



Blairlogie Forest Investment Report

27 October 2015



A stand of trees planted in 1994 next to the recently replanted Putinka Forest.
Photo February 2015

Indicative Initial Price for 200 shares	Projected Return	Location
\$37,900 to \$39,100 initially	\$88,501 gross	35km east of Masterton
Both the Indicative Initial Price and the Projected Return above have been calculated using the assumptions set out in this Investment Report. Changes to the assumptions can have a material effect on these figures.		

A holding of 200 shares in the Blairlogie Forest investment is available for purchase by tender on the Forest Enterprises secondary market.

A prospective buyer can bid for all or part of this holding.

NOTE: Return amounts expressed throughout this Report are based on a 200 share holding.

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What other information is available?

Further information available on Blairlogie Forest includes –

- 31 December 2014 Annual Report – (extracts from which are contained in this document).
- Limited Partnership Agreement – setting out the matters agreed between the parties in respect of the operation of the Limited Partnership.
- Constitution of the General Partner – setting out how shareholders, directors and other parties interact with each other.
- Management Agreement – sets out the powers, duties and responsibilities of Forest Enterprises as the contractual manager.
- Deed of Participation – appointing a Statutory Supervisor to look after the Investor’s interests.

Other useful printed information include our publications entitled –

- ‘The Impact of the Emissions Trading Scheme on your Forestry Investment’.
- ‘Recommended Carbon Lease Proposal – Frequently Asked Questions’

Visit our website at www.forestenterprises.co.nz for further information on all aspects of forestry investment with Forest Enterprises.

Contact Details

If you require further information, or have any questions please contact our Customer Services Manager Merv Jones on –

- **Freephone** 0800 PINEGOLD (0800 746 346)
- **Email** mjones@forestenterprises.co.nz
- **Mail** P O Box 128, Masterton, New Zealand

International callers please use telephone +64 6 370 6360 and fax +64 6 370 6369.



What will the investment cost?

Indicative Initial Price

\$37,900 to \$39,100 for a 200 share holding

The indicative price of \$37,900 represents an 8% tax paid compounded return per annum while the indicative price of \$39,100 represents a 7.5% tax paid compounded return per annum over the investment term. These indicative prices are for a holding of 200 shares in Blairlogie Forest and represent the net present value of the Cashflow Projection set out on page 11 assuming a marginal tax rate of 33 cents in the dollar.

The indicative initial price calculations are provided as a basis on which prospective investors may determine the amount they wish to tender as a purchase price. Changes in the assumptions underlying the Cashflow Projection can have a material impact which may increase or decrease the return and Prospective Investors should take account of this reality when reflecting on a bid.

In October 2012 investors voted in favour of a carbon lease proposal that has the effect of annual rental payments being received from New Zealand Carbon Leasing (No 1) Limited in exchange for the risks and rewards of participation under the Emissions Trading Scheme (ETS) being the responsibility of the carbon lease company. It is assumed that harvest will occur when the trees are 28 years old, any change will impact on the duration of carbon lease payments included in the Cashflow Projection. If there are future changes to the Climate Change Response Act that has the effect of removing the ETS then the carbon lease payments would cease and the indicative value of the investment would reduce.

The annual Investor Administration Fee of \$40 per Investor per investment per annum is only paid once, regardless of the number of shares held in the Blairlogie Forest investment. This fee is included in the Cashflow Projection before deducting the multiple investor adjustments for those investors who own more or less than 200 shares.

Projected Future Payments

Forestry investment is by nature a contributory investment where investors pay the funding required each year, in addition to the Initial Price. The following future payments are projected for one holding of 200 shares in the Blairlogie Forest -

Due Date	Amount
2015 until harvest in 2021	Call payments offset by carbon lease income
2021 and 2022	Possible harvest income years

There are no projected future payments for one holding of 200 shares in Blairlogie Forest as the Calls are offset by the carbon lease income. If investors own more or less than 200 shares, a credit or debit adjustment is made for their proportionate share of the \$40 Administration Fee charged per 200 shares.

Investment Profit (Tax Loss)

Under current New Zealand tax law, any profit each year will be subject to tax at the investors marginal tax rate. Resident Investors are entitled to a share of any tax losses and are advised of the amount in May each year.

As set out in the Cashflow Forecast on page 11, as there are no future annual Call payments, the total projected tax savings for one holding of 200 shares in Blairlogie Forest are now minimal. The tax calculations are time sensitive and current to 1st October 2015. Non-residents should check with their Tax Adviser.

What is the projected return?

Projected Return at Harvest

\$88,501 gross in 2021 and 2022 for a 200 share holding

The table over shows the projected gross return at harvest for one holding of 200 shares in Blairlogie Forest at current log prices and if log prices increase or decrease by 10%.

Year ending	Current Log Prices -10%	Current Log Prices	Current Log Prices + 10%
2021	\$25,933	\$36,428	\$46,924
2022	\$39,386	\$52,073	\$64,762
Total	\$65,319	\$88,501	\$111,686

For the purposes of the projection it is assumed that 46% of Blairlogie Forest will be harvested in 2021 and the remaining 54% in 2022. This harvest timing reflects a period of 12 months spanning 6 months before and 6 months after the 28th anniversary of 30 June, the standardised planting date. Please note that variations around this timing are likely. Refer to page 7 for details on how the projected return at harvest has been calculated.

