



GREENPLAN FOREST NEWS



Matthew Barton
Director

BUGGER - FURTHER DELAYS

We would like to take this opportunity to wish you and your family a Merry Xmas and a prosperous 2009. Hasn't 2008 flown by!

Your forests have enjoyed a diverse range of climatic conditions with a very dry summer and then a very sodden winter. Here's to a little more consistency in the summer months to come. Our Forest Managers have put together a Forest Management report which you will find on page 3.

The hot topic at present is Climate Change and the recently passed Emissions Trading Scheme (ETS). As you will be aware this legislation was seemingly rushed through and now with the introduction of the new National led coalition, further changes may be made. The word from industry is that any change will be minor and unlikely to impact on opportunities available to Greenplan investors. Further, any changes are not likely to come into force until the second Kyoto commitment period which starts in 2013. Any review looks likely to cause a delay in the implementation of the ETS.

The NZ ETS as it stands covers "all gases and all sectors" and is designed to alter peoples behavior with regard to Greenhouse Gases (GHG's). Simply the proposal is to put a price on the GHG's which will force industry and consumers to change their behaviour in the manufacture and consumption of products that cause GHG's.

GHG's consist of -

- carbon dioxide from burning of fossil fuels and from deforestation;
- methane from farm animals and waste (as a greenhouse gas, methane is 21 times more powerful than carbon dioxide);
- nitrous oxide from soil (nitrous oxide is 310 times more powerful as a greenhouse gas than carbon dioxide);
- synthetic gases like sulphur hexafluoride, per fluorocarbons and hydro fluorocarbons.

The sectors affected have been categorized as follows with entry dates into the ETS in italics:

Forestry	2008
Stationary Energy and Industrial Processors	2010
Liquid fossil fuels and transport	2011
Agriculture, waste and all remaining sectors	2013

Each sector will have sector regulations, user guides and manuals, which are due to be released progressively from December 2008. As you will note forestry has commenced and is well and truly alive in the ETS. We hope!.

See www.maf.govt.nz/sustainable-forestry for more detailed information.

WHAT DOES THIS MEAN FOR YOU?

As discussed in our last newsletter - June 08, we indicated we were focusing our efforts on the Voluntary Market of which we had and possibly do still have the ability to trade some 1.3 million tones of carbon that your forests have sequestered between 1994 and 2008.

We have since changed our focus to the regulated market (ETS) which has now become law. Over the past couple of months we have researched, analysed and tried to come to grips with the positives and the negatives of the ETS.

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Millennium No. 44 thin to waste

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The currency of the ETS will initially be NZU's (New Zealand Units). Each ton of CO₂ (Carbon Dioxide) will equate to one NZU. To put this into Greenplan terms, for every Greenplan unit (equivalent to approximately one hectare of forestry) some 30 tons of CO₂ will be sequestered annually (30 NZU's).

On an individual basis each investor in Greenplan will have (assuming one hectare unit) a minimum of 30 NZU's as at the 1st January 2009. Potential purchasers of the NZU's appear to be only interested in larger parcels in the vicinity of 100,000+ NZU's. Therefore on an individual basis it will be very difficult to trade. We believe the only viable option to trade the NZU's is to pool.

By pooling ("Grouping") the NZU's we will have as at January 1st 2009 some 185,000 NZU's to trade. We are trying to clarify the rules around pooling. It is currently our understanding that the rules are those as described in the Financial Reporting Act. See www.legislation.govt.nz - Financial Reporting Act 1993

If we are able to successfully pool the NZU's we then face the issue of what to do with proceeds if we can find a purchaser.

After careful consideration we believe that the most viable option that poses least risk is to purchase more land and plant more forests. We will obviously need your agreement and hope to approach you sometime in the near future for this.

WHY PLANT MORE?

To try and put this in layman's terms, below are the options available.

1/ Do Nothing - By not entering the ETS we will forever lose the ability to trade NZU's (Carbon Credits) and these NZU's will become the property of the Government who will use them to subsidize the wood industries competitors. i.e. Steel, Concrete, Aluminum and others.

The only upside of not joining the ETS is avoiding the potential liability attached. That is if we do not receive NZU's during the growing period of the forests then at harvest we do not have to return NZU's. This however could change with future Governments tinkering with the rules. As the previous Labour Government has done with the Pre - 1990 forests. And further highlighted with the proposed review by National.

