

«AddressBlock»

14 March 2018

Dear «Greeting»,

Emerald Hills Group Forest Proposals Update to Glenwood Forest Investors

Background

As reported in my letter dated 18 December 2017, Forest Enterprises has been working on the methodology and assumptions for the calculation of each forest's allocation of the net harvest proceeds, should the Joint Harvest proposal proceed.

The purpose of this communication is to -

1. Update Glenwood Forest Investors on the methodology now settled on, the assumptions behind the calculations completed, and the resulting allocation percentages.
2. Comment on Glenwood Forest's Allocation
3. Set out the Decision-Making Process from Here.

Similar updates are going to the Investors in the five other Participant Forests which comprise the Emerald Hills Group.

Allocation Methodology and Calculations

Please refer to enclosed Report entitled *Emerald Hills Group Joint Harvest Allocation Methodology and Updated Calculations*.

As expressed on page 10 of the Report, the most appropriate comparison for the calculated percentages is with the Percentage of Net Stocked Area. This comparison is set out in the table below -

| Forest | Net Stocked Area Percentage | November 2017 Forest Crop Value Allocation Percentage | Difference Net Stocked Area to Forest Crop Value | % Change |
|----------------------|-----------------------------|---|--|----------|
| Majestic Pine | 14.6% | 16.0% | 1.4 | 9.6% |
| Millwood | 18.5% | 18.3% | -0.3 | -1.4% |
| Glenwood | 17.5% | 17.3% | -0.1 | -0.8% |
| Longwood | 16.6% | 15.1% | -1.5 | -9.0% |
| Goodwood | 16.2% | 14.9% | -1.3 | -8.1% |
| Homewood | 16.6% | 18.4% | 1.8 | 10.8% |
| | 100.0% | 100.0% | | |

Glenwood Forest's Allocation

When reflecting on the allocation percentage relative to the Net Stocked Area, two points must be remembered -

1. The same key variable differences between Glenwood and the other Participant Forests apply irrespective of whether the Harvest Joint Venture proceeds.
2. The allocation differential is not a direct measure of the profitability of the Glenwood Investment relative to the others Participant Forests. In order to determine profitability, all the other costs to date (including the original land cost) have to be included, as does carbon lease income.

Glenwood Forest's allocation is 17.3%, whereas Glenwood will be contributing 17.5% of the Net Stocked Area. As a percentage, the allocation is 0.8% less. The key question is whether this differential is logical (and reasonable) from a first principles perspective.

Reflecting on the key variables - Forest Quality (page 5), Logging Cost (page 6), Rooding Cost (page 7), Landing Cost (page 7), Maintenance Cost (page 8) and Cartage Cost (page 8) - Glenwood generally sits at about the average. Therefore, Forest Enterprises' opinion is that the allocation differential is logical (and reasonable).

Decision-Making Process from Here

The decision-making process from here is as follows -

1. The assumptions and calculations resulting in the allocation percentages will be checked. The forestry assumptions and calculations will be checked by the investments' Forestry Auditor (Forme Consulting Group Ltd) and the financial assumptions and calculations will be checked by the Financial Auditor (Staples Rodway Audit Ltd). This work will be done to the satisfaction of the Supervisor (Trustees Executors Ltd).
2. **Communication 1** - the *Emerald Hills Group Harvest Joint Venture proposal* together with the projected *Cashflow for the Combined Harvest*.
3. **Communication 2** - the *Emerald Hills Group Forest Investment Proposal* (the second rotation investment).
4. **Communication 3** - the *Voting Process* with remaining supporting information.

The communications are broken into the three logical steps in order to aid comprehension and avoid information overload. The timing of this process is dependent on many variables; however Forest Enterprises is committed to completing the process no later than 30 September this year.

If you have any queries or concerns at this early stage in the process, please contact Customer Services Manager Merv Jones (+64 6 370 6368, mjones@forestenterprises.co.nz). This way I can continue to focus my attention on the Proposals and related details. Be assured that Merv will liaise with me as required.

