



GENERAL MANAGEMENT PLAN URUGUAY

**TAURION S.A.
MONTE FRESNOS S.A. – PONTE TRESA S.A.**

THE ORGANIZATION

RMK Timberland Group operates as a business unit of the Regions Morgan Keegan Trust and Morgan Asset Management based in Atlanta, Georgia (USA), created in 1981. The Group tailors timberland portfolios in different regions of the world and manages forest resources based on forest conditions and on clients' needs and objectives.

The Group started its activities in Uruguay in 2005, with the creation of the Southern Cone Timber Holdings, LLC investment fund and TAURION S.A. Timberlands. Subsequently the Group established the Criollo Madera investment fund and MONTE FRESNOS S.A. and the Bosques del Sur investment fund and PONTE TRESA S.A. Timber production from these companies is intended mainly for pulp, sawtimber, energy and others uses, both for foreign and domestic markets.

POLICY

RMK Timberland Group manages clients' assets in an economically sound, environmentally sustainable, and socially responsible manner.

The Group is committed to maintaining and improving the health and productivity of clients' forestlands, while protecting and enhancing the environmental and economic attributes of the lands in order to ensure current and future availability of natural resources.

All the activities of the companies managed by the Group are conducted in compliance with applicable local, national and international laws and regulations.

The general management strategy is designed to minimize environmental and social impacts. Special attention is given to protecting high conservation value areas and cultural features, as well as respecting the rights and traditions of local communities.

MANAGEMENT OBJECTIVES

Following RMK Timberland Group general goals, management objectives in Uruguay, include:

1. The production of certified timber for the pulp, lamination and lumber markets.
2. The optimal use of forestlands by combining timber and livestock production according to land conditions and potential for each activity.
3. Obtaining multiple benefits from forestlands based on their attributes and in consideration of potential interests by stakeholders.
4. Maintaining and improving the main ecological functions in the areas of influence, particularly as related to regional systems (e.g. basins, wildlife corridors).
5. Conducting operations in a socially responsible manner, under high security conditions for all personnel and contractors and in accordance with all applicable regulations.
6. Producing a general positive effect on local communities.
7. Combining efforts with other forestry companies by exchanging information and carrying out joint activities with regard to production, environmental and social issues.

FORESTLAND SERVICES

Uruguay forestlands are mainly used for growing timber products from tree plantations, while managing native forests as conservation areas.

RMK companies also seek to take advantage of forests for other purposes according to traditional activities in the areas of influence. Livestock grazing is the most common use of forestlands, followed by beekeeping, mushroom harvesting and others. Access to forestlands is allowed under controlled conditions when they are located close to towns or tourist farms that have customarily used them for recreational or other purposes.

FOREST MANAGEMENT UNITS

RMK manages approximately 40,000 hectares in Uruguay of which about 60% is suitable for plantations based on soil types. Most of the forest management units (FMU), which include both new plantations and previously planted lands at different growth stages, are located in the Eastern part of the country (Cerro Largo, Treinta y Tres, Durazno, Florida, Lavalleja, Maldonado and Rocha areas) while one is in the Northwest (Paysandú). For every new plantation planned a project is submitted for approval by national forestry and environmental bodies according to the country's regulations. The species managed include mainly *Eucalyptus globulus*, *E. grandis*, *E. maidennii*, *E. dunnii*, followed by *Pinus spp* and others.

MANAGEMENT AND MONITORING PLANS

RMK Uruguay has developed general forestry, environmental and social management and monitoring plans, as well as specific plans and programs for each FMU and its area of influence.

Forestry plans, designed according to the companies' commercial goals, are based on forestland evaluations, soil analyses, and plantation inventories. They include agendas and operational plans for planting, silviculture, harvest and post-harvest, as well as provisions for monitoring activities during each stage.

The Maximum Clear Cut Area (CCA) is determined based on a set of criteria that consider the environmental, social and economic factors involved.

The CCA is conceptually a continuous harvest area; therefore, with forests below 500 hectares in size, the maximum harvest area of the forest is equivalent to the CCA. For forests greater than 1,000 hectares in size, the maximum harvest area, according to scale, may be greater than the CCA, depending on the variety of the strata and the greening of the reforestation and sprouts.

Therefore we define a general CCA of 450 hectares and a maximum harvest area by property according to the determination of the Forest Management Units that are integrated into the annual Harvest Plan (December of each year).

Once the areas to be harvested are defined, we analyze the characteristics of the forest and determine the harvest system to use, the equipment needs (including personnel), the infrastructure (roads), and the need to introduce new technological approaches that developed over the past year.

The selection of the harvest system is based on:

- Area to be harvested: If less than 50 hectares, a manual harvest is most common.
- Monthly production volumes: If less than 3,000 solid cubic meters (scm) per month, a manual harvest is most common.
- Average tree volume: If the average tree volume is less than 0.16 scm, a mechanized or semi-manual harvest is most common.
- Product type: If the pulpwood logs are more than 2.4 meter in length or if the product is sawtimber, a mechanized harvest is selected.
- Heterogeneity of the volume per tree: The greater the heterogeneity of the tree volumes, a semi-mechanized or a manual harvest is selected. However, if a pre-commercial manual thinning of the small diameter trees can be made, then a mechanized harvest is performed.
- Morphology of the stand: If the stand has a high occurrence of forked, twisted, broken, or excessively branched trees, a manual harvest is most common.

Environmental plans, based on field research and impact assessments, seek to restore natural systems affected by previous practices (agriculture, livestock production, forestry, or other), protect natural resources and values in the areas of influence, and prevent or mitigate impacts from forestry operations.

Social plans, developed on the basis of national and local surveys, seek to achieve a good relationship with the local communities by implementing information, training and cooperation programs and other outreach activities. Housing, health and safety conditions of forestry workers are also considered in these plans.

CERTIFICATION AND CDM

Following the Group's general policy, during 2007 RMK Uruguay companies initiated a certification process for Forest Management and Chain of Custody, in order to achieve the management and performance international standards defined by the Forest Stewardship Council (FSC).

Compliance with certification standards is sought for all TAURION S.A., PONTE TRESA S.A. and MONTE FRESNOS S.A. properties.

RMK also seeks certification of forestry projects by the Clean Development Mechanism (CDM), established by the U.N. Framework Convention on Climate Change.

The management plan for each property is available at the RMK Timberland Group office in Uruguay. Contact address: Alejandro Schroeder 6505 - Montevideo 11500, Uruguay. Tel (598-2) 6002742