

Thank you for requesting this Product Disclosure Statement from Funds Focus.

Fee Reduction

As highlighted within our offers page, whilst most agribusiness schemes typically pay an entry fee of up to 8%. Applications lodged through Wealth Focus will receive a rebate of up to 8% in the form of a cheque once your application has been processed.

How to Apply

Please have a read through the PDS and if you would like to invest the application pages can generally be found towards the back of the document. You will only need to send the application section back with a cheque payable direct to the investment company (not ourselves). You should take note of any minimum investment amounts that may apply.

Then mail the completed application directly to us.

We will then check to ensure your form is completed correctly before forwarding your document on to the investment provider on your behalf.

Wealth Focus Pty Ltd
Reply Paid 760
Manly
NSW 1655

Please note that we are unable to track applications mailed directly to the product provider and therefore cannot guarantee that your discounts have been applied in these instances.

Should you wish to take advantage of our free annual valuation and tax report for all your investments you should complete our broker nomination form for The Wealth Focus Investment Service.

Regards

Suliaman Ravell
Managing Director

Wealth Focus Pty Ltd
ABN 87 123 556 730
56 The Corso, Manly, NSW 2095
Postal Address: Reply Paid 760, Manly, NSW 1655



Requirements for verifying your identity under the new Anti Money Laundering (AML)/Counter Terrorism Financing (CTF) Act

The AML/CTF Act came into effect on the 12th December 2007. All financial planning and fund management companies are now required to collect, verify and store specific customer information before arranging investment services for a client. It is designed to prevent, detect and protect Australian business from money laundering and the financing of terrorist activities.

As such, we request that all new applications are sent with 'certified documentation'.

We have found that the easiest way to provide the required documentation is to have a copy of your driving licence *or* passport certified by Australia Post or a Justice of the Peace (please see following page for a full list of individuals that can certify documentation).

Once this has been completed, under the current requirements we will not require you to send identification again.

What you need to do

You will need to enclose a certified piece of photographic evidence or one piece of primary non-photographic evidence and one piece of secondary evidence (please refer to the Identification Form for document requirements), with your application form and post to us at the following address

Wealth Focus Pty Ltd

Reply Paid 760

Manly

NSW 1655

Please do not send us original driving licences or passports as these can very easily get lost in the post. Copies of documents can be certified by an authorised individual, they will need to sight and verify that the copy is a 'certified true copy', sign, date, print their name and list their qualification.

**ANTI-MONEY LAUNDERING REQUIREMENT FOR NEW APPLICATIONS
IDENTIFICATION FORM A**

GUIDE TO COMPLETING THIS FORM

- Please contact us on 1300 55 98 69 if you have any queries.
- If you wish to apply in the name of a trust or company, please contact us for an alternative identification form.
SMSF's and retail superannuation applications do not need to provide ID (an online check will be performed for SMSFs)

Attach a certified copy of the ID documentation used as proof of identity. ID enclosed should verify your full name; and EITHER your date of birth or residential address.

- Complete Part I (or if the individual does not own a document from Part I, then complete either Part II or III.)

PART I – ACCEPTABLE PRIMARY ID DOCUMENTS

	Select ONE valid option from this section only
<input type="checkbox"/>	Australian State / Territory driver's licence containing a photograph of the person
<input type="checkbox"/>	Australian passport (a passport that has expired within the preceding 2 years is acceptable)
<input type="checkbox"/>	Card issued under a State or Territory for the purpose of proving a person's age containing a photograph of the person
<input type="checkbox"/>	Foreign passport or similar travel document containing a photograph and the signature of the person*

PART II – ACCEPTABLE SECONDARY ID DOCUMENTS – should only be completed if the individual does not own a document from Part I

	Select ONE valid option from this section
<input type="checkbox"/>	Australian birth certificate
<input type="checkbox"/>	Australian citizenship certificate
<input type="checkbox"/>	Pension card issued by Centrelink
<input type="checkbox"/>	Health card issued by Centrelink
	AND ONE valid option from this section
<input type="checkbox"/>	A document issued by the Commonwealth or a State or Territory within the preceding 12 months that records the provision of financial benefits to the individual and which contains the individual's name and residential address
<input type="checkbox"/>	A document issued by the Australian Taxation Office within the preceding 12 months that records a debt payable by the individual to the Commonwealth (or by the Commonwealth to the individual), which contains the individual's name and residential address. <i>Block out the TFN before scanning, copying or storing this document.</i>
<input type="checkbox"/>	A document issued by a local government body or utilities provider within the preceding 3 months which records the provision of services to that address or to that person (the document must contain the individual's name and residential address)
<input type="checkbox"/>	If under the age of 18, a notice that: was issued to the individual by a school principal within the preceding 3 months; and contains the name and residential address; and records the period of time that the individual attended that school

Who can verify customer identity documents?

Please find below a list of all the Approved Individuals that can certify documents:

- **A Justice of the Peace**
- **An agent of the Australian Postal Corporation** who is in charge of an office supplying postal services to the public, or a permanent employee with more than two years continuous service (who is employed in an office supplying postal services to the public)
- A notary public (for the purposes of the Statutory Declaration Regulations 1993)
- A person who is enrolled on the roll of the Supreme Court of a State or Territory, or the High Court of Australia, as a legal practitioner (however described)
- A judge, magistrate, registrar or deputy registrar of a court
- A chief executive officer of a Commonwealth Court
- A police officer
- An Australian consular or diplomatic officer (within the meaning of the Consular Fees Act 1955)
- An officer or finance company officer with two or more continuous years of service with one or more financial institutions (for the purposes of the Statutory Declaration Regulations 1993)
- An officer with, or authorised representative of, a holder of an Australian Financial Services Licence, having two or more continuous years of service with one or more licensees, and
- A member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with more than two years continuous membership.

THE MACQUARIE FORESTRY INVESTMENT 2011



IMPORTANT INFORMATION

A glossary of terms used in this **Product Disclosure Statement ("PDS")** appears after the *Appendices* at the back of this PDS.

Investments in the Macquarie Forestry Investment 2011 are not deposits with, or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or of any other Macquarie Group company and are subject to investment risk, including possible delays in repayment and loss of principal or income invested. Neither MBL nor any other member company of the Macquarie Group guarantees any particular rate of return on, or the performance of, or the repayment of capital from the Macquarie Forestry Investment 2011.

This PDS is dated 21 March 2011.

This PDS invites you to apply for either or both:

- Interests in the Macquarie Eucalypt Project 2011 ARSN 149 549 940 (the "Tree Project"); and
- Units in the Macquarie Timber Land Trust 2011 ARSN 149 549 575 (the "Land Trust").

These invitations are called the Offers.

The Offers are only available to Australian residents who receive this PDS in Australia. If you receive this PDS in electronic form you may obtain a paper copy (including the Application Forms for Interests in the Tree Project and Units in the Land Trust) free of charge by calling 1800 080 033.

This PDS is available in electronic form at the Forestry Investment website: www.macquarie.com.au/forestry. Investors who wish to invest in Units in the Land Trust or Interests in the Tree Project must complete and return the relevant Application Form(s) attached to this PDS or print, complete and return a copy of the Application Form(s) accompanying this PDS on the Forestry Investment website. Units and Interests will only be issued following receipt of a relevant Application Form and acceptance of the Application.

The issuers of this PDS are:

- For the Interests in the Tree Project – Macquarie Alternative Assets Management Limited being the Responsible Entity of the Tree Project (the "Tree Project RE"); and
- For the Units in the Land Trust – Macquarie Financial Products Management Limited being the Responsible Entity of the Land Trust (the "Land Trust RE").

The issuers are related bodies corporate and as joint issuers of this PDS, each of the Tree Project RE and the Land Trust RE take full responsibility for the whole of the PDS.

Midway Limited ABN 44 005 616 044, McEwens Contracting Pty Limited ACN 108 285 383, Geddes Management Pty Limited ABN 49 078 527 072, Pöyry Forest Industry Pty Ltd ABN 90 008 503 517, Colliers International Consultancy and Valuation Pty Ltd ACN 076 848 112 and their related bodies corporate are referred to in this PDS and, in some instances, their reports appear in this PDS. They are not issuers of this PDS and they take no responsibility for the contents of this PDS except for the statements made by or attributed to them respectively.

None of the issuers, MBL, or any of their representatives provide personal advice on investments in the Tree Project or the Land Trust or any loans referred to in this PDS.

It is important that you read the entire PDS before making any decision to invest in Interests or Units. In particular, in considering the prospects of the Tree Project and the Land Trust it is important to note that the investment is subject to risk, including possible delays in payment and loss of income or principal invested. Please carefully consider the risk factors that could affect the performance of your investment, some of which are set out in Section 6 "Investment Risks" of this PDS. This PDS does not contain personal investment advice. You should assess whether an investment in the Tree Project or Land Trust is appropriate taking into account your particular investment needs, objectives and financial and taxation circumstances. You should also seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Information in this PDS may change from time to time. Updated information may be provided on the Macquarie Forestry Investment website at www.macquarie.com.au/forestry. A paper copy of the updated information is also available on request and free of charge by contacting the relevant responsible entity (see the Directory at the back of this PDS for contact details). The issuers of this PDS may also be required to issue a supplementary PDS as a result of certain changes, in particular where changes are materially adverse from the point of view of a reasonable person deciding as a retail investor whether to invest in Units or Interests.

An Investment Loan is available from MBL or its nominee within the Macquarie Group ("Lender") to fund part of your investment in Interests or Units. You are *not* required to obtain a loan to make an investment and can use your own funds or other loan funds. If you are considering a loan from the Lender then prior to borrowing under an Investment Loan offered by the Lender, you should ensure that you understand your payment obligations under the Loan and Security Agreement and ensure that they are appropriate in view of your particular needs and circumstances. The Loan and Security Agreement and Notice of Mortgage are included in Appendix C of this PDS.

None of MBL, Macquarie Group Limited or their related bodies corporate and their directors, officers or employees make any recommendation as to the suitability of this investment, or a loan from the Lender, for any Investor.

This PDS has been prepared and issued by MFPML and MAAML. No person, including any distributor of this PDS, is authorised to give any information or to make any representation in connection with the Offer that is not contained in this PDS. Any information or representation not in this PDS must not be relied on as having been authorised by MFPML or MAAML.

The photographs in this PDS do not represent current activities or assets of the Tree Project or the Land Trust.



Contents

1 / Investment summary.....	1
2 / Why invest in Australian plantation forestry?.....	18
3 / The Macquarie Forestry Investment team.....	26
4 / If you invest in the Tree Project	30
5 / If you invest in the Land Trust	38
6 / Investment risks	46
7 / Fees and expenses	54
8 / Tax treatment	62
9 / Investment Loan.....	66
10 / Additional information.....	70
Appendices	
Appendix A / Experts' reports.....	A-1
Appendix B / Material agreements	B-1
Appendix C / Loan and Security Agreement and Notice of Mortgage.....	C-1
Appendix D / Direct Debit	D-1
Appendix E / Acknowledgements, Authorisations and Consents.....	E-1
Appendix F / Power of Attorney.....	F-1
Glossary.....	71
How to apply	75
Application Form and Finance Form	
Corporate directory	inside back cover

WHO'S WHO

ASIC	Australian Securities and Investments Commission.
Colliers International	Colliers International Consultancy & Valuation Pty Ltd ACN 076 848 112. It has provided a land value consultancy report which is included in Appendix A.
Custodian or Bond Street Custodians	Bond Street Custodians Limited ABN 57 008 607 065 is the Custodian for the Tree Project and the Land Trust. It will hold Subleases of the Land granted by MAAML for the benefit of the Tree Project Investors as to their separate Plantation Lots.
Forester	Geddes Management or another third party forestry contractor for the Tree Project, if appointed by the Tree Project RE.
Forestry Contractor	A forestry contractor appointed under a Forestry Management Agreement, for example Midway or McEwens Contracting.
Geddes Management	Geddes Management Pty Limited ABN 49 078 527 072. It is engaged by Macquarie Forestry Services as a Forester and to provide technical expertise.
Investor	The holder of an Interest in the Tree Project, or the holder of a Unit in the Land Trust, as the case may be.
Lender	MBL (or any of its nominees within the Macquarie Group) and includes any assignee. The nominated Lender will be notified on the website www.macquarie.com.au/forestry .
Land Trust Lender	MBL (or any of its nominees whether or not within the MBL Group) who will lend funds to the Land Trust to fund the purchase of the Land.
Land Trust RE	The responsible entity of the Land Trust, the first Land Trust RE being MFPML.
Lessor	The lessor of the Land used in the Tree Project which may initially be a Macquarie Group entity and the Land Trust RE.
MAAML	Macquarie Alternative Assets Management Limited ABN 30 103 237 181. The term Tree Project RE is used where reference is made to MAAML in its capacity as responsible entity of the Tree Project. Reference to MAAML (unless expressly stated otherwise) is not to it as a responsible entity. For instance MAAML obtains a lease of the Land in its own capacity and grants a sub-lease to the Custodian for the Tree Project so that the Land is available for use in the Tree Project.
Macquarie Forestry Services	Macquarie Forestry Services Pty Ltd ABN 17 093 752 946. It is engaged by the Tree Project RE to provide services to be performed on Investors' Plantation Lots.
Macquarie Group	Macquarie Group Limited and its related bodies corporate.
MBL	Macquarie Bank Limited ABN 46 008 583 542.
McEwens Contracting	McEwens Contracting Pty Limited ACN 108 285 383. It is engaged by Macquarie Forestry Services as a Forestry Contractor for the Portland region to provide services to be performed on Investors' Plantation Lots.
MFPML	Macquarie Financial Products Management Limited ABN 38 095 135 694. The term Land Trust RE is used where reference is made to MFPML in its capacity as responsible entity of the Land Trust. Reference to MFPML (unless expressly stated otherwise) is not to it as a responsible entity.
Midway	Midway Limited ABN 44 005 616 044. It is engaged by Macquarie Forestry Services as a Forestry Contractor for the Geelong region to provide services to be performed on Investors' Plantation Lots. It is also engaged to act as an Offtaker for Timber in the Geelong and Portland regions.
Offtaker	A person or entity that agrees to purchase Timber under an Offtake Agreement.
Pöyry Consulting	Pöyry Forest Industry Pty Limited ABN 90 008 503 517. It has provided a report about the market for the woodchips from the Trees grown through the Tree Project which is included in Appendix A.
RE	A responsible entity. For the Tree Project, this is the Tree Project RE and for the Land Trust, the Land Trust RE.
Tree Project RE	The responsible entity of the Tree Project, the first Tree Project RE being MAAML.

The Macquarie Forestry Investment 2011

The Macquarie Group has been operating Australian forestry investments for retail investors since 2003 and currently has more than 20,000 hectares of forestry plantations under management.

Macquarie Forestry Investment 2011 is the latest offering under which you can invest in both trees (through the Tree Project) and forestry land (through the Land Trust).

THE OFFERS:

There are two Offers under this PDS:

Offer	Application Price per Unit/Interest	Offeror
1 Interests in the Macquarie Eucalypt Project 2011 ("Tree Project")	\$2,585 (including \$235 GST) per Interest. Interests issued in multiples of 1*	Macquarie Alternative Assets Management Limited, the Tree Project RE
2 Units in the Macquarie Timber Land Trust 2011 ("Land Trust")	\$1 per Unit for issues under this PDS. Units issued in multiples of 475*	Macquarie Financial Products Management Limited, the Land Trust RE

You may invest in either or both Interests and Units. Both the Tree Project and the Land Trust are registered managed investment schemes.

The Interests and the Units are not stapled securities and you do not have to invest in both. You may invest in either or both Interests and Units.

AUSTRALIAN TAXATION OFFICE (ATO) PRODUCT RULING

ATO Product Ruling 2011/2 has been received in respect of Investors in the Tree Project whose Interests are issued on or before 30 June 2011*.

FINANCE OPTIONS

You can borrow up to 100 per cent of the Application Price[^] under an Investment Loan from Macquarie Bank Limited^{^^} or its nominee within the Macquarie Group.

KEY DATES

Offers open	21 March 2011
Offers close	At the discretion of the relevant RE*
Issue date	On or before 30 June 2011 for Applications received by that date.
Term	Approximately 11.5 years**

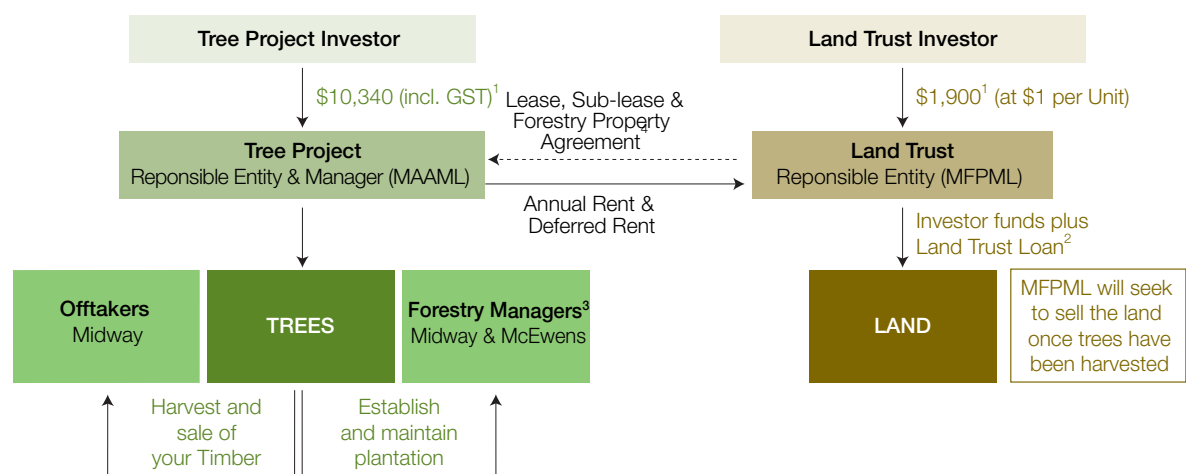
* For Investors in the Tree Project whose Interests are issued on or before 30 June 2011 who wish to rely on the Product Ruling 2011/2, Applications will need to be received, and the Application Price paid, by 30 June 2011 (or earlier if Offers are closed earlier).

** Refer to sections 1.1(d) and 1.2(e) for more information.

[^] Application Price is inclusive of the GST amount.

^{^^} You do not have to borrow to fund your Investment using the Investment Loan. You can use your own funds or other loan funds.

HOW THE INVESTMENT WORKS



¹ Minimum investment is four Interests in the Tree Project or four Blocks of 475 Units (i.e. 1900 Units) in the Land Trust.

² The Land Trust RE will use the Investors funds and funds obtained through a loan facility (the Land Trust Loan) to fund the purchase of its interest in the Plantable Land.

³ The trees will be established and maintained by Midway in respect of the Geelong Region and by McEwens in respect of the Portland Region.

⁴ Land will be leased from the Land Trust by MAAML who will provide a sub-lease & forest property rights over the Land to the Tree Project Custodian. The Tree Project Custodian holds the sub-lease for the benefit of investors in the Tree Project.



1 / Investment summary

This Section of the PDS describes some of the key features of the two Offers under Macquarie Forestry Investment 2011 and refers to other Sections of this PDS where you can find further information.

Please read this entire PDS in full and seek financial advice before deciding whether to invest in Interests or Units.

Topic	Summary	Where to find more information
1.1 KEY FEATURES OF AN INVESTMENT IN TREE PROJECT INTERESTS		
(a) Who is the Responsible Entity?	Macquarie Alternative Assets Management Limited (“MAAML”) is currently the Tree Project RE. MAAML is a member of the Macquarie Group ¹ .	Section 3: The Macquarie Forestry Investment Team
(b) The Tree Project – a Plantation Business	<ul style="list-style-type: none"> ■ Each Investor in the Tree Project will undertake a business of growing varieties of Eucalyptus Trees such as <i>Eucalyptus globulus</i> and <i>Eucalyptus nitens</i> and selling Timber ■ This business will be conducted on the Investor’s Plantation Lots. The Investor will be granted a licence to use a Plantation Lot for each Interest they hold and the Investor owns the Trees on their Plantation Lots ■ Plantation Lots will be allocated by the Tree Project RE on land leased to MAAML by the Land Trust RE which is sublet to the Tree Project’s Custodian ■ Your Plantation Lots may be wholly or partly in the Geelong or Portland Regions of Victoria and, (if the Product Ruling referred to in Section 1.1(h) is extended to other places) Plantation Lots may also be located elsewhere in Australia. However, Plantation Lots will generally be located within an economic haulage distance from a log processor’s mill gate ■ Each Investor’s Plantation Lots will be established and maintained by the Tree Project RE and its Forestry Contractors for an average growth period of ten years ■ Your Trees for harvest are pooled with other Investors’ Trees and the Tree Project RE through MFS will arrange the sale of the pooled Timber to Offtakers. The Net Sale Proceeds from all sales will then be distributed to Investors pro rata to their Interests. 	Section 4: If you Invest in the Tree Project
(c) Composition of an Interest in the Tree Project	<p>An Interest comprises:</p> <ul style="list-style-type: none"> ■ a right to use a Plantation Lot of one quarter of a hectare to carry on your forestry business; ■ a management arrangement with the Tree Project RE under which it agrees to plant Trees on your Plantation Lot and maintain them until sold. The Tree Project RE has appointed an experienced team to assist it to meet these requirements; and ■ an arrangement with the Tree Project RE for the sale of your Trees and those of other Investors to Offtakers. Timber may be sold as standing timber, harvested logs, Residual Timber or in such other form and to be used for such purposes as the Tree Project RE determines. 	

¹ No member of the Macquarie Group guarantees the performance of, or is required to provide financial support to, MAAML. Also see the Important Information on the inside front cover.

Topic	Summary	Where to find more information
(d) Term of the Tree Project & investment	<p>The Term of the Tree Project is currently expected to be approximately 11.5 years, however it is possible that this term may be extended in certain circumstances.</p> <p>Please note that the Macquarie Forestry Investment 2011 will not be listed on any stock exchange and it is unlikely that the Tree Project will be liquid or that there will be a secondary market for Interests.</p> <p>Other than in limited circumstances, you do not have a right to request redemption of your Interests.</p> <p>The Macquarie Forestry Investment 2011 is only suitable for investors who are willing to hold their investment to Maturity.</p>	Appendix B.2.1: Duration of Tree Project
(e) Fees	<p>Investors pay the Application Price for their Interest that is referred to in section 7 of this PDS. Thereafter there are no ongoing annual rental, maintenance or management fees to pay (other than Tree Insurance as referred to in Section 1.1(g) below) until the Sale Period (or earlier if Tree Insurance proceeds are received). The Sale Period is the period during which Tree Project Trees will be harvested or otherwise sold and it is currently expected to be during the year commencing 1 January 2022.</p> <p>During the Sale Period (or if Tree Insurance proceeds are received) the following payments are made when available from Net Sale Proceeds (or the relevant insurance payments):</p> <ul style="list-style-type: none"> ■ 5.5 per cent (incl. GST) of Net Sale Proceeds (or Tree Insurance proceeds) payable to the Tree Project RE as maintenance and management fees; ■ 4.95 per cent (incl. GST) of Net Sales Proceeds (or Tree Insurance proceeds not used to replant Trees) payable to the Tree Project RE as Deferred Rent for the Investors' right to use their Plantation Lots; and ■ Productivity Performance Fees may also be payable to the Tree Project RE in certain circumstances. The fee is payable from Net Sales Proceeds other than proceeds derived under Offtake Agreements for Residual Timber. This provides an incentive to the Tree Project RE to seek to maximise the income earned from your forestry business. <p>The payments to the Tree Project RE are to be retained as its own funds. In addition, an amount equal to the Deferred Rent received by MAAML as its own funds will be paid by it to the Land Trust RE. Amounts paid as a percentage of Net Sales Proceeds are to be paid when sales proceeds from the Timber are received.</p>	<p>Section 7: Fees and Expenses</p> <p>Section 4.2.3: Plantation Management</p>
(f) Land Productivity	<p>Land Selection Protocols have been established with specific criteria to be satisfied by the land that is to be purchased by the Land Trust (in some cases, purchased jointly with MBL) and leased for use in the Tree Project. The criteria include consideration of factors such as rainfall, soil, location and the forecast Timber yield set out in this PDS.</p>	Section 4.2.1: Land Selection

Topic	Summary	Where to find more information
(g) Tree Insurance	<p>Insurance against the risk of loss to Trees due to, for example, fire, windstorm or hail damage is not included in the Application Price.</p> <p>However, insurance in respect of damage or destruction of the Trees from the time of planting until the end of the term of the Tree Project will be required where:</p> <ul style="list-style-type: none"> ▪ you take out a loan with the Lender with a term of more than 1 year to fund your investment; or ▪ your Interests are issued by 30 June 2011 and you wish to rely on that part of the Product Ruling which has been issued in relation to the Tree Project that confirms that you are carrying on a business of primary production (see Section 1.1(h) below). <p>The Tree Project RE may offer to arrange and administer insurance against fire and other insurable risks.</p> <p>As noted in paragraph 1.1(e) above a Deferred Rent of 4.95 per cent of Tree Insurance proceeds is payable from insurance proceeds when received and not used to replant Trees.</p>	<p>Section 4.2.3: Plantation Management</p> <p>Section 9: Investment Loan</p> <p>Section 6: Investment Risks</p>

Topic	Summary	Where to find more information
(h) Tax Treatment of the Tree Project	<p>Certain aspects of the tax treatment of the Tree Project are set out below. The Australian Taxation Office (“ATO”) has issued Product Ruling 2011/2 in relation to the Tree Project. The Product Ruling confirms that, where your Interests are issued on or before 30 June 2011, and subject to any assumptions and conditions set out in the Product Ruling:</p> <ul style="list-style-type: none"> ■ you should be entitled to a tax deduction for the Application Fee in respect of your Interests in the year of payment, provided that you do not dispose of your Interests within four years after the income year in which the Interests were issued; ■ you should be entitled to a tax deduction for the Deferred Management Fee, Productivity Performance Fee and Deferred Rent in the year of payment of the relevant amount; ■ where you have obtained an Investment Loan to acquire Interests, a deduction should be allowable to you for the interest expense on your Investment Loan in the year the interest is paid to the extent that it is used to acquire Interests; and ■ an amount equal to the market value of your Interest should be included in your assessable income upon harvest of the Trees and distribution of any Net Sale Proceeds to you. <p>A copy of the Product Ruling is available at www.macquarie.com/forestry and is available to you upon request and free of charge by contacting MAAML (see the Directory at the back of this PDS for contact details).[*] You should also refer to section 1.2(g) if you are considering investing in Units in the Land Trust.</p> <p>Currently, it is not expected that an application for a product ruling will be made for Investors who invest in the Tree Project after 30 June 2011. However, if such a product ruling is sought and is issued by the ATO, the product ruling will be made available for investors on the Macquarie Forestry website www.macquarie.com.au/forestry or investors can obtain a copy free of charge by contacting 1800 080 033. Investors considering investing after 30 June 2011 should consider the information about taxation implications of investment that are contained in Section 8 of this PDS and check the website for updates on the product and whether any product ruling has been applied for or obtained, and seek their own taxation advice taking into account their own circumstances and needs.</p> <p>Goods and Services Tax (GST)</p> <p>The tax treatment of the Tree Project, and hence the Tree Project returns, will depend on whether or not you are registered for GST.</p> <p>Please refer to Section 8 for a more detailed summary of the tax implications of your investment in the Tree Project including GST registration requirements.</p> <p>You should obtain your own independent professional tax advice in relation to an investment in the Tree Project.</p>	Section 8: Tax Treatment
	<p>[*] As noted in Section 8 of this PDS, the Product Ruling is not expressly or impliedly a guarantee or endorsement by the ATO of the commercial viability of the Tree Project, its soundness or otherwise as an investment or the reasonableness or commerciality of any fees charged in connection with the Tree Project. The ruling is only binding on the Commissioner if the Tree Project is implemented consistently with the Product Ruling.</p>	

Topic	Summary	Where to find more information
(i) Why Invest in the Tree Project?	<p>An investment in the Australian plantation market may have benefits, as:</p> <ul style="list-style-type: none"> ■ plantation grown timber may be used for a range of end uses, including paper and paperboard products and bio-energy; ■ the harvesting of timber from native forests in Australia has become increasingly restricted; ■ Australian-grown plantation timber is an environmentally friendly solution to the hardwood supply deficit that currently exists in the Asia-Pacific region; and ■ the close proximity of the Australian forestry industry to the Japanese market positions Australia as a cost-competitive supplier. <p>Making such an investment through the Tree Project provides Investors with:</p> <ul style="list-style-type: none"> ■ taxation certainty (for investors whose Interests are issued on or before 30 June 2011 if the conditions in the Product Ruling are met); ■ a team of experts managing your business of growing and selling Trees; and ■ security features relating to the continued management of the Tree Project. Security charges will be granted by MAAML and Macquarie Forestry Services in favour of the Tree Project over funds that are in the 2011 Forestry Accounts (described in Section 1.4). 	<p>Section 2: Why Invest in Australian Plantation Forestry?</p> <p>Section 4.2.3: Plantation Management</p> <p>Section 8: Tax Treatment</p> <p>Section 3: The Macquarie Forestry Investment Team</p> <p>Section 1.4: Protection Features – Deposit Accounts for Management and Rent</p>
(j) Key Risks specific to the Tree Project	<p>Some of the key risks pertaining to an investment in the Tree Project include the following:</p> <ul style="list-style-type: none"> ■ neither income nor capital or any particular level of return for the Tree Project are guaranteed; ■ the return on your Interest will depend on the amount of Timber grown on the Land, the management and offtake arrangements entered into by the Tree Project RE and the price obtained for the Timber. There is a risk that any party involved in the Tree Project (such as any entity involved in the planting, management, harvest or offtake and sale of Trees) may fail to meet its obligations or become insolvent and need to be replaced; ■ the price received for your Timber may be affected by current and future local and global economic conditions; ■ you bear the risk of loss of your Trees due to fire, drought and other causes; ■ you do not have a right to redeem your Interests and there is no assurance that there will be a secondary market for your Interests. Accordingly, this is not a suitable investment for investors who are not willing to hold to at least Maturity; and ■ various entities within the Macquarie Group are involved in the operation of the Macquarie Forestry Investment 2011 and the Tree Project and can be affected by an adverse change in the financial position of the Macquarie Group. Investments in the Macquarie Forestry Investment 2011 are not deposits with, or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or of any other Macquarie Group company and are subject to investment risk, including possible delays in repayment and loss of principal or income invested. Neither MBL nor any other member company of the Macquarie Group guarantees any particular rate of return on, or the performance of, or the repayment of capital from the Macquarie Forestry Investment 2011. <p>Other risks are referred to in this PDS, including Section 1.3 and Section 6 <i>Investment Risks</i>. Please ensure you read the whole PDS.</p>	<p>Section 6: Investment Risks</p>

Topic	Summary	Where to find more information
(k) Risk Management Measures	<p>The Macquarie Forestry Investment 2011 includes measures which aim to reduce the downside risks of your investment. These include:</p> <ul style="list-style-type: none"> ■ experienced managers to operate your business on your Plantation Lots; ■ an ability to also invest in the Land Trust, which is an owner of the Land used for the Tree Project; ■ application of Land Selection Protocols in selection of Land used for the Tree Project; ■ security granted to the Tree Project over the 2011 Forestry Accounts so that funds in the 2011 Forestry Accounts from time to time (if any) are available to pay for the tree establishment expenses as well as the annual forestry maintenance and management expenses of the Tree Project if the holder of the relevant 2011 Forestry Account (MAAML, or its sub contractor Macquarie Forestry Services, as the case may be) becomes insolvent and cannot perform its obligations to Investors; ■ arrangements between the Land Trust, MAAML and the Custodian mean that if MAAML defaults under its Lease of any Land, Investors will still have access to the Land for the purposes of the Tree Project and will only need to pay a nominal (\$1 per annum) rental in addition to taxes and other outgoings; ■ the Tree Project RE will arrange for the sale of your Timber (including, if feasible, any Residual Timber); ■ the Tree Project RE will use its reasonable endeavours to ensure a process is set out in the Offtake Agreements which facilitates the determination of a fair price for the Timber; and ■ the Tree Project RE may offer to arrange and administer insurance against fire and other insurable risks. Please note the cost of this insurance is not included in the Application Price or any other fee (see section 1.1(g) above). 	<p>Section 6.4: How We Manage Risk</p> <p>Section 1.4: Protection Features – Deposit Accounts for Management and Rent</p>

Topic	Summary	Where to find more information
1.2 KEY FEATURES OF AN INVESTMENT IN LAND TRUST UNITS		
(a) Who is the Responsible Entity?	Macquarie Financial Products Management Limited (“MFPML”) is currently the Land Trust RE. MFPML is a member of the Macquarie Group. ¹	Section 3: The Macquarie Forestry Investment Team
(b) A Unit Trust Investing in Land	<p>Each Land Trust Investor acquires Units in the Macquarie Timber Land Trust 2011 (“Land Trust”).</p> <p>The Land Trust will acquire an economic interest in the Plantable Land, and will own Land including the Plantable Land solely, if the Land includes land not to be jointly (with Macquarie Bank Limited (“MBL”)).</p> <p>The Land may be in the Geelong or Portland Regions of Victoria or other parts of Australia if the Product Ruling in relation to the Tree Project (referred to in Section 1.2(g)) is extended to cover other locations.</p>	Section 5: If you Invest in Land Appendix B.2.2: Lease and Forest Property Agreement and B.3.2 Land Acquisition Documents
Gearing	The Land Trust RE has a loan facility (the Land Trust Loan) with MBL (or a nominee) as the Land Trust Lender for loans to fund the purchase of its interest in the Land and has granted security over its assets and undertaking in favour of the Land Trust Lender. Please see sections 1.2(d) below and 5.3 for further details on gearing levels.	
Lease of Land to the Tree Project	The Land will be leased to MAAML and sublet to the Tree Project Custodian for use by Investors in the Tree Project to carry on their businesses of growing Trees. Please see section 1.1 above and the further sections of this PDS that are referred to for a description of the Tree Project and the related and other parties involved in its operation.	
Distributions	MAAML will pay periodic rent to the Land Trust (and potentially make a “Deferred Rent” payment ²) over the term of the Lease. All taxable income of the Land Trust in a financial year will then be distributed to Land Trust Investors. The Land Trust RE may require up to 100 per cent of Land Trust Distributable Income to be re-invested by Land Trust Investors so that the Land Trust RE can make repayments on the Land Trust Loan. However, to the extent permitted by the Land Trust Loan, the Land Trust RE expects to be able to limit the required reinvestment in the financial years up to and including 30 June 2021 to an approximate range between 70 per cent and 84 per cent with the higher proportions of reinvested Distributable Income applicable in the earlier years and an average reinvestment during this period of approximately 80 per cent. It is anticipated that 100 per cent of the Land Trust’s distributions to Investors in the financial years commencing 1 July 2021 and 1 July 2022, including income from Deferred Rent, will be required to be reinvested by Investors and will be used to make repayments on the Land Trust Loan. Where reinvestment occurs, Investors will have to fund any tax on their share of the Land Trust’s Distributable Income from their separate funds.	
Land Rental Security Account	MAAML will establish a Land Rental Security Account with MBL that will contain (together with interest earned on money in that account) sufficient funds to make MAAML’s annual rental payments to the Land Trust from year two to Maturity (inclusive) under the Lease. The Land Trust will have access to the funds in the Land Rental Security Account for rental payments in the event that MAAML defaults on its rental obligations.	

¹ No member of the Macquarie Group guarantees the performance of, or is required to provide financial support to, MFPML. Also see the Important Information on the inside front cover.
² Only to the extent that Deferred Rent is received by MAAML from the Tree Project Custodian pursuant to the Sublease.

Topic	Summary	Where to find more information
(c) Unit Price and Fees During Project	<p>The Application Price for a Unit in the Land Trust under this PDS is \$1*. Thereafter there are no further contributions to the Land Trust are required (other than by reinvestment of income).</p> <p>Until the Application Price is applied toward the purchase of the Land, it will be placed in an interest bearing deposit account and all interest will be paid to the Land Trust RE as a fee.</p> <p>In the event that the Land Trust RE is able to obtain its interests in the Land below a weighted average purchase price of \$6,300 per hectare, the Land Trust RE will be entitled to a Land Acquisition Fee (of no more than \$200 per hectare).³ The fee may be used to pay the Macquarie Group's costs associated with establishing the Land Trust, the Land Trust's acquisition of interests in the Land (for example, legal and subdivision expenses) and for unrelated purposes.</p> <p>The Land Trust RE receives no further fees prior to Maturity.</p> <p>Investors should note that if they do not elect to have their Units redeemed for Maturity then additional expenses will be incurred by the Land Trust RE (that are payable or reimbursable from Land Trust property) as described in Sections 5 and 7 of this PDS.</p> <p>* For all Units applied for and issued on or before 30 June 2024 after which Units are issued at the per Unit Net Asset Value.</p>	<p>Section 5.1: Price of a Unit in the Land Trust</p> <p>Section 7: Fees and Expenses</p>
(d) Land Value and Borrowings	<p>The average cost of Plantable Land purchased by the Land Trust⁴ is expected to be between \$1,500 and \$1,525 per quarter of a plantable hectare (or between \$6,000 and \$6,100 per hectare). The Land Trust RE intends to acquire one quarter of a hectare of Plantable Land for every 475 Units issued. The precise amount of Plantable Land to be acquired will depend on how much Plantable Land the Tree Project needs.</p> <p>The Land Trust Loan will be used to fund the remaining balance of monies required to purchase the Land.</p> <p>For more information on the Land Trust Loan, gearing ratios, interest cover and valuation policies, see Section 5.3 of this PDS.</p>	<p>Section 5.1: Physical Aspects of the Land Trust</p> <p>Section 5.3: Important Matters</p>

³ Assuming that the Land Trust is entitled to full input tax credits for its acquisition of the Land Trust RE's management services, including land acquisition services. The fee paid is to be grossed up for any GST so if input tax credits for the full 10 per cent GST are not received by the Land Trust RE then the fee will be higher by a corresponding amount.

⁴ Before taking into account the Land Acquisition Fee of \$200 per hectare payable to MFPM.

Topic	Summary	Where to find more information						
(e) Term of an Investment in the Land Trust & Withdrawal	<p>The term of the investment in Units is currently expected to be approximately 11.5 years (being the expected term of the Leases to MAAML). However the term may vary depending largely upon the time at which the Trees in the Tree Project are harvested.</p> <p>To withdraw from the Land Trust Investors must lodge a redemption request in the form available from the Land Trust RE.</p> <p>First redemption opportunity</p> <table border="1" data-bbox="437 663 1145 842"> <tr> <td>Last date to request redemption of units:</td> <td>31 December 2021</td> </tr> <tr> <td>Maturity:</td> <td>30 June 2022</td> </tr> <tr> <td>Date units expected to be redeemed:*</td> <td>Between 30 June 2022 and 30 June 2023</td> </tr> </table> <p>Please see Section 5.3.3 of this PDS for further detail relating to the redemption of Units and Section 7 of this PDS, which refers to fees that may apply after Maturity.</p> <p>Please note that the Land Trust will not be listed on any stock exchange, it will not be liquid on issue of the Units and it is unlikely that the Land Trust will be liquid before Maturity or that there will be a secondary market for Units.</p> <p>Other than as set out above for Maturity, you do not have a right to request redemption of your Units and redemptions will only be effected as and at times specified by the Land Trust RE and in accordance with the Corporations Act.</p> <p>The Macquarie Forestry Investment 2011 is only suitable for investors who are willing to hold their investment to Maturity.</p> <p><small>* Subject to sufficient asset sales, and after extinguishing any balance outstanding on the Land Trust Loan. Redemption of Units may occur later.</small></p>	Last date to request redemption of units:	31 December 2021	Maturity:	30 June 2022	Date units expected to be redeemed:*	Between 30 June 2022 and 30 June 2023	<p>Section 5.3.3: Redeeming Units in the Land Trust</p> <p>Appendix B.3: Agreements Relating to the Land Trust</p> <p>Section 7: Fees and Expenses</p>
Last date to request redemption of units:	31 December 2021							
Maturity:	30 June 2022							
Date units expected to be redeemed:*	Between 30 June 2022 and 30 June 2023							
(f) What happens on expiry of the Leases	<p>On expiry of the Leases over a piece of Land, it is anticipated that the Land Trust RE will seek to sell such portion of the Land as is necessary to extinguish any balance outstanding on the Land Trust Loan and meet any Unit redemption requests for those investors wishing to withdraw from their investment in the Land Trust. It will also seek to lease or grant further rights to use the remaining land in return for rental for those investors who have not had their Units redeemed.</p>	<p>Section 5.2.3: Land Sale</p>						

Topic	Summary	Where to find more information
(g) Tax Treatment of the Land Trust	<p>Product Ruling</p> <p>The Product Ruling issued in relation to the Tree Project, will not cover the tax consequences of investing in the Land Trust. A summary of the tax consequences of investing in the Land Trust is provided in Section 8 of this PDS. That section refers to the following:</p> <ul style="list-style-type: none"> ■ Income Tax <p>The Application Price of the Units is a capital outgoing that is not deductible, but should be included in your cost base for the Units.</p> <p>Where you have obtained an Investment Loan to acquire Units, a deduction should be allowable to you for the interest expense on your Investment Loan in the year the interest is paid to the extent that it is used to acquire Land Trust Units.</p> <p>You should be subject to tax on your share of distributions of rental and any other income from the Land Trust, including any part required to be reinvested.</p> <p>Any net gain from the sale of Land (being the difference between the net proceeds from sale and the cost of that Land) should be a capital gain for the Land Trust. On distribution of the net proceeds, you should be treated as making a capital gain equal to your share of the Land Trust's capital gain.</p> <ul style="list-style-type: none"> ■ Land Impairment Trust <p>In 2008, the ATO released Taxpayer Alert (TA) 2008/11 outlining the ATO's concerns in relation to arrangements known as "land impairment trusts". The Land Trust does not contain the key elements of a "land impairment trust" as described in the taxpayer alert.</p> <ul style="list-style-type: none"> ■ GST <p>The issue of Units in the Land Trust will not give rise to a liability for GST. Similarly, the distributions that you receive will not give rise to a liability for GST.</p> <p>Please refer to Section 8 of this PDS for a more detailed summary of the tax implications of your investment in the Land Trust.</p> <p>You should obtain your own independent professional tax advice in relation to an investment in the Land Trust.</p>	Section 8: Tax Treatment
(h) Why Invest in the Land Trust?	<ul style="list-style-type: none"> ■ An investment in Units in the Land Trust will enable you to benefit from growth, if any, in the value of the Land during the term of your investment ■ An investment in the Land Trust will provide you with exposure to a physical asset being rural land which has the potential to provide a hedge against inflation* ■ Investors have the potential to receive annual cash distributions from the rental income earned by the Land Trust. However, as noted in paragraph 1.2(b) above and Section 5.3, up to 100 per cent of Distributable Income may be reinvested and used to repay part of the principal under the Land Trust Loan and, as a result will not be paid to investors in cash. Where reinvestment occurs, investors will have to fund any tax on their share of the Land Trust's Distributable Income from their separate funds.[^] 	
	<p>* Note that any past performance of asset classes may not be indicative of performance of any particular asset or any future performance of an asset class.</p>	
	<p>[^] Depending on your marginal tax rate and the amount of distributions re-invested in to the Land Trust to repay the Land Trust Loan.</p>	

Topic	Summary	Where to find more information
(i) Key Risks specific to the Land Trust	<p>Some of the key risks pertaining to an investment in Units in the Land Trust include the following:</p> <ul style="list-style-type: none"> ■ neither income nor capital for an investment in the Land Trust is guaranteed; ■ the value of the Land may decrease over the term of your investment and may be influenced by current and future global and local economic conditions; ■ annual rental payments payable to the Land Trust by MAAML will be used to reduce the balance of the Land Trust Loan over the term of the investment. This means you are exposed to MAAML's ability to make the annual rental payments. That exposure is largely reduced by the security granted by MAAML to the Land Trust over the Land Rental Security Account which will contain funds (including interest earned on the account) that will be used to pay rent in years two to Maturity (inclusive); ■ the Deferred Rent is calculated based on Net Sale Proceeds are negatively invested (for example as a result of damage or destruction of trees which are not covered by insurance). This will affect the financial performance of the Land Trust; ■ you do not have a right to redeem your Units other than at the Maturity Date and there is no assurance that there will be a secondary market for your Units. Accordingly, this is not a suitable investment for investors who are not willing to hold until Maturity; ■ the ATO may take a view that is different from that set out in Section 8 of this PDS. For example, you should consider seeking independent advice on whether a distribution of any net proceeds from sale of the Land should be on revenue or capital account; ■ various entities within the Macquarie Group are involved in the operation of the Macquarie Forestry Investment 2011 and the Land Trust and can be affected by an adverse change in the financial position of the Macquarie Group. Investments in the Macquarie Forestry Investment 2011 are not deposits with, or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or of any other Macquarie Group company and are subject to investment risk, including possible delays in repayment and loss of principal or income invested. Neither MBL nor any other member company of the Macquarie Group guarantees any particular rate of return on, or the performance of, or the repayment of capital from the Macquarie Forestry Investment 2011; and ■ you may be subject to tax on your share of distribution of income from the Land Trust even where such distributions are required to be invested. <p>Other risks are referred to in this PDS, including Section 1.3 and Section 6 <i>Investment Risks</i>. Please ensure you read the whole PDS.</p>	<p>Section 6.2: Risks specific to the Land Trust</p> <p>Section 1.4: Protection Features – Deposit Accounts for Management and Rent</p> <p>Appendix B</p>

Topic	Summary	Where to find more information												
1.3 FURTHER INFORMATION – FOR BOTH THE TREE PROJECT AND THE LAND TRUST														
(a) Environmental Management	<p>The establishment of forestry plantations may reduce reliance on native forests for wood products.</p> <p>Native vegetation (such as native forests) will not be cleared for the establishment of Plantable Land.</p>	Section 2.8: Environmental Benefits												
(b) Funding Facilities	<p>Investors are invited to apply to MBL for an Investment Loan by it or its nominee within the Macquarie Group (“the Lender”) to fund up to 100 per cent of the Application Price (including any GST component).</p> <p>Availability is subject to the Lender’s normal approval process.</p> <p>The Investment Loans are full recourse facilities, which means that you will have to repay the loan (plus interest) from your own resources regardless of the returns on your investment.</p> <p>The interest rate on an Investment Loan is the rate per annum published on the Macquarie Forestry Investment website – www.macquarie.com.au/forestry – on the day the Investment Loan is approved.</p> <p>The indicative interest rates are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Term</th> <th style="text-align: left;">Loan Option</th> <th style="text-align: left;">Fixed Interest Rate (indicative only)</th> </tr> </thead> <tbody> <tr> <td>1 year</td> <td>Principal Only</td> <td>0.00 per cent per annum (i.e. interest free)</td> </tr> <tr> <td>5 years</td> <td>Principal and Interest</td> <td>10.99 per cent per annum</td> </tr> <tr> <td>7 years</td> <td>Principal and Interest</td> <td>12.99 per cent per annum</td> </tr> </tbody> </table> <p><i>These rates are indicative at the date of this PDS only. Actual rates at the time of approval of the loan will apply and this may differ materially from the indicative rates. Please check the Macquarie Forestry Investment website – www.macquarie.com.au/forestry for updates.</i></p> <p>Repayments of principal on an Investment Loan will not commence before July 2011.</p>	Term	Loan Option	Fixed Interest Rate (indicative only)	1 year	Principal Only	0.00 per cent per annum (i.e. interest free)	5 years	Principal and Interest	10.99 per cent per annum	7 years	Principal and Interest	12.99 per cent per annum	Section 9: Investment Loan Appendix C: Loan and Security Agreement & Notice of Mortgage
Term	Loan Option	Fixed Interest Rate (indicative only)												
1 year	Principal Only	0.00 per cent per annum (i.e. interest free)												
5 years	Principal and Interest	10.99 per cent per annum												
7 years	Principal and Interest	12.99 per cent per annum												

Topic	Summary	Where to find more information
(c) Potential Risks Applicable to Investments in both the Tree Project and the Land Trust	<p>As with any investment of this nature, there are a number of risks, including those relating to the forestry business and the value of the Land:</p> <ul style="list-style-type: none"> ■ there is no guarantee that an Investment will generate positive returns. Furthermore, neither income nor return of capital are guaranteed; ■ investors who have an Investment Loan will have to repay the loan (plus interest) from their own resources regardless of the returns on the investment. Their obligation is not limited in recourse; ■ investors bear the risk of their returns being affected as a result of loss of the Trees due to fire and other causes; ■ the Macquarie Forestry Investment 2011 will not be listed on any stock exchange and it is unlikely that investments in either the Tree Project or the Land Trust will be liquid or that there will be a secondary market for those Interests or Units. Other than in limited circumstances for Units in the Land Trust, there is no right of redemption. The Macquarie Forestry Investment 2011 is only suitable for investors who are willing to hold their investment to at least Maturity; and ■ various entities within the Macquarie Group are involved in the operations of the Land Trust and the Tree Project and can be affected by an adverse change in the financial position of the Macquarie Group. Investments in the Macquarie Forestry Investment 2011 are not deposits with, or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or of any other Macquarie Group company and are subject to investment risk, including possible delays in repayment and loss of principal or income invested. Neither MBL nor any other member company of the Macquarie Group guarantees any particular rate of return on, or the performance of, or the repayment of capital from the Macquarie Forestry Investment 2011. <p>Applicants should read Section 6 <i>Investment Risks</i> thoroughly for a detailed discussion of a selection of the risks of investing in the Macquarie Forestry Investment 2011.</p>	Section 6: Investment Risks
(d) Transactions with Macquarie Group entities	Both the Land Trust RE and the Tree Project RE enter into arrangements with parties that are members of the Macquarie Group. See Section 5.3.5 of this PDS for information on the Land Trust RE's and the Tree Project RE's policy on related party transactions.	Section 5.3.5
(e) What is the Dispute Resolution Procedure to deal with Complaints?	Both MAAML and MFPML provide complaints handling and dispute resolution process for Investors and are members of the Financial Ombudsman Service.	Section 10.1: Enquiries and Complaints

Topic	Summary	Where to find more information
(f) Do MAAML and MFPML take into account Labour Standards or Environmental, Social or Ethical Considerations when Selecting, Retaining or Realising Investments?	<p>MAAML and MFPML, as the current Tree Project RE and the Land Trust RE, respectively, do not take account of labour standards, social considerations or ethical considerations when selecting, retaining or realising investments except to the extent that these decisions affect the profitability of the Tree Project or the Land Trust, as the case may be.</p> <p>The Tree Project RE and the Land Trust RE take into account environmental matters to the extent that they affect the Tree Project or the Land Trust as the case may be. In particular:</p> <ul style="list-style-type: none"> ▪ the Land Selection Protocols are used in selecting land for use in the Tree Project and which will be acquired for the Land Trust; and ▪ environmental matters are taken into account by the Tree Project RE in carrying out management of the Investor's forestry business in accordance with good forestry practice. 	Section 4.2: Physical process of growing your Trees
(g) How to Apply for an Investment	<p>After you have read this PDS and sought financial, taxation and other relevant professional advice, to apply for Interests in the Tree Project complete the Tree Project Application Form and to apply for Units in the Land Trust complete the Land Trust Application Form.</p>	How to Apply and Application Forms

1.4 PROTECTION FEATURES – DEPOSIT ACCOUNTS FOR TREE ESTABLISHMENT, MANAGEMENT AND RENT

The Macquarie Forestry Investment 2011 includes measures that aim to manage some of the risks of your investment. For instance please see the measures that are listed in sections 1.1(k) for the Tree Project and those described in section 6.4 of this PDS.

