Minutes of the Meeting of Greenplan Forestry Limited Managed Investment Schemes 27th September 2017

Welcome

The Chairman declared the meeting open at 10 am. He then welcomed everyone to the meeting of the 63 Greenplan Forestry Managed Investment Schemes. Terry Hoskins advised that, pursuant to section 162 of the Financial Markets Conduct Act and relevant clauses of the 63 Deeds of Participation governing the scheme, he had been appointed Chair of meeting by the Supervisor for the Greenplan Managed Investment Schemes, Covenant Trustee Services Limited.

Notice of Meeting

The meeting was advised that the Notice of Meeting and Agenda had been posted or emailed to all Partners on 24 August 2017.

Minutes of previous meeting

No minutes of previous Annual General Meetings were available as the last Annual General Meetings had been held some years prior.

Conflicts of Interest

No conflicts of interests were recorded by Partners in attendance.

Attendees

A list of the 63 Schemes invited to the meeting is detailed in the list attached to these minutes.

All Scheme attendees were registered.

Apologies were recorded and accepted.

In attendance:

Terry Hoskins, Chair, Greenplan Forestry Limited
Mathew Barton, Managing Director, Greenplan Forestry Limited
Doug Cox, Director, Greenplan Forestry Limited
Rachel Barton, Director, Greenplan Forestry Limited
Jeanette Kreft, Managing Director, The Compliance Company
Peter Weblin, Chief Marketing Officer, PF Olsen Limited
Scott Downs, Business Development Manager, Rotorua Harvesting, PF Olsen Limited
Stephanie Cross, Senior Relationship Manager, Covenant Trustee Services Limited
Eleanor Smith, Relationship Manager, Covenant Trustee Services Limited
Rosemarie Dawson, Meeting Secretary, Business and Professional Services Limited.
Guests of the Partners in attendance.

Minutes

Minutes of the meeting would be added to the New Zealand Companies Office Disclose Register and the Annual General Meetings for the 63 Schemes were run concurrently.

Partnership Reports and Audited Annual Financial statements

Partnership Reports and Audited Annual Financial Statements for the year ended 31 March 2017 were presented. Points highlighted at the meeting included:

1. Forest valuations are determined with the aid of Computer Software, the Radiata Pine Calculator. Inputs to the software programme include, projected forest yield, historical log prices, estimated cost of harvesting and discount factors. Inputs are derived from published sources and industry organisations.
2. On average, valuations had increased by some 14% from 2016. The actual figures are recorded in the audited financial statements and the annual partnership reports which are available from the New Zealand Companies Office Disclose Register. Partners were reminded that they had been previously notified about these documents. In addition, arrangements were in place for Partners to access the documents via computers made available to people in the room and via WIFI from personal computer devices such as smart phones, tablets etc.
3. Valuations were expected to grow until harvest time. However, Partners were reminded that valuations could increase or decline in future for any number of reasons.
4. Planning is underway to harvest the trees when the time is right. Plans will include increased communication with the Schemes as harvest time approaches.
5. Communication has been light in recent years because of a lack of news worthy activity. A notable exception was news about Greenplan becoming licensed under the Financial Markets Conduct Act 2013. The licencing regime involves significant set-up, ongoing change and cost in the way investments made by Partners are managed. The Compliance Company Limited will provide a summary of the changes, later this morning. Greenplan intends to increase communications as harvest time approaches.

The Regulatory Environment

Jeanette Kreft, the Managing Director of The Compliance Company Limited, provided an overview of the recent regulatory reform of New Zealand's securities laws. The points discussed were as follows:

- **What are the changes to New Zealand securities laws?** New Zealand securities law has recently undergone the biggest change in 30 years with the introduction and implementation of the Financial Market Conduct Act. The Financial Market Conduct Act and related regulations aim to raise the standards of New Zealand's financial market service providers by governing how financial products are created, promoted and sold, and regulating those who offer, deal and trade them, in New Zealand. Specifically, the Financial Market Conduct Act introduced a new regulatory framework for managed investment schemes, which Greenplan is required to comply with.

- **Who is the Financial Markets Authority?** The Financial Markets Authority (**FMA**) is the regulatory body for New Zealand's capital markets and financial services sector. Their mission is to promote the development of fair, efficient and transparent financial markets.

- **What does this mean for Greenplan?**

    - Greenplan was required to be licensed as a manager of managed investment schemes (**MIS Manager**). Its licence permits it to invest solely in forestry assets (excluding managed funds).

