genetic base of the first generation with an extensive introduction of seeds from Australia and an intense local selection in commercial plantations distributed throughout the country. In 1993, in agreement with forestry companies, 9 progeny tests were set up to test these materials in representative sites of the most suitable areas for this species, and in that same year a progeny test trial was run at the INIA [National Agriculture Research Institute] Tacuarembó Experimental Station.

Eucalyptus dunnii

The origin of this species is also Australian. One of its main peculiarities is its extraordinary growth in height and volume in regions with rainfall of 1000-1500 mm/year (present in several countries with subtropical and temperate climates). It has proved to be the coldest resistant Eucalyptus species, tolerating light frosts. This is one of the reasons why it is planted in regions where the temperature is low. Another advantage of this species is its rapid growth, with an average of 20-50 m³/year in several countries, with cycles of less than 10 years. Its main use is for pulp production, making forestry activities easier.

3. PRODUCTION AND LIFE CYCLE OF THE PLANTATION

E. dunnii and *grandis* life cycle is 9 and 18 years respectively. It is expected that the purchase of fields and planting will be carried out in 2 years (50% for each), and therefore, the project will have a total estimated duration of 19 years, in two stages for *E. dunnii* and one stage for *E. grandis*. These species are planted at a ratio of approximately 60-40% for *grandis* and *dunnii* respectively.




Different plantation species are distinctly managed. It begins with the selection of soils. Then, management and silviculture techniques are conducted, genetic material is selected, the plantation is monitored and finally, pruning takes place.



The project estimates a total harvest of 2.7 million m³, 74% of which will be for pulpwood or energy wood. This timber will be produced from the two final harvests of *E. dunnii*, and from the thinning and part of the final harvest of *E. grandis*. Sawn wood will be produced from thinning in year 14 and from the final harvest of *E. grandis*. An average volume of 395 m³/ha is estimated considering the two harvests of *E. dunnii* and 423 m³/ha for *E. grandis*.

The main phases of the project are described below.

Physical activity flow of the project



<p>Year 0 and 1</p>	 <p>The areas are selected, which involves identifying and acquiring those areas with appropriate soils, topography, location, etc. Seedlings are prepared in the nursery and then planted. Herbicides are applied, and then planting and fertilization are conducted.</p>
<p>Year 2</p>	 <p>Weed and ant control applications are conducted.</p>
<p>Year 3 to 9 and 14</p>	 <p>The growth rate increases, and forest control and maintenance activities are carried out.</p>

	<p>In the case of <i>Eucalyptus grandis</i>, thinning is conducted at age 9 and 14.</p>
<p>Year 9 and 18</p>	<div style="display: flex; justify-content: space-around;">   </div> <p>The final harvest is conducted at age 9 and 18. Regrowth management operations are carried out during the second cycle in the case of <i>E. dunnii</i>.</p>

4. SELECTION OF RURAL PROPERTY

Considering that Bosques del Uruguay aims at an investment of approximately 10,000 hectares of land, for the selection process, it is estimated that between 40 and 50 properties will be listed and evaluated for their correct valuation. Likewise, between 5 and 8 properties are expected to be acquired to develop the forestry investment.

The Manager shall be in charge of the evaluation and selection of each property. It is therefore necessary to search for Properties with priority forest soils. The following conditions shall be evaluated on each offer:

- At least 50% of the area shall be composed of priority forest soils.
- Information shall be gathered regarding:
 - Roads;
 - Infrastructure;
 - Topography;
 - Soils, presence of rocky outcrops, texture and depth;
 - Distance to pulpwood customers (km);
 - Distance to sawmill/board customers (km);
 - Proximity to other companies' properties (km);
 - Proximity to population centers (km).
- Taking into consideration this data, a model is loaded in order to carry out a cash flow forecast and then calculate the land purchase price.
- Should there be any interest in purchasing the land, an analysis of a planting design is conducted.

A maximum term of three years is projected for the purchase of all properties.

In case very attractive properties which are further than 270 km from the processing destination are offered, this option can be evaluated but replacing E. dunnii with Pine. Pine is preferred because it produces timber of higher value and, therefore allows to pay longer freights.

It will also be possible to purchase a forested field, provided that the existing forestation is positively evaluated.

5. PLANTING

In spring or fall, a team led by the Manager will be in charge of plating. Planting density will be 1,333 and 1,000 trees per hectare for E. dunnii and E. grandis respectively.

Well-known nurseries for their high-quality products will be responsible for seedling production. In order to produce these seedlings, seed sources are selected based on evaluations conducted by Uruguayan institutions or companies. The criteria for evaluating their genetic origins consider the desirable characteristics to produce solid wood (for example: straightness, density, production/hectare, health).

Planting costs were estimated at USD 772 and USD 742 per hectare for E. grandis and E. dunnii respectively.

Estimated planting costs for E. dunnii and E. grandis (USD/ha)

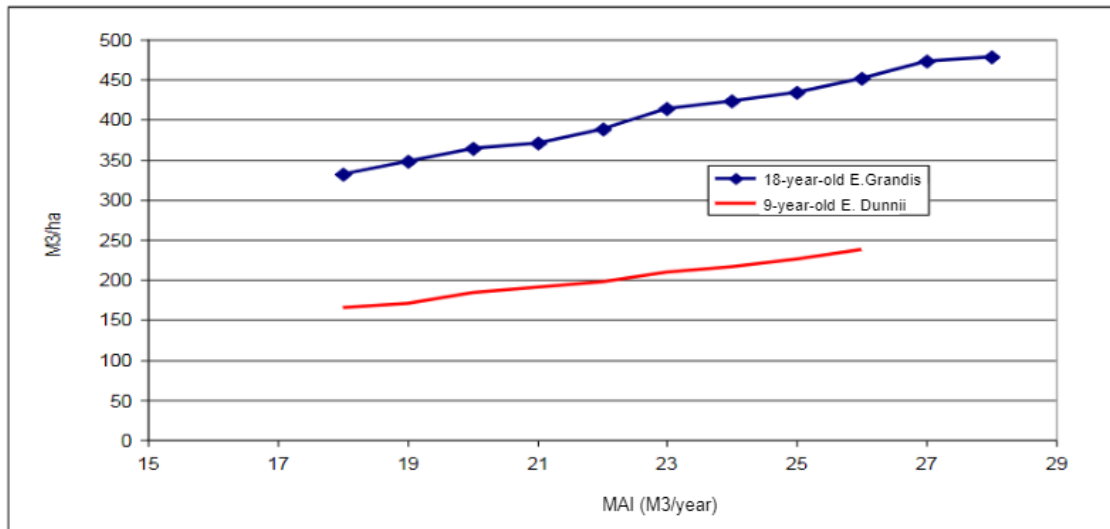
	E. dunnii	E. grandis
Tillage (field marking, subsoiling)	228	221
Herbicides (before and after planting)	189	189
Fertilizing	131	138
Seedlings	168	139
Others (ant control, etc.)	57	56
Total	772	742

6. GROWTH

Growth curves were modeled for both species according to different Mean Annual Increments (MAIs). The table below shows an example of the modeling software data for E. grandis and E. dunnii according to different MAIs. Roughly speaking, the model calculates as follows:

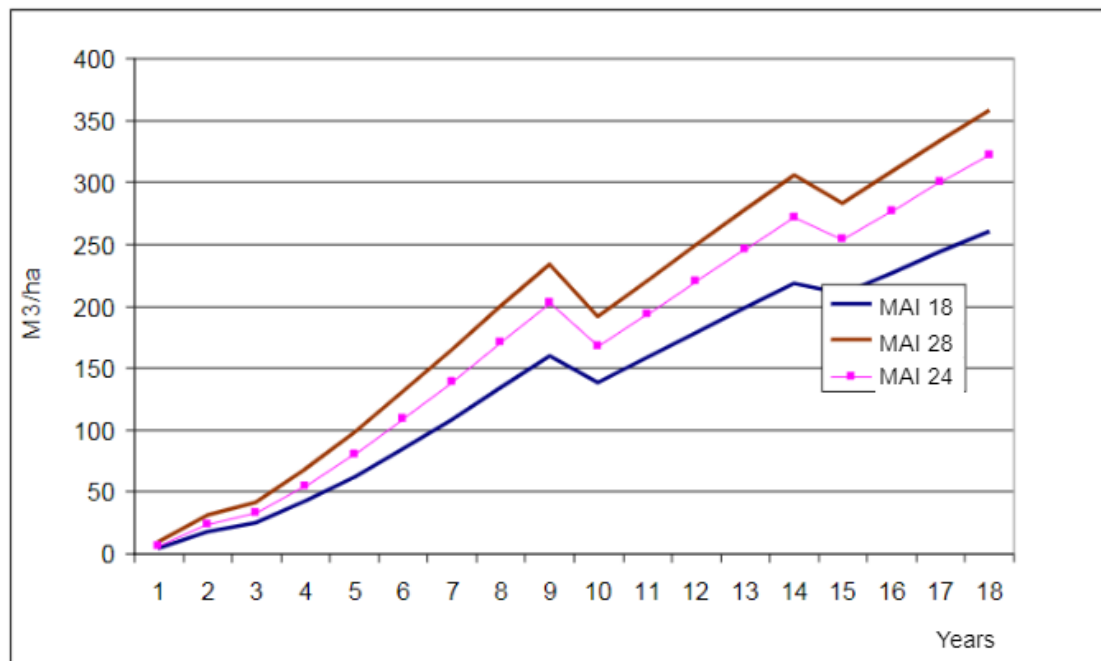
- E. dunnii: an increase of 1m³ in the growth of the MAI implies a 9 m³ increase in production per hectare.
- E. grandis: an increase of 1 m³ in the growth of MAI implies a 15 m³ of increase in production per hectare.

Timber production for *E. grandis* and *E. dunnii* according to different MAIs

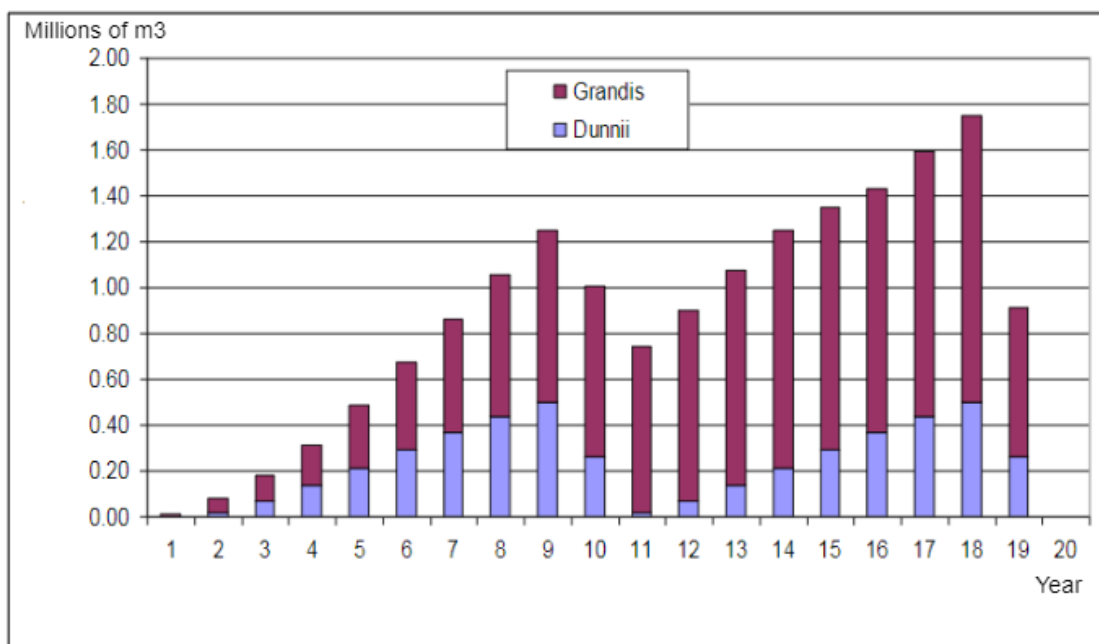


The objective for *E. Grandis* is to obtain wood free of defects and knots; for this purpose, the thinning will leave the best trees, i.e. the largest diameter, for the end. In this case, intensive silviculture will be used.

