SADDLEBACK FOREST PARTNERSHIP

MINUTES OF THE ANNUAL GENERAL MEETING
HELD AT THE ESKDALE RUGBY CLUB
ON SATURDAY 18 APRIL 2015 AT 8.30AM

PRESENT
Roger Dickie (No 8) Ltd (in attendance by Proxy by Margaret Prince), Peter Jackson, Paul Densem, Betty Wilkin, Raymond Scrimgeour, Vaughan Cooper.

ATTENDING
S Bell & R Bennison (Forest Management (NZ) Ltd), J Whitlock & M Prince (Markhams Waverley Ltd), Roger Dickie, Ted Dickie, Richard Bourne, Hannah Townsend (Roger Dickie (NZ) Ltd).

APPOINTMENT OF CHAIRMAN
Nominations were called for the position of Chairman for this meeting.
P Jackson/ B Wilkin THAT Margaret Prince be appointed Chairman for this meeting. CARRIED

APOLOGIES & PROXIES
Apologies were received from Clearly Rod Ltd, D Morrison, Radiata Investments Ltd, Retrospect Investments Ltd, M Wendering-Gelsen, O Schonyan,.
Proxies were held for the above named.
V Cooper/P Densem THAT the apologies & proxies be sustained. CARRIED

MINUTES
The minutes of the 2014 Annual General Meeting had been circulated.
V Cooper/R Scrimgeour THAT the minutes be confirmed. CARRIED

ARISING FROM MINUTES
Nil

REPORTS AND FINANCIAL ACCOUNTS
The Forest Report from Roger Dickie, Forest Management (NZ) Ltd Report, Foundation Corporate Trust, PF Olsen 2015 Tree Crop Valuation, Financial Accounts for the Year Ending 28 February 2015 and the Budget Cashflow Statement year ended 29 February 2016 had been distributed prior to the meeting.

P Jackson/B Wilkin THAT the Financial Accounts for the year ended 28 February 2015 be adopted subject to audit.
CARRIED

INSURANCE
P Densem/R Scrimgeour THAT Public Liability Insurance be effected for $10 million. CARRIED

ADMINISTRATION
V Cooper/R Scrimgeour THAT the administrators' remuneration be at a rate of $350 (GST excl.) per month.
CARRIED

BUDGET
V Cooper/P Densem THAT the Budget Cashflow statement for the year ended 29 February 2016 be approved.
CARRIED

Note one: The call in the budget is to be met by the sale of Liability Free NZUs as per the resolution passed.

Note two: Subsequent to the budget being prepared FMNZ have been offered the opportunity to have the forest flown with "Lidar" a relatively new mapping technology that gives very accurate forest mapping with 1 metre contours and stocking rates. Given the forest is approaching the time of harvest planning those present deemed it sensible and recommended the Forest Mangers proceed and take advantage of the opportunity. The estimated cost is $2,300. The opportunity came by joining with Pan Pac and Rayonier who are having forests in the area flown. See additional information attached.

RESOLUTION

R Scrimgeour/P Jackson That the Saddleback Forest Partners authorise the Forest Manager to progressively sell sufficient Liability Free NZU's to meet the annual forest operating expenses

CARRIED

B Wilkin/ P Densem THAT it is hereby resolved, as an ordinary resolution pursuant of Clause 18 and Schedule 1 of the Deed of Participation for the Partnership (in particular, Rule 5 of Schedule 1), that:

- With effect from 1 May 2015, Roger Dickie Enterprises Limited (Company Number 7690) (Retiring Manager) will cease to be manager and administrator of Partnership;
- Roger Dickie (N.Z.) Limited (Company Number 5625185) will be appointed as Manager and Administrator of the Partnership contemporaneously with the removal of the Retiring Manager;
- And, the Retiring Manager and Corporate Trust Limited (as statutory Supervisor of the Partnership) are authorised to do everything and enter into all documents, necessary or desirable to give effect to the change in Manager and Administrator referred to above.

CARRIED

COMBINED MEETING OF FIFTEEN FOREST PARTNERSHIPS

All attendees opted to visit one forest to share in a presentation from the Forest Managers.

The group of 62 partners visited the Eskdale Forest and completed a loop walk stopping at various points to listen to Steve Bell point out the results of previous management decisions and answer questions which were wide ranging.

Steve pointed out the benefits of early management decisions which at age 23 are very evident, particularly with the very small limb size in the upper portion or un-pruned part of the tree. This small limb size will relate at time of harvest into the best grades of un-pruned saw log and the better price that goes with it – bearing in mind that 75% of a forest is in the un-pruned portion of the tree, then the importance of top grade saw log becomes apparent.

