

## FAQs

- Why does it make sense to grow trees now?
  - For almost a century, Hawaii's lands were being used to cultivate sugar and pineapple. These crops were high profit and rapid growing, but labor intensive. As other countries developed cheaper labor forces, sugar and pineapple cultivation migrated to third world countries. Since Hawaii's population was expanding so rapidly during this time, agricultural land was tied up by investors who anticipated higher prices associated with residential and resort development. Recent global economic uncertainty has caused many of these investors to rethink their plans. This, coupled with the continuing increase in hardwood prices, has made growing these fine hardwoods on U.S. soil an economic possibility for the first time.
- Are there any other hidden costs besides the purchase price of the trees, such as taxes, annual fees, or other costs not mentioned on the website or in the Tree Owner Agreement?
  - No, there are no hidden costs of any kind.
- Why are trees only sold in lots of 100?
  - One of the reasons for the minimum order is the very nature of the forestry management process. Trees must be pruned and thinned with only the best trees growing to full maturity. With a small number of trees, this process can create statistical anomalies in yields. Our [Projections Section](#) will show you how a smaller number would create uncertainties as to how your trees will be managed.
- If I purchase, I want my spouse to have joint ownership with rights of survival. How should I indicate this on the Tree Owner Agreement?
  - Simply indicate on the Tree Owner Agreement that you want joint ownership by listing both names and add the letters "JTWROS" beneath your names.
- When will my trees be planted?
  - When your paid order is accepted, your trees will be scheduled with the nursery. The first 3-4 months of their life will be under the care of the nursery staff. When they are mature enough for field planting, they will be planted as field and weather conditions dictate. When your trees are planted, you will receive Registry Documentation showing the exact location of your trees, the quantity, species, and the year of planting.
- Are there any advantages to being located in the United States?
  - With growing restrictions on the harvesting and importation of tropical hardwoods from their countries of origin, it may well be very difficult for U.S. markets obtain sufficient lumber to meet their needs. With our farms on U.S. soil (yes, Hawaii is actually part of the United States), importation restrictions and tariffs will never be a problem. This may well make Hawaiian Branded Hardwoods the first choice for domestic markets.
- If this is such a good investment, why aren't others doing it?
  - First of all, others are doing it. Over the past several decades, millions of trees have been planted for investors throughout Central America where land is cheap and the climate is conducive to growing. Unfortunately, all of the tree farms in the world meet less than 1-2% of the annual global demand for tropical hardwood. Hawaii and very southern portions of Florida are the only possible climate zones in the United States where these rare tropical trees can be grown.
- Why plant trees so close, when many of them will be removed before maturity?
  - A great deal of knowledge about tree farm management comes from the last hundred years of tree farm operation. One of the things discovered was that trees given too much space will tend to branch early and develop short trunks. The trunk below the first limb is the most

valuable lumber in the tree. By crowding the trees in their early growth, long straight trunks can be encouraged.

- Why remove any of the trees since 3 meters between trees seems sufficient?
  - As the tree grows, its canopy spreads. When the tree canopies start to touch one another, the trees start to compete for sunlight and growth slows. With timely thinning, the best trees are “released” to maximize the lumber yield of the total original stand.
- Are forest fires a problem?
  - Forest fires are generally a problem in regions with significant dry seasons. The windward side of the Big Island receives over 100 inches of rain a year and a bigger problem for the tree farmer is that the land can be too wet for farm equipment to operate during portions of the year. Additionally, an aggressive campaign of weed control prevents the accumulation of fuel for a fire to get started in the first place.
- Are hurricanes a problem in your area?
  - Hurricanes are infrequent in the Hawaiian Islands and, if you look at the map in the [Environmental Risk Section](#), you will see that none have hit the Big Island of Hawaii since accurate records started being kept in the 1940’s.
- I have heard about lava flows in Hawaii, are they a risk to my trees?
  - All farm sites used for the tree owner program will be in Lava Hazard Zone 8, as classified by the United States Geological Survey, or in areas where there are no identifiable flows in recorded history. Zone 8 is one of the lowest risk areas with no areas affected since 1800 and less than 1% affected in the last 10,000 years.
- Are diseases and pests a problem?
  - The risk of diseases and insects are constantly monitored by our forestry professionals. Hawaii’s geographic isolation reduces the threat of many pests that are common in other parts of the world. By continually monitoring the tree farm, Hawaiian Legacy Hardwoods works to minimize any pest threats through early detection and treatment.
- Do your forestry practices have any negative environmental impact and do they follow sustainable guidelines?
  - Since we are a tree farm and we are planting pastureland, we have no impact on our native forests. We are sustainable by design. Our planting is an ongoing program and will always exceed our harvesting.
- I've read that monoculture plantations have caused problems with local wildlife in other places. If the HLH trees are planted in monoculture plots, how will HLH avoid wildlife or other environmental problems associated with this type of planting?
  - The areas we are planting have been open pastureland for decades and have no endemic wildlife on it at this time. Further, before these lands were harvested in the 1960’s, they were once pristine koa forests. We would simply be returning the land to its natural state. In addition, we file detailed forestry management plans with DOFAW (Department of Forestry and Wildlife), which meet all wildlife protection requirements. As for monoculture planting, the only real commercial species that would do well at the higher elevations is Koa and this would not be an issue.
  - We are also planting all of the native species that were once here, meaning our reforestation project is producing a viable ecosystem rather than a monoculture.
- What if an endangered species is found in our tree growing area?
  - Wildlife site surveys are conducted and filed along with the forestry management plan before the first tree goes into the ground. Our obligation under the safe harbor “Right to Harvest” laws is to not degrade the habitat from the condition present at the time of the initial survey. In