2/ Register into the ETS and bank the credits - The registration and annual submission and administration costs make this option pointless. MAF have proposed a charge of \$550 per participant and a filing fee of \$100. This we assume would be an annual fee.

3/ Register into the ETS, sell the NZU's and distribute the income to the partners - As the Landowner we are unable to agree to this as the liabilities

that are due on harvest create too much uncertainty for the Landowner who may have difficulty in retrieving the required credits back from the investors at the time.

PREFERRED OPTION

4/ Register and sell NZU's to fund the planting of more forests. This will give security against any future liability. Will also enable trees to be harvested as originally planned and will increase investors assets.

OPTION 4 - FURTHER EXPLAINED:

The primary risk with trading the credits would appear to be the added liabilities attached. These liabilities come to fruition when you start harvesting the timber, which essentially means you have to then pay all those traded credits back.

Essentially when the trees are harvested the credits traded will need to be repurchased to offset the resulting emissions. This liability rests with the Landowner not you the investor which is cause for concern on the landowners part. Also with the length of the investment the trading of the NZU's becomes very risky as the future price of carbon is unknown.

By implementing Option 4 we will enable all future liabilities to be covered and the forests to be harvested. Ideally we would create a "Normal" forest (a forest where you have trees planted every year for the full number of years during a rotation) which would mean that once established the credits would be able to be traded. You would also have an extra forestry unit for every unit currently owned.

WHAT NOW?

We wait!!.

Further delay's are not that unusual these days.

As mentioned we are trying to establish the pooling rules. Once we have we will be in touch to seek your agreement to Option 4. Lets hope the Government doesn't change things too much.

In the mean-time the good news is that the price of land is retreating and log prices are on the improve. We may be in a position shortly to offer more partnerships under the Greenplan Structure which will show an acceptable IRR (Internal Rate of Return).

Have an enjoyable festive season and here's looking forward to a more action packed 2009. And remember even though the world economies are struggling your trees are still smiling.
- WOOD IS GOOD!!

ARRIVALS – DEPARTURES

Deb Jacobson

On the 23rd June we welcomed the arrival of Deb Jacobson. Deb is responsible for Office Management, Secondary Market, Lodge Bookings, Securities Registrar and a myriad of other things.

Since commencing Deb has quickly come to grips with the daily workings of Greenplan and is proving more than capable. Next time you call or visit please say hi and make yourself known.

Philipp Loest

Phil has been working for us since September, serving a 5 month training period with Greenplan before returning home to finish off his Bachelor Degree in Forest Sciences at the University of Applied Forest Sciences in Rottenburg, Germany.

Phil has been gaining valuable experience in digital mapping and by assisting our Forest Managers, learning all aspects of NZ's Silviculture.

FOREST MANAGEMENT DIARY

AUGUST 2008

As a lot of you are aware in 2008 the King Country region experienced its first drought for over 100 years. With extremely dry conditions and the danger of forest fires Contractors were put on high alert. A total ban of vehicles and chainsaw use within the forests was introduced with smoking also prohibited. Restrictions were in place until mid April when we finally had an adequate amount of rain, fortunately I can report that all forests came through these harsh times unscathed.

At present all operations remain well on schedule with forests visited regularly by our staff for Quality Control and general site assessments. Current Contractors have maintained steady progress through our work program and operations completed to date are of a very high standard.

Third Lift pruning is almost complete in the forests planted in the year 2000. Early 2009 areas of small trees will have their final prune to an average height of 6.5 metres and then be thinned out to an average stocking of 350 sph. At the completion of all operations P.F Olsens & Company will carry out final audits to ensure all management requirements have been achieved. Third Lift pruning has started in the majority of the 2001 forests, current data collected to date is very positive. In June thinning operations began, operations continue with completion



Wayleggo No. 62 1st lift pruning

likely to be December 2008. Areas of small trees will be left to grow and operations completed in the New Year.

Second Lift pruning has recently been completed in the 2002 forests. I am pleased to report that all data collected has shown very positive results, Third Lift pruning is scheduled to start in February 2009.

In July, First Lift pruning started in the 2004 Wayleggo Forest. Pre-assessment data was collected prior to the commencement to insure priority

was given to areas containing the largest trees. Our aim for the First Lift is an average pruned height of 2.8 metres with a minimum Green Crown of 3.5 metres; we also target 350 sph on average.