Evolution of the volume per hectare for *E. grandis* according to different MAI for Bosques del Uruguay



Evolution of cumulative timber volume during Bosques del Uruguay project according to Eucalyptus species



7. SILVICULTURE

Plantations for sawmill wood production demand a more intensive silviculture than those for cellulose pulpwood production, since intermediate pruning and thinning treatments are necessary throughout the growing season.

These treatments allow to harvest longer and larger diameter logs with knot-free wood, thus increasing the value of raw material.

Year	E. dunnii	E. grandis
1	Weed and Ant Control	Weed and Ant Control
2		Thinning to waste, Pruning N° 1 up to 2.5m – and Stump control
3		Pruning No. 2 up to 4 m – 475 trees/ha
4		Pruning No. 3 up to 6.5m – 475 trees/ha
5		Pruning No. 4 up to 9m – 200 trees/ha (including marking)
9	Pre-harvest Inventory + Ant Control	Stump Control + Pre-harvest Inv.

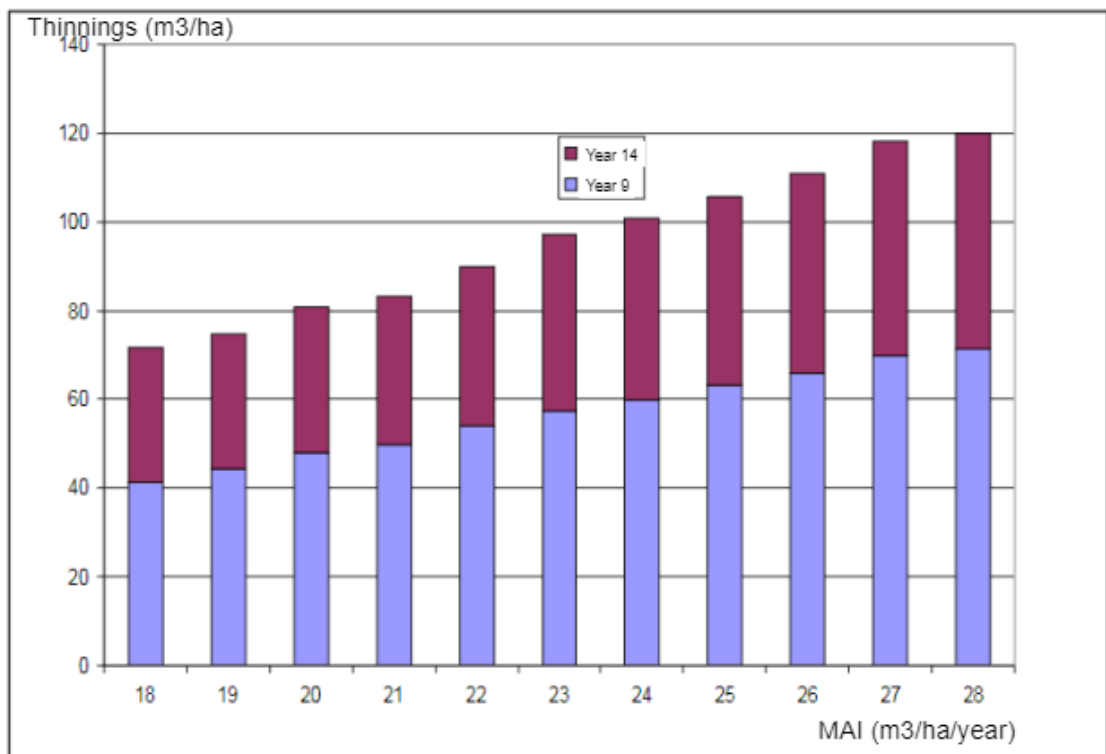
10	Regrowth management + Weed Control	
18	Pre-harvest Inventory + Ant Control	Stump Control + Pre-harvest Inv.

8. PRUNING AND THINNING

Pruning and thinning activities are not conducted in *E. dunnii* species. A final density of 1,177 trees at age 9 is reached.

E. Grandis will be thinned three times (at age 2, 9 and 14). All the production from *E. grandis* thinning at age 9 is for pulp. At age 14, approximately one-third of the production is timber for sawmilling and the remaining is for pulp. For the project, a MAI of 24 m³ per hectare per year will be used, which yields about 100 m³/ha of thinned timber.

Timber production in 2nd and 3rd *E. grandis* thinning according to different MAIs



9. FINAL HARVEST

Final harvest is conducted at age 9 for *E. Dunnii* and at age 18 for *E. Grandis*. Considering the MAIs of the project, a final harvest volume of 197 m³ for *E. Dunnii* and 322 m³ for *E. Grandis* is estimated.

In both cases, a pre-harvest inventory is made. In E. Dunnii, regrowth is managed after the second cycle harvest. In E. Grandis, regrowth and stumps are controlled.

10. MANAGER REPORTS

The Manager shall provide accurate records and reports of all operations pertaining to the establishment, management and maintenance of the Forest and, in particular, maintain a system of record keeping.

The manager shall report as follows:

- Monthly: This is a monthly financial report including invoices and expenses.
- Quarterly: Operational and commercial report on quarterly activities, comparing actual performance with the Management Plan and Budget, and a report including details on the purchase of agrochemicals, their price and supplier.
- Annually: Operational and commercial report including the closing of the last quarter.

11. PROCESS STANDARDS

The Trust “Fideicomiso Bosques del Uruguay” shall operate under a Management System run by the Manager (ISO 9001 certified), which shall follow procedures and operations manuals. Likewise, forest certification of the Forest Stewardship Council (FSC) will be obtained.

The management objective shall be to carry out an efficient organization, with trained and motivated personnel, complying with legal requirements, control the impact of undesirable situations, and develop good relationships with clients and the community. The following documents shall be associated with the process standards.

- v) Forest Management Plan (operational and environmental).
- vi) Field manuals to carry out tasks.
- vii) Annual operating budget.
- viii) Occupational safety standards.

12. RELATIONSHIP WITH SUPPLIERS

Essential suppliers are those individuals or entities that provide a service which directly affects the performance and quality of the services rendered by the Manager to the Trust.

As an example, essential suppliers offer services such as:

- Weed control,
- Planting,
- Tillage,
- Ant control,

- Pruning,
- Thinning and harvesting,
- Fire Prevention and Control,
- Project Management,
- Mapping Solutions,
- Inventories,
- Implementation of the Management System under the FSC standards.

(d) Supplier Selection

In order to select such suppliers some of these criteria shall be met:

- Availability of machinery for the required work.
- Condition of machinery (it should be inspected directly).
- References from other places where suppliers have worked, if it is possible to be more than one (call those places).
- Financial situation (previous debts, type of machinery ownership, if suppliers do other work apart from the one they are going to do for the Manager).
- Interview with more than one member of the Management (e.g. Operations Manager, General Manager or Management).
- Contractor's current commitments (what other works they are doing or are committed to do).

Following these criteria, a decision is made subject to the approval of the Management.

(e) Supplier Evaluation

Companies are evaluated according to the Supplier Evaluation Form. Based on their annual average of monthly evaluations, it will be decided whether or not they continue working.

These elements shall also be considered:

- The suitability of the personnel.
- The results of the client satisfaction survey.
- The results of internal audits.

These annual evaluations are carried out in the Management Review and the results are uploaded to the List of evaluated suppliers.

In order to evaluate the *essential suppliers for project management, mapping solutions, inventories and implementation of the management system under the FSC standards*, the following elements shall be considered:

- Quality of work;
- Meeting the requested requirements;
- Neatness and clarity of reports/projects/cartography;
- Delivery of work on time;
- Results of customer satisfaction survey;
- Results of internal audits.

(f) Documentation required from contractors

The control criteria and documentation may change due to any amendments to legislation or changes in the working conditions. The Manager may submit such changes for the approval of the Surveillance Committee.

6. Contractors working for the first time or who have interrupted their work with the Manager shall submit the documentation and information indicated in Items 4 and 5 below, and obtain the Manager's approval.

7. Contractors working for the Manager shall provide documentation and information of the current month.

8. The documentation and information provided, in both cases, shall be evaluated by the evaluation team, and compared with the field inspection results. In the event that observations are made, the contractors shall rectify them in order to be paid for the current month.

9. Documents that contractors shall submit to the Manager are:

Document	Frequency
Current DGI [General Revenue Office] Certificate	Before beginning any work and at each renewal
Current BPS [Social Security Institution] Certificate	Before beginning any work and at each renewal
Worksheet	Before beginning any work and on a monthly basis on a specific date
Consulting Activity: Assets and Liabilities	Before beginning any work and on a monthly basis on a specific date

Monthly and quarterly BPS [State Insurance Bank] payment	Monthly for the Industry and Commerce sectors and quarterly if it is for the Rural sector
Monthly and quarterly payrolls	Monthly for Industry and Commerce sectors and quarterly if it is for the Rural sector
Payroll receipts	Monthly
Receipts for severance payments	Monthly, if applicable
Receipts for bonuses, vacations and leaves	Where applicable
Health Card and Photocopy of Identity Card	Before beginning any work and on a monthly basis on a specific date, if there are any modifications or expirations
Employment Agreements	Before beginning any work and on a monthly basis, each time a new worker joins the company
Payment of BSE [State Insurance Bank] Vehicles. (For vehicles with more than 6 passengers a special insurance is used depending on the Department)	Monthly or once in case of annual payment and then at each renewal.
Payment of BSE [State Insurance Bank] Officers	Monthly whenever applicable a separate insurance
Daily control of operators	Monthly
Information of the personnel who worked for the Manager (Name and Surname, I.D. and Category)	Monthly

10. Documents that contractors shall have at the work place:

Document	Observations
Worksheet	Update it if there are any changes
Consulting Activities: Assets and Liabilities	Update it monthly
Health Card	Current for all officers or certification that it is in process
Identity Card	Current for all employees, including the foreman
Vehicle Ownership Card	Inside the vehicle
Driver's License	Driver must have it

Vehicle Insurance	Inside the vehicle
SUCTA S.A. or Ministry of Transport and Public Works (MTO)	If required, inside the vehicle

13. COMMERCIAL PLAN

The Trust “Fideicomiso Bosques del Uruguay” aims at entering into commercial agreements with well-known and experienced operators with good track records, in order to sale them timber, optimizing its price and its diversification as much as possible.

