

## Livelihood improvement and forest conservation

### Anticipated transaction impact

Create quality jobs and dependable livelihoods while preserving the Choco Rainforest

**Impact score** Pass (17/21)  
**Credit score** Pass (19/21)

### Loan Overview

Commitment limit	\$ 150k
Tenor and structure	48-month term loan
Interest rate	9.0% in US\$
Collateral	\$ 254k book value of land (59% LTV)

### Financial Overview

2020E Revenue	\$ 8.2 M
2020 Maturing loans	\$ 0.1 M
Net assets as of Dec 2019	\$ 1.4 M

### Company Information

Legal name	EcoMadera Forest Conservation, LLC
Incorporation date	2008
Corporate address	Hamden, CT
Nature of business	Sustainable forestry
Website	<a href="https://www.wholeforest.com">https://www.wholeforest.com</a>

### Shareholders and management

Name	Position	Share
Peter Pinchot	Founder and CEO - US entity	65%
Garrett Siegers	CEO - Ecuador entity	30%
Community owners		15%

### Recommendation

Approval of a \$ 150,000 loan given Whole Forest's strong impact rating and credit standing

## Whole Forest



### Business Overview

Whole Forest (WF) is a sustainable forestry and wood products company that operates in Ecuador. The social enterprise has the dual and intertwined mission of protecting the Choco rainforest and increasing the prosperity of those who live in and near the forest. Running from Southern Panama, all along the Colombian Pacific coast and into Ecuador, the Choco-Darien is prized for its biodiversity and its abundance of animals and especially plants that are not found anywhere else on Earth.

Whole Forest primarily derives revenue from sustainable manufacturing of wood commercial products (*See Appendix 3: Sample Commercial Products of Whole Forest*) as well as industrial products such as balsa laminates used in wind turbine blades, and in marine and aerospace applications. It exports to the US and other international markets, most notably to China. The business has turned profitable from a surge of prices in balsa with over \$6M in revenue in 2019. They are currently planning to expand into the hardwood business which is the purpose of this loan.

### Business Impact

Whole Forest allows sustainable development of the local and regional Choco rainforest economy. It generates livelihoods while protecting the rainforest through strong community incentives for conservation, and implementation of low-impact timber harvest and reforestation projects. It also manufactures balsa essential to the renewable energy (wind) space. We assess Whole Forest's impact to be very strong with a score of 17 out of 21. (*See Appendix 1: Whole Forest Impact Assessment*)

**Impact Background**

Whole Forest is a direct response to the economic forces that are leading to deforestation in the tropics and that have reduced forests in Ecuador to 5% of their original size. In poor, tropical countries, it is often economically necessary and rational for people to clear cut their land, sell the timber, and turn to subsistence farming. This is especially true in Ecuador where 23% of the population lives on less than \$5.50 per day.

This unsustainable practice aggravates climate change (tropical deforestation produces 10% of global carbon emissions), destroys animal habitats, and does little to reduce systemic poverty. In the Choco Forest, with steep slopes, poor soils, and limited road access, most families have farming incomes well below \$1,500 per year.

Peter Pinchot and Garrett Siegers launched Whole Forest along with Peace Corps grad David Smith with the recognition that forests can provide more value for local communities if they are managed responsibly and treated as a source of permanent, quality employment rather than one-time income followed by ongoing poverty. Sixteen locals obtained ownership in the business (see *Company Overview*) by each contributing roughly one cumulative year of unpaid labor to the enterprise over several years. In 2009, Whole Forest began their sawmill operations in Cristobal Colon, a small town on the edge of the Choco on the banks of the Canande river and a four-hour drive from Quito.

**Impact Delivery**

Whole Forest built a direct linkage between selling Whole Forest products and helping forest communities build a new livelihood around sustainable forestry and making wood products. Product sales are the economic engine that allows WF to partner with more families through employment.

Figure 1: Whole Forest impact model



Source: Whole Forest website

Poverty alleviation

- *Livelihoods generation:* 69 people are employed full time in Cristobal Colon where their average compensation is over \$11,000/year. All employees are also eligible for social security and health care.
- *Women empowerment:* The Cristobal Colon operations are managed by four local women – notable given Ecuador’s long history of male dominance.
- *Raw material purchases:* The balsa business purchases raw materials from approximately 600 small providers of balsa logs and sawn lumber, with total 2019 purchases of \$2M. The majority of the providers are surrounding communities.

