

FORESTLANDS (No.20) LIMITED

INVESTMENT STATEMENT

**DATED 1 MARCH 2012
FOR THE PURPOSES OF THE
SECURITIES ACT 1978**

**FOR THE ISSUE OF 1,500
FORESTRY SHARES AT \$1,000 EACH**

IMPORTANT INFORMATION FOR INVESTORS

The information in this section is required under the Securities Act 1978.

Investment decisions are very important. They often have long term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below.

PAGE	QUESTIONS
5	What sort of investment is this?
5	Who is involved in providing it for me?
6	How much do I pay?
6	What are the charges?
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In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus upon request.

THE FINANCIAL MARKETS AUTHORITY REGULATES CONDUCT IN FINANCIAL MARKETS

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient and transparent financial markets.

For more information about investing, go to <http://www.fma.govt.nz>

FINANCIAL ADVISERS CAN HELP YOU MAKE INVESTMENT DECISIONS

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check –

- the type of adviser you are dealing with;
- the services the adviser can provide you with;
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>.

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser

Risks of Investment

Investors should appreciate that this investment is for a Qualifying Forest to be identified in the period to 16 December 2012. In the event that a Qualifying Forest is identified the investment in that forest will be illiquid and will require between ten and fifteen years to be realised. The risks applicable to forest ownership are set out at page 9 of this investment statement. Before investing, investors should carefully consider those risks, and the period during which their investment is made. Investors should only invest if, after considering those risks, they consider themselves able to bear those risks.

INTRODUCTION

This investment statement ("**Investment Statement**") offers ("**Offer**") for subscription 1,500 class "B" ordinary shares ("**Forestry Shares**") in Forestlands (No.20) Limited ("**Issuer**"). The Offer is only available to New Zealand residents and in the first instance, will only be made to residents who hold shares in other Forestlands Companies (as defined in *Preferential Offering* below).

New Zealand forestry experienced a downturn in log prices in the mid to late 2000s, offset to a large extent by strong growth in the period of January 2010 to June 2011 source: Ministry of Agriculture and Forestry website (www.maf.govt.nz), webpage - "Indicative New Zealand Radiata Pine Log Prices" as at June 2011). The downturn prior to 2010 continues to result in established forests becoming available for sale, despite the recent recovery seen in log prices in 2010 and 2011. In the current market, the Issuer believes that such forests may still offer a good buying opportunity.

The Issuer accordingly proposes to purchase one or more such established forests. Its intention is that any forest bought must meet the following criteria ("**Qualifying Forest**"):

- it will consist of land planted predominantly in 15 year old (or thereabouts) *pinus radiata* trees;
- it will only be acquired after the Issuer has received a report satisfactory to the Issuer from a forestry consultant relating to the prospective forest to be acquired. A forestry consultant's report provides an independent view on the current status of the prospective forest, including information such as number of trees per hectare, tree quality and completed silviculture work. It also provides a projection on the quantity of logs by grade at harvest, with estimated harvest costs and returns per hectare. For further details regarding forestry consultants see paragraph 26[e] of the Prospectus; and
- the Board of the Issuer will be solely responsible for identifying a forest for acquisition.

As at the date of this Investment Statement, no particular forest has been identified for acquisition.

The Issuer is a company in the Forestlands group of companies ("**Forestlands Group**"). The Forestlands Group comprises a number of companies, the voting securities in which are held by the trustees of the Kearns Family Trust ("**Kearns Trustees**", being as at the date hereof Rowan Charles Kearns, Sharon Marie Kearns and Nigel Alexander McFadden). The Issuer has been constituted as a sole purpose company to purchase, husband and harvest one or more forests. Forestlands (No.20) Limited reserves the right to acquire a share in a larger forest owned together with other members of the Forestlands Group provided that a separate certificate of title is available and issued to Forestlands (No.20) Limited for its shares under section 72 of the Land Transfer Act 1952.

This will be the eighteenth forestry project undertaken within the Forestlands Group. Further information about previous projects is set out in the Prospectus.

