

Current projects 2010, 2011

<u>Project Name</u>	<u>Average Returns yrs 1-10 per year</u>	<u>Projected Exit Return</u>
Real Green	13%	400%
Teak	8%	1166%
Palm	10.9%	400%

Costa Rica Forestry Law 7175

KC Pacific Energy will be participating in the Environmental Services Payment Program (EPSS) of the National Forestry Fund (FONAFIFO) backed by the government of Costa Rica. Conceived in 1997, EPSS has been paying and continues to offer 5-year contracts (renewable at least one time to a total of 10 years in total) as follows:

PROJECT Real Green

- 1) \$320 per year per hectare of barren land (grassy fields formerly used for cattle) we purchase and let sit to reforest naturally. We purchase this land at an average of \$2,000 per hectare in 100-hectare increments and allow up to one year to enter into the program for administrative work, engineering reports, surveys, etc...
- 2) Investor enjoys 13% returns from years 2 – 10.
- 3) Year 10, we either renew the contract, or sell the same carbon credits under international cap and trade programs at likely double or triple what the government of Costa Rica pays. As a last resort, we sell half the land to yield at least 400% as final exit in a subdivision.
- 4) We desire to keep at least 50% of all lands always protected in perpetuity, so the investment maintains its integrity as a true green project.

Payouts are 70% of the gross profits (on investments of \$700,000 or more) 60% otherwise. Sold land yield 92% of the principal and 60% of the capital gains to the investor.

Years 2-10: **13% ROI/yr**

Year 10: **400% ROI exit** or

Years 10-20: **20% ROI/yr** (selling carbon credits privately)

PROJECT Teak

Teak/Eucalyptus Investment in a nutshell:

- 1) EPSS pays \$816 per hectare (\$960 in 2009) per year of barren land (grassy fields formerly used for cattle) reforested with Teak.
- 2) These lands should be flat semi/flat ideally and so we will pay more for them, while they may be as low as \$3,000 per hectare if the parcel is 500 hectares or more, a conservative estimate of \$7,000 per hectare is used assuming the parcel size is under 100 hectares. These large, inexpensive tracts of land are becoming rapidly becoming scarce in the flat or lightly sloped lands.
- 3) For teak: the lands are uninteresting ideally flat or lightly sloping lands that have development potential but are NOT regarded as developable in this projection at year 10 – it is the teak itself that gives the land this value at year 10.
- 4) For eucalyptus: the lands are in the cooler regions, some close to San Jose. Also lightly sloping. These lands have huge development potential and so at year 10 the land may be sold with the trees having part of the value and the land itself having part of the value in this projections.
- 5) In both cases, land is projected to have a value of \$50,000 per hectare at year 10, based on today's values – using today's lumber prices.

Payouts are 70% of the gross profits (on investments of \$700,000 or more) 60% otherwise. Sold land yields 92% of the principal and 60% of the capital gains to the investor.

Years 1-10: **19% ROI/YR**
8% ROI/YR if purchase price is \$7,000 per hectare

Year 10: **1166% ROI**
500% ROI if purchase price is \$7,000 per hectare

PROJECT Palm

Flat lands for growing and harvesting the African Palm fruit are purchased. Due to recent price increases of palm oil used for cooking and bio-diesel fuel, the prices of these lands are higher. KC Pacific Energy has options on several tracts at this time. It has been our pattern to buy many small farms rather than one large contiguous farm. This allows easier administration, cultivation monitoring and lower corporate tax rate. We purchase farms near to the largest Cooperative in Costa Rica that buys our fruit weekly.

- 1) Prices on average of \$16,000 per hectare with trees that average 10 years old. (3 years ago, palm lands were \$10,000 per hectare. 10 years ago they were \$5,000 per hectare)
- 2) Costs on average of \$800 per hectare per year in fertilizer.
- 3) Yield is 24 tons per year of raw fruit on average per hectare.
- 4) At \$140/ton – record highs over the last 4 months – minus 25% for the harvesters, net income is about \$2,500 per hectare per year.

Investor payouts include depreciation allowing a portion of the payout to be tax-free because palm trees can be depreciated over their effective life. Payouts are 70% of the gross profits (on investments of \$700,000 or more) 60% otherwise. Sold land yields 92% of the principal and 60% of the capital gains to the investor.

Years 1-5: **10.9% ROI** (assumes no increase in palm oil prices)

Years 6-15: **10.9% to 15%** (assumes 10% yearly increase in palm oil prices offsetting non-production from new plantings as trees over 23 years need to be replaced.)

Year 15: **400% ROI** (assumes sale of the land based on current trends)

Exit options:

Depending on the values of palm and the core land value at that time, one of two options exist at year 15 and anytime before then:

- a) We subdivide/sell land if returns are 300% or more.
- b) We continue with palm production and sales of fruit if returns are attractive.
- c) Alternatively your interest may be sold at anytime to other investors.

We are currently seeking investment in a 48-hectare farm near to one of our existing farms, in Conte Costa Rica, about 12 miles from the nearest beach, 15 miles to one of the sports fishing capitals of the world, Golfito and 15 miles North of Panama.

Investments in palm lands are secured by private share agreements issued by KC Pacific Energy S.A. a Costa Rican corporation with ID #3101525625. These agreements yield a land interest in a specific parcel and a profit interest in all the palm assets of the company as a whole.

Investments in the hardwood and green projects are secured by private share agreements issued by KC Pacific Energy S.A. a Costa Rican corporation with ID #3101525625. These agreements yield a land interest in a specific parcel and a profit interest in the given parcel only.

Offering terms are in the prospectus and operating agreement of the company. Currently found at www.kcpac.com Password is necessary to enter the investor section of this site. All files at the root level are available for viewing by qualified investors expressing interest via private solicitation through any corporate officer.

Contact:
Ken Silverman
917 741 3377
kensilverman@rcn.com