These features include security over separate deposit accounts that will be established for the benefit of investors. These include:

- the 2011 Forestry Accounts for the benefit of Tree Project Investors; and
- the Land Rental Security account for the benefit of Land Trust Investors.

Land Trust: The Land Rental Security Account

The Macquarie Forestry Investment 2011 includes a Land Rental Security Account to provide for funds to meet the annual rental payments under the Lease.

Land will be leased to MAAML under the Lease, who will be responsible for making the annual lease payments (and any Deferred Rent payable) to the Land Trust.

MAAML will deposit into its Land Rental Security Account (established with MBL) an amount that, together with interest earned on amounts in that account, is estimated to be sufficient to cover annual rental payments due under the Lease from years two to Maturity (inclusive).

In the event that MAAML defaults in its rental payments under a Lease, the Land Trust RE can enforce its security and use the funds in the Land Rental Security Account to

satisfy (in whole or in part) the rental payments due under the leasing arrangement. This feature provides Land Trust Investors with added protection that the Land Trust will each year receive the annual rental income due under the Lease from MAAML.

In this situation, Investors in the Tree Project will still have access to the Land and will be required to only pay a nominal amount of \$1 per annum in rental to the Land Trust (in addition to rates, taxes and other outgoings).

Please see Annexure B.3.2 of this PDS for further detail on this account and the security charge granted to the Land Trust.

Tree Project: The 2011 Forestry Accounts

At the commencement of the Tree Project, each of MAAML and Macquarie Forestry Services will establish separate accounts with MBL (the 2011 Forestry Accounts). The accounts are each subject to a charge granted as security in favour of the Tree Project. Funds will be deposited into the 2011 Forestry Accounts when Interests in the Tree Project are issued.

The amount deposited into the account created by Macquarie Forestry Services will be the amount that (together with any interest earned) is estimated by MAAML, at the time the deposit is made, to be required to meet the expected expenses associated with Tree planting and establishment.

The amount deposited into the account created by MAAML will be the amount that (together with any interest earned) is estimated by MAAML, at the time that the deposit is made, to be required to meet the annual maintenance and management expenses in respect

Overview of Deposit Accounts		
	The 2011 Forestry Accounts	Land Rental Security Account
WHO is the feature for?	Tree Project Investors	Land Trust Investors
WHAT is the feature?	Funds are to be deposited by MAAML and Macquarie Forestry Services into separate accounts held by them with MBL that are charged in favour of the Tree Project.	Funds are deposited into an account held by MAAML with MBL which is charged in favour of the Land Trust.
WHY is the feature in place?	To provide funds for the Tree Project to meet tree establishment costs, and annual forestry and maintenance expenses until harvest commences.	To provide funds to pay the annual rental payments in years 2 to Maturity (inclusive) owed to MAAML to the Land Trust under the Lease.
HOW does the feature work?	If the security charge is enforced funds then remaining in the account (if any) can be used to meet ongoing costs and expenses.	If the security charge is enforced funds remaining in the account (if any) can be used to make annual rental payments to the Land Trust.

of Trees grown as part of each Tree Project Investor's business.

The deposited amounts do not include MAAML's or Macquarie Forestry Services' overheads or other internal costs incurred or that may be incurred by them in undertaking their obligations in relation to each Tree Project Investor's business.

Although it is not possible to predict all fees and costs of operating and managing the Tree Project with certainty, the amounts deposited in the 2011 Forestry Accounts, based on MAAML's estimates at the time of the deposits, would be expected to provide sufficient funds to pay the costs associated with Tree establishment, annual forestry and maintenance expenses, and council rates (but not any rent or other outgoings in respect of the Land, or overheads) for the life of the Tree Project.

If MAAML or Macquarie Forestry Services as the case may be, becomes insolvent and is unable to perform its obligations, the Tree Project may access the funds (if any) that are in the insolvent party's 2011 Forestry

Account and use such funds for the ongoing expenses and costs of the Tree Project.

As it is not possible to predict these costs with absolute certainty, please note that there is no guarantee that the amounts in the 2011 Forestry Accounts will at any time be sufficient to cover the Tree Project's future costs and expenses. However, whilst MAAML is the Tree Project RE, MAAML will still be responsible for undertaking its obligations in respect of the Tree Project, despite any shortfall or excess of funds in the 2011 Forestry Accounts.

Investors should note in this regard that a majority of the costs and expenses relating to the Tree Project are incurred in the first two years of the Tree Project and accordingly a significant proportion of the funds held in the 2011 Forestry Accounts are expected to be utilised over that period.

Please see Annexures B.2.1 and B.2.5 of this PDS for further details on these accounts and the security charges granted to the Tree Project.

Deposit Accounts

2011 Forestry Accounts

Tree planting and establishment



Annual forestry and maintenance



Land Rental Security Account

Annual rent (years two to maturity)



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1



2 / Why invest in Australian plantation forestry?

2. WHY INVEST IN AUSTRALIAN PLANTATION FORESTRY?

With the global financial crisis, most global economies experienced a synchronised downturn during the latter part of 2008 and for most of 2009. As a result, governments across the globe implemented unprecedented fiscal and monetary stimulus. Although some stability has returned, the long term outlook for global economies is still unknown. The future performance of global economies may affect your Investment to the extent that changes in economic conditions may positively or adversely influence the global demand or supply of woodchips. It is difficult to predict what changes, if any, will occur in the woodchip market as a result of global economic conditions, and Investors should consider the many factors which may influence future market demand and supply, including the material outlined in this Section 2 and Section 6 of this PDS and the Independent Expert's Letter from Poyry contained in *Appendix A* to this PDS.

2.1 FACTORS INFLUENCING DEMAND

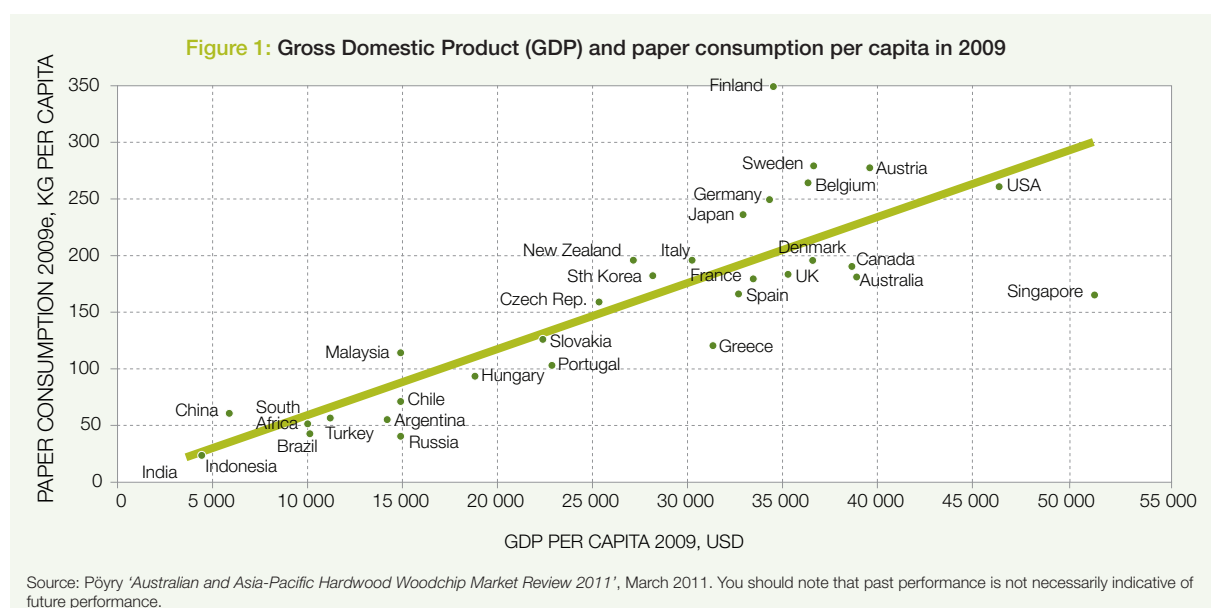
The world demand for paper and paperboard affects your Investment as it has a direct impact on the price for which the Trees may be sold. World demand for paper and paperboard has been driven by factors which have included:

- world population growth which is forecast to grow by approximately 70 million people annually until 2030;*
 - limited substitution of paper and paperboard in the foreseeable future; and
 - consumption increases for paper and paperboard per capita, especially in several of the countries the Asia-Pacific region where Australia can be competitive due to its proximity for exporting to those markets.

Demand for paper and paperboard products has been linked to Gross Domestic Product (GDP), amongst other drivers. Figure 1 demonstrates that there is a correlation between consumption per capita of paper and Gross Domestic Product per capita. As can be seen from the graph, countries such as China and India currently have a lower paper consumption based on GDP per capita than other developed economies such as the USA and Japan. Figure 1 illustrates that the Japanese market is one of the largest per-capita paper consuming countries in the world, and highlights the potential for increased demand that may eventuate from developing countries such as China and India. Whilst the historical relationship has been that increases in GDP per capita have been correlated to increases in paper consumption, it is not guaranteed that this relationship will continue, and the effects on this relationship resulting from future global economic conditions is not known.

2.2 CHANGING SOURCES OF TIMBER

Australia is currently anticipated to continue to be the Asia-Pacific region's largest net exporter (supplier) of woodchips over the next 15 years. In Australia, there has been a gradual but significant reduction in the area of natural forest available for harvesting into hardwood pulpwood, and ongoing public pressure combined with climate change mitigating steps may see further reductions in the area of natural forests available for harvesting. Harvest volumes from plantations are expected to progressively replace much of the native forest-sourced fibre currently used by the Asian market. It is anticipated that the Australian woodchip producers, such as investors in the Macquarie Forestry Investment 2011, remain in a position to provide a replacement for the native forest sourced wood previously used to satisfy demand for wood and paper products.



* Source: United Nations, Population Division, *World Population Prospects: The 2008 Revision*.

2.3 PLANTATION PRODUCED WOODCHIPS – INTERNATIONALLY A PREFERRED PRODUCT

When compared to timber from native sources, plantation grown timber has become the preferred source of supply for the global pulp and paper industry. Eucalyptus plantation grown timber such as the timber to be grown under the Tree Project is currently attractive to the pulp and paper industries for the following reasons:

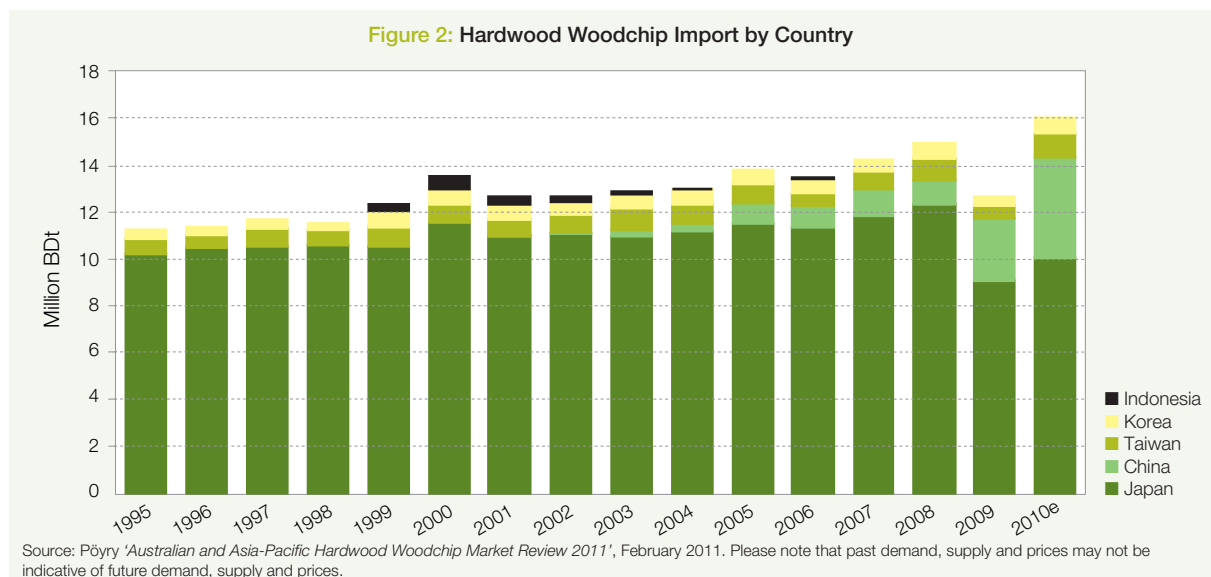
- plantation pulpwood typically gives higher pulp yields and more uniformity and consistency for processing;
- in addition to higher yields, plantation-sourced material generally provides a more homogenous pulp, which allows for further improvements in downstream handling;
- plantation-sourced fibre can often avoid the controversy associated with large-scale native forest logging required to supply fibre to pulp mills; and
- there are environmental and sustainability advantages in relation to the marketability of products sourced from plantation timber and there is an increasing demand among consumers to have pulp and paper products sourced from sustainably managed plantations.

Australian growers, including those in the Macquarie Forestry Investment 2011, are heavily exposure to the Japanese market, particularly Japan which accounted for 80 per cent of Australia’s exports of hardwood woodchips in 2010 and will continue to be Australia’s largest hardwood woodchip market in 2011. Whilst weak global economic conditions reduced global paper and paperboard demand in 2008 and in the first half of 2009, growth returned toward the end of 2009 and into the beginning of 2010. Part of the reduction in demand in 2009 which resulted in lower consumption of paper and paperboard throughout the Asian region, can be explained by inventory de-stocking which

occurred along most supply chains, and this was seen in the more developed markets such as Japan, Korea and Taiwan where demand for woodchips is expected to remain relatively flat in the long term for Korea and Taiwan. Other markets such as China, however, increased their consumption of paper and paperboard during this time (see *Figure 2*).

The long-term outlook for the Asia-Pacific hardwood woodchip market is strong, and whilst there is expected to be a gradual decline of 1.3 per cent per annum in Japanese demand over the long-term, that reduction is expected to be offset by a combination of increasing demand from emerging markets (such as China) and declining supplies available in the Asia-Pacific region. China’s BHKP production is forecast to grow 5.9 per cent per annum to 2025 and in the short term, the fibre demand from the new pulp facilities will be met with woodchip imports. Long-term demand however will depend on many factors including long term GDP growth rates in the Asian region and future global economic conditions which cannot be predicted with any certainty.

Investors should note that the demand and supply fundamentals of the Asia-Pacific hardwood woodchip market will fluctuate from time to time, and may be influenced materially by one-off events in any given period (for example, disruptions to paper and paper manufacturing facilities in major importer countries). It is the long term fundamentals, and in particular, the market conditions prevailing around the time of the Sale Period (currently expected to be in the 2022 calendar year) which are most relevant to your investment.



2.4 HARDWOOD WOODCHIP MARKET

The Eucalypt Trees grown under the Tree Project are classified as 'hardwood'. You should consider the implications of factors affecting supply and demand in the market for hardwood woodchips, some of which are discussed below.

International woodchip markets

- Australia has been exporting hardwood woodchips to Japan since 1969, and Japan has been and remains the dominant export market for Australian hardwood woodchips. Midway Ltd ("Midway"), currently the Tree Project Offtaker for Timber (other than Residual Timber) for plantations in the Geelong and Portland regions, has been a supplier to the Japanese market since 1986 and has ongoing supply contracts for this market
- In 2006, China became a net importer of hardwood woodchips for the first time, and may potentially remain an importer of hardwood woodchip in the medium-term (see Figure 3)*. Whilst not as significant as the Japanese market in terms of imports, the country's hardwood woodchip imports have increased substantially since 2001, reaching 4.3 million BDT in 2010 with Australia accounting for 11 per cent of China's total hardwood woodchip imports in 2010. China may therefore represent an alternative market should there be any increase in paper and paperboard consumption in the Asian region. However Australian exporters are likely to compete with other countries for these markets, most notably Indonesia and Vietnam. These countries have emerged in recent years as significant exporters into this market and represents the highest competition for Australian exporters due to the potential scale of supply and the generally favourable cost structure in these countries.

Investors should note that future demand will depend on many factors, including long term GDP growth in China and the Asian region, and the long term effects resulting from current and future global economic conditions which cannot be predicted with any certainty.

Domestic woodchip market

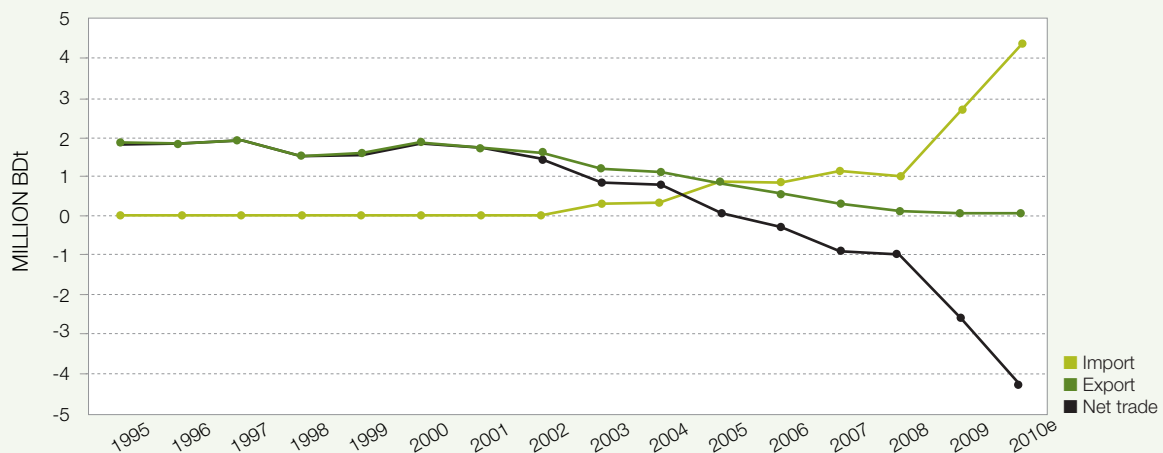
The Macquarie Forestry Investment 2011 will be established in the Green Triangle region of Victoria, where much of the forecast increase in hardwood pulpwood supply is expected to occur over the next decade. The Green Triangle region spans much of southeast and south-western Victoria.

In 2009, Midway completed the expansion and rebuild of its woodchip processing and export facilities in Geelong, Victoria. The facility is capable of processing, chipping and stockpiling woodchips, which can then be loaded via a facility owned by Midway at Geelong harbour for exporting. No other static hardwood chipping alternatives presently exist in this area.

Midway and its joint venture partner have also recently completed construction of a woodchip mill in the Portland Region, at Myamyn, near Heywood, Victoria. The \$32 million woodchip mill was commissioned in August 2009, is fully operational and is designed to process 1.4 million tonnes of hardwood plantation per annum. Midway and its joint venture partner are currently the only exporters of hardwood woodchips from the Portland Region. The new facility provides much needed processing capacity for the significant hardwood plantation resource in the Green Triangle region and accesses the only currently operating hardwood chip export facility in that region.

Two new domestic pulpmills are being considered in Australia, which could provide additional market opportunities for Australian growers. The largest is a BHKP is a pulpmill in northern Tasmania, which would consume close to 4 million GMt/a of hardwood pulpwood. The second potential project is a bleached chemi-thermo mechanical pulpmill which would be based in Penola, South Australia. New domestic pulpmills will divert woodchips from export markets, thereby reducing supply and improving market opportunities for the remaining suppliers.

Figure 3: Chinese Hardwood Woodchip Imports



Source: Pöyry 'Australian and Asia-Pacific Hardwood Woodchip Market Review 2011', February 2011. Please note that past performance may not be indicative of future performance.

2.5 WOODCHIP PRICING

History

The price for Australian hardwood woodchips has generally been set by annual negotiation between the major suppliers and the Japanese pulp and paper manufacturers, in conjunction with their trading houses. However, investors should note, purchasers in different countries may pay different prices for their Australian hardwood woodchips. Figure 4 illustrates the real (i.e. inflation adjusted) price received for native forest sourced hardwood woodchips by the Leading Australian Hardwood Chip Exporter (“LAHCE”) over the past 20 years and presents the development of native and plantation eucalyptus woodchip export prices on a free on board (“FOB”) basis. The FOB woodchip price for plantation eucalyptus shipped from Albany WA has become the benchmark for plantation-grown hardwood woodchips exported from Australia. The LAHCE price, however, provides a guide as to the historical performance of woodchip prices that is relevant to your investment in the Tree Project.

As can be seen from Figure 4, since the introduction of plantation sourced woodchips, a premium for this product (over native timber) has developed in the market. The premium for plantation fibre is based on higher pulping yields, consistency in fibre, and the sustainability associated with most plantation versus non-plantation sourced material.

Despite the global economic downturn in 2009 and a general fall in commodity prices, the price for plantation eucalyptus woodchips did not change from the 2008 benchmark price of AUD 207.40 per Bone Dry Metric Tonne (BDt). Investors should note that it is the long term pricing of plantation woodchips, and in particular, the pricing prevailing around the time of the Sale Period (currently expected to be in the 2022 calendar year) which is most relevant to your investment. It should be noted that past performance is not indicative of future performance and should not be relied upon as such,

and the effect on long term prices as a result of current global economic conditions cannot be predicted with any certainty.

2.6 AUSTRALIA – A COST COMPETITIVE SUPPLIER

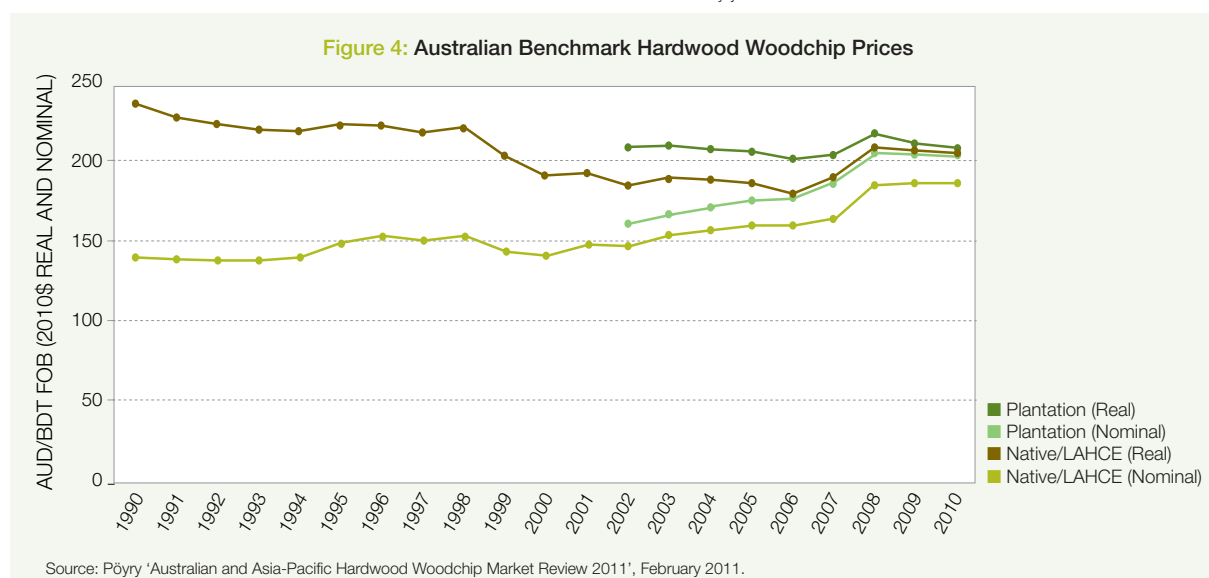
Shipping distances between load to destination port is a primary determinant of cost competitiveness in the woodchip trade, and has traditionally provided Asian and Australian woodchip suppliers to northern Asia with a cost competitive advantage over suppliers from the US, South America and South Africa.

Table 1 below details the shipping times from a range of major woodchip supply ports to two selected ports in Japan and China. It highlights that Australian woodchip exporters hold a cost-competitive advantage over other major suppliers to the Japanese and Chinese markets with regard to freight costs, as the number of sailing days is significantly lower.

Table 1: Shipping times to Japanese Ports and Chinese Ports*

Country	Export Port	Number of sailing days to port of:	
		Akita* Japan	Qingdao, Shandong* China
Australia	Geelong (Vic)	17.3	17.2
	Portland (Vic)	17.5	17.4
Indonesia	Dumai	11.0	8.8
Chile	Coronel, Corral	30.0	32.8
Brazil	Macapa	33.0	34.6
Uruguay	Montevideo	35.0	37.2
South Africa	Richards Bay	25.5	24.6
US South	Mobile	28.7	32.8
US West	Tacoma	13.0	16.5
US Alaska	Port McKenzie	11.0	14.4

Source: Pöyry



* At selected Japanese and Chinese ports.

Exchange rate fluctuations are also important in cost-competitiveness of suppliers from different sources. Australia is the only hardwood woodchip supplier to Japan not selling in US dollars (USD). Australian contracts are negotiated in Australian Dollars (AUD), and consequently, currency price fluctuations between the Australian dollar and the US dollar, and relative to other major currencies against the US dollar, will influence the cost competitiveness of Australian supplied woodchips. A depreciating Australian dollar has the potential to increase Australia's cost competitiveness, whilst an appreciating Australian dollar may have the opposite effect. Investors should note that future currency prices will fluctuate and may be volatile, and it is the long term price of the Australian dollar relative to the US dollar, in particular around the time of the Sale Period (currently expected to be in the 2022 calendar year), which is most relevant to your investment.

2.7 BIO-ENERGY/FUEL MARKETS

If it is feasible, the Tree Project RE intends to enter into agreements with Offtakers for the offtake of any Residual Timber from your Plantation Lots. However, at this stage it is not expected that a material amount of sale proceeds (if any) will be received from the offtake of Residual Timber.

Residual Timber is typically harvest residue (or bio-mass) such as leaves, tops, limbs and undersized trees generated and left following logging of merchantable timber by other Offtakers who are sourcing wood for uses such as woodchips.

This Residual Timber may be acquired by an Offtaker for the purpose of bio-energy production by converting the Residual Timber into bio-mass in the form of wood pellets

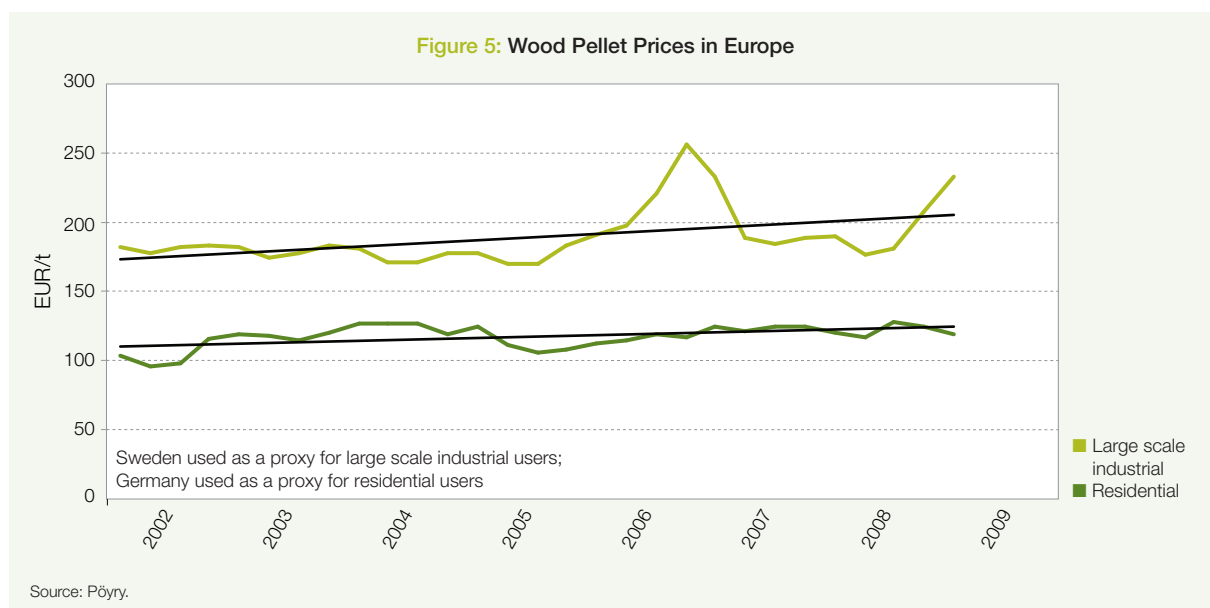
to be used as a renewable fuel source to generate power. However, there is no assurance that construction of a plant in the Green Triangle region will occur.

Drivers of wood pellet demand

As governments around the world grapple with climate change, attention has recently been given to renewable energy from sources such as bio-mass. The use of wood bio-mass has developed as one alternative to reduce carbon emissions, with Europe being the principal driver in this market development.

Globally, and increasingly in Australia, there is a drive to develop renewable sources of energy to counter concerns about the security of supply and cost of fossil fuels, as well as their impact on climate change. Most developed countries have already developed, or are in the process of implementing policy and legislative measures to promote a growing contribution to energy supply from renewable energy sources. Many developing countries, including China, are also well advance in this regard. There is now an increasing shift toward "new" renewable energy technologies such as wind, solar and biomass, particularly in the power generation sector.

Wood pellets have become a major fuel source for the generation of renewable power in Europe ("the EU"). Europe is currently the world's leading pellet producing and consuming region, and EU pellet demand is expected to grow as countries strive to achieve the collective EU target of 20 per cent renewable energy supply by 2020. It is anticipated (although not guaranteed) that demand has the potential to exceed supply over the next decade as pellet supplies usually exported from the US and Canada to the EU are increasingly diverted to US power plants, where renewable energy targets similar to those in the



EU are currently being developed and implemented in some states.

Over the last few years, the bio-energy market developments in the European region have resulted in growing European imports and prices for wood pellets and other forms of wood bio-mass. Whilst the use of woodchips for bio-energy in other parts of the world has not yet developed to the same extent that it has in Europe, the market for bio-fuels is expanding in North America, and other potentially sizeable markets such as China, Japan and Australia are beginning to attract some attention, and the global focus on wood pellets is beginning to penetrate the Asia-Pacific markets.

Figure 5 provides an overview of industrial and residential use wood pellet prices in Europe since 2002. Although residential wood pellets trade at a premium, they have stricter quality specifications than industrial pellets (for example residential wood pellets have a very strict ash content specification). As a result it is not anticipated that a pellet plant using only harvest residues could produce wood pellets to such a tight specification.

Overview of the Australian wood pellet market

In Australia, the wood pellet industry is in its infancy, both in terms of production and consumption and it is expected that at least in the immediate future higher-value pulp grade woodchips will continue to be sold for traditional uses such as pulp production. As a result, much of the supply for fuel pellet producers in the short term is expected to be derived from existing unused resources such as woodchip harvest residues.

As the Australian market for pulpwood fibre for use as wood pellets is currently small, there is no guarantee that the market for wood pellets or bio-energy will

grow in the short or long term. Future investment into bio-energy projects in Australia will also be affected by the outcome of the Australian Federal Government's *Renewable Energy (Electricity) Amendment Bill* which was passed in August 2009. This bill sets a Mandatory Renewable Energy Target (MRET) requiring 20 per cent of all electricity produced in Australia to be from renewable sources by 2020.

During 2009, Australia's first large-scale wood pellet processing plant was commissioned in Western Australia, targeting the EU industrial pellet market. Plans have also been announced to construct a second large-scale pellet plant in the Green Triangle region. At an Asia-Pacific regional level, renewable energy targets and supporting legislation are also under development in countries such as Korea and Japan, which could potentially drive demand for wood pellets in the medium to long-term and potentially provide Australian pellet suppliers with shorter shipping alternatives. In the short to medium term however, it is anticipated that Australian pellet suppliers will be targeting mainly the EU market.

2.8 ENVIRONMENTAL BENEFITS

The establishment of forestry plantations may deliver environmental benefits such as:

- providing an alternative to native forests;
- the absorption of greenhouse gases from the atmosphere by the Trees; and
- assisting in the control of salinity by planting Trees.

Native vegetation (such as native forests) will not be cleared for the establishment of Plantable Land. Rather, agricultural land including dairy farms, grazing properties and existing commercial plantation land will be used for the planting of your Trees.

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3 / The Macquarie Forestry Investment team

MAAML, as RE of the Tree Project, has assembled an experienced team to manage your Investment. The team delivers industry expertise across all aspects of the management of your Investment.

3.1 RESPONSIBLE ENTITIES

MAAML is the current Responsible Entity for the Tree Project.

MFPML is the current Responsible Entity for the Land Trust.

Bond Street Custodians Limited is the Custodian appointed by the Tree Project RE and holds the Sublease of the Land used in the Tree Project, it also holds the benefit of the charges over the 2011 Forestry Accounts.

MAAML, MFPML and Bond Street Custodians are all members of the Macquarie Group. Staff and facilities from within the Macquarie Group are available to MAAML and MFPML to enable them to perform their functions as the Responsible Entities.

MAAML subcontracts some of its functions to Macquarie Forestry Services. Macquarie Forestry Services will enter into arms length agreements with Forestry Contractors. Macquarie Forestry Services is independent of the Forestry Contractors. For further information, see Sections 3.2 "Project Manager" and Appendix B.2.4 *Management Agreements*.

The Macquarie Group does not guarantee the performance of MAAML, MFPML, Bond Street Custodians or Macquarie Forestry Services and is not required to provide financial support to any of them.

MAAML's and MFPML's financial reports are lodged with, and available from, ASIC. As at 31 March 2010, MAAML had net assets of \$13.45 million and MFPML had net assets of \$34.46 million. Please note that there is no assurance that this level of net assets will be maintained. However, MAAML and MFPML are both required to, and do maintain the ongoing level of capital, cash flow and any surplus liquid funds required under their Australian financial services licences.

You should note that MAAML and MFPML do not rely on any external bank debt to operate the Tree Project and Land Trust (however the Land Trust does borrow funds from the Land Trust Lender under the Land Trust Loan to partially fund the purchase of the Land by the Land Trust).

Income from managed investment scheme sales represent a significant proportion of MAAML's and MFPML's operating income. However, it is important to note that MAAML and MFPML do not rely on new managed investment scheme sales to be able to perform their obligations under existing managed

investment schemes. Reduced sales of agricultural managed investment schemes issued by MFPML or MAAML in the current or future financial years is therefore not expected to affect MFPML's or MAAML's ability to perform their obligations under the Land Trust or the Tree Project. In this regard, Investors should also note the security granted by MAAML in relation to MAAML's 2011 Forestry Account and the Land Rental Security Account described in Sections 1.4 and Appendices B.2 and B.3 of this PDS.

3.2 PROJECT MANAGER

Macquarie Forestry Services, a member of the Macquarie Group, will project-manage the operational and technical aspects of the Tree Project. It has been responsible for various forestry operations since 2003. Macquarie Forestry Services' duties include:

- sourcing and managing foresters and forestry expertise;
- sourcing and managing environmental and conservation expertise; and
- overseeing forestry reporting and administration.

3.3 FORESTRY MANAGEMENT

Macquarie Forestry Services will enter into agreements with Forestry Contractors to perform some of its obligations, including locating land in accordance with the Land Selection Protocols applicable for the Regions selected by the Tree Project RE.

Forestry Contractors will provide forestry management services for plantations in areas of the Geelong and Portland Regions (in each case such areas are defined by reference to, among other things, economic haulage distance from agreed timber processing facilities in those regions, or such other places as are agreed). If plantations are established in other areas, then third party forestry contractors may be appointed for those areas.

The agreements will require the Forestry Contractors to fulfil certain forestry operational requirements of the Tree Project. The Forestry Contractors will be required to undertake the planting of Trees in their respective areas and to maintain and manage those Trees in their respective areas for the Term of the Investment.

Currently Midway (for the Geelong Region and other regions if agreed) and McEwens Contracting Pty Ltd (*McEwens Contracting*) (for the Portland Region) are intended to provide forestry management services.

Midway was established in 1980 and today is a fully integrated forestry company involved in all aspects of the forestry business including:

- **Plantation Owner** – Midway owns approximately 10,300 hectares of timber plantation on 16,000

hectares of freehold land situated in Victoria and a further 500 hectares of leased land. Midway manages a further 3,300 hectares in Victoria on leased land through a joint venture with key customers

- **Forestry Maintenance** – Midway manages over 26,000 hectares of softwood and hardwood plantations in the Geelong and Gippsland regions
- **Forestry Harvester** – Midway currently undertakes the harvesting of its own plantations and other plantations owned by third parties, including some major Japanese paper manufacturing companies.
- **Woodchip Processing and Loading** – Midway and its subsidiaries and through joint ventures, operates woodchip processing and export businesses in three regions (Geelong, Portland and Brisbane), and has been exporting woodchips since 1986 and has developed close relationships with a number of buyers to supply woodchips to the Asian region.

McEwens Contracting is a privately owned company based in Mount Gambier, South Australia. The company was originally established by the McEwen family as a plantation contracting business.

McEwens Contracting and associated companies has extensive experience in land acquisition, leasing and subdivision, plantation establishment, and ongoing maintenance. Furthermore, it has industry exposure at all levels – as landowners, plantation owners, lessors, managers and contractors. McEwens Contracting subcontracts for a major Japanese consortium, and its clients include several listed plantation forestry managers, superannuation companies and a number of individual growers. To date, it has been involved in the establishment of approximately 20,000 hectares of hardwood plantations in South Australia and Victoria.

3.4 FORESTER

While Midway and McEwens Contracting have been engaged to provide the on-ground management activities for plantations, MAAML still retains the primary responsibility for the on-ground management of the Project. MAAML or Macquarie Forestry Services may therefore engage other experts and contractors in conducting the management of Investors' plantations.

Geddes Management Pty Ltd ("Geddes Management") will provide Macquarie Forestry Services with technical expertise and will be the Forester for the plantations. Geddes Management's role includes the review of a selection of the Land prior to acquisition and may also include the review of the Forestry Contractor's performance.

Geddes Management has provided forestry consultancy services since 1993. Over that time, it has successfully completed hundreds of consultancy projects (ranging from small to large scale), including soil plantation assessments, plantation valuations and risk assessments in New Zealand and Australia.

A National Agribusiness Operations Manager has been appointed by MAAML to oversee the on-ground management of the forestry operations and the experts who are engaged in the establishment and on-going management of the plantations. In addition, in early 2010, Macquarie Forestry Services announced that it had appointed a new General Manager of Forestry. The General Manager of Forestry has had previous experience in managing over 80,000 hectares of eucalyptus plantations and will be directly responsible for overseeing the on the ground forestry operations, and will further improve the silvicultural decision making capabilities for the Tree Project.

3.5 OFFTAKE ARRANGEMENTS

The Tree Project RE has or intends to enter into agreements with Offtakers (that may include Macquarie Group companies) for Trees grown in different Regions, to acquire the Timber (see below and Section 4.2.4 of this PDS for arrangements that the Tree Project RE has in place). Timber may be sold on the basis that it is to be harvested or the Trees and all rights in and to them can be sold whether for harvest at a later stage or otherwise. Offtake Agreements may be for the purchase of:

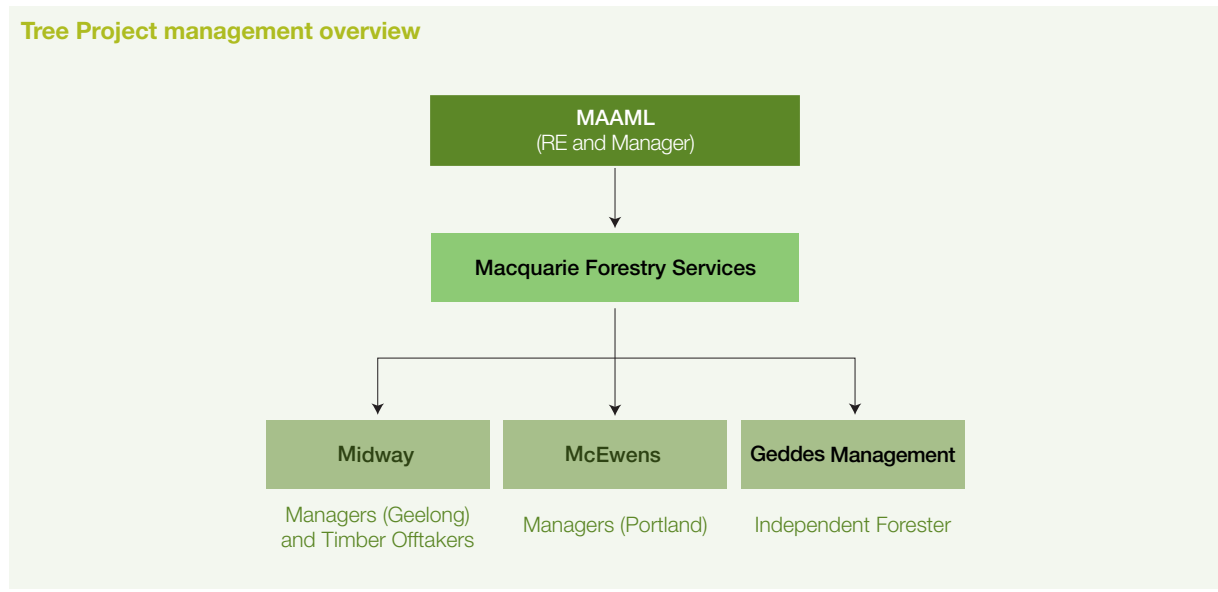
- Merchantable Timber, for instance to be used in the production of hardwood woodchips for export; or
- Residual Timber for the production of wood pellets or other bio-energy consumption (as described in Section 2.7 of this PDS).

For example, an agreement has been entered into with Midway to be the Offtaker for Timber from all plantations established in the Geelong Region and Portland Region (defined by reference to, among other

things, economic haulage distance from agreed timber processing facilities in those regions). Midway has experience in harvesting from its own and other parties plantations. With its subsidiaries and joint ventures, Midway processed and exported over 1 million green metric tonnes of woodchips (hardwood and softwood) from Geelong, Portland and Brisbane in 2009.

However, following the harvest of Timber by Offtakers such as Midway, there may be some Residual Timber that the Offtaker does not deal with. Accordingly, where feasible the Tree Project RE will consider arrangements for possible offtake of the Residual Timber from all plantations established in the Portland Region. No agreement has yet been reached and it should not be assumed that any arrangement to offtake Residual Timber will necessarily be concluded at any particular time. For any updates please see the Forestry Investment website:

www.macquarie.com.au/forestry.





4 / If you invest in
the Tree Project

This section is relevant to an investment in the Tree Project.

LIFE-CYCLE OF THE TREES

Year 1 Land Selection



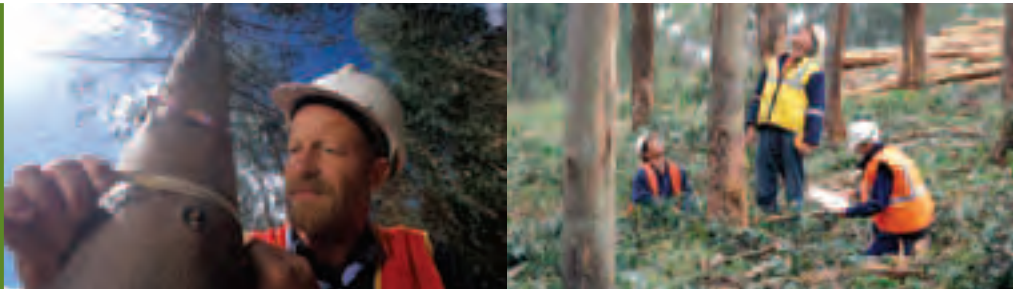
Land will be identified and purchased by the Land Trust RE (and in some cases MBL as co-owner) and divided into Plantation Lots when leased to the Tree Project RE. The Plantation Lots will be prepared and seedlings will be planted by 31 December 2012 (within 18 months of issue of your Interests) and fertilised (where necessary).

Year 2 Plantation Establishment



Second season fertilisation, weed control and related tending to your young Trees will be undertaken for you by a Forestry Contractor working for Macquarie Forestry Services (as the Tree Project RE's agent) where necessary. You will also receive a review and report prepared by a Forester.

Year 3-11 Plantation Management



Your Trees should continue to grow. Plantation management and maintenance is undertaken for you by a Forestry Contractor working for Macquarie Forestry Services (as the Tree Project RE's agent). You will receive regular updates from the Tree Project RE, advising of the condition and progress of the Trees.

Year 11-12 Harvest



Your Trees will be purchased under arrangements made by the Tree Project RE with Offtakers.

4.1 KEY FACTORS

Your returns from the Tree Project are expected to be in the form of a cash distribution of your pro rata portion of the Net Sale Proceeds after deduction of expenses (such as management fees, Deferred Rent and any performance fees), from harvest and sale of the Trees, currently scheduled to commence in 2022.

Plantation performance is measured by the volume of Timber produced per hectare. The Land Selection Protocols require the Forestry Contractor to select land which produces a weighted average Timber yield of 220 to 230 green metric tonnes (“GMT”) per plantable hectare over a 10 year period.

The Forester will be required to undertake a review of a selection of land to be used for the plantations. In its Expert Report in Appendix A of this PDS, Geddes Management expresses the view that the range of growth estimates in the Land Selection Protocol relating to Trees established and managed by the proposed Forestry Contractors for the Geelong and Portland Regions are realistic, provided that average climatic conditions occur during the rotation and plantation management is undertaken in accordance with the Midway Management Agreement 2011 and the McEwens Management Agreement 2011 respectively.

The material agreements summarised in Appendix B of this PDS express Timber yields in terms of green metric tonnes (“GMT”) as defined in the Glossary of this PDS.

4.2 PHYSICAL PROCESS OF GROWING YOUR TREES

The following is an overview of the physical aspects of conducting a forestry business under the Tree Project.

Figure 6: Physical aspects of the Tree Project



4.2.1 LAND SELECTION

(a) Where is the Land?

The Land is to be identified by the Tree Project RE, with the assistance of Forestry Contractors and may be located in various Regions in Australia. Currently it is anticipated that Land will be located in the Geelong and Portland Regions of Victoria. However, if the Product Ruling (referred to in Section 8) is extended to cover other Regions, Land may be located in such other Regions if an expert indicates that land in the relevant Region may satisfy the average yield at ten years of growth contemplated in this PDS, and is not likely to adversely affect marketability of the Trees.

The Tree Project RE may determine the location of an Investor’s Plantation Lot(s). The Land will generally be located within an economic haulage distance from a log processor’s mill gate.

Colliers International has provided a land value consultancy report (see Appendix A) It is expected that Land sufficient to enable a Plantation Lot of approximately one quarter of a hectare to be allocated for each Interest will be acquired and planted within 18 months after the Interests are allotted. If land is not located and leased within 15 months Investors have rights under the Tree Project Constitution required by the terms of MAAML’s Australian Financial Services Licence (see Appendix B.2.1).

If you hold multiple Interests and Land is selected in more than one Region, then your Plantation Lots may be located in any one or more different Regions. This allocation is within the Tree Project RE’s discretion. Information about other selected Regions will be posted on the Macquarie Forestry Investment website at www.macquarie.com.au/forestry.

(b) How will Land be selected?

Detailed Land Selection Protocols are established for the Regions in which the Land is located and only land satisfying the applicable protocol will be acquired. The protocols are prepared with the aim of allowing the Tree Project to achieve particular objectives.

The Land Selection Protocols include the following bases to estimate plantation productivity and timber price:

- the estimation of likely productivity uses a site classification system based on climate and soils; and
- the estimation of timber price takes into account general costs of harvest (i.e. steeper blocks are more expensive to harvest) and transport costs to mill gate (i.e. distance and the ability to utilise bulk transport).

The Tree Project RE (with assistance from the Forestry Contractors) will be responsible for the identification of Land in accordance with the Land Selection Protocol. The Forester will also review a selection of land prior to acquisition.

(c) Will I own the Land?

The Plantable Land that will be used to plant the Trees by the Tree Project will be owned by the Land Trust (in some cases, jointly with MBL) when it is leased to MAAML (refer to Section 5 *If you Invest in the Land Trust* for information on acquiring Units in the Land Trust).

You will hold rights to use Plantation Lots on the Land relying on a Sublease (including rights to the Trees grown on the Land) granted by MAAML to the Tree Project Custodian to hold on your behalf. The Sublease commences on allocation of your Plantation Lots.

Your Interest in the Tree Project entitles you to plant, maintain and harvest Trees on your Plantation Lot during the Term (refer to Appendix B.2.1 and B.2.2 of this PDS for further information).

(d) How will I be charged for leasing the Land?

Tree Project Investors will pay a Deferred Rent of 4.95 per cent of the Net Sales Proceeds from the Trees for the use of their Plantation Lots. These fees are deducted from Net Sales Proceeds during the Sale Period. Alternatively, if an Insurance Event occurs, the Deferred Rent payable is 4.95 per cent of any Tree Insurance Proceeds (unless used to replant Trees). This ensures that other than the Application Price, there is no additional cash outlay by Investors other than from amounts generated by the Tree Project.

You will not be required to pay annual maintenance or management fees other than annual payments required for Tree Insurance if you choose to insure your Trees (see Section 4.2.3 (c)). MAAML will be responsible for making the annual rental payments to the owners of the Plantable Land for leasing the Land. You will not have to make any annual rental payments for your Plantation Lots while payments under the Lease are made by MAAML.

If, however MAAML defaults under the Lease, the Sublease (which requires rental payments of \$1 per annum) will continue as a lease with the Land Trust RE providing investors with ongoing access to the Land being used for the Tree Project. MAAML will still continue to be required to meet the rental payments which will in part be made from any funds available in the Land Rental Security Account over which MAAML has provided security in favour of the Land Trust RE and MBL. An amount of funds will be placed in the Land

Rental Security Account which together with interest on those funds, is intended to be sufficient to cover over 95 per cent of the total annual rental payments due under the Lease (see Section 1.4 and Appendix B.3.2 of this PDS for further detail). In that situation, Investors will only be required to pay rates, taxes and other outgoings on the Land under the terms of the Sublease in order to maintain their access to the Land. No other ongoing rental (other than the Deferred Rent which is paid out of Net Sale Proceeds) will be payable by Investors in the Tree Project.

(e) Will my Trees be separately identifiable?

Yes, the Plantation Lots on which your Trees will be planted will be separately identifiable and you will be able to identify your Trees. Digital mapping will be used to divide the Subleased Land into Plantation Lots, with each Interest in the Tree Project being assigned an identifiable Plantation Lot.

4.2.2 Plantation Establishment

(a) What type of Trees will be planted?

Varieties to be planted will include *Eucalyptus globulus* and *Eucalyptus nitens* species which are highly regarded in the pulp and paper industry due to their superior fibre qualities and ability to provide consistently high pulp yields, which is advantageous for papermaking. These species are currently the preferred hardwood chip species for export to Japan. Other species may be selected by the Tree Project RE where it thinks appropriate.

(b) When will my Trees be planted?