The Issuer does not own any assets as at the date of this Investment Statement. It proposes to fund its forest acquisition(s) with:

- the subscription monies it receives for the Forestry Shares; and
- (to the extent of any shortfall, to a specified maximum) monies to be subscribed by Rowan Charles Kearns for class C redeemable preference shares in the Issuer ("**Class C RPS**"). The Class C RPS are discussed further in the *Use of Proceeds* section below.

Each Forestry Share will entitle the registered holder thereof to a proportionate share (being the proportion that each share holds to the total number of forestry shares issued) of:

- the dividends declared on the harvest of each forest; and
- any surplus assets of the Issuer on a winding-up that arise from the sale of the underlying land.

Preferential Offering

This Offer is restricted to members of the public resident in New Zealand. In the first instance, however, offers will only be made to persons who are existing shareholders of other Forestlands Companies.

The distribution of this Investment Statement and the prospectus relating thereto dated **5 October** (as amended by instruments to amend dated 28 November 2011 and 1 March 2012) ("**Prospectus**") and the offering, sale and delivery of the Forestry Shares in certain jurisdictions other than New Zealand may be restricted by law. Except in the case of New Zealand, the Issuer has not taken any action that would permit an offering of Forestry Shares or distribution of any advertising material relating thereto in any country or jurisdiction where action for that purpose is required.

Unless otherwise agreed with the Issuer, any person or entity applying for Forestry Shares will by virtue of that application be deemed to represent that he/she is resident in New Zealand.

Offer Conditional

The Offer may be withdrawn if due to an Extraordinary Event (as defined below) the Issuer is satisfied on or before 9 March 2012 ("**Closing Date**") that it will not be able to identify and complete the acquisition of at least one Qualifying Forest before 16 December 2012. If the Offer is withdrawn by this date, the relevant subscription moneys will be returned to subscribers, with interest net of withholding taxes and bank fees ("**net interest**").

"Extraordinary Event" means any fact or circumstance beyond the Issuer's control which in its Board's opinion may have a material adverse impact on the Issuer's business, including without limitation: acts of nature with or without the interference of any human agency (including cyclones, hurricanes, other severe storms, winds, floods, lightning, earthquakes, volcanic eruptions, fires, disease or pest); terrorism; acts of hostility by foreign enemies; riots or other civil commotion; materially adverse fluctuations in the price of suitable Qualifying Forests; shortage of critical materials or supplies; action of governmental authorities which, in the Board's opinion will have a material adverse impact on the Issuer's forestry business; or any other material adverse event or circumstance which, in the reasonable opinion of the Board, renders the prospective financial statements attached to the Prospectus materially inaccurate.

TIMING OF OFFER

5 October 2011	Prospectus registered and Offer opens
9 March 2012	Offer closes. Successful applications accepted.
10 March 2012	If additional funds are needed, the Board issues Class C RPS. If all applications are not accepted in full, the relevant subscription moneys will be returned to subscribers with net interest on this date.
Forest acquisition (before 16 December 2012)	Forest(s) identified and acquired.
Approximately 10 - 15 years after first forest acquired	First harvest and dividends

USE OF PROCEEDS

After closing, the Issuer proposes to apply the subscription monies it receives for the Forestry Shares to acquire one or more Qualifying Forests. To the extent that the subscription monies are inadequate for this purpose (including the funding of preliminary expenses relating to the Prospectus, working capital and borrowings), the Issuer may call upon Rowan Charles Kearns to subscribe for up to \$995,000 of Class C RPS.

Class C RPS are redeemable shares that do not carry voting rights or (except as described in this paragraph) the right to participate in dividends or distributions, but until redemption entitle the holder to a preferential dividend at a rate of 10% p.a. of the subscription price and to a preferred right on a winding-up to be repaid the subscription price plus all accrued and unpaid preferential dividends. The Issuer may until the second anniversary of their issue date ("**Conversion Date**") at any time (on three days' notice) redeem all or any of the Class C RPS for cash, at a redemption price ("**Redemption Price**") equal to the subscription price paid plus all accrued and unpaid preferential dividends. On the Conversion Date any unredeemed Class C RPS (together with the holder's right to payment of any preferential dividends that have accrued under those Class C RPS but that remain unpaid) will automatically convert into Forestry Shares, at a rate of one Forestry Share for every \$1,000 of the aggregate Redemption Price (with any fractions rounded down).