Over the life of the project, it is estimated that the Trust “Fideicomiso Bosques del Uruguay” will produce 2.7 million m³ of timber to commercialize:

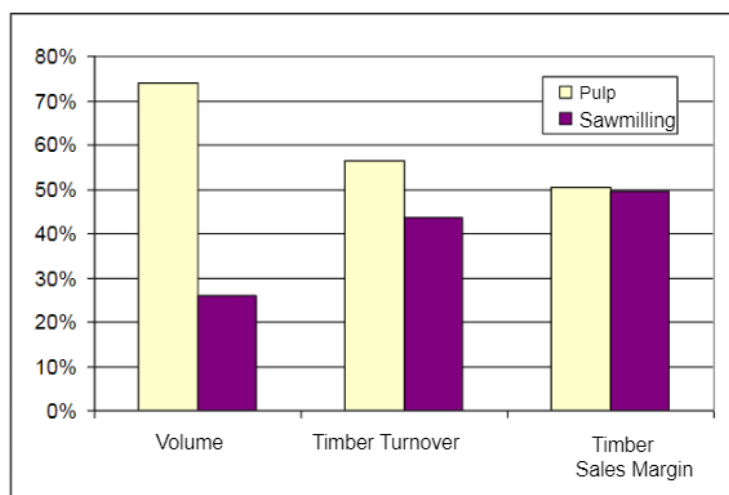
- 1.7 million m³ from E. grandis; 1.0 million m³ from E. dunnii.
- 2 million m³ for pulp and 0.7 million m³ for sawmilling.

Timber production to be commercialized:

	Grandis	Dunnii	Total Project	Per Ha project
Pulp	244	395	2,039,420	304
Sawmilling	179		719,506	107
Total	423	395	2,758,926	412

The project aims at having a balanced profile in the mix of product, i.e. wood for pulp production (shredded) or to be processed as solid wood. In terms of volume, ¾ of the project is destined for pulp production. However, when considering revenues, this figure drops to 56%, and in terms of contribution to the margin, it is half and half.

Participation of the different uses of Bosques del Uruguay timber



Project revenues are generated from the sale of timber, grazing revenues, and the sale of lands at the end of the project. The sale of timber accounts for 80% of the total project revenues. The estimated turnover during the life of the project shall amount to USD 363 million.

Activities involved in the sale of timber would be conducted at:

Tree Age	Activity	Pulp Volume (m³/hectare)	Sawn Volume (m³/hectare)
9	E. Grandis sale of thinning	60	
9	E. dunnii harvesting	197	
14	E. grandis thinning	28	13
18	E. grandis harvesting	156	166
18	E. dunnii harvesting	197	

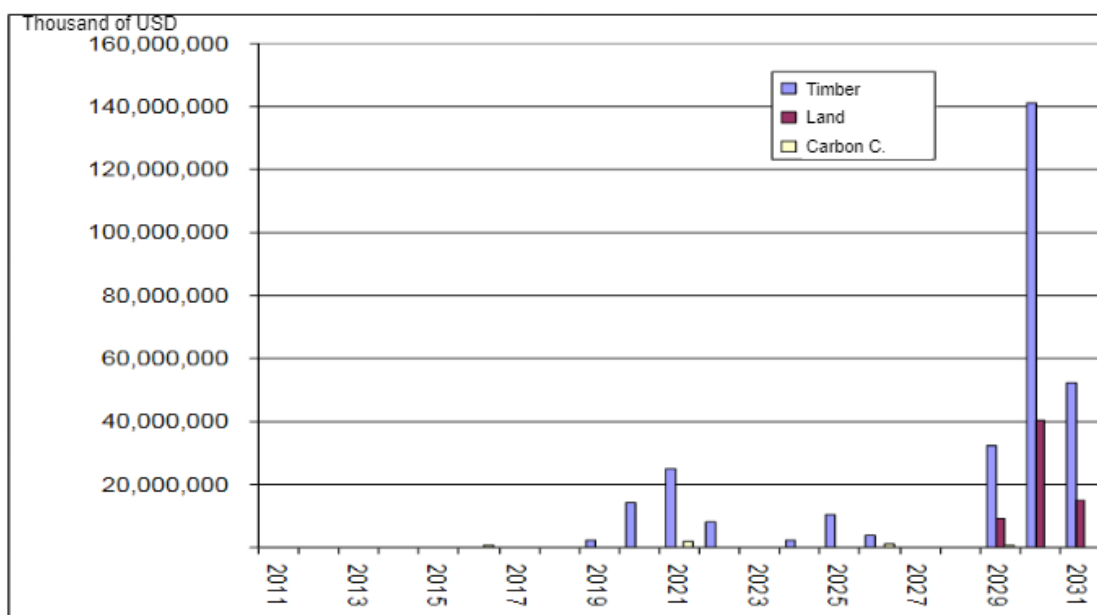
With regard to prices, a reference of USD 45 per m³ for dunnii and grandis pulp, and of USD 90 per m³ for grandis logs for sawmilling have been taken. These are average references placed at destination. In the case of sawlogs, it refers to those over 30 cm in diameter.

It is estimated that these values will have a cumulative annual increase of 1.5% above inflation. Over the last ten years there has been an upward trend of between 5% and 6% per year in both pulpwood and solid wood log prices.

As for grazing, the average income for leasing is USD 9 per hectare.

In accordance with the project, planting should be conducted in two years, consequently sales will take place in 6 years.

Bosques del Uruguay sales



The breakeven point for operating costs is reached at the end of the first felling of *E. dunnii* and second thinning of *E. grandis* (year 9 and 14).

Certified Emission Reductions

Forest plantations sequester CO₂ from the atmosphere, which contributes to reduce the greenhouse effect. It is for this reason that properly designed forestry projects could be eligible for the Clean Development Mechanism (CDM) provided by the Kyoto Protocol, and carbon credits could be commercialized on the regulated market.

There are also voluntary markets where private or public organizations from both developed and developing countries can purchase VERs or voluntary carbon credits. These emission reductions are verified by independent standards, most notably the VCS (Voluntary Carbon Standard) and the Gold Standard, both of which have widely well-known methodologies.

The forestry projects whose main purpose is timber production, as opposed to those intended for pulp production, have the advantage that carbon is accumulated for a longer period, since once the trees are cut, a large part of it remains in long-lasting products (furniture, houses, etc.).

The volume of carbon sequestered evolves with the timber stock in the forest, and in the case of "Bosques del Uruguay", the following table shows an estimate of its evolution (only *Eucalyptus grandis* is considered):

Years	Hectares Planted	Tons of Carbon Sequestered Accumulated	Carbon Credits Tons
2010		-	
2011	1,200	-	
2012	1,500	9,391	

2013	1,320	48,341	
2014		106,430	
2015		187,830	
2016		285,807	142,903
2017		417,382	
2018		562,849	
2019		717,737	
2020		878,424	
2021		939,821	327,007
2022		967,304	
2023		999,150	
2024		1,133,366	
2025		1,267,551	
2026		1,334,022	197,100
2027		1,379,512	
2028		1,429,443	
2029		1,547,466	106,722
2030		1,131,682	
2031		547,536	

As a reference, prices of certified emission reductions from forestry projects reached higher prices than 5 Euros, so their contribution would significantly influence the cash flow of the project (the expected price considered is 3.5 Euros).

Furthermore, obtaining Carbon Credits is a social recognition of the positive impact that the project has on the sustainable regional development, providing social, economic and environmental improvements.

14. OPERATING COSTS

It should be noted that the operating costs of the Trust provided herein are estimates. They represent only an attempt to anticipate actual costs.

Therefore, actual costs will be subject to rectification as they are incurred.

(a) Forest Manager's Costs

The activities of the Forest Manager shall exclusively include:

- (v) Carry out the Business Plan, managing the Trust Assets for such purpose.
- (w) Select and analyze those Properties to be purchased and carry out the negotiations for such acquisitions. Prior to any Trustee's purchases, the Manager shall send a copy of the reports on the lands to be acquired to the Surveillance Committee, at least 5 Business Days prior to any purchase.
- (x) Manage, coordinate and control the activities with subcontracted companies. The Trust shall bear the costs of contracting them, in accordance with section 34.

- (y) Manage the commercialization of timber produced by the plantations carried out on the Properties.
- (z) Carry out other negotiations and activities for forest exploitation, including the negotiation for granting farms for grazing.
- (aa) Prepare and coordinate forest certification (e.g. under the FSC standard).
- (bb) Prepare monthly, quarterly, and annual reports as provided in the Business Plan.
- (cc) Carry out all the necessary tasks on the fields where the Properties are located.
- (dd) Negotiate the necessary agreements with suppliers.
- (ee) Carry out performance and quality controls to suppliers and third parties hired to conduct other activities.
- (ff) Demand compliance and comply with all regulations, laws, and obligations relevant to the sector and to the country.
- (gg) Monitor the Properties to develop techniques that ensure the sanitary condition of the Forests.
- (hh) Plan and conduct fire prevention and firefighting.
- (ii) Receive from Debtors any sums owed to the Trust. For this purpose, the Manager shall request the Trustee to initiate any necessary actions.
- (jj) Make payments to any Trust Creditor, using for such purpose the funds transferred to the Operating Account as provided herein. The Manager shall have access to the balances and movements of the Accounts, but shall only have the power to draw on the funds deposited in the Operating Account.
- (kk) Make all purchases and hire the personnel that may be necessary in order to carry out the Business Plan.
- (ll) Prepare the Trust's annual budget in accordance with the Business Plan (the "Budget"). The Budget shall be submitted to the Trustee and to the Holders upon 15 Business Days from the beginning of each Fiscal Year. The Budget shall include the estimated costs, expenses, and any other payments associated with the management of the Trust assets, during the budgeted period. In all cases, the Manager shall indicate the payments' connection and degree of compliance with the Business Plan, as well as any other information that the Manager or the Trustee may deem relevant. The Budget shall indicate the amount to be deposited by the Trustee in the Operating Account that is deemed necessary to carry out the Business Plan during the period covered by the Budget.
- (mm) Prepare quarterly management reports in accordance with section 33 of the Trust Agreement, providing the development of the investment program, as well as any other information that may be relevant to the Beneficiaries. Likewise, the Manager shall

promptly inform the Trustee of any events or acts that may occur related to the execution of the Business Plan, and which may have a significant impact on the investment made by the Holders.

(nn) Prepare quarterly reports for the Surveillance Committee, informing about purchases of agrochemicals, including their prices, others similar options in the market, and the supplier.

(oo) Calculate the Distributable Net Income at each Fiscal Year-End to report it to the Trustee to make the relevant payments.

(pp) Propose the anticipated sale of part or all of the assets to the Meeting of Holders, in the cases where the Manager considers that there is an opportunity that may be beneficial to the Holders.

The aforementioned listed activities are included in the Manager's remuneration. All other costs shall be borne exclusively by the Trust.