The Plantation Lots will be prepared for planting and your Trees will be planted during the Initial Term of your Investment, which is currently expected to be no later than 31 December 2012. It is expected that all Trees will be planted during the 2012 planting season which is likely to extend from April 2012 through to September 2012.

(c) Who will plant my Trees?

The Tree Project RE has contracted with Macquarie Forestry Services to manage the forestry plantation establishment and to undertake, among other things:

- vermin control as reasonably required;
- site preparation (including clean-up and cultivation) as required;
- weed control (prior to and/or after planting and in the season following planting) as reasonably required;
- selection and supply of seedlings;
- planting;
- establishment, fertilisation and second season fertilisation as necessary.

Macquarie Forestry Services may engage Forestry Contractors to perform these services. For example, it has engaged Midway, to perform these services in respect of Land in the Geelong Region of Victoria (and any other areas agreed between Midway and Macquarie Forestry Services), and McEwens Contracting in respect of Land in the Portland Region (defined by reference to, among other things, economic haulage distance from agreed timber processing facilities in those regions or other areas).

(d) Who owns any Carbon Sequestration Benefits which may be generated from my Trees?

As at the date of this PDS, there is still uncertainty about whether any carbon emission reduction scheme will be introduced and, if any scheme is introduced, then what form it will take. Any scheme may or may not affect your Tree Project investment. Any Carbon Sequestration Benefits generated by your Trees in the Tree Project will belong to you, and may be sold for you by the Tree Project RE (which has total discretion as to the extent to which and manner in which it does so and would exercise that discretion consistent with its duties to Investors). You will receive the net proceeds achieved from any sale or other dealing with your Carbon Sequestration Benefits. To the extent that any sale or other dealing with your Carbon Sequestration Benefits results in a carbon debit liability arising on the harvest, destruction or other event otherwise arising in respect of your Trees, such liability will be deducted from your Net Sale Proceeds. To the extent that your Net Sales Proceeds are insufficient to cover the carbon debit liability, that amount will be payable by your of your own funds.

4.2.3 Plantation Management

(a) Who manages my plantation on an ongoing basis?

The Tree Project RE is responsible for conducting your forestry business on your Plantation Lots. To satisfy its forestry obligations, it has engaged Macquarie Forestry Services to provide or procure the provision of forestry maintenance and management services (see Section 3.2 *Project Manager*).

Macquarie Forestry Services will enter into contracts with Forestry Contractors who will undertake these tasks (see Section 3.3 *Forestry Management*).

Macquarie Forestry Services may also contract with Geddes Management or other Foresters to conduct reviews of the Forestry Contractors' performance of the contracts (see Section 3.4 *Forester*).

(b) Is there an incentive system in place?

A Productivity Performance Fee, shared between the Tree Project RE and Macquarie Forestry Services, will apply to provide an incentive to manage the Trees in a manner that maximises the yield (see Section 7 for more details).

(c) Is insurance required?

Tree Insurance will also be required at the time the Trees are planted on your Plantation Lots if you use an Investment Loan with a term of more than 1 year to fund your Investment (see Section 9(c) *Tree Insurance*).

The Product Ruling issued in respect of Investors whose Interests are issued on or before 30 June 2011 confirms that an Investor in the Tree Project will be regarded as carrying on a business of primary production only if the Investor takes out insurance in respect of damage or destruction of the Trees from the time of planting up until the end of the term of the Tree Project. Investors who apply for Interests that are issued after that date should refer to Section 8 of this PDS.

(d) Is insurance available?

The Tree Project RE does not itself provide agricultural insurance. Insurance against damages or loss of your tree (such as, but not limited to fire, drought and flood) is not included in the Application Price.

The Tree Project RE will attempt to obtain Tree Insurance on your behalf and at your own cost if you have requested the Tree Project RE to do so in the Tree Project Application Form. In these circumstances, the Tree Project RE will attempt to obtain Tree Insurance for each financial year of the Term of the Investment, if it is reasonably available. The Tree Project RE will inform you if, for a particular financial year, the Tree Project RE is unable to obtain Tree Insurance for your Investment. In the event that the Tree Project RE is unable to obtain Tree Insurance for a particular financial year, you may be required to source your own tree insurance policy for that particular financial year. You should note that the Tree Project RE will not attempt to arrange Tree Insurance for you if you have failed to pay for Tree Insurance previously arranged for you in relation to the Tree Project by the Tree Project RE.

The Tree Project RE will endeavour to arrange insurance against fire and other insurable risks. Please note, risks not covered by such insurance include, but are not limited to, drought and flood. Please note that the proceeds of an insurance claim will not necessarily give you a return equivalent to your initial Investment or be sufficient to fund your loan repayments (under an Investment Loan or otherwise).

Indicative pricing received by the Tree Project RE for such insurance indicates that annual premiums will be approximately \$5 (plus GST) per Interest for the first year (from April 2012) rising to approximately \$30 per Interest for the tenth year of growth of your Trees. As the Trees grow and become more valuable, annual premiums will rise. Please note that these premiums may change between now and the time that the insurance is actually available. Conditions in the insurance market, and therefore premiums, may vary significantly over the life of the Investment. There is also a handling fee of \$11 (including GST) per policy, per annum payable to the Tree Project RE for arranging the insurance.

The Tree Project RE will obtain, and will pay for, public risk cover for a total exposure of at least \$5 million.

If you have Tree Insurance and your Trees are damaged or destroyed resulting in an insurance claim, then the Tree Project RE will replant affected parts of your Plantation Lots if you direct the Tree Project RE to do so before 31 December 2013. You will be required to provide the

Tree Project RE with sufficient funds to cover the cost of such replanting to the extent that such cost exceeds the amount of the Tree Insurance proceeds. The Tree Project will pay the balance (if any) of the Tree Insurance proceeds to you (after deduction of any management fees, including any Deferred Rent payable).

If you have Tree Insurance but you do not direct the Tree Project RE to replant, the Tree Project RE may in its discretion determine that the Tree Insurance proceeds will be used to replant the affected parts of your Plantation Lots. Alternatively, the Tree Project RE may pay the Tree Insurance proceeds to you (after deduction of any management fees and Deferred Rent) as the Tree Project RE determines.

Notwithstanding the above, the Tree Project RE does not provide agricultural insurance. Insurance against damage to or loss of your Trees (such as, but not limited to fire, drought and flood) is not included in the Application Price.

You will be sent further details on insurance closer to the time that your plantation is actually established.

See Section 6 for more details on insurance risk.

(e) What happens if my Trees are destroyed?

You will receive notification if your Trees are destroyed. Damage or destruction of your Trees may result in your Members Proportional Interest (which determines your share of the Net Sales Proceeds on harvest) to be reduced and in some cases reduced to nil.

If you have taken out Tree Insurance and the damage or destruction was caused by any of the insured risks, then you should receive the proceeds under your Tree Insurance policy after the deduction of any management fees and any Deferred Rent. This may vary to the extent that the Trees are replanted. It is likely that Trees would only be replanted if they were lost or damaged during the first two years of the Tree Insurance term.

If all your trees are destroyed and you have not taken out Tree Insurance you will not receive any income. In this case, your Members Proportional Interest will be reduced to nil and you will not be liable for further management fees. If some but not all of your Trees are destroyed and you have not taken out Tree Insurance, you will not receive any payments at the time of destruction and the Tree Project RE may adjust your Members Proportional Interest accordingly.

4.2.4 Harvest

(a) When will my Trees be sold and/or harvested?

The Trees have an estimated average growth period of 10 years from planting before they are expected to be harvested and then sold in 2022.

(b) Who will buy my Trees?

Your Trees will be pooled with the Trees of other Interest holders and sold to the Offtakers.

The arrangements may be for sale of the Timber in different states (growing, harvested or for harvest by the Offtaker) and there may be different Offtakers for Trees grown on different Plantation Lots and in different Regions for different end-uses of the Timber. Whether such arrangements can be made, and what types of arrangements can be made will depend on the relevant markets for the Timber and will be as determined by the Tree Project RE.

(c) How much will the Offtaker pay for my Trees?

The Tree Project RE will endeavour to negotiate a fair sale price for your Trees.

For example, under the Midway Offtake Agreement 2011, in the event that the Tree Project RE and Midway cannot agree on a price for Trees planted in the Geelong and Portland Regions (as referred to in Section 4.2.4(b)), mechanisms have been agreed which enable the Tree Project RE or Midway to employ the services of an independent pricing expert, who will establish the market price through a process of binding arbitration.

(d) What happens if the market price for timber falls?

A fall in the market price for timber will reduce your return and may result in an overall loss on this Investment.

(e) How does pooling fit in?

Your Timber will be pooled together for sale with the Timber produced by other Investors in the Tree Project, across all of the Regions.

Your proceeds will be your proportional share of the Net Sale Proceeds from the sale of all Timber produced under the Tree Project based on the number of Interests you hold.

Where your Trees are replanted, the replanted Trees will be treated as part of the pool of Timber for sale.

If you have not insured against the damage or destruction to your Trees and they are destroyed or damaged such that they are unfit for harvesting or sale, you will have no Trees to contribute to the pool. If this happens you will have no proportional entitlement to the Net Sale Proceeds from the sale of all Timber produced under the Tree Project. You may receive no payment for your damaged or destroyed Trees. See Section 4.2.3(d) *Is insurance available?* and Section 6 *Investment Risks*.

If you have not insured against the damage or destruction to your Trees, and some (but not all) of your Trees are destroyed or damaged such that they are unfit for harvesting or sale, the Tree Project RE will determine your proportional entitlement (if any) to the Net Sale Proceeds from the sale of all Timber produced under the Tree Project.

(f) Can I sell my Interest before harvest?

In accordance with the Constitution for the Tree Project you will have the right to assign or sell your Interest in the Tree Project prior to harvest, subject to approval by the Tree Project RE. At the date of this PDS, there is no active secondary market for Interests in the Tree Project. The sale of Interests will affect the tax treatment of your investment (see Section 8 *Tax Treatment*). In particular, if you dispose of your Interest within four years of the income year in which your Interests are issued (including for instance where you default on your Investment Loan) then you will not get the benefit of any deduction for the Application Price on your investment in the Tree Project. You should seek your own tax advice on the consequences of selling any of your Interests prior to harvest.

If you have taken an Investment Loan from the Lender then your ability to sell your Interest will be affected by the Loan and Security Agreement (see Section *Appendix C* of this PDS). The sale would require approval from the Lender unless you have repaid all amounts owing to the Lender under the Investment Loan.

4.2.5 Reporting to Investors

(a) Have Foresters been engaged?

The Tree Project RE has engaged international forestry consultants Pöyry Consulting to provide an independent opinion as to the market for the woodchips from the Trees grown through the Tree Project. The wood may however be sold by the Tree Project RE for purposes other than woodchips. Where arrangements result in timber being sold into such other markets, the Tree Project RE will obtain reports on those other markets.

Geddes Management has been engaged by Macquarie Forestry Services to provide an opinion on the possible Timber yield for the Trees grown under the Tree Project.

Geddes Management or other experts may also be engaged by Macquarie Forestry Services to provide periodic reviews of any Forestry Contractor's performance. See Section 3.4 for more information on Geddes Management.

(b) Will I receive progress reports?

You will receive the following reports:

- **Confirmation of your investment** including details of your Plantation Lots and, if applicable, details of your Investment Loan;
- **Establishment Report** by Geddes Management or another Forester (depending on the Regions in which your Interests are located), providing confirmation of the completion of site preparation and planting of your Trees;
- **Annual Report** confirming the health and growth of Tree Project Trees;
- **Sale Report** confirming the sale of your Timber and the Net Sale Proceeds for distribution;
- **an annual Periodic Statement** setting out further information regarding your Investment, to the extent that such information has not been provided in the reports above; and
- **insurance details** setting out the cost of and coverage of insurance to be taken out in respect of your Trees will be sent to you if you have requested the Tree Project RE attempt to obtain tree insurance on your behalf in the Tree Project Application Form.

These reports will be presented either in the form of a newsletter or as separate reports.

Refer also to Section 10 of this PDS for other available documents.

Subject to sufficient Investor interest, the Tree Project RE may hold Investor seminars, at which you will have the opportunity to hear presentations by, and ask questions of, the Tree Project RE and the Foresters regarding the progress and condition of the Trees. The Tree Project RE will provide Investors with details on the Investor seminars which may be held closer to the date of the seminar.



5 / If you invest in the
Land Trust

This Section is relevant to an Investment in the Land Trust.

5.1 KEY FACTORS

Investors will participate in the returns potentially available from the growth in the value (if any) of the Plantable Land and may be entitled to the net returns in the form of a distribution paid from annual rentals received by the Land Trust and any Deferred Rent received in connection with the Lease.

Some of the key statistics which contribute to determination of the return on your Investment are outlined below.

The average value of the Plantable Land (as at the date of this PDS) that is expected to be purchased by the Land Trust RE is between \$6,000 and \$6,100 per plantable hectare (or between \$1,500 and \$1,525 per quarter plantable hectare).

The purchase price of a Unit applied for under this PDS in the Land Trust is to be \$1. You must apply for at least 1,900 Units (\$1,900). Any additional Units applied for thereafter must be in multiples of 475 (\$475).

The Land Trust RE anticipates that it will borrow up to \$1,194 per quarter of a plantable hectare or \$4,776 per plantable hectare of Plantable Land acquired. These borrowings include amounts required for the anticipated cost of stamp duty for acquiring the Land.

The Plantable Land held by the Land Trust RE will be leased to MAAML who will be required to pay annual rent to the Land Trust at a rate of \$560.00 per hectare of Plantable Land (escalating each year by 3 per cent). The annual rent will contribute to the Land Trust Distributable Income payable to the Land Trust Investors. A Deferred Rent equal to 4.95 per cent of Net Sales Proceeds (or Tree Insurance proceeds if an Insurance Event occurs and the insurance proceeds are not used to replant Trees) will also be payable to the Land Trust by MAAML.⁶

The Deferred Rent will be paid to the Land Trust once the Sales Proceeds from the Trees have been received by the Tree Project RE. Timber harvest is expected to commence

in 2022 and the proceeds are expected to be received from this time. The Deferred Rent will be included in the Land Trust Distributable Income in the year of receipt.

For each year of the investment the Land Trust RE may require up to 100 per cent of the Land Trust Distributable Income to be re-invested by Investors into the Land Trust and expects so where it is required under the Land Trust Loan (for example where the Land Trust Lender requires that all rental is used to pay principal and interest on the Land Trust Loan). However, to the extent permitted under the Land Trust Loan, the Land Trust RE expects to be able to limit the required reinvestment of the Land Trust Distributable Income in the financial years up to an including 30 June 2021 to an approximate range between 70 per cent and 84 per cent with the higher proportions in the earlier years and an average reinvestment during this period of approximately 80 per cent. It is anticipated that 100 per cent of the Land Trust Distributable Income for financial year commencing 1 July 2021 and any subsequent years in which Deferred Rent received will be required to be reinvested. Investors will accordingly not receive Defferent Rent as cash. Where reinvestment occurs you will be required to fund any tax payable on your distributed amount from the amount, if any, which has not been reinvested and your separate funds.

Interest payable by the Land Trust RE on the Land Trust Loan will be calculated in arrears at a fixed rate of 7.65 per cent per annum that is calculated on the outstanding loan balance.

The Application Price for a Unit applied for under this PDS in the Land Trust or on reinvestment or pro rata issues to existing investors prior to 30 June 2024 is \$1. Any Units issued after that date will be issued at an Application Price that is the per Unit Net Asset Value of the Land Trust plus transaction costs taking into account the cost of acquisition of the Land Trust interests in Land and other assets.

5.2 PHYSICAL ASPECTS OF THE LAND TRUST

The following is an overview of the physical aspects of the Land Trust.

Figure 7: Physical Aspects of the Land Trust



⁶ Deferred Rent payable by MAAML is payable to the extent that MAAML receives an equivalent amount of Deferred Rent from the Tree Project Custodian under the Sublease – see Section 7.4.1 for a further explanation of the Deferred Rent.

The cost to the Land Trust for Plantable Land is expected to be between \$1,500 to \$1,525 per quarter of a hectare of Plantable Land (before taking into account the Land Acquisition Fee of \$50 per quarter of a hectare payable to MFPML). If the final weighted average cost per quarter of a hectare of Plantable Land to the Land Trust is less than \$1,525, then subject to any other expenses (and any provisions for future expenses) of the Land Trust, the Land Trust RE may elect to either draw down a lower amount under the Land Trust Loan or provide you with a capital return as a distribution of excess cash, or a combination of both.

You must apply for a minimum of 1,900 units.

5.2.1 Land Purchase

(a) Where is the Land?

The Land will be located in the Geelong or Portland Regions of Victoria and, if the Product Ruling is extended to cover other places, plantations may be established in other regions in Australia that meet the Land Selection Protocols. Information about other selected areas will be posted on the Macquarie Forestry Investment website at www.macquarie.com.au/forestry.

Figure 8: Geelong and Portland regions of Victoria



(b) When will the Land be acquired?

Land will be acquired by the Land Trust progressively prior to and following the Offer period.

(c) How will the Land be acquired?

Where the Land Trust RE can purchase suitable land that contains only Plantable Land, the Land Trust will purchase the land.

However, Land may be identified for purchase by the Land Trust that contains non-Plantable Land (such as residential premises). Where such land is identified, it is intended that the Land Trust RE will purchase the land as a tenant in common with MBL. MBL will contribute an amount to the purchase price of the land that reflects the value of the non-Plantable Land. Where land is purchased by both the Land Trust and MBL, they will be subject to the Co-Owners Arrangements (see Appendix B.3.2) and MBL

will be required to seek to have the land subdivided so that the Land Trust receives the Plantable Land (and MBL receives the non-Plantable Land).

The Land Trust RE has agreed with MBL as the potential co-owner of the Land that before 30 September 2011 (or the earlier time agreed by MBL) it will not use funds raised from the issue of Units applied for under this PDS other than for the acquisition of Land (including all transaction and associated costs) and will hold those funds available at all times for such acquisitions.

(d) What will my Investment entitle me to?

A Unit in the Land Trust will entitle you to an undivided interest in the assets of the Land Trust.

The Land Trust RE will own the Plantable Land either solely or as tenant in common with MBL (see Appendix B.3.2).

Land will be subject to Leases to MAAML and Subleases to the Tree Project Custodian as described in section 5.2.2 below.

You will be entitled to a share of the Land Trust Distributable Income (including any Deferred Rent payable), a percentage of which may be compulsorily re-invested into the Land Trust to meet Land Trust fees and expenses such as interest and principal repayments on the Land Trust Loan. (See sections 5.2.2(b) What are the key Lease terms? and 5.3.1 *Borrowings by the Land Trust RE* below).

(e) How will Land be sourced?

Only land satisfying the Land Selection Protocols will be acquired for the Land Trust (see Section 4.2.1). Where possible the land selected will be cleared agricultural land.

(f) Is there a Land acquisition fee?

If the Land Trust RE purchases the Land Trust's interests in the Land at final weighted average cost (per quarter of a hectare) of less than \$1,575.00, then the Land Trust RE will be entitled to the Land Acquisition Fee. The Land Acquisition Fee is an amount per quarter of a hectare of Land purchased equal to the difference between \$1,575.00 and final weighted average cost of the Land Trust's interest in Land (per quarter of a hectare of Land), subject to a maximum of \$50.00 per quarter of a hectare. This equates to a maximum Land Acquisition Fee of \$50.00 per 475 Units (or \$0.1053 per Unit). The Land Acquisition Fee is payable on the later of 30 June 2012 and the date of completion of the last acquisition of Land that will, in the Land Trust RE's opinion, be acquired on or before 31 December 2012.

5.2.2 Lease

(a) Who will lease the Land?

Land will be leased to MAAML (the Lease). MAAML will be responsible for making the annual lease payments (and any Deferred Rent payable) to the Land Trust. MAAML will establish a Land Rental Security Account and deposit into that account an amount it estimates will be sufficient funds to make all of the expected annual rental payments to the Land Trust due from years two to Maturity (inclusive) under the terms of the Leases.

MAAML will also grant Subleases to the Tree Project Custodian. The Custodian will hold the Subleases for the benefit of the Investors in the Tree Project with respect to their individual Plantation Lots and those Investors will have the right to use their Plantation Lots and to conduct their forestry business.

In addition to the Leases granted to MAAML, rights in the forestry property on the Plantable Land will be granted to MAAML under a Forestry Property Agreement. MAAML will assign these rights to the Custodian to be held for Investors in the Tree Project and those Investors will receive the benefit of the Trees grown as part of their forestry business on their Plantation Lots.

(b) What are the key leasing terms?

The term of each Lease is expected to be approximately 11 years, although the term may be between nine and 13 years. Annual rent will be payable by MAAML to the Land Trust to 30 June 2021 for each Lease. (For details of the possible term see Appendix B.2.1 *Duration of Tree Project*).

The Annual Rental due by MAAML under the Leases for the year ending 30 June 2012 will be \$560.00 per plantable hectare of Land, or proportion thereof and will escalate each year thereafter by 3 per cent.

In addition, a Deferred Rent of 4.95 per cent of Net Sale Proceeds (or Tree Insurance Proceeds if proceeds are not used to replant trees) is also payable to MAAML to the Land Trust⁷.

Under the Subleases, the Custodian is required to pay MAAML annual rent of \$1 and Deferred Rent equal to 4.95 per cent of any Net Sales Proceeds arising from harvest (or Tree Insurance proceeds if an Insurance Event occurs and the insurance proceeds are not used to replant Trees⁸). MAAML will use this Deferred Rent to pay any Deferred Rent payable by it to the Land Trust under the Leases (as described above).

In the unexpected event of a default by MAAML under the Lease, Tree Project investors' rights to continued access of the land are secured through the Subleases which shall in those circumstances operate as direct leases between the Tree Project Custodian and the Land Trust RE, provided the rent (being the \$1 per annum rental and Deferred Rent) and other obligations (such as payment of rates, taxes and outgoings in respect of the relevant Land) under the relevant Sublease can be met by the Tree Project. MAAML has undertaken to continue to pay amounts equal to the amount of rental that it would have otherwise been required to pay under its Lease with the Land Trust. MAAML has granted security to the Land Trust over the funds in the Land Rental Security Account which the Land Trust will have access to in order to satisfy MAAML's ongoing payment obligations.

⁷ To the extent that MAAML receives Deferred Rent from the Custodian under the Sublease (see section 6.2 of this PDS).

⁸ To the extent that the Custodian receives this Deferred Rent from the Net Sale Proceeds.

5.2.3 Land sale

(a) What happens on expiry of the Lease and Maturity?

It is anticipated that Leases will generally expire around 30 June 2022.

Investors may choose to withdraw from their investment in Units in the Land Trust by giving notice by no later than 31 December 2021 (as described in Section 5.3.3 of this PDS).

Should Investors elect to request redemption of their Units, the Land Trust RE will seek to borrow or dispose of sufficient assets to meet redemptions in the year following Maturity (see Section 5.3.3 of this PDS).

Upon expiry of the Leases, it is anticipated that the Land Trust RE will seek to obtain further opportunities for commercial rental of the Land that is not required to be realised to meet Land Trust liabilities, commitments under its co-ownership arrangements with MBL described in Appendix B.2.2 and redemptions of Land Trust Units.

Where Land has been purchased by the Land Trust and MBL as tenants in common under co-ownership arrangements, MBL is to use its reasonable endeavours to sub-divide the land (with costs to be apportioned between MBL and the Land Trust) so that the Land Trust is the sole owner of the Plantable Land (and MBL is the sole owner of the non-Plantable Land). If the Land was not able to be subdivided before the expiry of the relevant Lease, the Land will be sold by the Land Trust RE and MBL as tenants in common, with the proceeds of the sale to be allocated between the Land Trust and MBL so that the Land Trust receives a proportion of the net land sale

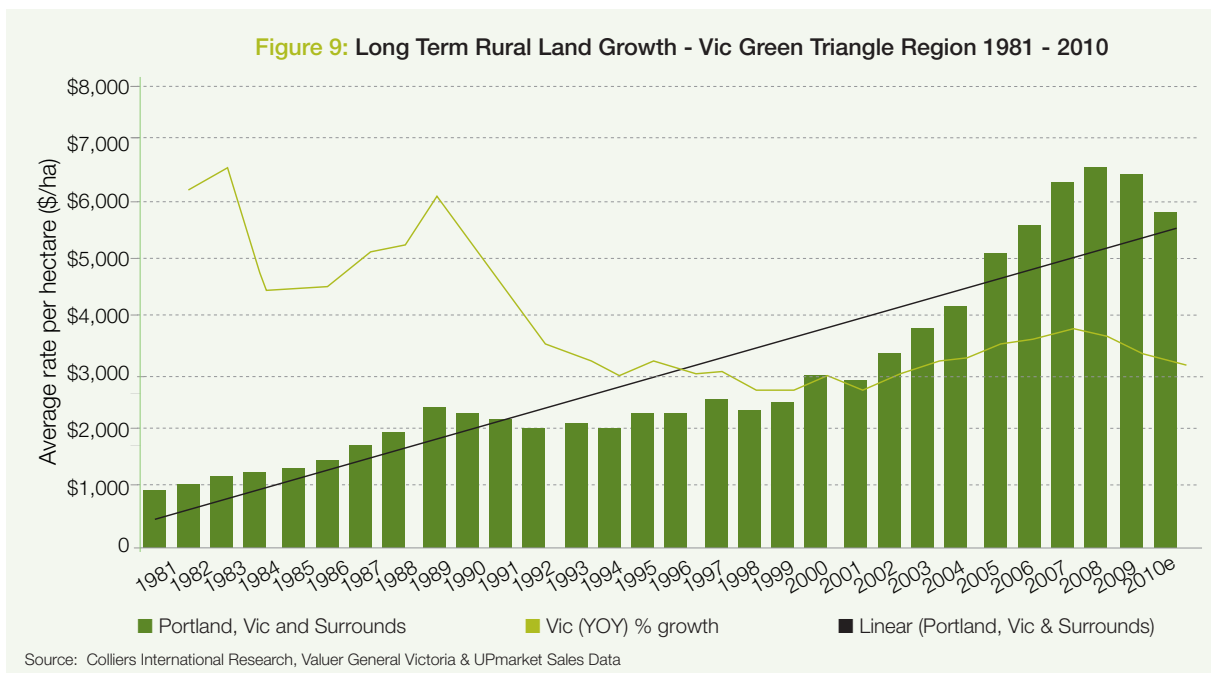
proceeds based on the value of the Plantable Land and MBL receives a proportion of the net land sale proceeds based on the value of the non-Plantable Land.

When the Land Trust sells the Land, the Land Trust’s proportion of proceeds of the sale will firstly be used to extinguish any residual balance outstanding on the Land Trust Loan, with the remaining net proceeds on sale of the Land to be used to meet any other Land Trust liabilities and potentially to make distributions to Investors in the Land Trust.

(b) How much will the Land be sold for?

The Land Trust RE will use its reasonable endeavours to obtain the best terms of sale for its assets available at the time that the Land is to be sold. Figure 8 sets out the average amount per hectare for sales of rural land located in the Regions currently being considered in the period 1981 to 2010. The Victorian shires represented in Figure 8 are Ararat, Moyne, West Wimmera, Glenelg and Souther Grampians.

The shires together broadly encompass the areas in which Land is likely to be located. Figure 8 also sets out average year on year increases in rural land values, with an average year on year growth of approximately of 6.4 per cent per annum over the period of 1981 to 2010 across the region. Year on year, land values have maintained stable growth in the range of 6 per cent to 8 per cent since 1991. **Please note that past performance is not an indicator of likely future performance. Figure 8 is not a forecast of future Land values, and investors should note that land prices may fluctuate prior to and at the time of its sale.**



Refer to Appendix A for a land value Independent Expert report.

(c) Who will buy the Land?

It is anticipated that if the Land is sold it would be sold to a party for purposes such as forestry or other agricultural operations. The Land may be sold to a Macquarie group company or to third parties on arms length terms.

5.2.4 REPORTING TO INVESTORS

Investors will receive the following reports:

- **Acquisition Report** – confirming the acquisition and location of the Land;
- **Annual Accounts and Reports** will be provided as required by the Corporations Act; and
- **an Annual Periodic Statement** – setting out further information regarding your Investment, to the extent that such information has not been provided in the reports above.

These reports will be presented either in the form of a newsletter or as separate reports.

Refer to Section 10.3 of this PDS for other available documents.

5.2.5 Commissions that may affect returns on an investment in the Land

Market rate commissions may be payable to real estate agents on the sale of the Land at the end of the Term and your return will be net of such costs.

5.3 IMPORTANT MATTERS

5.3.1 Borrowings by the Land Trust RE

(a) Land Trust Loan

The Land Trust RE has been granted a loan facility of up to \$19,104,000 by MBL (“Land Trust Loan”) or any nominee within the Macquarie Group under which the Land Trust RE will borrow money which, together with the funds raised from the issue of Units, will be used to purchase the Land. Accordingly, your investment in the Land Trust will be a geared investment (even if you do not borrow to fund your application for Units). There are risks involved in geared investments (see Sections 5.3.1(b) and 6.2(b) of this PDS for further details).

The amount that the Land Trust borrows will depend on the amount invested in the Land Trust, however the Land Trust RE is expected to borrow between \$4,630 and \$4,776 per hectare of Plantable Land purchased.

The Land Trust Loan will be repayable to the Land Trust Lender by 30 June 2022, but in certain circumstances may be repayable earlier. Further details on the terms of the Land Trust Loan are set out in Appendix B.3.2.

Investors should note that amounts owing to the Land Trust Lender under the Land Trust Loan (and amounts owing to other creditors of the Land Trust) rank for repayment ahead of amounts payable to investors in the Land Trust.

(b) Gearing ratio

The Land Trust’s gearing ratio indicates the extent to which the Land Trust’s assets, (that is the Land net of any cash it holds), are funded by borrowings. The gearing ratio gives an indication of the possible risks faced by the Land Trust as a result of its borrowings, for example an increase in the expected payments in respect of the loan, a decrease in land values or non-payment of rent by MAAML (to the extent that amounts in the Land Rental Security Account do not cover rent payable).

$$\text{Gearing Ratio} = \frac{\text{Total interest bearing liabilities}}{\text{Total assets}}$$

The higher the gearing ratio, the greater the level of risk.

The Land Trust’s starting gearing ratio is expected to be 80 per cent, and is expected to reduce to under 30 per cent by 30 June 2021 (based on a land value assumption of \$6,100 per hectare as outlined in the independent experts report on land values in Appendix A of this PDS, the minimum loan repayment schedules being met under the Land Trust Loan, and the use of any Deferred Rent to repay part of the principal under the Land Trust Loan).

There are no gearing level covenants under the Land Trust Loan, however, the land Trust RE will be required to ensure that Land Trust Loan balances are kept under required maximums and the Land Trust Lender will be entitled to increase the regular repayment amounts, from time to time, provided that the payments of principal and interest due for a period do not exceed the Rent received by the Land Trust RE under the Leases for that period. The Land Trust RE anticipates that any Deferred Rent received will be used to repay part of the principal under the Land Trust Loan.

(c) Interest Rates and Interest Cover

Interest payable by the Land Trust RE on the Land Trust Loan will be calculated in arrears at a fixed rate, currently anticipated to be 7.65 per cent per annum. Loan repayments will be made from the rental income received under the Lease to MAAML.

An Interest Cover Ratio ("ICR") measures the ability of the Land Trust to meet its interest payments on borrowings from its earnings. An ICR of 1.0 indicates that the Land Trust's annual earnings (before interest, tax, depreciation and amortisation) ("Land Trust's EBITDA") are equal to the Land Trust's annual interest expenses. An ICR of greater than 1.0 indicates the extent to which the Land Trust's EBITDA is expected to be greater than the Land Trust's annual interest expenses.

$$\text{Interest Cover} = \frac{\text{EBITDA}}{\text{Interest Expense}}$$

The Land Trust is expected to derive income from the Rent it receives under the Lease to MAAML. Based on the Rent expected to be received by the Land Trust under the Lease and the level of interest payments it is expected to make under the Land Trust Loan, the ICR for the Land Trust for the years ending 30 June 2012, 2013 and 2014 are anticipated to be as follows:

	Year ending 30 June 2012	Year ending 30 June 2013	Year ending 30 June 2014
Interest	1.53	1.60	1.69
Cover Ratio			

It should be noted, however, that MAAML will establish a Land Rental Security Account with MBL that will contain (together with interest earned on the funds in that account) sufficient funds to make the rental payments due in years two to Maturity (inclusive) under the Leases, which is at least 95 per cent of the total rental payments due under the Leases to the Land Trust. Please see Appendix B.3.2 to this PDS for further information on the Land Rental Security Account.

5.3.2 Valuations of the Land

The Land Trust RE can value the assets of the Land Trust at any time and must do so as the Corporations Act requires. Valuations will be at market value unless the Land Trust RE determines otherwise (in which case the methods and policies applied must be capable of resulting in independently verifiable values). As redemptions of Units will not occur until at least 2021 (see Section 5.3.3 *Redeeming Units in the Land Trust* below for further details), it is not anticipated that the Land Trust RE will seek regular valuations of the Land Trust's assets before that time. General movements in value will be monitored and revaluations obtained if, in the opinion of the Land Trust RE, material movements in value are apparent.

5.3.3 Redeeming Units in the Land Trust

(a) Do I have to redeem my Units?

By redeeming their Units in the Land Trust, Investors will have the opportunity to receive the growth, if any, in the value of the Land. This growth, if any, will be reflected by the net value of their Units in the Land Trust when the Units are redeemed.

Redemption requests can be given by the Redemption Notice Date which is at least six months before the Redemption Commencement Date (or later if the Tree Project RE approves). The Redemption Notice Date is 31 December 2021 unless the Tree Project RE accepts later requests, so you must lodge your redemption request by 31 December 2021 for the first redemption opportunity. Redemption requests must be in the form that the Tree Project RE approves. Forms will be available from the Tree Project RE.

On redemption, Investors will be entitled to receive a Redemption Price being the Net Asset Value per Unit of the Land Trust less transaction costs. The Net Asset Value of the Land Trust is the value of the Assets held by the Land Trust less any liabilities at the relevant time. The Land Trust RE will endeavour to redeem Units as soon as practicable (taking into account its duties as Land Trust RE), and will have up to 12 months from the Redemption Commencement Date, that is, will have up to 30 June 2023, or such later date as permitted by the Land Trust Constitution to realise assets for such redemptions. Payment for redeemed Units is to be made within 30 days of redemption of the Units.

Redemptions may be satisfied out of the proceeds of sale of the Land, the issue of new Units or out of funds borrowed by the Land Trust. See Appendix B.3.1 for further details.

If the Land Trust is not liquid⁹ (that is, if sufficient of the Land Trust's assets cannot be realised to meet redemption requests before 30 June 2023 or such other later date determined by the Land Trust RE in accordance with the Land Trust Constitution) then redemptions will only be effected pursuant to withdrawal offers made by the Land Trust RE in accordance with the Corporations Act. The Land Trust RE is not required to make any withdrawal offer in those circumstances.

⁹ As provided for under the *Corporations Act 2001* (Cth), s.601KA.

First Redemption Opportunity

A summary of the key dates for redemption of Units for Maturity is as follows:

- **Date by which to request redemption of Units:** 31 December 2021.
- **Maturity:** 30 June 2022.
- **Date Units expected to be redeemed:** Between 30 June 2022 and 30 June 2023, subject to available funds from Land Trust asset sales or other sources.

(b) What will happen if I do not redeem my Units?

If you do not request redemption of your Units by 31 December 2021, or your Units are not redeemed as requested, your investment in the Land Trust will continue until redeemed under any later withdrawal offer made by the Land Trust RE or the Trust is terminated and wound up (see Appendix B.3).

Investors should note that on and from 30 June 2022, the Land Trust RE is required to appoint Macquarie Bank Limited or a related party of the Land Trust RE to manage the assets of the Land Trust. The manager will charge arm's length commercial fees for management of the Land Trust's assets. These fees (and any costs) charged by the manager to the Land Trust RE will be payable or reimbursable out of the assets of the Land Trust.

5.3.4 Distributions

All taxable income and realised capital gains in a financial year will be distributed to Investors in the Land Trust. For each year of the investment the Land Trust RE may require up to 100 per cent of the Land Trust Distributable Income to be re-invested by Investors into the Land Trust, the proceeds of which will be used towards repayment of the Land Trust Loan, and expects to do so where it is required to under the Land Trust Loan. However, to the extent permitted by the Land Trust Loan, the Land Trust RE expects to be able to limit the required reinvestment in the financial years up to and including 30 June 2021 to an approximate range between 70 per cent and 84 per cent with the higher proportions in the earlier years and an average reinvestment during this period of approximately 80 per cent. It is anticipated that 100 per cent of the Land Trust Distributable Income in the financial years commencing 1 July 2021 and 1 July 2022, including income from Deferred Rent, will be reinvested, the proceeds of which will be used towards repayment of the Land Trust Loan.

Where reinvestment occurs you will be required to fund any tax payable on your distributed amount from the amount, if any, which has not been reinvested and your separate funds.

5.3.5 Related party transactions

As described in this PDS, both the Land Trust RE and the Tree Project RE will enter into various agreements with each other and related parties that are members of the Macquarie Group (including MBL and Macquarie Forestry Services). In entering into transactions with related parties, the Land Trust RE and the Tree Project RE ensure that they do not give a financial benefit to themselves or the related party out of the scheme property or that could diminish or endanger the scheme property unless it is not inconsistent with the Corporations Act and the relevant scheme constitution permits. Such transactions are entered into on arm's length terms (or terms less favourable to the related party).



6 / Investment risks

An Investment in the Tree Project or the Land Trust involves a number of risks that may adversely affect the returns you will receive from the Investment, or have other negative consequences for you. Key risks include:

- the return on your investment (if any) depends on the growth of the Trees and the price obtained for the Timber;
- the Trees may be destroyed by fire or other causes;
- for Land Trust investors, rental on leases to MAAML or the Custodian of the Tree Project may not be paid or the value of Land may decrease over the term of your Investment;
- if you borrow to invest any rate of return on your Investment would need to cover your total borrowing cost in order for you to at least break even;
- the Macquarie Forestry Investment 2011 will not be listed on any stock exchange and it is unlikely that your investment will be liquid or that there will be a secondary market for your Interests. Other than in very limited circumstances, you do not have a right to request redemption of your investment;
- for Tree Project Investors, a party that is responsible for providing services to the Tree Project such as the Tree Project RE or Macquarie Forestry Services may no longer be able to perform those services leading to delays or increased costs in Tree maintenance, harvesting and other services. In addition, replacement service providers may not be found; and
- various entities within the Macquarie Group are involved in the operation of the Macquarie Forestry Investment 2011 and the Tree Project and the Land Trust and can be affected by an adverse change in the financial position of the Macquarie Group.

Investments in the Macquarie Forestry Investment 2011 are not deposits with, or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or of any other Macquarie Group company and are subject to investment risk, including possible delays in repayment and loss of principal or income invested. Neither MBL nor any other member company of the Macquarie Group guarantees any particular rate of return on, or the performance of, or the repayment of capital from the Macquarie Forestry Investment 2011.

These and other principal risks are outlined below. Please also refer to the risks noted by Geddes Management in its Expert Report in Appendix A of this PDS.

Importantly, you should be aware of the long-term nature of the Investment and that many of the variables that may impact returns are outside the control of the Tree Project RE and Land Trust RE. **Given the nature of the Investment, it is difficult to predict future cash flows or returns and any combination of the risk factors could reduce the value of your investment.**

Investors should also note the uncertainty in the state of the global economic environment which can increase the risks in relation to Macquarie Forestry Investment 2011.

6.1 RISKS SPECIFIC TO THE TREE PROJECT

(a) Yield and Quality Risk

Timber yields and quality may be affected by factors including land and soil type, rainfall conditions or other environmental factors. Timber yield and quality may also be affected by the Forestry Contractors' forestry practices. Should the Tree Project fail to produce the timber yield outlined in the Land Selection Protocols, the financial performance of the Tree Project may be adversely affected. Yields and quality for Residual Timber may also be affected by the degree to which it contains any foreign bodies, such as dirt and other non-timber loose objects. Please note that, whilst there is a growing market demand for hardwood plantation residues in Australia, mainly for bio-energy applications such as export wood pellets, there is no guarantee that commercial yields of Residual Timber will be produced by your Plantation Lots.

(b) Price Risk

An increase in supply or a reduction in demand for woodchips and/or paper, paperboard, bio-energy wood pellets or other timber products may negatively impact the market price paid for your Timber and the financial performance of the Tree Project. In addition purchasers in different countries may pay different prices for your woodchips. Accordingly, the origin of demand for your woodchips will impact the price paid for your woodchips and the return on your investment. These possibilities are referred to in Section 2 and in the Market Report in Appendix A of this PDS. This may occur, for example, if there is a general slump in world economic growth or new technologies which result in reduced use of paper and paperboard or wood products for use in bio-energy production. Increased harvesting, haulage, processing, storage and/or exporting woodchip costs may negatively affect the price paid for your Timber. Adverse exchange rate movements, for example a rise in the Australian dollar, may cause your Timber price to increase relative to the price of timber sourced from other countries. This may reduce the comparative price competitiveness of the Timber in global markets.

Investors should note that the demand and supply fundamentals of the Asia-Pacific hardwood woodchip market will fluctuate from time to time, and may be influenced materially by one-off events in any given period (for example, disruptions to paper and paper manufacturing facilities in major importer countries).

It is the long term fundamentals, and in particular, the market conditions prevailing around the time of the Sale Period (currently expected to be in the 2022 calendar year) which are most relevant to your investment.

The availability of processing plants within an economic haulage distance from your Plantation Lots is one factor that can affect your returns. Whilst there are currently timber processing facilities in the Green Triangle for processing harvested logs, there is no assurance that such facilities will exist at the time of harvest of your trees.

In addition, there is no assurance that facilities for processing Residual Timber will be available within an economic haulage distance from your Plantation Lots or that the proposed construction of any residue processing plants in the Green Triangle region will occur. If no residue processing plant is established with an economic haulage distance from your Plantation Lots, you are more likely to receive a nil return from Residual Timber.

Please note that, whilst there is a growing market demand for hardwood plantation residues in Australia, mainly for bio-energy applications such as export wood pellets, there is no guarantee that a commercial return will be received for the Residual Timber from your Plantation Lots. The price that may be received for Residual Timber depends upon many factors, including, but not limited to, the price of wood pellets that use Residual Timber as an input source, regulatory and/or legislative development with respect to climate change and renewable energy targets both in Australia and overseas, and the margins that an Offtaker requires. Please note that the Independent Woodchip Market Expert Report in Appendix A outlines, based on a number of desktop assumptions, the potential Residual Timber yields achievable and the stumpage payable that a hypothetical pellet plant producer, and this may differ materially to the actual yields and prices paid, if any, for your Residual Timber at harvest.

(c) Insolvency Risk

As disclosed in the inside cover of this PDS investments in the Macquarie Forestry Investment 2011 are subject to investment risk, including possible delays in repayment and loss of principal or income invested. Neither Macquarie Bank Limited nor any other member company of the Macquarie Group guarantees any particular rate of return, the performance of, or repayment of capital from the Macquarie Forestry Investment 2011.

An adverse change in the financial position of any Macquarie Group entity or other entity engaged in managing your Investment may affect its ability to properly

manage and maintain the plantations. This has the potential to negatively affect your Investment returns.

To mitigate this risk in respect of MAAML and Macquarie Forestry Services the 2011 Forestry Accounts will be established with MBL and a charge granted in favour of the Tree Project as described in Section 1.4. If MAAML or Macquarie Forestry Services as the case may be, becomes insolvent and is unable to perform its obligations, the Tree Project has priority and may access any funds that are in the relevant 2011 Forestry Account and use such funds for the ongoing expenses and costs of the Tree Project.

Investors should note that the amounts deposited in the 2011 Forestry Accounts will not include any amounts relating to rent or out goings in respect to the Land (other than council rates) or MAAML's or Macquarie Forestry Service's overheads or other internal costs and there is no guarantee that the amount in the 2011 Forestry Accounts will at any time be sufficient to cover the Tree Project's other costs and expenses.

However, whilst MAAML is the Tree Project RE (and is not insolvent), MAAML will still be responsible for undertaking its obligations to the Tree Project, despite any shortfall or excess of funds in the MAAML Forestry Account.

Investors should note in this regard that a majority of the costs and expenses relating to the Tree Project are incurred in the first two years of the Tree Project and accordingly a significant proportion of the funds held in the 2011 Forestry Accounts are expected to be utilised over that period.

An adverse change in the financial position of MAAML may also affect its ability to pay rental and outgoings under the Lease. The risk is mitigated by the terms of the Lease which provide that, if the Lease is terminated, the Sublease granted to the Custodian (to hold for the benefit of Investors in the Tree Project individually in respect of their Plantation Lots) will become a direct lease as between the Land Trust RE and the Custodian (for the Investors). The rent payable under the Sublease will be \$1 per annum plus any Deferred Rent payable to the Tree Project RE. The Tree Project would still however be required to meet the outgoings in respect of the Plantable Land. As noted above, the amount in the 2011 Forestry Accounts is not anticipated to be sufficient to cover such outgoings (other than council rates).

Investors are also exposed to the risk of an adverse change in the financial position of each Forestry Contractor. If this occurs, the Forestry Contractor may be unable to fulfil its obligations and duties. Likewise, if an Offtaker was to become insolvent, Investors may lose the benefit of the relevant Offtake Agreement. These exposures are mitigated by the existence of

numerous forestry maintenance organisations in the market which may be capable of assuming the role of Forestry Contractor and Offtaker.

(d) Interest Redemption and Tree Project Liquidity

Subleases and forest property rights are to be granted by MAAML to Investors (to be held for investors by the Custodian) when Land acquisition contracts are settled and it has obtained Leases of the Land.

Under the terms of the Tree Project RE's Australian Financial Services Licence, you can request redemption of any portion of your Interests in the Tree Project only to the extent that Subleases and forest property rights granted to the Custodian (for your benefit) are not granted within fifteen months after the Interests were allotted to you. If you make a redemption request in these circumstances then you will receive the relevant portion of the Application Price that the Tree Project RE received for those Interests (see Appendix B.2.1 of this PDS).

(e) Force Majeure

Subject to the Corporations Act, the Tree Project RE may be excused from performance of any of its duties and obligations to the extent that such performance is prevented, interrupted or obliged by reason of Force Majeure. Force Majeure events includes sabotage, strike, lockout or other interference with work, labour or employment difficulties, war (whether declared or undeclared), acts of enemies, public disorder, blockade, disturbance, cyclone, lightning, fire, drought, earthquake, storm, tempest, hail, wind, flood, events of nature or acts of God, explosion, accidents, breakdowns, government or quasi-governmental approvals, consents, permits, licences, authorities or allocations, and any other cause whether of the kind specifically enumerated above or otherwise which is not reasonably within the control of the Tree Project RE. The Tree Project RE has no responsibility or liability for any loss or expense suffered or incurred as a result of its not acting for so long as the Force Majeure event continues.

(f) Carbon Debit Risk

A carbon debit liability may arise on the harvest, destruction or other event in respect of your Trees. To the extent that this liability is not met by any Carbon Sequestration Benefits in respect of your Trees, such liability will be deducted from your Net Sale Proceeds. To the extent that your Net Sales Proceeds are insufficient to cover the carbon debit liability, that amount will be payable by you out of your own funds.

6.2 RISKS SPECIFIC TO THE LAND TRUST

(a) Lease Rental Risk

Upon commencement of the Lease, MAAML will be required to make annual lease payments for the year ending 30 June 2012 (or part thereof) to the Land Trust at an annualised rate of \$560.00 per hectare of Land. This annual rental escalates by 3 per cent each year. An adverse change in the financial position of MAAML may affect its ability to make the annual lease payments required under the Leases. This has the potential to negatively affect the Land Trust (including its ability to repay its loans from the Land Trust Lender and therefore any returns on your Investment).

This risk is mitigated by the terms of the Lease which provide that in the event of its breach or insolvency MAAML will be required to continue to pay amounts equal to the rental that would have otherwise been payable under the lease and by the charge over the Land Rental Security Account described in section 1.4 which secures these obligations. Investors should note that the amount deposited in the Land Rental Security Account will equal the present value of the rental payments due under the Lease in years two to maturity (inclusive) but will not cover outgoings in respect of the plantable land which, in the event of MAAML's insolvency would have to be paid by the Tree Project Investors.

In addition to the annual lease payments MAAML will have to pay the Deferred Rent. This is calculated based on Net Sales Proceeds. If Net Sales Proceeds are negatively affected (for instance by risks relevant to the Tree Project – see risks 6.1 and 6.3 of this PDS) the Deferred Rent and financial performance of the Land Trust may be adversely affected.

If Tree Project Investors do not take optional Tree Insurance against insurable risks, damage or destruction to the Trees may reduce Net Sales Proceeds, negatively affecting the Deferred Rent payable. Even if Tree Insurance is obtained, proceeds of a claim may not be as much as the Net Sales Proceeds (and accordingly Deferred Rent) would have been if the Trees had not been damaged prior to Maturity.

MAAML's liability to pay Deferred Rent is limited to the amount it receives as Deferred Rent under a Sublease. Under the Tree Project Constitution, a portion of any Net Sales Proceeds (or Tree Insurance Proceeds) that are received by the Tree Project must be applied to pay Deferred Rent to MAAML pursuant to the terms of the Sublease and Investors' licences of their Plantation Lots. If for any reason the Deferred Rent payable under

a Sublease is not received by MAAML, then MAAML's obligation to pay Deferred Rent under the Lease is limited to the funds it receives as Deferred Rent under that Sublease.

(b) Gearing

The Land Trust RE will borrow to fund the purchase of Land including the Plantable Land. As a result, your investment in the Land Trust is in a geared investment. Gearing has the potential to multiply returns for your Investment and similarly can multiply losses.

(c) Future Land Value Risk

Should the Land fail to at least maintain value for any reason at the time of sale of the Land, for example due to reduction in demand for the Land or fluctuations in price, the returns you receive from your Investment may be adversely affected.

(d) Failure to Achieve Disposal Risk

In the event that demand for the Land falls to the extent that there is no market for disposal of the Land, the financial performance of the Land Trust may be adversely affected.

(e) Responsible Entity Replacement Risk

As the Land Trust RE is not paid a fee, it may be difficult to replace MFPML.

(f) Carbon Debits Risk

Rights to Carbon Sequestration Benefits in respect of Trees on the Land during the term of the Leases are conferred on Investors in the Tree Project. It is not clear whether or how a system of allocating carbon debits may be applied when, for example, Trees are removed from the Land. Investors in the Tree Project indemnify the Tree Project RE for any carbon debit liability, and provision is made to withhold from any Net Sale Proceeds a provision for such liability. However, there is no assurance that this will be adequate and it could affect net returns from an Investment in the Land Trust.

(g) Reinvestment of Distribution

As described in section 5.3.4 the Land Trust will require reinvestment of distributions in order to enable it to meet its obligations under the Land Trust Loan and its other liabilities. Where reinvestment occurs investors may be subject to tax on the distributed amounts (including the amounts reinvested) and will be required to fund such tax from their own separate funds if the amounts distributed in cash are not sufficient to cover the tax payable.

