MAXWELL FOREST PARTNERSHIP

MINUTES OF THE FOREST VISIT MEETING HELD AT ASHLEY PARK COMPLEX WAITOTARA ON FRIDAY 12th May 2017 at 10.00AM

PRESENT
Roger Dickie (No 2) Limited (in attendance by Proxy Margaret Prince), Geoff Reddington, Frazer Fields, Huib Selderbeek and Helen Andrews, Murray Higgs, Ross Hardey, Brian and Patricia Wallace.

ATTENDING
Richard Bourne, William Dickie and Debora Munro (Roger Dickie (NZ) Limited) Sally Sisson, Jason Osborn (FMNZ) Jeff Whitlock & Margaret Prince (Markhams Waverley Ltd) Edward Dickie (Harvest Logistics)

APPOINTMENT OF CHAIRMAN
Nominations were called for the position of Chairman for this meeting.
M Higgs / R Hardey THAT Richard Bourne (who was holding Deed of Delegation and Power of Attorney over the proxies) be appointed Chairman for this meeting. CARRIED

APOLOGIES
Apologies were received from Acorn Management Ltd, Est of Harry Bradshaw, Courteney Nominees Limited, D Bradshaw, G Cameron, I McLaren & J Wilson, J Crawford, J McDonald, J McNamara, Kalimantan Estates Limited, M Dickie, Maxpine Limited, M Evans, P Stephenson, R Cameron & Co Limited, R Cameron, S Gardiner.
Proxies were held for the above named, establishing a quorum for the meeting.
R Hardey / B Wallace THAT apologises be sustained. CARRIED

MINUTES
The minutes of the 2016 General Meeting had been circulated.
M Higgs/ Roger Dickie (No 2) Limited (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 2016 Tree Crop Valuation and the 2016 Draft Financial Statements were tabled and discussed. As audits have not been completed in time for this year's AGM draft accounts were presented for discussion. Richard advised that the audited financial statements will be distributed and in the unlikely event there are any changes from the draft accounts, partners will be advised. A meeting to approve the audited financial statements will be called and voting can be done online.

Given Rogers comments regarding the ETS it was, Moved M Higgs / Seconded R Hardey, that the following resolution be put to the full partnership:

'That Maxwell Forest sell up to 50% of the Liability Free NZUs it holds at a price no less than $15 and that funds from the sale be distributed to partners' *(note a resolution to this effect will be sent to partners).*
CARRIED

INSURANCE
H Andrews / F Fieldes THAT Public Liability Insurance be effected for $10 million.
CARRIED

ADMINISTRATION

R Hardey / M Higgs THAT the administrators' remuneration be at a rate of $370 (GST excl.) per month.

CARRIED

BUDGET

The budget for the 2017 – 2018 year as presented was discussed, it showed the loan to upgrade the road had now been paid and harvest disbursements to partners had commenced along with detailed Harvest Reports.

To assist partners with managing their tax obligations a draft cash flow forecast of harvest revenue through to mid 2019 was presented. The forecast is based on 4 quarter log pricing. (see attached)

B Wallace / M Higgs 'THAT the Budget Cashflow for the year ending 28th February 2018 be approved'.

CARRIED

HARVESTING DISCUSSION:

R Hardey asked how the involvement of FMNZ, (the forest managers), and Harvest Logistics Limited (HLL) who transport the logs - both of whom are related parties to Roger Dickie - were monitored to ensure the Maxwell partners are receiving competitive pricing. Sally Sisson (FMNZ) advised FMNZ charges 4% to manage the harvest operation and this rate is below the industry average. Sally illustrated this by advising 33% of FMNZs harvest supervision is for independent forest owners outside the RDNZ group. Those forests are charged the industry standard of 5%

This was confirmed by partners Huib Selderbeek and Helen Andrews as FMNZ had just finished managing the harvest of their own private forest. Huib was very complimentary with the way FMNZ had managed their harvest.