As for the remuneration, the Manager shall receive a fixed annual payment of USD 511,000. This amount shall be multiplied by the following coefficients that take into account the intensity of activities during the forestry cycle:

YEAR	COEFFICIENT
1	1
2	1.5
3	1.5
4	1.5
5	1
6	1
7	0.5
8	0.5
9	1.5
10	1
11	1
12	0.5
13	0.5
14	1
15	1
16	0.5

YEAR	COEFFICIENT
17	0.5
18	1.5
19	1.5
20	1

This remuneration shall be adjusted on an annual basis by a parametric that includes: the interbank US dollar rate, diesel oil price, Average Wage Index (AWI) and the annual Consumer Price Index (CPI).

Parametric = 0.6* AWI variation + 0.17 * diesel price variation + 0.17* CPI variation + 0.06 * dollar variation.

Secondly, the Manager shall also receive a performance fee. Should the Internal Rate of Return (IRR) of the project exceed 6%, the Manager shall receive 15% of the additional return, which shall be calculated by the Trustee. In that case, the payment will be made in year 20 or earlier if the investors withdraw or liquidate their investment.

(b) Silviculture Costs

This item includes all the silvicultural activities detailed in the production chapter (ant control, thinning, pruning, pre-harvest inventories, etc.). They are carried out in E. Dunnii at age 1 and 9, while in E. Grandis from age 1 to 5 and at age 9 and 18. The costs of silvicultural activities have been estimated following the Forest Management Plan of “Bosques del Uruguay” and at market price.

(c) Maintenance Costs

Maintenance costs amount to USD 40.5 per hectare per year with the following breakdown:

Activity	Cost USD/ha/year
Fire Prevention and Firefighting	15
Insurance	15
Maintenance of fences/houses	5
Real Estate Tax	2
Inventories and FSC certification	3.5

(d) Harvesting and Transportation Costs

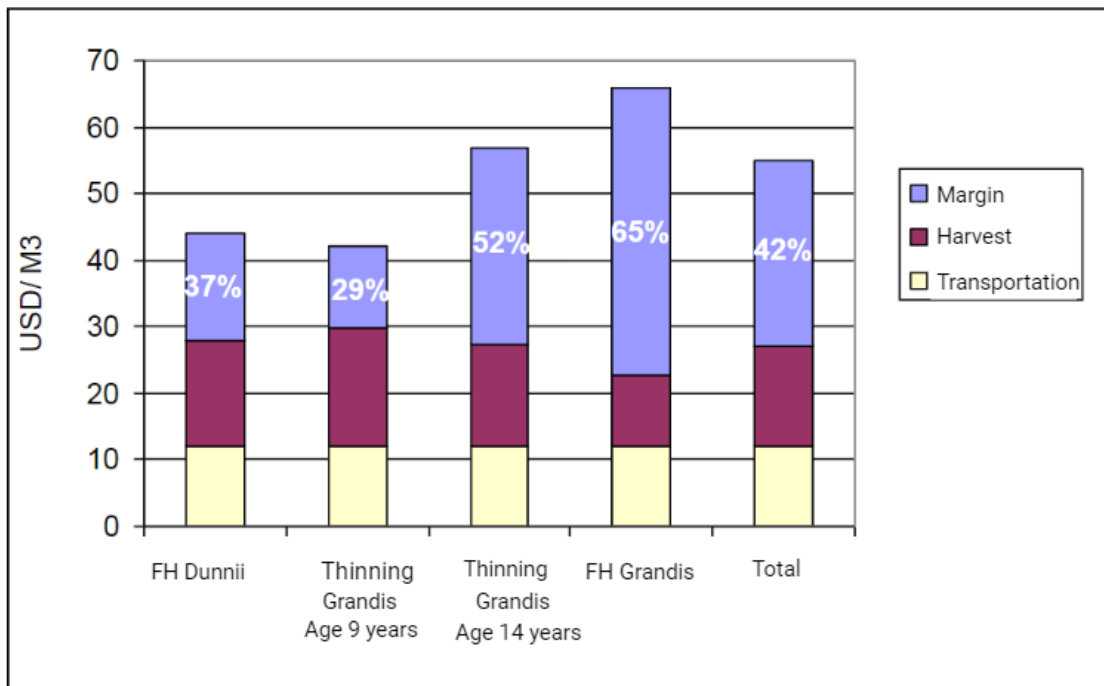
Harvesting and roads costs have been considered separately from transportation costs. Both are very important in forestry. The values used in the model are as follows (USD/ m³):

	E. dunnii	E. grandis
--	-----------	------------

Thinning and Final Harvest		
Thinning - age 9 years		18
Thinning - age 14 years		15.5
Final harvest	16	10.9
Transportation (270 km)	12.9	12.9

In other words, harvesting and transportation costs represent 70% of the final price in the case of the final harvest of *E. dunnii* and 35% in the case of *E. grandis* (in the latter case the weighted price is better since half of the production is destined for sawmilling).

Harvest and transportation costs according to sales price



ANNEX 2: ISSUANCE DOCUMENT

On [-----] [-----], 2011, **EF ASSET MANAGEMENT Administradora de Fondos de Inversión S.A.**, in its capacity as Trustee of the financial Trust **“FIDEICOMISO FINANCIERO FORESTAL BOSQUES DEL URUGUAY”** (hereinafter the “Trustee”), addressed at 1248 Luis Alberto de Herrera Avenue, World Trade Center, Tower B, 12th Floor, Montevideo, issues securities in accordance with the following terms and conditions.

1. INTRODUCTION

This Issuance Document is entered into, pursuant to the provisions set forth in the Trust Agreement, as of -- ----- ,2011, by and between the Trustee, Agroempresa Forestal S.A., and the Initial Underwriters of the Securities (hereinafter the “Trust Agreement”), and provides the terms and conditions under which the Trustee issues the Securities in favor of the Holders, in the manner set forth in this Issuance Document, the Trust Agreement and the Prospectus.

2. DEFINITIONS

Capitalized terms shall have the meaning given in the Trust Agreement.

3. TERMS AND CONDITIONS OF THE PARTICIPATION CERTIFICATES

The Trustee hereby issues Participation Certificates in accordance with the results and remainder of the Trust (hereinafter the “Participation Certificates” or the “Securities”) in favor of the Holders, pursuant to the terms and conditions hereunder.

The rights of the Holders are subject to the limitations and conditions expressly set forth in the Prospectus, the Trust Agreement and this Issuance Document. When acquiring the Securities, the Holders acknowledge that they are familiar with the Prospectus and the Trust Agreement, and agree to all the terms provided in the Prospectus and Trust Agreement.

3.1. Amount and currency

The total amount of Securities issued is USD 50,000,000 (fifty million dollars). The par value of each Security shall be USD 1,000 (one thousand dollars). Neither transfers, liens nor any kind of encumbrances of the Securities shall be admitted.

3.2. Guarantee

The Securities are solely secured by and shall be exclusively paid with the Assets comprising the Trust property under the Trust Agreement.

When acquiring the Securities, the Holders hereby agree and acknowledge that the rights related to the Securities are subject to the terms, conditions and limitations provided in the Trust Agreement and the Prospectus, and under no circumstances does the text of this Issuance Document modify, extend or annul the provisions expressly contained in such document.

3.3. Distributions for participation

Distributions for participation shall occur whenever there is Distributable Net Income after each Fiscal Year-End, or because of the sale of Trust Assets or the final distribution of the Remaining Net Income.

3.4. Term

Participation Certificates shall be valid upon the liquidation of the Trust.

3.5 Limitation of Liability

THE TRUSTEE SHALL NOT BE LIABLE IN ANY MANNER WHATSOEVER FOR ANY FAILURE OF PAYMENT RELATED TO THE SECURITIES.

THE TRUSTEE PROPERTY SHALL NOT BE LIABLE FOR ANY OF THE OBLIGATIONS INCURRED ON THE TERMINATION OF THE TRUST AND FOR THE ISSUE OF THE SECURITIES. SUCH OBLIGATIONS SHALL BE EXCLUSIVELY MET WITH THE TRUST ASSETS, PURSUANT TO SECTION 8 OF LAW 17,703.

4. PAYMENT TO HOLDERS

All outstanding payments related to the Securities shall be made on each Payment Date.

All payments under the Securities shall be net and free of all taxes, duties, levies, charges, expenses or commissions of any nature whatsoever, which may be applicable to the Trust in the present or future in Uruguay, and in all cases shall be borne by the Trust property.

The Trustee as issuer of the Participation Certificates, and in accordance with the tax regulations in force, shall withhold, in all cases, the corresponding Income Tax on each interest payment of the Securities, except in the case of such Holders who are not subject to Personal Income Tax ("IRPF") or Non-Resident Income Tax ("IRNR") withholdings, and who expressly notify the Trustee, prior to each Payment Date, that such withholding shall not be applied to their ownership of Securities.

For the purpose of issuing the receipt for the withholding made, the Holder shall appear before the Trustee so that the Trustee may confirm such holding and issue the corresponding receipt.

5. PAYMENT PROCEDURE

Payments shall be made through the Trustee to the account provided by the Holder in the Registry and by electronic transfer.

The Trustee shall not be liable for any inconveniences, delays or difficulties of any nature whatsoever that may occur during any Holder's transfer, except in the cases of any fraud or gross negligence by the Trustee. The Trustee shall order the transfer to the account indicated by the Holder, who shall only be responsible for the risks and costs arising from the negligent or reckless use of his/her account.

6. REGISTRATION OF PARTICIPATION CERTIFICATES

The Registrar Agent shall keep a Register of the Securities and the accounts of each of its underwriters. All legal transactions associated with the Securities, any mentions related to their legal status, and modifications thereto shall also be recorded in the Registry.

The Register of the Securities may be carried out by physical or electronic means.

The Securities shall be book-entry certificates, and Sections 14 and following of Law 18,627 shall apply.

The Registrar Agent shall issue a written certificate to the Holders evidencing their status as such, including their personal data, the nominal and residual value of the Securities, and any other certificate or clarification that the Registrar Agent may deem convenient.

7. AMENDMENT TO THE TERMS AND CONDITIONS OF THE ISSUANCE

The terms and conditions of the Securities issue may be amended by the Trustee with the consent of an Absolute Majority of Holders, except for any of the following amendments, which may require the affirmative vote of one or more of the Holders whose Securities represent a par value of more than 75% of the total Securities issued:

- (a) Reduce the principal or any other amount owed on the Securities;
- (b) Establish the manner of disposition of the Trust Assets;
- (c) Appoint the person who will be in charge of the disposal of the Trust property, as the total assets comprising it;
- (d) Terminate the Trust in the event that the Trust property is insufficient;
- (e) Approve the early sale of part or all of the Assets, as of the fifth year, as proposed by the Manager;
- (f) Approve any changes on the Business Plan, as proposed by the Manager;
- (g) Approve the extension of the sale of the Assets at the end of the forestry project described in the Business Plan, for up to 3-year term. The Meeting of Holders may also approve the extension of such sale for more than 3 years but only with the Manager's consent;
- (h) Replace the Registered Agent.