6.3 RISKS RELEVANT TO THE TREE PROJECT AND THE LAND TRUST

(a) Environment Risks

Fire, drought, disease, flood, pests, frost, windstorm, hail, below average rainfall and other events of nature may affect the financial performance of the Macquarie Forestry Investment 2011. The risk associated with the above environmental factors may be increased or decreased due to climate changes over the Term of the Investment.

It is impossible to predict the long-term effects and risks of climate change on forestry generally.

Insurance against fire and/or other insurable damage to Trees may be arranged by the Tree Project RE and you will be charged the cost of such insurance. The Tree Project RE will also charge a handling fee of \$11 (incl. GST) per policy per annum for arranging such insurance. Note that drought and flood are not covered by the insurance, and proceeds of an insurance claim may not compensate you for all losses incurred or may not be equivalent to the value of any anticipated returns of your investment (see Section 4.2.3(d) of this PDS). Please note that in the future, insurance against fire and/or other risks may be unavailable in the insurance market at commercially reasonable rates. If you do not take out insurance, you will not be compensated for damage to destruction of your Trees as a result of these environmental risks.

(b) Human Error

Fertiliser burn, weed infestation, damage from spray drift or residual effects from long acting herbicides may affect both the Land and the Trees, and accordingly may affect the financial performance of your Investment.

(c) Gearing via Full Recourse Loan

By choosing to fund your Macquarie Forestry Investment 2011 with an Investment Loan or another loan, you are gearing your Investment. Gearing has the potential to multiply returns for your Investment (being both profits and losses). You should ensure that you understand your obligation to make ongoing payments of interest and principal under your Investment Loan, regardless of the performance of your Investment, and that your obligation to repay principal on the Investment Loan is not limited in recourse (i.e. the Lender can require you to fund the Investment Loan payments from your other assets). You need to continue making payments under the Investment Loan as the Loan and Security Agreement requires, even if the Trees are destroyed or damaged. You should understand your obligations in this regard and seek professional advice if appropriate.

(d) Liquidity of Units and Interests

You should be aware that the Macquarie Forestry Investment 2011 will not be listed on any stock exchange and other than in limited circumstances for the Tree Project, you do not have a right to request redemption of your Interests or Units. The Macquarie Forestry Investment 2011 is only suitable for investors who are willing to hold their Investment to maturity. This is because you cannot expect to realise your Investment until the end of the Term (currently expected to be approximately 11.5 years, but see Appendix B.2.1 of this PDS for further information and details of the Term). Investors may transfer their Interests or Units, subject to the terms of the Constitutions of the Tree Project and Land Trust and the terms of any Investment Loan used to fund the acquisition of the Interests or Units (see Appendix B.2.1 and B.3.1). A transfer of your Units or Interests may involve stamp duty or other costs, and you should seek advice from your financial adviser if you are considering a transfer.

(e) Counterparty Risk

Various arrangements have been entered into in respect of the Land Trust and the Tree Project that rely on performance by various parties. The insolvency or other issues in relation to a party can affect its performance and adversely affect the due compliance with their obligations and so the potential performance of your Investment.

(f) Future global economic conditions

In recent times, there has been increased volatility in commodity markets as world economies assessed inventory levels and their use of stockpiles, including woodchips. Selling in volatile conditions implies a greater level of risk for investors than when markets are more stable. You should carefully consider this additional volatility risk before making any investment decision. In addition, it is difficult to assess what the long-term effects of the recent economic downturn will be, and what effect it will have on demand and prices for agricultural commodities such as woodchips. A sustained recovery in global or regional economics will depend on factors such as improved liquidity, restored positive economic outlook and a period of stability in asset prices. In recent times, there have been concerted efforts and unprecedented stimulus actions from governments across the globe to support world economies. It is possible that these stimulus actions (or their withdrawal) could have an adverse effect on global or regional economic conditions which may in turn affect demand for and prices of commodities such as woodchips.

(g) Tax Risk

Future changes in tax laws or in their interpretation could affect the tax treatment of the Macquarie Forestry Investment 2011 and/or its Investors. It is possible that the ATO may take a different view from those expressed in this PDS. Please see Section 8 *Tax Treatment* for further details.

(h) Legislative change

Future changes to legislation, including legislation covering the operation of commercial forest plantations, or the interpretation of legislation may affect the financial performance of the Macquarie Forestry Investment 2011.

(i) Contractual default

A party (or its agent) appointed by MAAML or MFPML to carry out duties in relation to the Tree Project or the Land Trust may fail to perform its obligations under such agreement. A replacement may not be found or additional costs may be incurred in sourcing a replacement to continue providing such functions. This risk may adversely affect the performance of your Investment.

(j) Sale of Timber

If Plantation Lots are allocated in different Regions, different Investors may have Plantation Lots in these different Regions. However, they will still share in the Net Sale Proceeds from the Plantation Lots in all of the Regions on the basis of the proportion that the number of their Plantation Lots bears to the total for all Regions. This means that even if an Investor has no Plantation Lots in a particular Region, their returns can be affected by factors affecting that Region.

The Tree Project RE has entered into an Offtake Agreement that covers the Timber produced from the Geelong and Portland Regions. This Offtake Agreement allows the Tree Project RE to make separate Offtake Agreements for any Residual Timber.

If Plantation Lots are located in other Regions, the Tree Project RE may not have entered into Offtake Agreements in respect of the Timber on Plantation Lots located in those Regions prior to issuing Interests. Economic and other circumstances may mean that such arrangements are not available on, or do not deliver advantageous terms (such as Timber prices) for Investors. This may affect the returns to Investors in the Tree Project.

(k) Native Title Claims over the Plantations

A native title claim over Land upon which a plantation is situated may affect the operation of the Lease between MAAML and the Land Trust (and so, it can affect the Sublease granted to Investors to use Plantation Lots). Furthermore, this has the potential to significantly detract from the resale value of the Land at maturity (and therefore the value of Investors' Units).

6.4. HOW WE MANAGE RISK

The Macquarie Forestry Investment 2011 incorporates mechanisms designed to reduce some of the downside risks associated with the Investment, including those described in this section.

(a) Pre-Sale of Trees and Pricing Independence

The Tree Project RE will use its reasonable endeavours to enter into agreements with Offtakers to purchase your Trees during the Sale Period. The Sale Period is currently expected to commence in 2021.

There are two factors that help obtain a fair price for your Timber:

1. **Arm's- length Agreements:** All Offtake arrangements entered into by the Tree Project RE will be on arm's- length commercial terms.
2. **Provision for Independent Expert and Arbitration:** The Midway Offtake Agreement 2011 allows for an independent expert or arbitrator to resolve any dispute as to whether the price is fair. For further information, see Section 4.2.4(c) and Appendix B.2.3 of this PDS.

(b) The Land Selection Protocols

Land Selection Protocols set out minimum requirements for land to be used in the Macquarie Forestry Investment 2011. The Land Selection Protocols take into account soil parameters, climate parameters (particularly mean annual rainfall), distance from the mill gate, terrain, block size and existing vegetation. The requirements set out in the Land Selection Protocols are designed to ensure land chosen for the Macquarie Forestry Investment 2011 fits as closely as possible to the Timber productivity referred to in this PDS.

The Land Trust RE aims to reduce the risk of Native Title claims over the Plantations by acquiring freehold land which is not currently subject to native title claims.

Geddes Management (or other Foresters) will review a selection of land before it is acquired for the Macquarie Forestry Investment 2011.

Reduction of risk is also sought to be achieved through the appointment of Forestry Contractors experienced in forestry management, referred to in Section 3 *The Macquarie Forestry Investment Team*.

(c) Optional insurance

The Tree Project RE may offer to arrange and administer Tree Insurance against damage to the Trees, for example, by fire and/or other insurable risks. Note that proceeds of a Tree Insurance claim may not be sufficient to recover your Application Price or to fund your Investment Loan (or other loan) repayments (if you borrow). See Section 4.2.3(d) *Is insurance available?* and the investment risks relating to Tree Insurance outlined in this section.

(d) Taxation certainty for the Tree Project

The issue of Product Ruling 2011/2 in relation to the Tree Project in respect of Investors whose Interests are issued on or before 30 June 2011 provides certainty in relation to the tax treatment of an investment in the Tree Project, provided the conditions in the Product Ruling are complied with for those Investors. An application has also been made for a separate product ruling for investors who invest in the Tree Project after 30 June 2011.

Currently, it is not expected that an application for a product ruling will be made for Investors who invest in the Tree Project after 30 June 2011. However, if such a product ruling is sought and is issued by the ATO, the product ruling will be made available for investors on the Macquarie Forestry website www.macquarie.com.au/forestry or investors can obtain a copy free of charge by contacting **1800 080 033**. Investors considering investing after 30 June 2011 should consider the information about taxation implications of investment that are contained in Section 8 of this PDS and check the website for updates on the product and whether any product ruling has been applied for or obtained.

Please refer to Section 8 *Tax Treatment* for information on the taxation of your Investment.

(e) Lease Terms

The Leases contain terms which, in the event of a default by MAAML, preserve the rights of the Tree Project investors under the subleases to lease the land for an annual rent of \$1 and the Deferred Rent and at the same time give the Land Trust RE the right to claim payments from MAAML of amounts equal to the rentals that would otherwise have been payable under the Lease.

(f) Security over Deposit Accounts for rent and management

Please see sections 1.4 and annexure B of this PDS for a description of the securities that maaml and Macquarie Forestry Services grant over their 2011 Forestry Accounts and the security that MAAML grants over its land rental security account.



7 / Fees and expenses

By law, prior to setting out the fees and other costs of the Project, we are obliged to provide you with the following Consumer Advisory Warning, which applies generally to managed funds investment products. Please note that the investments are for a term of approximately 11.5 years for the Tree Project, not 30 years as the wording might otherwise imply.

CONSUMER ADVISORY WARNING

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2 per cent of your fund balance rather than 1 per cent could reduce your final return by up to 20 per cent over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

7.1 TREE PROJECT

This table shows significant fees that apply in relation to the Tree Project. These fees are either paid on application or deducted from your Net Sale Proceeds. You should read all of the information about fees and charges, as it is important to understand their impact on your investment in the Tree Project.

Type of fee or cost	Amount	How and when paid?
Fees when your money moves in or out of the Tree Project		
Establishment fee: The fee to open your investment	Nil	Nil
Contribution fee: The fee on each amount contributed to your investment		
Application Price: This is the fee charged for one Interest	\$2,585 per Interest (including \$235 GST).	By cheque or direct debit on application.
Deferred Rent: The fee for licences to use your Plantation Lots	4.95 per cent (incl. GST) of Net Sales Proceeds (or Tree Insurance proceeds if an Insurance Event occurs and there is no replanting). This is \$0.0495 for every \$1.00 of Net Sales Proceeds (or Tree Insurance proceeds).	The Tree Project RE will deduct this fee from your Tree Project Net Sale Proceeds during the Sale Period scheduled to commence in 2022 (or from Tree Insurance proceeds if an Insurance Event occurs and there is no replanting) once these proceeds are paid. This fee is not kept by the Tree Project RE, but is applied towards payments for Rent owing to the Land Trust.
Withdrawal fee: The fee on each amount you take out of your investment	N/A	N/A
Termination fee: The fee to close your investment	N/A	N/A

Type of fee or cost	Amount	How and when paid?
Management costs		
The fees and costs for managing your investment		
Fees at Harvest:		
Management Fee: This is the fee for managing the Tree Project.	5.5 per cent (incl. GST) of the Net Sale Proceeds or 5.5 per cent of the Tree Insurance proceeds (if an Insurance Event occurs and there is no replanting). This is \$0.055 for every \$1.00 of Net Sale Proceeds (or Tree Insurance proceeds).	The Tree Project RE will deduct this fee from your Tree Project Net Sale Proceeds during the Sale Period or from Tree Insurance proceeds if an Insurance Event occurs (and there is no replanting) once these proceeds are paid.
Productivity Performance Fee: This is a performance fee paid to the Tree Project RE when Net Sale Proceeds from Timber (other than under Offtake Agreements for Residual Timber) for a Region exceed \$4,000 per quarter hectare and the average amount of Timber (other than Residual Timber) produced is greater than 60 GMT (or 60m ³) per quarter hectare for Plantation Lots in that Region. Please note, no Productivity Performance Fee is payable with respect to any Net Sale Proceeds derived separately from Residual Timber.	16.5 per cent (incl. GST) of the amount by which the Net Sale Proceeds from Timber (other than under Offtake Agreements for Residual Timber) from a Region exceeds \$4,000 per quarter hectare. This is \$0.165 for every \$1.00 of Net Sale Proceeds from Timber (other than under Offtake Agreements for Residual Timber) above \$4,000 per Interest.	If payable, the Tree Project RE will deduct this fee from your Net Sale Proceeds during the Sale Period. This fee may be payable in relation to the Net Sale Proceeds from Timber (other than under Offtake Agreements for Residual Timber) from one or more Region(s) even though the average Net Sale Proceeds from Timber (other than under Offtake Agreements for Residual Timber) for all Regions does not exceed \$4,000 per quarter hectare and/or the average amount of Timber (other than Residual Timber) produced across all Regions is not greater than 60 GMT per quarter hectare.
Service fees		
Investment switching fee: The fee for changing investment options	N/A	N/A

7.2 LAND TRUST

This table shows significant fees that apply in relation to the Land Trust. You should read all of the information about fees and charges, as it is important to understand their impact on your investment in the Land Trust.

Type of fee or cost	Amount	How and when paid?
Fees when your money moves in or out of the Land Trust		
Establishment fee: The fee to open your investment	Nil	Nil
Contribution fee: The fee on each amount contributed to your investment	Nil	Nil
Withdrawal fee: The fee on each amount you take out of your investment	Nil	Nil
Termination fee: The fee to close your investment	N/A	N/A

Type of fee or cost	Amount	How and when paid?
Management costs		
Management fee: The fees and costs for managing your investment (before 30 June 2022).*	An estimate of up to \$33.25 per 475 Units (\$0.07 per Unit).**	Payable out of interest earned by the Land Trust holding money before the Land Trust acquires the Land.
Land Acquisition Fee: The fees for acquiring the Land on behalf of the Land Trust	An amount up to a maximum of \$50.00 per 475 Units (\$0.1053 per Unit) payable only if the weighted average purchase price of the Land Trust's interests in Land is below \$1,575 per quarter hectare.**	Payable on or after 30 June 2012 out of property held by the Land Trust RE in connection with the Land Trust and to be paid on 30 June 2011 or, if later, as and when any Land is acquired.
The fees and costs for managing your investment (after 30 June 2022).	Reimbursement of reasonable costs and expenses incurred for managing the Land Trust for investors who remain in the Land Trust after 30 June 2022.	Payable or reimbursable out of property held by the Land Trust RE in connection with the Land Trust.
Service fees		
Investment switching fee: The fee for changing investment options	N/A	N/A

7.3 EXAMPLE OF ANNUAL FEES AND COSTS

Tree Project

The following table gives an example of how the fees and other costs charged on participation in the Tree Project can affect your investment over a one year period. You should use this table to compare this product with other similar agribusiness managed investment products.

Please note that amounts in the table are for illustrative purposes and have been subjected to rounding. All amounts in the table are inclusive of GST. In this regard, you should consider your entitlement to input tax credits when calculating the total cost of the investment.

Example — If you invested in 19.34 interests in the Tree Project

	Balance Of \$50,000 with no further contributions
Management Costs	\$50,000
Cost of Tree Project	\$50,000

For every \$50,000 you have invested in the Tree Project, you will be charged fees in the financial year ending 30 June 2011 of \$50,000. You may also be charged additional fees upon harvest.***

If you had an investment of \$50,000 in the Tree Project, you would be charged fees and costs of \$50,000.

In accordance with the requirements of the Corporations Act 2001, the table is based on an investment of \$50,000. However you should note that the Tree Project RE will not issue fractions of Interests, and therefore, it is impossible to make an Application for Interests where the Application payment equals exactly \$50,000. The nearest whole investment amount is \$49,115 including GST (19 Interests). Note that you do not need to invest in Units in order to invest in the Tree Project or vice versa.

You should note that these costs in the table are not charged every year – they are only charged once when you invest in the Tree Project; there are no ongoing fees. However, in order to rely on that part of the Product Ruling that confirms (if your Interests are issued on or before 30 June 2011) that you are carrying on a business of primary production, you must take out insurance in respect of damage or destruction of the Trees from the time of planting up until the end of the term of the Tree Project. In addition, if you are using an Investment Loan with a term greater than one year to fund your investment, you must take out insurance in respect of damage or destruction of the Trees for the term of the Investment Loan.

* There may be other costs in connection with investing in Units in the Land Trust, however, they are transactional and operational costs and costs that an investor would incur if the investor invested directly in the land held in the Land Trust.

** It is assumed that the Land Trust will be entitled to full input tax credits for the acquisition of the Land Trust RE's management services including land acquisition services. Should this not be the case, the cost of the Land Trust RE's management services including land acquisition services may be not more than 10 per cent higher to account for any part of the GST component not recoverable. See Section 7.4.12 below in relation to the appointment of a manager on and from 30 June 2022. Fees and costs of the manager from 30 June 2022 cannot be reasonably estimated as at the date of this PDS.

*** At harvest, additional fees may apply if the Tree Project receives income or insurance proceeds (refer to Section 7.1 *Tree Project* and Section 7.4 *Additional Explanation of Fees and Costs for details*).

Land Trust

The following table gives an example of how the fees and other costs charged on an investment in Units in the Land Trust can affect your investment during the first year. The management costs described in the table below are payable only once during the term of investment – they are not payable on an annual basis.

You should use this table to compare this product with other similar agribusiness managed investment products.

	Example — If you invested in 50,000 units in the Land Trust	Balance Of \$50,000 with no further contributions
Management Costs	\$8,763 (until 30 June 2021 and thereafter \$2,500 per annum)*	For every \$50,000 you have invested in Units in the Land Trust, you will be charged fees of \$8,763.
Cost of the Land Trust	\$8,763	If you had an investment of \$50,000 in Units in the Land Trust, you would be charged \$8,763 in fees and costs.

In accordance with the requirements of the Corporations Act 2001, the table is based on an investment of \$50,000. However, you should note that the Land Trust RE will only issue Units in increments of 475 Units and, therefore, it is impossible to make an Application for Units where the Application payment equals exactly \$50,000. The nearest whole investment amount is \$49,875 (49,875 Units). Note that you do not need to invest in Units in order to invest in the Tree Project or vice versa.

7.4 ADDITIONAL EXPLANATION OF FEES AND COSTS

7.4.1 Deferred Rent

This is the fee paid by the Investors to the Custodian for granting Investors licenses to use the Plantation Lots. This fee is then, in turn, paid by the Custodian to MAAML for granting the Subleases to the Custodian. The fee paid to MAAML is used by MAAML to pay the Deferred Rent payable to the Land Trust RE under the Leases of Land¹⁰. It is not used to pay any of the annual rental obligations by MAAML which are payable to the Land Trust. These annual rental obligations by MAAML will be paid by MAAML out of its own funds, in part from the Land Rental Security Account (see Appendix B 3.2 to this PDS for further information on this account).

The Deferred Rent will not be kept by the Custodian or the Tree Project RE. The Tree Project RE will deduct this fee from Net Sales Proceeds during the Sale Period (or from Tree Insurance proceeds if an Insurance Event occurs and the insurance proceeds are not used for replanting Trees) once these proceeds are paid. See below for an example of this fee.

7.4.2 Management Fee (per hectare)

This fee is paid to the Tree Project RE for managing the Tree Project. The Tree Project RE will deduct this fee from your Tree Project Net Sale Proceeds during the Sale Period or from Tree Insurance proceeds if an Insurance Event occurs (and there is no replanting) once these proceeds are paid. See below for an example of this fee.

7.4.3 Productivity Performance Fee

A performance fee is payable to the Tree Project RE when the Net Sale Proceeds from Timber (other than under Offtake Agreements for Residual Timber) for a Region exceed \$4,000 per quarter hectare and the average amount of that Timber (other than Residual Timber) produced is greater than 60 GMT per quarter hectare for Plantation Lots in that Region. This fee may be payable in relation to the Net Sale Proceeds of Timber (other than under Offtake Agreements for Residual Timber) from one or more Region(s), even though the average Net Sale Proceeds for such Timber for all Regions does not exceed \$4,000 per quarter hectare and/or the average amount of Timber (other than Residual Timber) produced across all Regions is not greater than 60 GMT per quarter hectare.

There is no Productivity Performance Fee payable with respect to any Net Sale Proceeds received separately from Residual Timber, and any Net Sale Proceeds received separately from Residual Timber will not be included in the calculation of the Productivity Performance Fee as described above.

Please see below for an example of this fee.

* There may be other costs in connection with investing in Units in the Land Trust, however, they are transactional and operational costs and costs that an investor would incur if the investor invested directly in the land held in the Land Trust. Note also that it is assumed that the Land Trust will be entitled to full input tax credits for the acquisition of the Land Trust RE's management services. Should this not be the case, the cost of the Land Trust RE's management services may be slightly higher to account for the GST component not recoverable. Investors should note that on and from 30 June 2022, a manager will be appointed by the Land Trust RE to manage the assets of the Land Trust. Any fees and cost payable to the manager are payable or reimbursable out of property held by the Land Trust RE in connection with the Land Trust. Section 7.4.10. *Fees and costs of the manager* from 30 June 2022 cannot be reasonably estimated as at the date of this PDS.

¹⁰ To the extent that (i) the Custodian receives this Deferred Rent from Tree Project Investors under the Tree Project Constitution and (ii) it is paid on by the Custodian to MAAML.

Examples of the Licence Fee, Management Fee and Productivity Performance Fee

Example	1	2	3	4	5	6
Assume:						
Net Sale Proceeds from Timber (other than under Offtake Agreements for Residual Timber) per 4 Interests*	\$0	\$14,000	\$15,000	\$16,000	\$18,000	\$19,000
Net Sale Proceeds from Residual Timber per 4 Interests*	\$0	\$1,500	\$1,500	\$1,500	\$2,000	\$2,000
Timber Yield at Harvest (GMT)	0	210	225	230	238	241
Then:						
Productivity Performance Fees	\$0	\$0	\$0	\$0	\$0	\$495
Deferred Rent	\$0	\$767.25	\$816.75	\$866.25	\$990.00	\$1,039.50
Management Fees	\$0	\$852.50	\$907.50	\$962.50	\$1,100.00	\$1,155.00

* Minimum investment

Examples of fee calculations set out above are hypothetical. These examples and the assumptions used in them are for illustration purposes only, and the examples for the Management Fee and Productivity Performance Fees in particular are examples only and are not a projection or estimate or intended to represent likely Net Sale Proceeds or fees payable for any investment in the Tree Project or Land Trust.

7.4.4 Land Acquisition Fee

If the final weighted average cost of the Land Trust's interest in Land (per quarter of a hectare) is less than \$1,575.00, then the Land Trust RE will be entitled to the Land Acquisition Fee which is to be paid on or after 30 June 2012. The Land Acquisition Fee is an amount per quarter of a hectare of Land purchased equal to the difference between \$1,575.00 and the final weighted average cost of the Land Trust's interest in Land (per quarter of a hectare), subject to a maximum of \$50.00 per quarter of a hectare. This equates to a maximum Land Acquisition Fee of \$50.00 per 475 Units (or \$0.1053 per Unit) (assuming that the Land Trust is entitled to full input tax credits for its acquisition of the Land Trust RE's management services, including land acquisition services).

7.4.5 Loan Interest, Fees and Costs

If you use an Investment Loan to fund your Investment in the Tree Project or the Land Trust, you must pay the Lender interest on the Investment Loan (or other loan) and certain fees and costs. You should refer to Section 9 of the PDS for further information and the *Loan and Security Agreement and Notice of Mortgage* which is included in Appendix C.

7.4.6 Loan Application Fee

If you use an Investment Loan, you must pay interest on the Investment Loan and pay the Investment Loan Application fee. The Application fee is paid upfront when you apply for an Investment Loan. The Investment Loan may be extended to cover the Investment Loan Application fee.

7.4.7 Insurance Premiums

Insurance is compulsory if you are using an Investment Loan with a term greater than 1 year to fund your Investment. In order to rely on that part of the Product Ruling that confirms that (if your Interests are issued on or before 30 June 2011) you are carrying on a business of primary production, you must take out insurance in respect of damage or destruction of the Trees from the time of planting up until the end of the term of the Tree Project.

The annual premium for the optional insurance contemplated by the Lender is currently estimated at \$5 per Interest in the Tree Project for the first year of Tree growth, and increasing to approximately \$30 per Interest for the 10th year of Tree growth. There is also a handling fee per insurance policy of \$11 per annum (incl. GST) payable to the Tree Project RE for arranging the insurance. Please see Sections 4.2.3 (c) to (e) of this PDS for more information on Tree Insurance.

7.4.8 Adviser Commissions and Other Benefits

The Land Trust RE and the Tree Project RE may enter into arrangements with financial services licensees or their representatives (“Advisers”) and others who refer their clients to the Land Trust RE and/or the Tree Project RE (“Referrers”). Under these arrangements, the Land Trust RE and the Tree Project RE will pay commission, referral fees or other benefits to that person where the person’s client invests in the Land Trust or the Tree Project. Any such commissions or referral fees will be payable by the Land Trust RE or the Tree Project RE (as the case may be) from its own resources and will not be paid directly from your Application Price or other money.

The amount of referral fee or commission is calculated on the amount you invest (exclusive of GST) and may be up to five per cent to 10 per cent (plus GST) with the possibility of a further two per cent to four per cent (plus GST) of the amount you invest where the relevant RE considers that the Adviser has undertaken significant marketing of the product, or has fulfilled firm bid allocations for Interests and Units. The total commission payable will be up to a maximum of 12 per cent if paid upfront but will generally be below this amount. Alternatively, commissions and referral fees may be paid to the Adviser or Referrer whose details appear on the relevant Application Form and may be paid on a deferred basis but so that the aggregate does not exceed a net present value of 12 per cent (for example, three per cent paid upfront with a trail of 0.90 per cent paid annually for 11 years). Payment may be subject to such conditions determined by the RE.

Where you have an Investment Loan, the Lender may pay trailing commissions (up to 0.25 per cent per annum plus GST of the outstanding Investment Loan balance, if any) to Advisers and Referrers, if the Application Form contains their details. In the event of an Investor default under an Investment Loan with the Lender, all trail commissions will cease to be payable at the time of default. Furthermore trailing commissions will be paid to the Adviser whose details you have most recently provided to the Lender. Accordingly if you change Adviser during the term of your Investment Loan and advise the Lender of the change, your original Advisor will cease to receive any further trail commissions.

In addition to the commission payable to financial advisers, the Land Trust RE and the Tree Project RE may also enter into arrangements with Advisers, Referrers and others to provide non-monetary benefits

to them other than the commissions or referral fees discussed above. Examples of non-monetary benefits include sponsorships, conferences, professional development, accommodation or travel and in some instances these benefits could include payment or reimbursement for a portion of the adviser’s professional indemnity insurance cover. These benefits may be provided to Advisers, Referrers and others instead of, or in addition to, the commissions and referral fees referred to above. The benefits may be provided to Advisers, Referrers and others where the relevant RE considers that the person has undertaken extensive marketing of the product, or has fulfilled firm bid allocations for Interests and Units.

Generally, advisers can pass on to investors the benefit of all or part of any commissions or other benefits that they receive from the Land Trust RE or Tree Project RE. Speak to your adviser about the commissions or other benefits (if any) that they may receive in connection with your investment or your Loans.

Your Adviser and/or any Referrer must disclose to you any benefits (including commissions or referral fees) that they receive in respect of the service they provide and the capacity in which they are acting when they provide advice or refer you to the Land Trust RE or the Tree Project RE. You should note that none of the Land Trust RE, the Tree Project RE, the Lender, the Land Trust Lender or any of their representatives provide personal advice that takes into account your particular investment needs, objectives and financial and taxation circumstances on investment in the Tree Project or the Land Trust or any Loans referred to in this PDS.

7.4.9 Interest Payments on Application Price for Land Trust

Until the Application Price is applied toward the purchase of the Land or related activities, it will be placed in an interest bearing deposit account. A management fee equal to interest earned (net of Trust expenses) on amounts held by or on behalf of MFPML in the account (until invested or otherwise applied) will be paid to the Land Trust RE. The Land Trust RE currently estimates that this fee will be \$33.25 per 475 Units (\$0.07 per Unit).

7.4.10 Government Levy

You should note that the imposition of a compulsory government levy of five cents per cubic metre of harvested logs has been announced to provide increased funding for both research and development and marketing/promotion by Forest and Wood Products Australia (“FWPA”). FWPA is a public company that provides a national, integrated research and development focus for the Australian forest and wood products industry. Additionally, you should note that there is no assurance that this levy would not change in the future. Details of the levy will be published on the Macquarie Forestry Investment website at www.macquarie.com.au/forestry. You should consult the Macquarie Forestry Investment website for updates. A paper copy of the updated information is also available on request and free of charge by contacting the Tree Project RE (see the Directory at the back of this PDS for contact details).

7.4.11 Tax

See Section 8 for more information on the taxation implications of investing in the Tree Project and Land Trust.

7.4.12 Expenses

All expenses that the Tree Project RE incurs in the proper performance of its duties are payable or reimbursable out of property held by it in connection with the Tree Project. If this property is insufficient to meet any payments due, the relevant Investor or Investors must meet these payment obligations. Relevant expenses include, for example, land rental, interest or costs of borrowing, and tax including GST. For further details of expenses payable under the Tree Project Constitution see Appendix B.2.1.

The Land Trust RE can also recover a range of expenses in relation to the proper performance of its duties in respect of the Land Trust, including, for example expenses relating to the acquisition, disposal, insurance, custody and other dealing with assets of the Land Trust. See Appendix B.3.1.

Investors who remain in the Land Trust after 30 June 2022 (for instance because they have elected not to request redemption) should note that the Land Trust RE must appoint Macquarie Bank Limited or a related entity of the Land Trust RE to undertake the management of the assets of the Land Trust from 1 July 2022. The costs and expenses of the manager will be an expense of the Land Trust RE payable or reimbursable out of property held by the Land Trust RE in connection with the Land Trust.



8 / Tax treatment

The commentary in this Section of the PDS is of a general nature and is not advice to any prospective Investor. MAAML, MFPML and Macquarie do not provide financial or tax advice and this summary cannot address all of the taxation issues which may be relevant to a particular Investor. Each Investor must take full and sole responsibility for their own investment in an Interest or Unit, the associated taxation implications arising from that investment and any changes in those taxation implications during the course of that investment.

As the taxation implications for each potential Investor may be different, Macquarie recommends that each prospective Investor obtains their own independent professional taxation advice on the full range of taxation implications applicable to their own individual facts and circumstances.

The ATO has issued Product Ruling PR 2011/2 in relation to the income tax treatment for Investors in the Tree Project whose Interests are issued between 21 March 2011 and on or before 30 June 2011 in respect of certain aspects of their Investment. The Product Ruling is binding on the Commissioner of Taxation (the "Commissioner") provided the Tree Project is implemented in the specific manner provided in the Product Ruling. Investors can obtain a copy of the Product Ruling free of charge on the Macquarie Forestry Investment website at www.macquarie.com.au/forestry or by contacting MAAML or MFPML on **1800 080 033**.

Currently, it is not expected that an application for a product ruling will be made for Investors who invest in the Tree Project after 30 June 2011. However, if such a product ruling is sought and is issued by the ATO, the product ruling will be made available for investors on the Macquarie Forestry website www.macquarie.com.au/forestry or investors can obtain a copy free of charge by contacting **1800 080 033**. Investors considering investing after 30 June 2011 should check the website for updates on the product and any product ruling, and should seek their own taxation advice taking into account their own circumstances and needs.

Investors should note that by issuing a Product Ruling in relation to the Tree Project, the ATO does not sanction or guarantee the Investment. Furthermore, it gives no guarantee or endorsement, expressly or impliedly, of the Investment's commercial viability, the soundness or otherwise of the Investment, the reasonableness or commerciality (with respect to industry norms) of any fees charged in connection with the Investment, or that projected returns (if any) will be achieved or are reasonably based. In addition, the ATO may take a view that is different from that set out in this summary in relation to those issues that are not covered by the Product Ruling.

8.1 ASSUMPTIONS

This summary of the income taxation and GST implications for an Investor assumes that:

- the Investor will hold the Interests and Units on capital account and will not be a person who is carrying on a business of trading in such investments;

- the Investor is an Australian resident for tax purposes
- the Investor is issued the Interests by the Tree Project RE (i.e. the Investor is an "initial participant" in the Tree Project and has not obtained the Interests by transfer or other disposal from another participant); and
- the Investor does not enter into the Investment in substitution for an economically equivalent investment that they would otherwise be expected to enter into; and
- our tax advice is based on current Australian taxation laws in force and administrative practices generally accepted as at the date of this PDS. Investors must appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage. Future changes in taxation law, their interpretation or associated administrative practices could affect the treatment of Investors in the Investment. All references in this summary to legislation provisions are to provisions of the Income Tax Assessment Act 1936 or to the Income Tax Assessment Act 1997.

8.2 TREE PROJECT

Income tax issues

The income tax treatment for an Investor in the Tree Project is set out below.

Carrying on a business

The Product Ruling confirms that Investors who take out insurance over the Trees in the Tree Project should be treated as carrying on a business of primary production.

Assessability of income

The Product Ruling confirms that upon (clear-fell) harvest, an Investor should include in their assessable income the market value of their Interest. This market value should be the same as the value of the Net Sale Proceeds from the Tree Project that is attributable to an Investor's Trees, less any GST payable on those proceeds (assuming that the Investor is or is required to be registered for GST).

Entitlement to and timing of deductions

The Product Ruling confirms that Investors will be entitled to a deduction for the Application Fee of \$2,585 per Interest paid to the Tree Project RE in the income year in which it is paid. However this may be affected by a disposal of the Interest within four years – see "Disposal of Interests" below.

Where the Investor is registered or required to be registered for GST and is entitled to an input tax credit for the GST component, the amount of the deduction should be \$2,350 (i.e. reduced by the \$235 input tax credit to which the Investor will be entitled).

The Product Ruling confirms that the Deferred Management Fee, Productivity Performance Fee and

Deferred Rent paid to the Tree Project RE should be deductible. The deduction should be allowable in the income year those fees are paid (reduced by any input tax credits to which the Investor will be entitled).

The Product Ruling confirms that Investors who obtain a loan from Macquarie Bank Limited (“Investment Loan”) to acquire their Interests will be entitled to a deduction for interest paid on the Investment Loan. The deduction will be available in the income year in which the interest expense is incurred, or in the case of a small business entity using the cash accounting basis, incurred and paid. As the interest on the Investment Loan is paid in arrears, the prepayment rules should not apply to determine the timing of the deduction.

The premiums paid for any Tree Insurance taken out by the Investor should be deductible. Where the premium is prepaid and the amount of the premium is \$1,000 or more, the prepayment rules would apply to apportion the deduction on a straight line accruals basis over the period to which the prepaid premium relates.

Any Investment Loan Application Fee payable by an Investor on an Investment Loan should be deductible as follows:

- where the total of the amounts incurred by the Investor in that income year for the borrowing of money for income producing purposes is \$100 or less – in the income year in which the Application Fee is payable; or
- otherwise, over the lesser of five years or the term of the Investment Loan.

Non-Commercial Losses

The Product Ruling confirms that for an Investor that is carrying on a business, the Commissioner will exercise his discretion, so that the non-commercial loss provisions in Division 35, which can otherwise apply to deny deductions to a taxpayer who is carrying on a business, will not apply to the Investor. The Commissioner’s discretion, if exercised, is expected to apply regardless of the Investor’s level of income.

Disposal of Interests

The Product Ruling confirms that where a CGT event happens in relation to an Interest (e.g. an Investor disposes of their Interest), the market value of the Interest at the time of the CGT event will be included in the Investor’s assessable income, less any GST payable on those proceeds. Alternatively, where the Investor continues to hold the Interest after the CGT event, then an amount will be included in the Investor’s assessable income equal to the decrease in market value resulting from the CGT event.

Where the CGT event occurs within four years after the income year in which the Interest is issued, the Investor will no longer be entitled to a deduction for the Application Fee, and the Investor’s assessment for the income year in which the deduction was claimed should be amended accordingly.

However, recently enacted legislation operates so that the deduction will not be denied as a result of the CGT event that occurs due to circumstances outside the control of

the Investor and which could not reasonably have been foreseen by the Investor.

Other income tax issues

In addition, the following income tax consequences, which will not be covered by any Product Ruling issued, should arise for an Investor in the Tree Project.

Trading stock

An Investor may, during the Sale Period, hold wood produce that will constitute trading stock on hand of the Investor. The Investor will be required to account for the cost of that trading stock in accordance with Division 70 (or, if the Investor is a small business entity, Division 328).

GST

An additional amount on account of GST is included in the Tree Project Application Price. If an Investor is registered or required to be registered for GST in relation to the Tree Project, the Investor should generally be entitled to claim input tax credits for the acquisition of the Interest in the Tree Project.

Generally, Investors who make “supplies” of \$75,000 or more in carrying on an enterprise in any 12-month period (considered on a current and projected basis and subject to certain exclusions) will be required to be registered for GST purposes. Investors may also elect to register for GST, even if not required to do so. If an Investor is registered or required to be registered for GST the Investor should generally be:

- entitled to claim input tax credits for the acquisition of taxable supplies that relate to the Tree Project; and
- liable to pay GST to the Commissioner for any taxable supplies made by the Investor. For example, where an Investor is registered or required to be registered for GST, the sale of Timber should be a taxable supply and therefore the Investor should be liable to pay GST to the Commissioner for that taxable supply in the relevant Business Activity Statement.

If an Investor is not registered for GST and is not required to be registered for GST, the Investor will not be entitled to claim input tax credits for acquisitions made in relation to the Tree Project and will not be liable for GST on the supply of the Timber. Accordingly, the additional amount paid on account of GST may be deductible.

Post 30 June Investors

Where an Investor is accepted into the Tree Project after 30 June 2011, the Product Ruling will not apply. However, given that the documentation for post 30 June Investors is in all material respects the same as for pre 1 July Investors (other than date and timing of payment differences), then, subject to differences in timing of tax deductions and there being no change in the applicable tax laws, it is expected that the tax treatment for such Investors will be the same as for pre 1 July Investors. It cannot be guaranteed that the Commissioner will take the same view and the Commissioner is able to take a contrary view.

8.3 LAND TRUST

The income tax treatment for an Investor in the Land Trust is set out below.

Assessability of income and distributions received from the land trust

Investors will be required to include in their assessable income their share of the Trust's net income (for tax purposes) in each income year, e.g. taking into account any lease rentals received by the Land Trust and any deductions for interest incurred by the Land Trust.

Any net gain from the sale of Land (being the difference between the net proceeds from sale and the cost of that Land) should be a capital gain for the Land Trust. Any distribution of a capital gain made by the Land Trust should retain its character as a capital receipt in the hands of Investors and, in effect, should be assessable to the Investor under the CGT provisions. Investors who are individuals or trusts should also be entitled to discount capital gains treatment on any discount capital gains of the Land Trust where the asset has been held for at least 12 months.

Legislation has recently been enacted to allow eligible managed investment schemes to irrevocably elect to apply the CGT provisions for the taxation of gains and losses on disposal of certain assets (including an interest in land). MFPML, responsible entity of an eligible managed investment scheme, can make this election, which would confirm the treatment described above.

In respect of the Land Trust, a failure to make such an election would result in ordinary taxation principles applying to ascertain whether any gain would be on capital or revenue account. As noted above, it is considered that any such transaction would be on capital account. If no election is made, it is open for the ATO to take a view that is different from that set out above (see section 8.5 of this PDS) and may seek to tax the Land Trust on revenue account.

Where Investors receive a "tax-deferred distribution" from the Land Trust, the Investor's cost base in the Units is likely to be reduced by the amount of the tax-deferred distribution. A capital gain is likely to arise to the extent the tax-deferred distributions exceed the Investor's cost base in the Units.

Capital Gains Tax

The Units will be a CGT asset of the Investor. The Application Price for the Units is a capital outgoing that is not deductible, but is included in the Investor's cost base of the Units.

Each year, any amounts distributed to the Investor that are required to be reinvested in the Land Trust should also be included in the Investor's cost base of the Units.

On the cancellation of the Units (e.g. on termination of the Land Trust), the Investor is likely to derive a taxable capital gain to the extent that the capital proceeds received as a result of the cancellation of the Units exceed the Investor's cost base in the Units. A capital loss is likely to arise to the extent that the capital proceeds are less than the Investor's reduced cost base.

Investors that are individuals, complying superannuation funds or a trust that hold the Units for at least 12 months

prior to their cancellation (excluding the acquisition and cancellation dates) should be entitled to discount capital gains treatment in respect of any gain on their Units.

Entitlement to and Timing of Deductions for Interest

Investors should be entitled to a deduction for any interest incurred on a Investment Loan to acquire the Units in the income year the interest is incurred, or in the case of a small business entity using the cash accounting basis, incurred and paid. The prepayment rules should not apply to apportion the interest expense as interest is payable in arrears.

GST

The issue or redemption of Units in the Land Trust should not give rise to a liability for GST. Similarly the distributions received by an Investor should not give rise to a liability for GST. The extent to which an Investor is entitled to claim input tax credits for acquisitions made relating to the issue and redemption of Units in the Land Trust will depend on the individual circumstances of the Investor.

8.4 ABN/TFN WITHHOLDING TAX

Amounts may be withheld from payments to Investors (e.g. the Net Sale Proceeds) in the Tree Project for supplies made by them in the course or furtherance of an enterprise if the Investor does not quote their ABN to the person making those payments.

Amounts may also be withheld from payments to investors in the Land Trust who do not quote their Tax File Number (or, where the Units are acquired in the course or furtherance of an enterprise, their ABN) or claim an appropriate exemption from doing so.

8.5 ANTI-AVOIDANCE PROVISIONS

The Product Ruling for the Tree Project confirms that neither Section 82KL (a specific anti-avoidance provision) nor Part IVA (the general anti-avoidance provision) should apply to deny an Investor deductions for expenses incurred in the Tree Project, where an Investor's circumstances are consistent with those set out in the Product Ruling. Investors whose circumstances differ from those set out in the Product Ruling should seek their own independent advice on the application of the anti-avoidance provisions in light of their own particular circumstances.

The Product Ruling confirms that an investment in the Land Trust should not cause Part IVA to apply in respect of any deductions arising for an Investor from the Tree Project.

In 2008, the ATO released Taxpayer Alert TA 2008/11, which outlines the ATO's concerns in relation to arrangements known as "land impairment trusts"; including the potential application of the general anti-avoidance provisions contained in Part IVA of the Tax Act. The Land Trust does not contain the key elements of a land impairment trust as described in TA 2008¹¹.

¹¹ A "land impairment trust" arrangement involves the purchase of land for use in a forestry scheme by a member of a "tax-consolidated" group of companies, which is then leased to a manager at below market value rental rates, giving rise to an "impairment" of the land value. The land is then on-sold at a loss to a trust outside the tax-consolidated group, in which investors hold interests.



9 / Investment Loan

Approved Investors may fund up to 100 per cent of their Application Price and Investment Loan application fee (including any GST component of their Application Price) with an Investment Loan from Macquarie Bank Limited or a related entity (“Lender”). The table below outlines the options available under the Investment Loan.

Loan term	Repayment type	Interest rate (Indicative)	Repayment	Application fee*
One year	Principal only	0 per cent per annum	Monthly instalments**	1.00 per cent of the Investment Loan amount
Five years	Principal and interest	10.99 per cent per annum	Monthly instalments**	\$0
Seven years	Principal and interest	12.99 per cent per annum	Monthly instalments**	\$0

You should carefully read the Loan and Security Agreement and Notice of Mortgage, and consider seeking professional advice on your rights and obligations under the documentation. The Loan and Security Agreement and Notice of Mortgage is contained in Appendix C of this PDS.

(a) Interest rates

The interest rates outlined above are indicative only. The actual interest rate to be applied to an Investment Loan will be the rate per annum published on the Macquarie Forestry Investment website at www.macquarie.com.au/forestry on the day on which the Investment Loan is approved.

Interest will be charged on the Drawings under an Investment Loan, calculated daily, at the relevant interest rate which has been determined by the Lender by reference to the Macquarie Forestry Investment website, and notified to the Investor. Interest is payable monthly in arrears and will be deducted by way of a direct debit from your nominated bank account on the last business day of each month in respect of that Investment Loan.

(b) Repayments

Repayments of principal on an Investment Loan will be direct debited from your nominated bank account on the last business day of each month in respect of that Investment Loan.

(c) Tree Insurance

An Investor in the Tree Project who utilises an Investment Loan of a term greater than 1 year will be required to obtain and maintain Tree Insurance, satisfactory to the Lender from the time the Trees are planted on the Investor’s Plantation Lot. Such Tree Insurance should provide cover against damage or destruction to Trees caused by fire and/or other insurable risks as required by the Lender. If you are an Investor in the Tree Project, the

Tree Project RE will attempt to obtain Tree Insurance, if it is reasonably available, on your behalf if you have requested the Tree Project RE to do so in the Tree Project Application Form. You will be sent further details on insurance closer to the time that your plantation is actually established. Please ensure that you read the Tree Project Application Form for further details regarding Tree Insurance. Please see Sections 4.2.3(c) to (e) of this PDS for detailed information relating to Tree Insurance requirements.

(d) Investment vehicle

The Investment Loan is not available to those Investors who are Superannuation Funds.

(e) Commissions

The Lender may pay commissions to financial advisers and others who refer clients to it based on the amount of the Investment Loan (see Section 7.4.8 and Appendix C of this PDS).

9.1 CREDIT APPROVAL

(a) Lender may vary Investment Loan amount

An Investment Loan is subject to the Lender’s usual approval process. Investors who apply for an Investment Loan and receive approval for a smaller amount will be taken to have applied for a reduced number of Interests or Units (as the case may be). Subject to the allocation policy outlined in the description of “How to Apply” that precedes the Application Forms at the back of this PDS, any reduction shall be made in proportion to the original Application and shall be equivalent to the approved amount of the Investment Loan and any amount Investors have funded themselves.

* Your application fee may be included in your Investment Loan amount.

** The monthly repayment instalments will be in equal amounts over the Loan Term or in such other amounts for each month as the Lender notifies the Investor in writing. The allocation of monthly payments by the Investor between principal and interest will be as determined by the Lender and notified to the Investor from time to time.

(b) If the borrower is a corporate entity

If the borrower under an Investment Loan is a corporate entity, a director of that entity will be required to guarantee the Investment Loan. This includes where the borrower is the trustee of a trust, and the trustee is a corporate entity.

As the Lender is required to complete additional administrative tasks to take security over the Units and/or Interests issued, corporate borrowers who wish to rely on Product Ruling 2011/2, will need to submit their applications well in advance of 30 June 2011 to ensure their applications may be processed in time.

(c) If the borrower is a trustee of a trust

If the borrower is a trustee of a trust, the Lender will also require a solicitor to confirm that the trustee has the power to enter into the arrangements, by completing and signing a certificate that forms part of the Finance Application Form.

9.2 REPAYMENT AND PREPAYMENT

(a) Repayment

Investors who utilise an Investment Loan will be required to repay the Investment Loan (plus interest) in accordance with the repayment schedule which is set out in Clause 4.1 of the Loan and Security Agreement, contained in Appendix C of this PDS.

(b) Full recourse loan

The Investment Loans are full recourse loans. This means that the Investor will be responsible for making all payments under the Investment Loan itself, regardless of the success or failure of the Investment, or the level of returns from the Investment and whether or not the Tree Project or the Land Trust is terminated or wound up or there is any change in the Project or the relevant RE.

The Macquarie Forestry Investment will not be listed on any stock exchange and other than in limited circumstances there is no right to redeem. Accordingly, the value of the Lender's security (that is, an Investor's Units and/or Interests) in the event of an Investor default during the term of the Investment Loan may not be easily calculated and could be materially lower than the Application Price as there is no liquid secondary market to price or sell Units or Interests. Investors may be responsible for payment of the full value of the Investment Loan in these circumstances.

(c) Lender may apply distribution against loan balance

The Investor is required to, and authorises the Lender to, apply any distribution from the Tree Project or the Land Trust (and any proceeds of Tree Insurance) to:

- pay interest and repay Drawings due under the Investment Loan; and
- prepay or repay the balance of any Drawings under the Investment Loan.

(d) Loan prepayment in the event of project termination

The Investor is required to prepay the Drawings under the Investment Loan if either the Tree Project or the Land Trust terminates or their Interests or Units are redeemed or sold, assigned or otherwise dealt with.

(e) Transferring Interests and/or Units encumbered by a loan

An Investor must:

- prepay the Drawings under the Investment Loan; and
- obtain a release of the mortgage over the Interests and Units of the Investor granted to the Lender (referred to in Section 9.3 of this PDS).

before the Investor can sell, transfer or create a new security interest in respect of its Interests or Units.

(f) Early repayment and variation of the Loan amount

If an Investor:

- chooses to prepay the Drawings under the Investment Loan; or
- is required to prepay the Drawings; or
- the Lender demands repayment of the Drawings under the Investment Loan (as permitted under the terms of the Loan and Security Agreement),

then before the Maturity Date under the Investment Loan, the Investor will be required to:

- pay all other amounts accrued and due under the Investment Loan (including any unpaid interest or fees and any break costs on the Investment Loan as determined by the Lender), and

in addition to prepaying or repaying the Drawings under the Investment Loan.

9.3 SECURITY

Where the Investor has entered into the Loan and Security Agreement, the Lender will secure the Investment Loan by a mortgage over all of the Investor's Interests and Units (even if not funded by the Investment Loan). An Investor applying for an Investment Loan must authorise the relevant RE to deposit all documents of title relating to the Interests and Units with the Lender. The security is set out in Clause 11 of the Loan and Security Agreement.



10 / Additional information

10.1 ENQUIRIES AND COMPLAINTS

The REs have procedures in place to consider properly and deal with enquiries and complaints within 45 days of receiving them. If you have any enquiries or complaints, you can call **1800 080 033**, or you may write to the REs:

Macquarie Alternative Assets Management Limited
R1723 Royal Exchange
Sydney NSW 1225

Macquarie Financial Products Management Limited
R1723 Royal Exchange
Sydney NSW 1225

All complaints relating to the Macquarie Forestry Investment 2011 will be governed by the procedures which apply to all investments and responsible entities managed within the Macquarie Group.

Staff receiving verbal complaints will attempt to settle them immediately to the satisfaction of the complainant or will involve another staff member who will attempt to resolve the complaint. Verbal complaints which cannot be resolved in a timely manner, as well as all written complaints, will be referred to the complaints officer.

Where a complaint remains unresolved (e.g. where a remedy is not offered or not instigated or where a remedy offered is not accepted by the complainant), the complaints may fall within the terms of reference of the external complaints scheme provided by the Financial Ombudsman Service ("FOS"). Complainants in this category will be sent details of how to contact FOS, an independent external complaints handling body approved for this purpose by ASIC.

Where a complainant has referred a complaint to FOS, the complaints officer shall comply with the procedures set out in the Terms of Reference of the Financial Services Complaints Resolution Scheme as amended from time to time. Once referred and once relevant time periods to settle the complaint have expired, FOS will work with the complainant and the RE to seek a mutually acceptable resolution of the complaint.

