

«AddressBlock»

23 February 2018

Dear «Greeting»,

## Joint Venture for Harvest and Combining for Second Rotation Update to Ormond, Te Karaka and Te Karaka North Forest Investors

### Background

On 1-2 December last year there was a combined harvest visit and meeting of the Ormond, Te Karaka and Te Karaka North Forest Investments. The outcome of the meeting was support in principle for the two proposals presented, namely a Joint Venture for Harvest and combining for the Second Rotation Investment. Importantly it was noted that the two Proposals must proceed as a package i.e. one cannot proceed without the other.

Forest Enterprises was therefore tasked with developing the two Proposals and bringing them to a vote by each of the Participant Forests (Ormond, Te Karaka and Te Karaka North Forest Investments). The purpose of this communication is to report on progress since December.

### Working Name – Te Karaka Group Forest

To simplify reference to the proposed Harvest Joint Venture and the Second Rotation Investment we need a working name. The working name chosen is the **Te Karaka Group Forest**. Te Karaka is the name of the district where the Participant Forests are located, and is a name which together with the word Group, reinforces the synergies able to be captured by the two Proposals.

It is sad to lose the name Ormond after so many years, however the Ormond District is geographically some distance away relative to the actual location of the Ormond Forest. We contemplated using the neutral name Matawai as this is the name of the main road at the turnoff to the Participant Forests. However, there is a District and small settlement with this name much further up the Matawai Road, so using this name could have created confusion.

This means that going forward the proposed Harvest Joint Venture will now be referred to as the **Te Karaka Group Harvest Joint Venture** and the proposed Second Rotation Investment as the **Te Karaka Group Forest Investment**.

Also, in most instances from now on I will not include the word proposed when referring to the **Te Karaka Group Harvest Joint Venture** and the **Te Karaka Group Forest Investment**. These Proposals will not proceed unless special resolutions are passed by each Participant Forest. That the Proposals are proposed is therefore self-evident.

### Harvest Reporting and Distributions in the Interim

Until the Proposals are voted on, Investors in all Participant Forests will receive copies of the Harvest Reports (not just the Investors in the Forest being harvested). This way Investors in all Participant Forests will keep abreast of the harvest program as these programs will be wrapped up within the **Te Karaka Group Harvest Joint Venture**, if the Proposals proceed.

For a number of important accounting reasons, plus because the ***Te Karaka Group Harvest Joint Venture*** remains a proposal until voted on, the harvest activity will be accounted for within the forest in which the harvesting is physically occurring. Distributions will consequentially be made in the normal manner to the Investors in these forests. This is consistent with the status of the Joint Venture being a proposal. However, for the same reasons expressed in respect of Harvest Reports, all Investors in the Participant Forests will be advised of distributions as they are made.

It is fundamental to the ***Te Karaka Group Harvest Joint Venture*** that all harvesting in the interim ultimately be reflected within the Joint Venture. To treat this harvesting otherwise would create inequities between Investors in the Participant Forests. Practically this will mean that at the time the Joint Venture commences, the Investors who have already received distributions will not receive further distributions until the other Investors have caught up i.e. received a comparable distribution according to the shares they hold. A few of the details underlying this fundamental element of the Joint Venture are in the process of being resolved.

### Three Step Process from Here

In order to aid comprehension of the detail of the Proposals, and avoid information overload, we intend breaking the communication on the process from here into three logical steps as follows –

- Communication 1 –the ***Te Karaka Group Harvest Joint Venture***
- Communication 2 –the ***Te Karaka Group Forest Investment*** (the second rotation investment)
- Communication 3 –the Voting Process with remaining supporting information

The timing of each communication is dependent on many variables, however Forest Enterprises is committed to completing the process above 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](mailto: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**