short, the tree owner has the right to harvest their trees even if the trees have become a new habitat. Continual planting assures that there will always be new habitat available.

- If my trees are increasing in value every year, do I have to pay income tax on that increase?
  - Until you sell the lumber from your trees, you have no obligation to report the gain or pay tax on the gain. Once your trees are harvested and the lumber is sold, you must report the gain and pay taxes at that time.
- Can I own trees in my retirement account?
  - There are asset management companies set up to handle IRA, 401K, and other types of trust and retirement accounts that hold hard assets. If you have trouble locating a firm that can handle this, we can direct you to companies who specialize in this field.
- Is it possible to sell my trees before the final harvest?
  - As a tree owner, you have the right to sell the trees to anyone at any time during the life of the trees. If you choose to do this, we will help you prepare the documentation to transfer ownership in our tree registry. Any replacement owner will be bound by the same terms and conditions of your Tree Owner's Agreement. Because we are in constant contact with tree owners, we may be able to help you find a buyer. Some in the wood products industry may be looking to plan for their lumber needs on shorter time horizons.
- When can I expect my trees to be harvested?
  - The exact timing of thinning harvests and the final harvest will be determined by our forestry team. If you look at the tables in the [Projections Section](#), you will see harvest years based on the results from tree farms as diverse as Hawaii, Indonesia, and Central America. The first harvest producing marketable timber is projected as occurring in year 8, with periodic harvests every 3-4 years, leading to a final harvest in year 25. Teak is well- documented, but the exact schedules for other species are not as well-known.
- Would the lumber from our trees be FSC certified or carry any other credentials assuring sustainable practices?
  - We are constantly working with our forestry people to insure we meet all FSC guidelines. In addition, because each tree is uniquely identified through the RFID system, we meet all chain of custody issues automatically.
- Can I deduct the cost of travel to inspect my trees?
  - You should contact your tax advisor regarding your particular situation. If the inspection of your trees is the principal reason for your trip, it is likely that a significant portion of your travel and lodging expenses will be deductible. Your tax advisor can tell you what documentation and records you would need to retain.
- Are the growing numbers of tree farms going to depress lumber prices?
  - The World Resource Institute has calculated the current rate of tropical rainforest destruction at 50 million acres a year. They also estimate that less than 700 million acres remain, with growing global pressure to protect much of that resource. The confluence of these forces will create a global shortage within 14 years. Currently, tree farms and plantations supply only 1% of the tropical hardwood market. Even given the most optimistic projections, it is highly unlikely that tropical hardwood farms will fill more than a small percentage of the current worldwide demand.
- Do my trees generate carbon credits?
  - The carbon credit market is in its infancy, but make no mistake, it is coming. It is not clear how carbon credits for managed forest resources will be treated, but our climatology advisors are following this market with great interest. By making the personal choice to plant trees, you create an offset to your carbon footprint. Hardwoods, even when harvested, are used for

products with lasting value and are unlikely to reenter the planet's carbon cycle any time soon. Any and all carbon credits associated with your trees are yours to keep or sell.

- What information will I receive about my trees?
  - When your trees are planted, you will receive Registry Documentation showing the exact location of your trees, the quantity, species, and the year of planting. You will be entered into the email list for our Entrepreneur™ Newsletter with ongoing updates on lumber markets, HLH progress, and other developments affecting tree ownership. After each thinning and harvest, you will be emailed a detailed account of the number of your trees harvested and all associated costs such as milling, drying, care, and management. If you choose to have us sell your hardwood, we will also include the amount of the net proceeds from your harvest.