Regards,



Steve A R Wilton
Special Projects Director



«AddressBlock»

14 March 2018

Dear «Greeting»,

Emerald Hills Group Forest Proposals Update to Goodwood Forest Investors

Background

As reported in my letter dated 18 December 2017, Forest Enterprises has been working on the methodology and assumptions for the calculation of each forest's allocation of the net harvest proceeds, should the Joint Harvest proposal proceed.

The purpose of this communication is to -

1. Update Goodwood Forest Investors on the methodology now settled on, the assumptions behind the calculations completed, and the resulting allocation percentages.
2. Comment on Goodwood Forest's Allocation
3. Set out the Decision-Making Process from Here.

Similar updates are going to the Investors in the five other Participant Forests which comprise the Emerald Hills Group.

Allocation Methodology and Calculations

Please refer to enclosed Report entitled *Emerald Hills Group Joint Harvest Allocation Methodology and Updated Calculations*.

As expressed on page 10 of the Report, the most appropriate comparison for the calculated percentages is with the Percentage of Net Stocked Area. This comparison is set out in the table below -

| Forest | Net Stocked Area Percentage | November 2017 Forest Crop Value Allocation Percentage | Difference Net Stocked Area to Forest Crop Value | % Change |
|----------------------|-----------------------------|---|--|----------|
| Majestic Pine | 14.6% | 16.0% | 1.4 | 9.6% |
| Millwood | 18.5% | 18.3% | -0.3 | -1.4% |
| Glenwood | 17.5% | 17.3% | -0.1 | -0.8% |
| Longwood | 16.6% | 15.1% | -1.5 | -9.0% |
| Goodwood | 16.2% | 14.9% | -1.3 | -8.1% |
| Homewood | 16.6% | 18.4% | 1.8 | 10.8% |
| | 100.0% | 100.0% | | |

Goodwood Forest's Allocation

When reflecting on the allocation percentage relative to the Net Stocked Area, two points must be remembered -

1. The same key variable differences between Goodwood and the other Participant Forests apply irrespective of whether the Harvest Joint Venture proceeds.
2. The allocation differential is not a direct measure of the profitability of the Goodwood Investment relative to the others Participant Forests. In order to determine profitability, all the other costs to date (including the original land cost) have to be included, as does carbon lease income.

Goodwood Forest's allocation is 14.9%, whereas Goodwood will be contributing 16.2% of the Net Stocked Area. As a percentage, the allocation is 8.1% less. The key question is whether this differential is logical (and reasonable) from a first principles perspective. The key variables to consider from within the Report are -

| | |
|--|---|
| Forest Quality (refer to page 5) | Although Goodwood's log grade mix is slightly below the average for the Participant Forests, the projected total recoverable volume of 729.51 m ³ per hectare is the second highest. |
| Logging Cost (refer to page 6) | Goodwood has an above average percentage of hauler harvesting at 68%. Hauler harvesting is the most expensive, therefore Goodwood's Logging Cost at \$37.76 per tonne is above the average for the Participant Forests. |
| Roading Cost (refer to page 7) | As Goodwood is located behind other Participant Forests, it is reasonable to expect a higher than average allocation of the roading cost. The actual allocation is 22.5% compared with 16.2% of the Net Stocked Area. This is not the highest allocation relative to Net Stocked Area, however the projected Roading Cost of \$7.58 per tonne is above the average of \$5.56 per tonne. |
| Landing Cost (refer to page 7) | Although a large area of Goodwood is to be hauler harvested there are still an above average number of Landings as a percentage relative to the Net Stocked Area (17.7% v 16.2%). The Landing Cost per tonne of \$1.59 is therefore above the average of the Participant Forests. |
| Maintenance Cost (refer to page 8) | As the Maintenance Cost is calculated in the same way as the Roading Cost, Goodwood's cost per tonne at \$3.27 is the highest for the Participant Forests. |
| Cartage Cost (refer to page 8) | Given Goodwood's location relative to the public roads, it is not surprising that the Cartage Cost of \$15.91 per tonne is above the average for the Participant Forests. |

All of Goodwood's Key Variables are negative relative to the average, therefore Forest Enterprises' opinion is that the allocation differential is logical (and reasonable).