The proceeds of this Offer of Forestry Shares may only be applied towards the acquisition of a Qualifying Forest, the payment of preliminary expenses (including marketing costs) and other operating and transaction costs (including a reserve for future servicing costs) and the redemption of any Class C RPS issued. The proceeds of the Offer may also be applied to acquire a share in a forest to be owned together with other Forestlands Companies.

WHAT SORT OF INVESTMENT IS THIS?

The Issuer is Offering 1,500 Class "B" Shares ("**Forestry Shares**") in Forestlands (No.20) Limited.

Each Forestry Share provides the shareholder with the right to:

- [a]** a proportionate share (being the proportion that each share holds to the total number of forestry shares issued) of any dividend declared by the Issuer as well as of any surplus remaining on a winding up of the Issuer (after the payment of all creditors and the holders of the Class C RPS, if on issue);
- [b]** correspondence advising shareholders that the Issuer has succeeded in acquiring a forest; and
- [c]** annual correspondence updating the shareholder on the business of the Issuer.

The Forestry Shares differ from the Class A Shares (the other class of shares currently on issue in the Issuer and held by the Kearns Trustees) in the following respects:

- Only the Class A Shares carry voting rights. There are no voting rights attached to the Forestry Shares. However, rights attaching to the Forestry Shares cannot (by virtue of the Companies Act 1993) be altered without a special resolution of the holders of the Forestry Shares approving the alteration.
- The Class A Shares do not entitle the holders thereof to any dividends declared or other distributions made by the Issuer or to share in any surpluses remaining on its winding up.

The Forestry Shares are not guaranteed by the Kearns Trustees (who hold the Class A Shares), Mr Kearns (the prospective holder of the Class C RPS, if and when issued) or any other person.

WHO IS INVOLVED IN PROVIDING IT FOR ME?

Forestlands (No.20) Limited is the Issuer. The Issuer, Forestlands N.Z. Limited, Forestlands Marketing Limited and Mr Kearns are all promoters of the Offer of Forestry Shares described in this Investment Statement.

The Issuer has its registered office C/- Forestlands N.Z. Limited, 303 High Street, Motueka, Nelson, New Zealand. This is also the address of Forestlands N.Z. Limited and of Forestlands Marketing Limited. Mr Rowan Charles Kearns, who is the director of each of the Issuer, Forestlands N.Z. Limited and Forestlands Marketing Limited, resides in the Orinoco Valley, Motueka, Nelson and may be contacted at the Issuer's registered office.

The address of the Issuer, Forestlands N.Z. Limited and Forestlands Marketing Limited is subject to change, as is Mr Kearns' appointment as director of those companies. Public files containing up-to-date details of the companies are kept at the Companies Office and can be viewed on its website at <http://www.companies.govt.nz>.

The Issuer is a newly incorporated company. It has not been involved in any activities preceding the date of this Investment Statement other than issuing its Class A Shares, being involved in preparing the Prospectus and entering into a marketing agreement, preliminary expenses reimbursement contracts, an agreement to appoint a managing director and a subscription agreement in respect of the Class C RPS. All of these are described in further detail in the Prospectus.

The principal activities of the Issuer will be issuing the Forestry Shares and acquiring, cultivating and ultimately harvesting one or more Qualifying Forests.

HOW MUCH DO I PAY?

The securities being Offered are Forestry Shares which are Class "B" shares in Forestlands (No.20) Limited. The rights attaching to these shares are outlined above under "*What Sort of Investment is This?*".

The Offer is for a maximum of 1,500 Forestry Shares issued for \$1,000 each.

There are four alternative payment methods as follows:

- 1) one payment of \$1,000 upon application; or
- 2) \$500 upon application with the balance payable in six months upon invoice; or
- 3) \$100 upon application and then 12 monthly interest free payments of \$75; or
- 4) \$100 upon application and then 24 monthly interest free payments of \$37.50.