Harvest Tax Issues

Under current tax law, harvest proceeds will be paid to resident investors as a gross amount and investors will be responsible for paying tax at their marginal rate. The net return to investors will depend on their marginal tax rate at the time of harvest. Investors can choose to spread harvest income between the year of harvest and any one or more of the three preceding income years. In addition, investors will receive their share of the value of the land as a capital payment (non taxable), when sold. Non-residents should check with their Tax Adviser.

As set out in the Cashflow Projection on pages 10 and 11 the total projected net distribution at a tax rate of 33 cents in the dollar is \$61,885 for a holding of 200 shares.

Selling the Investment Before Harvest

Shares can be sold at any time before harvest but the sale is deemed to be a disposal of the underlying assets (land and trees). The sale of trees is a taxable event, whereas the sale of land is not. Section HG 5 of the Income Tax Act 2007 creates a \$50,000 threshold (in any 12 month period), under which this taxation treatment does not apply.

Where is Blairlogie Forest?

Blairlogie Forest is located approximately 35km east of Masterton in a property comprising 440 hectares.

Blairlogie Forest is the dark green area on the map (right) and is adjacent to several other Forest Enterprises investments in the vicinity (light green areas on the map).

A more detailed location map can be found on page 14.



How do I invest in Blairlogie Forest?

Secondary Market

Forest Enterprises operates a market for the sale and purchase of shares in existing forestry investments. The purpose of the market is to enable existing Investors to liquidate their investment and to allow prospective Investors to purchase investments in established forests. Shares in the Blairlogie Forest investment may be purchased by tender on this secondary market, either for the entire holding of 200 shares or a part of that holding. Note that the annual Administration Fee of \$40 will apply to each Investors shareholding, regardless of its size.

Tender Process

An example Tender Form with Terms and conditions can be found on page 13.

To submit a tender, complete the unbound Tender Form provided and return it to Forest Enterprises Ltd, PO Box 128, Masterton (refer to Contact Details on page 2).

The total purchase price you tender may be within, above or below the indicative initial price on page 3. Prospective investors usually set their tendered purchase price based upon a projected investment rate they wish to achieve for the duration of the investment.

Who can invest?

- Individuals who have attained the age of 18 years, either on their own or jointly
- Family Trusts
- Companies
- Partnerships

Overseas persons (those who are not New Zealand citizens or do not normally reside in New Zealand) can invest provided no more than 25% of the investment is held by overseas persons.

Note: We are required under the New Zealand Anti-Money Laundering and Countering Financing of Terrorism Act 2009 to undertake due diligence on all new customers which involves:

- a) gathering information about customer identity; and
- b) verifying a customer's identity, to ensure the customer is who they say they are.

Investment Structure

Limited Partnership

The investment structure of Blairlogie Forest is a Limited Partnership (LP), comprising multiple Limited Partners who are the investors, along with one General Partner (GP). The GP is the agent for the LP and is the active manager, responsible for the day-to-day management of the LP and its business.

Note: In the Blairlogie Forest investment, the GP is Blairlogie Forest GP Limited, the investors (Limited Partners) are also shareholders in the GP (which is also a limited liability company) and Forest Enterprises role is as Contractual Manager.

The Limited Partnership Agreement requires that the 25,000 issued shares in the GP Company Partnership, are to be held pro rata to the number of Limited Partners shares held by these limited partners.

Limited Liability

As the Blairlogie Forest investment is a Limited Partnership, the liability of investors (Limited Partners) is limited and they are only liable to the extent of their capital contributions (funds invested), plus any other obligations expressed in the Limited Partnership Agreement.

Who is involved in providing this investment for me?

Manager & Securities Registrar

Forest Enterprises Ltd
5 Papawai Place
PO Box 128
Masterton

Trustee & Supervisor

Trustees Executors Limited
Level 5, 10 Customhouse Quay
PO Box 3222
Wellington

Forestry Auditor

Forme Consulting Group Ltd
173 Main Road
PO Box 56-030
Tawa
Wellington

Banker

Bank of New Zealand
193-197 Queen Street
Masterton

Financial Auditor

Staples Rodway Wellington
Chartered Accountants
95 Customhouse Quay
PO Box 1208
Wellington

The Blairlogie Forest

Property Description

The terrain of Blairlogie Forest is predominantly easy to medium hill country. Altitude ranges from 170 metres up to 280 metres above sea level, with some steeper slopes at the higher levels. Blairlogie Forest is surrounded by other forest investments managed by Forest Enterprises, providing potential economies of scale for all forest operations.

Climate

The climate in the Blairlogie locality is typical of Wairarapa hill country, with rainfall between 1,100 and 1,250mm per annum. The site index, a forestry term for the indication of growth potential, had been assessed in the original prospectus as an average of 32 metres, a figure that was confirmed following the yield update undertaken in 2006.

Forest Development Status

Blairlogie Forest comprises a net-planted area of 416 hectares, established in 1993 and 1994 (see table below). Each block of 200 shares represents 3.33 hectares of established forest on land owned by Investors.

