

MANAGEMENT SERVICES AGREEMENT

between

Greenoch Forest Limited

and

Arbor Management Limited

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Management Services Agreement

Date:

2015

Parties

1. **Greenoch Forest Limited** (Registration Number 346247), 219 Victoria Ave, Wanganui (the "**General Partner**")
2. **Arbor Management Limited** (Registration Number 357733), 219 Victoria Ave, Wanganui (the "**Manager**")

Background

- A. The Manager has agreed to provide certain ongoing management services to the General Partner in relation to the management of the Forest and the administration of the Limited Partnership.
- B. The parties wish to enter into this Agreement to formally record the terms and conditions on which the Manager will provide management services to the General Partner in relation to the Forest and the administration of the Limited Partnership.

It is agreed

1. Definitions and interpretation

Definitions

- 1.1 In this Agreement, unless the context requires otherwise, the following terms shall bear the following meanings:

"**Agreement**" means this agreement and includes any schedules or annexures to this agreement.

"**Business Day**" means a day (other than a Saturday, Sunday or statutory public holiday) on which registered banks are open for ordinary over-the-counter banking business in Auckland.

"**Deed of Participation**" means the deed dated _____ 2015 between the General Partner, the Limited Partnership and Covenant Trustee Services Limited as the statutory supervisor of the Limited Partnership.

"**Forest**" means the forest owned by the Limited Partnership which is described in Schedule 2.

"**Limited Partnership**" means the limited partnership registered pursuant to, and governed by, the Limited Partnerships Act 2008 and the Limited Partnership Agreement.

"**Limited Partnership Agreement**" means the agreement dated _____ 2015 entered into by the General Partner, governing the **Greenoch Forest Limited Partnership**.

"**Securities Act**" means the Securities Act 1978.

Interpretation

- 1.2 The following provisions shall apply in the construction and interpretation of this Agreement except to the extent that the context requires modification:
- a. words importing the singular number include the plural and vice versa and the masculine gender includes the feminine and neuter genders and vice versa;
 - b. the word "**person**" includes any individual, company, corporation, corporation sole, trust, firm, partnership, joint venture, syndicate, the Crown, any central or local government department, authority, association or group, and any other entity, or any other association of persons either corporate or un-incorporate;
 - c. where under or pursuant to any deed or agreement to which this provision applies, or in respect of any act, matter or thing to be done thereunder, the day on or by which it is to be done is not a Business Day, such act, matter or thing may be done on the next succeeding Business Day;
 - d. references to any statute or regulation shall, with all necessary modifications, apply to any modification or re-enactment or substitution or replacement of or for that statute or regulation;
 - e. references to "**written**" and "**in writing**" includes any means of visible representation;
 - f. reference to any document includes all modifications and replacement documents from time to time; and
 - g. references to a Party to this Agreement (including any new Party) shall include references to all successors in title, executors and permitted assigns.

2. Appointment

Appointment

- 2.1 The General Partner hereby appoints the Manager to provide the Services in accordance with the terms of this Agreement. The Manager agrees that it will act in such capacity and that it will duly and punctually carry out the Services in accordance with this Agreement.
- 2.2 The General Partner acknowledges that the Manager has agreed to provide the Services on a non-exclusive basis and the Manager is entitled to provide similar services to other persons.
- 2.3 For the purposes of carrying out its duties under this Agreement, the Manager (subject to any specific limitations required by the General Partner) has the powers of a natural person with full power and authority on the behalf of the General Partner to do all such things as are reasonably necessary or expedient to enable it to carry out authorities, powers and duties under this Agreement including, but not limited to, the power on behalf of the General Partner to pay and incur reasonable expenses and obligations properly payable by the General Partner under this Agreement.

Delegation

- 2.4 The General Partner delegates to the Manager such powers, authorities and functions as are required to perform the Services and undertake the responsibilities identified in this Agreement and whether those powers, authorities and functions are conferred on the General Partner by or through the Limited Partnership Agreement or any agreement entered into pursuant to the Limited Partnership Agreement or otherwise howsoever.

Subcontracting, etc.

