# DASHWOOD FOREST PARTNERSHIP

## MINUTES OF THE FOREST VISIT MEETING
## HELD AT THE WAIROA YACHT CLUB THE PROPERTY
## ON MONDAY 24th APRIL 2017 AT 8.30AM

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**PRESENT**
Roger Dickie (No 12) Ltd (in attendance by Proxy Margaret Prince) & G Samuels.

**ATTENDING**
Steve Bell & Nathan Wallace(Forest Management (NZ) Ltd), Margaret Prince & Jeff Whitlock (Markhams Waverley Ltd), Roger Dickie, Richard Bourne & William Dickie (Roger Dickie (N.Z) Ltd).

**APPOINTMENT OF CHAIRMAN**
Nominations were called for the position of Chairman for this meeting.
G Samuels / Roger Dickie (No 12) Ltd (in attendance by Proxy Margaret Prince)
THAT J Whitlock be appointed Chairman for this meeting.

CARRIED

**APOLOGIES & PROXIES**
Apologies were received from Argosy Forests Ltd, Bemac Investments Ltd, Cooper Forestry Ltd, DLS Investments Ltd, I Armitage, J Armitage, N Edwards, Nether Enterprises Ltd, , Rural Outlook Ltd, The Hazelwood Trust, S Woodhouse, Steppes Forestry Ltd, Vincanne Ltd, Whakatane Developments Ltd & Willine Developments Ltd.
Proxies were held for the above named, establishing a quorum for the meeting.
G Samuels / Roger Dickie (No 12) Ltd (in attendance by Proxy Margaret Prince) THAT the apologies and proxies be sustained.

CARRIED

**MINUTES**
The minutes of the 2016 General Meeting had been circulated.
Roger Dickie / Roger Dickie (No 12) Ltd (in attendance by Proxy Margaret Prince) THAT the minutes be confirmed.

CARRIED

**ARISING FROM MINUTES**
Nil

**REPORTS AND FINANCIAL ACCOUNTS**
The reports from Roger Dickie, Forest Management (NZ) Ltd, PF Olsen's 2017 Tree Crop Valuation and the 2017 Draft Financial Statements were tabled and discussed.
Roger Dickie advised that the audited financial statements will be distributed at the AGM and in the unlikely event there are any changes from the draft accounts, partners will be advised.

**PUBLIC LIABILITY INSURANCE**
G Samuels / Roger Dickie (No 12) Ltd (in attendance by Proxy Margaret Prince) THAT Public Liability Insurance be effected for $10 million.

CARRIED

**ADMINISTRATION**
G Samuels / Roger Dickie (No 12) Ltd (in attendance by Proxy Margaret Prince) THAT the administrators' remuneration be at a rate of $370 (GST excl.) per month.

CARRIED

**BUDGET**
G Samuels / Roger Dickie (No 12) Ltd (in attendance by Proxy Margaret Prince) THAT the Budget Cashflow Statement for the year to 28th February 2018 be approved subject to any shortfall from the Investment Fund to pay the Insurance premium being covered by the sale of NZUs.

CARRIED

**RESOLUTION 1**
G Samuel / Roger Dickie (No 12) Ltd (in attendance by Proxy Margaret Prince) THAT the Manager have authority to sell liability free New Zealand Units as deemed appropriate.

CARRIED

**RESOLUTION 2**
G Samuels / Roger Dickie (No 12) Ltd (in attendance by Proxy Margaret Prince) THAT funds earned from the sale of NZUs be held in an interest bearing account and be used to meet future partnership operating expenses as required.

CARRIED

**GENERAL BUSINESS**
A letter from Mr M Perry was tabled and read by those attending with the conclusion being that no action was required from the meeting. *(Note Mr Perry's questions have been dealt with by Roger Dickie -see attached)*

**ETS**
Roger spoke in regard to the ETS saying NZU's were currently trading around the $17 mark. He said no one knows what the future may bring and as per the resolutions presented he believes it prudent to sell additional NZU's. Of all the partners in the group only 3 had voted against the resolutions. Roger commented the market is quite thin and the NZU's would take time to sell. The strategy will be to drip feed into the market in parcels and pro rata between the partnerships.

**Cyclone Cook**
Roger advised that there had been some limited damage in a few of the forests around Napier and they will be making an insurance claim. He continued, over all, we had been very lucky that the cyclone tracked faster and further east than originally forecast and the severe winds had not lasted long.