Steve advised that recently the market had lifted for pruned logs which have seen the premium being restored after a few years, making pruning a very viable option.

With many of the forests in the area at the 20 plus year age class questions were also asked about harvesting. Steve advised that, as discussed at the Harvesting Conference held for partners last year, the average forest will take approximately 2 – 3 years to harvest. The best result will come from engaging quality logging contractors with experienced staff and quality equipment. Because the RDNZ group has a sizable estate of forests we attract these quality contractors and can negotiate favorable terms because the group offers economies of scale and continuity of work. This has been achieved at the Waikare forest currently being harvested at Wanganui.

In an answer to a question re log prices Steve explained that as each forest will take a few years to harvest, smoothing of the harvest and averaging of log prices gives the best result.

Steve also commented on his trip to China visiting log buyers that were being supplied by Summit the subsidiary of Sumitomo who are buying logs from the Waikare Forest Partnership. He commented that after discussions with them it is apparent that they too want a stable market with stable pricing as when prices fall they lose money.

Jason Osborn from FMNZ also talked about log making and the critical part this plays in the harvesting of a forest. Again it comes down to experienced contractors to maximise the value of each log.

Emissions Trading Scheme:

Roger Dickie advised that all partnerships present had now passed the resolution to progressively sell the Liability free NZUs to fund the forests share calls. The market has firmed this year and thoughts are as New Zealand emitters are now required to use NZUs to offset emissions it may well rise. However, that may well depend on the outcome of the ETS review to be undertaken this year.

Financial Markets Conduct Act 2013 (FMCA)

As advised in the Annual Report, the FMCA applies to RDNZ as they are considered to be a reporting entity. Roger advised that just recently there has been some talk of a possible exemption for long term investments such as forests that have no debt and individually only turn over around $40,000 per annum. Time alone will tell.

RDNZ Website:
Richard Bourne advised partners that RDNZ have been using the website for the distribution of reports and for online voting over the last few years, with the vast majority of partners now using the online services. That being the case this will be the method of distribution from now on with hard copies only being posted to those without email or those who specifically request hard copies.

Richard also advised that to facilitate this RDNZ is upgrading the website and this is planned to be completed midyear.

Secondary Market:
Richard advised that there are a number of securities for sale in the forest partnerships. If anyone is interested in picking up parcels of securities in other partnerships they should contact him at the office.

There are also opportunities to invest in Dairy Farms and in Pukekaka Sheep and Beef Farm.

This concluded the business and the meeting was declared closed at 2.45 pm.

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R R Dickie
Saddleback Forest 2015

Note Two: ***Lidar Mapping***

Subsequent to the budget being prepared Forest Management NZ LTD received notification from David Herries of Interpine who has been engaged by Pan Pac Forests to project manage the Airborne Lidar capture over their forest estates within the Tangoio/Waipatiki region. The purpose of the LIDAR flying is for high quality under tree canopy terrain model and tree crop vegetation metrics.

Lidar costs are driven heavily by the mobilisation of the sensor and then flight line planning. Where an extension of an already planned flight line can cover a neighbouring area, this can often result in a cost much lower per ha than if commissioning a flight independently. By creating a larger single extent for little extra effort it shall provide further economies of scale per unit area for all parties.

The terrain model is used for harvest planning of the forests and provides a very accurate three dimensional model of the land when compared with traditional 5m contours, detail that can be extracted from LIDAR is potential archaeological sites, wet slumping areas, rocky outcrops, establishment tracks, stream beds, road and landing location.

By using this information the planner can determine accurate slope classes which identify ground based and hauler areas and better planning of road and landing infrastructure. Roading costs can be upwards of $60 per metre and $2.50 /m2 efficiencies can be gained by optimising road and landing location.

Lidar does not replace Pre Harvest Inventory (PHI) plotting. However, it can provide information on stocking and tree heights. By using the statistical models we are able to extrapolate the PHI information more accurately over the forest.

Ownership of the intellectual property and service outputs is retained by the forest owner, this includes: FMNZ stores the data at our Napier office and will make this readily available to the investors of that property upon request.

Lidar provides very accurate information on the topography of the land (I metre contours) which is vital for making the most informed harvest planning decision, it does not replace walking the block and understanding the soils and landscape, however, it is a very good tool and in this instance for little extra cost over traditional 5 metre contours mapping.