To contact FOS, Investors should telephone their offices on **1300 78 08 08** or write to them at GPO Box 3, Melbourne VIC 3001.

10.2 CONSENTS

Each of the following has given and has not, before the issue of this PDS, withdrawn its written consent to the inclusion in this PDS of its specified report in the form and context in which it is included in Appendix A, and to be named in this PDS in the form and context in which it is named. They do not hold an Australian Financial Services Licence. They are entitled to payments and benefits specified below:

- (a) **Pöyry Consulting** – report located in Appendix A. It is entitled to payments and benefits of \$52,500 (excluding GST).
- (b) **Geddes Management** – report located in Appendix A. It is entitled to payments and benefits of \$60,000 (excluding GST). Additional fees are paid for ongoing management services.
- (c) **Colliers International** – report located in Appendix A. It is entitled to payments and benefits of \$12,500 (excluding GST).
- (d) **KPMG** – report located in Appendix A and the statements in Section 8 of this PDS. It is entitled to fees and benefits as taxation lawyers to the REs.

Midway, McEwens Contracting and Macquarie Forestry Services have given and have not, before the issue of the PDS, withdrawn their written consents to the inclusion in this PDS of the statements in relation to them (and in the case of Macquarie Forestry Services, its 2011 Forestry Account) in the form and context in which they are included, and to be named in this PDS in the form and context in which they are named.

Each of these parties, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this PDS, other than the reference to its name and a statement or report included in this PDS with the consent of that party as specified above.

10.3 DISCLOSING ENTITY

The Tree Project and the Land Trust are expected to become disclosing entities under the Corporations Act, and if so they will be subject to regular reporting and disclosure obligations. The Tree Project RE and Land Trust RE intend to include the required information on the Macquarie Forestry website www.macquarie.com.au/forestry in accordance with ASIC's good practice guidance set out in ASIC's Regulatory Guide 198 *Unlisted disclosing entities: continuous disclosure obligations*. Information will be posted in a prominent place on the website as soon as practicable after the Tree Project RE or Land Trust RE (as applicable) becomes aware of the information. Information that is placed on the Macquarie Forestry website generally will not be lodged with ASIC.

You will also have a right to request a copy of certain documents, including the annual financial report most recently lodged with ASIC by the RE, from us when they become available, and we must send the copy to you free of charge within five days of your request in the way you choose – by email, fax or post, or you can collect it from our offices. The documents are:

- the annual financial report for the Tree Project most recently lodged with ASIC;
- the annual financial report for the Land Trust most recently lodged with ASIC; and
- any half-year financial report lodged with ASIC and any continuous disclosure notice given for the Tree Project or the Land Trust after the lodgement of the relevant annual financial report and before the date of this PDS.

Currently there are no such documents. The first annual financial reports will not be due for lodgement until mid September 2012.

10.4 POTENTIAL CONFLICTS OF INTEREST OF THE RESPONSIBLE ENTITIES

The Constitutions for the Land Trust and the Tree Project (described in Appendix B) permit the REs and their related bodies corporate and associates to enter into certain transactions despite potential conflicts of interest. The Constitutions permit them to:

- hold Interests in the schemes;
- contract with Interest holders (this permits the Investment Loans);
- deal with each other and with Interest holders and Investors in any capacity; and
- receive and retain certain benefits in connection with the management of the schemes (including the fees set out in this PDS).

MARKET REPORT



Macquarie Alternative Assets Management Ltd
1 Shelley Street
Sydney NSW 2000
Australia

**POYRY MANAGEMENT CONSULTING
(AUSTRALIA) PTY LTD**

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Date: 17 March, 2011
Ref: 51A14534

Page 1 (8)

Dear Sirs,

Pöyry Management Consulting (Australia) Pty Ltd (Pöyry) has reviewed current markets for hardwood woodchips and the outlook for the regional pulp and paper industry. This information has been used to develop Pöyry's opinion on future hardwood woodchip market opportunities. The basis for Pöyry's opinion is being presented to Macquarie Alternative Assets Management Ltd (MAAML) in a more detailed report, covering the Asia-Pacific hardwood woodchip market. Pöyry has also reviewed potential markets for harvest residues from hardwood pulp plantations. Increasing demand for renewable energy sources has created a potential market for forest residues as biofuels and as feedstock for wood pellet production. The basis for Pöyry's opinion on the potential markets for harvest residues has been presented to MAAML in a more detailed report.

This short report contains the independent opinion of Pöyry, and has been prepared for inclusion in the Product Disclosure Statement (PDS) for the Macquarie Forestry Investment 2011. Forests are living, dynamic entities and, as such, nothing in the report is, or should be, relied upon as a promise by Pöyry as to the future volumes and prices that will eventuate in the Asia-Pacific hardwood woodchip market or in the Australian wood pellet market. Actual results may be different from the independent opinion contained in this report, as anticipated events may not occur as expected, and the variation may be significant.

Pöyry is a global consulting and engineering company dedicated to balanced sustainability. We offer management consulting, total solutions for complex projects, and design and supervision. Our expertise extends to the fields of energy, industry, urban & mobility and water & environment. Pöyry has 7000 experts operating in about 50 countries, locally and globally. Pöyry is also one of the world's leading advisors to the forest products industry cluster. Pöyry Management Consulting in Melbourne and its predecessors have over 40 years of continuous experience in the Australian and international forestry sectors. This experience covers all aspects of the forest industry cluster, including project feasibility assessment, plantation establishment, maintenance and management, product processing and markets.

Growers in the Macquarie Forestry Investment 2011 will produce hardwood pulpwood trees. The tree crop will be available for harvest in 2022. The intention is that, when mature, these trees will be sold to pulpwood processors. The trees will be converted to woodchips which will be sold to domestic and international customers. In addition, harvest residues, including tree tops and branches, may be collected and processed to yield biomass for combustion and/or to produce wood pellets for sale to domestic and international bioenergy markets.



Asia-Pacific Hardwood Woodchip Demand

Given the long time (11 years) before the Macquarie Forest Investment 2011 trees mature, there are many factors that can influence demand and supply of commodities such as hardwood woodchips. Asia-Pacific hardwood woodchips are mainly used to produce bleached hardwood kraft pulp (BHKP). Paper and paperboard products that use high amounts of BHKP include printing and writing paper grades, tissue and some box boards e.g. cigarette boxes. Demand for these products is linked to changes in economic activity, population growth, literacy, competing technologies, per capita income and other factors.

In 2009, the impact of the Global Financial Crisis (GFC) affected the region's paper and paperboard markets. GDP fell in the more developed markets, including Japan, Korea and Taiwan, resulting in falling paper and paperboard consumption and production in these markets. In contrast, the Chinese and Indian economies were able to maintain growth during this period and consequently maintained demand for paper and paperboard consumption and production, albeit at slower rates of growth.

Reduced consumption of paper and paperboard throughout the region in 2009 resulted in cut backs in production and short-term closures of some manufacturing facilities as producers sought to match capacity with demand. Part of the demand reduction can be explained by inventory de-stocking which occurred along most supply chains. With resumption in demand growth in the region, producers are progressively restarting pulp and paper capacity. Pöyry forecasts that long-term regional paper and paperboard demand will recover, and return to a growth trend similar to pre-GFC levels. However, the demand patterns and production locations will shift. Demand and production will increase in China, whereas Japan will see reduced demand and production.

Woodchip Demand from established Markets

The Asia-Pacific woodchip trade is dominated by Japan's import of hardwood fibre. Prior to the GFC, Japanese pulp and paper consumption and production was already slowly declining. The sudden fall in demand brought forward decisions to close older and less-competitive production units. With recovering demand, some of this capacity will be re-started. However, much will remain closed. Any major new pulpmill investments by Japanese companies are likely to eventuate outside Japan. Pöyry is projecting a decline of 1.3%/a in Japanese paper and paperboard demand. Given the decline in Japanese demand for the end product, Pöyry expects this will be reflected in the decreased production of hardwood pulp. The relative competitiveness of integrated domestic pulp and paper mills versus non-integrated paper mills means that more of the integrated capacity is likely to remain. Imports account for 80% of Japan's total hardwood fibre requirements. Pöyry forecasts that the decline in paper and paperboard demand will be reflected in a decline in hardwood woodchip imports into that country. Australian growers, including those in the Macquarie Forestry Investment 2011, are very exposed to the Japanese market. This country purchased approximately 80% of Australia's exports of hardwood woodchips in 2010. It will continue to be the largest market for Australian woodchips in 2011.

Production of paper and paperboard, and hence, demand for BHKP and woodchips is expected to be relatively flat in the long-term for Korea and Taiwan. Consequently, demand from these traditional importers of hardwood woodchips is not expected to increase during this period.

Woodchip Demand from emerging Markets

Strong growth in paper and paperboard production is forecast for the developing economies of Asia-Pacific, particularly in China. China's BHKP production is forecast to grow 5.9%/a to 2025. In the short-term, fibre demand from new pulp facilities will be met with woodchip imports. One example of a new Chinese pulpmill is the 1 million air dry tonnes per annum (ADT/a) expansion of Asia Pacific Resources International Limited's (APRIL's) Rizhou pulp and papermill that was completed in 2010. This new line alone will consume approximately 4 million green metric tonnes per annum (GMt/a) of hardwood woodchips when at full production.

In the longer term, fibre yielded from China's aggressive pulpwood plantation expansion efforts could ease the country's net deficit of hardwood pulpwood. However, despite the increased domestic supply, Pöyry anticipates that China will remain a significant net importer of hardwood fibre in the long term.

India is expected to provide limited opportunities for woodchip exporters in the medium to long term but is not expected to develop into a major woodchip importer. Although paper and paperboard product demand is forecast to almost double in the next 10 years, growth in domestic paper production will primarily be based on imported fibre in the form of market pulp and recovered paper. Pöyry is forecasting only limited increases in virgin pulp production.

Other Opportunities

A new domestic (Australian) pulpmill could potentially create additional market opportunities for the Macquarie Forestry Investment 2011. Currently, two pulpmill projects are being considered in Australia. The largest is a BHKP pulpmill in northern Tasmania. This would consume around 4 million GMt/a of hardwood pulpwood. Southern Star Corporation has announced its intent to operate the pulpmill entirely based on plantation-sourced fibre. While there appears to be significant plantation hardwood pulpwood available in Tasmania, some woodchips from mainland sources may be required to augment state-based sources.

The second project is a bleached chemi-thermo mechanical (BCTMP) pulpmill planned for Penola, South Australia. This facility would require 1.5 million GMt/a of hardwood pulpwood. If developed, this mill would obtain wood from plantations located in the Green Triangle region.

Both mills have achieved the regulatory approvals required for their development and both are now seeking funding. Any impact on woodchip markets would be post-2013.

These projects offer two potential opportunities for new plantation owners:

- Domestic sales of pulpwood for those close to the proposed mills.
- As a new domestic pulpmill commences production, woodchips will be diverted from export markets, thereby reducing supply, and improving market opportunities for the remaining suppliers.

Hardwood Pulpwood Supply

Most Australian hardwood woodchip supply has been sourced from native forests. However, harvest volumes from plantations are increasing, and are expected to progressively replace much of the native forest-sourced fibre currently used by the Asian market. Plantation supply is expected to exceed native forest supply for the first time in 2011. However, the magnitude of this change will be driven by supply-side developments in Tasmania, and demand-side appetite for native forest fibre. When compared with fibre from native sources, plantation



fibre is preferred by the pulp and paper industry for the following reasons:

- Plantation pulpwood typically gives higher pulp yields, and more uniformity and consistency in processing. In some mills, this can also improve capacity utilisation.
- Plantation-sourced fibre can often help in avoiding the controversy associated with native forest logging.

The eucalyptus plantations, (*eucalyptus globulus* and *eucalyptus nitens*), established under the Macquarie Forestry Investment 2011, should provide an attractive raw material for BHKP production, used for the manufacture of high-quality printing and writing papers.

In Pöyry's opinion, Australia will continue to be Asia-Pacific's largest net exporter of hardwood woodchips over the next 15 years. The predicted surplus supply available for export markets is expected to increase, from 11.7 million m³ in 2009, to around 12.8 million m³ in 2014, before declining to 11.1 million m³ in 2019. The percentage of total fibre supply from plantation sources is forecast to increase from 46% to 69% during the same period. The volume exported in any given year will depend on the underlying productivity of the plantations, and how harvests are scheduled to "smooth" projected supplies from the atypically large planting in the 2000 season. Although there is some uncertainty surrounding the potential supply from competing countries such as Indonesia and Vietnam, under the most likely scenario, Pöyry believes that the surplus Australian pulpwood supply will be absorbed by the expanding Asia-Pacific market.

The above projected volume forecasts are based on the known area of plantations available for harvest. Many of these plantations were established under the so-called Managed Investment Scheme (MIS) projects since the late 1990s. Over the past 18 months, the majority of these plantations have had new managers appointed. As a result, it is still unclear when, or how much of these areas will be harvested. Nor is it clear how much of the harvested plantation areas will be re-planted. The change in control has also led to problems in the management of recently-planted areas. The lack of timely maintenance, and other shortcomings, may compromise the success of these plantations. In addition, the area of new plantations developed is likely to decline relative to the areas established earlier this decade.

These disruptions to orderly management of substantial areas of the hardwood plantation estate have been compounded by delays in development of infrastructure needed to harvest, process and ship available volumes. This particularly affects the Green Triangle-based resources. Pöyry notes that one of Australia's largest timber companies has successfully tendered for the Port of Portland export facility expansion, and has initiated plans to commence construction of the required facilities.

Likewise, Midway and its South West Fibre partners have built a new 1.3 million t/a chipmill near the Port of Portland. The region also has to build up the contractor workforce and equipment to harvest the volumes becoming available. In the meantime, increasing volumes of available mature hardwood pulpwood have been held back pending availability of infrastructure to handle these volumes.

Pöyry's fibre supply outlook from Australia has been adjusted to reflect these changes, as have the assumptions of future planting. While future regional pulpwood availability is difficult to predict, plantations in the Macquarie Forestry Investment 2011 are likely to mature during a period when overall Australian supply is below the predicted peak, during 2016/2017. The Green Triangle region, in particular, is expected to have a declining supply during the harvesting period of the Macquarie Forestry Investment 2011 plantings.

The gradual reduction in demand from Japan is expected to be offset by a combination of increased demand from emerging markets and declining volumes from native forest sources. Of the declining native forest sources, the most significant reductions are projected for Indonesia. Pulpwood volumes from native forests all but ceased following the clamp-down by

the Indonesian Government on the issuing of new harvesting licenses in Sumatra since the mid-2000s. This situation has recently been relaxed, and native forests are again being harvested and converted to acacia pulpwood plantations.

The limited access to native forest land by Indonesian pulp and paper companies in recent years has resulted in accelerated cutting of plantation resources and reduced plantation development for future supply. Pöyry believes that limited conversion of native forest to plantations will continue in the short term, and then all but cease as restrictions are reinstated.

Indonesian pulp and paper companies such as APRIL and Asia Pulp & Paper Ltd (APP) rely on these acacia plantations to meet the companies' domestic hardwood pulpwood requirements. The plantations are also intended to supply the needs of pulpmills these companies have established in China. This includes the Rizhou mill mentioned earlier, and the Hainan Island mill.

Vietnam has emerged as a significant competitor in recent years. Industrial plantation volumes have increased, from an estimated 1.65 million m³ in 2004 to 6.8 million m³ in 2010. Nearly all of the 2010 volume was exported to China, Japan and South Korea. Pöyry estimates a volume increase, to 10.2 million m³/a by 2019. During this growth phase, it is also expected that domestic pulp capacity will be established, thus reducing the volume available for export.

Cost Competitiveness and Hardwood Prices

As plantations are replacing generally lower-cost native forest supplies, there is a global trend of increasing costs to produce hardwood woodchips. In most countries, increasing competition for land is driving higher land costs, and some governments are imposing water-use taxes on new plantation developments.

Land and labour costs are the largest determinants of relative competitiveness of alternative wood fibre suppliers, when compared on a free on board (FOB) basis, loaded at an export dock. Thereafter, shipping distance and cost are the key drivers of landed cost competitiveness in the woodchip trade, although exchange rate fluctuations can also distort relative positioning of different sources.

Over the long term, the south-east Asian countries are predicted to have the lowest 'cost and freight' (C&F) rates into Japan and China, giving these suppliers a notable cost advantage.

Vietnam represents the strongest competition for Australian exporters due to the potential scale of supply and favourable cost structure. Supply has increased dramatically in recent years and is forecast to increase further as detailed above. Indonesia also poses a threat to Australian exporters. However, as noted earlier, Indonesian supply potential may be limited if the large operators (APP and APRIL) are restricted in their ability to harvest and convert native forest to acacia hardwood plantations. Consequently, other than Vietnam, net exports from south-east Asian countries are expected to be limited in the next 15 years. As hardwood pulpwood crops typically mature before 10 years of age, a potential for unforeseen expansion of supply remains.

Australia has been a competitive exporter, except during periods when the AUD has appreciated strongly. The recent strength of the AUD has resulted in the cost of Australian woodchip exceeding other regional supply countries. However, Australia is viewed as strategically important given the scale of potential surplus supply, and Australian plantation woodchip exporters have maintained prices in AUD terms throughout the recent period of market weakness, despite losing volumes/market share to lower-priced competitors.



Stumpage – Woodchip Roundwood

MAAML has requested that Pöyry comment on the derived stumpage price that may apply for the Macquarie Forestry Investment 2011. In the business of growing trees, there are a variety of points of sale for the forest's output. A 'stumpage price' is the derived or actual amount that buyers would pay growers for standing trees prior to harvest. There is an increasing practice of defining a common price delivered 'at mill door', or 'over the weighbridge'. Therefore, to compare stumpages, the transport, harvesting, harvest roading and associated overhead costs must be subtracted from the mill door or the 'over the weighbridge prices'.

The stumpage for growers in the Macquarie Forestry Investment 2011 will be driven by the factors outlined in the previous sections. By way of reference, the following analyses the stumpage payable, using 2010 woodchip market prices and costs:

- The price point applied is Albany as this represents a competitive market. Developments at the Port of Portland and surrounds are expected to increase competition for fibre in the Green Triangle region prior to the maturity of the 2011 project.
- The stumpage payable is calculated by taking a weighted average for the costs incurred to deliver wood from the wood supply catchments and subtracting these costs from the weighted average price achieved in the markets where the product is sold. Cost factors affecting stumpage include an assumed steady harvest and haulage rate, and a weighted average haulage distance of 95 km from the plantation to the mill gate.
- The Japanese market has been the main buyer of Australian plantation woodchips. However, by the time the Macquarie Forestry Investment 2011 is harvested the Chinese market is projected to have grown in importance and this will have implications for the average stumpage payable for logs sourced from Australian plantations.
- Using the 2010 actual FOB price, the weighted average stumpage payable for woodchip sales into the Japan market is estimated to be AUD44-48/GMt.

As mentioned, the Chinese market is projected to play an increasing role for woodchips sourced from Australian plantations.

- Currently, approximately 15% of Australian woodchip supply is consumed by the Chinese market, but this is projected to double over the next decade.
- The China market FOB plantation woodchip price today, based on China import prices (delivered), subtracting the shipping cost and applying a current premium for high quality Globulus plantation sourced fibre is estimated to be at a 25% to 35% discount to the Japanese market (in AUD terms).
- As the China market FOB plantation woodchip price is determined in USD terms, the stumpage price payable in AUD terms will be influenced by the prevailing AUD/USD exchange rate and the premium the Chinese market is willing to pay for high quality Globulus plantation sourced fibre which may or may not increase over the next decade.

The actual mix of sales by country will determine the weighted average stumpage payable to growers in the Macquarie Forestry Investment 2011. The ability to sell the fibre into the more attractive Japan market will depend on the strength of the relationship with the customer. Macquarie has an offtake with Midway Pty Ltd who own a chipping/export facility at Geelong and a recently commissioned a chip processing facility in the Green Triangle in partnership with their Japanese trading partner Mitsui. This gives growers in the Macquarie Forestry Investment 2011 access to the higher value Japanese market which will be important when determining the actual mix of sales at time of harvest.

Harvest Residue Potential

Until recently, the Australian market for harvest residues has been insignificant. However, this is changing due to growing demand for plantation residues for bioenergy applications such as export wood pellets and domestic power generation.

Growth in these markets reflects global initiatives to develop renewable sources of energy to counter concerns about supply security and cost of fossil fuels, as well as the climate impact of burning non-renewable fuels. Most developed countries are in the process of implementing policy and legislative measures to increase the proportion of energy from renewable sources. As an example, conversion of coal-fired power stations to burn a proportion of wood pellets has been adopted by many European countries.

In Australia, the wood pellet/biomass power industry is in its infancy. During 2009, Australia's first large-scale industrial pellet plant was commissioned in Western Australia, targeting the European market. The developer has plans to construct a second large-scale wood pellet plant in the Green Triangle region. The increasing global demand for renewable energy sources and the proposed development of this facility therefore has the potential to create a market for forest residues produced in the Green Triangle region.

MAAML has advised Pöyry that its hardwood pulpwood plantations have a target yield of around 220-230 m³/ha over a 10-year rotation. The residue yield assumptions are based on the information provided by MAAML and on the assumption that MAAML achieves its estimated productivity yield.

Based on a literature review, Pöyry estimates that a eucalyptus plantation producing 225 GMT/ha woodchips at clearfell is capable of yielding just under 40 Bone Dry Metric tonnes per hectare (BDMt/ha) (or just under 60 GMT/ha at 33.3% moisture content) of harvest residues following clearfell (the 33% moisture content is based on the assumption that harvest residues would be allowed to dry out before collection in order to increase its calorific value).

Stumpage – Harvest Residues

Pöyry recently completed a limited desktop assessment of the Wood-Paying Capability (WPC) of these harvest residues, using a hypothetical pellet plant located in the Green Triangle region as a reference point. Based on current pellet prices (delivered Europe), Pöyry estimates the average stumpage-level WPC of such a pellet plant to be in the range of AUD27-32/GMt (at 33.3% moisture content).

Such pellet plants, and other bioenergy plants, typically utilise a mix of sawmill residues, thinnings and harvest residues. The price a pellet plant would be willing to pay for any particular type of fibre supply will depend on the availability, quality and delivered cost of the alternative sources at its disposal, but is likely to vary around this average.

This short report and the detailed reports on both the hardwood woodchip market and forest residue should be read in conjunction with the Macquarie Forestry Investment 2011 Product Disclosure Statement.

Market Update - Japan Earthquakes

In March 2011, Japan experienced a large earthquake causing significant destruction to domestic property and infrastructure. The damage caused has extended to various Japanese woodchip processing facilities, causing some pulpmills to cease operations. In the short term, Japanese demand for woodchip is expected to contract and it is probable that excess woodchip volumes will be diverted to China. Whilst the longer-term impact cannot be estimated with certainty at this stage, the medium- to long-term demand and supply fundamentals described in this report remain the same, and Japan is still expected to be the largest market for Australian woodchips over this period.

Poyry Management Consulting (Australia) Pty Ltd



John Welsford
DIRECTOR



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8th February 2011

Macquarie Alternative Assets Management Ltd
1 Shelley Street
Sydney NSW 2000

Attention: The Directors

Dear Sirs

Independent Foresters Report for Macquarie Forestry Investment 2011

This report has been prepared for inclusion in a Product Disclosure Statement ("PDS") for the Macquarie Forestry Investment 2011. Macquarie Alternative Assets Management Ltd ("MAAML") will establish plantations of Tasmanian blue gums (*Eucalyptus globulus*) and Shining gums (*Eucalyptus nitens*) on land near Geelong and Portland in Victoria. The project provides investors with the opportunity to invest in either or both of the Macquarie Eucalypt Project 2011 (the "Tree Project") or the Macquarie Timber Land Trust 2011 (the "Land Trust"). The Tree Project will grow trees to be harvested at an average age of 10 years and planned to be sold as a raw material resource for pulp and paper production. The trees will be planted in winter 2012.

MAAML has requested Geddes Management Pty Ltd to provide Independent Forester services for the Tree Project. Midway Pty Ltd ("Midway") and McEwens Contracting Pty Ltd ("McEwens") have been engaged by Macquarie Forestry Services Pty Ltd to provide forestry management services for the Tree Project including land preparation, plantation establishment and plantation maintenance; Midway for the Geelong region, and McEwens for the Portland region. The purpose of this report is to review the abilities of Midway and McEwens to produce the required Tree Project outcomes. However, it should be noted that other contractors may be engaged in the establishment and management of trees for the Tree Project from time to time.

Geddes Management Pty Ltd is a South Australian based independent management consultancy company, specialising in plantation forestry. David Geddes, principal of Geddes Management Pty Ltd, has a Bachelor degree in forestry and is a qualified forester with more than 38 years of practical plantation forestry experience in Australia including: nursery management, site selection, site preparation, plantation management, forest research, harvesting and timber processing. David has been providing independent hardwood and softwood plantation consultancy services since 1993. Geddes Management Pty Ltd has consultancy experience in all plantation regions of Australia. David Geddes is currently Chair of the South East Resource Information Centre, immediate past President of Australian Forest Growers (the organisation representing private forestry) and is former Presiding Member of the Natural Resources Management Board in SE South Australia. He is also a member of several professional associations including the Institute of Foresters of Australia, the Australian Institute of Management and the Australian Organisation for Quality. David has accreditation through the Institute of Foresters of Australia as a Registered Professional Forester.

Geddes Management Pty Ltd is not in any way related to MAAML, Midway or McEwens but has been engaged as Independent Forester for the Tree Project as well as to assess land suitability in the Portland Region. Apart from providing this Independent Forester's Report and other periodic fee for service forestry consulting work, Geddes

Geddes Management Pty Ltd has no interest in this venture and takes no responsibility for any other matter in this PDS. The opinions expressed in this Independent Forester's Report are based on David Geddes' personal knowledge of plantation forestry.

Success of these plantations depends on growth rates during the rotation, harvest costs and log prices at time of harvest. Growth rates of fast grown eucalypt plantations are conditional on correct site selection, thorough site preparation and implementation of best forestry practices including weed control, pest control and maintaining adequate nutrient levels. In addition, there are normal agricultural risks associated with afforestation operations, such as climatic conditions (particularly drought) and fire.

While Geddes Management Pty Ltd does not guarantee the yields of this Project, they have been estimated using the best available information at the time of preparing this report. Yields may be greater or less depending on factors over which Geddes Management Pty Ltd has no management control.

1. Species to be established

The species proposed to be planted in the Portland region is Tasmanian blue gum (*Eucalyptus globulus*). In the Geelong Region a choice of species is available; Shining gum (*E. nitens*) is to be established on higher rainfall and more exposed sites, while *E. globulus* is to be planted elsewhere. Both hardwood species have uniform short stiff fibres with pulping characteristics ideal for production of high quality printing paper. Paper manufacturers generally prefer plantation grown Tasmanian blue gum or Shining gum to hardwood chips sourced from mixed species native forests because they both have a uniform pale colour that requires less chemical bleach. Another benefit to paper manufacturers is these species have reportedly high pulp yields. Together, Blue gum and Shining gum have been the most widely planted species in Australia in the last 10 years, with large areas established in SW Western Australia, SE South Australia, Western Victoria (including the Portland region), Central Victoria (including the Geelong region), Gippsland and Tasmania.

MAAML has advised that in order to maximise harvest yields, it intends to use seedlings grown from genetically improved seed obtained from seed orchards.

2. Land to be used for growing the trees

The PDS requires sites to be selected that are capable of producing an average weighted productivity across the Tree Project of 220-230 green metric tonnes per plantable hectare over a 10 year period. Please note that this productivity yield relates to the amount of merchantable timber suitable for hardwood woodchip production and excludes any tonnage that may be produced from harvest residuals (for example leaves, bark and small tree limbs). Within the overall plantation estate or within any particular property there may be yield variations with some properties or parts of properties producing more or less than the targeted productivity per hectare. The Land Selection Protocol in the Tree Project incorporates criteria including:

- Land clearance: All sites must be substantially cleared agricultural land. Any areas of intact native vegetation will be retained for conservation purposes.
- Climate: Tasmanian blue gums grow well in a Mediterranean climate of winter rainfall and relatively dry summers. Ideally average annual rainfall should be 650 mm or greater. Rainfall should be greater than evaporation for at least six months of the year. Shining gum requires higher rainfall sites. Areas subject to heavy frosts must be avoided or else frost tolerant genetic seedling varieties are to be used.
- Soils: Soils should have sufficient water holding capacity to maintain tree growth during the summer period. Deep sands, waterlogged soils and saline soils must be avoided.
- Access to markets: This includes adequate access within the plantation area for operational vehicles and harvesting equipment, close proximity to the public road network and within an economic road distance to an existing or likely log processing export facility in each Region.

Geddes Management Pty Ltd has reviewed site selection protocols and MAAML yield projection models based on soil type and rainfall and considers them to be adequate for Tree Project objectives.

3. Proposed forestry management operations

MAAML advised that while establishment methods will vary depending on each specific site, of those factors within the control of the plantation manager, key steps to successful plantation growth are thorough site preparation and weed control. This normally consists of clearing any debris from the planting area, controlling pests, deep ripping planting lines in summer/autumn, preparing a planting mound in autumn and controlling all weeds and growth along the planting lines prior to planting. All site preparation will meet requirements of the Victorian Code of Practice for Timber Production 2007.

Seedlings will be planted after soil has taken up sufficient moisture from autumn and early winter rainfall. MAAML has advised it will apply herbicides to control weeds growing near the trees as required during the first 12 months after tree planting.

Regular monitoring of insect activity will be carried out. It is recognised some insects can be beneficial in the plantation environment. Therefore MAAML has advised insect spraying will only be undertaken if insect buildup is considered to be a serious threat to plantation growth. MAAML advised firebreaks will be maintained prior to each fire season. Sheep will be excluded from grazing in plantation areas until the trees are tall enough to withstand damage. Cattle will normally be kept out of plantations to avoid damage to eucalypt trees.

Geddes Management Pty Ltd has reviewed site preparation, establishment and maintenance methods proposed for both Regions and considers them to be appropriate for the Tree Project objectives. They are in line with good forestry practices for both regions.

4. Anticipated yields

Plantation yields vary depending on climatic factors, site types, seedling genetics and success of early establishment and ongoing silvicultural management. The publication "Forecasting growth of key agroforestry species in South Eastern Australia", a report for the Rural Industries Research and Development Corporation/Land and Water Resources Research and Development Corporation/Forest and Wood Products Research & Development Corporation Joint Venture Agro forestry Program, by J Wong, T Baker, M Duncan, D McGuire and P Bulman (February 2000) provided preliminary mensuration tables for eucalypt plantations in South Australia and Victoria. This publication shows indicative height/age and basal area/age and volume/age information derived from a number of measured trials.

Two methods were used to forecast eucalypt plantation yields under this PDS:

- In the Geelong region, scientific selection procedures are used to ensure properties purchased for plantation development for the Project are capable of meeting required yields under this PDS. Productivity estimates for each property are based on local geology, soil types from detailed soil surveys, average annual rainfall and by using comparisons with measured tree plots in "reference plantations" on similar soil types and rainfall. Overall project productivity is based on the weighted average of productivity estimates from each property selected for the Project.
- In the Portland region, an indicative growth potential model was developed based on soil parent material, general location, soil depth and rainfall, and checked against actual harvest yields in the region or from measured growth plot projections in mid rotation aged plantations. The model takes into account proposed improved seed genetics to be used and assumes supplementary fertiliser will be applied to plantations as soon as deficiency signs become evident.

If harvesting is delayed beyond 10 years, it is expected the trees will continue to grow. However, there is always a trade off between overall yield and the time frame for best returns.

On the basis of our review, Geddes Management Pty Ltd considers that growth estimates in the Land Selection Protocol under this PDS are realistic, providing average climatic conditions occur during the rotation, and plantation management is undertaken in accordance with the Midway Management Agreement 2011 and the McEwens Management Agreement 2011.

5. Capability of Midway

Midway Ltd is a privately owned forest industry company, established about 28 years ago. From a head office in Geelong, it manages more than 26,000 ha of softwood and hardwood plantations in the Gippsland and Geelong Regions. Midway Ltd is involved in all facets of the forest industry including plantation development, logistics, processing and marketing and is a major Australian woodchip exporter with facilities in Geelong and Portland in Victoria and Brisbane in Queensland.

Midway has a comprehensive documented plantation management system that starts during initial assessment for determining suitability of land for development and follows through all stages of site preparation, plantation establishment, ongoing monitoring and inventory. Records are kept of every operation on every property. A Fire Management Plan is updated every year prior to the fire season.

Midway maintains certification with two international standards; ISO9000 (quality management) and ISO14000 (environmental management). The company also maintains certification to the Australian Forestry Standard, an internationally recognised environmental forest management standard that has been developed specifically for Australian forestry conditions. Midway employs a team of professional foresters to manage the plantations.

In order to assess the capability of Midway, plantation development and land assessment, staff were interviewed and a number of properties in the Geelong and Gippsland Regions previously prepared for MAAML were inspected to check plantation performance matched records supplied. It is clear from the sample of properties inspected, and practices and processes reviewed, that Midway has an appropriate level of ability to undertake a satisfactory program of work for MAAML in the Geelong or other suitable regions of Victoria.

6. Capability of McEwens

McEwens is a privately owned company based in the Portland Region and has been operating for almost 14 years. From a head office in Mount Gambler, South Australia, McEwens manages more than 17,000 ha of softwood and hardwood plantations in SE South Australia and western Victoria. It has an in-field quality assurance recording system to provide adequate controls for silvicultural management. McEwens has lengthy experience in site preparation, establishment and plantation maintenance, as well as land acquisition, leasing and sub-division. It uses a small workforce of permanent employees to supervise a team of appropriately trained sub-contractors.

A sample of blue gum plantations of different age classes that McEwens had developed was checked, including all plantations prepared for MAAML in the last few years. At each property, matters such as firebreak layout, adequacy of mounds, consistency of row spacing, plantation survival, weed control, tree health, general growth rates and firebreak maintenance were noted. McEwens has a working knowledge of agricultural chemical use and soil nutrient requirements. For all recent development work for MAAML, McEwens complies with a detailed Property Management Plan for every plantation. A Fire Management Plan is updated every year prior to the fire season. It is clear from the sample of properties inspected, practices and processes reviewed that McEwens has an appropriate ability to undertake a program of silvicultural work for MAAML in the Portland Region.

7. Project risks

Eucalypt plantation forestry is similar to many other agricultural enterprises that are subject to climatic variables such as frost, hail, wind, drought and flood, and operational variables such as site preparation, soil salinity, weed control, seedling quality and supply, planting quality, nutrition management, pests, diseases and fire.

MAAML has a range of strategies to mitigate these risks. Some of these strategies include:

- ① Frost; select a range of properties to reduce risks and in frost prone areas select Shining gum which is more tolerant of cold conditions.
- ① Hail; as severe hail tends to be quite localised, a geographic range of properties can spread risks.
- ① Wind; on potential waterlogged sites where there may be insufficient tree anchorage, build larger mounds.
- ① Drought; sites are selected with deeper and better water-holding capacity soils.
- ① Flood; low lying sites are avoided, or drainage systems are constructed.
- ① Soil salinity; soil tests are undertaken at the time of property suitability analysis and tree planting is excluded from areas of high salinity.
- ① Weed control; specific weed control strategies are developed for each property to ensure competing vegetation is controlled during the critical first 18 months of tree growth.
- ① Seedling quality; seedlings are only purchased from reputable nurseries. Seedling specifications are provided to each supplying nursery and during the nursery growing season, seedlings are regularly inspected to ensure they are within specification.
- ① Planting quality; planters are appropriately trained and supervised with pre-determined quality assurance systems, ensuring trees are planted to correct soil depth, they are upright, there are no air pockets around tree roots, and trees are firm in the soil.
- ① Nutrition management; soil fertility levels are sample checked at the time of property soil survey and a nutrient program is determined for each property. At later ages, a foliar analysis program is developed for each property to analyse plant nutrition levels, and fertiliser is applied as needed.
- ① Pests and diseases; plantations are regularly monitored and corrective action is taken as required for any pest and disease levels that will impact the productivity of the Tree Project.
- ① Fire; Annual Fire Management Plans are maintained including establishment of firebreaks around all plantations, maintenance for fire fighting access tracks through the plantations, maintenance of a fire fighting force of fire trucks, crew training, detection systems, standby arrangements in the summer and cooperation with the CFA and

other fire fighting organisations. There is intended to be a geographic spread of properties in the Macquarie Forestry Investment 2011 Project to reduce the impact of fire losses.

Geddes Management Pty Ltd is satisfied that MAAML, Midway and McEwens are aware of these risks and fully understand the required mitigation strategies. Nevertheless it is recognised that variations in climate can affect tree growth.

The project is also subject to market risks. This report does not include a review of market risks.

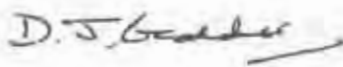
8. Disclaimer

Geddes Management Pty Ltd has prepared this report for MAAML in accordance with the scope of work outlined in the Consultancy Agreement with MAAML. The scope is outlined in the topic headings in this letter. MAAML requested this report to be prepared for inclusion in a PDS for the Macquarie Forestry Investment 2011. This report describes methods and sources used in arriving at conclusions. A draft report was provided to MAAML, Midway and McEwens for verification of the information contained prior to finalisation. The report was prepared on 8th February 2011. Geddes Management Pty Ltd disclaims responsibility for any changes that may occur after finalisation of the report. This report only includes forest health and growth issues and does not include financial planning matters. While Geddes Management Pty Ltd does not guarantee yields of this project, they have been estimated using the best available information at the time this report was prepared. Yields may be greater or less depending on the above factors over which Geddes Management Pty Ltd has no management control. Geddes Management Pty Ltd shall in no case be liable for any loss or damage arising from factors beyond its reasonable control, or for loss of production or profit, or for any other indirect or consequential damage.

In accordance with regulation 7.6.01 (u) of the Corporations Regulations 2001, Geddes Management Pty Ltd makes the following disclosure. Geddes Management Pty Ltd does not hold an Australian Financial Services Licence and this report does not intend to provide financial product advice. Geddes Management Pty Ltd has been retained by MAAML to provide an independent Forester report for inclusion in the PDS. Geddes Management Pty Ltd has also been retained by MAAML as an independent Forester to provide other expert advice with respect to new and existing plantations. Total remuneration for these works will not exceed \$60,000 plus GST. Geddes Management Pty Ltd is not in any way related to MAAML, Midway or McEwens. Apart from providing this Independent Forester's Report, an annual review of plantation performance and other periodic fee for service forestry consulting work, Geddes Management Pty Ltd has no interest in this venture and takes no responsibility for any other matter in this PDS.

Consent to the inclusion of this report in the PDS, in the form and context in which it appears, has been given. At the date of this report, this consent has not been withdrawn.

Yours faithfully
Geddes Management Pty Ltd



David Geddes, BSc (For), AImm, MACFA, RPFTM, CPMgr

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Ref: VADEL3615

9 March 2011

Attention: The Directors
Macquarie Financial Products Management Limited
1 Shelley Street
SYDNEY NSW 2000

Dear Sirs

Macquarie Forestry Investment 2011

Instruction

In accordance with our formal terms of engagement dated 1 November 2011, Macquarie Alternative Assets Management Limited ("MAAML") and Macquarie Financial Products Management Limited ("MFPML") have requested Colliers International Consultancy and Valuation Pty Limited (CICV) undertake research on rural land values in the following five South West Victorian Shires; Ararat Rural City Shire, Glenelg Shire, Southern Grampians Shire, West Wimmera Shire and Moyne Shire. More particularly, CICV have been instructed to provide an opinion as to the appropriateness of the following:

- i) The Macquarie Timber Land Trust 2011 ("Land Trust") has anticipated it may acquire land suitable for forestry at an average rate of up to \$6,100 per plantable hectare in the aforementioned shires. CICV are to comment on the suitability of this target rate; and
- ii) CICV are to provide an analysis on historical land values in the five regions mentioned above.

CICV have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant.



Background

MAAML has advised that the Land Trust is proposing to acquire approximately 3,000 to 4,000 hectares in the Green Triangle region for inclusion in the Macquarie Forestry Investment 2011. The Land Trust will purchase land on an unencumbered basis and is expected to maintain ownership in the land for the full duration of the Macquarie Eucalypt Project 2011 ("Tree Project") which is anticipated to be approximately 11 years. Macquarie has advised CICV that it intends to purchase the land with the intention of establishing Tasmanian Blue Gum (*Eucalyptus Globulus*) plantations. MAAML has advised CICV that it will be targeting land in areas with an average rainfall of between 650mm and 750mm.

For the purpose of this letter we provide the following definition of plantable land:

"Plantable land is land suitable for establishing *Eucalyptus Globulus* in a commercially viable, harvestable manner, and that is free of fixed improvements or other impediments to plantation development".

Regional Market Overview

The Land Trust is intending to acquire land in Australia's Green Triangle region. The Green Triangle extends generally from Hamilton, Victoria in the east to Beachport/Milllicent, South Australia in the west and south to the coastline. We understand the Land Trust might also consider suitable land within the southern parts of the Southern Grampians and West Wimmera shires. The region's assured high rainfall, growing population and proximity to domestic and export markets and services has made it attractive to a wide variety of rural property pursuits including dairy, beef, prime lamb, cereal/legume/oilseed/forage crops as well as extensive soft and hardwood forestry.

Discussions with agents active in the region have indicated in a general sense factors affecting demand for property include prevailing commodity prices, finance costs and supply of available property. Critical factors driving rural property demand for forestry in particular are suitable soil types, reliability of rainfall, percentage of useable land and distance to mill or port.

The region has a heavy focus on forestry, accounting for nearly 20% of the nation's total plantation area, and supports a stable and experienced forestry workforce and associated infrastructure. According to data compiled by South East Resources Information Centre and supplied by the Green Triangle Regional Plantation Committee, as at December 2009 the region's forestry make-up included the following:

Green Triangle Plantation Areas as at December 2009

State	Softwood (Pine)	Hardwood (Blue Gum)	Total State
South Australia	107,826 hectares	42,154 hectares	149,980 hectares
Victoria	86,253 hectares	130,104 hectares	198,357 hectares
Total	176,079 hectares	172,258 hectares	348,337 hectares

The Directors
Macquarie Financial Products Management Limited



Major players represented in the region include Forestry SA (government), Hancock Victorian Plantations, Gunns/Auspine, Great Southern Plantations (purportedly recently sold in receivership), Australian Bluegum Plantations (formerly Timbercorp), Elders Forestry, Green Triangle Forestry Products, Midway, Macquarie Forestry Services and several smaller private and corporate operations.

In terms of land ownership, broadly speaking forestry land is 70% private and 30% government-owned. A significant expansion in plantation establishment occurred from the late 1990's by Managed Investment Schemes (MIS) set up in response to the Government's long term forestry strategy to generate renewable resources and diminish future reliance on old growth assets. As can be noted in the land price movements set out in Figure 1, a clear and sustained surge in land values occurred from around 1997 and extended throughout much of the last decade. During this period, the MIS companies competed strongly with each other to secure land for plantation development. In many instances land purchasing decisions needed to be made in compressed timeframes to satisfy pre-sold investments and also comply with taxation benefits timelines. During this period, rural land values surged, displaying strong year on year growth well above longer term averages, and it is likely that growth rates will revert back to more sustainable levels which are closer to their long term average.

Periods which have historically shown a decrease in rural land prices have typically been correlated to contracting economic conditions, such as the price declines that occurred between the late 1980s and early 1990s, and the recent softening in prices in 2009 and 2010. Both of these periods have coincided with slower economic growth.



A resumption of stronger economic conditions may therefore be supportive of rural land price increases, although many other factors need to be considered, such as the level of private investment demand for rural land.

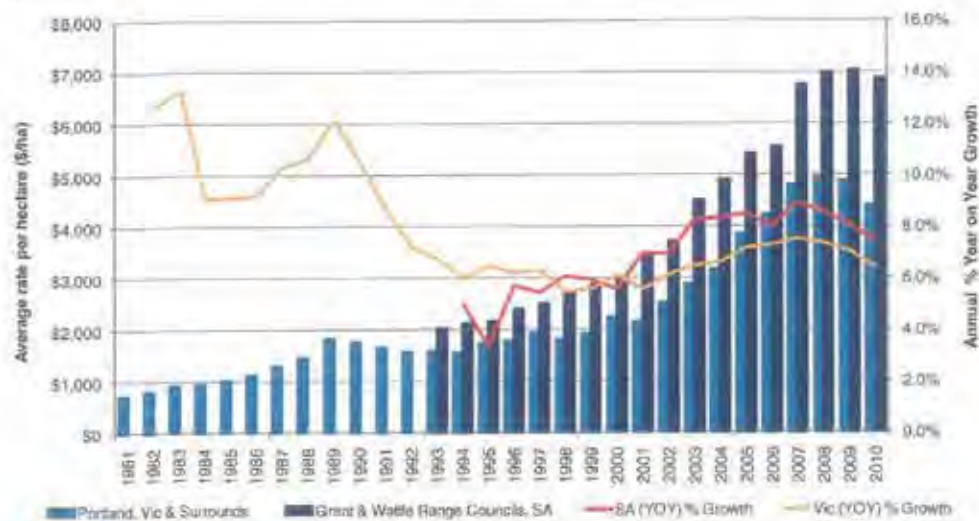
During the middle stages of last decade, grazier and farming interest in rural land improved to the point where forestry buyers were often outbid for property. The reasons for this appear to be many-fold and included:

- Buyers cashed up from previously selling their farms re-entered the market;
- Tighter disciplines on expenditure were implemented by the MIS operators;
- Graziers being able to utilise non plantable land placed overall higher value on property than the forestry operators who (arguably under a more disciplined assessment approach) only considered the value of plantable land component;
- General economic prosperity and the availability of bank funds enabled farmers and graziers to pay more for property;
- Dry conditions in some farming areas resulted in increased demand for land in higher, more assured rainfall areas such as the Green Triangle; and
- Increased institutional and multi-national interest in large Australian rural properties resulted in increased demand.

Notwithstanding the advent of improved demand for rural property from more traditional sectors, our enquiries disclosed that the forestry MIS companies remained as a valuable backbone to demand serving to place a floor in the market for suitable land. This changed in 2008 with the outbreak of the global financial crisis which served to reduce investment demand for the tax driven investment schemes. This reduction in demand coupled with corporate refinancing difficulties and shortages in working capital precipitated the financial collapse of two of the major MIS players in 2009. The combination of difficult economic conditions and the financial collapse of these companies, placed downward pressure on Green Triangle land values in 2009 and 2010, as previously strong buyers of rural land became forced sellers. Arguably, with general improvements in economic conditions over the latter part of 2010 and the finalisation of a number of larger forestry estate sales as a result of the corporate failures, the downward pressure on rural land prices during the previous two years may begin to abate.

Figure 1

Long Term Rural Land Growth - SA/Vic Green Triangle Region
[1981-2010]



Source: Colliers International Research, SA & Vic Rural Land Values & Growth 1981-2010

The Director
 Executive Process & Asset Management Division



Our research has indicated that some parts of the Green Triangle have shown a pull back in land values of up to 20% over the past two to three years since the market peaked in 2008. These areas are in the main situated to the northern extremity of the region where lower rainfall and distance to port and milling facilities are a factor. MAAML advises CCIV that rainfall and distance to port are considerations as part of their land purchasing program, and it is not believed therefore that these areas will be targeted for the Macquarie Forestry Investment 2011. By contrast, the more reliable rainfall districts have tended to show a stabilising trend, with reduced market activity and a substantially greater buyer focus on cropping, dairy and intensive grazing witnessed.

Having made this observation we note that several large forestry transactions have recently occurred in the Green Triangle area as a result of the liquidations of former MIS companies. Two of these transactions have had a combined reported value of over \$750 million and in both cases the estates were purchased on behalf of overseas institutional investors. There have also been some recent purchases by softwood producers Forestry SA.

Given the complexities involved with the transactions it is difficult to identify with certainty the relative value paid for various parcels of land contained within the estates. For example some estates were offered to market with land encumbrances associated with various existing MIS projects, whereas others were not encumbered but included the purchase of trees. Based on the information made publicly available, it is our assessment that these transactions have been realised at a discount of between 20% to 30% to anticipated market value, with a further discount to reflect adjustments associated with probable post harvest remediation expenses. It is our opinion that such a remediation adjustment needs to be recognised to benchmark forestry land values against ordinary farming and grazing land. Despite these complexities and the associated size of these transactions, it is evident that forestry development is well understood by global industry operators and there was solid institutional demand for these types of assets.

Land Trust Target Rate for Plantable Land

The Land Trust is proposing to acquire land suitable for establishing Eucalyptus Globulus at an average rate of \$6,100 per plantable hectare.

Our research has revealed suitable plantable land rates vary as a result of the following factors:

- Rainfall - typically land greater than 600mm is considered suitable for forestry;
- Soil characteristics with deeper sands typically preferred for softwood and duplex soils preferred for hardwood species;
- Topography and percentage of plantable land;
- Existing and historical land use including a preference for sound fertilizer history;
- Access characteristics including roading and infrastructure;
- Haulage distance to Portland or milling facilities; and
- Performance of existing Eucalyptus Globulus plantations within the immediate area and/or from the previous harvested rotation.



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Based on our research of transactions within the region, we consider the target rate of \$6,100 per plantable hectare to be reasonable under current market conditions based on the aforementioned criteria.

When considering this target rate against the analysed data set forth in this report it is important to note that the target rate stipulated is for plantable land and the analysed data comprised land sales on an all in basis inclusive of structural improvements and non-useable/ inferior priced land.

Of critical importance it must also be noted that CICV have not inspected any of the Macquarie owned properties or intended acquisitions and the intended outcome of this letter is to provide general market information and not property specific advice.

Analysis of Historical Land Values (1981 – 2010)

We have undertaken research of historical land value movements within the main Shires (Victoria) and Council areas (South Australia) with the framework of our assessment set out below:

- The source of sales data relied upon in this assignment is the Office of the Victorian Valuer General for Victorian land, and Upmarket (RP Data) in South Australia which in turn sources its data from the South Australian Valuer General's office.
- The Victorian data relied is expressed as average annual rural land values on an improved basis drawn from rural land sales for the period 1981 to 2010 in the study region. The raw data involved a total of 9,578 records based on sales of rural zoned land with a site area of greater than 40 hectares. This data was cleansed to remove outliers and the refined data is graphically expressed in light blue in Figure 1.
- There was a data gap of two years from 1984 to 1985 in the material provided by the Victorian Valuer General's office. To overcome this we have smoothed the data sets in each shire by adopting an average of values from the last six months of 1983 and the first six months of 1986.
- Analysis of the South Australian data involved the assessment of rural sales transactions from within two council areas namely Grant and Wattle Range Local Government Areas within the South Australian portion of the Green Triangle abutting the Victorian study area. This data has been analysed on an annual basis and covers the period 1994 to 2009/10.
- The purpose of this analysis is to identify trends and growth rates over the period.
- We also note that MAAML are contemplating the purchase of Victorian land only. The South Australian data has been analysed to verify or otherwise the trends noted within the Victorian data set.

The Dawson
Malaysian Forestry Product Management Limited



Having regard to the data studied, we have formed the view that the next decade is unlikely to enjoy the same level of demand for plantable land that was experienced in the preceding decade due to the structural changes within the MIS sector and general economic considerations.