**Post Harvest**
With more and more forests approaching harvest Richard advised there will be another 'Harvest and Beyond' conference held in Napier on October 28th. An often asked question is, "What happens after harvest" and this will be covered at the conference. However he confirmed that the land will be replanted to maintain the asset value. Richard advised a scenario that is finding favour with many is to pre-fund the next rotation so there are no further inputs required. This would allow partners to leave a totally unencumbered fully funded legacy to their beneficiaries. Those wanting to exit could offer their share to those who are keen to continue or on the secondary market.
If on the other hand the majority vote to sell the newly planted forest, then with pre-funding the forest is funded until such time as a buyer can be found.

Meeting closed.

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Chairman
Dashwood Forest Partnership

*26 June 2017*

*Below is a letter from Dashwood partner Martin Perry. Martins letter is in black and Roger Dickie's responses are in blue.*

18 April 2017

3 Chisenhall Street
Karori
Wellington 6012
+64 4 9726800

Roger Dickie
Roger Dickie New Zealand
PO Box 14
Waverley 4544

*Over the last ten years Martin Perry has sent numerous letters of complaint. We have recently received his latest letter and it is copied below. (As I write this we have received a new letter from him today 26/06). He asked that the following points be addressed at the meeting: The letter was tabled at the meeting and we comment on it as follows.*

Dear Roger

**Dashwood general meeting and Roger Dickie report**

I am responding to your report prepared for the Dashwood meeting to take place on 24 April.

There are matters that I think should have been in your report which are not commented upon. I request that you address these issues in the meeting minutes of the upcoming meeting.

First, please provide an account of the additional money taken from partners to cover the costs of preparing a new deed of participation. Given the nature of the open-ended demand for more money, I think partners deserve:

- A precise account of how much money has been taken and what it was spent on.
- The steps taken by RDNZ to minimise the costs to partners.
- An explanation of how costs have been apportioned between RDNZ and partners, given that RDNZ has gained some advantage from the new deed of participation.

An apology for the way in which partners were forced to comply with the request or face being non-compliant with FMCA regulation.

*The two tables below show the expenses that have been incurred on behalf of the RD partnerships to comply with the FMA regulations:*

| Date | Paid by | Description | Amount |
|---|---|---|---|
| 24/06/2015 | RDNZ | Kensington Swan professional services for FMC act Transition PE 27 May 2015 | $ 25,003.65 |
| 21/07/2015 | RDNZ | Kensington Swan professional services for FMC act Transition PE 20 June 2015 | $ 4,750.36 |
| 20/06/2016 | RDNZ | Kensington Swan professional services for FMC act Transition & Draft Template for Deed of Participation PE 25 May 2016 | $ 14,615.33 |
| 28/07/2016 | RDNZ | FSP registration Application | $ 707.78 |
| 7/08/2016 | RDEL | Fee for MIS Licence | $ 3,618.48 |
| 20/10/2016 | RDNZ | Covenant Invoice for MIS Licence Application and Deed of Participation Quarter ending 30 Sept 2016 | $ 10,037.20 |
| 20/11/2016 | RDNZ | Kensington Swan FMC Act Transition | $ 10,638.22 |
| 30/11/2016 | RDNZ | Disclose Register - Register MIS Fee, $775 per partnership | $ 50,375.00 |
| | | **Total Amount Paid to Date** | **$ 119,746.02** |
| | | **Total Amount Per Partnership** | **$ 1,842.25** |

| Date Received | PAID by | Description | Amount |
|---|---|---|---|
| 28/11/2016 | RDNZ | Kensington Swan professional Fees for the period ending 28 Nov 16 | $ 9,905.63 |
| 30/11/2016 | RDNZ | Covenant Professtional Fees regarding review of Deed of Participation by DLA Piper | $ 3,670.80 |
| 20/12/2017 | RDNZ | Covenant fee for time and attendances in connection with the FMCA transition. | $ 4,255.00 |
| 13/01/2017 | RDNZ | Kensington Swan professional Fees for the period ending 21 Dec 2016 | $ 5,429.36 |
| 13/02/2017 | RDNZ | Kirkby Law - Emcumbrance | $ 661.25 |
| 31/03/2017 | RDNZ | Horsley Christie - Encumbrances | $ 19,159.00 |
| 30/03/2017 | RDNZ | Covenant - PPSR charges over the emission units | $ 1,725.00 |
| 18/05/2017 | RDNZ | FMA Levy & Fee | $ 40,061.33 |
| PE May 17 | RDNZ | RDNZ Transition hours 883 @ $98 | $ 98,042.00 |
| | | **Total Amount Paid to Date** | **$ 182,909.37** |
| | | **Total Amount Per Partnership** | **$ 2,813.99** |