Should any holder of a Forestry Share ("**Defaulting Shareholder**") fail to make any payments as outlined under the time payment option described at 1) to 4) above, then the Defaulting Shareholder will be liable for overdue interest on the amount outstanding (calculated at a rate determined by the Board) plus any enforcement costs. In addition, the Issuer has a paramount lien on every Forestry Share to secure (amongst other things) all monies owing in respect of that Forestry Share, and may (provided it has notified the Defaulting Shareholder of its intention so to do) sell the relevant Forestry Share in the exercise of that lien. In that event, the Defaulting Shareholder's name will be struck from the share register and the full sale proceeds will be retained by the Issuer as an accretion to its assets, for the ultimate benefit of the remaining holders of Forestry Shares from time to time. If the sale proceeds are insufficient to cover the unpaid monies (whether then due or not, in the case of subscription

monies) plus the sale costs, the Defaulting Shareholder will be liable to the Issuer for the shortfall.

All payments are to be made to the Issuer at its registered office.

The Offer closes on the Closing Date. The Closing Date is 9 March 2012, or such earlier date as the Issuer determines to close the Offer.

All applications must be made on the application form accompanying this Investment Statement. An application cannot be withdrawn once received by the Issuer. Applications will be accepted (if at all) on the Closing Date, in order of receipt. The Issuer reserves the right to refuse any or all applications, or to accept applications in part only, without giving reasons. Subscription monies received prior to the Closing Date will be held in an interest-bearing trust account opened with a registered bank. To the extent that the Offer does not proceed or applications are not accepted, the subscription monies will be returned to the relevant applicants together with net interest earned thereon.

WHAT ARE THE CHARGES?

There are no fees or charges other than the subscription price. All costs in relation to the acquisition, development and tending of a Qualifying Forest will be met out of the subscription moneys for the Forestry Shares (and the Class C RPS, if issued).

Costs incurred in harvesting a Qualifying Forest acquired by the Issuer will be deducted from the harvest proceeds prior to payment of any dividends to the shareholders.

The following distributions will also be made out of the subscription funds for the Forestry Shares:

Rowan Charles Kearns, as the managing director of the Issuer, will receive an annual remuneration of \$15,000 (plus GST) for each of the first 10 years (subject to annual adjustment in line with the official New Zealand Consumer Price Index), and thereafter his remuneration will be set by agreement with the Issuer.

Reimbursement of issue expenses is fixed at \$99,500 (plus GST). This amount includes expenses incurred in preparing this Offer (including legal, accounting, auditing, document preparation, travel, printing and marketing costs). This sum will be paid to Forestlands N.Z. Limited ("Administrator") in terms of a Preliminary Expenses Reimbursement Agreement dated 30 September 2011 and contingent upon the registration of the Prospectus. Reimbursement will be paid in full even if the actual issue expenses are less than \$99,500. Should issue expenses be greater than \$99,500, Forestlands N.Z. Limited will pay the balance.

Pursuant to a Marketing Agreement dated 30 September 2011 and contingent upon the registration of the Prospectus, Forestlands Marketing Limited, in consideration of its marketing of the Offer, will receive a fee equivalent to 10% of the subscription moneys for the Forestry Shares, 10% of any income derived by the Issuer from the operation of any carbon credit scheme or statutory regime including the Issuer's participation in any carbon emissions trading scheme and 10% of the net harvest proceeds from the sale of the timber and any sale proceeds of the underlying land in consideration of its marketing of the Offer.

Pursuant to an Administration agreement dated 30 September 2011 (as amended on 24 February 2012) the Administrator will carry out all administration and shareholder services (including organising the preparation of reports to go to shareholders). Under the Administration Agreement, the Administrator will receive a fee of \$150,000 for its services, with \$75,000 payable by the Issuer in March 2012 and the remaining \$75,000 payable in March 2013. The agreement will be terminated automatically if the Offer is withdrawn on or prior to the Closing Date.

WHAT RETURNS WILL I GET?

Each Forestry Share has an entitlement to a proportionate share in dividends declared by the Issuer. The constitution of the Issuer provides that the Board shall declare dividends equal to the proceeds of the harvest of each forest owned by the

Issuer, after making due allowance for all necessary costs and expenses relating thereto.

The cost of harvesting any forests will be deducted from the proceeds of the harvest prior to any dividends being declared. Forestlands (No.20) Limited will be legally liable to pay any returns.

