

GREENPLAN

FOREST NEWS



*John Barton
Director*

INVESTORS TWIG ON TO CARBON

This was the heading on the Sunday Star Times business page on the 24th April of an article by journalist Rob Stock. Greenplan's Managing Director John Barton had given Mr Stock a five minute telephone interview as to where Greenplan is at in respect to its investors' forests and the ETS (Emissions Trading Scheme).

Looking back over our newsletters we note it is over twelve months since we last updated you on this important topic since then there hasn't been a lot to talk about. We have been fully engaged with our legal and accounting professionals in detailing how we are going to take Greenplan into the ETS. However we are still weeks away from mailing you the disclosure document and investment statement for you to vote on.

With the approval of Perpetual Trust, Greenplan's Statutory Trustee, we have registered the carbon of 43 of Greenplan's 63 forest partnerships into the registry. That totals 443,968 units for which we have been allocated NZUs, the currency of the New Zealand Emissions Trading Scheme. These NZUs will just sit in the account until Greenplan Forest partners give us the okay to sell them. At the current price of \$20 per NZU that equates to \$8.8M.

Greenplan's parcel of NZUs is a significant sized parcel and is already attracting buyer interest from major emitters such as petrol companies and electricity generators. However the minute we sell these NZUs we face a potential surrender liability.

To explain; supposing we sell to Contact Energy or Mighty River Power, that purchase of NZUs is then used by those companies to offset their own emissions, which in turn is incorporated in the New Zealand Government's declaration to the UNFCCC.

Now, if our forests burn down or are harvested, then Contact and Mighty River will ask us to surrender or replace those NZUs. They won't ask you the forest owner, but us the landowner. We will have to acquire the equivalent number of NZUs we sold. Note that it's not the dollars we have to replace, it's the NZUs. So we would become buyers of NZUs and although we may have sold them for \$20 it may be that we have to pay significantly more per NZU to replace them, if the price has risen.

Obviously that's a very bad position to be in and that liability is firmly with us. As we have said previously we can't agree to that. So we will be asking you to vote on a proposition whereby all your NZUs will be vested in a new company called Greenplan Timberlands. In return you will be offered, at no cost, two terminating preference shares in Timberlands for every one hectare share you have in a Greenplan forest partnership. In turn Timberlands will enter into a management contract with Greenplan Holdings, as landowner, giving them the responsibility of creating a mixed aged forest estate designed to cover any liability in the future.

We have designed a computer model that shows this is possible. By adopting this plan we will have to plant almost 5,000 hectares of additional forest depending on how many NZUs are sold. We propose to offer more forest partnerships which will pool their carbon with the present Greenplan grouping and thus help mitigate against future liabilities.

The priority in selling NZUs will be to provide cover against future liabilities. Any surplus NZUs will be used to fund dividend payments to holders of terminating preference shares.

As more dividends are paid out, more investment in forestry is likely. More forest will mean more greenhouse gases are sequestered as carbon, leading to more NZUs, and more dividends being paid out to investors.

We at Greenplan are excited about this and we think you will be too. When you receive the disclosure documents we ask you to respond to the voting instruction promptly.

This will be somewhat of a revolution for forestry investment. Instead of just waiting 30 years for a harvest payout there will be an annual dividend. We believe this will further raise interest in forestry as a retirement savings plan, which in turn will increase demand on our secondary market.

Disappointingly we have not been able to convince all landowners to agree to our carbon plan. The forest partnerships listed below are not currently part of the carbon plan:

Greenplan (Waipa Valley 1995) Forest Partnership No.15

Greenplan (Barkers 1995) Forest Partnership No.18

Greenplan (Tin Whare 1996) Forest Partnership No.26

Greenplan (Rhodes 1997) Forest Partnership No.29

We continue to talk to these landowners about participating but have nothing to add at this stage.

Entry into the ETS allows another option at harvest time for small areas of a forest that because of topography or difficult access may be so costly to harvest that to do so would result in a negative payout. In that case it will be possible to calculate the added carbon that will accrue by leaving the trees standing and reward the forest owner with carbon revenue and not timber sales.

The potential downside of the ETS is if our government chooses to exit the global fight against global warming or other nations chose not to get involved in that battle. Those possibilities are beyond our control. However you as a forest owner can do your bit to make the world a safer place for our grandchildren, and at the same time receive an unexpected financial bonus which you could not have contemplated when you first became a Greenplan forest partner.

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CHRISTCHURCH EARTHQUAKE – MESSAGE FROM GREENPLAN

In the last newsletter dated December 2009 we featured a photo of some of the key staff members of Perpetual Trust who have been our Statutory Trustees since Greenplan's inception.

Our deepest sympathies go out to the relatives of all those who lost their lives or were seriously injured in the quake, many of whom we dealt with on a daily basis over the last 20 years.

Below is a message from Perpetual Trust:

The latest earthquake in Christchurch is an event of enormous sadness.

For those who have lost family members and loved ones, we extend our heartfelt sympathies.

We've seen some miraculous rescues of beloved workmates, many of whom will face new challenges in the days and months ahead, and we'll seek to help them as much as we can.