In our assessment of historical land values, we note the following key findings:

- The data disclosed that periods of strong growth occurred in the late 80's, with annual year on year growth over that decade averaging approximately 10.4% per annum. The second significant period of strong growth was the first seven years of the 2000's decade, which averaged approximately 11.50% year on year growth. Both of these periods corresponded with strong economic growth and bullish sentiment within wider global investment markets.
- The period in between (ie the 1990's) showed flatter year on year growth in the range of 0% to 2.0% per annum. These growth rates typically reflect some periods of land values declining (clusters of distressed sales) offset by moderate growth in other years, perhaps more in line with general inflation. This stabilising trend is often typified by a build up in property available for sale and a tendency for vendors to hold out for their price rather than meet the market.
- We note that data for Victoria shows a price decline for the three years subsequent to 2007 of 2.8% per annum.
- Growth in land values over the whole 28 year period shows a year on year growth of 6.4% for Victoria.
- Growth in land values over the whole 17 year period shows a year on year growth of 7.4% for South Australia.
- Growth in values in the coming decade may be underpinned by improvements in commodity prices, improved technological capabilities or the emergence of new markets (such as hardwood MIS in the last decade). There is in our opinion a reasonable expectation that demand for food (grains, legumes, milk, poultry, beef and sheep meat) is likely to remain firm over the coming medium term based on population growth, global shifts in production (such as corn to ethanol), food bio-security, the prospects of future global warming, and other global considerations. We would expect the land within the Green Triangle to continue to meet the above described investment criteria going forward.
- There are some short term concerns around the volume of pulp that will be coming on stream in the next two years as some of the earlier hardwood plantings reach harvestable age. We understand many of the plantation companies have off-take agreements for their timber however physical harvesting, chipping, haulage and handling capacities as well as the economic appetite of our trading partners are all considerations.



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Qualification and Warning

- The advice outlined herein does not in any way represent property specific advice in relation to any properties to be included as part of the Macquarie Forestry Investment 2011 nor does it address any issues pertaining to the current market value of any such assets.
- CICV has not been involved in the preparation of the PDS nor has this letter had regard to the other material contained in the PDS. This letter and its content do not take into account any matters concerning the investment opportunity contained in the PDS.
- Recipients must seek their own advice in relation to the investment opportunity contained in the PDS.
- As agreed with you, in preparing this advice we have not:
 - Inspected any properties;
 - Made or undertaken any property specific enquiries or investigations; or
 - Investigated any zoning or planning circumstances.

Important Information

This report been prepared for Macquarie Financial Products Management Limited for use within a product disclosure statement (PDS) being prepared for the Macquarie Timber Land Trust 2011. The contents of this report constitute CICV's research and findings regarding historical rural land value movements within the Green Triangle. Parties reading this report must do so in the clear understanding that **CICV offers no guarantees in relation to the movement of rural land values** over time within the Green Triangle region.

CICV accepts no responsibility for any findings or representations made within the PDS by Macquarie Financial Products Management Limited or its representatives in regard to the Macquarie Timber Land Trust 2011.

This advice is provided by CICV and not by any other company in the Colliers International Group and is therefore issued on the basis that no liability attaches to the companies in the Colliers International Group other than CICV in relation to any statements contained in the report.

Yours sincerely

COLLIERS INTERNATIONAL CONSULTANCY AND VALUATION PTY LIMITED

A handwritten signature in black ink, appearing to read "Alex Thamm".

Alex Thamm
National Director- Rural & Agribusiness

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The Directors
Macquarie Alternative Assets Management Limited
1 Shelley Street
SYDNEY NSW 2000

Our ref 11061291_1.Docx

18 March 2011

Dear Sirs

Macquarie Forestry Investment 2011

In our opinion, section 8 headed "Tax Treatment" in the Product Disclosure Statement ("PDS") dated on or around 18 March 2011 to be issued by Macquarie Alternative Assets Management Limited and Macquarie Financial Products Management Limited as responsible entities for the Macquarie Forestry Investment 2011 (the "Project") provides, subject to the assumptions contained in section 8.1, a correct summary of the material Australian income tax and goods and services tax implications for an investor participating in the Project.

Our comments are based on current Australian taxation laws in force and administrative practices generally accepted as at the date of the PDS. Investors must appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

These comments are made specifically in response to your request for advice on behalf of Macquarie Alternative Assets Management Limited. Accordingly, neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person or company other than Macquarie Alternative Assets Management Limited for any errors or omissions in the advice given, however caused.

The discussion contained in section 8 of the PDS headed "Tax Treatment" is of a general nature only and does not take into account the specific circumstances of any investor. All investors should seek their own independent advice on the taxation implications of their participation in the Project.

We are unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the Australian Commissioner of Taxation.

Yours faithfully


KPMG

Appendix B / Material Agreements

B.1 SUMMARY OF MATERIAL AGREEMENTS

This Appendix contains a summary of the material legal documents relating to the Tree Project and the Land Trust. These include:

- in respect of the Tree Project, the Constitution for the Tree Project which sets out the rights and obligations of the Investors (including their rights in respect of Plantation Lots and rights in respect of Trees) and obligations of the Tree Project RE, and agreements relating to the leases to the Custodian appointed by the Tree Project RE;
- in respect of the Land Trust, the Constitution for the Land Trust which sets out the rights and obligations of the Investors and of the Land Trust RE, agreements to lease and sublet Land from the Land Trust RE and MBL and co-ownership arrangements for Land held jointly by MBL and the Land Trust RE; and
- various agreements relating to the Tree Project and the Land Trust which might be relevant to your investment decision.

The Contract of Sale, Co-Owners Agreement, Leases, Subleases and Forestry Property Agreements will be entered into as and when required. The security charges over the 2011 Forestry Accounts and the Land Rental Security Account will be entered into as soon as possible but before Units and Interests are issued. All other documents referred to below have already been entered into.

These summaries are not intended to be exhaustive. Copies of the Constitutions and compliance plans are available free of charge and the other agreements for the Tree Project and the Land Trust are available for inspection by contacting MAAML or MFPML on 1800 080 033.

B.2 AGREEMENTS RELATING TO THE TREE PROJECT (THE MACQUARIE EUCALYPT PROJECT 2011)

B.2.1 Tree Project Constitution

The Tree Project is governed by a Constitution dated 23 February 2011 as amended from time to time ("Tree Project Constitution"). The Tree Project has been registered with ASIC as a managed investment scheme under Chapter 5C of the Corporations Act. The rights and obligations of the Investors as members of the Tree Project and the Tree Project RE are determined by the Tree Project Constitution, the applicable provisions of the Corporations Act, general law and this PDS. Some provisions of the Tree Project Constitution are mentioned elsewhere in this PDS.

Rights and Obligations of Investors

Nature of Tree Project: The Tree Project is a managed investment scheme involving:

- the Investors obtaining the benefit of a Sublease referred to in section B.2.2 and rights to Trees in respect of a Plantation Lot of an area of Land of one quarter of a hectare for each Interest;
- carrying on their own forestry business on their Plantation Lot;
- management by the Tree Project RE of that business for them; and
- the Tree Project RE arranging sale of the Investor's Trees pooled with the Trees for other Investors.

Interest of Investors: The Interest of each Investor comprises:

- the right to use land held by the Custodian under the Sublease in respect of a Plantation Lot;
- the Trees and forestry rights;
- the rights and obligations of the Investor under the Tree Project Constitution in relation to their Plantation Lot and the forestry activities carried out on the Plantation Lot, and to a proportional interest in any scheme property; and
- if applicable, the right to any proceeds from the insurance taken out in respect of the Trees ("Tree Insurance Proceeds").

Fractions of Interests may be issued. Persons registered jointly as holders of an Interest hold as joint tenants, and not tenants in common unless the Tree Project RE otherwise agrees.

Transfer: An Investor may transfer or assign their Interests only with the consent of the Tree Project RE. Any transfer or assignment must be for the whole of the Investor's Interest.

Redemption: The RE is generally not required to, and may not redeem or repurchase Interests. An Investor generally does not have any right to withdraw from the Tree Project. However, where required by its Australian Financial Services Licence (to the extent that a Sublease has not been granted in respect of an Interest within 15 months after the issue of the Interest), the Tree Project RE will cancel that Interest within 14 days after receipt of a written request from the Investor to do so. If an Investor has a right to request cancellation of the relevant Interest, then the Tree Project RE also has the discretion to cancel that Interest (and must do so on exercise by that Investor of the right to request cancellation). If a cancellation occurs prior to planting Trees on the sublet area, the relevant portion of all amounts paid by the Investor for the Interest will be returned to the Investor by the Tree Project RE. Such amounts will be returned out of funds received by the Tree Project RE for the Interest (to the extent they have not been paid to third parties). With effect from such cancellation, the Investor shall have no right or entitlement under the Tree Project Constitution with respect to the cancelled Interest.

Meetings: The Constitution and the Corporations Act contain provisions which deal with requirements relating to meetings of Investors as members of the Tree Project. Note the Tree Project Constitution provides that:

- the quorum for a meeting will normally be at least two members together holding at least 10 per cent of all Interests. This applies unless the Tree Project has only one member who may vote, in which case, that one member forms the quorum; and
- an appointment of a proxy may still be valid even if it does not include all details specified in the Corporations Act.

Amendment to Constitution: If the Corporations Act allows, the Tree Project Constitution (including each Investor's arrangements for use and management of their Plantation Lots) may be amended by a resolution of 75 per cent of votes cast by Investors entitled to vote, or by deed executed by the Tree Project RE.

Duration of Tree Project: The Tree Project terminates on the earlier of:

- the Tree Project termination date described below;
- the date on which the Tree Project is terminated by law; and
- the date 80 years less one day from the date the Tree Project commences.

The Tree Project termination date is the later of:

- (a) the termination of every Lease and the last payment of the Net Sale Proceeds and Other Income; and
- (b) such later date in accordance with any extensions of time as determined by agreement by:
 - (i) a resolution or written agreement of Investors with at least 75 per cent of all Interests; and
 - (ii) the Offtakers, to the extent that the Offtake Agreement with them has not terminated and is affected by the determination.

The provisions of the Tree Project Constitution will cease to apply to Trees in respect of which there has been an "Insurance Event". An Insurance Event is the destruction of any Trees, or damage to any of the Trees which renders them not fit for harvesting or sale, which is caused by fire, windstorm or hail, to the extent that such event is out of the reasonable control of the Tree Project RE.

Termination: Following termination of the Tree Project, the Tree Project RE must realise the property held by it or a custodian in connection with the Tree Project ("Scheme Property"). The net proceeds of realisation of Scheme Property are to be distributed pro rata to the Investors according to the number of Interests they hold.

Rights and Obligations of the Responsible Entity

Role of Responsible Entity: The Tree Project RE holds the Scheme Property on trust for the Investors (but may have those assets held by a custodian) and is responsible for the management of the Tree Project.

Agent for members: The Tree Project RE has power to act as agent for each applicant or Investor to execute documents in relation to their Plantation Lots and Trees and to perform each Investor's obligations or enforce each Investor's rights under the Tree Project arrangements as it considers appropriate. The Tree Project RE has specific rights and obligations in relation to management of the Tree Project. These are discussed further below under *Management of Tree Project*.

General matters: The Tree Project RE may:

- accept or reject any application for Interests, issue Interests, and refuse any assignment of Interests;
- value the Scheme Property, and it must do so when required under the Corporations Act. Valuations will be at market value unless it otherwise determines;
- voluntarily retire as permitted by law, in which case, a new responsible entity must be appointed and it must retire as required by law. Investors have rights under the Corporations Act to convene a meeting to consider removal and replacement of the responsible entity;
- deduct from any amount to be paid to an Investor (or person who has been an Investor) or any fees or other benefits payable to that person pursuant to a Scheme Agreement, any amount of tax or any amount owed by that person to the Tree Project RE or any other person.

See also Section 10.4.

Limitation of liability: The Tree Project Constitution deals with the liabilities of the Tree Project RE and when it can be reimbursed out of the Scheme Property. In particular:

- it is not liable to the Investors for any loss relating to the Tree Project except to the extent that the Corporations Act imposes such liability; and

- it is entitled to be indemnified for liabilities incurred by it in properly performing or exercising any of its powers or duties in relation to the Tree Project. Such indemnity is paid out of Scheme Property, or if the Scheme Property is insufficient, by the Investors in proportion to the Interests they hold, or where liability relates to a particular Investor, by that Investor.

Management of Tree Project

Each Investor will have a right to use their Plantation Lots in accordance with the Lease from the Land Trust RE (and possibly MBL) to MAAML and the Sublease granted by MAAML to the Custodian (who holds the Sublease for the Investors as to their Plantation Lots) and generally have the full right, title and interest in the Trees on its Plantation Lot, and the right to sell the Timber.

The Tree Project RE will conduct each Investor's business and activities of growing, maintaining and sale of Trees on its Plantation Lot ("Investor's Business") and will enter into Offtake Agreements for sale of the Timber of each Investor and perform each Investor's obligations under the Offtake Agreements. The Tree Project RE is granted a licence by Investors to enter the Leased Land and may grant sub-licences to Macquarie Forestry Services and others to enter the Leased Land.

The Tree Project RE, as manager, agrees to, amongst other things:

- not use the Investor's Plantation Lots other than for carrying on the Investor's Business or purposes ancillary to the Investor's Business;
- control vermin and weeds, and manage tree nutrition;
- maintain fire breaks, access tracks, water supply points, and liaise with the relevant fire authorities;
- maintain plantation inventory, monitor plantation health and liaise with government authorities with respect to fire suppression and prevention and the ongoing management of the Plantation Lots;
- keep the Plantation Lots clean and tidy for the Investor's Business, not make any structural alterations or additions to them and not store any dangerous or inflammable substances except as required for the ordinary conduct of the Investor's Business and in accordance with regulatory requirements;
- arrange for either or both harvesting and sale of Timber;
- collect any other revenue derived from the Plantation Lots.

The Tree Project RE will use reasonable endeavours to obtain and maintain public liability insurance for it and each Investor, for a total amount of not less than \$5 million. The Tree Project RE may offer to arrange and administer Tree Insurance on behalf of Investors in respect of damage caused by fire and other insurable risks normally covered by standard rural insurance. The relevant Investor will be responsible for this cost. The Tree Project RE may charge a fee for arranging and administering the Tree Insurance (this is the handling fee of \$11 (including GST) per policy per annum referred to in Section 4.2.3(c) and other Sections of this PDS).

If Tree Insurance is arranged and there is an Insurance Event in respect of the Trees, the Tree Project RE must determine whether the Tree Insurance Proceeds are to be used to replant the affected part of the Plantation Lots, or be paid to the Tree Project RE for distribution to the relevant Investor.

Fees and Expenses of the RE

The Tree Project RE is entitled to receive the following fees for the maintenance and management of each Investor's Plantation Lot:

- at the inception of the transaction, an application fee of \$2,585 (incl. GST) per Interest for maintenance and management of the Investor's Plantation Lot for that Interest during the Initial Term;
- a deferred management fee equal to 5.5 per cent (incl. GST) of the Net Sale Proceeds and, if an Insurance Event occurs, 5.5 per cent (incl. GST) of the Tree Insurance Proceeds, for maintenance and management of the Investor's Plantation Lot for the Interest during the period following the Initial Term; and
- the Productivity Performance Fee where the Net Sale Proceeds from Timber (other than under Offtake Agreements for Residual Timber) for a Region received by the RE for the Investors exceed \$4,000 per Interest and the average yield of all of Timber (other than Residual Timber) harvested on those lots in that Region is greater than 60 GMT (or average "mean annual increment" of 6) for the Plantation Lot for an Interest (GMT are calculated on an assumed moisture content of 50 per cent at delivery for processing). This fee is equal to 16.5 per cent (incl. GST) of the Net Sale Proceeds from Timber (other than under Offtake Agreements for Residual Timber) for those Regions which are in excess of \$4,000 per Interest.

The Custodian (or Tree Project RE if there is no Custodian) is also entitled to Deferred Rent that Investors pay for the licenses granted to them by the Custodian to use their Plantation Lots. This fee is 4.95 per cent (incl. GST) of Net Sales Proceeds (or 4.95 per cent (incl. GST) of any Tree Insurance proceeds if an Insurance Event occurs and those proceeds are not used for replanting Trees). The Tree Project RE will deduct this amount from Tree Project Net Sales Proceeds during the Sale Period (or from relevant Tree Insurance proceeds).

No other fees are payable by the Investor under the terms of the Tree Project.

The properly incurred expenses of the Tree Project are payable out of the Scheme Property or, if this is not sufficient, by the Investors in the manner set out in the Scheme Constitution. Such costs and expenses include:

- any rental, licence and management fees;
- costs and expenses connected with the RE arranging and administering Tree Insurance and fees payable to the RE in connection with this;
- interest or costs of borrowing for the Tree Project;
- tax including any GST;
- any costs associated with the termination of the Tree Project or the retirement of the Tree Project RE as responsible entity, and appointment of a replacement responsible entity; and
- any costs associated with court proceedings, arbitration or other disputes, and complying with law, except to the extent that the Tree Project RE is found by a court to be in breach of trust or to have been grossly negligent, in which case any expenses paid or reimbursed must be repaid by the Tree Project RE.

Retention and Distribution of Net Sale Proceeds

The Tree Project RE will distribute or retain the Net Sale Proceeds and other income of the Tree Project in the following order of priority:

- first, for liabilities incurred by the Tree Project RE (but excluding those that are not payable out of Scheme Property) and any environmental debits payable to the Land Trust;
- second, the deferred management fee for the Tree Project RE;
- third, the Deferred Rent payable to the Custodian who in turn will pay it to MAAML;
- fourth, any Productivity Performance Fee; and
- then any balance of the Net Sale Proceeds will be distributed to the Investor.

Security over Interests

The Tree Project Constitution also provides for lenders to have any security an Investor grants to them over the rights attaching to Interests noted on the register of Interests. The Tree Project RE may act on any direction from the Investor to pay distributions to which the Investor would otherwise be entitled to the relevant lender.

Security over MAAML's 2011 Forestry Account

The Tree Project Constitution provides that MAAML will grant security (in favour of the Tree Project Custodian) over its 2011 Forestry Account. The Constitution also provides that MAAML must, as soon as possible after the issue of Interests, deposit into the account the amount estimated by MAAML to be the amount that (when taken together with interest estimated by MAAML to be earned on that amount) is required to pay the annual maintenance and management expenses in respect of each Investor's Business, but not including any amounts relating to:

- rent or outgoings in respect of the Leased Land (other than council rates); and
- MAAML's overheads or other internal costs incurred or that may be incurred by MAAML in the management of each Investor's Business.

See Appendix B.2.5 for further information about the security over MAAML's 2011 Forestry Account.

The Constitution provides that if MAAML becomes insolvent whilst it is the Tree Project RE and as a result, is unable to perform its obligations to Investors, then MAAML will only be liable to Investors for its failure to perform in an amount equal to the funds on deposit in MAAML's 2011 Forestry Account at the time that the charge over MAAML's 2011 Forestry Account is enforced by the Custodian (or subsequent "chargee"). The security granted by MAAML will then allow the Custodian to access those funds which will then become Tree Project scheme property.

B.2.2 Lease and Forest Property Agreement and Sublease

Agreement for Ground Lease and Forest Property Agreement

Under the Agreement for Ground Lease and Forest Property Agreement, the Land Trust RE (and in some cases, jointly with MBL), as landlord ("Landlord") (see Appendix B 3.2), and MAAML agree to enter into the Ground Lease and Forest Property Agreement on the date that the Landlord acquires the Land on which the Plantation Lots are to be situated.

Lease/Ground Lease

Under the Lease, the Landlord leases the Land to MAAML and MAAML is permitted to grant subleases to Investors which may only be used to plant, maintain, and harvest Trees on the Plantation Lots, and to graze livestock (together with any reasonably associated uses) and grants a licence to use other parts of the Land (other than the Plantation Lots) for all purposes having regard to the permitted use of the Plantation Lots.

The term of the Lease is until 30 June 2024 unless terminated earlier. The Landlord has a right to terminate the Lease in its discretion after the later to occur of 30 June 2020 and the date of the completion of the final harvest of Trees established under the Tree Project on the Land.

The rent payable (incl. GST) under the Lease by MAAML will be:

- \$560.00 per plantable hectare of land per annum, or part thereof, until 30 June 2011 and thereafter escalating each year by 3 per cent;
- 4.95 per cent of Net Sale Proceeds which is payable when (and to the extent that) an equivalent amount is paid by the Tree Project Custodian to MAAML under the Sublease; and
- upon the occurrence of an Insurance Event, 4.95 per cent of any Tree Insurance proceeds (not applied in replanting affected parts of the relevant Plantation Lot), which is payable when the proceeds are paid by the insurer (and to the extent that they are paid by the Tree Project Custodian to MAAML).

The obligations under the Lease include:

- to pay all rates and taxes assessed on the Plantation Lots, and all charges for services (including gas, power, water);
- not to sublet, grant a licence over the Plantation Lots or assign the Leases (other than the Subleases or for a permitted use of planting, harvesting and maintaining Trees and grazing livestock and associated uses) without the consent of the Landlord;
- not to create any security interest over the Lease except as approved by the Landlord;
- to maintain public liability insurance;
- to generally keep the Land clean, tidy and in a condition suitable for the conduct of planting, maintaining and harvesting trees and the grazing of livestock; and
- to indemnify the Landlord against any loss suffered by the Landlord in connection with any notice served by any authority in connection with contamination in or on the Plantation Lots or injury to any person in or near those lots, caused or contributed to by MAAML, its subleases, its employees, agents, or visitors.

An event of default under the Lease occurs if:

- MAAML repudiates the Lease;
- MAAML fails to make any payment within 30 days of the payment becoming due and the Landlord has requested MAAML to make the payment; or
- MAAML does not comply with any other obligations under the Lease and either the non-compliance cannot be remedied or compensated for, or the non-compliance can be remedied, but MAAML does not remedy the non-compliance within 14 days or the non-compliance can be compensated for, but MAAML does not pay compensation within a reasonable period (at least 14 days after the Landlord gives notice regarding payment).

The Landlord may terminate the Lease, with or without notice to MAAML if an event of default occurs, and MAAML must indemnify the Landlord against any loss suffered in connection with the event of default and the termination.

The Landlord acknowledges under the terms of the Agreement for Lease that if the Lease is terminated, the Sublease becomes a lease as between the Landlord and the Custodian. However, MAAML undertakes to continue to pay the rental that was payable under the Lease.

The Lease provides that to the extent that the Land Trust RE is the Landlord, the liability of the Land Trust RE as Landlord will be limited to its ability to be indemnified out of the assets of the Land Trust.

If there is an Insurance Event in respect of the Trees planted on the Plantation Lots and, in accordance with the Tree Project Constitution, it is determined that there will be no replanting of the affected parts of the Plantation Lot, the Landlord may terminate that part of the Plantation Lot over which those Trees were planted.

Forest Property Agreement

Under the Forest Property Agreement, the Landlord (as Grantor) vests ownership of the Trees, any product of those Trees, and the rights and benefits from those Trees (including Carbon Sequestration Benefits and any other environmental credits relating to the Land) ("Forest Property") in MAAML. Those rights are conferred by MAAML on the Tree Project Custodian to be held for the benefit of Investors in respect of each Investor's Plantation Lots.

The Forest Property Agreement is intended to be a "Forest Property Agreement" under the Forest Rights Act 1996 (Vic).

If (as anticipated) the Land Trust RE is one of the Landlords, then it will be a Grantor and the liability of the Land Trust RE as Grantor to MAAML, will be limited to its ability to be indemnified out of the assets of the Land Trust.

If there is an Insurance Event in respect of the Trees planted on the Plantation Lots, and in accordance with the Tree Project Constitution, it is determined that there will be no replanting of the affected parts of the Plantation Lots, MAAML may surrender its Forestry Rights over that part of the Plantation Lot over which those Trees were planted by notice to the Landlord.

Sublease

Under the Sublease, MAAML grants the right to use Plantation Lots for each Plantation Lot to the Custodian (which is to hold those rights for the Investors in respect of their individual Plantation Lots). A nominal rental of \$1 per annum is payable to MAAML by the Custodian under the Sublease, plus payment to MAAML of:

- 4.95 per cent (incl. GST) of Net Sale Proceeds which is payable when (and to the extent that) an equivalent amount is distributed to the Custodian from harvest proceeds otherwise payable to the investor under the Tree Project Constitution; and
- upon the occurrence of an Insurance Event, 4.95 per cent (incl. GST) of any Tree Insurance Proceeds (not applied in replanting Trees on affected parts of the relevant Plantation Lot) when (and to the extent that) those Tree Insurance Proceeds are paid to the Custodian from insurance proceeds otherwise payable to the investor under the Tree Project Constitution.

If there is an Insurance Event in respect of the Trees planted on the Plantation Lots and, in accordance with the Tree Project Constitution, it is determined that there will be no replanting of the affected parts of the Plantation Lot, MAAML may terminate that part of the Plantation Lot (and the corresponding Forestry Rights) over which those Trees were planted.

The Sublease provides that if the Lease between the Landlord and MAAML is terminated, the Sublease will become a direct lease between the Custodian and the Landlord. In these circumstances, the \$1 per annum rental and the Deferred Rental will be payable directly to the Landlord and the Tree Project will be obliged to pay all rates, taxes and other outgoings in respect to the Land.

B.2.3 Offtake Agreement with Midway

An Offtake Agreement has been entered into between the Tree Project RE and Midway as Offtaker in respect of Plantation Lots in the Geelong and Portland areas of Victoria (defined by reference to, among other things, land on which Trees are grown which is located within an economic haulage distance from agreed timber processing facilities in those regions, or such other places as are agreed) in respect of which either Midway or McEwens Contracting undertakes management services under a Forestry Management Agreement. Other Offtake Agreements may be entered into by the Tree Project RE in respect of Plantation Lots in other areas. Under the Midway Offtake Agreement, the Tree Project RE agrees to sell the Investors' Timber, in the areas described, to Midway as the Offtaker but has the right to separately deal with any Residual Timber as Investors' property and for their benefit.

The selling price for that Timber will be determined in accordance with a Payment and Pricing Schedule 2011. Under the Payment and Pricing Schedule, the price of the Timber will be determined in accordance with the market price. Prices may depend on such things as whether the Timber is to be sold for chipping and export or domestic log sales. If the Tree Project RE and the Offtaker do not agree on this price, then the Payment and Pricing Schedule provides for procedures under which an independent expert can review and recommend the price. If either party is not satisfied with the review of the independent expert, the matter can be referred to arbitration. The decision of the arbitrator on this matter will be final and binding on the parties.

The sale price will be paid to the Tree Project RE by the Offtaker. It will then be distributed by the RE as part of the total Net Sale Proceeds in accordance with the Tree Project Constitution.

The Offtaker at its own expense will harvest the Timber, transport the Timber, and where appropriate, process and market the woodchips or timber to its customers. The Tree Project RE will grant the Offtaker a licence to access and use the Plantation Lots for all purposes necessary to carry out their obligations under the Offtake Agreement (see below). The Offtaker agrees that, in harvesting and transporting the timber from the Plantation Lots, it will perform its activities and discharge its obligations in a manner consistent with forestry industry practice and standards, and comply with any notice in respect of contamination served on the owner of the Land or the Investor by any environmental protection agency or authority. The Offtaker will be liable for any losses incurred by the Investor or the Tree Project RE in connection with the performance of the Offtaker's obligations under the Offtake Agreement, and indemnifies the Investors and the Tree Project RE for any such loss.

The Tree Project RE, on behalf of the Investors, has the right to terminate the Offtake Agreement amongst other things where the management agreement with the Offtaker (see Appendix B.2.4 below) is terminated or if the Offtaker becomes insolvent or commits any material breach of the agreement which cannot be rectified, or any breach which if capable of rectification, is not remedied within 10 business days of notification of Midway.

If the Tree Project RE terminates the Offtake Agreement:

- the Tree Project RE, on behalf of the Investors, may take any action it considers necessary to sell the Timber; and
- all costs payable in connection with termination of the Offtake Agreement or action by the Tree Project RE in connection with the termination will be payable by the Offtaker.

Adjustments to the agreement may apply where certain events resulting in destruction or damage to trees occurs.

B.2.4 Management Agreements

Under the MFSPL Management Agreement, the Tree Project RE will engage Macquarie Forestry Services to undertake some of the obligations it has under the Scheme Constitution (being operational and harvesting obligations). The Tree Project RE agrees to accept performance by subcontractors in discharge of Macquarie Forestry Services' obligations.

The MFSPL Management Agreement also provides that Macquarie Forestry Services must deposit into its 2011 Forestry Account the amount estimated by MAAML at the time that the payment into the account is made, to be the amount that (when taken together with interest estimated by MAAML to be earned on that amount) is required to pay the expected expenses associated with Tree planting and establishment, but not including Macquarie Forestry Services' overheads or other internal costs incurred or that may be incurred by Macquarie Forestry Services.

Separately, under the Forestry Management Agreements, Macquarie Forestry Services will engage the Forestry Contractors to perform its primary obligations under the MFSPL Management Agreement, as well as additional services.

Each of the MFSPL Management Agreement and the Forestry Management Agreements will terminate (if not terminated sooner) upon termination of the Scheme.

B.2.5 Security over MAAML's 2011 Forestry Account

MAAML grants a charge over its 2011 Forestry Account in favour of the Tree Project Custodian. Under the terms of the charge, MAAML may only draw funds from its 2011 Forestry Account if it considers it necessary or desirable to satisfy anything that it considers to be its obligations under the Tree Project Constitution or in respect of the Tree Project, under the Leases or in relation to any Land.

In the event that MAAML becomes insolvent and is unable to perform its obligations to Investors under the Constitution, the Custodian will have the right to enforce its charge and take possession of any funds that may be in MAAML's 2011 Forestry Account at the time of enforcement. See also the discussions regarding the security over MAAML's 2011 Forestry Account in Appendix B.2.1.

B.2.6 Security over Macquarie Forestry Services' 2011 Forestry Account

Macquarie Forestry Services grants a charge over its 2011 Forestry Account in favour of the Tree Project Custodian. Under the terms of the charge, Macquarie Forestry Services may only draw funds from its 2011 Forestry Account if it considers it to be necessary or desirable to satisfy anything that it considers to be its obligations under the MF SPL Management Agreement.

In the event that Macquarie Forestry Services becomes insolvent and is unable to perform its obligations to the Tree Project RE under the MF SPL Management Agreement, the Custodian will have the right to enforce its charge and take possession of any funds that may be in Macquarie Forestry Services' 2011 Forestry Account at the time of enforcement.

See also the discussions in Appendix B.2.4 as to the amount required to be deposited into Macquarie Forestry Services' 2011 Forestry Account.

B.3 AGREEMENTS RELATING TO THE LAND TRUST (MACQUARIE TIMBER LAND TRUST 2011)

B.3.1 Land Trust Constitution

The Land Trust is governed by a Constitution dated 23 February 2011 as amended from time to time ("Trust Constitution").

The Land Trust has been registered with ASIC as a managed investment scheme under Chapter 5C of the Corporations Act. The rights and obligations of Investors who hold Units and the Land Trust RE are determined by the Land Trust Constitution, the applicable provisions of the Corporations Act, the general law and this PDS. Some of the provisions of the Trust Constitution are mentioned elsewhere in this PDS.

Unitholders' Rights and Obligations

Units: Each Unit confers an equal undivided interest in the Land Trust assets. No Units will be issued other than pursuant to this PDS and on reinvestment of income or by pro rata issues to existing Investors.

Unit Price: \$1 per Unit for Units issued prior to 30 June 2024 including on any reinvestment of income and pro rata issues to existing investors. All further issues are to be at the Net Asset Value of the Trust per Unit plus transaction costs.

Income: Unitholders are entitled to a share in Land Trust income calculated based on the number of Units held. Unless otherwise decided by the Land Trust RE, the distributable income of the Trust is its net income. The Land Trust RE may also decide to make an interim distribution of income or distribute capital.

Redemption: Unitholders will have a right to redemption of their Units after 30 June 2022 (being the expected date of the expiry of the Lease) if Unitholders give the Land Trust RE a redemption request no later than 31 December 2021 or such later date as the Land Trust RE allows. The Land Trust RE will have until 30 June 2023 to redeem Units the subject of a redemption request and have 30 days after effecting a redemption to pay the redemption amount due. In certain circumstances, the period for redemption and payment of the redemption amount due may be extended by the Land Trust RE (for example, where the Land Trust RE has taken all reasonable steps to realise sufficient assets to pay the redemption amount for a redeemed Unit but is unable to do so). Redemption amounts are a per Unit portion of the Net Asset Value of the Land Trust at the time of redemption less transaction costs (and may be rounded to the nearest 5 cents). Amounts owed to the Land Trust RE can be deducted from any payment. The amount payable on redemption can be satisfied through

the sale of Land, issue of further Units or borrowing by the Land Trust RE. Otherwise, Units are not redeemable other than in accordance with the Corporations Act.

Valuation: The Net Asset Value of the Trust is to be determined as required by the Corporations Act taking into account assets of the type held.

Unitholders' liability: The Trust Constitution states that a Unitholder's liability, in the absence of separate agreement, is limited to the Application Price of Units, but the courts are yet to determine the effectiveness of provisions of this kind. See also "User pays" below.

User pays: Unitholders are also liable for tax or expenses (known as user pays fees) that the Land Trust RE incurs as a result of a particular Unitholder's request, act or omission.

Meetings: Your rights to requisition, attend and vote at meetings are mainly based on the standard provisions in the Corporations Act, but the Trust Constitution provides:

- that the quorum for a meeting will normally be at least two Unitholders holding at least 10 per cent of all Units, although if at any time there is only one Unitholder then they alone form a quorum; and
- an appointment of a proxy may still be valid even if it does not include all the details specified in the Corporations Act.

Termination: Unless otherwise terminated by law, the Land Trust continues until the earlier of:

- the date determined by the Land Trust RE;
- the date 90 days after a Redemption Notice Date on which the assets of the Land Trust include less than 500 hectares of land if a Resolution is not passed by at least 50 per cent of votes being cast in favour prior to the expiration of the 90 day period affirming the continuation of the Trust;
- the date determined by resolution (passed after 31 December 2021 by at least 50 per cent of votes cast in favour) of Investors in the Land Trust; and
- the date 80 years less one day from the commencement of the Land Trust or the date of termination as permitted under the Corporations Act.

The term of the Leases of the Land are intended to be until 30 June 2024 unless terminated earlier. The Land Trust RE has a right to terminate the Lease after 30 June 2021 if the Land (or the relevant part of the Land) has ceased to be used for forestry in the Tree Project including as a result of:

- completion of the final harvest of Trees established under the Tree Project on the Land; or
- an event occurring in respect of the Trees planted on the Land (or the relevant part thereof) and in accordance with the Eucalypt Project Constitution it is determined that there will be no replanting of the affected parts of the Land.

On winding up: Unitholders are entitled to receive a share of Land Trust assets proportionate to their Unit holding and adjustment for unpaid amounts on the Units if the Land Trust is wound up. The Land Trust will continue for the above term unless Unitholders pass an extraordinary resolution for it to be wound up or the law otherwise requires termination of the Land Trust.

The Land Trust RE's Powers, Rights and Duties under the Trust Constitution

As Land Trust RE, MFPML holds the Land Trust's assets as trustee (but may have the assets held by a custodian) and is responsible for the management of the Land Trust.

The Land Trust RE has the power to issue Units.

The Land Trust RE has broad powers to invest, borrow and generally manage the Land Trust.

The Land Trust RE may:

- in its discretion, refuse transfers and applications;
- change the Trust Constitution, subject to approval by special resolution (75 per cent of votes cast) at a meeting of Unitholders if the change will adversely affect Unitholders' rights; and
- retire or be removed and replaced in accordance with the Corporations Act.

The Land Trust RE can value the assets of the Land Trust at any time and must do so as the Corporations Act requires. Valuations will be at market value unless the Land Trust RE determines otherwise.

The Land Trust RE must appoint Macquarie Bank Limited or a related body corporate of the Land Trust RE to manage the assets of the Land Trust on and from the initial Redemption Commencement Date being 30 June 2022 on commercial arm's length terms. Fees and expenses charged by the manager are payable or reimbursable by the Land Trust RE out of the property of the Land Trust.

The Land Trust RE is also subject to many duties under the Corporations Act – including duties to act honestly and exercise care and diligence.

Fees and Expenses of the Land Trust RE

The Land Trust RE is entitled to receive the following fees:

- a fee for the performance of its duties equal to the interest earned on monies held (in accordance with the Constitution) in an interest bearing account; and
- if the Land Trust RE purchases the Land Trust's interests in the Land at an average cost (per quarter of a hectare) of less than \$1,575.00, then the Land Trust RE will be entitled to the Land Acquisition Fee. The Land Acquisition Fee charged is an amount per quarter of a hectare of Land purchased by 31 December 2012 equal to the difference between \$1,575.00 and the final weighted average cost of the Land Trust's interest in Land (per quarter of a hectare), subject to a maximum of \$50.00 per quarter of a hectare. This equates to a maximum Land Acquisition Fee of \$50.00 per 475 Units (or \$0.1053 per Unit) (assuming that the Land Trust is entitled to full input tax credits for its acquisition of the Land Trust RE's management services, including land acquisition services).

The Land Trust RE can also recover a range of expenses in relation to the proper performance of its duties with regard to the Land Trust. These include (without limitation) expenses connected with the acquisition, disposal, insurance, custody and other dealing with assets of the Land Trust including the Land, taxes, the administration of the Land Trust, meetings, bank fees and borrowing costs, agents, valuers and advisers, the termination of the Land Trust, complying with any law, and any court proceedings, arbitration or other dispute where the Land Trust RE is found not to have been in breach of trust or grossly negligent. In addition, the expenses that are recoverable by the Land Trust RE include all its overheads in performing its functions as responsible entity of the Land Trust.

Land Trust RE's Limitation of Liability

The Trust Constitution also deals with the liabilities of the Land Trust RE in relation to the Land Trust and when they can be reimbursed out of the Land Trust's assets, for example:

- the Land Trust RE is not liable for any loss except to the extent that the Corporations Act imposes such liability; and
- the Land Trust RE can be reimbursed for liabilities incurred in connection with the proper performance of its duties for the Land Trust.

See also Section 10.4 of this PDS.

Security over Units

The Constitution also makes provision for lenders to have any security an Investor grants to them over the rights attaching to Units noted on the register of Units, and for the Land Trust RE to act on any direction from the Investor to pay distributions to which the Investor would otherwise be entitled to the relevant lender.

B.3.2 LAND ACQUISITION DOCUMENTS

Contract of Sale

The Land Trust RE will enter into contracts of sale to purchase Land from property owners. In certain cases, Land will be purchased by the Land Trust RE and MBL as tenants in common.

The liability of the Land Trust RE under the contracts is to be limited to its indemnity from the property of the Land Trust.

Co-Owners Agreement

The Land Trust RE and MBL have entered into an agreement under which the terms of any co-ownership of land are established. Those arrangements:

- require the Land Trust RE to grant Leases and Forest Property Agreements of the Forestry Land to MAAML;
- provide that generally neither MBL nor the Land Trust RE are to encumber the Land other than by the Leases and Forest Property Agreements or with approval (such approval not to be unreasonably withheld or delayed);
- restrict sale, disposal or other dealing with the Land;
- allow a Co-owner to dispose of its interest in the Property without the other Co-owner's prior approval following, or effective upon, a partition undertaken in accordance with the agreement;
- allow the Land Trust RE exclusive possession of the Plantable Land and all rental and other income from or payable to the Co-Owners in respect of and all sale proceeds in respect of that Land;
- require the Land Trust RE to maintain or cause to be maintained the Plantable Land;
- provide that the Land Trust RE is liable for and must promptly pay all expenses incurred by either or both of the Co-owners in connection with the Plantable Land;
- allow MBL exclusive possession of the non-Plantable Land and all rental and other income from or payable to the Co-Owners in respect of and all sale proceeds in respect of that Land;
- require MBL to maintain or cause to be maintained the non-Plantable Land;
- provides that MBL is liable for and must promptly pay all expenses incurred by either or both of the Co-owners in connection with the non-Plantable Land;

- require MBL, as soon as practical after acquisition of the Land by the Co-owners, use its reasonable endeavours to have the Land subdivided and partition the Land. If the Property is not subdivided before the expiry or other termination of the Leases, the Co-owners will meet to discuss and agree in good faith the further use of the Land by the Co-owners including the potential further leasing, sale or subdivision of the Land. If the Co-owners do not agree the matters within one month after termination of the Leases, the Co-owners will thereafter procure the sale of the Land with the proceeds of the sale being distributed as follows:
 - firstly, in payment of any costs incurred or reasonably expected to become payable to any third parties in connection with the sale;
 - secondly, to MBL as to its portion (based on estimated market value of the non-forestry land expressed as a percentage of estimated market value of the land); and
 - thirdly, the remainder to the Land Trust RE.

the costs and expenses of subdividing and partitioning the Land are to be borne by MBL (as to its portion of the Land based on the size of the non-Plantable Land relative to whole Land) and by the Land Trust RE (as to the Land Trust's portion of the Land based on the size of the Plantable Land relative to whole Land); and
- provide that valuations of the Land or of each Co-owner's interest in the Land may be carried out for any purpose and at any time at the cost of the Co-owner seeking the valuation.

Land Trust Loan Facility and Security

The Land Trust Lender has granted a loan facility to the Land Trust RE under which it has agreed to lend up to \$19,104,000 for the Land Trust RE's investment in up to 4,000 hectares of Plantable Land. The Land Trust RE will give a fixed and floating charge over the Land Trust's assets and undertaking to secure repayment of the loans made under the facility. All loans made under the facility are repayable by the earlier of 30 June 2023 or the date six months after the date on which the last of all of the leases and subleases and use arrangements in respect of the Land referred to in this PDS terminates or upon certain events of default including failure to make payments when due, insolvency, misrepresentation, default under other arrangements between the parties, and changes in respect of the Land Trust that have not been approved by the Land Trust Lender. The Land Trust Loan further specifies regular repayment amounts of both principal and interest which are payable in arrears on each 30 June following the commencement date of the loan facility. The Land Trust Lender may require increased regular payments, provided that the amount of the repayment and interest for a year does not exceed the rent received by the Land Trust for that year.

MAAML Land Rental Security Account

MAAML has agreed to grant security for annual rental payable under the Leases in favour of the Land owners (the Land Trust RE and MBL) over an amount of funds deposited with MBL in MAAML's Land Rental Security Account which (together with interest earned on the deposit) is anticipated to contain funds sufficient to cover at least 95 per cent of the annual rental payments due under a Lease. In the event that MAAML defaults in rental payments under a Lease, the funds placed on deposit will be used to satisfy (in whole or in part) rental payments due to the Land owners under the leasing arrangements.

B.4 COMPLIANCE PLANS

The Compliance Plan for the Tree Project and the Compliance Plan for the Land Trust describe the procedures that the relevant RE will apply in operating the Tree Project or the Land Trust, as the case may be, to ensure compliance with the Corporations Act and the Tree Project or Land Trust Constitution, as the case may be.

A Compliance Committee with a majority of independent members has been established to monitor compliance with each of the Tree Project Compliance Plan, the Tree Project Constitution, the Land Trust Compliance Plan, the Land Trust Constitution and the Corporations Act and to report to the RE, and in some circumstances, ASIC.

Copies of the Compliance Plans are available free of charge during the life of the Macquarie Forestry Investment 2011 PDS and can be obtained by contacting the REs on 1800 080 033 during business hours.

Appendix C / Loan and Security Agreement and Notice of Mortgage

Loan and Security Agreement between the Borrower and the Lender

1. THE FACILITY

- 1.1 Subject to this agreement, the Lender agrees to provide the Borrower with a loan facility of an amount not exceeding the Facility Limit.
- 1.2 The maximum amount of financial accommodation available to the Borrower under this agreement is the Facility Limit.
- 1.3 The Borrower need not use the Facility. However, if the Borrower wishes to use the Facility, he or she must do so by a single drawdown.
- 1.4 If the Borrower draws the Facility, the Borrower authorises the Lender to apply the proceeds of the drawdown towards paying the Subscription Amount to the relevant Responsible Entity.

2. CONDITIONS PRECEDENT

- 2.1 The Lender shall not be obliged to provide any financial accommodation to the Borrower unless:
- (a) in the case of a Trustee Borrower, the Lender has received a solicitor's certificate, in the form and substance set out in the Application;
- (b) the Lender has received an Application from the Borrower which has been duly completed in full in a form capable of acceptance and the direct debit request in that form has been completed in full in respect of an account at a bank or financial institution acceptable to the Lender;
- (c) the Lender is satisfied that after providing the accommodation the Facility Limit would not be exceeded;
- (d) the Lender is satisfied that the representations and warranties in Clause 9 are correct and not misleading at the date the accommodation is provided;
- (e) the Lender is satisfied that no Event of Default has occurred and is continuing or would result from the accommodation being provided;
- (f) the Lender has received all documents necessary to enable it to register a Security Interest in respect of the Units in the Land Trust and Interests in the Tree Project as selected by the Borrower in their Application or otherwise held by the Borrower; and
- (g) the Lender has received such other documents or information as the Lender may reasonably require in order to do all or any of the following.
- (i) ensure compliance with any anti-money laundering – counter-terrorist financing laws or other applicable laws;
- (ii) determine whether the Borrower has the authority to enter into this agreement; or
- (iii) determine whether any other condition of drawdown has been satisfied.
- 2.2 Each condition of drawdown is for the sole benefit of the Lender and may be waived by it.

3. INTEREST

- 3.1 The Borrower agrees to pay interest on the Drawing under the Facility in arrears for each of its Interest Periods at the Interest Rate. Interest:

- (a) accrues daily from and including the first day of an Interest Period to but excluding the last day of the Interest Period; and
- (b) is calculated on actual days elapsed and a year of 365 days for a non-leap year and 366 days for a leap year; and
- (c) is payable on each Interest Payment Date.
- 3.2 Each Interest Period for a Drawing is to be a period of 1 month.
- 3.3 Subject to Clause 3.4, the first Interest Period for a Drawing begins on its Drawdown Date. Each subsequent Interest Period begins on the day when the preceding Interest Period for the Drawing ends. An Interest Period which would otherwise end on a day which is not a Business Day ends on the next Business Day (unless that day falls in the following month, in which case the Interest Period ends on the previous Business Day). However, an Interest Period which would otherwise end after the Maturity Date ends on the Maturity Date.
- 3.4 In respect of any Drawing made prior to 30 June 2011, the first Interest Period for that Drawing will begin on 1 July 2011 and end on 31 July 2011.

4. AMORTISATION

- 4.1 The Borrower agrees to pay:
- (a) interest under Clause 3.1 on each Interest Payment Date; and
- (b) on the date set out in the relevant table below, the lesser of:
- (i) the amount of the Drawing (excluding interest under Clause 4.1(a) above) then outstanding; and
- (ii) the amount:
- calculated in accordance with the relevant table below; or
 - such lesser amount as is notified by the Lender to the Borrower in writing.

Date	Minimum Principal Payment (Fraction of Drawdown Amount)
(A) 1 Year Principal Only:	
On each Interest Payment Date for that Drawing	1/12th
(B) 5 Year Principal and Interest and 7 Year Principal and Interest:	
On each Interest Payment Date for that Drawing	Payments will be an equal amount per Interest Period for the term of the Facility. The amount payable will comprise interest and principal repayments with the amount of principal repayable per Interest Period increasing during the term of the Facility as the total amount of the Interest payment per Interest Period decreases as a result of the decreasing principal outstanding. A payment schedule setting out the proportion of the interest and principal component of the repayment amounts will be included in the Confirmation.

- 4.2 The Borrower must apply and authorises the Lender to apply any distribution from the Tree Project or the Land Trust on the date it occurs to:
- (a) pay the interest on the Drawing due on that date;
 - (b) repay the Drawings in accordance with Clause 4.1; and
 - (c) prepay or repay the balance of the Drawing.
- 4.3 The Borrower agrees that the amounts under Clause 4.1 must be paid irrespective of the amount of any distribution from the Tree Project or the Land Trust.
- 4.4 An amount prepaid under Clause 4.2(c) is to be applied first against the final reduction amount due under Clause 4.1 and then successively against the remaining reduction amounts in reverse order to the order in which the reduction amounts are due to be paid.

5. REPAYING AND PREPAYING

5.1 If :

- (a) the Tree Project terminates in accordance with the Constitution of the Tree Project; or
- (b) the Land Trust terminates in accordance with the Constitution of the Land Trust; or
- (c) any of the Borrower's Units in the Land Trust or Interests in the Tree Project are redeemed, terminated, sold, disposed of or otherwise dealt with; or
- (d) there is a reduction in percentage of the proceeds to which the Borrower is entitled in respect of sale of the trees forming the subject of an Interest in the Tree Project,

then the Borrower must immediately prepay to the Lender the Drawing (or the relevant proportion of the Drawing which the Lender determines:

- (i) is referable to the proportion of the Borrower's Units in the Land Trust or Interests in the Tree Project (as the case may be) which have been redeemed or terminated); or
- (ii) is referable to the reduction in the Borrowers entitlement to the sale proceeds,

as the case may be and pay all other amounts accrued or due under this agreement to the date of prepayment (whether or not presently payable), including, without limitation, interest accrued but unpaid under Clause 3, any fees (including fees accrued but unpaid) under Clause 7 and any amount payable under Clause 15.1(c).

5.2 The Borrower may prepay a Drawing, as follows:

- (a) the prepayment amount must be the balance of the Drawing; and
- (b) the Borrower must notify the proposed prepayment specifying the date for such prepayment to the Lender by 11am on the fourth Business Day before the prepayment (once given, a notice of prepayment is irrevocable and the Borrower is obliged to prepay in accordance with the notice).

If the Borrower makes a prepayment, he or she may be liable for break costs under Clause 15.1(c) and any administration fees under Clause 7 of this agreement.

- 5.3 In addition to the amortisation under Clause 4, the Facility Limit is reduced by amounts repaid or prepaid.
- 5.4 Amounts repaid or prepaid may not be reborrowed under this agreement.
- 5.5 The Borrower acknowledges that his or her obligations under the Facility, including his or her obligations to

repay the Drawing and pay interest, costs, fees and charges and all other Secured Moneys are not affected by:

- (a) the success or failure of the Tree Project or the Land Trust;
- (b) the level of return from or loss of money invested in the Tree Project or the Land Trust; or
- (c) any illegality in connection with the Tree Project, the Land Trust or the PDS.

6. CHANGE OF LAW OR CIRCUMSTANCES

If there occurs any change in law or an interpretation which makes it unlawful or otherwise impractical for the Lender to make, fund or maintain the Facility or to give effect to any provision of this agreement or for the Borrower to borrow, grant or maintain any security under this agreement, the Lender may notify the Borrower or the Borrower may notify the Lender (as applicable) and thereupon the Lender's obligation to make, fund or maintain the Facility or give effect to the relevant provision shall cease. The Borrower shall immediately repay the Facility in full and any other moneys then accrued and unpaid (whether or not yet payable) under this agreement.