- 2.5 The Manager may, at its discretion, appoint and remove agents or contractors to carry out such of its obligations under this Agreement as the Manager may from time to time direct provided however that any such appointment or appointments shall not relieve the Manager of its responsibility or liability under this Agreement.

Manager may obtain advice

- 2.6 The Manager, in carrying out its duties in terms of this Agreement, may seek the advice of appropriately qualified and experienced persons whenever the Manager deems it reasonably necessary or prudent to do so and may rely on any advice received.

3. Proper instructions**Authority of General Partner**

- 3.1 The General Partner requests and authorises the Manager to accept and act upon any instructions received by it provided that the Manager reasonably believes that such instructions originated from the General Partner.

Clarification or confirmation

- 3.2 The Manager may, without limiting clause 3.3, seek clarification or confirmation of any instructions which the Manager reasonably considers unclear, and may decline to act upon any instructions if it does not receive clarification or confirmation satisfactory to it or which it believes to be contrary to any relevant law, regulation or industry practice. The Manager is under no duty to investigate whether any instructions comply with any applicable law, regulation or industry practice and will not be liable for any loss arising from any delay whilst it obtains clarification or confirmation or from exercising its right to decline to act on any instructions provided it has acted in good faith.

Declines to act on instructions

- 3.3 In the event that the Manager declines to act on any instructions, for whatever reason, the Manager shall immediately notify the General Partner that it is exercising its right to decline to act and the reasons for declining to act. If the Manager fails to give such notice and/or the reasons given for declining to act on the instruction in question are not satisfactory in all material respects to the General Partner, acting reasonably, then the Manager shall be deemed to be in breach of its obligations under this Agreement and the General Partner may terminate this Agreement in accordance with clause 8.

4. Reporting**Reports generally**

- 4.1 The Manager shall provide reports to the General Partner (and all such other parties as the General Partner may specify) in accordance with this Agreement and generally accepted accounting practice in New Zealand unless otherwise agreed to by the parties.

Care and reliance

- 4.2 The Manager will all times use reasonable care to ensure that all information held by it in respect of the Limited Partnership and the Forest is complete, accurate and up-to-date. Except where any information provided by the General Partner and/or its agents would not to a reasonable person, acting in the Manager's role under this Agreement, appear to be

correct, the Manager may rely on such information and had shall have no duty to enquire into the source or reliability of such information.

Use of reports

- 4.3 The General Partner agrees that the reports provided by the Manager under this clause 4 are to be used solely by the General Partner and that the Manager formulates such reports in accordance with the requirements of the General Partner and cannot be made liable for reliance by parties other than the General Partner on the reports generated by the Manager for specific use by the General Partner.

5. Remuneration

- 5.1 As consideration for providing the Services, the Manager shall be entitled to:
- a. an annual forest management fee of the amount specified in Schedule 3 \$13,076 (plus GST) and this amount will be paid by 12 consecutive monthly instalments of \$1,089.67 (plus GST) on the 20th day of each month commencing on the 20th of the month following date of this letter;
 - b. in respect of the administrative services provided to the General Partner, a fee charged at the standard hourly rate of the Manager from time to time per hour of time incurred by the Manager in providing those services;
 - c. in respect of the management services provided to the Forest, a fee charged at the standard hourly rate of the Manager from time to time per hour of time incurred by the Manager in providing those services; and
 - d. such further fees as may from time to time be agreed in writing with the General Partner for providing additional services over and above those contemplated by a and b above.

The standard hourly rates charged by the Manager for administrative services and management services as at the date of this Agreement are specified in Schedule 3. It is anticipated that those standard hourly rates will be reviewed annually, with effect from the beginning of each financial year of the Limited Partnership, and may be increased in accordance with the rate of inflation according to the mechanism set out in Schedule 3.

- 5.2 In addition to the remuneration payable under clause 5.1, the Manager shall be entitled to reimbursement from the General Partner for any out-of-pocket expenses incurred in performing the Services.
- 5.3 Amounts due under this clause 5 shall be payable by the General Partner:
- a. in the case of the annual forest management fee payable in terms of clause 5.1a - on the 20th day of each month during the financial year of the Limited Partnership; and
 - b. in all other cases – shall be set out in an itemised monthly invoice and payable by the 20th day of the month following the month of receipt of the relevant invoice.