- *Skills capacity building:* Whole Forest is providing technical assistance and seedlings to over 100 Chachi indigenous families outside the watershed to establish balsa tree plantations on their land.
- *Smallholder forest leasing:* WF has initiated a new community program by signing 20-year lease contracts with local families to conserve their forest properties and allow Whole Forest to implement low-impact forestry and timber harvesting on the forested portions of the land parcels. This provides local families \$2,000 per year to reject clearcutting .

Environmental protection

- *Forest conservation:* WF has directly and indirectly conserved approximately 9,000 hectares of the Choco forest, reducing 2.7 M tons of carbon emissions, and protecting habitats of endangered species (coastal spider monkey, great green macaw, banded ground cuckoo, 22 amphibian species). Entities Whole Forest works with include Fundación Jocotoco, American Bird Conservancy, and the Ecuadorian Ministry of Environment.
- *Research:* Measures growth and regeneration capacity of local forests, enabling impact measurement of forest management practices on forest growth, forest structure, habitat values for species of concern, and carbon sequestration values.

**Industry Overview**

The balsa tree is endemic to Ecuador and is prized for its strength/weight ratio as well as how quickly it grows (four years to maturity.) Ecuador produces more than 95% of the world’s commercial balsa with the majority exported to China where it is incorporated into wind turbine blades

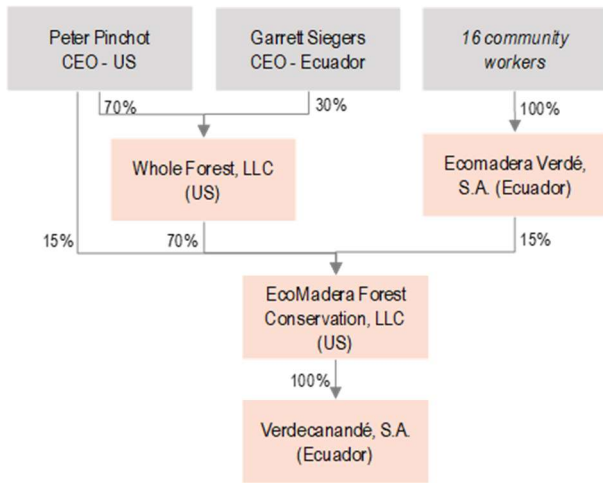
The blocks are sold to four primary customers whose demand Whole Forest can only begin to meet. Balsa prices increased by 80% in 2019 and this had led to substantial profits for WF. More balsa is being planted globally, which will certainly bring down the price, but experts expect elevated pricing for the next 2-3 years. Most of the laminates are used in new wind farms but a growing percentage of the balsa is destined for replacement turbine blades which have a useful life of about twenty-five years. The first generation of blades from the 1990s are just now being replaced.

**Company Overview**

Several entities operate under the Whole Forest Group. It operates in both US and Ecuador. Several of the community employees with the strongest leadership roles are co-owners of Whole Forest (through EcoMadera Verdé).

Name	Domicile	Notes
<b>Primary entities</b>		
EcoMadera Forest Conservation, LLC	US	Primary business owner managing business strategy, product development, marketing, sustainability value proposition innovation, product sales, investment, and investor relations.
Verdecanandé, S.A.	Ecuador	Community forestry business partnering with forest communities and NGO and governmental organizations to implement conservation and long-term sustainable forest management
<b>Holding entities</b>		
Whole Forest, LLC	US	Delaware holding entity

Figure 2: Whole Forest entities and ownership structure



Ecomadera Verdé, S.A.	Ecuador	Shareholder organization for local families that co-founded the business, 50% of whom are Verdecanaandé employees
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Source: Whole Forest organization structure

**Management**

Peter Pinchot  
*Founder and CEO, Whole Forest*

Peter has dedicated the remainder of his life to preserving the world’s forests. Heeding the words of his grandfather (founder of the US Forest Service, founder of Yale School of Forestry) “*The vast possibilities of our great future will become realities only if we make ourselves responsible for that future*”, Peter has always gotten his hands dirty. Before launching Whole Forest he was an organic dairy farmer in upstate New York and renovated homes in New York City.