Any amendment to the terms and conditions of the issue of the Securities shall become effective after having been communicated to the stock exchanges where the Securities are listed, to the Central Bank of Uruguay and to the Holders (in this case by means of publications in 2 newspapers of wide circulation in the capital for 3 consecutive days, indicating that documentation is available).

8. OTHER OBLIGATIONS AND RESPONSIBILITIES OF THE TRUSTEE

In all cases where the Trustee is required to act in a manner not expressly provided or regulated in the Trust Agreement or the Prospectus, the Trustee shall request express instructions to the Holders, and it shall be subject to the decision of an Absolute Majority of Holders. The Trustee shall not perform any acts if the Holders fail to meet or adopt a resolution by an Absolute

Majority of Holders. The Trustee shall not be liable for any consequences arising from such failure to meet or adopt a resolution.

The Meeting of Holders shall not instruct the Trustee to do or not to do anything different from, or in addition to, what is set forth herein, the Trust Agreement or the Prospectus, without the consent of the Trustee.

The instructions given by the Holders pursuant to the foregoing shall only be revocable if the Trustee receives the revocation order prior to the date of the execution of such instructions.

9. REPLACEMENT OF THE TRUSTEE

In accordance with Section 30 of the Trust Agreement, the Holders may replace the Trustee by another trustee authorized to act as such in the Eastern Republic of Uruguay.

The replacement shall be carried out in accordance with the provisions set forth in the Trust Agreement.

10. PROCEEDINGS OF THE HOLDERS

The provisions pertaining to the proceedings of the Holders, the Meetings of Holders, their competence and regulation, and the resolutions binding all the Holders are set forth in Section 31 of the Trust Agreement.

The Trustee is expressly authorized to provide a list with the names and registered addresses of the Holders to any Holders, who so request it in writing, indicating their intention to promote a resolution of a Meeting of Holders. The Holders expressly acknowledge and agree that the Trustee shall be authorized to provide such information as set forth in the Trust Agreement.

11. REGISTRAR AGENT

The Trustee acts as Registrar Agent of this issue and is in charge of keeping the Register, in accordance with the terms provided herein.

12. LISTING

The Securities shall be listed in BEVSA and/or in the Montevideo Stock Exchange.

BOLSA ELECTRÓNICA DE VALORES DEL URUGUAY S.A. (BEVSA) SHALL NOT BE LIABLE, EITHER AS RESPONSIBLE PARTY OR AS GUARANTOR, NEITHER FOR THE PROMPT COMPLIANCE OF THE OBLIGATIONS ASSUMED BY THE FINANCIAL TRUSTEE, NOR FOR THE INFORMATION PROVIDED IN THIS PROSPECTUS. THE REGISTRATION OF THE TRUST SECURITIES IN THE REGISTRY OF ISSUERS AND SECURITIES OF BEVSA DOES NOT IMPLY ANY RECOMMENDATIONS TO PURCHASE SUCH SECURITIES, NOR ANY PREDICTIONS OF THEIR PROMPT COMPLIANCE. BEVSA HAS NEITHER THE POWER NOR ANY DUTY TO REPRESENT THE HOLDERS BEFORE THE FINANCIAL TRUSTEE,

PARTICULARLY, IN THE EVENT OF ANY DEFAULT BY THE FINANCIAL TRUSTEE, UNLESS IN THE CASES WHERE SUCH ENTITY HAS BEEN APPOINTED AS THE HOLDERS' REGISTERED AGENT.

MONTEVIDEO STOCK EXCHANGE SHALL NOT BE HELD LIABLE, EITHER AS RESPONSIBLE PARTY OR AS GUARANTOR, NEITHER FOR THE SECURITIES ISSUED BY THE TRUSTEE, NOR FOR THE INFORMATION PROVIDED IN THIS PROSPECTUS, WHICH IT HAD BEFORE ITS EYES. LIKEWISE, NEITHER MONTEVIDEO STOCK EXCHANGE, ITS BOARD OF DIRECTORS, ITS SENIOR MANAGERS NOR ITS ADVISORS MAKE ANY RECOMMENDATIONS OR PREDICTIONS ABOUT THE INFORMATION CONTAINED HEREIN RELATED TO THE TRUST, THE BUSINESS(ES) PROPOSED, OR ANY ENTITIES WHOM DIRECTLY OR INDIRECTLY PARTICIPATE IN OR WITH THE TRUST, NOR DO THEY ASSUME ANY RESPONSIBILITY WHATSOEVER FOR THE SECURITIES ISSUED BY THE TRUST. MONTEVIDEO STOCK EXCHANGE DOES NOT HAVE THE POWER TO REPRESENT THE HOLDERS BEFORE THE FINANCIAL TRUSTEE, UNLESS IN THE CASES WHERE SUCH ENTITY HAS BEEN APPOINTED AS THE HOLDERS' REGISTERED AGENT.

13. PROSPECTUS

EF ASSET MANAGEMENT AFISA is responsible for the accuracy of the economic, financial and commercial information contained herein.

14. RATIFICATION AND ACKNOWLEDGMENT

Any acquisition of the Securities implies the ratification and acknowledgement of this Issuance Document, the Prospectus, the Trust Agreement, as well as any other agreements, provisions, terms and conditions related to the issue of the Securities.

15. NOTICES

All notices, requests, demands or any other communications made by the Trustee to the Holders shall be deemed duly given when delivered by any reliable means to the address indicated by each Holder in the Register kept by the Trustee.

16. JURISDICTION AND COMPETENCE

The Securities and any relationships between the Trustee, the Trust and the Holders shall be governed by the legislation of the Eastern Republic of Uruguay and subject to the jurisdiction of the courts of the city of Montevideo.

17. REGISTRATION OF THE ISSUE

This Securities issue is made in full compliance with Law 18,627 dated December 16, 2009 and with the regulations in force, and was registered in the Securities Registry of the Central Bank of Uruguay according to Resolution dated [-----], which authorize to make its public offering under Law 18,627.

For EF Asset Management AFISA

ANNEX 3: MANAGEMENT AGREEMENT

In Montevideo, on May 6, 2011, this Management Agreement is made and entered into by and between: PARTY OF THE FIRST PART: EF ASSET MANAGEMENT ADMINISTRADORA DE FONDOS DE INVERSION S.A., represented herein by Sandra González, with an address for the purpose of this contract at 1248 Luis Alberto de Herrera Avenue, World Trade Center, Tower B, Floor 12 , Montevideo, “**the Trustee**”; and PARTY OF THE SECOND PART: AGROEMPRESA FORESTAL S.A., represented herein by Francisco Bonino, with an address for the purpose of this contract at 1061 Brasil Avenue, Rivera, hereinafter also referred to as “**the Manager**”.

1. INTRODUCTION

On May 6, 2011, the Trust Agreement called “Fideicomiso Financiero Forestal Bosques del Uruguay” (hereinafter the “Trust Agreement”) was entered into by and between the underwriters of the Securities, in their capacity as Trustors, EF Asset Management AFISA, in its capacity as financial Trustee, and Agroempresa Forestal S.A., in its capacity as Manager.

In accordance with the terms and conditions of the Trust Agreement, the management duties of the Trust shall be performed by a person other than the Trustee.

Pursuant to the provisions of the Trust Agreement, the Manager shall be in charge of the management duties.

Given the knowledge and experience in the management of forestry assets, it is convenient to appoint Agroempresa Forestal S.A. as Manager during the term of the Trust Agreement, notwithstanding the cases of resignation or revocation of the Manager, pursuant to the terms and conditions set forth herein.

The Manager hereby agrees to perform the duties, exercise the powers and comply with the obligations of manager, and as set forth in the Trust Agreement, in accordance with the provisions of this Agreement.

2. DEFINITIONS

Capitalized terms shall have the meaning given in the Trust Agreement.

3. MANAGEMENT OF THE TRUST ASSETS

The Trustee hereby appoints the Manager, and the Manager agrees to perform the duties, exercise the powers, and comply with the obligations of manager under the provisions of this Agreement and the Trust Agreement.

The Manager shall manage the Trust Assets and carry out the Business Plan. Notwithstanding the foregoing, the Trustee shall be responsible for the performance of the Manager and its subcontracted activities.

Each Beneficiary, by the mere acquisition of the Securities, consents that the Manager shall act in such capacity in accordance with the Management Agreement, and carry out the duties set forth herein.

4. TRUST ASSETS

The Trustee shall invest the proceeds from the placement of the Securities in the purchase of rural Properties, in accordance with the provisions set forth herein, for the subsequent development of forestry activities, so that such proceeds are integrated into the Trust property. The Trustee shall invest in those Properties that the Manager may recommend, as provided in the Business Plan, following the procedures set forth in this Agreement.

5. DUTIES AND RESPONSIBILITIES OF THE MANAGER

The Manager shall specifically have the following duties and responsibilities, notwithstanding, those detailed in the Business Plan:

- (a) Carry out the Business Plan, managing the Trust Assets for such purpose.
- (b) Select and analyze those Properties to be purchased, and carry out the negotiations for such acquisitions. Prior to any Trustee's purchases, the Manager shall send a copy of the reports on the lands to be acquired to the Surveillance Committee at least 5 Business Days prior to the purchase.
- (c) Manage, coordinate and control the activities with subcontracted companies. The Trust shall bear the costs of contracting them, in accordance with Section 34.
- (d) Manage the commercialization of timber produced by the plantations carried out on the Properties.
- (e) Carry out other negotiations and activities for forest exploitation, including the negotiation for granting farms for grazing.
- (f) Prepare and coordinate forest certification (e.g. under the FSC standard).
- (g) Prepare monthly, quarterly, and annual reports as provided in the Business Plan.
- (h) Carry out all the necessary tasks in the fields where the Properties are located.
- (i) Negotiate the necessary agreements with suppliers.
- (j) Carry out performance and quality controls to suppliers and third parties hired to conduct other activities.
- (k) Demand compliance and comply with all regulations, laws, and obligations relevant to the sector and to the country.
- (l) Monitor the Properties to develop techniques that ensure the sanitary condition of the Forests.
- (m) Plan and conduct fire prevention and firefighting.
- (n) Demand Debtors any sums owed to the Trust. For this purpose, the Manager shall initiate any necessary actions.
- (o) Make payments to any creditor of the Trust, using for such purpose the funds transferred to the Operating Account as provided in this Agreement. The Manager shall

have access to the balances and movements of the Accounts, but shall only have the power to draw on the funds deposited in the Operating Account.

(p) Make all purchases and hire the personnel that may be necessary in order to carry out the Business Plan.

(q) Prepare the Trust's annual budget in accordance with the Business Plan (the "Budget"). The Budget shall be submitted to the Trustee and the Holders upon 15 Business Days from the beginning of each Fiscal Year. The Budget shall include the estimated costs, expenses, and any other payments associated with the management of the Trust Assets, during the budgeted period. In all cases, the Manager shall indicate the payments' connection and degree of compliance with the Business Plan, as well as any other information that the Manager or the Trustee may deem relevant. The Budget shall indicate the amount to be deposited by the Trustee in the Operating Account that is deemed necessary to carry out the Business Plan during the period covered by the Budget.

