

Collective Harvest by Joint Venture Proposal

Executive Summary

Introduction

This document is the *Executive Summary* of a 19-page report entitled *Collective Harvest by Joint Venture –for Forest Enterprises Managed Investment Schemes*. The full report can be downloaded by [clicking here](#).

Forest Enterprises proposes 15 collective harvest joint ventures for all 48 managed investment schemes (Investments) in response to the challenges and risks identified, should each Investment proceed to harvest on a stand-alone basis.

As the licensed manager¹ Forest Enterprises must at all times act in the *best interests of the Investors to maximise the return at harvest which includes harnessing the scale and common interests of each investment with other investments managed.*

Objective – Maximise Return and Minimise Risk

The collective harvest proposal is the company's solution to both the challenges and risks identified and our obligation to maximise Investor return at harvest.

Implementation of the collective harvest proposal is in Forest Enterprises professional opinion the best strategy to maximise the harvest return and minimise the harvest related risks and is consequentially the strategy which is most likely to produce the returns projected for each investment.

Exchange 100% of Own Harvest for Agreed % of Collective Harvest

Fundamental to the collective harvest proposal is each Investment forgoing 100% of the returns projected for the harvest of their mature forest for an agreed % of the collective harvest. The agreed percentage being calculated using the recognised and accepted *Forest Crop Value Methodology* of each forest in the joint venture.

Inherent in the collective harvest proposal is an expectation to *lift the tide*, therefore to create a greater harvest revenue pool to be shared, than the sum of the parts were each Investment to separately harvest its own forest.

Consequential Requirement for Land LP

There are some collateral consequences arising from collective harvest which impact on each Investment's second rotation forest, and also on certain costs and revenues. These consequences are equitably resolved by the transfer of the land (and consequentially the second rotation forest as it is planted) to a new limited partnership (Land LP) owned jointly by the Investments in the joint venture.

Similar to collective harvest, fundamental to this solution is each Investment forgoing 100% ownership of their land for an agreed % ownership of the joint land. The agreed percentage being calculated using recognised and accepted valuation methodology. Also inherent in the creation of Land LP is an expectation that the enlarged land area (and second rotation forest) will have a higher market value than the sum of the value of each Investment's land and second rotation forest.

Investment Wound Up at Conclusion of Collective Harvest

Land LP is required to sell the joint land and second rotation forest around the conclusion of the collective harvest. This is to ensure that each Investment can be wound up and the Investors paid out in full following the conclusion of the collective harvest, consistent with the existing underlying Investor expectation.

Future Options Enhanced

A collateral benefit arising from the creation of Land LP is that this limited partnership could become a second rotation investment for those Investors considering this option, whilst still allowing those investors planning to cash up and exit at the end of harvest to do so.

¹ Licensed under the Financial Markets Conduct Act 2013.