Garrett A. Siegers  
*Co-founder and CEO, Verdecanaandé*

Garrett worked for the US Forest Service in Ecuador and Peru as well as Conservation International before joining forces with Peter to launch Whole Forest. Garrett lives in Ecuador with his wife and children.

Maria Raquel Quezada Jima  
*General Manager, Verdecanaandé*

Maria is a lifelong resident of Cristobal Colon. She started in production at the WF factory and has worked her way up to GM – responsible for running all factory operations.

Nubia Jaramillo  
*Forestry Director, Verdecanaandé*

Nubia is the lead forester in charge of conservation, forestry studies, wood property studies and government relations. She joined the company in 2007 and has a degree in Forestry from Universidad Tecnica del Norte. She has led several USAID-funded projects working with indigenous communities in Ecuador and helped draft Ecuador’s conservation laws (in Ecuador nature has legal rights.)

**Supply chain and site visit**

Whole Forest owns and manages forestland and a manufacturing facility in Esmeraldas, Ecuador. At its plant, the logs are kiln dried, then milled into boards and glued together into laminate blocks.

The blocks are transferred by truck to Guayaquil or Quito where they are shipped by sea or air – primarily to China.



Ted visited the facility over two days in January, 2020 and witnessed a well-run and easy-to-understand operation. The factory is by far the largest employer in the area and has brought relative economic prosperity to a remote area of Ecuador (see aerial view of the factory here: <https://goo.gl/maps/eU9oNgwgCd3vcJgQ8>)

In addition to touring the factory and meeting the staff, he visited the surrounding forest where he saw degraded land that had been converted to grazing or small-scale agriculture as well as secondary growth forest and undisturbed virgin forest. He also witnessed extensive road construction in the region which is a precursor to clear cutting. Palm oil plantations, devoid of vegetation beyond the palms, were visible.

**Sales Strategy**

Whole Forest is in the enviable position of having a product (balsa) in high demand. WF chooses to sell to four customers to avoid concentration risk. Two of their customers have offered interest-free loans or a price premium for exclusivity but WF has refused. Relationships with customers appear friendly and stable – all customers have visited the facility in Ecuador.

The hardwood business will be a far tougher one to penetrate. To capitalize on the variety of trees in the Choco, WF has developed wood products which reflect the natural diversity of the forest. In conjunction with a designer and a well-respected and profitable custom millwork business in Pennsylvania, WF has designed wood flooring, tabletops and wall tiles – all focused on commercial applications for LEED certified projects.

Recognizing their inexperience with high-end sales to architects and interior designers, WF is relying on Cider Press Millworks to market their wood products.

**Financial Overview**

While the proceeds from our loan will be used for their hardwood business, we are relying on the existing balsa business for repayment. Regardless of how the hardwood line performs, WF should be able to comfortably repay our loan. We have little concern that WF will risk their existing balsa business by diverting too much money or attention to hardwoods. We assess Whole Forest’s credit standing to be high with a score of 19 out of 21 (See *Appendix 2: Whole Forest Credit Assessment*) given our analysis of their consolidated financial standing:

- Whole Forest has run essentially a breakeven business for the past three years. In the last few months of 2019, increased output from process improvements and increased pricing for balsa laminates have pushed the company solidly into profitability. The business generated \$800k of revenue in January with over \$300k of EBITDA for the month. Production is somewhat lower now due to government-sanctioned social distancing requirements, but April still generated \$525k in sales and six figure of EBITDA.
- Whole Forest has stable long-term client relationships. Due to the strong demand for balsa laminates for wind farms, they are frequently approached by prospective clients.
- We’ve stress-tested the business in different scenarios for balsa laminate pricing and with different assumptions around the hardwood business. Even with balsa prices returning to 2018 pricing levels and no traction in the hardwood business, our loan can be repaid from company cash flows.