Pest control is conducted regularly by GFM Staff and Ranginui Hunting. Between us our focus is on keeping goat numbers to a minimum especially in our younger forests. Goats target the bottom portion of the stem stripping the bark and exposing the inside, once exposed the core-wood becomes defective reducing the amount of clearwood

produced. Local Pest Controllers who mainly target possums periodically trap and lay poison in and around our forests. Possums attack the juvenile tips and also the tops of trees reducing growth and sometimes causing mortality. With the Pest Controllers assistance numbers are kept to a minimum reducing the chance of this pest establishing itself within our forests.

INDICATIVE NEW ZEALAND RADIATA PINE LOG PRICES

Returns to small growers may be lower than those recorded here owing to scale and buyers' margins. These log prices are historical and indicative only and may not correspond to actual prices paid, or grades used, in market transactions. A "best fit" is applied by survey respondents to align company log grade specification with the generic specifications. Direct comparisons with actual market prices may not apply, due to differences between the specification sets. The prices are subject to changes when further data become available. The sources for this information are Ministry of Agriculture and Forestry industry contacts.

(Source: www.maf.govt.nz).

3rd Quarter and 12-Quarter Average		
As at: October 2008		
Generic Log Type & Pricing Point	Sep-08 Quarter	12-quarter average
EXPORT (NZ\$ per JAS m³ f.o.b.)		
Pruned	122 - 175	151
Unpruned A Grade	88 - 103	99
Unpruned J Grade	90	92
Unpruned K Grade	80 - 93	86
Pulp	68 - 76	64
DOMESTIC (NZ\$ per tonne delivered at mill)		
P1	120 - 130	132
P2	93 - 105	104
S1	80 - 87	86
S2	57 - 85	82
L1 and L2	60 - 69	68
S3 and L3	57 - 65	65
Pulp	39 - 56	46

MISSING PERSONS

Does anybody know the whereabouts of these people?
If so please contact the Greenplan office on 0800 800 154

INVESTOR	AREA LAST RECORDED	INVESTOR	AREA LAST RECORDED
Alan & Sonya Robinson	Opunake	Jin Yub Lee	Chungchongnam-Do, South Korea
Alan Keith Woodward	Waitara, Taranaki	Martin Pearmain	Floreat, Perth, Western Australia
Amber Williams	Browns Bay, Auckland	Melanie Bradley	Invercargill
Anthony Tinirau	Highbury, Palmerston North	Monika Johns	Ellerslie, Auckland
Carol Abraham	Ngaio, Wellington	Neville & Sandra Biel	Masterton
Daniel Herbison	Nightcliff, NT, Australia	Patrick Batchelor	Upper Hutt
Dion Old	Pirongia, Waikato	Peter Aitken	Kamo, Whangarei
Emma & Steven Kirby	Matangi	Sandra Moratti	Albany, Auckland
Emmanuel Nyahwa	Wellington	Sarah Wood	Torquay, VIC, Australia
Gerard & Lyndley Field	Milford, Auckland	Scott Wenborn	Governors Bay, Christchurch
Grant & Eija Hall	Glenfield, Auckland	Tam Luen Or	Epsom, Auckland
Gus Dizwani	Wellington	Timothy & Susan Stephenson	New Plymouth
Hae Kyoung Lee	Gyeonggi-Do, South Korea	Tony Farrow	Somerfield, Christchurch
Hee Soon Lee	Seoul, Korea	Trae Old	Pirongia, Waikato
Hwan Man Park	Gyeonggi-Do, South Korea	Yi Suk Jeong	Glen Alpine, NSW, Australia
Jeffrey & Julie Clement	Paraparaumu	Yoo Kyung Jeon	Northcote, Auckland
Jillian Johansen	Waikari, Dunedin		



Jubilee No. 50 3rd lift pruning



Glen Afton No. 54 2nd lift pruning

Check out your forest at www.greenplan.co.nz

NEWS CHIPS - WORD FROM THE TREES - WHAT RECESSION?

Headlines from the Greenwood.com website share our enthusiasm for forest investments:

“Timberland investments producing excellent returns”

A growing number of alternative investment blogs in the US and Europe are buzzing with talk of how investing in timberland is still producing such great returns.

Essentially the article points to the fact that “trees continue to grow in good economic times and bad” and “timberland prices do not seem to have much correlation with the stock market.”

