

TANGOIO FOREST PARTNERSHIP

MINUTES OF ANNUAL GENERAL MEETING HELD AT NAPIER CONFERENCE CENTER AND THE PROPERTY ON FRIDAY 27TH APRIL 2018 AT 8:30AM

PRESENT

Anne Porter, Christine & Peter Dowsett, Murray & Caroline Wiggins, Pakuri Forest Company Limited (Stephen & Maree Hammond), Peter Dowsett, Robert Mackley & Carolyn Hughes, Spongy Pud Limited (David & Robyn Scott), Wink Sutton and Bev Sutton.

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 Markham's Waverley)

APPOINTMENT OF CHAIRMAN

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

Stephen Hammond/Anne Porter THAT Steve Bell be appointed Chairman for this meeting.

CARRIED

APOLOGIES AND PROXIES

Athena Forests Limited, Cabana Holdings Limited, Craig Sheffield, Gregory Mann Trust, Janet Hunter, Long View Forests Limited, Paul Baines Family Trust, Paul Stephenson, Peter Hill, Rakauti Forests Limited, Roger Dickie (No 3) Limited, Russell Ballard, Susan Elizabeth Browne, The Stafford Trust No 2, Vise Investment Limited, Whittle Investments Limited. Proxies were held for the above named, establishing a quorum for the meeting.

Robyn Scott/Murray Higgins THAT apologies and proxies be sustained.

CARRIED

MINUTES OF THE PREVIOUS MEETING

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

Murray Higgins/Margaret Prince as Proxy for Roger Dickie (No 3) Limited THAT the minutes be confirmed.

CARRIED

ARISING FROM THE MINUTES

Nil

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

Christine Dowsett/Anne Porter THAT Public Liability Insurance be effected for \$20 million.

CARRIED

Statutory Liability to be clarified.

ADMINISTRATION

Robyn Scott/William Sutton THAT the administrators' remuneration be at a rate of \$378 (GST excl.) per month.

CARRIED

BUDGET/CASHFLOW

Peter Dowsett/William Sutton THAT the Budget Cashflow Statement for the year to 28th February 2019 be approved

CARRIED

It was noted the NZU sales shown in March are a drawdown of funds from the partnerships investment account where funds from the sale of NZUs are held. It is to cover the tax partners are required to pay on the sale of NZUs. It is also shown as a distribution, to partners, in April. Any further amounts shown on the NZU sales line during the year are not further sales but are draw downs from the investment account. The balance of funds remain in the interest bearing investment account (as shown in Financial Statements) to cover ongoing holding costs thus eliminating share calls as voted for in 2017.

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

FMNZ

Steve Bell and Rory Bennison from FMNZ discussed the harvesting to date and reporting of same. There was a site visit with harvest manager Paul van der Voort and Q & A session in the field.

Tax

Jeff Whitlock from Markham's Accountants (the partnerships accountant) commented that harvest income in some cases can be spread back over the 3 previous years as well 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 Markham's 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 that they do not want to commit their beneficiaries to future payments / share call

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 for their beneficiaries – children, grandchildren 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
Tangoio Forest Partnership 2018