Decision-Making Process from Here

The decision-making process from here is as follows -

1. The assumptions and calculations resulting in the allocation percentages will be checked. The forestry assumptions and calculations will be checked by the investments' Forestry Auditor (Forme Consulting Group Ltd) and the financial assumptions and calculations will be checked by the Financial Auditor (Staples Rodway Audit Ltd). This work will be done to the satisfaction of the Supervisor (Trustees Executors Ltd).
2. **Communication 1** - the *Emerald Hills Group Harvest Joint Venture proposal* together with the projected *Cashflow for the Combined Harvest*.
3. **Communication 2** - the *Emerald Hills Group Forest Investment Proposal* (the second rotation investment).
4. **Communication 3** - the *Voting Process* with remaining supporting information.



The communications are broken into the three logical steps in order to aid comprehension and avoid information overload. The timing of this process is dependent on many variables; however Forest Enterprises is committed to completing the process no later than 30 September this year.

If you have any queries or concerns at this early stage in the process, please contact Customer Services Manager Merv Jones (+64 6 370 6368, mjones@forestenterprises.co.nz). This way I can continue to focus my attention on the Proposals and related details. Be assured that Merv will liaise with me as required.

Regards,



Steve A R Wilton
Special Projects Director



«AddressBlock»

14 March 2018

Dear «Greeting»,

Emerald Hills Group Forest Proposals Update to Homewood Forest Investors

Background

As reported in my letter dated 18 December 2017, Forest Enterprises has been working on the methodology and assumptions for the calculation of each forest's allocation of the net harvest proceeds, should the Joint Harvest proposal proceed.

The purpose of this communication is to -

1. Update Homewood Forest Investors on the methodology now settled on, the assumptions behind the calculations completed, and the resulting allocation percentages.
2. Comment on Homewood Forest's Allocation
3. Set out the Decision-Making Process from Here.

Similar updates are going to the Investors in the five other Participant Forests which comprise the Emerald Hills Group.

Allocation Methodology and Calculations

Please refer to enclosed Report entitled *Emerald Hills Group Joint Harvest Allocation Methodology and Updated Calculations*.

As expressed on page 10 of the Report, the most appropriate comparison for the calculated percentages is with the Percentage of Net Stocked Area. This comparison is set out in the table below -

| Forest | Net Stocked Area Percentage | November 2017 Forest Crop Value Allocation Percentage | Difference Net Stocked Area to Forest Crop Value | % Change |
|----------------------|-----------------------------|---|--|----------|
| Majestic Pine | 14.6% | 16.0% | 1.4 | 9.6% |
| Millwood | 18.5% | 18.3% | -0.3 | -1.4% |
| Glenwood | 17.5% | 17.3% | -0.1 | -0.8% |
| Longwood | 16.6% | 15.1% | -1.5 | -9.0% |
| Goodwood | 16.2% | 14.9% | -1.3 | -8.1% |
| Homewood | 16.6% | 18.4% | 1.8 | 10.8% |
| | 100.0% | 100.0% | | |

Homewood Forest's Allocation

When reflecting on the allocation percentage relative to the Net Stocked Area, two points must be remembered -

1. The same key variable differences between Homewood and the other Participant Forests apply irrespective of whether the Harvest Joint Venture proceeds.
2. The allocation differential is not a direct measure of the profitability of the Homewood Investment relative to the others Participant Forests. In order to determine profitability, all the other costs to date (including the original land cost) have to be included, as does carbon lease income.

Homewood Forest's allocation is 18.4%, whereas Homewood will be contributing 16.6% of the Net Stocked Area. As a percentage, the allocation is 10.8% more. The key question is whether this differential is logical (and reasonable) from a first principles perspective.