6. Responsibilities of Manager

Responsibilities

- 6.1 The Manager shall perform the Services under this Agreement in a proper, efficient and business-like manner, exercising the care, diligence and skill that would be expected of a

person acting in a similar capacity and familiar with and experienced with the matters to be carried out pursuant to this Agreement and in accordance with all the other requirements of this Agreement and Schedule 1 provided that the Manager should not be in breach of this Agreement as a result of any action taken or omitted by the Manager at the request of the General Partner.

Specific duties

6.2 The Manager has the following duties in relation to the performance of the Services under this Agreement:

- a. to use its best endeavours and skill to ensure that the affairs of the Limited Partnership are conducted in a proper and efficient manner;
- b. to use due diligence and vigilance in the exercise and performance of its powers, functions, and duties as contractual manager;
- c. to account to the Limited Partners for all moneys that it receives on behalf of the Limited Partnership;
- d. not to pay out or invest or apply any moneys belonging to the Limited Partnership for any purpose that is not directed by or authorised in the Deed of Participation;
- e. to use all reasonable and prudent endeavours to comply, and procure that the Limited Partnership complies, with all legal and regulatory requirements; and
- f. to supply to the Limited Partners, in general meeting, any oral or written information relating to the affairs of the Limited Partnership that any Limited Partner has given it reasonable notice to supply and which the Limited Partner is entitled to receive under of the Limited Partnership Agreement and/or the Deed of Participation.

6.3 The Manager has the same liability for any of its acts and omissions in the exercise and performance of the powers, functions, and duties as the Manager as it would have if it exercised and performed those powers, functions, and duties as a trustee of the property of the Limited Partnership under the Securities Act.

6.4 The Manager is entitled to the same relief from that liability as it would have if it were a trustee of the property of the scheme under the Securities Act.

6.5 Nothing in this clause 6 limits the Manager's obligations in clause 4.2 in any way.

7. Limitation of Liability

No warranty

7.1 No warranty is given by the Manager as to the performance or profitability of the Limited Partnership or the Forest or in respect of any distributions nor does the Manager make any representations concerning any of these matters.

Wilful Default or Gross Negligence

7.2 The Manager, its directors, officers, employees and agents shall not be liable for any loss or damage whatsoever which the General Partner, the Limited Partnership or any Limited Partner may sustain or suffer as the result of the exercise or performance by the Manager (or failure of the Manager to exercise or perform or any error of judgement by the Manager in respect thereof) of any of the obligations and duties of the Manager under this Agreement or loss of opportunity whereby the value of the Limited Partnership would have

increased, or for any decline in the value of the Limited Partnership howsoever arising, except to the extent that such loss, damage or decline is due to the fraud, negligence or wilful default, or any action not taken in good faith to promote the best interests of the Limited Partnership, of the Manager or of its officers, employees, advisors or agents.

Indemnity

- 7.3 The General Partner indemnifies the Manager and its directors, employees and agents against all claims, damages, penalties and losses (including costs) incurred by the Manager as the result of as a result of the Manager entering into or incurring any obligation or liability in the proper performance of its powers and obligations under this Agreement except where such costs, losses, expenses or liability was caused or contributed to (whether directly or indirectly) by the fraud, negligence or wilful default of the Manager or any of its directors, officers, employees or agents.
- 7.4 The indemnity in clause 7.3 will remain in force after the termination of this Agreement.

Confirmation by Limited Partnership

- 7.5 The General Partner will allow and confirm everything properly done by the Manager in its name and on its behalf in accordance with this Agreement.