Year of Plantings	Net Stocked Area	Areas are based upon aerial photography and mapping undertaken in 2005. Mapping accuracy is normally + or -3%. Updated photography and mapping is undertaken during the life of a forest and it is usual for the measured net stocked area to change with each update and the changes can be material.
1993	192.1 hectares	
1994	223.9 hectares	
Total	416.0 hectares	

GF 16 and 17 genetically improved treestocks were used at a target planting density of 1,000 stems per hectare. Pruning and thinning is being undertaken to achieve the maximum volume of clearwood (knot free wood) at harvest, coupled with good tree size and restriction of branch size in the unpruned zone (above 6.5 metres).

Insurance

Blairlogie Forest is insured until harvest under a special purpose forest insurance scheme, designed to cover key forest risks, including losses from fire, wind, volcanic eruption plus fire fighting, re-establishment, infrastructure replacement and claim preparation costs. There is a policy excess of \$25,000.

Managers Report

The Managers Report summarises forest activity for the previous and coming year plus other material management issues and is included in the Annual Report. Relevant extracts from the latest Managers Report for Blairlogie Forest are included on page 8.

ETS Carbon Lease

Blairlogie Forest LP has entered into a business arrangement with a company called New Zealand Forest Leasing Ltd (NZFL), resulting in the carbon in the post 1989 areas of the forest being leased to New Zealand Carbon Leasing (No 1) Limited, a subsidiary of NZFL, in return for an annual rental.

The participant in the ETS is New Zealand Carbon Leasing (No 1) Limited. It is this company and not Blairlogie Forest LP that has the ETS liability at harvest. A legal opinion to this effect is available on request.



A stand of 1993 trees surrounding a water reservoir.

Photo February 2015

How has the projected return at harvest been calculated?

Net Stumpage

The return at harvest is expressed as the net stumpage per hectare. For Blairlogie Forest this is currently projected to be \$24,229 per hectare (ha) calculated as follows -

Log Type	Projected Recoverable Volume (m ³ / ha)	Percentage	FEL Price at Point of Sale (\$ / m ³)	Total Production Costs (\$ / m ³)	Net Return Stumpage (\$ / m ³)	Contribution to Stumpage (\$ / ha)
Export P40	137.58	21%	\$147.07	\$76.38	\$70.69	\$9,724
Export A	117.20	18%	\$97.47	\$76.38	\$21.09	\$2,469
Export K	38.89	6%	\$81.54	\$76.38	\$5.16	\$199
Export KI	32.54	5%	\$77.21	\$76.38	\$0.83	\$27
Export KIS	32.54	5%	\$68.02	\$76.38	-\$8.36	-\$272
Domestic P35	67.03	10%	\$138.20	\$78.18	\$60.02	\$4,024
Domestic S30	178.16	27%	\$98.09	\$61.38	\$36.71	\$6,546
Domestic S20	59.41	9%	\$86.78	\$61.38	\$25.40	\$1,511
Totals	663.34	100%				\$24,229

The net recoverable volume is 663 m³/ hectare. The export prices used in the stumpage calculation have been converted from JAS (Japanese Agricultural Standard) method of volume calculation to a cubic metre equivalent. They also have port costs deducted.

Harvest Assumptions

The calculated harvest return is a projection based upon a number of critical assumptions –

- The log volumes and types are based on a Mid Rotation Inventory carried out in 2008 for the 1993 compartment and plot data from the silviculture operations for the 1994 compartment. A Mid Rotation Inventory is planned to be carried out in the 1994 compartment during the coming year. As these figures are derived from low percentage sampling they are subject to material variation.
- A sales scenario based upon Masterton and the Port of Wellington as the point of sale has been used and therefore assumes demand will exist at harvest time at these destinations. Other scenarios will produce different stumpage outcomes.
- Log prices are Forest Enterprises (FEL) 12 quarter average prices to 30 September 2015. In order to better reflect actual log grades and regional prices, actual FEL grades and sales prices are now used rather than the generic grades reported upon by MPI. This change has reduced reported stumpage by 11%.
- Harvesting and Transportation costs are based upon the costs currently being paid by Forest Enterprises for current harvesting. These costs reflect the characteristics of the forests currently being harvested, which may differ from the characteristics of this forest when it is harvested. The financial impact of the relevant characteristics of this forest are unable to be quantified at this time.
- The cost of the roading network required at harvest is substantial. As this stage a provision of \$1,657,000 has been made and represents \$6.01/m³ of the Total Production Costs (\$/m³) figure shown in the Stumpage calculation below.
- The split between hauler and ground based logging may be amended when harvest planning is progressed. At this stage 70% hauler / 30% ground based logging has been assumed.
- Harvest is assumed to occur in the years shown. Harvesting practicalities will probably have an impact on this timing resulting in a spread over more years.

Important

Every effort has been made to arrive at reasonable figures based upon Forest Enterprises 43 year's forestry knowledge, including our current harvesting experience. Investors should be aware that the projections provided will vary over time depending upon many factors and the resulting changes could be material.

Managers Report for Blairlogie Forest

(taken from the Annual Report for the year ended 31 December 2014)

Forest Activity Last Year

SPS Biosecurity, on behalf of the Forest Owners Association, completed the annual forest health survey. The results of the survey indicate that there are no causes for concern.