Reflecting on the key variables - Forest Quality (page 5), Logging Cost (page 6), Rooding Cost (page 7), Landing Cost (page 7), Maintenance Cost (page 8) and Cartage Cost (page 8) - Homewood generally sits positive relative to the average. Therefore, Forest Enterprises' opinion is that the allocation differential is logical (and reasonable).

Homewood benefits enormously from its relatively better than average terrain, plus proximity to the public road. It is therefore logical that Homewood has a higher allocation than the Percentage of Net Stocked Area.

Decision-Making Process from Here

The decision-making process from here is as follows -

1. The assumptions and calculations resulting in the allocation percentages will be checked. The forestry assumptions and calculations will be checked by the investments' Forestry Auditor (Forme Consulting Group Ltd) and the financial assumptions and calculations will be checked by the Financial Auditor (Staples Rodway Audit Ltd). This work will be done to the satisfaction of the Supervisor (Trustees Executors Ltd).
2. **Communication 1** - the *Emerald Hills Group Harvest Joint Venture proposal* together with the projected *Cashflow for the Combined Harvest*.
3. **Communication 2** - the *Emerald Hills Group Forest Investment Proposal* (the second rotation investment).
4. **Communication 3** - the *Voting Process* with remaining supporting information.

The communications are broken into the three logical steps in order to aid comprehension and avoid information overload. The timing of this process is dependent on many variables; however Forest Enterprises is committed to completing the process no later than 30 September this year.

If you have any queries or concerns at this early stage in the process, please contact Customer Services Manager Merv Jones (+64 6 370 6368, mjones@forestenterprises.co.nz). This way I can continue to focus my attention on the Proposals and related details. Be assured that Merv will liaise with me as required.

Regards,



Steve A R Wilton
Special Projects Director



«AddressBlock»

14 March 2018

Dear «Greeting»,

Emerald Hills Group Forest Proposals Update to Longwood Forest Investors

Background

As reported in my letter dated 18 December 2017, Forest Enterprises has been working on the methodology and assumptions for the calculation of each forest's allocation of the net harvest proceeds, should the Joint Harvest proposal proceed.

The purpose of this communication is to -

1. Update Longwood Forest Investors on the methodology now settled on, the assumptions behind the calculations completed, and the resulting allocation percentages.
2. Comment on Longwood Forest's Allocation
3. Set out the Decision-Making Process from Here.

Similar updates are going to the Investors in the five other Participant Forests which comprise the Emerald Hills Group.

Allocation Methodology and Calculations

Please refer to enclosed Report entitled *Emerald Hills Group Joint Harvest Allocation Methodology and Updated Calculations*.

As expressed on page 10 of the Report, the most appropriate comparison for the calculated percentages is with the Percentage of Net Stocked Area. This comparison is set out in the table below -

| Forest | Net Stocked Area Percentage | November 2017 Forest Crop Value Allocation Percentage | Difference Net Stocked Area to Forest Crop Value | % Change |
|----------------------|-----------------------------|---|--|----------|
| Majestic Pine | 14.6% | 16.0% | 1.4 | 9.6% |
| Millwood | 18.5% | 18.3% | -0.3 | -1.4% |
| Glenwood | 17.5% | 17.3% | -0.1 | -0.8% |
| Longwood | 16.6% | 15.1% | -1.5 | -9.0% |
| Goodwood | 16.2% | 14.9% | -1.3 | -8.1% |
| Homewood | 16.6% | 18.4% | 1.8 | 10.8% |
| | 100.0% | 100.0% | | |

Longwood Forest's Allocation

When reflecting on the allocation percentage relative to the Net Stocked Area, two points must be remembered -

1. The same key variable differences between Longwood and the other Participant Forests apply irrespective of whether the Harvest Joint Venture proceeds.
2. The allocation differential is not a direct measure of the profitability of the Longwood Investment relative to the others Participant Forests. In order to determine profitability, all the other costs to date (including the original land cost) have to be included, as does carbon lease income.