8. Term of Agreement

No default

- 8.1 This Agreement will take effect from the date of signing by both parties and continue until terminated by:
- a. agreement between the parties; or
 - b. the resignation of the Manager by giving not less than 6 months' notice in writing to the General Partner.
- 8.2 A party can terminate this Agreement by notice in writing to the other party if the other:
- a. does not fulfil any of its obligations under this Agreement and either:
 - i. the default is material and cannot be remedied; or
 - ii. the default can be remedied but has not been within 20 Business Days (or within such greater period as may be agreed by the parties, acting reasonably, having regard to the nature of the default and an adequate timeframe within which it might reasonably be expected to be remedied) after the other receives written notice;
 - b. commits an act of bankruptcy or makes any assignment or composition with its or their creditors;
 - c. cannot pay its debts when they fall due, or is deemed not to be able to pay them in accordance with the Companies Act 1993; or
 - d. suspends payment to its creditors or ceases or threatens to cease operating or convenes a meeting of its creditors to propose a scheme of arrangement with them;
 - e. has a liquidator appointed or its board or a resolution is passed to appoint a liquidator; or

- f. has a receiver, manager or statutory manager appointed.

Termination without prejudice

- 8.3 Any termination of this Agreement under clause 8.2 will be without prejudice to the rights of any of the parties arising prior to termination.

Survival

- 8.4 Nothing in this clause 8 affects the operation of any clauses in this Agreement which are expressed or implied to have effect after its termination.

Final payment, delivery of records and effect on authorities

- 8.5 Upon termination of this Agreement:

- a. the General Partner shall pay to the Manager upon written demand such compensation for Services performed (or expenses incurred) up to the date of termination;
- b. the Manager will provide to the General Partner (or such other person nominated by the General Partner) any accounting records, documents, data and information relating to the Limited Partnership or the Forest provided that the Manager will be entitled to retain copies of such information that is reasonably required to enable it to comply with any accounting or regulatory obligations; and
- c. all letters of authority, mandates and other authorisations which may have been issued to or granted by the General Partner to the Manager will cease to have effect to the intent that the Manager's role will be limited to doing all things and executing all documents reasonably required by the General Partner to enable a replacement manager to take over the Manager's role and the Manager will otherwise cease to have any authority to negotiate or contract on behalf of the General Partner or the Limited Partnership.

9. Representations and warranties

- 9.1 Each party represents and warrants to the other that, on the date of this Agreement and during its term it has, and will continue to have, the power to enter into and perform its obligations under this Agreement, and has duly executed this Agreement so as to constitute a legal, valid and binding obligation on it.
- 9.2 The General Partner further represents and warrants that, in giving any instructions which purport to be proper instructions under this Agreement, the General Partner will act in accordance with the provisions of the Limited Partnership Agreement, the Deed of Participation and its constitution (as applicable) and any applicable laws and regulations and will use all reasonable endeavours to ensure that any directors, officers, employees or agents who may give proper instructions do likewise.

10. Dispute Resolution

Negotiation

- 10.1 If a party has any dispute with the other in connection with this Agreement:
- a. that party will promptly give full written particulars of the dispute to the other party; and

- b. the parties will promptly meet together and in good faith try and resolve the dispute by negotiation.

Mediation

- 10.2 If the dispute is not resolved within five Business Days of written particulars being given (or any longer period agreed to by the parties) the dispute will be referred to mediation.
- 10.3 In the case of disputes referred to mediation:
 - a. a party must use the mediation procedure to resolve a dispute before commencing any other dispute resolution proceedings; and
 - b. the mediation will be conducted by a LEADR panel mediator chosen by the parties or, if they cannot agree within five Business Days, by the President of the New Zealand Law Society or the President's nominee.

Arbitration

- 10.4 If the dispute is not resolved by mediation within 10 Business Days of the choosing or appointment of a mediator (or any longer period agreed to by the parties) the parties will refer the dispute to a single arbitrator.
 - a. the single arbitrator will be chosen by the parties or, if they cannot agree within five Business Days, by the President of the New Zealand Law Society, or the President's nominee; and
 - b. the arbitration will be conducted in accordance with the Rules in Schedules 1 and 2 of the Arbitration Act 1996.
- 10.5 The parties must always act in good faith and cooperate with each other to promptly resolve any dispute.
- 10.6 The procedures and time frames for any mediation or arbitration will be fixed by the mediator or arbitrator (as appropriate) if the parties cannot agree.
- 10.7 The parties must continue to comply with their obligations under this Agreement during the dispute resolution process.
- 10.8 This clause 10 will not apply to any application by a party for urgent interlocutory relief.