7. FEES AND EXPENSES

7.1 Within five Business Days of demand (and whether or not the Facility is drawn):

- a) the Borrower shall pay or reimburse the Lender for all costs, charges and expenses (including stamp duty, any tax on goods and services, value added tax and registration fees, if any) incurred or payable by the Lender in connection with or arising out of the entering into this agreement and related documentation; and
- b) the Borrower shall pay and reimburse the Lender for all costs, charges and expenses payable by the Lender in connection with any action required to be taken by the Lender under this agreement and the contemplated or actual enforcement of, or preservation of rights under, this agreement.

7.2 Where required by the Lender, the Borrower shall pay the following fees to the Lender:

- (a) an application fee, payable with each application for financial accommodation, in respect of the 1 Year Principal Only loan, of 1% of the Subscription Amount borrowed from the Lender;
- (b) a fee equal to the fees payable for entering the mortgage in Clause 11 on any register, payable when the mortgage is lodged by the Lender for registration (currently \$175 for a corporate borrower for entry on the register of charges under the *Corporations Act 2001*);
- (c) a fee equal to the fees payable for entering the release or partial release of the mortgage on any register, payable when a notice of release of charge is lodged by the Lender (currently \$65 for a corporate borrower for entry on the register of charges under the *Corporations Act 2001*);
- (d) a direct debit dishonour fee (currently \$50), where a direct debit is dishonoured;
- (e) a fee for extra copies of statement and reports (currently \$10 per page), payable upon request of such copies by the Borrower; and

- (f) a retrieval of information fee (currently \$50 plus \$10 per page), payable where the Borrower or Guarantor or their adviser or authorised representative request the Lender to retrieve, collate, sort and/or provide archived or historical information about the Facility.

7.3 The fees set out in Clause 7.2 shall be payable at the time set out in Clause 7.2 or, if no time is set out in respect of a fee, then within 5 Business Days of demand. The Lender may on no less than 30 days prior notice to the Borrower vary any of these fees or the manner in which they are calculated to reasonably reflect any increase in the cost to the Lender in performing the tasks associated with those fees.

8. PAYMENTS

- 8.1. All moneys payable by the Borrower under this agreement shall be paid in full without setoff or counterclaim of any kind and (to the extent permitted by law) free and clear of, and without any deduction or withholding of any kind.
- 8.2 If any amount would otherwise become due for payment on a day which is not a Business Day, that amount shall become due on the next following Business Day or, if that Business Day is in another calendar month, on the immediately preceding Business Day.
- 8.3 A certificate signed by the Lender stating any amount or rate for the purpose of this agreement shall be evidence of the amount or rate, unless the contrary is proved.
- 8.4 Unless the Lender agrees otherwise, all payments under this agreement shall be effected by way of a direct debit from an account at a bank or financial institution acceptable to the Lender.

9. REPRESENTATIONS AND WARRANTIES

- 9.1 Each of the Borrower and the Guarantor represents and warrants to the Lender that:
- (a) the financial accommodation provided by the Lender under this agreement will be applied wholly or predominantly for business or investment purposes (or for both purposes);
- (b) on issue of any Units in the Land Trust and Interests in the Tree Project to the Borrower, the Borrower will be the beneficial owner of and have good title to those Units in the Land Trust and Interests in the Tree Project free from any Security Interest other than the equitable mortgage over the Secured Property in favour of the Lender under Clause 11;
- (c) unless stated in the Application neither the Borrower nor Guarantor enters into this agreement as a trustee for a trust;
- (d) on issue of any Units in the Land Trust and Interests in the Tree Project to the Borrower, this agreement creates an equitable mortgage over the Secured Property in favour of the Lender under Clause 11;
- (e) each of the Borrower and the Guarantor obtains various benefits by entering into, exercising its rights and performing its obligations under this agreement;
- (f) each of the Borrower and the Guarantor is able to pay its debts as and when they become due and payable and none of the events referred to in Clauses 12.1(d) or 12.1(e) have occurred in relation to either the Borrower or the Guarantor;
- (g) no Event of Default continues unremedied;

- (h) in the case of a Borrower who is a body corporate:

- (i) the Borrower has been incorporated in accordance with the laws of its place of incorporation, is validly existing under those laws and has power and authority to carry on its business as it is now being conducted;
- (ii) the Borrower has power to enter into this agreement and comply with its obligations under it;
- (iii) the Borrower has taken all corporate action that is necessary or desirable to authorise entry into this agreement and carry out the transactions this agreement contemplates;
- (iv) this agreement does not contravene the Borrower's constitution or any law or obligation by which it is bound or to which any of its assets are subject or cause a limitation on its powers or the powers of its directors to be exceeded;
- (v) the Borrower has in full force and effect the authorisations necessary for it to enter into this agreement, to comply with its obligations and exercise its rights under it and to allow it to be enforced;
- (vi) no person has contravened or will contravene section 208 or section 209 of the Corporations Act 2001 by entering into this agreement or participating in any transaction in connection with this agreement;
- (vii) there is no pending or threatened proceeding affecting the Borrower or any of its related bodies corporate or any of their assets before a court, governmental agency, commission or arbitrator except those in which a decision against the Borrower or the related body corporate (either alone or together with other decisions) would be insignificant;
- (viii) neither the Borrower nor any of its related bodies corporate is in breach of a law or obligation affecting any of them or their assets in a way which is likely to have a Material Adverse Effect; and
- (ix) neither the Borrower nor any of its related bodies corporate has immunity from the jurisdiction of a court or from legal process; and
- (i) in the case of a Borrower who makes an Application in its capacity as a trustee of a trust:
- (i) it is the sole trustee of the trust;
- (ii) it is not in breach of the trust;
- (iii) it has the right to be fully indemnified out of the trust assets for obligations incurred under this agreement before the claims of beneficiaries of the trust;
- (iv) this agreement is for the benefit of the trust; and
- (v) it has full legal capacity and power under the constitution of the trust to carry on the business of the trust and to enter into this agreement as trustee of the trust.

9.2 The Borrower and the Guarantor acknowledge that the Lender:

- (a) has not authorised or caused the issue of the PDS;
- (b) does not make or purport to make any statement in the PDS (or any statement on which a statement in the PDS is based);

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- (c) takes no responsibility for any part of the PDS other than the reference to its name and the references to the full recourse loan facility included in the PDS with its consent; and
- (d) does not endorse or recommend investment under the PDS.

10. UNDERTAKINGS

- 10.1 The Borrower and the Guarantor shall supply to the Lender when requested to do so:
- (a) copies of the financial statements for the Borrower and the Guarantor for each financial year; and
 - (b) such additional financial or other information relating to the Borrower and the Guarantor as the Lender may reasonably request from time to time.
- 10.2 Unless the Lender otherwise agrees in writing, the Borrower undertakes:
- (a) not to create, agree or attempt to create or allow to exist, any Security Interest over or in respect of any Secured Property;
 - (b) not to sell, redeem, dispose of, or otherwise deal with, any of the Secured Property or any interest therein;
 - (c) to notify the Lender if any representation or warranty made by the Borrower in connection with this agreement is found to have been incorrect or misleading when made;
 - (d) to do everything necessary to ensure that no Event of Default occurs;
 - (e) to ensure that it is not in breach of, and that no event of default occurs under, any other agreement that it has with the Lender or any other financier;
 - (f) to ensure that no Security Interest granted by the Borrower over any of its assets becomes enforceable;
 - (g) if an Event of Default occurs, to notify the Lender giving full details of the event and any step taken or proposed to remedy it; and
 - (h) without the consent of the Lender, not to do anything which:
 - (i) effects or facilitates the retirement, removal or replacement of the:
 - (A) Responsible Entity of the Tree Project where the Borrower subscribes for Interests in the Tree Project; or
 - (B) Responsible Entity as trustee of the Land Trust where the Borrower subscribes for Units in the Land Trust or the appointment of an additional trustee;
 - (ii) could restrict:
 - (A) the Responsible Entity in complying with its obligations under the Tree Project where the Borrower subscribes for Interests in the Tree Project; or
 - (B) the Responsible Entity in complying with its obligations under the Land Trust where the Borrower subscribes for Units in the Land Trust; or
 - (iii) effects or facilitates the termination, variation or resettlement of:
 - (A) the Tree Project, where the Borrower subscribes for Interests in the Tree Project; or
 - (B) the Land Trust, where the Borrower subscribes for Units in the Land Trust,

provided that nothing in this clause shall prevent the borrower from exercising any right it may have consequent upon a breach of trust or breach of the Corporations Act 2001 by either the Responsible Entity of the Land Trust or the Responsible Entity of the Tree Project.

- 10.3 Except to the extent otherwise determined by the Lender, the Borrower undertakes to obtain and maintain Tree Insurance at all times during the term of this agreement.

11. SECURITY

- 11.1 The Borrower hereby mortgages to the Lender by way of equitable mortgage all of his or her present and future right, title and interest in the Secured Property acquired after the date of this agreement, as security for the due and punctual payment and satisfaction of the Secured Moneys. The Security Interest created under this agreement is intended to be a first ranking Security Interest.
- 11.2 The Borrower shall, upon request by the Lender, deposit with the Lender (or its nominee) all documents of title relating to the Secured Property and any other documents the Lender reasonably requests relating to the Secured Property.
- 11.3 Without limiting any rights, powers or remedies conferred upon the Lender by this agreement or by law, at any time, whether before or after the occurrence of an Event of Default, the Lender may:
- (a) exercise any right or power of the Borrower or otherwise in respect of the Secured Property and may request or cause the redemption or cancellation of all or any part of the Secured Property;
 - (b) insert the name of the Lender or its nominee (or, but only after an Event of Default has occurred, the name of any purchaser pursuant to a power of sale conferred by law or the power of sale referred to in Clause 12.2) in all or any transfer document ("Transfers") (and other relevant documents, if any) relating to the Secured Property;
 - (c) in the name of the Borrower sign, seal and deliver all or any of those Transfers (and those other relevant documents);
 - (d) cause all or any of those Transfers to be registered; and
 - (e) deliver the certificates (if any) deposited with the Lender in respect of the Secured Property (and/or any certificate issued consequent upon such registration of the Transfers) to any such nominee (or any such purchaser).
- 11.4 This agreement is a continuing security and shall remain in full force and effect until the whole of the Secured Moneys have been paid or satisfied in full.
- 11.5 The Borrower authorises the Lender to notify the Responsible Entity of the details of the equitable mortgage created by this agreement.
- 11.6 Without limiting any other right the Lender has under this agreement or at law, the Borrower authorises the Lender and its agents, solicitors, officers, employees and service providers to:
- (a) apply for registration, or give any notification, in connection with a Security Interest created under this agreement and do anything else required to obtain registration of a Security Interest created under this agreement, including dealing with any requisitions concerning registration, lodgement or notification; and

- (b) complete any blanks in any other document associated with this document, including any Corporations Act 2001 (Cth) form, financing statement, financing change statement, amendment demands or transfers for the Secured Property.
- 11.7 Without limiting any other terms of this agreement, the Borrower must do all acts and things that the Lender reasonably requires to:
- (a) better secure the Secured Property as security for the due and punctual payment and satisfaction of the Secured Moneys;
 - (b) ensure that any Security Interest created under this agreement is enforceable perfected and otherwise effective; and
 - (c) enable the Lender to apply for registration, or give notification, in connection with a Security Interest created under this agreement so that the Security Interest has the priority contemplated by this agreement.

12. EVENTS OF DEFAULT

12.1 Each of the following events shall be an Event of Default:

- (a) the Borrower or the Guarantor fails to pay any moneys when due in accordance with this agreement and such failure continues for more than 3 Business Days;
- (b) the Borrower or the Guarantor fails duly and punctually to perform or comply with any of his or her obligations under this agreement (other than a payment obligation) and, where capable of remedy, such failure continues for more than 5 Business Days after written notice from Macquarie;
- (c) the Borrower fails duly and punctually to perform or comply with any of his or her obligations in respect of any Units in the Land Trust or Interests in the Tree Project and, where capable of remedy, such failure continues for more than 5 Business Days after written notice from Macquarie or the Responsible Entity of the Land Trust or of the Tree Project, as the case may be;
- (d) any representation or warranty made by the Borrower or the Guarantor in connection with this agreement is found to have been materially incorrect or misleading when made;
- (e) where the Borrower or the Guarantor is a body corporate:
 - (i) an application is made for an order, a meeting is convened to consider a resolution, a resolution is passed or an order is made that the Borrower or the Guarantor be wound up or otherwise dissolved and/or that an administrator, liquidator or provisional liquidator of the Borrower or the Guarantor be appointed; or
 - (ii) a receiver, receiver and manager, administrator, controller, trustee or similar officer is appointed in respect of all or any part of the business, assets or revenues of the Borrower or the Guarantor;
- (f) the Borrower or the Guarantor dies, becomes insolvent or is subject to any arrangement, assignment or composition;
- (g) any government, governmental agency, department, commission, or other instrumentality seizes, confiscates, or compulsorily acquires (whether permanently or temporarily and whether with payment of compensation or not) any of the Secured Property;

- (h) any litigation, administrative proceedings or other procedure for the resolution of disputes is commenced in which the title of the Borrower to any of the Secured Property will or might be impaired or the Borrower's enjoyment of, or the Lender's rights hereunder to, any of the Secured Property will or might be restrained or otherwise hindered, or any such proceedings are likely to have a Material Adverse Effect;

- (i) there occurs an event which has, or in the Lender's reasonable opinion may have, a Material Adverse Effect;
- (j) in the case of a Borrower who makes an Application in its capacity as a trustee of a trust:
 - (i) the Borrower ceases to be the trustee of the trust or any step is taken to appoint another trustee of the trust, in either case without the Lender's consent; or
 - (ii) an application or order is sought or made in any court for:
 - (A) removal of the Borrower as trustee of the trust; or
 - (B) property of the trust to be brought into court or administered by the court or under its control; or
 - (iii) a notice is given or meeting summoned for the removal of the Borrower as trustee of the trust or for the appointment of another person as trustee jointly with the Borrower; or
 - (iv) any step is taken to wind up or terminate the trust;
- (k) the Borrower creates, or permits to exist a Security Interest over any part of the Secured Property without the Lender's prior written agreement; and
- (l) the Borrower ceases, for any reason to be able lawfully to carry out all the transactions which this agreement contemplates.

- 12.2 If an Event of Default occurs, the Lender may, without being obliged to do so and notwithstanding any waiver of any previous default, and in addition to any other rights or remedies conferred by this agreement or by law:
- (a) declare the Drawings then outstanding and all other sums which have accrued due hereunder (whether or not presently payable) to be, whereupon they shall become, immediately due and payable without further demand, notice or other legal formality of any kind; and/or
 - (b) declare the Facility terminated whereupon the obligations of the Lender hereunder shall immediately cease; and/or
 - (c) do all acts and things and exercise all rights, powers and remedies that the Borrower could do or exercise in relation to the Secured Property including, without limitation, the power to:
 - (i) take possession and assume control of the Secured Property;
 - (ii) receive all money or other distributions (whether monetary or otherwise) made or to be made in respect of the Secured Property;
 - (iii) sell, dispose of or otherwise deal with the Secured Property or agree to do the same (whether or not the Lender has taken possession) at the best price reasonably obtainable having regard to circumstances

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existing at the time and otherwise on such terms as the Lender may reasonably determine;

- (iv) employ solicitors, accountants and other consultants on such terms as the Lender reasonably determines;
- (v) carry out and enforce, or refrain from carrying out or enforcing, rights and obligations of the Borrower which may arise in connection with the Secured Property or obtained or incurred in the exercise of the rights, powers and remedies of the Lender;
- (vi) institute, conduct, defend, settle, arrange, compromise and submit to arbitration any claims, questions or disputes whatsoever which may arise in connection with the Secured Property or in any way relating to this agreement, and to execute releases or other discharges in relation thereto; and
- (vii) execute documents on behalf of the Borrower under seal or under hand,

and any moneys which the Lender reasonably incurs by reason of doing any of the above shall form part of the Secured Moneys.

- 12.3 The Lender may use any moneys received under this agreement towards paying any part of the Secured Money the Lender chooses.

13. APPOINTMENT OF RECEIVER

- 13.1 Immediately upon or at any time after the occurrence of an Event of Default, the Lender may appoint in writing any person to be a receiver or receiver and manager ("the Receiver") of any Secured Property and:
- (a) the Receiver may be appointed by the Lender on such terms as the Lender thinks fit;
 - (b) the Lender may remove a Receiver and may appoint another in his place;
 - (c) the Lender may from time to time determine the remuneration of the Receiver; and
 - (d) if two or more persons are appointed as Receiver they may be appointed jointly and/or severally and may be appointed in respect of different parts of the Secured Property.
- 13.2 Unless and until the Lender by notice in writing to the Borrower and to the Receiver requires that the Receiver act as agent of the Lender, the Receiver shall be the agent of the Borrower, and the Borrower alone shall be responsible for the acts and defaults of the Receiver, and the Receiver's remuneration but in exercising any powers of the Lender, the Receiver shall have the authority of both the Borrower and the Lender.
- 13.3 Subject to any specific limitations placed upon him by the terms of his appointment, the Receiver may, in addition to any right, power or remedy conferred upon him by law, do any act, matter or thing and exercise any right, power or remedy that may be done or exercised by the Lender in relation to the Secured Property.

14. INTEREST ON OVERDUE AMOUNTS

- 14.1 If the Borrower does not pay any amount under this agreement on the due date for payment, the Borrower agrees to pay interest on that amount at the Default Rate. The interest accrues daily from (and including) the due date to (but excluding) the date of actual payment and is calculated on actual days elapsed and a year of 365 days.

The Borrower agrees to pay interest under this clause on demand from the Lender.

- 14.2 Interest payable under Clause 14.1 which is not paid on the due date for payment may be added to the Drawing by the Lender at intervals of 30 days or any longer period that the Lender determines. Interest is payable on the increased overdue amount at the Default Rate in the manner set out in Clause 14.1.
- 14.3 If a liability becomes merged in a judgment, the Borrower agrees to pay interest on the amount of that liability as an independent obligation. This interest:
- (a) accrues daily from (and including) the date the liability becomes due for payment both before and after the judgment up to (but excluding) the date the liability is paid; and
 - (b) is calculated at the judgment rate or the Default Rate (whichever is higher).

The Borrower agrees to pay interest under this clause on demand from the Lender.

15. INDEMNITIES/EARLY UNWIND AND COSTS

- 15.1 The Borrower shall reimburse the Lender for all losses, liabilities, damages, costs and expenses (including GST and any taxes) which may be incurred by the Lender arising out of or in connection with:
- (a) any Event of Default;
 - (b) the proper exercise of any right, power or remedy contained, referred to or implied in this agreement;
 - (c) any prepayment (whether pursuant to Clauses 4 or 5 or otherwise), including, without limitation, any loss or expense incurred in respect of:
 - (i) the Lender obtaining an appropriate form of risk management (or instrument of similar effect) with respect of this agreement, the funding of the Facility; or
 - (ii) the exercise, non exercise or the prevention or inability by the Lender to exercise any rights under any risk management agreement; or
 - (iii) the liquidation or redeployment of funds acquired from third parties to make or maintain the Facility; or
 - (iv) the cancellation, alteration, termination or reversal of any arrangements (including, without limitation, any fixed rate contracts) entered into in connection with the funding of the Facility.
- 15.2 If the Lender reasonably determines that any Official Directive, directly or indirectly:
- (a) increases, or is likely to increase the cost to the Lender of providing, funding or maintaining the Facility; or
 - (b) reduces, or is likely to reduce any amount received or receivable by the Lender, or its effective return, in connection with the Facility; or
 - (c) reduces, is likely to reduce the Lender's return on capital allocated to the Facility, or its overall return on capital.

then upon the Lender giving the Borrower no less than 30 days prior notice the Borrower must pay to the Lender the amounts that are reasonably necessary to compensate the Lender for any increase or reduction described in paragraphs (a) to (c) suffered by the Lender in respect of the Facility.

- 15.3 The Lender shall not be responsible for any losses of any kind which may be suffered by the Borrower or Guarantor as a result of:
- (a) the proper exercise or attempted exercise of any of the rights, powers or remedies of the Lender under this agreement;
 - (b) any failure by the Lender to exercise any of its rights; powers or remedies under this agreement; or
 - (c) any action, delay or failure to act by the Responsible Entity of the Land Trust or the Responsible Entity of the Tree Project.

16. SETOFF

- 16.1 The Lender may (in addition to any general or banker's lien, right of setoff, right to combine accounts or any other right to which it may be entitled), without notice to the Borrower or any other person, setoff and apply any credit balance (or any part thereof in such amounts as the Lender may elect) on any account (whether such account is subject to notice or not and whether matured or not) of the Borrower, with the Lender and any other moneys owing by the Lender to the Borrower, against the Secured Moneys.
- 16.2 The Lender may (in addition to any general or banker's lien, right of set off, right to combine accounts or any other right to which it may be entitled), without notice to the Guarantor or any other person, setoff and apply against any moneys owing by the Guarantor to the Lender under this agreement any credit balance (or any part thereof in such amounts as the Lender may elect) on any account (whether such account is subject to notice or not and whether matured or not) of the Guarantor with the Lender and any other moneys owing by the Lender to the Guarantor.
- 16.3 In the event that any amount which is sought to be set-off by the Lender under Clauses 16.1 and 16.2 above is the subject of a bona fide dispute then the Lender's right of set-off under those clauses shall be suspended pending the outcome of any dispute resolution process which is undertaken by the relevant parties in respect of that dispute.

17. NOTICES

- 17.1 All notices and other communications required by this agreement to be in writing shall be given by the relevant party and shall be sent to the recipient by hand, prepaid post (airmail if outside Australia), email or facsimile.
- 17.2 A notice or other communication shall be deemed to be duly received:
- (a) if sent by hand, when left at the address of the recipient;
 - (b) if sent by prepaid post, 5 days after the date of posting;
 - (c) if sent by facsimile, upon receipt by the sender of an acknowledgement or transmission report generated by the machine from which the facsimile was sent indicating that the facsimile was sent in its entirety to the recipient's facsimile number; or
 - (d) if sent by email, on despatch if no notice of unsuccessful transmission is received within 3 hours of despatch at the email address from which the notice is sent.
- 17.3 All notices and other communications shall be sent to the addresses of the respective parties as set out in the Application or as a party may notify the other party in writing.

18. ASSIGNMENT AND AMENDMENT

- 18.1 Each of the Borrower and the Guarantor shall not assign or otherwise transfer the benefit of this agreement or any of its respective rights, remedies, powers, duties or obligations under this agreement without the prior written consent of the Lender.
- 18.2 The Borrower and Guarantor each:
- (a) authorise the Lender to assign, transfer and otherwise grant participations or subparticipations in all or any part of the benefit of this agreement and any of the Lender's rights, remedies, powers, duties and obligations under this agreement without obtaining any further approval, consent or authorisation of the Borrower or the Guarantor;
 - (b) agrees to, and to be bound by, any novation of this agreement (or any part of it) whereby the Lender's rights and obligations in the terms of this agreement are assumed by another person (including any trustee or manager of a securitisation programme), and notwithstanding that the identity of that person is not disclosed to the Borrower or the Guarantor prior to or upon such novation; and
 - (c) appoints and authorises any attorney appointed by it under Clause 19.2 of this agreement to complete, sign and deliver or cause to be completed, signed and delivered as its attorney, any document that in the opinion of the Lender is necessary or desirable to effect any proposed novation or any arrangement referred to in paragraph (a) of this clause.
- 18.3 The Lender may disclose to a potential assignee, transferee, participant or subparticipant such information about the Borrower, the Guarantor and this agreement as is reasonably required.
- 18.4 This agreement may be amended by the Lender by notice to the Borrower and the Guarantor.

19. MISCELLANEOUS

- 19.1 The Borrower hereby consents to the Lender disclosing to the Guarantor and to any other guarantor of the obligations of the Borrower the following information:
- (a) a copy or summary of this agreement and related material evidencing the obligations of the Borrower to be guaranteed;
 - (b) a copy of any formal demand that may be sent from time to time by the Lender to the Borrower; and
 - (c) on request by the Guarantor or any other guarantor, a copy of the latest relevant statements of account (if any) relating to the Facility.
- 19.2 The Borrower and the Guarantor (an Appointor) each irrevocably appoints the Lender and each executive director, division director and associate director of the Lender for the time being, severally, the attorneys of the Appointor to do (either in the name of the Appointor or the attorney) the following:
- (a) all acts and things that the Appointor has under the terms of this agreement or otherwise authorised;
 - (b) all acts and things that the Appointor is obliged to do under this agreement but has failed to do within such reasonable period as the Lender may require upon notice to the Appointor; and
 - (c) all acts and things which, in the reasonable opinion of the Lender, are necessary or desirable in connection with the Secured Property or the

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- protection or perfection of the Lender's interests or the exercise of the rights, powers and remedies of the Lender.
- 19.3 The failure or delay of the Lender to exercise any right under this agreement will not operate as a waiver of any right and the exercise of a single right or partial exercise of any right by the Lender under this agreement will not prevent the Lender from exercising any other right. The rights of the Lender under this agreement are cumulative and are not exclusive of any other rights provided by law.
- 19.4 A waiver by the Lender shall only be effective if it is in writing signed by at least two officers of the Lender.
- 19.5 Any provision of this agreement which is or becomes prohibited or unenforceable in any jurisdiction shall be severed from this agreement only in respect of that jurisdiction.
- 19.6 The Borrower's obligations under Clauses 15.1 and 15.2 are continuing obligations of the Borrower, separate and independent from their other obligations and shall survive the termination of this agreement.
- 19.7 Except where this agreement expressly provides otherwise any consent requested of, or determination by, the Lender may be:
- (a) given or withheld by the Lender in its absolute discretion; and
 - (b) given unconditionally or subject to such conditions as the Lender may reasonably determine.
- 19.8 If the performance by the Lender of any of its obligations under this agreement or related arrangements is prevented or delayed in whole or in part due to any circumstance which the Lender is unable to control, this agreement will nevertheless continue and remain in full force and effect but the Lender will not be in default under this agreement or otherwise liable for any loss, cost, expense or damage suffered by the Borrower or the Guarantor for that reason only and the Lender will be granted a reasonable extension of time to complete performance of its affected obligations.
- 19.9 Without limiting the terms of Clause 15 or Clause 19.8, the Lender shall not be responsible for any loss, cost, expense or damage suffered by the Borrower as a result of the Lender acting in accordance with any request or direction from the Borrower (including in relation to any sale of the Secured Property).
- 19.10 This agreement shall be governed by and construed in accordance with the laws of the State. The parties irrevocably and unconditionally submit to the nonexclusive jurisdiction of the courts of the State.
- 19.11 Time shall be of the essence in respect of each and all of the obligations of the Borrower and the Guarantor hereunder.
- 19.12 The parties agree that this agreement may be executed by each party by any means, including by affixing an electronic or facsimile signature of the party or a person authorised to execute this agreement on behalf of the relevant party.

20. GUARANTEE, INDEMNITY & THIRD PARTY PROVISIONS

- 20.1 Joint and individual liability
- The Guarantor is liable for all the obligations of the Borrower under this agreement both individually and

jointly with any one or more other persons named as Guarantor.

20.2 Consideration

The Guarantor gives this guarantee in return for the Lender agreeing to provide the Facility to the Borrower.

20.3 Guarantee

- (a) The Guarantor unconditionally and irrevocably guarantees to the Lender, jointly and severally, the due and punctual payment and satisfaction of the Secured Moneys by the Borrower.
- (b) The amount of the Guarantor's liability as guarantor under this Clause 20 is limited to the Secured Moneys.

20.4 Undertaking

If the whole or any part of the Secured Moneys:

- (a) is irrecoverable or have never been recoverable by the Lender from the Borrower; or
- (b) cannot be enforced against the Borrower; or
- (c) is not paid to the Lender for any other reason whatsoever including, without limitation, by reason of:
 - (i) any legal limitation, disability, incapacity, lack of any power or lack of authority of or affecting any person; or
 - (ii) any of the transactions relating to the Secured Moneys being void, voidable or unenforceable (whether or not the matters or facts relating thereto have been or ought to have been within the knowledge of the Lender);

then the Guarantor undertakes to pay to the Lender the amounts necessary to compensate the Lender for any losses, damages, costs and expenses suffered by the Lender as a consequence.

- 20.5 If the Borrower defaults in the due and punctual payment or satisfaction of any of the Secured Moneys, the Guarantor shall pay the whole amount of the Secured Moneys to the Lender within 5 Business Days of demand. The Lender may make such a demand on the Guarantor from time to time and whether or not demand has been made on the Borrower.

- 20.6 The Guarantor shall pay to the Lender within 5 Business Days of demand the amounts referred to in Clause 20.4. The Lender may make such a demand from time to time and whether or not demand has been made on the Borrower.

- 20.7 The Guarantor agrees that the liability under Clause 20.4 is that of principal debtor.

- 20.8 The Guarantor's obligations under this agreement shall be absolute and unconditional in any and all circumstances and shall not be prejudiced, released or otherwise affected by any one or more of the following (occurring with or without the consent of or notice to any person):
- (a) any release, failure or agreement not to sue, discharge, termination, relinquishment, compromise, release, waiver, concession, indulgence, replacement, amendment, variation, increase, decrease or compounding of the obligations of the Borrower or of any other person under this agreement or of any of the Secured Moneys;
 - (b) any of the obligations of the Borrower or any other person under this agreement being or becoming wholly or partially illegal, void, voidable or

- unenforceable, whether by reason of any law or for any reason whatsoever;
- (c) any delay, laches, acquiescence, mistake, act, omission or negligence on the part of the Lender or any other person;
 - (d) any defences being available to the Borrower under this agreement, that is, the Guarantor cannot benefit from any defences available to the Borrower;
 - (e) any part of the moneys forming part of the Secured Moneys being or becoming irrecoverable or never having been recoverable or any part of the obligations forming part of the Secured Moneys being or becoming unenforceable or never having been enforceable;
 - (f) any non-compliance by the Lender or any other person with the provisions of any law or with any provision of this agreement;
 - (g) any law or judgment staying or suspending all or any of the rights of the Lender against the Borrower, or any other person (by operation of law or otherwise);
 - (h) any person becoming or not becoming a guarantor of the Secured Moneys or any part thereof or any discharge or release of any such person;
 - (i) the insolvency, bankruptcy, winding up, receivership or administration of the Borrower or any other person;
 - (j) any setting aside or avoidance of any payment by the Borrower or any other person;
 - (k) any failure of the Lender to enforce the Secured Property, or alteration or variation to this agreement;
 - (l) the full or partial release of any Security Interest (including the equitable mortgage in Clause 11.1) which secures all or part of the Secured Moneys; or
 - (m) any other fact, matter, circumstance or thing whatsoever which, (in the case of the Guarantor but for this provision), could or might operate to prejudice, release, discharge or otherwise affect the Borrower's or Guarantor's obligations under this agreement.
- 20.9 The Lender shall not be required to proceed against the Borrower or exhaust any remedies it may have against the Borrower or enforce this agreement, but shall be entitled to demand and receive payment from the Guarantor when any payment is due under this agreement and/or to proceed directly against the Secured Property.
- 20.10 Unless and until the whole of the Secured Moneys have been paid or satisfied in full, the Guarantor shall not make any claim for any sum paid under this agreement or enforce any rights which it may have (whether by way of defence, indemnity, setoff, counterclaim, contribution, subrogation or otherwise) against the Borrower or its property.

21. INTERPRETATION

- 21.1 In this agreement, unless the context otherwise requires:

"Application" means an application form, attached to the PDS completed by a proposed Borrower and lodged with the Lender, which is comprised of an Application for Finance Form and either or both of the Tree Project Application Form and the Land Trust Application Form.

"Borrower" means the person identified as the applicant in the Application, who chooses to fund the investment in either or both Units in the Land Trust and Interests in the Tree Project by utilising the Facility.

"Business Day" means a day on which banks are open for business in the State.

"Confirmation" means the confirmation to be issued by the Lender to the Borrower.

"Constitution" means the Constitution of the Tree Project or the Constitution of the Land Trust as the case may be.

"Constitution of the Tree Project" means the deed poll declared by the Responsible Entity to be the constitution of the Tree Project.

"Constitution of the Land Trust" means the deed poll declared by the Responsible Entity to be the constitution of the Land Trust.

"Default Rate" means the Interest Rate plus 2 per cent per annum.

"Drawdown Date" means the date on which a drawdown is or is to be made as selected in the Confirmation.

"Drawing" means the aggregate of the outstanding principal amount drawn down under the Facility on the Drawdown Date, there being separate Drawings for the Application as it relates to Units in the Land Trust and Interests in the Tree Project.

"Event of Default" means any event specified as such in Clause 12.

"Facility" means the loan facility made available under Clause 1.1.

"Facility Limit" means the lesser of:

- (a) the total amount for the loan facility requested by the Borrower in the Application; and
- (b) the total amount for the loan facility approved by the Lender and notified to the Borrower in the Confirmation, as reduced in accordance with Clauses 4 and 5.

"Guarantor" means the person identified as such in the Application.

"Interest Payment Date" means the last day of each Interest Period.

"Interest Period" means each period determined in accordance with Clauses 3.2 to 3.4.

"Interest Rate" means the rate displayed on the website www.macquarie.com.au/forestry at the date on which the Facility was approved (as notified to the Borrower by the Lender in the confirmation).

"Interests in the Tree Project" has the same meaning given to the term "Interest" in the Constitution of the Tree Project.

"Land Trust" means the managed investment scheme known as "Macquarie Timber Land Trust 2011" ARSN 149 549 575.

"Lender" means Macquarie Bank Limited (ABN 46 008 583 542) or a related entity, as notified to you on your first confirmation, and its successors and assigns.

"Material Adverse Effect" means a change which, in the Lender's reasonable opinion, has a material adverse effect on either the Borrower's or Guarantor's assets, revenue or financial condition, or either of their ability to perform their respective obligations under this agreement.

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“Maturity Date” means:

- (a) in respect of the 1 Year Principal Only loan, 11 months after the first Interest Payment Date for the relevant loan;
- (b) in respect of the 7 Year Principal and Interest loan, 95 months after the first Interest Payment Date for the relevant loan;
- (c) in respect of the 5 Year Principal and Interest loan, 59 months after the first Interest Payment Date for the relevant loan.

“Official Directive” means any new or amended law (including without limitation any law which imposes a tax on goods and services), order, official policy, directive or request of any governmental agency, or any change in any interpretation or administration of any law, order, official policy, directive or request of any governmental agency.

“PDS” means the product disclosure statement(s) relating to both:

- (a) the Tree Project; and
- (b) the Land Trust.

“PPS Law” means:

- (a) the Personal Property Securities Act 2009 (Cth) (PPS Act) and any regulation made at any time under the PPS Act (as amended from time to time); and
- (b) any amendment made at any time to any other legislation as a consequence of a PPS Law.

“Responsible Entity” means Macquarie Alternative Assets Management Limited (ABN 30 103 237 181) in its capacity as responsible entity of the Tree Project or Macquarie Financial Products Management Limited (ABN 38 095 135 694) in its capacity as responsible entity of the Land Trust, as the case may be.

“Secured Moneys” means all moneys, obligations and liabilities of any nature whatsoever that may now be, or might at any time in the future become or remain, due, owing or payable, whether actually or contingently, by the Borrower to the Lender on any account or for any reason whatsoever under the provisions of this agreement.

“Secured Property” means all of the Borrower's present and future right, title and interest in and to all Units in the Land Trust and Interests in the Tree Project acquired after the Facility is granted by the Lender, including all of the Borrower's rights, title and interest in his or her Plantation Lots and all rights to use the Plantation Lots held for the Borrower by Bond Street Custodians Limited or any other custodian appointed in respect of the Borrower's Plantation Lots, and the right to receive all moneys under the Tree Project and the Land Trust together with all of the Borrower's present and future right, title and interest in and to any insurance policies taken out in respect of the trees planted on the Borrower's behalf under the Constitution of the Tree Project.

“Security Interest” includes:

- (a) any security interest as defined in the PPS Law;
- (b) any mortgage, charge, bill of sale, pledge, deposit, lien, encumbrance, hypothecation, arrangement for the retention of title and any other right, interest, power or arrangement of any nature whatsoever having the purpose or effect of providing security for, or otherwise protecting against default in respect of, the obligations of any person; and
- (c) any thing or preferential interest or arrangement of any kind giving a person priority or preference over claims of other persons or creditors with respect to any property or asset.

“State” means NSW or such other State or Territory of the Commonwealth of Australia in which the office of the Lender is located as is noted in the Application.

“Subscription Amount” means where the Borrower subscribes for:

- (a) Interests in the Tree Project, the amount of \$2,585 (incl GST) per plantation lot payable by the Borrower as consideration for the services provided by the Responsible Entity as set out under Schedule 1 of the Constitution of the Tree Project; and
- (b) Units in the Land Trust, the amount of \$1 per Unit payable by the Borrower to the Responsible Entity as consideration for the Borrower's Units in the Land Trust,

and includes both amounts borrowed under this Facility and all other amounts invested by the Borrower.

“Tree Insurance” means insurance in respect of the trees which comprise part of the Borrower's Interests in the Tree Project, against damage or destruction caused by fire and other insurable risks normally covered by standard rural insurance acceptable to the Lender.

“Tree Project” means the managed investment scheme known as “Macquarie Eucalypt Project 2011” ARSN 149 549 940.

“Trustee Borrower” means a Borrower acting in its capacity as trustee of a trust.

“Units in the Land Trust” has the meaning given to the term “Unit” in the Constitution of the Land Trust.

- 21.2 In this agreement, unless the context otherwise requires:
 - (a) words importing masculine or feminine or individuals include the neuter and any company or other body and the singular include the plural and vice versa;
 - (b) references to any document (including this agreement) include any variation or replacement to that document; and
 - (c) references to any party to this agreement include references to its respective successors and permitted assigns.
- 21.3 In this agreement, where the Borrower or Guarantor comprises two or more persons, a reference to the Borrower or Guarantor is a reference to any two or more of them jointly and to each of them individually.

EXECUTED as an agreement.

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Signed by

as attorney for [THE BORROWER] under power of attorney dated

in the presence of (witness)

Signature of witness

Name of witness (BLOCK LETTERS)

Address of witness

Occupation of witness

Signed by

as attorney for [THE GUARANTOR] under power of attorney dated

in the presence of (witness)

Signature of witness

Name of witness (BLOCK LETTERS)

Address of witness

Occupation of witness

Executed by [the Lender] in accordance with section 127(1) of the *Corporations Act 2001* by authority of its directors in the presence of:

Signature of witness

Name of witness (BLOCK LETTERS)

Signature of director

Name of director (BLOCK LETTERS)

Signature of director/company secretary*

*delete whichever is not applicable

Name of director/company secretary* (BLOCK LETTERS)

*delete whichever is not applicable

By executing this agreement the attorney states that the attorney has received no notice of revocation of the power of attorney

By executing this agreement the attorney states that the attorney has received no notice of revocation of the power of attorney

SAMPLE
DO NOT COMPLETE

NOTICE OF MORTGAGE — Macquarie Eucalypt Project 2011

TO: Macquarie Alternative Assets Management Limited
(ABN 30 103 237 181)

I refer to the Deed Poll declared by you to be the constitution of the Macquarie Eucalypt Project 2011 ARSN 149 549 940 (“**Tree Project**”) dated 21 March 2011, as amended (“**Constitution**”).

The terms defined in the Constitution have the same meaning when used in this Notice.

I give you notice that under a Loan and Security Agreement (a copy of which can be obtained from [insert name] (“**Lender**”)) dated on or about the date of this Notice, between me as Borrower and the Lender, I have mortgaged in favour of the Lender by way of equitable mortgage all of my present and future right, title and interest in and to my Interests, including all of my rights, title and interest in my Plantation Lots and all rights to use the Plantation Lots held for me by Bond Street Custodians Limited or any other custodian appointed in respect of my Plantation Lots, and the right to receive all moneys under the Tree Project.

You are irrevocably authorised and directed to pay to the Lender or as it may direct, all moneys which become payable to me under the Tree Project.

The authority and instructions contained in this Notice cannot be revoked or varied without the consent of the Lender.

Dated _____ 2011

For and on behalf of the Borrower

For and on behalf of [insert name of Lender]

TO: 1 The Borrower
2 [insert name of Lender]

We acknowledge receipt of the above Notice of Mortgage and agree to be bound by its terms.

We confirm that we are aware of the terms and conditions of the Loan and Security Agreement.

For and on behalf of Macquarie Alternative Assets Management Limited (ABN 30 103 237 181)

NOTICE OF MORTGAGE — Macquarie Timber Land Trust 2011

C

TO: Macquarie Financial Products Management Limited
(ABN 38 095 135 694)

I refer to the Deed Poll declared by you to be the constitution of the Macquarie Timber Land Trust 2011 ARSN 149 549 575 (“**Land Trust**”) dated 21 March 2011, as amended (“**Constitution**”).

The terms defined in the Constitution have the same meaning when used in this Notice.

I give you notice that under a Loan and Security Agreement (a copy of which can be obtained from [insert name] (“**Lender**”)) dated on or about the date of this Notice, between me as Borrower and the Lender, I have mortgaged in favour of the Lender by way of equitable mortgage all of my present and future right, title and interest in and to my Units, including the right to receive all moneys under the Land Trust.

You are irrevocably authorised and directed to pay to the Lender or as it may direct, all moneys which become payable to me under the Land Trust.

The authority and instructions contained in this Notice cannot be revoked or varied without the consent of the Lender.

Dated 2011

For and on behalf of the Borrower

For and on behalf of [insert name of Lender]

- TO: 1 The Borrower**
- 2 [insert name of Lender]**

We acknowledge receipt of the above Notice of Mortgage and agree to be bound by its terms.

We confirm that we are aware of the terms and conditions of the Loan and Security Agreement.

For and on behalf of Macquarie Financial Products Management Limited (ABN 38 095 135 694)

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Appendix D / Direct Debit Request Service Agreement

Direct Debit Request Service Agreement

By signing an Application Form that contains the Direct Debit Request (each such Application Form referred to in the remainder of this Appendix D as “the Application Form”), You agree that the terms of this Direct Debit Request Service Agreement will apply to You. Please ensure that You read and understand these terms and consult your legal or financial advisors where you have any questions.

Between You and Us:

1. Definitions

The following definitions apply in this agreement.

“**Account**” means the account held at Your Financial Institution from which We are authorised and able to arrange for funds to be debited.

“**Agreement**” means this Direct Debit Request Service Agreement between You and Us.

“**Business Day**” means a day other than a Saturday or a Sunday or a national public holiday.

“**Constitution**” means the constitutions of the Macquarie Timber Land Trust 2011 ARSN 149 549 575 and/or the Macquarie Eucalypt Project 2011 ARSN 149 549 940 in which You invest.

“**Debit Day**” means the day that payment by You to Us is due.

“**Debit Payment**” means a particular transaction where a debit is made.

“**Direct Debit Request**” means the Direct Debit Request between Us and You set out in the Application Form attached to the PDS.

“**Macquarie Forestry Investment 2011**” means the Macquarie Timber Land Trust 2011 ARSN 149 549 575 and Macquarie Eucalypt Project 2011 ARSN 149 549 940 offered under the PDS to which this Agreement was attached.

“**Our, Us or We**” means Macquarie Bank Limited ABN 46 008 583 542 (“**MBL**”) or Macquarie Financial Products Management Limited ABN 38 095 135 694 (“**MFPML**”) or Macquarie Alternative Assets Management Limited ABN 30 103 237 181 (“**MAAML**”) as specified in the Direct Debit Request or our nominees and which You have authorised by signing a Direct Debit Request.

“**PDS**” means the document in which the terms of this Agreement appear and which invites applications for Interests and Units in the Macquarie Forestry Investment 2011.

“**You or Your**” means the person(s) who signed the Direct Debit Request.

“**Your Financial Institution**” is the financial institution where You hold the Account that You have authorised Us to arrange to debit.

“**Your Loan and Security Agreement**” means the Loan and Security Agreement to be entered into by You and Us which sets out the terms and conditions of Your loan(s) with Us.

2. Debiting your Account

2.1 By signing the Application Form that contains the Direct Debit Request, You have authorised Us to arrange for funds to be debited from Your Account. You should refer to the Direct Debit Request, this Agreement, Your Loan and Security Agreement and the Constitution for the terms of the arrangement between Us and You.

2.2 We will only arrange for funds to be debited from Your Account as authorised in the Direct Debit Request.

2.3 If the Debit Day falls on a day that is not a Business Day, We may direct Your Financial Institution to debit Your Account on the preceding Business Day and if we do not arrange for such debiting then we may arrange for debiting on a subsequent Business Day.

2.4 If You are unsure about when the Debit Payment will be or has been debited from Your Account, please check with Your Financial Institution.

3. Changes by Us

3.1 We may vary any details of this Agreement or a Direct Debit Request (including without limitation, the timing of future debits or the cancellation of Your Direct Debit Request) at any time by giving You at least 14 days written notice.

4. Changes by You

4.1 Subject to Clauses 4.2 and 4.3, You may change the arrangements under a Direct Debit Request by giving Us 14 days written notice.

4.2 You can stop or cancel the regular Direct Debit Request at any time by giving Us 14 days written notice. You need to do this by the sixth day of the month for cancellation to take effect in that month.

4.3 If You stop or cancel the regular Direct Debit you must provide a new authority within 14 days of the stop or cancellation. The terms and conditions which refer to payments under Your Loan and Security Agreement and the Constitution state (amongst other things) that all moneys payable by You under Your Loan and Security Agreement (where relevant) and the Constitution shall be paid by direct debit from an account at a bank or financial institution acceptable to Us, unless otherwise agreed by Us. If You cancel Your authority for Us to debit Your Account and do not make alternate arrangements regarding establishing another Direct Debit Request, then You may be in default under Your Loan and Security Agreement or the Constitution.

5. Your obligations

5.1 Direct debiting may not be available on all accounts. You should check Your Account details against a recent statement from Your Financial Institution and, if uncertain, contact Your Financial Institution before completing the Direct Debit Request.

5.2 It is Your responsibility to ensure that there are sufficient clear funds available in Your Account by the Debit Day to allow a Debit Payment to be made in accordance with the Direct Debit Request.

5.3 If there are insufficient clear funds in Your Account to meet a Debit Payment:

(a) You may be charged a fee and/or interest by Your Financial Institution;

- (b) You may also incur fees or charges imposed or incurred by Us as stated in Your Loan and Security Agreement (where relevant) or the Constitution;
- (c) You may be in default under Your Loan and Security Agreement (where relevant) or the Constitution; and
- (d) You must arrange for the particular Debit Payment which has been declined to be made by another method or arrange for sufficient clear funds to be in Your Account by an agreed time so that We can process the Debit Payment.

- 5.4 You should check Your Account statement to verify that the amounts debited for Your Account are correct.
- 5.5 If We are liable to pay goods and services tax ("GST") on a supply made by Us under or in connection with this Agreement, then You agree to pay Us on demand an additional amount equal to the GST payable on that supply (unless the consideration for that supply is specified to be inclusive of GST). All terms in this Clause 5.5 have the same meaning as given to them in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth), as amended from time to time.

6. Dispute

- 6.1 If You believe that there has been an error in debiting Your Account, You should notify Us directly and confirm that notice in writing with Us as soon as possible so that We can resolve Your query more quickly. All queries should be directed to Us in the first instance so that We can attempt to resolve the matter between Us and You.
- 6.2 If We conclude as a result of Our investigations that Your Account has been incorrectly debited, We will respond to Your query by arrangement for Your Financial Institution to adjust Your Account accordingly. We will also notify You in writing of the amount by which Your Account has been adjusted.
- 6.3 If We conclude as a result of Our investigations that Your Account has not been incorrectly debited We will respond to Your query by providing You with reasons and any evidence for this finding.
- 6.4 If We cannot resolve Your query You can still refer it to Your Financial Institution which will obtain details from You of Your query and may lodge a claim on Your behalf.
- 6.5 Subject to conditions and warranties implied by legislation and to any express terms in this Agreement, We are not responsible or liable for any delay, interruption or error in processing or failing to process any Direct Debit Request whether or not caused (including as a result of negligence) by Us, Our employees or agents.
- 6.6 All terms implied by statute, general law or custom shall not apply to this Agreement except ones that may not be excluded. If We breach any condition or warranty implied by legislation in a contract with a consumer, Our liability for that breach is limited to a resupply of the services in respect of which the breach occurred, and We shall not be liable in any event for indirect or consequential loss or any loss of profits.

7. Confidentiality

- 7.1 We will keep any information (including Your Account details) in Your Direct Debit Request confidential. We will make reasonable efforts to keep any such information that We have about You secure and to ensure that any of Our employees or agents who have access to information about You do not make any unauthorised use, modification, reproduction or disclosure of that information.
- 7.2 We will only disclose information that We have about You:
- (a) to the extent specifically required by law; or
 - (b) for the purposes of, or in connection with, the exercise of any of Our rights and/or powers under, this Agreement or Your Loan and Security Agreement (where relevant) (including disclosing information in connection with any query or claim).

8. Notice

- 8.1 If You wish to notify Us in writing about anything relating to this Agreement, You should write to Your Account manager.
- 8.2 We will notify You:
- (a) by sending a notice in the ordinary post to the address You have given Us in the Application Form attached to or accompanying the PDS; or
 - (b) by sending a notice electronically to the e-mail address You have given Us in the Application Form attached to or accompanying the PDS.
- 8.3 Any notice will be deemed to have been received two Business Days after it is posted (if the notice is sent by ordinary post) and on the same Business Day as it is e-mailed (if the notice is sent electronically).

9. Acknowledgments

- 9.1 You understand and acknowledge that:
- (a) Your nominated financial institution may in its absolute discretion decide the order of priority of payment by it of any moneys pursuant to this request or any authority or mandate;
 - (b) the financial institution may, in its absolute discretion, at any time by notice in writing to You, terminate Your request as to future debits;
 - (c) if at any time You feel that a direct debit against Your Account is inappropriate or wrong, it is Your responsibility to notify us as soon as possible;
 - (d) direct debiting through the Bulk Electronic Clearing System ("BECS") is not available on all accounts;
 - (e) You can check Your Account details against a regular statement and have confirmed with the financial institution that You can request a direct debit from Your Account; and
 - (f) We may also charge the cost of dishonoured direct debits against Your Account.
- 9.2 You acknowledge and agree to Us passing on details of Your direct debit request to Our sponsor bank in BECS to assist with the checking of any incorrect or wrongful debits to Your Account.

Appendix E / Acknowledgements, Authorisations and Consents

Acknowledgements, Authorisations and Consents.

IMPORTANT: To be read by all Applicants for an Investment and applicants for an Investment Loan and all Guarantors.

By applying for an Investment, Investment Loan or guaranteeing a Borrower's obligations under a Loan and Security Agreement, you will be giving all of the following acknowledgements, authorisations and consents.

Macquarie Bank Limited ABN 46 008 583 542, MAAML, MFPML and their nominees, assignees, transferees, participants or subparticipants, as required are referred to as "Macquarie".