As your forest has completed its major silviculture operations and is growing on to harvest, field activities during the year focused on regular inspections to check on forest health and to ensure access ways remain open.

Maintenance expenditure related to clearing trees from the tracks along with minor slips and debris.

Forest Activity for the Coming Year

Although planned harvest is a number of years away, it is planned to prepare the initial environmental impact report and other preliminary work required in order to be able to obtain the necessary resource consents that are required to be able to harvest the forest.

Provision has been made in the budget for continued maintenance of the tracks and internal access ways, as required.

Emissions Trading Scheme

In October 2012 investors voted in favour of a carbon lease proposal that has the effect of annual rental payments being received from New Zealand Carbon Leasing (FEL) Limited in exchange for the risks and rewards of participation under the ETS being the responsibility of the carbon lease company for post 1989 forest areas.

The second payment of \$47,627 was received on 30 April 2014. The next payment due on 30 April 2015 will be that received in 2014 plus 0.8%, being the increase in the Consumer Price Index for the 12 months ending 31 December 2014.

Separate to the post 1989 forest area, Blairlogie Forest has 30 hectares of pre 1990 forest area. The 1,800 New Zealand Units (NZUs) relating to this area are available for sale. The market price at the end of January 2015 was around \$5.80/ NZU.

Conclusion

This report is specific to matters pertaining to your forest, with items of a more general nature, and industry comment being covered in our regular Forest Enterprises Investor Communications.



Forest flyover of both Blairlogie Forests during a recent health inspection check.
Photo December 2013



John Schrider, Forest Auditor, in a stand of 1994 plantings that show good growth and form.
Photo April 2013



A group of 1994 plantings on a main access track, showing good growth. Photo March 2013

General Notes to the Cashflow Projection

The base Cashflow Projection is updated yearly as part of the annual reporting process with the first year's expenditure being the budget for the current year. Regular changes are made to the harvest revenue projection between Annual Reports in accordance with the harvest assumptions on page 7. Generally, changes between reporting periods are only made if separately identifiable and material or to reflect their timing relative to the date of the Investment Report.

The Cashflow Projection reflects our estimate of the cost of the work to be done or services provided, year-by-year through to harvest, generally based upon the work program and prices current at the time of the Annual Report review. Actual costs and timing will vary from the projections as a consequence of changes over time to the work program and the prices; these changes may be material.

Other assumptions (in addition to the harvest assumptions set out on page 7) include -

- It is assumed that the land will be sold in the final harvest year at the current rating valuation.
- No provision is made for the replanting of the areas harvested, other than for trees on the property at the time of purchase. Practically this will occur the winter following harvest and the replanted tree crop sold at the conclusion of harvest (in addition to the land). This will impact upon the timing of the distribution of the harvest revenue.
- It is assumed that Carbon Lease payments are received from the participant company under the Emissions Trading Scheme (ETS). Changes to harvest timing will impact on the duration of the payments.
- The Cashflow opposite includes the annual Investor Administration Fee of \$40 and assumes each investor owns 200 shares ie the \$5,000 figure per annum is subject to a credit or debit adjustment for those investors who own more or less than 200 shares.

NOTE: Future Calls in the Cashflow Projection should be taken as a guide only, as they can and will change.



Graham Dick, Forest Operations Manager, talking to a group of investors enjoying a drink and snack amongst their trees.
Photo March 2010

Cashflow Projection for Blairlogie Forest

(Please refer to the General Notes to the Projection opposite)

Note: the reference to 'Each Investment Unit' refers to 200 shares.

Financial Year ending December 2015	2015	2016	2017	2018	2019	2020	2021	2022	TOTAL
Hectares Planted									
Total Hectares Harvested							192.1	223.9	416.0
EXPENDITURE									
Forestry Expenditure									
Maintenance	3500	3500	3500	3500	3500	3500			21000
Protection	1000	1000	1000	1000	1000	1000			6000
Insurance	8750	8145	7535	6955	6430	6930	7485	4470	56700
Rates	3100	3100	3100	3100	3100	3100	3100	3100	24800
Other Expenditure									
Management	11650	11650	11650	11650	11650	11650	11650	6280	87830
Investor Admin Fee	5000	5000	5000	5000	5000	5000	5000	5000	40000
Trustees Fees	3500	3500	3500	3500	3500	3500	3500	3500	28000
Audit Fees	1950	1950	1950	1950	1950	1950	1950	1950	15600
Investment Update & Valuation	1375	1375	1375	1375	1375	1375	1375	1375	11000
Legal & Other Professional Fees	2000								2000
Mapping & Inventory	8200				1000	15000			24200
Borrowing Costs & Bank Fees	550	550	550	550	550	550	550	550	4400
Industry Subscriptions & Levies	1500	1500	1500	1500	1500	1500	1500	1500	12000
Filing Fees & Disbursements	3000	3000	3000	3000	3000	3000	3000	3000	24000
Investor Meeting Costs	2500					2500			5000
Contingency									
TOTAL EXPENDITURE	57575	44270	43660	43080	43555	60555	39110	30725	362530
RECEIPTS									
Net Current Assets	56175	-5138	-5748	-6178	-5703	11297	60799		105504
Sale of Land & Improvements								920000	920000
Carbon Lease		48008	48008	48008	48008	48008	48008	24633	312681
Interest Received	400	400	400	250	250	250			1950
Harvest							4483810	5595260	10079070
Sale of Second Rotation Trees									
TOTAL RECEIPTS	56575	43270	42660	42080	42555	59555	4592617	6539893	11419205
NET CASHFLOW	-1000	-1000	-1000	-1000	-1000	-1000	4553507	6509168	11056675
CASHFLOW FOR EACH INVESTMENT UNIT									
Calendar Year of Call Payment	2015	2016	2017	2018	2019	2020	2021	2022	TOTALS
Cash Payable per Unit per Annum	-8	-8	-8	-8	-8	-8			-48
Payable 28 February	-8	-8	-8	-8	-8	-8			
Payable 31 October									
Cash Receivable per Unit per Annum							36428	52073	88501
TAX ANALYSIS FOR EACH INVESTMENT UNIT									
Tax Year ending December	2015	2016	2017	2018	2019	2020	2021	2022	TOTALS
Cashflow per Unit before Tax	-8	-8	-8	-8	-8	-8	36428	52073	88453
Taxation Benefit at 33%	6	-11	-13	-14	-12	32			-11
Taxation Payable at 33%							-11861	-14755	-26616
Cash Payable per Unit after Tax	-2	-19	-21	-22	-20	24			-59
Cash Receivable per Unit after Tax							24567	37318	61885