*We have attempted to minimise costs to the partners including carrying out work in-house and negotiating/consulting with the FMA for exemptions to forestry schemes where applicable. We were successful in a number of these and will be soon applying for more exemptions from FMNZ in conjunction with the other licensed forestry scheme managers. Any costs to transition your partnership to operate under the new scheme have been shared evenly across the Roger Dickie Schemes.*

*In today's strict regulatory environment, there are additional market regulations that all mangers of investment schemes must adhere to. Compliance with the FMCA regulations is mandatory.*

Second, the only information given to partners to date about the new deed is that it has been required for legal compliance reasons. The new deed appears to contain provisions that were not in the previous deed and which were not required as a matter of legal compliance. It seems to me that provisions have been added to the deed which advantage RDNZ at the expense of partners. If I am in any way correct, partners deserve to be told about this. Please give your commentary on the new deed in the meeting minutes.

*On the 15th November 2016 we circulated a summary of all the changes to the Deed of Participation to partners. This is still available on request. At the same time the new Deed was also made available for partners to look at and comment on. The new Deed was produced by Kensington Swan in consultation with the Statutory Supervisor and their lawyers DLA Piper. The updated deed was a requirement of the FMCA regulations.*

Regarding items covered in your report, some responses are as follows.

First, you mention that the supervisor has increased their fee without also admitting that RDNZ are going to increase their management fee, and unlike the supervisor you do so every year. Yet again we are being required to pay more in management fees to RDNZ without any reason being given for this, and without any open admittance that you are increasing your fees. I await your comment, but it does seem an astonishing example of double standards.

*The annual change in our management fees is minimal. The cost to comply with the new FMCA regulations was substantial and is a totally separate cost to the normal administration and management of the forest partnerships.*

Second, regarding the approach from an oil company to lease carbon credits, the opportunity to generate income for partners by leasing carbon credits was identified in the Olsen consultancy report produced for us some years ago. Other forest managers have leased carbon credits, generating significant income for investors.

I had assumed that RDNZ must have appraised this option and for whatever reason rejected it. A reactive approach of simply waiting for opportunities to fall into your lap doesn't pass muster. Perhaps you could explain why the leasing option has not been proactively explored as other forest management companies have.

*The above statements are totally inaccurate. The liability from the lease of the carbon lies with the land owner. We needed to be very cautious of this and took legal advice around the leasing so as to not incur any liability to our forest partnerships.*

*If it was not for Rogers five year argument and negotiation with the government over the ownership of the carbon credits, we would not have the more than 3,000,000 liability free NZUs that we have been able to use to fund our forests. Martin Perry wrote us many letters speaking strongly against any involvement with Emission Trading Scheme or Carbon credits in any form.*

With regard to the comment that:

> "This requirement exists even though partners approve the annual budget in advance, and the accounts are independently audited. This requirement is in my mind a stupid impediment that just adds cost to running the business with (in our opinion) no benefit to investors".

I disagree.

My assessment is that the budget process is providing little or no protection to investors as it is a justification for keeping us uninformed – as per my comment that you don't tell us you are increasing your fees and give us little or no information on most items of expenditure. In the context of the normal level of communication, a bald statement that $2000 has been budgeted for compliance is a lot of information – although actually it tells us nothing as we have no idea what compliance is being referred to. Accounts are audited but partners are asked to agree budgets on the basis of unaudited accounts.

I participate in other partnerships where managers provide a lot more information to partners about budgets and expenditure than does RDNZ, and are considerably more scrupulous in observing high standards of governance. I welcome any additional safeguards with respect to regulatory involvement in Dashwood.

Example - I would vote against the budget as the amount charged for management, administration and accountancy is more than double what I pay to other forest managers. I do not vote as the budget is approved by an ordinary resolution (potentially proposed and seconded by R. Dickie) and not by voting (as evidenced by partners not been told the results of the vote). Following my special resolution, what we have now is an improvement but it remains unsatisfactory.

There are other matters I could raise but given the short time between your report becoming available and the Dashwood meeting (only 5 working days) I want to provide some feedback for your reporting back in the meeting minutes. Thank you.

Yours sincerely

Martin Perry (Dashwood forest partner)

*Martin has sent us many letters and emails over the years but has chosen not to attend any of his partnership meetings or forest visits for more that sixteen years.*

cc. Richard Bourne

cc. Eleanor Smith