“Timber investments are crisis-proof says expert”

Chris Mayer – independent financial analyst who edits the Daily Wealth Blog. “Timberland is a crisis-proof investment because the growth of the trees does not move in step with economic cycles. You don’t have to harvest when demand is soft. Let them grow, and trees will become more valuable anyway. Bigger trees equal more dollars.”

“Timber investments could be perfect credit crunch antidote”

“Smart investing in troubled times is all about returning to basics. A volatile market should not cloud investment goals.” Rusty Cagle, President of ASE Wealth Advisors in Greenville, SC, advises “looking for alternative investments that are less vulnerable to the fluctuations of the stock market, and forestry investments fit the bill perfectly”

And here’s one for those that want to get up and close with your trees.

“Forestry boosts human life expectancy”

A recent study by two Scottish universities suggest that living near a forest can protect us from stress-related conditions such as heart attacks and strokes.

Two researchers analysed the Death records of 366,000 people who died between 2001 and 2005. The conclusion was that those living near forests were more likely to live longer.

THE EFFECTS OF RUSSIAN TIMBER TARIFFS ON GLOBAL WOOD SUPPLY

Russia is the third largest forest harvester in the world, after only the United States and Canada. Despite this ranking, the overall statistics for the forest industry in Russia do not look good.

Russia produces up to 150 million cubic metres of wood products annually, only a third of the government’s estimated total annual allowable cut of 576 million cubic metres per year.

Faced with these facts in 2006, then Russian President Vladimir Putin said, “Our neighbours continue to make billions of dollars out of Russia’s forests. We meanwhile are doing little to develop our own wood processing industry”. Never subtle in dealing with military or economic matters, Putin and his government implemented a new Forest Code in February 2007. Most industry observers believe that this measure signals “a fundamental structural change in the global market for logs”.

The effects of this legislation have already begun to be felt around the world. In 2005 Russia exported \$2.9 billion of logs, 81 percent of Russian logs went to three countries: 46 percent went to China, 22 percent to Finland and 13 percent to Japan. However after timber tariffs began to climb in 2008, exports to Europe dropped 44 percent and its exports to Asia decreased by 15 percent.

With the ever increasing economy in China and the growing demand for timber and timber products, doors could open as they look to other markets to source timber.

SECONDARY MARKET

The following units are for sale. Units with asterisk (*) are subject to the clause two procedure, whereby partners in that partnership have a 28 day period first option in which to apply. The units not marked are available for sale to anyone. Please contact Deb (invest@greenplan.co.nz) at Greenplan for more details.

Partnership Name	Partnership No	Units	Price	Year Planted
Arapito Partnership	12	1	\$11,000	1995
Aratoro Partnership	13	1	\$11,400	1995
Aratoro Partnership	14	2	From \$10,500	1995
Waipa Valley Partnership	15	1	\$11,200	1995
Awakino River Partnership	16	3	From \$10,000	1995
Awakino River Partnership	17	1*	\$10,997	1995
Awakino River Partnership	19	2	From \$9,400	1996
Aratoro Partnership	20	1*	\$10,500	1996
Slab Hut Partnership	22	3	From \$9,150	1996
Brakeside Partnership	23	2	From \$10,300	1996
Tin Whare Partnership	26	1	\$10,000	1996
Touchwood Partnership	27	1	\$11,200	1996
Rhodes Partnership	29	1	\$9,700	1997
Rim Rock Partnership	33	1	\$4,500 1/2 ha	1997
Cattle Stop Partnership	35	1*	\$4,500 1/2 ha	1998
Squires Creek Partnership	38	1*	\$4,500 1/2 ha ONO	1998
Huntaway Partnership	40	1*	\$8,500	1999
Tunnel Rock Partnership	46	3	From \$7,500	2000
Jubilee Partnership	50	2	\$7,300	2001
Twin Rivers Partnership	51	2	\$7,500	2001
Headwaters 2001	52	1	\$6,000	2001
Ducksfield Partnership	53	4	\$7,300	2002
Hidden Valley Partnership	56	3	From \$5,900	2002
Greatwood Partnership	57	5	From \$6,800	2003
Woodview Partnership	58	3	From \$6,500	2003
Whitecliffs Partnership	59	4	From \$6,995	2003
Pinegrove Partnership	60	1	\$7,300	2003
Pinegrove Partnership	61	2	From \$7,150	2003
Wayleggo Partnership	62	2	From \$7,000	2004
Scotts Bush Partnership	63	2	\$7,500	2004

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