

March 4, 2005

Prof. Campbell Harvey
Fuqua School of Business

Subject: TWC Project Case Analysis

Dear Professor Harvey,

We are pleased to submit the attached report containing the assessment of a prospective investment being considered by the Bolivian Tropical Wood Consortium (TWC). TWC is a recently formed business group spearheaded by Tahuamanu S.A., one of the world's largest producers of Brazil nuts seeking to diversify into the wood industry and tap into the growth potential of the Amazonian forest. The development project is estimated to require an investment of US\$ 13 million to create the country's largest wood processing plant. Financing is expected to come primarily in the form of equity provided by the different partners joining the consortium, as well as loans granted by several international finance agencies.

As it will be seen throughout the report, the project's major risks derive from the escalating political instability in the country, the learning costs associated with diversifying into a new industry and the lack of infrastructure and supporting industries. We have found however that the project has largely mitigated most of these risks by designing a flexible business system and choosing a strategic location. The case is illustrative to understand the different risks involved in investing in a politically instable emerging market and the extent to which they can be minimized.

We look forward to your comments and suggestions.

Yours sincerely,

Irina Antsiferova, Canan Aydemir, Oscar Farfan and Nijat Valiyev