Statement of Financial Position for Blairlogie Forest

(taken from the Annual Report for the year ended 31 December 2014)

2013 \$		Note	\$	\$	2014 \$
	CURRENT ASSETS				
	Funds on Hand				
4,197	Cheque Account	1	1,858.25		
45,951	Trust Account	1	56,418.41		
50,149	Total Funds on Hand			58,276.66	
	Other Current Assets				
47,615	Sundry Debtors		48,008.07		
1,322	GST Recoverable		919.74		
113	Resident Withholding Tax Recoverable	2	285.21		
328	Expenses Paid In Advance		368.62		
49,378	Total Other Current Assets			49,581.64	
99,527	TOTAL CURRENT ASSETS			107,858.30	
	LESS CURRENT LIABILITIES				
0	Cheque Account	1	0.00		
1,953	Sundry Creditors		2,313.31		
41	Calls in Advance		40.96		
1,993	TOTAL CURRENT LIABILITIES			2,354.27	
97,533	NET CURRENT ASSETS	3			105,504.03
	PROPERTY, PLANT & EQUIPMENT				
	Roading				
17,270	Road Formation		17,270.00		
(17,221)	Less Accumulated Depreciation		(17,233.03)		
49	Total Roding			36.97	
	Land Preparation				
2,351	Land Preparation		2,351.41		
(1,713)	Less Accumulated Depreciation		(1,752.90)		
639	Total Land Preparation			598.51	
	Other Depreciable Assets				
29,400	Fencing		29,400.00		
(6,777)	Less Accumulated Depreciation		(6,776.70)		
22,623	Total Other Depreciable Assets			22,623.30	
	Non Depreciable Assets				
261,128	Land at Cost		261,128.00		
	Biological Assets				
4,339,767	Forest Crop Value	4	4,349,820.00		
4,600,895	Total Non Depreciable Assets			4,610,948.00	
4,624,206	TOTAL LONG TERM ASSETS				4,634,206.78
4,721,740	NET ASSETS				4,739,710.81
	EQUITY				
2,353,533	Investment by Limited Partners		2,353,532.69		
2,368,207	Retained Earnings		2,386,178.12		
4,721,740	NET EQUITY	5			4,739,710.81

Note	Comments
1	Funds on hand
2	The Resident Withholding Tax deducted from the Interest received will be recovered from the IRD.
3	The Net Current Assets have been deducted from the 2015 budget to arrive at funding required (as detailed page 14).
4	The fair value of the Forest Crop at balance date. Refer to the notes for details on the calculation.
5	The total amount paid by the Limited Partners and Retained Earnings.

Tender Form

I/We: Full Name(s) _____

Address: _____

Phone: day _____ night _____ fax _____

Email: _____

hereby offer and agree to purchase 200 Limited Partnership (LP) Shares in the (Forest Name) _____ ('Investment') at the purchase price of \$ _____ (in figures) per Share, a total of \$ _____ (in figures) _____ (total in words)

Alternatively, I/We hereby offer and agree to purchase a lesser number, namely _____ Limited Partnership (LP) Shares in the Investment at the purchase price of \$ _____ (in figures) per Share, a total of \$ _____ (in figures) _____ (total in words)

plus the Forest Enterprises Ltd ('FEL') transfer fee of \$150.00 per share transaction.

I/We accept and agree to be bound by the terms and conditions set out below in submitting this offer.

It is acknowledged that the shares in the associated General Partner (GP) are also purchased and both sets of shares (LP and GP) are described in the Share Certificates issued following a successful purchase of shares under this tender process.

I/We agree to execute a combined 'Deed of Assignment and Power of Attorney' Form (examples on pages 16 to 19), to complete the transfer of LP shares and GP shares respectively, following the purchase of shares under this tender process.

I/We confirm that I/we are at the date of submitting this offer aged at least 18 years and are of full legal capacity.