(r) Prepare quarterly management reports, in accordance with Section 33 of this Agreement, providing the development of the investment program, as well as any other information that may be relevant to the Beneficiaries. Likewise, the Manager shall promptly inform the Trustee of any events or acts that may occur related to the execution of the Business Plan, and which may have a significant impact on the investment made by the Holders.

(s) Prepare quarterly reports for the Surveillance Committee, informing about purchases of agrochemicals, their prices, others similar options in the market, and the supplier.

(t) Calculate the Distributable Net Income at each Fiscal Year-End to report it to the Trustee, who shall make the relevant payments.

(u) Propose the anticipated sale of part or all the Assets to the Meeting of Holders, in the cases where the Manager considers there is an opportunity that may be beneficial to the Holders.

The Manager shall defend and preserve the Trust Property. Therefore, the Manager shall promptly inform the Trustee of any event or circumstance that may adversely affect the Trust Property, and take all conservative and defensive measures, notwithstanding those that the Trustee may take.

The Manager shall be responsible for selecting and monitoring the contractors that perform tasks for the Trust, applying for such purposes the criteria for selecting and monitoring contractors set forth in the Business Plan.

Notwithstanding the foregoing, such criteria may be modified due to changes in the regulations or the conditions under which such work shall be carried out. For this purpose, the Manager shall present such modifications for the Surveillance Committee approval.

The Manager shall be responsible for any complaints related to the subcontracted companies, only when such complaints have been initiated due to the Manager's noncompliance with any of the contractors' control obligations set out in the Business Plan. In the case where the Manager has complied with all the obligations, applying all the required selection and monitoring criteria, and a complaint is submitted, then the Trust property shall be liable for such complaints.

The Manager shall deliver a copy of the audited financial statements of the previous year to the Trustee, within 120 days after each fiscal year-end. Such financial statements shall be available to the Holders in case they would like to have access to them.

6. MINIMUM PERFORMANCE STANDARDS OF THE MANAGER

The Manager shall comply with the following minimum performance standards, which shall be evaluated annually, according to the following criteria:

(a) Land Purchase: at least 50% of the land indicated in the Business Plan shall be purchased within the first three (3) years as of the Subscription Date. In the event such purchases are greater than 50% but less than the total project, the Surveillance Committee may recommend the Meeting of Holders whether to extend the purchase term or return the money from the land which was not purchased, reducing the final project area.

(b) Planting: at least 80% of the purchased areas evaluated as plantable shall be planted within 2 years as of the date the sellers delivered the fields.

(c) Planting survival and early growth: a minimum survival and early growth of 80% of the initial stand shall be achieved in the total planted area each year. This evaluation shall be carried out in May of the year following the year evaluated. In case of extreme weather conditions, whether drought (precipitation deficit equal to or greater than 45% of the local average in the following 2 months after planting), frost or hailstorms affecting plantations, the Manager shall not be responsible for failure to comply with such goal, provided that such non-compliance is proven.

The Trustee shall be directly in charge of supervising the purchase of land based on the purchases that have already been made.

To monitor the planting, and survival and early growth standards (items b and c above), the Surveillance Committee shall appoint a qualified technician to carry out the relevant operational audits to monitor the Manager's compliance with such standards. Operational audits shall be conducted semi-annually for the first 3 years and annually thereafter.

Once the operational audit reports have been submitted, the Trustee shall notify the Holders of such reports.

Failure to comply with any of the foregoing standards shall be sufficient cause for the Holders by a Special Majority resolution to remove the Manager from office.

7. ACTIONS OF THE MANAGER ON BEHALF OF THE TRUST

Any collection related to the Trust Assets, whether in cash - by means of receipt of sums of money - in kind -, by means of donation of goods in payment -, as well as any waiver, release or remission of sums to be received associated to the Trust Assets, for any reason whatsoever, and receipts, instruments or documents evidencing such legal transactions shall be subscribed by the Manager with the express acknowledgment that they are delivered by the Trust. For such purpose, the Trustee shall grant a power of attorney to the Manager.

The Manager shall previously request and justify all disbursements that the Trustee shall make for the purpose of carrying out the Business Plan.

For the purpose of meeting the operating expenses of the Trust, the Trustee shall transfer the funds detailed in the annual Budget prepared by the Manager to the Operating Account within 2 Business Days after receipt of a written request from the Manager.

Besides, the Trustee shall also transfer such additional funds to the Operating Account, within 2 Business Days after receipt of a written request from the Manager, to meet extraordinary expenses of the Trust, provided that such expenses do not exceed 20% of the Budget for that year. In the event that amounts exceeding this percentage are required, the Surveillance Committee approval shall be requested.

The Manager shall, at its sole discretion, advance its own funds in order to carry out his duties. The Trustee shall monthly reimburse such funds to the Manager, provided that they correspond to the activities set forth in this Agreement. Such advances shall not be compensated nor shall they bear any interests whatsoever.

8. RESIGNATION OF THE MANAGER

The Manager shall only resign from the obligations and duties as Manager under this Agreement based on a Just Cause. In that case, the Manager shall send a written notice to the Trustee, ninety (90) days in advance, clearly stating the cause for such resignation.

Just Cause shall occur when due to the passing of any rule, law, decree, regulation, judicial or administrative order, or the occurrence of any event of force majeure or act of God, the Manager is substantially adversely affected in the performance of the rights and obligations provided herein, except in those cases in which the Manager has committed fraud or gross negligence and has been ruled as such by a final judicial sentence or the decision of a competent court of law.

If applicable, the resignation of the Manager shall not become effective until a substitute Manager shall assume the Manager's responsibilities and obligations in accordance with the provisions of this Agreement. The Manager shall continue receiving the agreed remuneration until his resignation becomes effective.

9. CAUSES FOR REMOVAL OF THE MANAGER

By resolution of a Special Majority of Holders, the Manager shall be removed, without any right to any compensation, when any of these events may occur:

(a) The Manager fails to comply with any of the obligations provided herein and to remedy such noncompliance within thirty (30) Business Days after receiving the relevant Trustee's notice;

(b) The Manager fails to comply with any of the minimum management standards set forth in Section 10 of the Trust Agreement;

(c) The Manager fails to provide the relevant and necessary information to the Trustee, as provided in the Trust Agreement, in such way that the Trustee shall comply with its duty to provide such information to the Holders;

(d) The Manager fails to promptly perform such public and/or private acts, which may be necessary to fulfill the Trust's purpose;

(e) Any encumbrance, restraining order or any other precautionary measure shall be ordered against the Manager for an aggregate amount exceeding ten percent (10%) of the par value of the Securities issued, and such precautionary or definitive measures are not lifted within thirty (30) Business Days, except in the case of labor contingencies brought against the Trust by the subcontracted companies' personnel;

(f) The dissolution or bankruptcy of the Management;

(g) The BCU issues an unfavorable note, ruling, resolution or opinion on the Manager's performance, or suggest or request the Manager's removal.

The Manager hereby agrees to inform the Trustee, by any reliable means and no later than the third Business Day after becoming aware of the occurrence of any of the foregoing situations. Failure to comply with such obligation shall also be a cause for removal of the Manager, unless the Manager proves, in a reliable manner, that such causes do not longer exist.

The Manager shall receive the remuneration accrued up to his removal. The expenses and fees related to such removal for cause shall be borne by the Manager.

10. APPOINTMENT OF A SUBSTITUTE MANAGER

In any case of disqualification, removal or any other event of vacancy in the Manager's office, the Trustee shall immediately require the consent of an Absolute Majority of Holders in order to appoint a substitute Manager. At least three (3) possible substitutes shall be proposed.

The appointment of the substitute Manager by the vote of the Absolute Majority of Holders shall be sufficient for the outgoing Manager to be duly notified of such appointment and acceptance of such position.

The replacement of the Manager shall become effective once: (i) the substitute Manager has been appointed in accordance with the foregoing provisions, and (ii) accepts such appointment. The Trustee shall be notified in writing of such appointment. The Manager shall continue in office until the foregoing requirements have been met.

If within thirty (30) Business Days after the Trustee has removed the Manager, the Absolute Majority of Holders has not appointed a substitute Manager, or the substitute Manager has not assumed the duties of Manager, the Trustee may proceed to liquidate the Trust.

All expenses related to the removal of the Manager and the appointment of the substitute Manager shall be borne by the Trust, except for the removal for cause, in which case, the expenses shall be borne by the Manager.

11. CONFLICTS OF INTEREST

The following regulations shall be applied to the actions of the Trustee and the Manager in order to prevent any possible conflicts of interest:

(a) When complying with Trust assets investment policy, the Manager shall act with absolute independence from any other interests in the agroforestry sector. The Manager shall require from the personnel involved in decision-making investment special care and transparency in such process, in order to avoid conflicts of interest, and thus, manage the Trust at its best, pursuing at all times that the operations of acquisition and disposal of assets made on behalf of the Trust are carried out in the exclusive interest of the Beneficiaries.

Notwithstanding the foregoing, if any entity in which the Trust has invested, for reasons beyond the control of the Trustee and the Manager, carries out a related-party transaction, such situation shall be reported to the Surveillance Committee, if it is constituted, or to the Meeting of Holders within 5 Business Days following the day on which the event occurred. This situation shall be regularized within two years after the date of occurrence.

(b) The Manager and any Related Party shall not carry out transactions or render services of any nature whatsoever to the Trust, except those provided herein and in the Trust Agreement. Upon execution of this Agreement, the Manager hereby agrees to submit an affidavit to the Trustee indicating all its Related Parties, and update such affidavit whenever any amendments are made thereto.

Notwithstanding the foregoing, the Manager is expressly authorized to purchase agrochemicals from Novillada S.A. (company affiliated to the Manager) under market conditions. The Surveillance Committee shall be informed of such purchases by means of periodic reports. In the event the Surveillance Committee makes any observations, the Absolute Majority of Holders may revoke such authorization to operate with Novillada S.A.

(c) The Trust shall not purchase any land owned by the Manager and/or any Related Party. Prior to any purchase, the Manager shall submit an affidavit to the Trustee stating that the seller is not Related to the Manager. In the event it may exist a blood relationship up to the third degree or affinity up to the second degree between the Manager or its senior personnel and the seller, notwithstanding it shall not be a Related Party, the Manager shall notify the Trustee and the Surveillance Committee, and the purchase shall only be made subject to the prior approval of the Surveillance Committee.

(d) The Trust shall not execute any transactions with persons or entities that own Securities for their own account, regardless of who the registered Holder of such Securities may be, unless such transactions are approved by the Absolute Majority of Holders. This restriction shall not apply to such Holders who hold Securities on behalf of third parties and they have expressly stated.

(e) The Board of Directors and Manager shall not offer any advisory or consulting service, or any other service of the same nature to the Trust.

(f) Neither shall the Trust carry out transactions with persons indebted to the Manager nor with any of his Related Party. However, for such purposes, a person related to the Manager shall not be considered a person who acquires such condition due to the investment of the Trust assets in such Related Party.

(g) While the Trust is investing in land, the Manager shall not, directly or indirectly, participate in any other new project of publicly offered timber and trust investment funds in Uruguay that purchase land in the Trust's area of influence, unless authorized by a Special Majority of Holders.

