

HAROLDENE FOREST PARTNERSHIP

MINUTES OF ANNUAL GENERAL MEETING HELD AT NAPIER CONFERENCE CENTER AND THE PROPERTY ON SATURDAY 28TH APRIL 2018 AT 8:30AM.

PRESENT

Jubilee Forests Limited (John Hernon), Parker Agricultural Investments Limited (Graham Parker & Wendy Delich), The Riethmaier Family Trust (Paul & Anne Riethmaier).

ATTENDING

Steve Bell, Rory Bennison, Paul van der Vort, Richard Airey (Forest Management (NZ) Limited), Will Dickie, Richard Bourne, Grant Morris (Roger Dickie (NZ) Limited), Jeff Whitlock, Margaret Prince (Moore Stephens Markhams Waverley).

APPOINTMENT OF CHAIRMAN

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

Anne Riethmaier/Graham Parker THAT Margaret Prince be appointed Chairman for this meeting.

CARRIED

APOLOGIES AND PROXIES

Alas Limited, Aldene Limited , Angus Bradshaw, Beach Road Forests Limited, Brenda O'Hara Family Trust, Bruce Eysers, Bushmills Forestry Resources Limited, David Bamford, Geoff Lawrie, Haroldene Forest Limited, John Richard Wild, Kidd Forestry Investments Limited, P A S N Investments Limited, Rachel Bogue, Roger Dickie (No 8) Limited, Sapp Limited. Proxies were held for the above named, establishing a quorum for the meeting.

John Hernon/Paul Riethmaier THAT apologies and proxies be sustained.

CARRIED

MINUTES OF THE PREVIOUS MEETING

The Minutes of the April 2017 general meeting had been circulated.

Paul Riethmaier/Graham Parker THAT the minutes be confirmed.

CARRIED

ARISING FROM THE MINUTES

Partners recommended that a resolution be put to all partners to distribute funds from the second 50% of NZUs sold. *(NOTE -A general meeting has been called with voting to be done on line)*

REPORTS AND DRAFT FINANCIAL STATEMENTS

The reports from Roger Dickie, Forest Management (NZ) Ltd, PF Olsen's 2018 Tree Crop Valuation and the 2018 Draft Financial Statements were tabled and discussed.

PUBLIC LIABILITY INSURANCE

Anne Riethmaier/Graham Parker THAT Public Liability Insurance be effected for \$10 million.

CARRIED

ADMINISTRATION

Graham Parker/John Hernon THAT the administrator's remuneration be at a rate of \$378 (GST excl.) per month.

CARRIED

BUDGET/CASHFLOW

Paul Riethmaier/Graham Parker THAT the Budget Cashflow Statement for the year to 28th February 2019 be approved. CARRIED

It was noted the NZU sale shown in April is a drawdown of funds from the partnership's investment account where funds from the sale of NZUs are held. It is to cover ongoing running costs for the partnership.

It was stressed that with roadlining and harvest planning going on, figures were best estimates. There are a number of variables that can affect the cost and timing of activities, such as weather, availability of roading and harvesting contractors and crews etc.

GENERAL BUSINESS

Steve Bell and Rory Bennison from FMNZ gave a harvest plan presentation and tabled a draft Cashflow forecast covering the years of harvest. (*the presentation and Cashflow can be viewed on the Haroldene reports page of the website*) and there was a site visit with harvest manager Paul van der Voort and Q & A session in the field.

Harvest reports, clearfell payments and timing of same

Partners were shown an example of a clearfell 'Harvest Report' that will be sent monthly once clearfell commences. Prior to clearfell partners are sent a monthly 'Activity Report'. It was pointed out that logs harvested in January are paid for by the exporter at the end of February. The manager then has to check and reconcile all figures, have it signed off with the Statutory Supervisor, with disbursements made to partners within the first two weeks of March – along with the corresponding January Harvest Report and disbursement schedule.

ETS (Emissions Trading Scheme)

William Dickie gave attendees an update regarding the ETS. The Government announced the ETS will be reviewed in late 2019 and there seems to be a general consensus within the industry that further upside in the price of carbon is likely given the Green influence in the coalition. The manager continues to monitor the market. Haroldene has no further Liability Free NZUs remaining.

Tax

Jeff Whitlock from Markhams Accountants (the partnerships accountant) commented that harvest income in some cases can be spread back over the 3 previous years as well as over the harvesting years. Jeff stressed that as everyone's situation is different, partners should take accounting advice – sooner rather than later. (*note: Jeff can be contacted at Markhams Wanganui and Waverley*)

Post harvest options

What happens after harvest is an often asked question and was a key discussion point at the 2017 RDNZ Harvest and Beyond conference.

Each winter the harvested area will be replanted from harvest receipts. This maintains and enhances the value of the land asset. To leave it unplanted would see the property revert to weeds and devalue significantly.

During the last year of the harvest, partners will need to vote re the future of the partnership and forest.

Options are:

- 1) To continue for another rotation for partners' beneficiaries.
- 2) To sell the newly planted forest and dissolve the partnership.

If the majority wish to sell then the property will be listed for sale. Bearing in mind it will likely take time to find a buyer for the newly planted forest.

If the majority want to retain the asset for their beneficiaries, then those who want to retire from the partnership can offer their share of the land and newly planted forest for sale.

Firstly - to the other partners under the pre-emptive rights rule

Secondly - on the secondary market to new investors.

RD NZ facilitates the secondary market.

Second rotation

One of the concerns that partners have is, they do not want to commit their beneficiaries to future payments / share calls.

To overcome this, the suggestion is to leave a small portion of harvest income per ha in the partnership. This amount will vary from forest to forest. The funds will be invested in a bank account and drawn on to fund the next rotation.

Most forests are still holding a significant number of liability free NZUs – currently trading at \$21.00 with many pundits advocating further upside in future years. These NZUs are in reality an unbudgeted bonus as they were not factored in to the original Cashflow and income from the sale of these could be used to fund the next rotation.

As well, because the land your forests are on is post 1989 the carbon sequestered during the next rotation could be leased thus giving another income stream to contribute to the holding costs.

In essence the next rotation would be fully 'pre-funded' with minimal harvest income having to be retained.

Pre-funding a forest is not new as we have already done it with two forests (Granity Forest Ltd and Woodleigh Forest Ltd) and has worked. A Wanganui forest at the end of harvest has adopted the model.

This 'pre-funding' arrangement would allow partners to leave a totally unencumbered, fully funded asset to their beneficiaries – children, grand children or favourite charity. A great legacy.

If on the other hand the majority vote to sell the newly planted forest, then the pre-funding model would ensure the forest was funded until such time as a buyer can be found. Rather than sell immediately after harvest it may be better to wait until the new crop is well established – say age 5.

It was stressed the decision as to the future of your forest is still a few years away. However it is appropriate to discuss possible options.

MEETING CLOSED: 3:00pm

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Chairman

Haroldene Forest Partnership 2018