I/We agree to pay future Calls as generally provided for in the Cashflow Projection on page 11 of this Report.

I/We acknowledge that this offer shall be irrevocable until acceptance by the Seller, or for 10 (ten) working days following the receipt by FEL of the offer (or renewed offer), whichever is sooner.

I/We request that notification of acceptance of this offer (or renewed offer) be communicated by _____ (please enter either fax or email and check that the fax and/or email details above are correct).

Signed by (print name) _____

(Signature)

If joint purchasers

Signed by (print name) _____

(Signature)

Please tick if you intend investing in the name of a Trust

Date: ____ / ____ / ____

Please tick if you intend investing in the name of a Company

Please tick if you intend investing in the name of a Partnership

BROKERAGE

The Buyer agrees to pay a non-refundable Brokerage Fee of \$150 per investment for the number of shares purchased. Payment is to be included with the payment for the shares.

TRANSFER MEETS THE DEFINITION OF EXCLUDED INCOME

Based on FEL's indicative valuation of the shares, the sale of the Shares should meet the requirements of the definition of excluded income under section HG 5 of the Income Tax Act 2007. As expressed in the Deed to be completed in respect of any resulting sale, the Buyer (referred to in the Deed as the Assignee Partner) will be purchasing under this assumption and in the event that the New Zealand Inland Revenue Department determines otherwise the financial consequences will be the sole responsibility of the Seller.

PERSONAL COST OF TIMBER

Where the sale is exempt for Income Tax (ie is less than \$50,000 under section HG 5 of the Income tax Act 2007), the Seller agrees that their Personal Cost of Timber (if any) associated with each share sold will pass to the Buyer and is no longer be available to the Seller.

INDEMNITY

Both the Seller and Buyer agree and acknowledge that any contract for the sale of the Shares is between the Seller and the Buyer, and whilst FEL will in the manner set out above co-ordinate and facilitate the process, FEL has no responsibility or liability to the Seller or Buyer should the Seller or Buyer default in its obligations to complete the sale. The Seller and Buyer shall indemnify FEL, its officers, agents and employees against any cost, claim, expense or damage incurred by FEL howsoever arising from the offer and/or sale of the Shares.

DEED OF ASSIGNMENT AND POWER OF ATTORNEY – Under \$50K

THIS DEED is executed the _____ day of _____ 2015

[To be completed by Forest Enterprises Ltd]

Parties

- | | | |
|----|-----------------------------|-----------------------------|
| 1. | [Name of Assignor] | ("the Assignor") |
| 2. | [Name of Assignee] | ("the Assignee") |
| 3. | [Investment Name] Forest LP | ("the Limited Partnership") |

Particulars of Securities Transferred

Investment Name:	[Investment Name] Forest Investment ("the Investment")
Issuer of the Securities:	[Investment Name] Forest LP
Description:	Shares in the Limited Partnership ("the LP Shares")
Number of LP Shares:	[Number of LP Shares]
Issuer of the Securities:	[Investment Name] Forest GP Limited ("the General Partner")
Description:	Shares in the General Partner ("the GP Shares")
Number of GP Shares:	[Number of GP Shares]
Consideration for LP Shares:	[Consideration for LP Shares]
Effective Date:	[Effective Date]

Background

- A. The Assignor is the owner of the LP Shares and the GP Shares in the Investment.
- B. For the consideration stated in this Deed, the Assignor transfers to the Assignee the LP Shares and the GP Shares subject to the conditions on which the securities are now held by the Assignor, including but without limitation to all such obligations, the requirement to pay any calls on the LP Shares as and when called.
- C. The Assignee wishes to grant to Trustees Executors Limited the limited Powers of Attorney which are a condition of being a limited partner in the Limited Partnership in accordance with the terms of the limited partnership agreement governing the Limited Partnership ("the LP Agreement") and a condition of being a shareholder in the General Partner in accordance with the terms of the constitution of the General Partner ("the Constitution") registered in the Companies Office.

General

1. **Manager acting for General Partner:** Under the LP Agreement the General Partner has appointed Forest Enterprises Limited as the Manager to manage the Limited Partnership and also act as manager of the General Partner. Accordingly, all references in this Deed to communications with the General Partner or notices to the General Partner are achieved by the Assignor or Assignee communicating with or notifying the Manager.
2. **Execution in Counterpart:** This Deed or any part of this Deed may be executed in counterpart and all counterparts will collectively constitute a single deed.
3. **Definition of Independent Trustee:** For the purposes of the LP Agreement and this Deed, a person is an independent trustee if that person has no interest in the assets of the trust other than as a trustee. For the purposes of clarification (but without limitation) a person is not an independent trustee and has an

interest in the assets of the trust if that person is a beneficiary or discretionary beneficiary in relation to the trust. All trustees acknowledge the need to immediately inform the General Partner of changes to trustees, including appointments and retirements.

4. **Same Definitions in LP Agreement:** All other terms defined in the LP Agreement bear the same meaning when used in this Deed unless the context requires otherwise.
5. **Interpretation:** Words importing the singular number include the plural and vice versa and where obligations bind more than one person those obligations bind those persons jointly and severally.