In addition, each of the 63 forestry partnerships managed by Greenplan became registered managed investment schemes from 25 November 2016.

  - To become a licensed MIS Manager, Greenplan underwent an application and assessment process with the FMA. It broadly involved the preparation of an application setting out how Greenplan did, and would continue to, satisfy the minimum standards required to obtain a licence. The minimum standards relate to all areas of Greenplan's business including its people, corporate governance, operational infrastructure, financial management, and its risk and compliance frameworks.
  - Greenplan also, among other things, had to increase its operational and governance capabilities. This included reviewing, updating and formalising existing policies, procedures and controls.

- **How do the changes benefit you, the investor?**
  - The FMA proactively monitors all licence holders to ensure that they are meeting their licence obligations.
  - Licensed providers are held to high standards.
  - Licensed providers are expected to communicate clearly and simply with their investors.
- **What further changes can investors expect**? Greenplan will need to make further changes over the next twelve months to ensure that it continues to meet the requirements of its licence. This may mean an increase in fees as it is required to have additional independent oversight and audits.

Harvesting

Peter Weblin, Chief Marketing Officer, PF Olsen Limited, an independent forestry services provider (acting on their own behalf in that capacity at the meeting, and not as an advisor to Greenplan Forestry Limited or its customers), addressed the meeting and outlined influencing factors being considered in the development of plans for harvest. He particularly noted:

1. Greenplan had planted a large amount of forest at the same time as other syndicates.
2. Forestry returns were currently above the five-year average.
3. A peak of national harvesting was expected to commence in the next five years.
4. Recruitment and retention of safe logging and cartage contractors, enabling a good return on investment will be important.
5. There is an expectation in the industry for a large increase in demand in the next five years for harvesting. PF Olsen estimate some 300 new harvesting crews and 900 new logging trucks will be required by 2020 to meet demand for harvesting activities in New Zealand.
6. Ports will need to be able to double the volume of product handled. The Port of Tauranga and Port Taranaki should be able to handle Greenplan's product.
7. There is little growth in domestic processing. However, a constraint of supply identified in a number of large off-shore markets will enable considerable demand for New Zealand timber in the next 20 - 30 years.
8. Currently, about 55% of NZ logs are exported, with China receiving 71% of the product. It was expected that China and India will be important markets over the foreseeable future.
9. Harvest considerations included – health and safety, environmental management, harvest planning and engineering, contractor procurement, maximising sales realisation, minimising commercial risk.
10. Forest Stewardship Council (**FSC**) certification was something that Greenplan may consider to enable maximising returns.

11. Two types of sales were mentioned – managed graded log sale or stumpage sales. 95% of sales in New Zealand are managed graded log sales, where the forest owner accepts all costs, responsibility and risks associated with harvest. A stumpage sale is where the purchaser is responsible for all costs, responsibility and risks associated with harvest. It was time to commence strategic work on planning for harvesting, while the oldest trees are 23 years old. PF Olsen considered that the optimum time for harvesting trees is probably 25 years.

The meeting adjourned for a break and reconvened at 12 noon.

In Memorium

With a minute's silence, the meeting remembered John Barton, the Founder of Greenplan Forestry Limited, who had passed away on 22 January 2017.

Questions and Answers

A Panel to address Partners' questions, comprised:

- Terry Hoskins, Chair, Greenplan Forestry Limited
- Matt Barton, Managing Director, Greenplan Forestry Limited
- Jeanette Kreft, Managing Director, The Compliance Company Limited
- Peter Weblin, Chief Marketing Officer, PF Olsen Limited
- Scott Downs, Business Development Manager, Rotorua Harvesting, PF Olsen Limited
- Stephanie Cross, Senior Relationship Manager, Covenant Trustee Services Limited
- Eleanor Smith, Relationship Manager, Covenant Trustee Services Limited

The questions Partners asked were generally applicable to all Greenplan Partnerships. Therefore, the questions and answers set out below are of interest to all Partnerships:

<u>Question 1</u>

Questions were asked about when harvesting would take place.

<u>Answer 1</u>

Harvest planning will be progressed to determine when the trees are ready for harvest. It is interesting to note that the final trimester of a tree's growth is when it puts on the most weight of saleable wood. That weight, the price of wood and the cost of harvest are major determinants for establishing when harvesting would be best to take place. Harvest could occur from about 25 to 28 years after planting dependent on a number of factors including information gleaned from the process of harvest planning. Harvest planning activities will start with the first eight forest partnerships.