Figure 3: Whole Forest income statement, 2017-2022E

in USD M	2017	2018	2019	Balsa and Hardwood Base case			Balsa Only Conservative		
				2020E	2021E	2022E	2020E	2021E	2022E
Revenue	2.4	2.5	4.2	8.2	8.1	8.9	7.1	6.0	5.2
Cost of Sales	-2.2	-2.0	-3.1	-5.9	-6.2	-6.6	-5.2	-5.2	-5.2

Gross profit	0.4	2.2	1.1	2.3	2.0	2.4	1.9	0.8	0.0
Overhead costs	-0.3	-2.2	-0.5	-0.8	-1.2	-1.4	-0.5	-0.5	-0.5
EBITDA	0.1	-0.0	0.6	1.5	0.8	1.0	1.4	0.3	-0.5
<b>Financial performance metrics</b>									
Annual revenue growth rate	7%	5%	65%	96%	-1%	10%	70%	-16%	-13%
Gross profit margin	16%	87%	27%	28%	24%	27%	27%	13%	0%
EBITDA margin	3%	-2%	15%	18%	10%	11%	20%	4%	-9%

Source: Whole Forest financials and loan proposal

– Whole Forest has a solid, but limited balance sheet with assets concentrated in property, plant and equipment in Ecuador. Working capital is healthy and leverage is less than 1:1. Long term liabilities are a \$1M convertible loan at 0% with no repayment schedule from Rasmussen, the private investor. This obligation is de facto subordinated which would further improve the Company’s net worth and leverage positions.

Figure 4: Whole Forest balance sheet, 2015-2019

in USD M	2015	2016	2017	2018	2019
<b>Assets</b>					
Current assets	0.6	0.5	0.8	0.7	0.9
Non-current assets	1.0	1.2	1.3	1.7	1.8
<b>Total assets</b>	<b>1.6</b>	<b>1.7</b>	<b>2.0</b>	<b>2.3</b>	<b>2.7</b>
<b>Liabilities and shareholders' equity</b>					
Current liabilities	0.1	0.1	0.2	0.2	0.2
Non-current liabilities	1.7	0.0	0.4	1.0	1.0
Total liabilities	1.7	0.1	0.6	1.2	1.3
Shareholders' capital <sup>1</sup>	-0.1	1.6	1.4	1.1	1.4
<b>Total liabilities and shareholders' equity</b>	<b>1.6</b>	<b>1.7</b>	<b>2.0</b>	<b>2.3</b>	<b>2.7</b>
<b>Financial position metrics</b>					
Debt Service Coverage Ratio (DSCR)	5.5x	NA	NA	NA	NA
Debt-to-Equity (D/E)	-15.3x	0.1x	0.4x	1.1x	0.9x
Current Ratio	8.4x	5.4x	3.6x	4.2x	4.2x

<sup>1</sup> includes interest-free loans from the founder and his family

Source: Whole Forest financials

**Risks**

We identify two risks to our loan:

- COVID-19 risk
- Hardwood business line risk

Ecuador has been especially hard hit by COVID 19 with the second highest death toll in South America behind Brazil. The overwhelming majority of the deaths are confined to Guayaquil, Ecuador’s largest city. Throughout the crisis the port at Guayaquil has remained open. To date, Cristobal Colon has not had any confirmed or suspected cases of the virus, but the factory can adapt by further reducing staff on site and moving to three shifts seven days a week vs. their current two shift schedule.

It is certain that the US has entered a recession which will result in reduced new construction and delayed renovation of existing construction. High-end millwork will certainly suffer, particularly since restaurants, bars and hotels have been especially hard hit by this crisis. Our loan repayment is not contingent upon any revenues from the hardwood business line.

**Opportunities**

Whole Forest is in the position to capitalize in the growth of the wind energy industry especially as the world races to reduce reliance on fossil fuels and prevent the worst impacts of climate change.

The FERC (Federal Energy Regulatory Commission) predicts three years of continued rapid growth of US renewable energy installations with wind energy being the largest component of growth.<sup>1</sup>

<sup>1</sup> [Renewable Energy World, July 2019](#)

In addition, wind turbine blades last only 15 to 20 years. The create a rapidly growing secondary market for balsa laminates used to make replacement blades brought about by a big surge of wind farms in the early 2000s.

Figure 5: Onshore and offshore wind annual additions, 2013-2024E



Source: Whole Forest financials and loan proposal

**Transaction Overview**

Whole Forest is seeking a \$150,000 loan primarily to cover soft costs associated with the launch of their hardwoods business line. (See Appendix 4: Whole Forest Term Sheet)

Our loan will be used for:

- Marketing costs and salary costs of hiring a part-time product designer and sales representative.
- FSC certification (Forest Stewardship Council certification of sustainable forestry practices) to be able to work in green building projects
- Long-term leases on forestland from local families.