Assignment and Covenants

6. **Transfer of LP Shares:** For the consideration stated in this Deed, the Assignor transfers to the Assignee effective from the Effective Date all rights and interest in the LP Shares.
7. **Transfer of GP Shares:** For nil consideration, the Assignor transfers to the Assignee effective from the Effective Date all rights and interest in the GP Shares in accordance with the requirements under the LP Agreement and the Constitution that the holder of the LP Shares is also the holder of the GP Shares.
8. **Tax Treatment of Consideration:** The Assignor confirms that the consideration paid by the Assignee under this Deed is excluded income under section HG 5 of the Income Tax Act 2007 and therefore that the Assignee is not entitled to a 'cost of timber' deduction in terms of section DP 10 of the Income Tax Act. The Assignee acknowledges this taxation status of the assignment. In the event that the New Zealand Inland Revenue Department ("IRD") determines otherwise:
 - 8.1 The Assignor will advise the Manager of the change in status of this transaction and obtain from the Manager details of the value of the standing timber component of this assignment.
 - 8.2 The Assignor will meet the resulting taxation liability.
 - 8.3 The Assignee will be entitled to a 'cost of timber' of the standing timber component of this transaction without additional payment to the Assignor. The Manager will advise the Assignee the quantum of the Assignee's 'cost of timber' entitlement which will be the value of the standing timber component of this assignment advised to the Assignor in clause 8.1.
 - 8.4 In the event IRD determines a different value of the standing timber component of this assignment to that obtained from the Manager, the Assignor will provide a copy of IRD's determination to the Manager who will then advise the Assignee of the amended quantum of the 'cost of timber'.
9. **Tax Loss/Tax Profit:** Any tax loss incurred by the Assignor or tax profit attributable to the Assignor in the Investment in the financial year in which this assignment takes place will at the end of the financial year be treated as a tax loss incurred by the Assignee or a tax profit attributable to the Assignee, as the case may be, despite the Assignee not being a limited partner at the time the tax loss was incurred or the tax profit made.
10. **Assignor's Obligations to Effective Date:** The Assignor covenants with the Assignee that the Assignor has up to the Effective Date observed and performed all obligations required to be observed or performed under the LP Agreement in respect of the LP Shares and under the Constitution in respect of the GP Shares.
11. **Assignee's LP Share Obligations from Effective Date:** The Assignee covenants with the Assignor and the Limited Partnership and the other limited partners in the Limited Partnership that effective from the Effective Date the Assignee will observe and perform all obligations contained or implied in the LP Agreement and will keep indemnified the other limited partners in respect of any obligation required of the Assignee with respect to the LP Shares and otherwise in terms of the LP Agreement.
12. **Assignee's GP Share Obligations from Effective Date:** The Assignee covenants with the Assignor and the General Partner and the other shareholders in the General Partner that effective from the Effective Date the Assignee will observe and perform all obligations contained or implied in the Constitution of the General Partner with respect to the GP Shares held by the Assignee.



13. **Assignee Must Not be a Minor:** The Assignee covenants with the Limited Partnership that for the purposes of the enforceability of this Deed under the Minors' Contract Act 1969 the Assignee is not under the age of 18 years.
14. **Overseas Person:** The Assignee acknowledges that if the Assignee is an overseas person this Deed shall be of no force or effect unless the General Partner in its absolute discretion consents in writing to the Assignee holding the LP Shares. The Assignee also acknowledges that if the Assignee is not an overseas person on the Effective Date but subsequently becomes an overseas person while being a Limited Partner, the Assignee must immediately give notice of that fact to the General Partner and may be required to transfer all or some of the LP Shares (and consequently all or some of the GP Shares) to a person who is not an overseas person at the written direction of the General Partner.
15. **No Encumbrances:** The Assignor warrants to the Assignee that the LP Shares and the GP Shares are unencumbered.
16. **Instruction to Register Transfer:** The Assignee instructs the General Partner to record the transfer of the LP Shares to the Assignee in the register of limited partners in the Limited Partnership maintained by the General Partner and to notify the Registrar of the transfer in terms of Section 59 of the Limited Partnerships Act 2008. The Assignee also instructs the General Partner to record the transfer of the GP Shares to the Assignee in the register of shareholders maintained by the General Partner.

Limitation of Liability of Independent Trustees

17. **Limited Liability:** Any person who is an independent trustee of a trust executes this Deed in their capacity as an independent trustee so that their liability under this Deed will not be an unlimited personal liability but will be restricted to the assets of that trust in their hands or under their control at the time demand is made upon them for payment, performance or indemnity under this Deed or the LP Agreement.

Power of Attorney

18. **Appointment of Attorney:** The Assignee irrevocably appoints Trustees Executors Limited or any corporate trustee company that succeeds Trustees Executors Limited as the statutory supervisor over the Limited Partnership ("the Attorney") to be the Assignee's Attorney with the limited powers given by this Deed.
19. **Powers:** The Attorney may in its own name and as the Assignee's Attorney do or perform any of the acts set out in paragraphs A and B below and will have sole discretion as to decision making with respect to this Power of Attorney.
20. **Binding and Non-Revocable:** The Assignee agrees to be bound by whatever the Attorney may lawfully do by virtue of this Power of Attorney. The powers conferred by this Power of Attorney may not be revoked or suspended except with the prior written agreement of the General Partner and the Attorney.
21. **Reliance on Power of Attorney:** No person dealing with the Attorney in good faith will be bound to enquire as to whether this Power of Attorney is in full force and effect or as to the propriety of anything the Attorney may do by virtue of this Power of Attorney. A written statement by the Attorney to the effect that the Attorney has no notice of the revocation or suspension of its powers and authorities under this Power of Attorney will be conclusive evidence to that effect.