Upon completion of the Trust's investment in land, the Manager may participate in other publicly offered timber and trust investment funds, subject to at least 60 days' prior written notice is submitted to the Holders.

(h) The duties of the Trustee and the Manager shall always be carried out independently, and the companies performing such duties shall not be Affiliated companies.

12. MANAGER REMUNERATION

In compensation for the services that the Manager agrees to render and in accordance with the terms set forth herein, the Manager shall receive:

(a) a fixed annual amount of five hundred eleven thousand dollars (USD 511,000) adjusted by the parametric and annual coefficient;

(b) a Performance Fee. Should the Internal Rate of Return (IRR) of the project exceed 6%, the Manager shall receive 15% of the additional return, which shall be calculated by the Trustee.

In order to determine the amount of the Performance Fee, the Project's Internal Rate of Return for the last year of operation of the Trust shall be calculated, considering the free cash flow generated by the investors during such period and the value of the Trust's property prior to its liquidation. The initial investment (USD 50 million) shall be revaluated in such year, using the IRR obtained above. To the resulting difference between the initial investment discounted at IRR and the investment discounted at 6%, a 15% shall be applied, thus obtaining the Performance Fee that the Manager shall receive in the last year.

The corresponding Value Added Tax shall be added to such remunerations.

The Trust shall pay such remunerations.

The fixed remuneration payment shall be made within ten Business Days of the following month, upon presentation of the Manager's invoice. In the event the Manager is entitled to such Performance Fee, it shall be paid in the 20th year or before if the Trust is previously liquidated.

Any present or future taxes levied on such payments to the Manager for the management of the Trust, excluding the Manager Income Tax, shall be paid by Trust.

The Manager shall be paid the aforementioned remuneration until the Trust Assets are fully liquidated, all the Securities and Liabilities are cancelled, and the net proceeds from such liquidation, if any, are distributed.

13. ENFORCEMENT OF THE TRUST AGREEMENT

All matters not provided herein shall be governed by the provisions set forth in the Trust Agreement.

Two counterparts of this Agreement are signed on the date first written above.

The Trustee

Name:

Title:

The Trust Manager

Name:

Title:

ANNEX 4: REPRESENTATION AGREEMENT

In the city of Montevideo, on May 9, 2011, this Representation Agreement (the “Agreement”) is made and entered into by and between party of the first part: **EF Asset Management Administradora de Fondos de Inversión S.A.**, in its capacity as Trustee of the financial Trust “FIDEICOMISO FINANCIERO BOSQUES DEL URUGUAY” (hereinafter, the “Trust”), represented herein by Sandra González, with an address for the purpose of this contract at 1248 Luis Alberto de Herrera Avenue, World Trade Center, Tower B, Floor 12 (hereinafter, the “Trustee” or “EF AFISA”) and party of the second part: **Bolsa Electrónica de Valores del Uruguay S.A.**, represented herein by Eduardo Barbieri, Civil Law Notary, addressed at 1537 Misiones street, 7th floor of this city (hereinafter, the “Registered Agent” or “BEVSA”); pursuant to the following terms and conditions.

1. INTRODUCTION

1.1 This agreement is made and entered into by and between the Trustee, Agroempresa Forestal S.A. and the Initial Underwriters of the Securities, as provided in the Trust Agreement executed on May 6, 2011 (hereinafter the “Trust Agreement”).

1.2 The main terms and conditions of the issuance of the Participation Certificates are as follows:

Name:	Fideicomiso Financiero Forestal Bosques del Uruguay
Trustors:	Initial Underwriters of the Securities
Trustee:	EF ASSET MANAGEMENT Administradora de Fondos de Inversión S.A.
Registrar Agent:	EF Asset Management Administradora de Fondos de Inversión S.A.
Manager:	Agroempresa Forestal S.A.
Organizer:	Agroempresa Forestal S.A.
Paying Agent:	EF Asset Management Administradora de Fondos de Inversión S.A.

Securities to be Issued:	Book-entry Participation Certificates ("Securities" or "PC")
Registered Agent:	Bolsa Electrónica de Valores S.A.
Issue Amount:	Up to USD 50,000,000
Subscription Date:	Once the securities are registered at the BCU.
Trust Assets:	The Trust shall invest in the purchase of rural Properties to the development of forest exploitation.
Currency:	Interbank dollar
Distributions:	Whenever there is Distributable Net Income after each Fiscal Year-End, or because of the sale of the Trust Assets or the final distribution of the Remaining Net Income.
Term of the Trust:	30 years, or until the Participation Certificates issued by the Trustee are fully paid and the other obligations under the Trust Agreement are canceled.
Risk Rating Agency:	CARE Calificadora de Riesgo S.R.L.
Registration:	Central Bank of Uruguay
Stock Exchange Listing:	BEVSA and/or Montevideo Stock Exchange

2. SUBJECT MATTER

2.1 The Trustee hereby appoints BEVSA as the Registered Agent for the issue of the Securities pursuant to the provisions of Law No. 18,627 (the "Securities Market Law") and Sections 456, 457 and 464 of Law No. 16,060. The Registered Agent hereby accepts such appointment, subject

to the conditions set forth in this Agreement, and further agrees to represent the Security Holders (hereinafter, the "Holders"), registered in EF AFISA presence or in the registered agent's presence who may occasionally substitute it, under the terms set forth herein.

2.2 The Issuance Document of the CP governs the terms and conditions of the Securities as well as other obligations of the Trustee, which may be additional and independent of those resulting from this Agreement.

3. OBLIGATIONS OF THE TRUSTEE

EF AFISA in its capacity as trustee of the Trust shall: (a) ensure the Registered Agent and, on behalf of it, the Holders, that the information and projections contained in the Prospectus are true and reasonable; (b) indemnify and hold the Registered Agent harmless for any damages that it may incur in compliance with this Agreement; (c) provide the Registered Agent with all economic-financial information about the state of the Trust's and/or the Trustee's business that it may be reasonably required for the proper performance of such duty; (d) deliver to the Registered Agent all periodic and permanent information, as well as any relevant facts that the Trustee is obliged to disclose to the BCU and to the stock exchange where the Securities are listed, including the content, in the form and at the time provided by the Securities Market Law, as well as any other regulatory or complementary, current or future norms, and the internal regulations of the stock exchanges where the Securities are listed; (e) bear, and if applicable, reimburse BEVSA, all the expenses arising from the execution and performance of this Agreement incurred by the Registered Agent to protect the rights and interests of the Holders (including in all cases, the professional fees of its legal advisors); (f) pay the Registered Agent the agreed remuneration; (g) provide the Registered Agent with a copy including information about the total amount received for the issue of the Securities, the discounts made for the amounts due to the Registered Agent or any other agents of the issue, as provided in the Agreements, as well as for those Securities which were not placed.

4. DELIVERY OF DOCUMENTATION TO THE HOLDERS

The Registered Agent may deliver to the potential Holders copies of the Prospectus and of this Agreement, and any other documentation that the Registered Agent may have in possession and shall be required by the BCU and the stock exchanges regulations, where the Securities are listed.

5. OBLIGATIONS OF THE REGISTERED AGENT

The Registered Agent shall have the following obligations: (a) control the subscriptions and contributions; (b) assume the legal representation of the Securities, and consequently of the Holders, to the extent provided in this Agreement; (c) defend the collective rights and interests

of the Holders during the term of the Securities and up to their total cancellation, pursuant to the legislation and this Agreement.

6. REPRESENTATION AND DEFENSE OF THE RIGHTS OF THE HOLDERS

The Registered Agent shall perform, in the name and on behalf of the Holders, the following acts: (a) request any information pertaining to the Trustee and/or the Trust, as well as any other information that may be required by current or future regulations, or derived from the regulations of the stock exchanges where the Securities are listed; (b) carry out such proceedings and legal actions as may be necessary to preserve the rights of the Holders, notwithstanding what the Meeting of Holders, or the relevant majorities of Holders in each case, may decide from time to time; (c) summon a Meeting of Holders, in the cases it deems appropriate or convenient to defend the interests of the Holders or, when, in accordance with this Agreement, it may correspond; (d) carry out, on behalf of the Holders, the legal actions that the Meeting of Holders or the relevant majority of Holders may decide, notwithstanding the Registered Agent power to refuse to comply with such resolution, in accordance with the provisions set forth in section 9.5, paragraph (a) of this Agreement; (e) request any type of information to the Registrar Agent (as this term is defined by the Trust) in connection with this issue.

7. RELEASE OF LIABILITY

7.1 The Holders and the Trustee hereby release the Registered Agent from any liabilities that may result from carrying out its duties and performing any action aimed at protecting the rights of the Holders, except in the cases of willful misconduct or gross negligence (Section 464 of Law No. 16,060).

7.2 The Registered Agent may consult with its advisors on any action to be taken under this Agreement, and the report of such advisors shall be sufficient evidence for any decision the Registered Agent may make for the purpose of releasing itself from any liability, except in the cases of willful misconduct or gross negligence.

7.3 The Registered Agent shall not be liable for the content and scope of the Trust, the Securities, any sureties, or credits assigned to the Trust. The Registered Agent shall not be bound to comply with any instruction, order or resolution of the Holders, pursuant to the provisions of this Agreement, if the funds are not advanced or provided with sufficient guarantees to cover all the expenses, taxes and liabilities that the Trust may incur in. In any case, the Registered Agent shall deduct such expenses from the payments made by the Trustee, and provided, however, to the obligation of the latter to entirely cover them.

7.4 The Registered Agent, acting in its own name and on behalf of the Holders and without requiring the consent or approval of any of them, may, at any time, agree and execute, together with the Trustee, such amendments to this Representation Agreement, as it may deem appropriate, for any or all of the following purposes: (a) add any obligations, restrictions or statements of the Trustee, which may serve as an additional protection to the Holders; (b) clarify

any ambiguity or doubtful provision herein, in any amendment, or in the Securities; (c) make any amendments to any provision of this Agreement, whether of a formal or technical nature, which in the Registered Agent's opinion may not be detrimental to the Holders' interests, or to correct any error. Amendments shall be promptly notified to the stock exchanges where the Securities are listed, to the BCU, in accordance with the relevant regulations, and to the Holders (as the Registered Agent deems appropriate, at the Holder's registered address by EF AFISA, in its capacity as Registrar Agent or by publication in two newspapers of well circulation in the capital for three consecutive days indicating that there is documentation available). The publication shall not indicate neither the content nor the scope of such amendments.

7.5 The powers of the Registered Agent shall be all those set forth in this Agreement, in the Issuance Document, in the Trust Agreement, or in any other document related to this issue.

8. UNILATERAL TERMINATION. RESIGNATION OF THE REGISTERED AGENT. APPOINTMENT OF A SUBSTITUTE REGISTERED AGENT

8.1 The Registered Agent may resign and terminate this Agreement at any time, at its sole discretion, without giving any reason and without incurring in any liability whatsoever, and shall give notice of such termination at the registered addresses of the Holders (as the Registered Agent deems appropriate, at the Holder's registered address by EF AFISA, in its capacity as Registrar Agent or by publication in two newspapers of well circulation in the capital for three consecutive days) and to the Trustee, at least sixty (60) calendar days prior to the termination of this Agreement. Such termination shall not entitle the Trustee to claim the refund of any amount it may have paid to the Registered Agent as compensation for the services rendered, in accordance with the provisions of this Agreement.