As referred to at page 3 of this Investment Statement, the downturn in log prices which occurred prior to 2010 has resulted in established forests becoming available for sale. Potential forests may be sourced from real estate agents or from real estate websites on the internet. The Issuer believes that such forests may offer a good buying opportunity.

Although the Board believes that the Issuer's forestry business should yield profits for investors in Forestry Shares, whether this will in fact be the case and the extent of any profit cannot be forecast as at the date of this Investment Statement. No amount of returns, quantifiable as at the date of this Investment Statement and enforceable by subscribers, has therefore been promised.

The trading prospects of the Issuer are dependent on the success of the Issuer's acquisition of a Qualifying Forest, its prudent management and the ultimate sale price achieved on harvesting the forest. At the date hereof it is not possible to estimate the likely selling price of or net profits for, logs at the time of the harvesting of the Qualifying Forest.

None of the Issuer, its current shareholders, its director or any other person guarantees any returns nor the accuracy of any prospective financial information and potential investors should consider the special trade factors and risks set out below.

It is assumed, based on current taxation legislation, that the Issuer will be required to pay tax on its profits before any distributions are made and will therefore derive imputation credits. These imputation credits will be distributed to investors to be credited against the investor's own tax liability. All statements in this Investment Statement relating to taxation refer to the position under the tax legislation in force as at the date hereof and do not take account of any investor's particular circumstances. This Investment Statement is not intended to offer any taxation advice to investors. Investors should contact their own legal and financial advisers for advice on the tax consequences of an investment in Forestry Shares.

It should be noted in particular that no returns to holders of Forestry Shares are anticipated until the harvesting of the first forest to be acquired by the Issuer. The Issuer envisages that harvesting will begin between 10 – 15 years after acquisition of the Qualifying Forest. The dates and frequency of any payments to subscribers are, however, not known at this stage.

The following factors (which should be read and considered together with the specific trade factors and risks listed under *What are my Risks?* below) are, however, relevant to the Issuer's trading prospects:

Returns: No assurance can be given that future harvest conditions will permit the forest(s), when harvested, to earn any particular rate of return. A portion of the proceeds of harvest will be applied by the Issuer to defray preliminary and transportation expenses and a portion will be allocated to fund reserves for (among other matters) servicing fees. Factors that will or may influence the returns of holders of Forestry Shares include: the nature of the forest acquired, growth rate of the trees, recoverable volumes at harvest, prices at harvesting, harvest production expenses at the time of harvesting and operational costs.

Public Market: There is no public market for the Forestry Shares and there will be no public market as a result of this Offer.

Initial and Ongoing Expenses: The major expenses which are anticipated will be the acquisition and operation of one or more forests to be undertaken by the Issuer. While no figures can be stated, the Issuer believes that not less than one forest will be purchased.

Other expenses will include:

- completing any work on the acquired forest/s that may be outstanding (e.g. pruning and thinning); and
- ongoing forestry management expenses (including financial and operational management, risk monitoring and management, statutory compliance and data collection and maintenance).

These costs will be funded out of reserves and/or borrowings, as determined from time to time by the Board.

Given that it is as yet unclear where any forests to be acquired will be located (and hence the rainfall, topography and general characteristics of the land on which they will be grown), these costs cannot be quantified as at the date of this Investment Statement.

It is the Issuer's opinion that it will have raised sufficient monies to defray ongoing forestry management expenses from share capital. In the event that there are insufficient monies available to it from share capital raised, the Issuer considers that it would borrow monies against the future receipts of the harvested forest and the land. The Issuer does not consider it likely that it will request further funding from Forestry Shareholders as the Issuer will own land on which to borrow and its assets will be unencumbered. However, it should be noted that the Issuer does view shareholders as an ultimate source of funding.

Harvest Costs: Since any returns to be made from an investment in Forestry Shares will occur on the harvest of the forests to be acquired by the Issuer, a substantial cost of the operation (and hence, a major factor affecting the returns to the holders of Forestry Shares) will be the costs of harvest. This will include not only the costs of logging and loading the timber on site, but also management, roading and skid formation, cartage costs and post-harvest costs. Since it is not known where any forests to be acquired will be located (with the result that topography, distance and rail access from shipment routes and general characteristics of the land cannot be stated at present), these costs cannot be reasonably quantified as at the date of this Investment Statement.