11. Confidentiality

Confidentiality

- 11.1 The parties agree that all information given to them or received by them when implementing the matters contemplated by this Agreement is confidential.
- 11.2 No party will disclose any confidential information to a third party except:
 - a. to the extent that the parties agree otherwise;
 - b. to their employees and agents to the extent that the confidential information is required by them in the course of their employment or engagement;
 - c. to contractors who require confidential information for the purposes of carrying out their contract;
 - d. to their professional advisors for the purpose of obtaining their advice; or

- e. to the extent required by law; or
- f. where the confidential information is already in the public domain other than as the result of the breach of a party's obligations under this clause 11.

11.3 Each of the parties must use their best endeavours to make sure that their respective related parties, employees, agents and contractors comply with these confidentiality requirements.

Continuing Obligations

11.4 The obligations of this clause 11 will remain in force after the termination of this Agreement.

12. Notices

12.1 Every notice to be given by one party to another party under, or in connection with this Agreement must be in writing and signed by the party or an authorised representative of the party serving the notice.

12.2 Every notice to be given under or in connection with this Agreement must be given by one of the methods below, and will be deemed to be received as follows:

- a. personal delivery to the address from time to time advised to the sender, at the time of such delivery;
- b. mailing by pre-paid post to the address from time to time advised to all the parties, two Business Days after the date of mailing; and
- c. email transmission to the email address from time to time advised to all the parties, at the time the sender's email system confirms that the email was sent to the email address of the recipient (unless the recipient proves that contrary to the sender's email confirmation, the email was not sent or was not properly sent to the recipient's email address).

12.3 For the purposes of this Agreement, any notice transmitted or delivered after 5.00 pm on a Business Day, or at any time on a non-Business Day, will be deemed received at 9.00 am on the next Business Day.

13. General Provisions

Force Majeure

13.1 Notwithstanding anything to the contrary expressed or implied in this Agreement, no party shall be held to have committed a breach of its obligations under this Agreement by virtue of any failure on its part to the extent caused by government or local authority interference, fire, civil disturbance, electricity, computer systems or telecommunications failure or malfunction or other similar cause beyond that party's reasonable control and for which it is not responsible.

Waiver

13.2 No party shall be deemed to have waived any right under this Agreement unless such waiver is in writing and signed by such party. Any such waiver by a party of a breach of any provision of this Agreement shall not constitute a waiver of any subsequent or continuing breach of such provision, or of the breach of any other provision, of this Agreement by that party.

Amendment

- 13.3 No amendment to this Agreement shall be effective unless it is in writing and signed by all the parties.

Partial invalidity

- 13.4 If any provision of this Agreement contravenes any law applicable to it and is as a consequence illegal, invalid or unenforceable then:
- a. where the contravening provision can be read down so as to give it a valid and enforceable operation of a partial nature, it must be read down to the minimum extent necessary to achieve that result; and
 - b. in any other case the contravening provision must be severed from this Agreement, in which have been the remaining provisions of this Agreement as if the severed provision had not been included.

No Assignment / Subcontracting

- 13.5 Other than as specifically provided in this Agreement, no party shall transfer, assign, subcontract, create any security interest over or deal in any manner with the benefit or burden of this Agreement without first obtaining the written consent of the other party.

Entire Agreement

- 13.6 This Agreement constitutes the entire agreement between the parties and no earlier representation, warranty or agreement in relation to any matter dealt with in this Agreement has any force or effect from the date of this Agreement.

Further Assurances

- 13.7 Each of the parties agrees to execute and deliver any documents and to do all things as may reasonably be required by the other party to obtain the full benefit of this Agreement according to its true intent.

No Partnership

- 13.8 This agreement is a covenant of performance of certain administrative and management services and nothing in this Agreement will evidence or be deemed to constitute a partnership between the parties.