8.2 Having been notified of the resignation of the Registered Agent, a Meeting of Holders shall be convened, which shall appoint, by the affirmative vote of one or more Holders, whose Securities together represent a par value of more than seventy-five percent (75%) of the total Securities issued, on the date in question, the substitute Registered Agent, who shall accept such position within fifteen (15) days following the resolution of the Meeting or of the required majority of Holders. Under no circumstances, may the substitute Registered Agent be a holder, related, controlling or controlled entity of the Trustee (as provided in Sections 48 and 49 of Law No. 16,060).

8.3 Under no circumstances shall the Registered Agent give any reasons whatsoever for its resignation nor be liable for such resignation, except in the case of fraud or gross negligence. Neither shall the Registered Agent be liable for the non-acceptance of its capacity as Registered Agent by a third party. However, such Registered Agent shall continue performing its duties until a substitute Registered Agent is appointed or upon the expiration of the notice period as set forth in Section 8.1 above, whichever occurs first.

8.4 In the event that Holders representing at least twenty percent (20%) of the par value of the Securities issued may request the Registered Agent to call a Meeting of Holders to remove the Registered Agent and appoint a substitute, the Registered Agent shall comply with such request.

The affirmative vote of one or more Holders, whose Securities represent the aggregate par value of more than seventy-five percent (75%) of the total Securities issued, as of the date in question, shall be necessary to remove the Registered Agent and appoint a substitute Registered Agent, as provided in section 8.2 herein.

9. ACTIONS, MEETINGS AND RESOLUTIONS OF THE HOLDERS. COMPETENCE

9.1 Manner of acting of Holders. (a) Acting at Meetings: Any request, requirement, authorization, instruction, notice, consent, decision and any other action set forth in the Trust Agreement, in the Representation Agreement or in the Issuance Document related to the Holders or to certain majorities of Holders shall be adopted by a Meeting of Holders. (b) Evidence of the resolution adopted by the Holders: The execution of any instrument by a Holder or by his proxy shall be evidenced by any means deemed as appropriate by the Registered Agent and the Trustee.

9.2 Meetings of Holders. (a) Calling a meeting: At any time, the Trustee, the Registered Agent or any Holder representing at least twenty percent (20%) of the par value of the Securities issued, may convene, on behalf of the Registered Agent, a Meeting of Holders. The Registered Agent shall convene such meeting within sixty (60) days of the receipt of such request. (b) Date and place of Meetings: The Meetings shall be held in the city of Montevideo in the place determined by the Registered Agent. The provisions on the Meetings of Holders set forth in Law No. 16,060 (sections 345, 346 and 347) shall apply in all matters related to the constitution and operation for adopting resolutions as provided in this Agreement, the Issuance Document or the Prospectus. (c) Closing day for registration: The Registered Agent shall set a closing day for the registration of Holders, in order to determine their identity. (d) Formalities of the call: The Registered Agent may not comply with the aforementioned formal requirements to call a meeting of Holders, when the Holders representing all the issued and outstanding Securities are present.

9.3 Meetings Procedures. (a) Attendance: The only persons entitled to attend the Meetings of Holders shall be the registered Holders, who have the right to vote, the registered agents of the Trustee, the Manager, the Registrar Agent, the Stock Exchanges where the Securities are listed, the BCU and such advisors or any other third parties as the Registered Agent may reasonably and in its sole discretion accept their attendance at the Meetings. (b) Chairman of the Meetings: The Meetings shall be chaired by the Registered Agent, a Holder or any third party appointed by the Registered Agent. (c) Procedure for conducting Meetings: The Registered Agent shall have full and broad powers to resolve any doubt or controversy that may arise regarding the procedure of the meeting, being entitled to regulate its operation during the development of the meeting or at any time, and even without such regulation, decision or interpretation being a precedent for other situations in such or future meetings. In all cases, the Registered Agent shall retain the broadest powers to adopt a final resolution. The Registered Agent may provide, among other things, that a vote shall be by secret voting. (d) Quorum: Quorum shall be validly constituted when such Holders representing a percentage of the par value of the Securities, equal to or greater than the percentage corresponding to the majorities required to adopt the resolutions proposed, are present at a meeting. To determine a quorum and meet the majorities

required to adopt any resolution, the Holders directly or indirectly related to the Trustee shall not be entitled to vote at the Meetings of Holders. (e) Absolute Majority of Holders: Any resolution of Holders shall be adopted by the affirmative vote of one or more Holders, whose Securities represent a par value of more than fifty percent (50%) of the total Securities issued, deducting the Securities owned by the Holders of the Trustee, related, controlling or controlled companies or any individuals as provided in Sections 48 and 49 of Law 16,060, unless a higher majority is provided in this Agreement, the Representation Agreement, the Issuance Document or the legislation in force. It is expressly stated that the holders of the Trustee, related, contracting or controlled companies may participate in the Meetings according to the Securities they hold, however, their decisions shall not be counted for voting purposes. (f) Voting rights: Those Holders present at the Meeting, who are duly registered as Holders of Securities according to the records kept by the Registrar, shall have the right to vote. Each Participation Certificate shall entitle the Holders to one vote. In order to determine the quorum to hold a meeting and the corresponding majorities to resolve, those Securities acquired by the holders of the Trustee, related, controlling or controlled companies or any individuals as defined in Sections 48 and 49 of Law 16,060 shall not be taken into account and give any voting rights. The Registered Agent may require the Trustee to state in writing and under its responsibility if it has acquired, directly or indirectly, Securities or if it is aware that the holders, related, controlling or controlled companies or any individuals (as provided in Sections 48 and 49 of law 16,060) have done so, and to indicate the amount thereof. (g) Binding effect of the Meeting's resolutions: All resolutions adopted by the vote of Holders representing the percentage required for such resolution shall be binding on all Holders, even those absent or dissenting.

9.4 Competence of the Meetings of Holders (a) Competence. The Meeting shall have the competence to adopt any resolutions on any matter included in the agenda. The Meeting of Holders by the affirmative vote of one or more Holders, whose Securities represent an aggregate par value of more than seventy-five percent (75%) of the total Securities issued, may resolve to: (i) modify the terms and conditions of the issue of the Securities, only with respect to a reduction in the principal or any other amount owed on the Securities.; (ii) determine the form of disposition of the assets of the Trust property; (iii) appoint the person who shall be in charge of the disposal of the Trust property as a unit of the assets comprising it; (iv) approve the early sale of part or all of the assets, as of the fifth year, as proposed by the Manager; (v) approve any changes on the Business Plan, as proposed by the Manager; (vi) approve the extension of the sale of the Assets at the end of the forestry project described in the Business Plan for up to 3 years but only with the Manager's consent; (vii) replace the Registered Agent.

9.5 Enforcement Procedure: (a) Actions by the Registered Agent. The Holders by an Absolute Majority shall establish the time, form and place to initiate any judicial or extrajudicial proceeding against the Trustee, in its capacity as Trustee of the Trust, on behalf of the Registered Agent. The Registered Agent may refuse to comply with such instruction, if it resolves upon qualified advice that the action or proceeding to be instituted is not lawful, or if the Registered Agent, in good faith and by resolution of its competent bodies or sufficient attorneys-in-fact, decides that the action or proceeding could result in any liability to the Registered Agent or to the Holders, who do not participate in such action or proceeding (the Registered Agent is not entitled to determine whether or not such action or proceeding damages the Holders), (b) Initiative of the Registered Agent: Notwithstanding the foregoing item, the Registered Agent

shall initiate any judicial or extrajudicial action against the Trustee, which in its sole judgment shall be in the best interest of the entirety of Holders and consistent with the decisions of the majority of them, (c) Individual Actions: The Holders shall bring any individual action against the Trustee, in its capacity as Trustee of the Trust, for the collection of amounts due from the proceedings of the Securities, in accordance with the provisions of the Issuance Document, notwithstanding the provisions of the following Item (d). (d) Pro rata distribution: The proceeds from the Trust's termination shall be distributed among all the Holders pro rata to the participation of each of them in the total amount of the Issue, in all cases of individual, joint or collective actions, on behalf of the Registered Agent, to collect the amounts due. In the event a Holder delivers amounts received from the proceeds of his own Securities to the Registered Agent (for distribution among the remaining Holders), it shall be considered that each Holder (except the Holder that has made the payment) has assigned without recourse to the Holder, who has made the aforementioned payment, as many Securities as correspond to its share of distribution in the amount paid, and the Registered Agent shall implement the reasonably prorating and rounding mechanism to carry out such distribution.

9.6 The majorities set forth herein shall be construed as the entire amount of the outstanding Securities taken as a whole, except for the amendment in the conditions of the issue, which shall take into account the Securities.

10. REGISTERED AGENT REMUNERATION

The Registered Agent shall receive an annual remuneration of twelve thousand U.S. dollars (USD 12,000) plus VAT for the services rendered, in such capacity, and in accordance with the provisions of this Agreement. Such sum shall be paid by the Trustee in advance within the first ten (10) days of each annual period. The remuneration shall be considered as "Trust Expenses", deducted and paid to the Registered Agent, in accordance with the provisions of the Trust Agreement.

11. EXPENSES AND TAXES

11.1 The Trustee shall be responsible for any present or future taxes or expenses arising from the execution and performance of this Agreement (including the professional fees of any legal advisors), which the Trustee hereby agrees to pay, and on demand of the Registered Agent, the Trustee shall accept as due and payable the settlement made for such purposes, and which shall be considered as "Trust Expenses".

11.2 The Trustee hereby agrees to reimburse and indemnify the Registered Agent against all expenses, costs, professional fees, taxes or any other indemnities payable by the Trust (including the "Trust Expenses") and against any expenses incurred by the performance hereof, or against any extrajudicial or judicial proceedings to enforce the contractual obligations of the Trustee as provided in this Agreement, the Trust or the Securities, and which shall be deemed as "Expenses" of the Trust.

12. SUSPENSIVE CONDITION

All obligations of the Registered Agent arising from this Agreement are subject to the suspensive condition of the effective issuance of the Securities.

13. GOVERNING LAW

This Agreement shall be governed entirely and exclusively by the legislation of the Eastern Republic of Uruguay.

14. AUTOMATIC ARREARS, NOTICES AND ADDRESS FOR SERVICE

14.1 In the event of failure to comply with any of the obligations set forth herein, arrears shall occur by operation of law with no need of in court or out court demand of any kind.

14.2 Notices to all parties shall be deemed valid if sent by registered telegram or any other appropriate means to the addresses first written above, which shall be deemed for service to comply with the provisions of this contract.

15. EXECUTION

In witness whereof, three (3) counterparts are signed in the place and on the date first written above.

For EF Asset Management AFISA

For Bolsa Electrónica de Valores Uruguay S.A.

ANNEX 5: RISK RATING REPORT

ANNEX 6: LATEST FINANCIAL STATEMENTS OF THE TRUSTEE