Longwood Forest's allocation is 15.1%, whereas Longwood will be contributing 16.6% of the Net Stocked Area. As a percentage, the allocation is 9% less. The key question is whether this differential is logical (and reasonable) from a first principles perspective. The key variables to consider from within the Report are -

| | |
|--|--|
| Forest Quality (refer to page 5) | Although Longwood's log grade mix is slightly above the average for the Participant Forests, the projected total recoverable volume of 693.73 m ³ per hectare is the lowest. |
| Logging Cost (refer to page 6) | Longwood has the highest percentage of hauler harvesting at 82%. Hauler harvesting is the most expensive, therefore Longwood has the highest Logging Cost of any Participant Forest at \$38.74 per tonne. |
| Roading Cost (refer to page 7) | As Longwood is located behind other Participant Forests, it is reasonable to expect a higher than average allocation of the roading cost. The actual allocation is 18.67% compared with 16.6% of the Net Stocked Area. This is not the highest allocation relative to Net Stocked Area, however the projected Roading Cost of \$6.49 per tonne is above the average of \$5.56 per tonne. |
| Landing Cost (refer to page 7) | Because a large area of Longwood is to be hauler harvested there are a lesser number of Landings as a percentage relative to the Net Stocked Area (14.73% v 16.6%) therefore the Landing Cost per tonne is one of the lowest of the Participant Forests. |
| Maintenance Cost (refer to page 8) | As the Maintenance Cost is calculated in the same way as the Roading Cost, Longwood's cost per tonne at \$2.80 although not the highest, is above the average for the Participant Forests. |
| Cartage Cost (refer to page 8) | Given Longwood's location relative to the public roads, it is not surprising that the Cartage Cost of \$15.98 per tonne is above the average for the Participant Forests. |

Five of Longwood's Key Variables are negative relative to the average and one is positive, therefore Forest Enterprises' opinion is that the allocation differential is logical (and reasonable).

Decision-Making Process from Here

The decision-making process from here is as follows -

1. The assumptions and calculations resulting in the allocation percentages will be checked. The forestry assumptions and calculations will be checked by the investments' Forestry Auditor (Forme Consulting Group Ltd) and the financial assumptions and calculations will be checked by the Financial Auditor (Staples Rodway Audit Ltd). This work will be done to the satisfaction of the Supervisor (Trustees Executors Ltd).
2. **Communication 1** - the *Emerald Hills Group Harvest Joint Venture proposal* together with the projected *Cashflow for the Combined Harvest*.
3. **Communication 2** - the *Emerald Hills Group Forest Investment Proposal* (the second rotation investment).
4. **Communication 3** - the *Voting Process* with remaining supporting information.



The communications are broken into the three logical steps in order to aid comprehension and avoid information overload. The timing of this process is dependent on many variables; however Forest Enterprises is committed to completing the process no later than 30 September this year.

If you have any queries or concerns at this early stage in the process, please contact Customer Services Manager Merv Jones (+64 6 370 6368, mjones@forestenterprises.co.nz). This way I can continue to focus my attention on the Proposals and related details. Be assured that Merv will liaise with me as required.

Regards,



Steve A R Wilton
Special Projects Director



«AddressBlock»

15 March 2018

Dear «Greeting»,

Emerald Hills Group Forest Proposals Update to Majestic Pine Forest Investors

Background

As reported in my letter dated 18 December 2017, Forest Enterprises has been working on the methodology for the calculation of each forest's allocation of the Joint Venture harvest proceeds (should the proposal proceed) with the Majestic Pine Sub-Committee (Committee).

The Committee now agrees that the changes made since the presentation to Investors at the November 2016 combined meeting produce fair allocation percentages. The Committee has also agreed to the process from here which culminates in a vote by each of the six forests which comprise the Emerald Hills Group.

The purpose of this communication is to update the Majestic Pine Forest Investors, with similar updates going to Investors in the other Emerald Hills Group Forest Investments. In addition, the Committee will be circulating a separate communication to the Majestic Pine Forest Investors on their work to date and the agreed allocation methodology and calculations.