This transaction legally covers two entities: EcoMadera Forest Conservation, LLC and Verdecanandé, S.A. Whole Forest will be borrowing through EcoMadera, its US entity, and will use land with book value of \$253,884 owned by Verdecanandé as collateral. The loan to book value is 59%.

The loan has been documented by Perez, Bustamante & Ponce on a *pro bono* basis.

**Collateral**

Our collateral is composed of three parcels of forested land. The parcels were purchased in 2018 and total 367 hectares which is equivalent to more than 900 acres. Whole Forest acquired these plots for their strategic value – they prevent roads from being built into the watershed that WF protects.

In the event that the collateral needs to be liquidated, Jocotoco Foundation, an NGO partner of WF focused on land preservation for endangered bird habitat, is a likely buyer. The purchase price of the land is 1.69x our loan amount. All paperwork to register the deeds of trust has been completed. BR will be named as lienholder as soon as the National Registry office re-opens.

Figure 6: Whole Forest collateral

	hectares	in \$ k
Plot #1	90.9	62.6
Plot #2	84.7	63.2
Plot #3	191.5	128.1
<b>Total</b>	<b>367.1</b>	<b>253.9</b>

We have independently verified that the price paid for these plots is in line with market prices.

**Previous Transactions**

*Grants*

Over the last decade, Whole Forest has raised considerable grant funds in partnership with the US non-profit Pinchot Institute for Conservation to support intensive R&D in establishing a new tropical forestry supply chain that can drive value back to forest communities. The R&D has focused on forest ecology studies, developing sustainable timber management practices, developing low-impact harvest technology, wood property studies of dozens of unknown species, and product innovation to bring over 60 species into hardwood products. In conjunction with the Pinchot Institute, Whole Forest also financed the construction of a medical clinic in town which is staffed by a full-time doctor and nurse.

*Equity*

In 2018, the business raised a new round of private investment (equity) to build a hardwood manufacturing facility in Cristobal Colon. This represented the first outside investor in the business. Whole Forest’s outside investor (Scott Rasmussen) and Grassroots Business Fund have both expressed an interest in providing growth capital if the hardwood business takes off.

**Major risks and mitigating factors**

Risk	Risk factor	Probability	Risk mitigating factor
Whole Forest unable to sustain balsa sales momentum	External factors driving balsa sales to unprofitability	Low	<ul style="list-style-type: none"> <li>Whole Forest is being courted by several wind turbine blade manufacturers who are interested in developing long-term contracts to secure a stable supply of balsa laminates.</li> </ul>
	Failure to build a successful hardwood business	Moderate	<ul style="list-style-type: none"> <li>Any losses can be absorbed by the legacy balsa business.</li> </ul>
Whole Forest unable to deliver on its sales contracts	Inability to procure sufficient raw materials to support sales growth	Low	<ul style="list-style-type: none"> <li>Whole Forest aims to enter into a joint venture to manage small balsa plantations to guarantee supply. They are considered the most attractive buyer of balsa to local suppliers.</li> </ul>
	Disruption in production from political unrest and pandemic in Ecuador	Moderate	<ul style="list-style-type: none"> <li>Insulated from protests due to remote and rural location.</li> <li>Has instituted safety protocols to reduce likelihood of virus.</li> <li>Can reduce number of staff onsite at any one time by adding a third shift.</li> </ul>
Whole Forest unable to	Increased taxes from economic reforms in Ecuador	Low	<ul style="list-style-type: none"> <li>All revenues are derived from the global market, insulating them from any economic risks in Ecuador</li> </ul>



control its costs to be profitable	Increased import duties	Low	<ul style="list-style-type: none"> <li>Latin America has an improving relationship with the US and China vis-a-vis trade. The modest trade deficit with Ecuador is shrinking so it appears unlikely that import duties would increase.</li> </ul>
Whole Forest unable to meet its payment obligations to BR	Inability to generate sufficient cash to service its debt to BR	Low	<ul style="list-style-type: none"> <li>Fast cash conversion cycle given favorable payment terms. Its accounts receivable (1% of sales) is negligible with clients typically paying within two days of sale.</li> <li>Small loan from BR (\$150k) compared to business size (\$4.2M revenues in 2019.)</li> </ul>

**Conclusion**

Whole Forest is directly addressing poverty through its expanding employee headcount and commitment to pay fair prices for sustainably harvested balsa in Esmeraldas province. Additionally, the business is directly focused on using market-based solutions to deforestation. Although the hardwood business line may not be successful, the core balsa business generates enough cash flow to repay our loan.