Emissions Trading Scheme: The acquisition of any forest(s) selected by the Issuer may result in compulsory or voluntary participation in the Emissions Trading Scheme (the "**Scheme**"), established by the Climate Change Response Act 2002. The Scheme is a New Zealand Government initiative designed to allow compliance with the Kyoto Protocol which requires reduction of carbon emissions to 1990 levels by 2012. Under the Scheme, carbon emitters (including forestry companies) may be allocated and may purchase New Zealand Units ("**NZUs**") to offset liabilities which they would otherwise incur as a consequence of harvesting forests. Voluntary participants will receive NZUs if carbon stocks increase as a result of tree growth and will be required to surrender NZUs if those stocks decrease as a result of their activities.

It is anticipated that the Issuer will purchase a forest which was established after 1989 ("**post-1989 Forest**"), thereby becoming eligible to voluntarily register as a participant in the Scheme. As at the date of this Investment Statement the Issuer has not yet determined whether it will resell the bare land subsequent to harvesting the forest. If the Issuer registers as a participant in the Scheme and does resell the land, Forestlands (No.20) Limited will incur liabilities as a result of harvesting and would need to surrender NZUs to account for the consequences of harvesting the forest and reselling bare land. The Issuer would also be subject to administration charges, to be covered by way of fees and charges payable by the Issuer. For that reason the Issuer has not yet made a decision whether to enter into the Scheme.

To the extent that the Scheme remains voluntary, the Issuer will only participate in the Scheme if it is satisfied it is likely to be beneficial.

WHAT ARE MY RISKS?

The following factors may impact on the ability of holders of Forestry Shares to recover in full, or in part, their investment moneys or any returns payable to them.

Time Frame for Returns: An investment in Forestry Shares is a long-term investment that is suitable only for persons who have no need for liquidity in their investment. No public market

will develop for the Forestry Shares. The Issuer only expects to begin realising a return on the investment 10 - 15 years after the initial acquisition of the Qualifying Forest.

Market Prices: Future market prices for forestry products may fluctuate due to, among other matters, international and national demand for forest products, the availability of substitute products, a lower demand for paper in a computerised world, performance of major forestry companies, the impact of legislative enactments such as the Emissions Trading Scheme, currency fluctuations and generally the performance of the economies of potential purchasers at the time of harvesting and sale. There was a decline in the prices obtained for logs in the mid to late 2000s and, although there has been some recovery in log prices through to the end of June 2011, there is no guarantee that this will continue prior to harvesting of the forest(s) to be acquired by the Issuer.

Climate Risks: Both forest growth and the quality of the forest product are subject to climatic conditions (including floods, snow, wind, drought or frost) and any other natural disaster (including pests and disease). It is as yet unclear where any forests to be acquired will be located and hence the rainfall, topography and general characteristics of the land on which they will be grown are unknown.

Disaster: Fire and other disasters could destroy the forest(s) to be acquired by the Issuer. Insurance cover covering the Issuer against the following insured events will be obtained in the event that the Issuer acquires a forest: fire, wind, hail, volcanic eruption, earthquake, landslip, and malicious act and impact damage insurance. The insurance cover contains a limit of liability in the event of hail damage to \$25,000 and in the event of earthquake, volcanic eruption, landslip, malicious acts and impact damage to a maximum liability of \$250,000.

Management: Mr. Kearns is the sole director of the Issuer. The Issuer is therefore presently dependent on, and exposed to, Mr Kearns' good health and continued involvement in the Issuer. If Mr. Kearns becomes unable to operate and manage Forestlands (No.20) Limited, the current intention of the Class A Shareholders is to appoint themselves and the General Manager of Forestlands N.Z. Limited to the office of director of the Issuer. In the event that those plans change, the Class A Shareholders will ensure adequate plans are in place should Mr Kearns no longer be able to manage the Scheme.

Management and management decisions may change over the course of the Issuer's operations. Good management may improve the investment, just as poor management may detrimentally affect the investment outcome. The Forestry Shares do not carry any voting rights, so that investors cannot exercise the usual shareholder right to remove directors and senior management. However, they may take certain action under the Companies Act 1993 if the Issuer's directors breach their statutory obligations or if the Issuer's affairs are conducted in a manner that is oppressive, unfairly discriminatory or unfairly prejudicial to them.