Counterparts

- 13.9 This Agreement may be executed in any number of counterparts (including facsimile copies) all of which, when taken together, will constitute one and the same instrument. A party may enter into this Agreement by executing any counterpart.

Signed by

Signed by **Greenoch Forest Limited:**

Director's signature

Director's signature

Director's full name

Director's full name

Signed by **Arbor Management Limited:**

Director's signature

Director's signature

Director's full name

Director's full name

SCHEDULE 1

Services

The Services provided by the Manager to the Limited Partnership and the Forest (as applicable) shall be:

- a. Acting as co-ordinator of the operations of the Limited Partnership and the Forest including (without limitation):
 - i. to organise and manage the supply of all materials, equipment, labour and services necessary for the maintenance, tendering, managing and harvest of the Forest;
 - ii. to dispose of, or sell, any forest produce to the best commercial advantage of the Limited Partnership; and
 - iii. to insure for damage or destruction to the Forest by fire, for firefighting costs and for re-establishment costs;
- b. Managing and addressing enquiries from Limited Partners of the Limited Partnership;
- c. Approving and paying accounts for the Limited Partnership and the Forest;
- d. Maintaining the register of Partnership Units for the Limited Partnership and the General Partner and all other registers or records required by law in respect of the Limited Partnership and the General Partner;
- e. Co-ordinating and supervising financial and accounting matters in respect of the Limited Partnership and the General Partner including, maintaining accurate accounting records and assisting with the preparation of financial statements (as appropriate);
- f. Facilitating the transfer of Limited Partnership Units in the Limited Partnership as and when required;
- g. Preparing and distributing all correspondence to be sent to Limited Partners of the Limited Partnership from time to time, provided that the Manager shall obtain the General Partner's approval prior to distributing any such correspondence;
- h. Organising meetings of the Limited Partners of the Limited Partnership;
- i. Organising all appropriate insurance on behalf of the Limited partnership and the Forest; and
- j. Any other matter agreed between the Manager and the General Partner as being a Management Service for the purposes of this Agreement.

SCHEDULE 2

Forest subject to this Agreement

Schedule 3 (Manager's Remuneration)

Annual Forest Management

A fee of \$13,076.00 (plus GST) payable by 12 consecutive monthly instalments.

Administrative Services

An hourly rate of \$155.00 (plus GST) for:

- Preparation of annual Financial Statements and the associated auditing requirements of the Limited Partnership; and
- All other extraordinary duties not relating to direct forestry matters, including but not limited to the responding to enquiries relating to accounting, auditing, legal, statutory supervision administration, limited partners and compliance in relation to any legislative duties related to the above partnership.

An hourly rate of \$55.00 (plus GST) for general clerical and administration duties including but not limited to data entry, maintaining partnership register, correspondence and facilitation of meetings.

Management Services

An hourly rate of \$105.00 (plus GST) for:

- Supervision of work performed directly in relation to all forestry operations other than harvesting;
- All matters concerning the management and administration in relation to the ETS or Carbon; and
- Any extraordinary duties solely relating to direct forestry matters, including but not limited to the responding to enquiries relating to accounting and auditing to the Limited Partnership.

Note:

All fees relating to the harvesting of the Forest are covered separately under the log supply agreement between the Limited Partnership, Forestry Resource Supply Limited and the Manager.

Review

The above annual fees and/or hourly rates will be reviewed annually, with effect from the beginning of each financial year of the Limited Partnership, and may be increased in accordance with the following formula:

$$HR = (PHR \times (x/y))$$

where:

HR represents the fee / hourly rate to be paid from the commencement of the relevant financial year

PHR represents the previous fee / hourly rate payable for the immediately preceding financial year

- x represents the level of the Consumers Price Index (All Groups) (“**CPI**”) as at the Statistics New Zealand quarterly date immediately preceding the commencement of the relevant financial year
- y represents the level of the CPI as at the Statistics New Zealand quarterly date immediately preceding the later of the commencement of the previous financial year or the date of this Agreement, as the case may be

All the above amounts are exclusive of GST.