Appendix 1: Whole Forest Impact Assessment

Impact score: 17 out of 21

Prospective borrowers are rated with 1 point for Low, 2 points for Moderate and 3 points for High. Minimum score of 15 for approval.

	Low	Moderate	High	Score
<b>1 SCALE</b> Is the social enterprise addressing a major social or environmental problem and do they have the capacity to make a measurable, positive difference themselves or by influencing others?			✓	3
<b>2 SYSTEMIC CHANGE</b> Is the social enterprise focused on systemic change? In other words, would the impact continue even if the social enterprise went out of business?	✓			1
<b>3 SUSTAINABILITY</b> Does the social enterprise have a business model that is or has a strong likelihood of being sustainable? This may include a portion of philanthropic revenue provided that is sustainable.			✓	3
<b>4 STAKEHOLDER ENGAGEMENT</b> Does the social enterprise engage all stakeholders in their work? Is the social enterprise building local, human resources? Does it actively share its insights with others? Are indigenous communities involved?			✓	3
<b>5 RIGOR</b> How does the social enterprise measure its own impact and how well is it doing against these metrics?			✓	3
<b>6 EFFICIENCY</b> Are the social enterprise’s impact outcomes cost efficient vs. other interventions? If not, is it likely that they will become so as the social enterprise grows?		✓		2
<b>7 INTENTION</b> How committed to its social or environmental mission is the social enterprise?			✓	3
<b>TOTAL</b>				17

**Appendix 2: Whole Forest Credit Assessment**
**Credit score: 19 out of 21**

Prospective borrowers are rated with 1 point for Low, 2 points for Moderate and 3 points for High. Minimum score of 15 for approval.

	Low	Moderate	High	Score
<b>1 BELIEF IN MANAGEMENT</b> Does the social enterprise have a strong management team (extensive industry experience, strong leadership and entrepreneurial background)? Is the governance structure adequate?			✓	3
<b>2 ACCOMMODATIVE BUSINESS ENVIRONMENT</b> Is the social enterprise operating in an industry with low level of competition? Does the social enterprise provide products or services that have low threat of substitution?		✓		2
<b>3 QUALITY OF FINANCIAL INFORMATION</b> Can the financial information provided be depended on? Has its financial statements been audited?		✓		2
<b>4 ABILITY TO BE PROFITABLE</b> Does the social enterprise have a positive earnings trend? Are the earnings sustainable?			✓	3
<b>5 STRENGTH OF FINANCIAL POSITION</b> Does the social enterprise maintain adequate financial ratios (DSCR, Debt-to-equity, Current ratio) to support a debt obligation?			✓	3
<b>6 ABILITY TO SERVICE DEBT</b> Does the social enterprise have the ability to establish a strong cash position to meet its debt obligations on time?			✓	3
<b>7 COLLATERAL OR GUARANTEES</b> Is there collateral for the loan with an adequate loan-to-value amount? Is there a guarantor for the loan?			✓	3
<b>TOTAL</b>				19

Appendix 3: Sample Commercial Products of Whole Forest

Wall Tiles



Tables



Counter tops



Flooring



## Appendix 4: Whole Forest Term Sheet

**Term Sheet**

13 January 2020

Mr. Garrett Siegers, Mr. Peter Pinchot  
Whole Forest  
2320 Trumbauersville Rd  
Quakertown, PA 18951

Garrett and Peter,

We are pleased to share this term sheet with you.

The following summary of terms is provided for discussion purposes only and does not constitute a commitment to lend or an agreement to issue a commitment on these or any other terms or to arrange any financing and shall not create a binding or legally enforceable obligation on any Lender or any other party in any way. The terms contained herein are not all-inclusive. Additions and changes may be made, as the Lender and its respective counsel deem necessary, prudent or desirable. No agreement, oral or otherwise, that may be reached during negotiations shall be binding unless reduced to writing and signed by the Lenders and the Borrower.