Acknowledgment and authority to give certain credit information

I/We understand that pursuant to the Privacy Act 1988 (Cth) Macquarie may give a credit reporting agency certain personal information about me/us, including:

- details to identify me/us, e.g. name, sex, date of birth;
- the fact that I/we have applied for credit and the amount or that Macquarie is a current credit provider to me/us;
- payments which become more than 60 days overdue and for which collection action has started;
- cheques drawn by me/us for at least \$100 which Macquarie has dishonoured more than once;
- that, in the opinion of Macquarie, I/we have committed a serious credit infringement in specified circumstances;
- advice that payments previously notified as unpaid are no longer overdue; and
- the fact that credit provided to me by Macquarie has been paid or otherwise discharged.

Authority for Macquarie to obtain certain credit information

To enable Macquarie to assess my/our application for personal or commercial credit, I/we authorise Macquarie:

- to obtain from a credit reporting agency a credit report containing personal information about me/us in relation to personal credit provided by Macquarie;
- to obtain from a credit reporting agency a credit report containing personal credit information about me/us in relation to commercial credit provided by Macquarie; and
- to obtain a report from a credit reporting agency containing information about my/our commercial activities or my/our commercial creditworthiness in relation to personal credit provided by Macquarie.

Authority to exchange information

I/We authorise Macquarie to give to and obtain for any related corporation, credit provider, any broker, adviser, financial consultant, accountant or lawyer acting for me/us or on my/our behalf in connection with any consumer or commercial credit information about me/us including in connection with funding or managing financial accommodation by means of an arrangement involving securitisation.

I/We understand this information can include information that has any bearing on my/our credit worthiness, credit standing, credit history or credit capacity.

I/We understand that this information may be:

- used by Macquarie to:
 - assess my/our creditworthiness;
 - assess an application by me/us for credit;
 - assist me/us to avoid defaulting on my/our credit obligations
- used and disclosed by Macquarie to:
 - give notice of a default by me/us to other credit providers and any collection agent of Macquarie;
 - allow a credit reporting agency to create or maintain a credit information file containing information about me/us.

Authority for Macquarie to give personal information to Guarantor

I/We authorise Macquarie to give to the Guarantor, or a person who is considering becoming a Guarantor, personal information about my/our creditworthiness, credit standing, credit history or credit capacity relating to the credit facilities the subject of the guarantee.

Purpose of collecting personal information

I/We acknowledge and agree that Macquarie collects and uses personal information for the following purposes:

- to process my/our Application;
- to administer my/our Investment;
- to tell me/us about products and services (unless I/we ask Macquarie not to); and
- to administer my/our Investment Loans.

Disclosing my/our personal information

I/We agree and consent that Macquarie may disclose information Macquarie holds about me/us in the following circumstances (even if the disclosure is to an organisation overseas which is not subject to privacy obligations equivalent to those which apply to Macquarie):

- to related organisations who tell me/us about services or products they offer which could be useful to me/us (unless I/we ask them not to);
- to companies and representatives that provide services on Macquarie's behalf, for example printing statements or notices which Macquarie send to me/us;
- collecting or assisting in the recovery of debts or providing professional advice;
- to my/our agents and representatives (for example my/our broker, adviser, solicitor or accountant) or any administrator, liquidator, trustee in bankruptcy, legal personal representative or executor; and
- if the disclosure is required or authorised by law.

What happens if I/we do not disclose the personal information?

I/We acknowledge and agree that I/we may choose not to give personal information to Macquarie. Depending on the type of personal information, if I/we do not give it to Macquarie, Macquarie may not be able to approve my/our Application for Interests and Units or for an Investment Loan. See the “How to Apply” and “Application Terms” sections for details of the consequences of failing to provide your ABN or TFN.

Access to personal information

I/We can access correct or update any personal information Macquarie holds about me/us by contacting Macquarie on **1800 080 033**. I/We can access Macquarie’s privacy statement at www.macquarie.com.au.

Anti-Money Laundering and Counter-Terrorism Financing

By applying for Units or Interests Offered under, or a Loan in respect of, the Macquarie Forestry Investment 2011, I/We agree to the following:

- (a) I/We acknowledge and agree that the collection of my/our personal information may be required by the Anti-Money Laundering and Counter-Terrorism Financing Act 2006, rules and other subordinate instruments (AML/CTF Laws);
- (b) at the reasonable request of Macquarie, to supply, or procure the supply of, any documentation and other evidence and perform any acts to enable Macquarie to comply with any AML/CTF Laws;
- (c) if Macquarie suspects that I/we are in breach of any AML/CTF Laws applicable in Australia or elsewhere, or Macquarie believes it is required to take action under AML/CTF Laws or any other applicable law in Australia or elsewhere, Macquarie may take any action it considers appropriate, including refusing to issue me/us with any Units or Interests, or transferring my/our Macquarie Forestry Investment 2011 Units or Interests, and refusing or ceasing to provide me/us with Loans or services, in order to comply with any AML/CTF Laws or any other applicable law in Australia or elsewhere or any request of a relevant authority;
- (d) Macquarie may in its absolute discretion, with or without notice to me/us, disclose or otherwise report the details of any transaction or activity, or proposed transaction or activity in relation to my/our Macquarie Forestry Investment 2011 Units, Interests or Loans (including any personal information (as defined in the Privacy Act 1988 (Cth)) that I/we may have provided to Macquarie) to any reporting body authorised to accept reports under any AML/CTF Laws or any other applicable law in Australia or elsewhere;
- (e) I/we undertake that I/we will not knowingly do anything to put Macquarie in breach of the AML/CTF Laws;
- (f) I/we undertake to notify Macquarie if I am/we are aware of anything that would put any member of Macquarie Group in breach of AML/CTF Laws or any other applicable law in Australia or elsewhere;
- (g) if requested I/we undertake to provide additional information and assistance and comply with all reasonable requests to facilitate Macquarie’s compliance with AML/CTF Laws or any other applicable law in Australia or elsewhere;
- (h) I/we undertake that I am/we are not aware and have no reason to suspect that:
 - (i) the money used to fund the investment is derived from or related to money laundering, terrorism financing or similar activities (“Illegal Activities”); or
 - (ii) proceeds of investment made in connection with this product will fund Illegal Activities.

Acknowledgments in relation to direct debiting of nominated accounts

If direct debit has been selected as the method of payment in an Application Form, I/we acknowledge that the nominated account will be used to:

- a) debit the Tree Project Amount Payable from Section [C] of the Tree Project Application Form, if the direct debit option is selected in section [D] of that form; and/or
- b) debit the Land Trust Amount Payable from Section [C] of the Land Trust Application Form if the direct debit option is selected in section [D] of that form; and/or
- c) debit any principal and interest payments on the Investment Loan, if the Applicant applied for an Investment Loan; and/or
- d) where the Applicant has:
 - i) an Investment Loan with a term of more than one year, during the term of that Investment Loan; or
 - ii) elected for MAAML to arrange Tree Insurance, during the term of the Investment,

debit the Tree Insurance premiums (plus MAAML’s handling fees plus GST) annually; and/or
- e) debit all amounts payable by me/us under the Constitution for the Tree Project or the or Constitution for the Land Trust in respect of my/our investment in the Tree Project or the Land Trust.

I/we agree and acknowledge that a direct debit dishonour fee of \$50 will apply if insufficient funds are available in my/our nominated bank account.

General

I/We agree, acknowledge and declare that:

- a) Macquarie can provide information on the status of my Investment and my Investment Loans, if any, to my/our nominated financial adviser or usual stockbroker or an associated Macquarie Group company;
- b) I/We consent to MAAML or MFPML paying commission to my/our financial adviser based on my Investment amount or otherwise and Macquarie Bank Limited (or a related entity) paying commission to my/our financial adviser based on my Loan amounts or otherwise.
- c) If I/we have applied for an Investment Loan, I/we hereby certify that I/we am/are on the day of my/our Application and following the execution of the Loan and Security Agreement and Notice of Mortgage, able to pay my/our debts as and when they fall due from my/our own monies.
- d) If I/we have applied for an Investment Loan and have a Guarantor/s, then I/we authorise Macquarie to give the Guarantor/s of commercial credit provided or to be provided to me by Macquarie, personal information about my/our creditworthiness, credit standing, credit history or credit capacity relating to the credit facilities the subject of the guarantee for the purpose of enabling the Guarantor/s to decide whether to act as Guarantor or to keep informed about the Guarantee.

- e) Macquarie:
- has not authorised or caused the issue of this PDS;
 - does not make or purport to make any statement in this PDS (or any statement on which a statement in this PDS is based);
 - takes no responsibility for any part of this PDS other than the reference to its name and the references to the Investment Loan facility included in this PDS with its consent; and
 - does not endorse or recommend investment under this PDS.
- f) that no representative of MAAML, MFPML or Macquarie has any authority when acting as representative to provide us/me with any personal advice (i.e. taking into account my/our particular investment needs, objectives and financial and taxation circumstances) in relation to any investment in the Tree Project or the Land Trust or advising me on any Loan and that I/we have not received personal advice from any such representative;
- g) if I/we have received financial or tax advice from any financial adviser or tax adviser that takes into account my/our particular investment needs, objectives and financial and taxation circumstances then that person has not provided that advice on behalf of MAAML, MFPML or Macquarie, or as a representative of any of those entities and none of MAAML, MFPML or Macquarie accepts any liability or responsibility for any such personal advice;
- h) to the extent that I/we apply for Units and/or Interests and my/our cheques are incorrectly made out to
- MFPML instead of MAAML; or
 - MAAML instead of MFPML; or
 - Macquarie instead of MAAML or MFPML;
- the payee on the cheque is authorised in its discretion to endorse the cheque (in whole or part) to MAAML as the RE of the Tree Project or MFPML as RE of the Land Trust or alternatively to deposit the cheque and pay any amounts that are refundable to me, to MAAML as the RE of the Tree Project or MFPML as RE of the Land Trust, as the case may be, on my behalf.
- i) No representative of MAAML, MFPML or the Lender has provided me with any personal advice.

Appendix F / Power of Attorney

Power of Attorney

Applicable to all Applicants who have applied for Units and/or Interests, and an Investment Loan and all Guarantors.

By applying for an Investment Loan or guaranteeing a Borrower's obligations under a Loan and Security Agreement you will be granting the following Power of Attorney.

Power of Attorney for Borrowers and Guarantors

I/We hereby irrevocably and by way of security appoint Macquarie Bank Limited ABN 46 008 583 542 (and its nominee lenders, assignees, transferees, participants or subparticipants, as required), ("Macquarie"), Macquarie Alternative Assets Management Limited ABN 30 103 237 181 AFSL 225758 ("MAAML"), Macquarie Financial Products Management Limited ABN 38 095 135 694 AFSL 237847 ("MFPML") and each of their officers, employees, agents and solicitors, separately (the "Attorney") as my/our true and lawful agent and attorney in fact (with full power of substitution, delegation and revocation as the Attorney may deem expedient) to sign and deliver by any legal means (including by affixing an electronic or facsimile signature), on my behalf, the following:

- the Loan and Security Agreement and Notice of Mortgage ("Agreement") in substantially the form which is included in the Product Disclosure Statement dated 21 March 2011 for the Macquarie Forestry Investment 2011 (as it may be supplemented or replaced);
- any Notice of Mortgage to any insurer who provides Tree Insurance (as defined in the Agreement);
- all documentation necessary to arrange, enter into, manage or administer Tree Insurance, including but not limited to any contract of insurance or any insurance or any insurance policy; and
- any other document, instrument, act or thing which, in the opinion of the Attorney, is necessary or desirable in connection with the Units or Interests or the protection or perfection of the interest of Macquarie in the Units or Interests or the exercise of the rights, powers and remedies of Macquarie.

I/We hereby further authorise the Attorney to do the following with respect to any of the documents referred to above:

- complete any blanks;
- make any amendments or additions thereto provide such amendments or additions do not materially alter my rights or obligations under the documents;
- instruct the Responsible Entity or any broker or other person with respect to any dealings (including without limitation, any lodgements, applications, redemptions, releases and the payment method and destination account of any distribution) with the Interests or Units;
- do, execute and perform any other deed, matter, act or thing which in the opinion of the Attorney ought to be done, executed or performed to perfect the document and make it effective; and
- attend to the stamping or registration of all related and ancillary documentation (at my cost).

Any document may be executed by any legal means (including by affixing an electronic or facsimile signature).

I/We declare that anything done by the Attorney pursuant to the powers given to the Attorney will be binding on me/us as if those acts had been done by me/us.

I/We agree to indemnify the Attorney against any loss or costs it suffers or incurs in properly exercising the powers specified above. The Attorney may exercise the powers granted above even if it involves a conflict of duty or a conflict of interest.

Glossary

OTHER TERMS USED

2011 Forestry Accounts	The accounts established by MAAML and Macquarie Forestry Services respectively and held with MBL over which security is granted to the Custodian as described in Appendix B.2.1 and B.2.5 and B.2.6.
Application	An application for Units or an application for Interests as the case may be.
Application Form	The Tree Project Application Form, Land Trust Application Form or Finance Application Form as the context requires.
Application Price	<ul style="list-style-type: none"> ▪ \$2,585 (incl. GST) per Interest in the Tree Project which comprises prepaid plantation establishment fees; or ▪ \$1.00 per Unit in the Land Trust prior to the first Redemption Notice Date and thereafter the per Unit Net Asset Value of the Land Trust plus transaction costs (GST is not payable on each Unit).
BDMT/BDt	Bone dry metric tonne.
BHKP	Bleached Hardwood Kraft Pulp.
Carbon Sequestration	The process by which trees or forests absorb carbon dioxide from the atmosphere.
Carbon Sequestration Benefit	In relation to an Investor, the legal, commercial or other benefit (whether present or future) of Carbon Sequestration during the Term by existing or future trees or forests on the Investor's Plantation Lots.
Carbon Sequestration Rights	In relation to an Investor, the right conferred by agreement or otherwise to the Carbon Sequestration Benefits of that Investor, including carbon sequestration rights.
Constitution	The Tree Project Constitution or the Land Trust Constitution, as the case may be.
Corporations Act	<i>Corporations Act 2001</i> (Cth), as amended from time to time.
Deferred Rent	This is the fee paid by the Investors to the Custodian for granting Investors licenses to use the Plantation Lots. The fee is 4.95 per cent (incl. GST) of Net Sales Proceeds (or Tree Insurance proceeds if an Insurance Event occurs and there is no replanting) deducted from those proceeds.
Drawing	The aggregate of the outstanding principal amount drawn down under the Investment Loan.
Finance Application Form	The application form for applying for an Investment Loan included in the back of this PDS or available online with this PDS at www.macquarie.com.au/forestry .
Forestry Management Agreement	An agreement appointing a forestry contractor to perform some or all of Macquarie Forestry Services' obligations under the MFSPL Management Agreement.
Geelong Region	Means land located within an economic haulage distance of Timber processing facilities at Geelong, Victoria.
GMT	Green metric tonne calculated on an assumed moisture content of 50 per cent regardless of the actual moisture content at delivery to the log processing facility.
GST	Goods and services tax as defined in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Initial Term	For an Interest issued on or before 30 June 2011, the period commencing on 30 June 2011 and ending on 31 December 2012. For an Interest issued on or after 1 July 2011, the period commencing on the later of the date that the Interest is issued or 1 October 2011, and ending on 31 December 2012.
Insurance Event	The destruction of any Trees, or damage to any of the Trees which renders them unfit for the purposes of sale or otherwise, which is caused by fire, windstorm or hail, to the extent that such event is out of the reasonable control of the Tree Project RE.
Interest	An Interest in the Tree Project issued under the Tree Project Constitution.
Investment	An investment in either or both of the Tree Project and the Land Trust, as the context requires.
Investment Loan	A full recourse loan made available by the Lender to approved Investors, in respect of their Investment in the Tree Project and/or the Land Trust (including any GST component of their Investment).
Land	All land owned by the Land Trust RE in its capacity as RE of the Land Trust (either solely or as tenants in common with MBL).
Land Acquisition Fee	The fee that is payable to the Land Trust RE in relation to the acquisition of Land as described in section 7.4.4 of this PDS.

OTHER TERMS USED

Land Rental	The annual rent payable by MAAML each financial year commencing 1 July 2011, payable to the Land Trust on each 30 June for the duration of the Lease. The first payment for the financial year ending 30 June 2012, will be an amount of \$560.00 per annum (or part thereof) per hectare of Plantable Land payable to the Land Trust on 30 June 2012. Subsequent payments each year will be for an amount equal to the previous year's payment plus an additional 3 per cent.
Land Rental Security Account	The account established by MAAML and held with MBL over which MAAML grants security to the Land Trust RE and MBL (as owners of the Land) to secure MAAML's payment obligations under the Leases and Subleases as described in Appendix B.3.2.
Land Selection Protocols	Each land selection protocol established for the selection of Land to be acquired by the Land Trust RE (alone or jointly with MBL as co-owner) and leased to MAAML.
Land Trust	The managed investment scheme known as the Macquarie Timber Land Trust 2011 ARSN 149 549 575.
Land Trust Application Form	An application form attached to or accompanying this PDS (including at www.macquarie.com.au/forestry) under which an investor may apply for Units.
Land Trust Constitution	The constitution dated 23 February 2011 for the Land Trust as amended from time to time.
Land Trust Distributable Income	The income derived by the Land Trust from the receipt of annual rental payments from the Tree Project Manager less any deductible expenses of the Land Trust (such as interest on the Land trust Loan). The Land Trust RE may require a proportion of these proceeds to be compulsorily re-invested into further Units in the Land Trust.
Land Trust Loan	The loan obtained by the Land Trust RE to fund the purchase of the Plantable Land.
Lease	A lease to MAAML of some or all of the Land.
Licence	A licence to use Plantation Lots granted by a Tree Project Investor to the Tree Project RE.
Loan and Security Agreement	An agreement in the form of Appendix C between an Investor and the Lender in respect of the Investment Loan which includes a form of Notice of Mortgage.
Macquarie Forestry Agreements	The Lease 2011, the Forest Property Agreement 2011, the Sublease and the Offtake Agreements, each as referred to in Appendix B.2.2, B.2.3 and B.2.4 of this PDS.
Macquarie Forestry Investment	An investment in either or both of the Tree Project and the Land Trust, as the context requires.
Management Fee or Deferred Management Fee	This is the fee paid to the Tree Project RE for managing the Tree Project. The fee is 5.5 per cent (incl. GST) of the Net Sale Proceeds or 5.5 per cent of the Tree Insurance proceeds (if an Insurance Event occurs and there is no replanting).
Maturity	30 June 2022.
MFSPL Management Agreement	The agreement described in Appendix B.2.4 of this PDS between the Tree Project RE and Macquarie Forestry Services for performance of services in relation to the Tree Project.
Net Asset Value of the Land Trust	The value of the Land Trust assets less the value of its liabilities (actual and contingent).
Net Sale Proceeds	In relation to the Tree Project during the Sale Period: <ul style="list-style-type: none"> ▪ the net proceeds of sale received by the Tree Project RE on behalf of the Tree Project Investors under the Offtake Agreements; ▪ less the cost of harvest, handling, loading, transport, processing, shipping and delivery costs which are payable by the Tree Project RE. <p>The Net Sale Proceeds are distributed to Investors pro rata to the number of their Interests. Net Sale Proceeds includes any applicable GST collected at the time of sale of the Timber.</p>
Offers	The invitations to apply for Interests and Units under this PDS.
Offtake Agreement	An agreement between an Offtaker and the Tree Project RE as agent for each Tree Project Investor under which the Investor agrees to sell their Timber or Trees to the Offtaker. This includes any agreements for the offtake of any Residual Timber.

OTHER TERMS USED

Other Income	In respect of each Tree Project Investor: <ul style="list-style-type: none"> ▪ the proceeds from any other revenue generating activities in connection with the Land Leased to the Tree Project RE; and ▪ the proceeds from the sale, assignment, transfer or other dealing with Carbon Sequestration Rights of that Investor.
Plantable Land	Land which is suitable for planting varieties of Eucalyptus trees determined by the Tree Project RE.
Plantation Lot	A parcel of land of approximately one quarter of a hectare sublet under the Sublease by MAAML to the Custodian to hold for a Tree Project Investor, the details of which will be notified by the Tree Project RE to the Investor.
Product Ruling	Product Ruling 2011/2 issued in respect of Investors in the Tree Project whose Interest are issued on or before 30 June 2011 as referred to in Section 8 of this PDS.
Portland Region	Portland Region means land located within an economic haulage distance of timber processing facilities at Portland, Victoria.
Productivity Performance Fee	A performance fee for a Region paid to the Tree Project RE when the Net Sale Proceeds for Timber (other than under Offtake Agreements for Residual Timber) from the Region exceed \$4,000 per quarter hectare, and the amount of such Timber (other than Residual Timber) produced is greater than 60m ³ per quarter hectare for Plantation Lots in that Region. This fee may be payable in relation to the Net Sale Proceeds of Timber from one or more Region(s) even though the average Net Sale Proceeds (other than under Offtake Agreements for Residual Timber) for all Regions does not exceed \$4,000 per quarter hectare and/or the average amount of Timber (other than Residual Timber) produced across all Regions is not greater than 60 GMT per quarter hectare.
Redemption Commencement Date	30 June 2022.
Redemption Notice Date	31 December 2021.
Redemption Price	A pro rata portion per Unit in the Trust of the Net Asset Value of the Land Trust at the time of the redemption, less transaction costs.
Region	Areas in which Land may be sourced, for example, the Geelong or Portland regions.
Residual Timber	Wood residue generated as a part of normal logging operations of merchantable timber by an Offtaker. For example, remaining leaves, tops, limbs, and undersized trees too small for sawlogs.
Sale Period	The period during which Tree Project Trees will be harvested or otherwise sold, currently expected to be the period from 1 January 2022 to 31 December 2022.
Section	A section of this PDS.
Sublease	A sublease by MAAML to the Tree Project Custodian to be held by the Custodian for the benefit of Investors in the Tree Project as to their individual Plantation Lots (see Appendix B.2.2).
Tax Act	The <i>Income Tax Assessment Act 1936</i> (Cth) and the <i>Income Tax Assessment Act 1997</i> (Cth).
Term	The term of the Tree Project.
Timber	In relation to each Tree Project Investor, the Trees harvested or to be harvested, as the context may require and includes any Residual Timber.
Tree Insurance	Insurance taken out by an Investor in respect of the Investor's Trees which insures the Trees against damage or destruction caused by fire and/or other insurable risks.
Tree Project	The managed investment scheme known as the Macquarie Eucalypt Project 2011 ARSN 149 549 940.
Tree Project Application Form	An application form attached to or accompanying this PDS (including at www.macquarie.com.au/forestry) under which an investor may apply for Interests.
Tree Project Constitution	The constitution dated 23 February 2011 for the Tree Project as amended from time to time.
Trees	The trees on the Plantation Lots planted by or on behalf of the Tree Project Investor.
Unit	A Unit in the Land Trust issued in accordance with the Land Trust Constitution.

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How to apply

Different Application Forms are attached to or accompany this PDS.

There is:

- a Tree Project Application Form;
- a Land Trust Application Form; and
- a Finance Application Form.

To apply for Interests complete the attached Tree Project Application Form. To apply for Units, complete the attached Land Trust Application Form. If you are applying for an Investment Loan(s) you must also complete the attached Finance Application Form.

Your completed Application Form(s) together with your payment should be sent to:

Macquarie Forestry Investment 2011

R1723 Royal Exchange
Sydney NSW 1225

The Tree Project RE, the Land Trust and the Lender may rely on a faxed or emailed copy of an Application Form to process your application for Interests. Units or an Investment Loan, as the case may be however they require you to send in your original application to the above address.

No Cooling Off: Neither the Tree Project nor the Land Trust will be liquid at the time of your investment as all funds are immediately committed to required payments. As a result, cooling off will not apply to your investment and neither Units nor Interests may be returned. Please ensure that you carefully consider with your advisers your decision whether to invest before you complete and submit your Application Form.

Please note that the Product Ruling, will only apply to Tree Project investors whose Interests are issued prior to 1 July 2011. Please see sections 1.1(h) and 8 of this PDS for further information on the tax consequences of having your Interests in the Tree Project issued before 1 July 2011 or after 30 June 2011. Currently, it is not expected that an application for a product ruling will be made for Investors who invest in the Tree Project after 30 June 2011. However, if such a product ruling is sought and is issued by the ATO, the product ruling will be made available for investors on the Macquarie Forestry website www.macquarie.com.au/forestry or investors can obtain a copy free of charge by contacting **1800 080 033**. Investors considering investing after 30 June 2011 should consider the information about taxation implications of investment that are contained in Section 8 of this PDS, check the website for updates on the product and whether any product ruling has been applied for or obtained, and seek their own taxation advice taking into account their own circumstances and needs.

(a) Minimum Subscription and Issue

A minimum aggregate number of four Interests in the Tree Project or 1,900 Units in the Land Trust that need to be applied for before any Interests or Units (as the case may be) will be issued to you. You can apply for any number of additional Interests in multiples of one or additional Units in multiples of 475.

(b) Dealing with Applications

There is no assurance that applicants will be issued the number of Interests or Units for which they apply or any Interests or Units at all. The relevant RE may, in its sole discretion, accept or reject any Application or allocate to any applicant, a lesser number of Interests or Units than that applied for. Each RE intends to exercise its discretion to accept or reject applications within one month after receipt of any Application.

If your Application is rejected or scaled back, the appropriate portion of your Application Price (less the amount of your Investment Loan (if any)) will be returned to you within 30 days of being rejected or scaled back. You will not be entitled to any interest on the portion of the Application Price returned to you.

You should note that the Application Price will be held on trust for you by the relevant RE. Any interest paid on this money will be paid to MAAML or MFPML as the case may be (whether or not all or any of the Interests or Units for which you applied are issued to you).

(c) Allocation Policy

One Interest will be issued for every 475 Units issued. For the purposes of the description below, every 475 Units applied for is called one "Block". However, each RE reserves the right to allocate Units or Interests (as the case may be) as it sees fit.

1) If the number of blocks of units applied for exceeds the number of interests applied for, then the Land Trust RE generally intends to allocate units as follows:

- applicants for Interests (or their nominee) will have first priority for the number of Blocks of Units which is equal to the number of Interests for which the Investor applied
- where Units (if any) remain after taking account of the above priority, Units will be allocated to applicants at the discretion of the Land Trust RE.

2) If the number of interests applied for exceeds the number of blocks of units applied for, then the Tree Project RE generally intends to allocate interests as follows:

- applicants for Units will have first priority for a number of Interests which is equal to the number of Blocks of Units for which the Investor applied
- where Interests (if any) remain after taking account of the above priority, Interests will be allocated to applicants at the discretion of the Tree Project RE.

Please note that there is no assurance that any Interests or Units will be issued for Applications received after 30 June 2011.

Nominee Applicants

Investors in Interests may nominate another person or entity to receive their priority allocation of Units in the Land Trust. The allocation policy treats the nominee applicant as if the nominating Investor had applied for the Units.

1 COMPLETING THE MACQUARIE FORESTRY INVESTMENT 2011 APPLICATION FORMS

The section references below refer to sections in the Tree Project Application Form and Land Trust Application Form.

If you are applying for Interests in the Tree Project you need to complete the Tree Project Application Form.

If you are applying for Units in the Land Trust, you must complete the Land Trust Application Form.

If you are applying for both Interests and Units, complete both the Tree Project Application Form and the Land Trust Application Form.

Applicant details (Section A)

Select the type of applicant that you are for each option and complete the relevant Sections in the relevant Application Form:

- If you are an **Individual Applicant** – complete Section A1
- If you are a **Joint Applicant** – 2nd Joint Applicants should complete section A2 (1st Joint Applicants complete section A1)
- If you are a **Corporate Applicant** – complete section A3
- If you are a **Corporate Trustee Applicant** – complete section A3 and A4
- If you are a **Trustee Applicant** (e.g. Individual Trustee, Superannuation Fund) – complete section A4

Please refer to the table below for the correct forms of registration.

Type of investor	Correct form	Samples of incorrect form
Individual Use given names, not initials	John Alfred Smith	J. A. Smith
Company Use full company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts Use trustee(s) personal name(s) Do not use the name(s) of the Trust	Janet Smith <Janet Smith Family A/C>	Janet Smith Family Trust
Deceased Estates Use executor(s) personal name(s) Do not use the name of the deceased	Michael Smith <Est. John Smith A/C>	Estate of Late John Smith
Superannuation Funds Use name of trustee of fund Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

If you are applying for Interests in the Tree Project and you do not supply your Australian Business Number (ABN), tax may be deducted from any payments made to you in relation to your investment in the Tree Project at the highest marginal tax rate plus Medicare levy and forwarded to the ATO. It is not an offence if you decide not to supply us with your ABN. If you do not have an ABN, please do not quote your TFN, as amounts may still be deducted if you provide MAAML with your TFN. For more information about the use of TFNs or ABNs contact your tax adviser or the ATO. If you quote your ABN below, you authorise MAAML and Macquarie to disclose it to its nominee company for the purposes relating to the Interests and the Investment Loan.

If you are applying for Units in the Land Trust and you do not supply your Tax File Number (TFN) or Australian Business Number (ABN) or a valid exemption, tax will be deducted from any income earned on an investment in the Land Trust at the highest marginal tax rate plus Medicare levy and forwarded to the ATO. It is not an offence if you decide not to supply us with your TFN or ABN. If you quote your ABN, you declare that you are investing in the Land Trust in the course or furtherance of your enterprise. For more information about the use of TFNs or ABNs contact your tax adviser or the ATO. If you are exempt from quoting your TFN, you must indicate this or tax will be deducted from any distributions on an investment in the Land Trust. If you quote your TFN or ABN below, you authorise MFPML and Macquarie to disclose it to its nominee company for the purposes relating to the Interests in the Land Trust and the Investment Loan.

Nominee details (Section B)

Tree Project Application Form

Under the Responsible Entity's allocation policy, applicants who apply for Interests in the Tree Project (or their nominee) will have priority in the allocation of Units in the Land Trust. This section must be completed to ascertain if you have any investment priority.

Land Trust Application Form

There is no Nominee Detail section in the Land Trust Application Form.

Investment details (Section C)

This section must be completed by all Investors. This section allows you to calculate your Application amount. Please note that legal requirements render the Investment Loan unavailable to Superannuation Fund Applicants.

Investment loan amounts (Section D)

This section must be completed by all Investors. If you are applying for an Investment Loan, you may borrow the GST component of your Investment Amount. Your Loan Application Fee can form part of your Investment Loan amount.

Method of payment for investment (Section E)

You may elect to pay for your Investment either by cheque or direct debit.

Tree insurance (Section F of the Tree Project Application Form)

Tree Project Application Form

If you are applying for Interests in the Tree Project MAAML may organise and enter into a Tree Insurance policy each year for the remaining Term of the Tree Project after the first year. You may elect not to have MAAML do this. Please note that Tree insurance is compulsory for those who enter into the Investment Loan and for those who wish to rely on that part of the Product Ruling applicable to Investors whose Interests are issued on or before 30 June 2011 that confirms that you are carrying on a business of primary production.

Direct Debit Authority and bank account details (Section G of the Tree Project Application Form and Section F of the Land Trust Application Form)

This section must be completed if you have selected Direct Debit as your method of payment in section E. The bank, building society or credit union account must be in the same name as the Applicant and not a third party. Where the account you have nominated is in the name of joint account holders, all names must be provided and the authority signed by all account holders.

Please note that, if you have an Investment Loan and have applied for Interests in the Tree Project, the Tree Insurance premiums (plus MAAML's handling fees) will be direct debited annually during the term of that Investment Loan, where the Tree Insurance is arranged by MAAML.

If you are not applying for an Investment Loan, and wish to take out Tree Insurance, MAAML will offer to arrange this insurance annually during the term of the investment. MAAML will notify you directly regarding payment of this amount.

Your acknowledgements and signatures (Section H of the Tree Project Application Form and Section G of the Land Trust Application Form)

All Investors must read and complete this section. A witness must also sign this section. Under this section, among other things, you agree that any document required in connection with your Investment in the Land Trust or Tree Project (as applicable) may be executed by a person authorised to sign on your behalf by any legal means, including by affixing an electronic or facsimile signature to the relevant document. Execution of the relevant Application Form will confirm your agreement to these provisions.

Anti-Money Laundering and Counter-Terrorism Financing

In December 2006 the Australian Government introduced the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ("AML/CTF"), which requires reporting entities, such as financial advisers and product issuers, to conduct client identification and verification checks. Macquarie (herein, MBL, MFPML and MAAML) is required to comply with AML/CTF.

If you have a financial adviser who holds an Australian financial services licence, your identification and verification checks can be conducted by your financial adviser who will also complete the relevant identification form issued by Investment and Financial Services Association Limited and the Financial Planning Association of Australia ("IFSA/FPA Form").

If you do not have a financial adviser for this investment, you can obtain the IFSA/FPA Form that is relevant forms to you and further information on the AML/CTF customer identification process and requirements from www.macquarie.com.au/aml. Your completed IFSA/FPA Form and original or certified copies of the identification documents referred to in the IFSA/FPA Form must be provided to Macquarie together with your Application Forms.

By following this procedure, potential duplication in conducting identification and verification checks and delay are removed.

However we may, from time to time, be required to contact you to request additional information for identification or verification purposes.

By applying for Units or Interests Offered under the Macquarie Forestry Investment 2011 or for an Investment Loan you agree to the matters set out in Appendix E in relation to AML/CTF.

2 COMPLETING THE FINANCE APPLICATION FORM

You must complete this form if you are applying for an Investment Loan.

You will need to provide supporting documentation verifying your income, as outlined in the Finance Application Checklist provided in the Finance Application Form. If you apply for a total Investment Loan amount of greater than \$250,000, you will need to provide supporting documentation also verifying your assets and liabilities (as well as income) as outlined in the Finance Application Checklist.

Please note that Macquarie Bank Limited reserves the right to request, at its discretion, any of the supporting documentation outlined in the Finance Application Checklist for all Applicants applying for an Investment Loan.

Please ensure that you and your guarantor (if applicable) attach the supporting documentation outlined in the Finance Application Checklist.

3 FULFILLING YOUR DOCUMENTATION REQUIREMENTS

What is an original certified copy?

An original certified copy is a document that has been certified as a true copy of the original document by one of the following:

- an officer with, or authorised representative of, a holder of an Australian financial services licence, having 2 or more continuous years of service with one or more licensees;
- finance company officer with 2 or more continuous years of service with one or more finance companies (for the purpose of the statutory Declaration Regulations 1993);
- an officer with 2 or more continuous years of service with one or more finance companies (for the purpose of the statutory Declaration Regulations 1993);
- a permanent employee of the Australian Postal Corporation with 2 or more years of continuous who is employed in an office supplying postal services to the public;
- an agent of the Australian Post Corporation who is in charge of an office supplying postal services to the public
- a Justice of the Peace;
- a person who is enrolled on the roll of the Supreme Court of a State or Territory, or the High Court of Australia, as a legal practitioner (however described);
- a judge of a court;
- a magistrate;
- a chief executive officer of a Commonwealth court;
- a registrar or deputy registrar of a court;
- an Australian police officer;
- an Australian consular officer or an Australian diplomatic officer (within the meaning of the consular Fees Act 1955);
- a member of the institute of the Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with 2 or more continuous memberships;
- a notary public (for purpose of the statutory Declaration Regulations 1993).

CHECKLIST:

Have you...

- Provided your ABN/TFN? Remember, you do not have to quote an ABN/TFN but this may mean that tax is deducted from distributions to you (see Section 8 of this PDS).
- Signed all relevant Application Forms? If more than one Applicant, have all Applicants signed these forms? Has a witness also signed?
- If you are applying for an Investment Loan, completed the Finance Application Form?
- If you are applying for an Investment Loan, review the Finance Application Checklist in Section 2.A and provided evidence as stated in the Finance Application Form?
- If you are applying for an Investment Loan, and a guarantor is required, has a guarantor signed the Finance Application Form?
- Attached a cheque, or, if you have elected to pay by direct debit, signed the direct debit authority?
- If you are a trustee and are applying for an Investment Loan, you must have your solicitor complete and sign the "Certificate from trustee's solicitor" in the Finance Application Form.

Alternative sources of identification for Individuals/ Joint / Sole Trader Applicants

Australian Documentation

An original or original certified copy of one of:

- Australian birth certificate; or
- Australian citizenship certificate; or
- Pension card issued by Centrelink; or
- Health card issued by Centrelink;

And an original notice to an individual, of a kind listed below, that contains the name of the individual and his or her residential address:

- issued by the Commonwealth or a State or Territory within the preceding 12 months that records the provision of financial benefits to the individual; or
- issued by the Australian Taxation Office within the preceding 12 months that record a debt payable to or by the individual by or to the Commonwealth under a taxation law; or
- issued by a local government body or utilities provider within the preceding 3 months that records the provision of the services to that address or to that person; or

Foreign Documentation

- an original or original certified copy of a current:
- national Identity Card issued by a foreign government containing a photograph and signature of the person in whose name the card is issued; and
- foreign driver's licence that contains a photograph of the person in whose name it was issued.

Where any document relied on as part of the procedure is in a language that is not English, it must be accompanied by an English translation prepared by an accredited translator.

Notes

APPLICANT CHECKLIST

To assist you with completing the Application Form, please review the checklist below and ensure you have completed the sections that are relevant to your investment.

Type of Applicant	Documentation Required
Individual/Joint/Sole Trader	<input type="checkbox"/> Completed Application Form For applicants with a financial adviser make sure <u>both</u> of the following are provided: <input type="checkbox"/> "Adviser/Broker Details" section (including the AML/CTF declaration); and <input type="checkbox"/> IFSA/FPA Identification Form (available from www.macquarie.com.au/aml). Direct applicants must provide <u>one</u> of the following: <input type="checkbox"/> Original certified copy of Australian Drivers License; or <input type="checkbox"/> Original certified copy of Australian Passport; or <input type="checkbox"/> Original certified copy of a card issued under a State or Territory law for the purpose of providing a person's age which contains a photograph of the person in whose name the document is issued; or <input type="checkbox"/> Original copy of a foreign passport or similar document issued for the purpose of international travel that contains a photograph and signature of that person in whose name the document is issued. Please note, where any document relied on is in a language other than English, it must be accompanied by an English translation prepared by an accredited translator. For alternative sources of verification, please see "Fulfilling your documentation requirements" at the back of this Application Form.
Corporate	<input type="checkbox"/> Completed Application Form For applicants with a financial adviser make sure <u>both</u> of the following are provided: <input type="checkbox"/> "Adviser/Broker Details" section (including the AML/CTF declaration); and <input type="checkbox"/> IFSA/FPA Identification Form (available from www.macquarie.com.au/aml). Direct applicants <u>must</u> provide: <input type="checkbox"/> Original certified copy of the certificate of registration issued by ASIC.
Trust	<input type="checkbox"/> Completed Application Form For applicants with a financial adviser make sure <u>both</u> of the following are provided: <input type="checkbox"/> "Adviser/Broker Details" section (including the AML/CTF declaration); and <input type="checkbox"/> IFSA/FPA Identification Form (available from www.macquarie.com.au/aml). Direct applicants must provide <u>one</u> of the following: <input type="checkbox"/> Original certified copy of an extract of the Trust deed; or <input type="checkbox"/> A notice (such as a notice of assessment) issued by the Australian Taxation Office within the last 12 months; or <input type="checkbox"/> A letter from a solicitor or qualified accountant verifying the name of the trust; AND <input type="checkbox"/> Full identification details for one of the Trustees (refer to documentation requirements for the Individual/Joint/Sole Trader" or "Corporate" as applicable above).

If you have any questions, please contact the Client Services Team on 1800 080 033.

Please send your completed Application Form and all accompanying documentation to:

Client Services Team – Macquarie Forestry Investment
 GPO BOX 4294
 Sydney NSW 1164

For a list of persons able to certify your documentation and a list of alternative sources of identification, please refer to the How to Apply section of the PDS.

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APPLICANT CHECKLIST

To assist you with completing the Application Form, please review the checklist below and ensure you have completed the sections that are relevant to your investment.

Type of Applicant	Documentation Required
Individual/Joint/Sole Trader	<input type="checkbox"/> Completed Application Form
	For applicants with a financial adviser make sure <u>both</u> of the following are provided:
	<input type="checkbox"/> "Adviser/Broker Details" section (including the AML/CTF declaration); and
	<input type="checkbox"/> IFSA/FPA Identification Form (available from www.macquarie.com.au/aml).
	Direct applicants must provide <u>one</u> of the following:
	<input type="checkbox"/> Original certified copy of Australian Drivers License; or
	<input type="checkbox"/> Original certified copy of Australian Passport; or
	<input type="checkbox"/> Original certified copy of a card issued under a State or Territory law for the purpose of providing a person's age which contains a photograph of the person in whose name the document is issued; or
	<input type="checkbox"/> Original copy of a foreign passport or similar document issued for the purpose of international travel that contains a photograph and signature of that person in whose name the document is issued. Please note, where any document relied on is in a language other than English, it must be accompanied by an English translation prepared by an accredited translator.
	For alternative sources of verification, please see "Fulfilling your documentation requirements" at the back of this Application Form.
Corporate	<input type="checkbox"/> Completed Application Form
	For applicants with a financial adviser make sure <u>both</u> of the following are provided:
	<input type="checkbox"/> "Adviser/Broker Details" section (including the AML/CTF declaration); and
	<input type="checkbox"/> IFSA/FPA Identification Form (available from www.macquarie.com.au/aml).
	Direct applicants <u>must</u> provide:
	<input type="checkbox"/> Original certified copy of the certificate of registration issued by ASIC.
Trust	<input type="checkbox"/> Completed Application Form
	For applicants with a financial adviser make sure <u>both</u> of the following are provided:
	<input type="checkbox"/> "Adviser/Broker Details" section (including the AML/CTF declaration); and
	<input type="checkbox"/> IFSA/FPA Identification Form (available from www.macquarie.com.au/aml).
	Direct applicants must provide <u>one</u> of the following:
	<input type="checkbox"/> Original certified copy of an extract of the Trust deed; or
	<input type="checkbox"/> A notice (such as a notice of assessment) issued by the Australian Taxation Office within the last 12 months; or
	<input type="checkbox"/> A letter from a solicitor or qualified accountant verifying the name of the trust;
AND	
<input type="checkbox"/> Full identification details for one of the Trustees (refer to documentation requirements for the Individual/Joint/Sole Trader" or "Corporate" as applicable above).	

If you have any questions, please contact the Client Services Team on 1800 080 033.

Please send your completed Application Form and all accompanying documentation to:

Client Services Team – Macquarie Forestry Investment
GPO BOX 4294
Sydney NSW 1164

For a list of persons able to certify your documentation and a list of alternative sources of identification, please refer to the How to Apply section of the PDS.

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2A FINANCE APPLICATION CHECKLIST

Please ensure you provide the following supporting documents, where required, in support of your Finance Application. Please note, that MBL reserves the right to request, at its discretion, any of the supporting documents listed below.

FOR ALL LOANS UP TO \$250,000 – PROOF OF INCOME REQUIRED

For Individuals

Please provide proof of income by providing a copy of one of the following:

- Tax return for the last financial year **OR**
- Letter of employment on Company letterhead less than 2 months old. Must state employee's name, length of employment and income details **OR**
- Last 3 electronic payslips showing employer/employee names **OR**
- Accountant's certificate less than 12 months old **OR**
- Most recent PAYG Payment summary

AND (if applicable, proof of rental income)

- Most recent rental statement from property manager

Self Employed / Corporate / Trustee Borrowers

Please provide proof of income by providing a copy the following:

- Accountant's certificate less than 12 months old **OR**
- Last 2 years Financial Statements **OR**
- Last 2 years Company/Business Tax Returns

AND

- Last quarterly Business Activity Statement (BAS)

FOR ALL LOANS GREATER THAN \$250,000 – PROOF OF INCOME, PROOF OF ASSETS AND PROOF OF LIABILITY REQUIRED

You are required to provide proof of income as listed above PLUS

Proof of Assets – by providing the following:

- Recent bank statement (less than 2 months old) confirming savings or cash balances in your account name; **AND**
- Most recent share holding statements verifying ownership and holdings balance; **AND**
- Most recent council rates notice for each property owned

Proof of Liabilities – by providing the following:

- Three consecutive monthly statements of any mortgages or secured loans (less than 6 months old); **AND**
- Complete Margin loan statement (less than 2 months old); **AND**
- Complete monthly statement of any unsecured loans or credit card loans (less than 2 months old)

MBL reserves the right to request, at its discretion, any further supporting documentation as required for any Finance Application.

2B STATEMENT OF ASSETS AND LIABILITIES

Please complete in full. Incomplete information may result in delays in processing. We reserve the right to request further information as required or confirmation of information disclosed. Asset and liability information may be provided on a consolidated basis for joint borrowers only. If assets are not wholly owned, please state percentage ownership and complete applicable liabilities on an equivalent basis.

TREE PROJECT APPLICANT

Assets	Amount	Ownership %
Cash	\$	%
Listed Shares	\$	%
Unlisted Share/Trusts Private Companies	\$	%
Other	\$	%
Property (residential)	\$	%
Property (investment)	\$	%
Total Assets	\$	

First Property
 Address

Second Property
 Address

LIABILITIES	Outstanding	Limit
Mortgage (Residential)	\$	\$
Mortgage / Loans (Investment)	\$	\$
Macquarie Loans (not included above)	\$	\$
Leases / Other Loans	\$	\$
Credit Card	\$	\$
Other	\$	\$

Please Specify

TOTAL LIABILITIES \$

NET ASSETS (Total Assets Less Total Liabilities) \$

INCOME AND EXPENDITURE Amount per year

INCOME	Amount per year
Annual Salary (Before Tax)	\$
Commission / Bonus / Overtime	\$
Interest	\$
Dividends	\$

Details

Other Income
 Please specify

Gross Annual Income (Evidence Required) \$

EXPENDITURE	Amount per year
Residential Mortgage — Minimum Payment	\$
Residential Mortgage — Current Payment	\$
Rent / Board	\$
Other Loans / Lease Payments	\$
Credit / Store Cards	\$
Other Fixed Expenses (eg School Fees)	\$
Deductible Expenses (eg Investment Interest)	\$

Please Specify

TOTAL FIXED EXPENSES \$

LAND TRUST APPLICANT

Assets	Amount	Ownership %
Cash	\$	%
Listed Shares	\$	%
Unlisted Share/Trusts Private Companies	\$	%
Other	\$	%
Property (residential)	\$	%
Property (investment)	\$	%
Total Assets	\$	

First Property
 Address

Second Property
 Address

LIABILITIES	Outstanding	Limit
Mortgage (Residential)	\$	\$
Mortgage / Loans (Investment)	\$	\$
Macquarie Loans (not included above)	\$	\$
Leases / Other Loans	\$	\$
Credit Card	\$	\$
Other	\$	\$

Please Specify

TOTAL LIABILITIES \$

NET ASSETS (Total Assets Less Total Liabilities) \$

INCOME AND EXPENDITURE Amount per year

INCOME	Amount per year
Annual Salary (Before Tax)	\$
Commission / Bonus / Overtime	\$
Interest	\$
Dividends	\$

Details

Other Income
 Please specify

Gross Annual Income (Evidence Required) \$

EXPENDITURE	Amount per year
Residential Mortgage — Minimum Payment	\$
Residential Mortgage — Current Payment	\$
Rent / Board	\$
Other Loans / Lease Payments	\$
Credit / Store Cards	\$
Other Fixed Expenses (eg School Fees)	\$
Deductible Expenses (eg Investment Interest)	\$

Please Specify

TOTAL FIXED EXPENSES \$

4 LOAN CONSENTS AND SIGNATURES

To be read by Applicants who have applied for an Investment Loan and all Guarantors.

By signing below, I/we give the acknowledgments, declarations and authorisations set out in Appendix E to the PDS.

Before signing this Application Form you should ensure that all the relevant sections have been completed correctly. If this page is not attached to the other 7 pages of this Application Form please contact us or your adviser.

APPLICANT'S SIGNATURES & GUARANTOR'S SIGNATURE

I/We also acknowledge and declare that:

- a) Any loan provided to me/us pursuant to the application for finance will be applied wholly or predominantly for business purpose or for investment purposes other than investment in residential property;
NOTE: You should only sign this form if this loan is wholly or predominantly for business purpose or for investment purposes other than investment in residential property. By signing this form you may lose your protection under the National Credit Code;
- b) The Lender can provide information on the status of this facility to my/our nominated financial adviser or usual stockbroker or an associated Macquarie company;
- c) I/We have read and agreed with the terms and conditions of the Loan and Security Agreement and Notice of Mortgage ("Agreement") contained in the PDS;
- d) If I/we am/are applying as trustee of a Superannuation Fund, I/we cannot apply for an Investment Loan;
- e) If my/our application for finance is approved the Agreement will be signed on my/our behalf pursuant to the Power of Attorney;
- f) If I/we default under an Investment Loan that I/we have entered into to fund the application amount for Interests in the Tree Project or Units in the Land Trust, or both Interests and Units, the Lender will (subject to the terms of the loan) be able to enforce the mortgage in relation to any Interests and any Units that I/we hold, including any Units or Interests that are not funded using the Investment Loan;
- g) My/our obligations under the Agreement including my/our obligations to repay and pay interest costs fees and charges are not affected by:
 - the success or failure of the Investment;
 - the level of return from or loss of money invested in the Investment; or
 - any illegality in connection with the Investment, the PDS;
- h) I/We authorise the Responsible Entity to deliver and deposit with the Lender:
 - all documents relating to my/our Interests and/or Units; and
 - any other documents that the Lender requires.
- i) I/We consent to the payment of trailing commissions (up to 0.25% per annum plus GST of the outstanding Investment Loan balance, if any) to Advisers or Referrers, based on the amount of our Investment Loans or otherwise;
- j) All financial information provided as part of this Finance Application Form is true and correct;
- k) MBL retains the right not to provide services or issue products to any applicant that MBL decides, in its sole discretion, that it does not wish to supply;
- l) I/we give all the acknowledgements, authorisations and consents in Appendix E of the PDS; and
- m) I hereby acknowledge that I have appointed Macquarie Bank Limited ABN 46 008 583 542 (MBL), Macquarie Alternative Assets Management Limited ABN 30 103 237 181 (MAAML), Macquarie Financial Products Management Limited ABN 38 095 135 694 (MFPML) and/or any entity associated with MBL, MAAML or MFPML (and each of their officers, employees, agents and solicitors) separately (the "Attorney") as my true and lawful agent and attorney as set out in Appendix F to the PDS.

CORPORATE DIRECTORY

Responsible Entity of the Macquarie Eucalypt Project 2011

Macquarie Alternative Assets Management Limited
ABN 30 103 237 181
AFSL 225758
Registered Office:
1 Martin Place
Sydney NSW 2000
Phone: 1800 617 900

Responsible Entity of the Macquarie Timber Land Trust 2011

Macquarie Financial Products Management Limited
ABN 38 095 135 694
AFSL 237847
Registered Office:
1 Martin Place
Sydney NSW 2000
Phone: 1800 617 900

Auditor


Ernst & Young
ABN 75 288 172 749
Registered Office:
680 George Street
Sydney NSW 2000


Solicitors to the Responsible Entities

Johnson Winter and Slattery
Level 30, Australia Square
264 George Street
Sydney NSW 2000


Tax Advisers to the Responsible Entities

KPMG
10 Shelley Street
Sydney NSW 2000

 1800 080 033

 Macquarie Forestry Investment 2011
R1723
Royal Exchange
NSW 1225

 macquarie.com.au/forestry

 agribusiness@macquarie.com