<u>Question 2</u>

Questions were asked about what the anticipated profit from harvest would be and, in particular, what would be the worth of one hectare of forest? Supplementary questions were put around the subject of what investors could expect by way of projecting an internal rate of return.

<u>Answer 2</u>

Greenplan forests are currently valued annually using historical data. An estimate of expected return on investment at harvest involves referring to the net stumpage revenue as calculated in the prospectus, less the fees paid to Greenplan up until harvest time. A more precise estimate could be obtained from a professional forestry consultant. However, Greenplan is not a professional consultancy practice, neither is it a licenced financial advisor. The value of the return to investors as a result of harvest is difficult to estimate now but is expected to become easier closer to harvest time.

Question 3

Some Partners paid their annual contribution in advance and the question was asked if these would be subject to an increase.

Answer 3

The annual contribution of the annual fee had not increased since the beginning. Greenplan had absorbed all increases in management fee costs but that situation may not be sustainable. Greenplan expects to review the situation shortly.

Question 4

The Company has been managed very well for the last 20+ years, why was there no choice to registering under the Financial Markets Authority?

Answer 4

Last year Greenplan sought an exemption from some of the obligations contained in the Financial Market Conduct Act. Most notably, the requirement to become licensed as a MIS Manager. The FMA declined Greenplan's application for an exemption on the basis of the number of investors that had invested in the forestry partnerships and the value of assets under Greenplan's management. Accordingly, Greenplan was required to become a licensed MIS Manager and is also required to comply with the ongoing obligations of its licence and the Financial Market Conduct Act.

Question 5

Does Greenplan need the Supervisor as well as the Financial Markets Authority?

Answer 5

Yes. This is an obligation contained in the Financial Market Conduct Act.

Question 6

When reviewing the prospectus, the scenarios included don't appear to reflect what is likely to be returned.

Answer 6

The precise value of the return to investors is unknown at this time. The prospectus scenarios provide a guide but the actual value will largely depend on what a willing buyer will pay. That will not be known until closer to harvest.

Question 7

What are the implications for carbon credit pricing?

Answer 7

In September 2012 some Partnership Schemes opted to enter into an arrangement to utilise carbon credits. Yields from the arrangement will continue until 2020 at which time, depending on the provisions of the Government's Emissions Trading Scheme, the arrangement may continue to produce yields.

Question 8

Do I get to decide when harvest is done?

Answer 8

Under the terms of the Deeds of Partnership, partners do decide on harvest arrangement. The process involves Greenplan submitting a proposal to harvest which can only proceed if 75% of the partners in a particular scheme agree.

Question 9

Is the last fee increase a one off?

Answer 9

That depends on what costs Greenplan incurs. Greenplan will continue to meet its obligations to investors and regulators and minimise the cost to investors of doing so.

Question 10

Has Greenplan taken into account the political landscape?

Answer 10

Greenplan does maintain an eye on the political landscape. This is most recently evidenced in its compliance with its obligations under the Financial Market Conduct Act and the Anti-Money Laundering and Countering Financing of Terrorism Act.

Question 11

Please explain why the fees to the investors increased during the year in question

Answer 11

The Annual Contribution fee has been paid each year by the investors. Its purpose is to cover the cost of managing each Scheme. The Prospectus and Deed of Participation for each Scheme describes the annual contribution and how it is to be charged. In the past, Greenplan generally chose to absorb costs and not increase the fee. However, Greenplan has experienced increasing costs across the board which it cannot absorb. In particular, Greenplan has incurred costs, to comply with Government regulations. These include laws such as the Financial Markets Conduct Act, the Anti-Money Laundering and Financing Terrorism Act and the Health and Safety in the Workplace Act. This has meant we must have more transparency and charge the actual cost of managing the Schemes.

Question 12

It appears that it has cost Greenplan a lot of money to comply with the Financial Market Conduct Act; is it possible for Greenplan to dissolve and re-establish smaller companies that are below the Financial Market Conduct Act threshold?

Answer 12

It would probably prove to be prohibitively expensive to take this action. Also, the FMA is expected to roll out its compliance regime to all managed investment schemes over time. This would, in our view, negate the perceived benefits of establishing smaller companies at this time.

Question 13

We are happy that Greenplan is managing the trees and if an increase in fees means that the investment is protected – keep on.

Answer 13

It is in everyone's interest that Greenplan wholeheartedly embraces requirements of the Financial Markets Conduct Act, and other laws, for the benefit of the Schemes and compliance with the law.

Meeting closed 12.20pm