Disease: There is always the possibility that a serious disease or insect pest may become established within New Zealand which may affect tree growth. The Issuer intends to employ regular forest health monitoring to identify and combat any such introductions early.

Land Prices: Land values are subject to fluctuation. There can be no guarantee that the value of the forestry land acquired by the Issuer will increase, whether at a particular rate or at all, or will be preserved. Any decrease in the value of the underlying land could adversely affect both the value of the Forestry Shares and, in the event of a land sale upon the winding up of the Issuer, the amount of the Issuer's surplus assets to be shared between investors.

Insolvency: Investors could suffer loss of returns and capital if for any reason including significant rises in inflation or costs the Issuer should become unable to pay its debts as they fall due.

CONSEQUENCES OF INSOLVENCY

If the Issuer becomes insolvent and is put into liquidation or wound up, the holders of Forestry Shares will not be liable to pay any money to any person (except that any holders whose Forestry Shares have not been fully paid up, will remain liable for the balance of the subscription monies outstanding). However they will only be entitled to share in any residual net assets of the Issuer on liquidation, after all creditors of the Issuer have been paid. (All

creditors will rank ahead of shareholders.) In addition, the holders of any Class C RPS, which are redeemable preference shares, will have a preferred right to be repaid their principal amount together with any dividends accrued and unpaid thereon in the event that the Class C RPS are not redeemed or converted prior to winding up.

CAN THE INVESTMENT BE ALTERED?

The amount of money payable by subscribers cannot be altered.

The rights attached to the Forestry Shares are outlined in this Investment Statement under the "*What Sort of Investment is This?*" section. These rights cannot (by virtue of the Companies Act 1993) be altered without a special (75% majority) resolution of the holders of the Forestry Shares.

HOW DO I CASH IN MY INVESTMENT?

Each Forestry Share is being Offered as a long-term investment. It is estimated that the investment will only begin to produce returns once any forests acquired by the Issuer are harvested. Accordingly the Issuer has not, and does not intend to, create a secondary market for the sale of the Forestry Shares. The primary responsibility for selling a Forestry Share (if so desired) lies with the shareholder.

The Issuer may assist by facilitating a sale on behalf of the shareholder, for a brokerage fee to be finalised between the Issuer and the shareholder, but the Issuer is under no obligation to do so.

A transferring shareholder must notify the Issuer in writing of the name and address of the transferee. Otherwise the Issuer and any person associated with the Issuer are entitled to continue treating the transferor as the beneficial and legal owner of the relevant Forestry Share, and shall not be liable for any actions undertaken in reliance on the transferor still being the shareholder.

Apart from a sale of Forestry Shares to a third party, the only way in which an investor may cash in its investment (excluding any returns described under "*What Returns Will I Get?*" above) is on a winding up of the Issuer (whether solvent or otherwise). For the rights of shareholders on a winding up, see the sections headed "*What Sort of Investment is This?*" and "*Consequences of Insolvency*" above.

WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

Shareholders should contact the Managing Director, Forestlands (No.20) Limited, PO Box 372 Motueka, Nelson, New Zealand. Toll Free 0800 881 881.

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Any complaints should be made in writing and addressed to the Managing Director, Forestlands (No.20) Limited, PO Box 372, Motueka, New Zealand.

Complaints regarding this investment may also be made with Financial Dispute Resolution ("**FDR**"), an approved dispute resolution scheme of which the Issuer and promoters of this Offer are members. Investors can contact FDR toll free on 0508 337 337, or by post at Freepost 231075, PO Box 5730, Wellington 6145.

WHAT OTHER INFORMATION CAN I OBTAIN ABOUT MY INVESTMENT?

In addition to this investment statement, other information about the Issuer is contained in the Prospectus. Investors may obtain a copy of the Prospectus and the most recent financial statements of the Issuer (free of charge) from the address appearing in the "*Who do I contact with enquiries about my Investment?*" section above. The Prospectus and other documents relating to the Issuer are also available for public inspection on the website of the Registrar of Companies www.companies.govt.nz. All shareholders will receive copies of the annual report from the Issuer, as required by the Companies Act 1993.