Included with this letter are the following documents -

1. Notes entitled *Operation of the Majestic Pine Sub-Committee*.
2. Report to Emerald Hills Group Forest Investors entitled *Emerald Hills Group Joint Harvest Allocation Methodology and Updated Calculations*. As the name implies, this is a general Report which will be included in the update this week to the 5 other forests which comprise the Emerald Hills Group.
3. Report to Majestic Pine Forest Investment entitled *Counterfactual Argument to Emerald Hills Group Forest Harvest Joint Venture*. This Report is specific to Majestic Pine Investors and was written at the request of the Committee (as expressed in the Notes entitled *Operation of the Majestic Pine Committee*).

Agreed Allocation Methodology and Calculations

The agreed allocation methodology and calculations are set out in detail in the Report entitled *Emerald Hills Group Joint Harvest Allocation Methodology and Updated Calculations*.

In summary, Majestic Pine's calculated allocation percentage increases from the 13.1% presented at the November 2016 meeting to 16.0%. This is a 22.3% increase. The updated allocation percentages for all six forests are set out in the table over -

| Indicative Value Allocation Percentage | Forest | November 2017 Forest Crop Value Allocation Percentage | Change Compared with Indicative Value Percentage | % Change |
|--|---------------|---|--|----------|
| 13.1% | Majestic Pine | 16.0% | 2.9 | 22.3% |
| 19.3% | Millwood | 18.3% | -1.0 | -5.4% |
| 18.5% | Glenwood | 17.3% | -1.2 | -6.3% |
| 16.4% | Longwood | 15.1% | -1.3 | -8.1% |
| 15.7% | Goodwood | 14.9% | -0.8 | -5.0% |
| 17.0% | Homewood | 18.4% | 1.4 | 8.2% |
| 100.0% | | 100.0% | 0.0% | |

As expressed on page 10 of the Report, the most appropriate comparison for the calculated percentages is with the Percentage of Net Stocked Area. This comparison is set out in the table below -

| Forest | Net Stocked Area Percentage | November 2017 Forest Crop Value Allocation Percentage | Difference Net Stocked Area to Forest Crop Value | % Change |
|---------------|-----------------------------|---|--|----------|
| Majestic Pine | 14.6% | 16.0% | 1.4 | 9.6% |
| Millwood | 18.5% | 18.3% | -0.3 | -1.4% |
| Glenwood | 17.5% | 17.3% | -0.1 | -0.8% |
| Longwood | 16.6% | 15.1% | -1.5 | -9.0% |
| Goodwood | 16.2% | 14.9% | -1.3 | -8.1% |
| Homewood | 16.6% | 18.4% | 1.8 | 10.8% |
| | 100.0% | 100.0% | | |

Even though Majestic Pine's crop is of slightly lower quality than the average, it benefits enormously from its relatively better than average terrain, plus proximity to the public road. It is therefore logical that Majestic Pine has a higher allocation than the Percentage of Net Stocked Area (9.6% higher).

Counterfactual Argument

The Committee also requested Forest Enterprises set out the counterfactual argument to the proposed Joint Venture Harvest i.e. would Majestic Pine be better off standing alone. This argument is set out in the Report entitled *Counterfactual Argument to Emerald Hills Group Forest Harvest Joint Venture*.

The conclusion reached is that Majestic Pine would NOT be better off standing alone compared with the proposed Joint Venture for Harvest.

Decision Making Process from Here

The agreed decision-making process from here is as follows -

1. The assumptions and calculations resulting in the allocation percentages will be checked. The forestry assumptions and calculations will be checked by the investments' Forestry Auditor (Forme Consulting Group Ltd) and the financial assumptions and calculations will be checked by the Financial Auditor (Staples Rodway Audit Ltd). This work will be done to the satisfaction of the Supervisor (Trustees Executors Ltd).



2. **Communication 1** - the *Emerald Hills Group Harvest Joint Venture* proposal together with the projected Cashflow for the combined harvest.
3. **Communication 2** - the *Emerald Hills Group Forest Investment* (the second rotation investment) proposal.
4. **Communication 3** - the voting process with remaining supporting information.