Through all of this, we've seen the immeasurable spirit and fortitude of the people in our own organisation – those who stayed at the site to report back until the early hours of the morning, those who were tirelessly committed to offering an ear, sympathy and any bit of news we could provide to the families and friends and most notably those who fought to survive.

To all the emergency services and rescue teams who have worked incredibly hard and continue to do so, we say, simply but profoundly, thank you.

All our Perpetual teams across the country would also like to thank all those New Zealanders who have offered their support, thoughts and prayers in the last few days. Like the people and city of Christchurch, we at Perpetual will move forward from this tragedy and continue to grow.

John Duncan
CEO, Perpetual Group

Patrick Middleton
CEO, Perpetual Portfolio Management

Posted: 28 February 2011

MISSING PERSONS

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

MISSING PERSONS	AREA LAST RECORDED	MISSING PERSONS	AREA LAST RECORDED
Peter Aitken	Auckland	Cindy McGowan	Levin
Patrick Batchelor	Upper Hutt	Garry & Fiona Learmonth	Albany
Stephen Beatson	Takaka	Neil Little	Auckland
Derek Bent	Christchurch	Brendon Long	South Australia
Jonathon Berry	Wellington	Gene Manuel	Waiouru
Black/Kay-Smith/Mowat	Invercargill	Neville & Bronwyn Marra	Bucklands Beach
Matthew Burton	Dunedin	Eddie Mason	Whitianga
Bryan & Rosemary Cary	Hamilton	Craig & Amanda MacLeod	South Canterbury
Ben Carson	Christchurch	Alexander & Ella McLean	Whangaparaoa
Michael Comber	Oamaru	Andrew Meyer	Taupo
Jeremy Cooper	Auckland	Caroline Oakes	San Francisco, USA
Phillip Divett	Wellington	Ian Passells	Mt Maunganui
Gus & Emmanuel Dizwani	Wellington	Chantal Pearce	Auckland
Manaia Fenton	Western Australia	Shirley Roberts	Kaikoura
Gerard & Lyndley Field	Auckland	Jennifer & Graham Storey	Whangarei
Graeme Field	Kowloon, Hong Kong	Lee Thompson	Auckland
Jared & Kerry Hardisty	Cambridge	Alan Thomson	Auckland
Hae Kyoung Lee	Gyeong Gi-Do, Korea	Kelvyn Tinsley	Raglan
Warren & Sarah Couillault	Takapuna	Glen Walker	Kapiti Coast
E Nicoletatos & S Cotsilinis	Brisbane, Australia	David Whitehead	Wellington
Greig Dapiere	Brisbane, Australia	Bryce & Caroline Whiteley	Invercargill
Michael Doyle	Okato	Andrew Wilson	Auckland
Daryl Guise	Orange, Australia	Patricia Wilson	Greytown
Clark Hamilton	Auckland	Christina Wong	Auckland
Alexander Hasler	North Shore City	Julie Wong	Auckland
Margaret McCartain	Auckland	Sarah Wood	Torquay, Australia
Helen McDonald	Orewa	Hee Soon Lee	Seoul, Korea

FOREST MANAGEMENT DIARY

JULY 2011



A typical Permanent Record Plot in the Gateway Forest Partnership No.36

Third lift pruning has started in Greatwood Partnership 57, approximately 110 of a total 210 hectares is scheduled to be pruned. To ensure that we achieve optimum prune heights and reduce the stress to the areas of smaller trees, the remaining pruning is scheduled to be completed later this year (November, December).

Thinning is now complete in Whitecliffs Partnership 59. Information required by PF Olsen Ltd has now been sent to assist with final audit reporting. Thinning continues in Pinegrove Partnership 61, and is expected to be completed later this month.

One of the key objectives for GFM Ltd is to ensure that all operations are completed to the highest standards. Scheduling of pruning operations is vital, too early and trees may become stressed resulting in slower growth rates, and in worst cases mortality. Pruning too late can result in larger branching which increases DOS (diameter over stubs) reducing clearwood from final crop trees. Labour costs are also influenced, larger branches require a lot more time and effort from the operator, increasing the cost required to complete the operation.

Quality assurance plots are pre-selected from a grid map, each plot represents an area of approximately two hectares. Generally we measure between 16-20 trees per plot recording DBH (diameter at breast height), DOS, pruned heights, total heights, pruned stocking and unpruned stocking. Any faults found are recorded and passed on to the contractor for immediate attention. This work is carried out by our staff Donaven Karaitiana and Jamie Maarhuis and requires not only experience but also excellent communication skills, confidence, and a high level of fitness.

New plantings seem to be on the rise throughout New Zealand, a huge positive for the industry. To get an indication of the availability of trees for next winter enquiries were made to various nurseries. Nurseries are predicting sale increases but advise that orders be made early to ensure trees are available.

The continued rise in exports and log prices indicate that things are looking optimistic for the near future, and we hope the momentum continues for a long time to come.