Fraser Fields asked why are we not using just one cartage contractor. Will Dickie explained that we used HLL who is a logistics company, they do not own trucks and use a range of trucking companies to carry our logs. This is better for competitive reasons and saved the Waikare partners up to $1.50 per tonne on the longest carts. HLL's core objective is to minimise cartage costs therefore maximising the return for forest owners. HLL also ensures all trucks operating in the forest are compliant and meeting the New Zealand's stringent health and safety standards.

The company also works in the partners best interests focussing on protecting the forest owners assets (land, roads, infrastructure) A recent example of this is when there was a significant wet week HLL pulled trucks to protect the forest roads. Had they not been pulled, roads would have suffered significant damage. Dispatchers of trucking companies would tend not to do this as they just want to keep on trucking with little consideration of the partners' roading infrastructure. It was noted the weather on the day of the meeting was not suitable for trucking and that the transport coordinator (HLL) had stopped all truck access into the forest to protect the roads.

POST HARVEST:

A letter from partner Ben Vanderkolk was tabled for discussion (see attached)

In summary it asked what happened post harvest and offered some ideas for discussion.

Richard advised that what happens after harvest is an often asked question and had been the focus of the RDNZ conference 'Harvest and Beyond' in 2014 (as it will be again at the 2017 conference). This had resulted in drafting a discussion document addressing the subject (see attached). Richard emphasised the partnership decision is still a year or two away and the post harvest discussion document is designed to simply inform partners of the options. This will be discussed in greater detail as the harvest progresses.

GENERAL BUSINESS

Richard Bourne advised that the forest visits and meetings of the East Coast forests had gone well with all voting to sell up to 50% of their Liability Free NZUs.

Cyclone Cook

Richard advised that there had been some damage to a few of the forests around Napier and those forests will be making an insurance claim. Overall the group was very lucky. The Cyclone had tracked further East then originally forecast and had also gone through quite quickly thus restricting damage to just a few forests.

The meeting closed at 3.00pm with a vote of thanks
M Higgs / R Hardey
That RDNZ and FMNZ are to be congratulated on the great work and detailed harvest reporting

CARRIED

Note: Due to weather on the day partners were unable to visit the forests.

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Chairman
Maxwell Forest Partnership

From: Ben Vanderkolk [mailto:Ben.Vanderkolk@bvalaw.nz]
Sent: Monday, 8 May 2017 10:22 p.m.
To: Richard Bourne
Subject: Re: Maxwell Forest Partnership forest visit and meeting 2017

Dear Richard,

If you and Roger think it is both timely and appropriate, I have a discussion point for the partnership which may be raised at the AGM for future consideration. I have appointed Roger as my proxy and he may wish to open the topic for discussion at the AGM.

As the harvest is underway, the partners may need to start thinking about the next life cycle of the forest. The replanting is largely self funded by carbon credits. The roads represent a major investment in present and future infrastructure for the forest. It is long term and can easily meet the transport and access needs of future silviculture and harvesting with prudent maintenance.

There is a wide range of options and this is not intended to be exhaustive. Some may wish to exit the partnership; some could stay, others could purchase the shares of others, some may which to re-invest for a mid term and sell on then. The personal circumstances of each partner will be determinative and may depend on their individual investment and income needs.

Having raised the issue now, it may be worthwhile as the harvest continues, for the partnership management to analyse various scenarios for post harvest exit or post harvest re-investment and the shape of any partnership ownership from the time the forest is fully replanted - or even before.

Can I propose we schedule a further partnership meeting in say November 2017 (six months) to receive some analysis of future scenarios and to discuss the possible options. For my part, I would consider taking up a proportion of retiring shares which may be sold at the end of harvest and holding for say 12-15 years given my age. If others were of a like mind, the partnership may be lesser in number, those who have exited, can be paid out their share of the replanted value of the forest and its land, and the remainder can take gains as they accrue whether mid to medium term or to full term. There is also the possibility for the shares to be transferred to the next generation if the contributions were not prohibitive.

If you agree this is a worthy topic for discussion, I'll leave it your judgment if it is to be raised at the AGM or raised as a a topic for discussion later.

I wish you all a enjoyable forest visit and a successful AGM. I will make a seperate trip to visit the forest in June.

In brief,
Ben