

GLENLEA FOREST PARTNERSHIP

MINUTES OF THE FOREST VISIT MEETING HELD AT THE PUTERE ACCOMODATION COMPLEX & GLENLEA PROPERTY ON SATURDAY 22nd APRIL 2017 AT 10AM

PRESENT

Roger Dickie (No 10) Ltd (in attendance by Proxy Margaret Prince), J & D Robinson, P, S & S Clark, S & C MacDonald.

ATTENDING

Steve Bell & Rory Bennison (Forest Management (NZ) Ltd), Margaret Prince & Jeff Whitlock (Markhams Waverley Ltd), Roger Dickie, Richard Bourne & William Dickie, (Roger Dickie (N.Z) Ltd), Edward Dickie (Harvest Logistics).

APPOINTMENT OF CHAIRMAN

Nominations were called for the position of Chairman for this meeting.

J Robinson / S MacDonald THAT Edward Dickie be appointed Chairman for this meeting.

CARRIED

APOLOGIES & PROXIES

Apologies were received from Benenden Holdings Ltd, David Knott Family Trust, Fenrich Ltd, Glenlea Lumber Company Ltd, G Clarke, J Bryant, J Bovis, M Cretney, McDell Holdings Ltd, SED Investments Ltd, Spanna Forest Ltd, Tangle Forest Limited.

Proxies were held for the above named, establishing a quorum for the meeting.

D Robinson / S MacDonald THAT the apologies and proxies be sustained

CARRIED

MINUTES

The minutes of the 2016 General Meeting had been circulated.

J Robinson / D Robinson 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

J Robinson / S MacDonald THAT Public Liability Insurance be effected for \$10 million.

CARRIED

ADMINISTRATION

D Robinson / S McDonald THAT the administrators' remuneration be at a rate of \$370 (GST excl.) per month.

CARRIED

BUDGET

D Robinson / S MacDonald 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

P Clark / S MacDonald THAT the Manager have authority to sell liability free New Zealand Units as deemed appropriate.

CARRIED

RESOLUTION 2

D Robinson / P Clark 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

HARVESTING PRESENTATION

Steve Bell and Rory Bennison from Forest Management NZ Limited (FMNZ) gave a presentation outlining the road to harvest. The presentation covered introduction of FMNZ Staff and their expertise, a brief history of the development of the RDNZ managed forests, the scale of the group and operation ahead and an overview of the harvest planning process. The harvest planning and operation requires the following steps:

Update of the forest mapping: This is vital to ensure we have accurate data. This will be carried out using the Light Detecting and Ranging system (LIDAR) which is digital terrain modelling technology and extremely accurate.

Pre Harvest Inventory (PHI): The data collected is used to generate yield tables showing the recoverable volume and anticipated log grade outturn. This data is valuable in determining what log cuts and markets are best suited to the individual forest.

Harvest Plan: This is a combination of things including the most appropriate locations for roads and landings. It is initially a paper plan using the LIDAR information and software programs which are then validated in the field ensuring it is workable and the best option. The plan needs to consider harvest systems, crew configurations and regulatory requirements.

Resource Consents and Compliance: Dealing with regional councils submitting plans and applications such as resource consents, bridges, archaeological sites, Iwi consultation, neighbours, access and entranceways.

Contractor Management and Strategic Planning: This includes Health and Safety management systems, contracts and compliance, contract procurement options (availability and tenders), service providers vs. key supply, Export Markets and contracts with domestic suppliers, wood flow and infrastructure for getting volumes to market, environmental issues such as slash and debris management, stand boundaries and shared access.

Internal Forest Road Construction: Once the harvest plan is completed and consents are in place the road lining (construction of road corridors) will be carried out 18 – 24 months in advance of full harvest operation to allow roads to settle before being submitted to heavy log truck traffic. Letting the roads settle in this manner reduces the cost of maintenance during harvest. Road lining requires a crew to harvest an approximate 20 metre strip allowing the roading engineering crew to construct the road. This work is funded by sale of logs harvested to create the corridor. Arterial roads will be metalled. As a general rule the average density is 32 metres of road per ha with an average engineering cost of \$5- \$9 per tonne of harvested logs at clearfell.

Clearfell Harvest: The harvest plan will identify the best crew configuration and harvest system for the site and an appropriate harvest crew will be contracted to proceed with the clearfell operation. On average a good crew will harvest 60-70,000 tonnes per year or around 100 ha. A benefit of the RDNZ estate is we can offer continuity of work going forward and this attracts quality contractors with quality equipment and most importantly, best rates relative to quality of work. Contractors are paid on a per tonne rate. All logs are tracked through a docket system. A regular audit of log grades is carried out to ensure best outcomes are maintained.

How this is funded: Pre-harvest Inventory; the planning and resource consents are paid from partnership funds (sale of NZU's) as estimated in this year's budget. The development of forest infrastructure including road lining, logging cartage, levies and weighbridge fees and harvest management is all funded from log sales.

Reporting to partners: Once clearfell harvest commences partners will be sent detailed monthly reports. An example report was tabled and discussed.

Distribution of harvest income Monthly payments are made to partners bank accounts and a disbursement statement sent with the harvest report.

Forest re-establishment: Each winter the harvested area will be replanted. This ensures the value of the land asset is maintained as to not replant would see the land revert to weeds and significantly devalue. In many cases replanting is a condition of resource consent to harvest.

Markets: Over the harvesting period log prices will fluctuate. We cannot control the markets, only the expenses. Smoothing of the harvest is vital and harvesting should not be turned off as markets fluctuate. Volumes can be reduced in times of lower prices and increased when prices are higher. Economy of scale and continuity will give best overall results.

General discussion and a Q & A session followed the presentation.

In response to the questions Roger outlined two possible options for partners to consider post harvest.

1. To continue for another rotation for beneficiaries.
2. To sell the newly planted forest.

Roger advised that one of the concerns of partners was, they did not want to commit their beneficiaries to ongoing share calls.

This can be overcome and a scenario was presented where the next rotation can be prefunded allowing partners to leave a totally unencumbered, fully funded legacy to children and grandchildren. RDNZ have already done this with two forests Granity and Woodleigh and it has worked well.

The concept involves leaving approximately \$2,000 to \$3,000 per ha of harvest income in the partnership to be banked and the partnership would draw on the account to fund the next rotation. Bearing in mind the property would have significant roading infrastructure in place resulting in lower costs for the next rotation.

If the partners vote to sell the newly planted forest, the prefunded option would see the forest funded until such time as a buyer is found.

In answer to the question “*could the forest be sold before harvest?*” - Roger advised yes, however, to do so would see it sold at a discount as buyer would want to see upside and cited the example of the Oban Forest that was purchased for \$17,500 per ha land and trees. The buyer immediately commenced harvest and is averaging a net stumpage of \$25,000 per ha.

GENERAL BUSINESS

ETS

Roger spoke in regard to the ETS saying NZUs were currently trading around the \$17 mark. He said no one knows what the future may bring and as per the resolutions presented believes it prudent to sell additional NZUs. Of all the partners in the group only 3 had voted against the resolutions. Roger commented the market is quite thin and the NZUs would take time to sell. The strategy will be to drip feed the NZUs into the market in appropriate parcels and allocate to the partnerships on a prorated basis.

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 further advised overall we had been very lucky the cyclone tracked faster and further East than originally forecast and the severe winds had not lasted long.

FOREST VISIT

The group then visited the Cricklewood block where roading and harvest of older trees was underway for general in-the-field discussion and a Q & A session.

Meeting closed with a vote of thanks to Steve Bell and his team.

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Chairman

Glenlea Forest Partnership