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

4th Quarter and 12-Quarter Average

As at: March 2011

Generic Log Type & Pricing Point	Mar-11 Quarter	12-quarter average
EXPORT (NZ\$ per JAS m³ f.o.b.)		
Pruned	179 - 197	168
Unpruned A Grade	132 - 144	115
Unpruned K Grade	130 - 148	106
Pulp	129 - 137	90
DOMESTIC (NZ\$ per tonne delivered at mill)		
P1	128 - 147	132
P2	110 - 127	107
S1	88 - 98	92
S2	92 - 103	86
L1 and L2	72 - 103	77
S3 and L3	82 - 92	73
Pulp	47 - 57	50

OBITUARY - RALPH SAINSBURY



Ralph Sainsbury an enthusiastic forest owner

Late last year we were sorry to learn of the death of Ralph Sainsbury of Masterton.

Ralph was one of our earliest investors. Over the years he invested in many forest partnerships in his own name, and on behalf of family trusts.

Ralph was an enthusiastic shareholder, visiting his trees at least once a year, and always attending our field-days where he showed a genuine interest in Greenplan's staff, and the timber industry in general.

One of my enduring memories is of our 1998 field-day at Arapito Station where I observed Ralph in a long and animated discussion with another senior investor, Professor Theo Roy, who at that stage was Eminent Professor in South Asian Studies at Waikato University.

I drifted over to where they were sitting to find out what they were so enthusiastic about.

It transpired that during the Second World War Ralph had been in the British Navy and was serving as an Engineer on British ships engaged in the Burma campaign.

The task of the ships was to lay off the coast of Burma at night and disembark small groups of Gurkha troops, under the command of British Marines, to go ashore and gather intelligence, and hopefully take Japanese prisoners back to the ships for future interrogation.

One of the Marines in charge of this operation was Theo Roy. The amazing thing is that during this time Ralph and Theo had never met, despite the fact that they were on the same ship, until our field-day when they quite by accident discovered who each other was. They then spent a good hour reminiscing about those hazardous times during the war.

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

SECONDARY MARKET

Partnership Name	No.	Status	Units	Price	Year Planted
Aratoro	13	PER	1	\$11,500	1995
Awakino River	16	PER	1	\$12,000	1995
Barker	18	OM	1	\$11,500	1995
Barker	18	OM	2	\$11,750 each	1995
Aratoro	20	PER	1	\$10,000	1996
Slab Hut	21	PER	1	\$9,700	1996
Slab Hut	21	PER	1	\$10,000	1996
River Road	24	PER	1	\$10,000	1996
Tin Whare	26	RESERVED	1	\$10,000	1996
Moonlight	31	RESERVED AFTER PER	1	\$9,000	1997
Rim Rock	33	OM	4	\$5,000 (1/2 Ha) each	1997
Squires Creek	38	RESERVED	1	\$4,500 (1/2 Ha)	1998
Boltaway	41	OM	1	\$8,300	1999
Boltaway	41	OM	1	\$8,400	1999
Millennium	44	OM	1	\$7,500	2000
Tunnel Rock	46	OM	1	\$7,750	2000
Minormore	49	OM	1	\$4,200 (1/2 Ha)	2001
Jubilee	50	OM	1	\$7,300	2001
Twin Rivers	51	OM	3	\$7,500 each	2001
Headwaters	52	OM	1	\$7,200	2001
Ducksfield	53	RESERVED	1	\$6,750	2002
Ducksfield	53	OM	3	\$7,000 each	2002
Ducksfield	53	OM	1	\$7,300	2002
Greatwood	57	OM	1	\$6,900	2003
Greatwood	57	OM	2	\$7,000 each	2003
Greatwood	57	OM	1	\$8,000	2003
Woodview	58	OM	1	\$5,800	2003
Whitecliffs	59	OM	2	\$7,300 each	2003
Whitecliffs	59	OM	1	\$6,990	2003
Pinegrove	61	OM	1	\$7,150	2003
Pinegrove	61	OM	1	\$6,990	2003
Wayleggo	62	OM	1	\$7,300	2004
Scotts Bush	63	OM	1	\$7,150	2004

OM Available on the Open Market. The units are available to purchase on the open market at the advertised sale price and have either passed through the pre-emptive right period, or are not subject to a pre-emptive right.

PER Available subject to a Pre-emptive Right (see below). Initially available for sale only to partners in that partnership until the pre-emptive right period expires. If unsold at that time they will then be available to purchase on the open market at the advertised sale price. Where the pre-emptive right applies non partners can reserve units for purchase if they are unsold at the expiry of the pre-emptive right.

RESERVED These units are in the process of being purchased.

PRE-EMPTIVE RIGHT - There is a pre-emptive right of purchase for partners in the partnership in which units are offered for sale in partnerships 1 – 40. This means that partners in those partnerships have a 28 day right of purchase from the date of this advertisement. Only after 28 days can units be sold at the advertised sale price to people not in that partnership. There is no pre-emptive right in later partnerships.

WANT TO BUY? To arrange purchase of secondary market units, or more information about the secondary market, please contact Deb at the Greenplan office (invest@greenplan.co.nz).

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