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If you have any queries or concerns at this early stage in the process, please contact Customer Services Manager Merv Jones (+64 6 370 6368, mjones@forestenterprises.co.nz). This way I can continue to focus my attention on the Proposals and related details. Be assured that Merv will liaise with me as required.

Regards,



Steve A R Wilton
Special Projects Director



«AddressBlock»

14 March 2018

Dear «Greeting»,

Emerald Hills Group Forest Proposals Update to Millwood Forest Investors

Background

As reported in my letter dated 18 December 2017, Forest Enterprises has been working on the methodology and assumptions for the calculation of each forest's allocation of the net harvest proceeds, should the Joint Harvest proposal proceed.

The purpose of this communication is to -

1. Update Millwood Forest Investors on the methodology now settled on, the assumptions behind the calculations completed, and the resulting allocation percentages.
2. Comment on Millwood Forest's Allocation
3. Set out the Decision-Making Process from Here.

Similar updates are going to the Investors in the five other Participant Forests which comprise the Emerald Hills Group.

Allocation Methodology and Calculations

Please refer to enclosed Report entitled *Emerald Hills Group Joint Harvest Allocation Methodology and Updated Calculations*.

As expressed on page 10 of the Report, the most appropriate comparison for the calculated percentages is with the Percentage of Net Stocked Area. This comparison is set out in the table below -

| Forest | Net Stocked Area Percentage | November 2017 Forest Crop Value Allocation Percentage | Difference Net Stocked Area to Forest Crop Value | % Change |
|----------------------|-----------------------------|---|--|----------|
| Majestic Pine | 14.6% | 16.0% | 1.4 | 9.6% |
| Millwood | 18.5% | 18.3% | -0.3 | -1.4% |
| Glenwood | 17.5% | 17.3% | -0.1 | -0.8% |
| Longwood | 16.6% | 15.1% | -1.5 | -9.0% |
| Goodwood | 16.2% | 14.9% | -1.3 | -8.1% |
| Homewood | 16.6% | 18.4% | 1.8 | 10.8% |
| | 100.0% | 100.0% | | |

Millwood Forest's Allocation

When reflecting on the allocation percentage relative to the Net Stocked Area, two points must be remembered -

1. The same key variable differences between Millwood and the other Participant Forests apply irrespective of whether the Harvest Joint Venture proceeds.
2. The allocation differential is not a direct measure of the profitability of the Millwood Investment relative to the others Participant Forests. In order to determine profitability, all the other costs to date (including the original land cost) have to be included, as does carbon lease income.

Millwood Forest's allocation is 18.3%, whereas Millwood will be contributing 18.5% of the Net Stocked Area. As a percentage, the allocation is 1.4% less. The key question is whether this differential is logical (and reasonable) from a first principles perspective.

Reflecting on the key variables - Forest Quality (page 5), Logging Cost (page 6), Rooding Cost (page 7), Landing Cost (page 7), Maintenance Cost (page 8) and Cartage Cost (page 8) - Millwood generally sits at about the average. Therefore, Forest Enterprises' opinion is that the allocation differential is logical (and reasonable).

Decision-Making Process from Here

The decision-making process from here is as follows -

1. The assumptions and calculations resulting in the allocation percentages will be checked. The forestry assumptions and calculations will be checked by the investments' Forestry Auditor (Forme Consulting Group Ltd) and the financial assumptions and calculations will be checked by the Financial Auditor (Staples Rodway Audit Ltd). This work will be done to the satisfaction of the Supervisor (Trustees Executors Ltd).
2. **Communication 1** - the *Emerald Hills Group Harvest Joint Venture proposal* together with the projected *Cashflow for the Combined Harvest*.
3. **Communication 2** - the *Emerald Hills Group Forest Investment Proposal* (the second rotation investment).
4. **Communication 3** - the *Voting Process* with remaining supporting information.

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Regards,



Steve A R Wilton
Special Projects Director