A. Power of Attorney under the LP Agreement

The Attorney will have the following limited powers:

- (a) To appoint any director of the General Partner present at any meeting of limited partners as proxy for all limited partners not present at the meeting solely for the purpose of satisfying the common law requirement that a meeting cannot be held without at least two individuals present in person or proxy;

- (b) To waive on behalf of all limited partners who are entitled to attend and vote at any limited partnership meeting but who do not attend the meeting any irregularity in the notice of meeting but only if the irregularity is of a technical or non-material nature;
- (c) To approve an amendment to a resolution set out in a notice of meeting provided that the amendment is:
 - (i) the correction of an error; or
 - (ii) a qualification of the application or restriction of the effect of the resolution on limited partners; or
 - (iii) for clarification and in the opinion of the Attorney consistent with the clear intent of the resolution;
- (d) To approve on behalf of the limited partners an amendment to the LP Agreement if in the opinion of the General Partner the amendment is made to correct a manifest error or is of a formal or technical nature or is convenient and is not prejudicial to the general interests of the Limited Partnership or the limited partners, and the amendment is subject to prior approval by the Attorney; and
- (e) To execute a deed of modification on behalf of the limited partners to record any amendment approved or permitted in accordance with the LP Agreement.

B. Power of Attorney under the Constitution

The Attorney will have the following limited powers:

- (a) To pass a written resolution in lieu of annual meeting as provided for in the Constitution for the purposes of:
 - (i) any resolution to receive, approve and adopt any directors' statement, directors' report, or financial statements within the meaning of section 8 of the Financial Reporting Act 2013;
 - (ii) any resolution regarding appointment of auditors to the General Partner under sections 196(1) and 196(2) of the Act;
- (b) To vote on any resolution appointing a director of the General Partner;
- (c) To vote on any resolution accepting a director's resignation or removing a director from office;
- (d) To appoint a director present at any meeting of shareholders as proxy for any shareholders not present at the meeting who have not appointed a proxy for the limited purpose of satisfying the common law requirement that a meeting (other than a resolution in lieu of meeting under (g) below) cannot be held without at least two shareholders present in person or proxy;
- (e) To approve an amendment of a resolution set out in a notice of meeting provided that the amendment is:
 - (i) the correction of an error; or
 - (ii) qualification of the application or restriction of the effect of the resolution on shareholders; or
 - (iii) in the opinion of the Attorney consistent with the clear intent of the resolution.
- (f) To waive *on behalf of all shareholders who are entitled to attend and vote at any shareholder meeting but who do not attend the meeting any irregularity in the notice of meeting* but only if the irregularity is of a technical or non-material nature; and
- (g) To sign any resolution made in lieu of a meeting of shareholders in accordance with section 122 of the Act in respect of which the Attorney has the limited powers to vote and to pass.

Privacy Act 1993

22. **Collection and Use of Personal Information:** The Limited Partnership and the General Partner may collect and use any personal information about the Assignee that is required to comply with any legislation or requirements of law and reasonably necessary for the business of the Limited Partnership. The name and address of the Assignee and the number of LP Shares and GP Shares held by the Assignee may be disclosed in a list by the General Partner to other limited partners in the Limited Partnership but no other personal information about the Assignee that is not already in the public domain may be disclosed to any other person without the Assignee's consent.



23. **Access to and Correction of Personal Information:** The Assignee has rights of access to and correction of his or her personal information held by the Limited Partnership or the General Partner pursuant to the Privacy Act 1993.
24. **Date and Place of Birth:** The Assignee acknowledges that it is a requirement of the Limited Partnerships Act 2008 that the date of birth and place of birth (both town/city and country) of every limited partner must be provided to the Registrar of Companies for registration of the Limited Partnership and that these details are not able to be searched except by the Registrar.

Signed by the Assignor

Signed by:		In the presence of:	
Assignor Full Name: [Name of Assignor]	Witness Full Name:		
Assignor Signature:	Witness Signature:		
	Witness Town/ City of Residence:	Witness Occupation:	

Signed by the Assignee

Signed by:		In the presence of:	
Assignee Full Name: [Name of Assignee]	Witness Full Name:		
Assignee Signature:	Witness Signature:		
Assignee Date of Birth:	Witness Town/ City of Residence:	Witness Occupation:	
Assignee Residential Address:			

Signed by the Limited Partnership

Signed by [Investment Name] Forest GP Limited on behalf of "[Investment Name]" Forest LP:	
Director Name: Stephen Arthur Robert WILTON	Director Signature:
Director Name: Graeme Mark TINDALL	Director Signature:



Looking south along a ridge in the 1994 compartment.

Photo March 2009



View looking south from the main access track into the 1993 stand in the background and the 1994 stand in front.

Photo March 2007