<b>Borrower:</b>	Whole Forest ("Borrower")
<b>Lender:</b>	Beneficial Returns LLC or its assigns ("Lender")
<b>Loan Amount and Type:</b>	\$150,000 Term Loan
<b>Purpose:</b>	Expand operations into hardwood
<b>Availability:</b>	Loan will be available immediately upon satisfaction of all conditions precedent as outlined in this term sheet and the legal documents to be executed no later than March 31, 2020. Full amount must be drawn in one loan.
<b>Interest Rate:</b>	9.0% per annum, fixed (8.1% if final payment is waived, See <b><u>Impact Bonus</u></b> )
<b>Term:</b>	48 months
<b>Payment:</b>	\$3,732.76 plus any applicable taxes, amortizing monthly payment
<b>Impact Bonus:</b>	Final monthly loan payment will be waived if Borrower exceeds TBD impact metric and all prior loan payments have been received on a timely basis.

<b>Collateral:</b>	First deed of trust on land acceptable to Beneficial Returns
<b>Loan Fee:</b>	1.0% of Loan Amount, a one-time flat fee, will be due and payable at closing
<b>Deposit:</b>	A 1.0% "Good Faith" deposit is required with this signed term sheet. At approval, the deposit will be applied to the Loan Fee. If the terms of this document are not met, the deposit will be returned in full.
<b>Additional Costs:</b>	Filing fees, legal fees, site visit and other out-of-pocket expenses. Total amount not to exceed \$1,250. Perez, Bustamante y Ponce to provide pro bono legal services.
<b>Late Fees:</b>	\$200 Late Fee charged on late payments not received within ten (10) days of applicable due date.
<b>Default Rate:</b>	In any Event of Default (See <b>Events of Default</b> ), the outstanding balance will bear interest at 5.0% above the applicable Interest Rate until such time as the Default is cured. Default includes, but is not limited to, any failure to make a payment within ten (10) days of due date.
<b>Prepayment:</b>	The loan may be prepaid at any time. The payoff amount is calculated as the present value of the future stream of payments discounted at 5%.
<b>Financial &amp; Impact Reporting</b>	<ol style="list-style-type: none"> <li>1. Semi-annual Balance Sheet, P&amp;L and Cash Flow Statement for Verdecande and Whole Forest due July 31 and January 31 annually</li> <li>2. Audited financials due within 120 days of fiscal year end</li> <li>3. Annual impact report due within 120 days of fiscal year end</li> </ol>
<b>Covenants:</b>	Usual and customary, and including but not limited to punctual payment, liens, maintenance of accounting records, and financial reporting.
<b>Financial Covenants:</b>	None
<b>Events of Default:</b>	Standard defaults, including but not limited to non-payment, breach of covenants, inaccurate or false representations and warranties, fraud, judgments against Borrower, insolvency, bankruptcy, change of control, cessation of business, transfer of property (including the Collateral), material adverse change in Borrower or collateral, defective collateralization, and defaults with respect to any other creditors and counterparties.
<b>Documentation:</b>	Documentation to be executed in form and substance satisfactory to Lender which shall include, inter-alia, Loan Agreement, a Promissory Note, Pledge of Collateral and delivery of various documents reflecting Borrower's status and authority as shall be listed on a "closing documentation" list to be provided by Beneficial Returns

**Conditions Precedent to Funding:**

1. Review and approval of personal financial statements acceptable to Beneficial Returns
2. No materially adverse change in Borrower
3. Site visit conducted by Beneficial Returns
4. Execution of loan documents acceptable to Beneficial Returns

**Approval:** Terms and Conditions of this financing are subject to final approval by Beneficial Returns

**Expiration:** This term sheet expires on February 7, 2020 if not accepted before then


If the foregoing terms and conditions are acceptable to you, please indicate your acceptance by signing this letter where indicated and returning with the "Good Faith" Deposit.

Very truly yours,

Ted Levinson

ACCEPTED AND AGREED AS OF Jan 14, 2020:

Whole Forest

By:   
Name: Peter Pinchot  
Title: CEO, Whole Forest