

PRODUCT SUMMARY of MACQUARIE FORESTRY INVESTMENT 2011

IMPORTANT NOTICE

This product summary has been prepared by Macquarie Alternative Assets Management Limited ABN 30 103 237 181, Australian Financial Services Licence No. 225758 (**MAAML**) as issuer of Interests in the Macquarie Eucalypt Project 2011 ARSN 149 549 940, (**Tree Project**) and by Macquarie Financial Products Management Limited ABN 38 095 135 694, Australian Financial Services Licence No. 237847 (**MFPML**) as issuer of Units in the Macquarie Timber Land Trust 2011 ARSN 149 549 575 (**Land Trust**) and is current as at 31 March 2011. This product summary is provided only to holders of an Australian financial services licence and their authorised representatives for their general information purposes only (collectively, **Advisers**).

An invitation to apply for Interests in the Tree Project is made by MAAML, and an invitation to apply for Units in the Land Trust is made by MFPML, (together **the Macquarie Forestry Investment 2011**) in a Product Disclosure Statement dated 21 March 2011 (**PDS**). In deciding whether to acquire or continue to hold an investment in the Macquarie Forestry Investment 2011, an investor should obtain a copy of the PDS together and consider its contents. The PDS is available from the website at macquarie.com.au/forestry or by phoning 1800 080 033.

The Loans are expected to be offered by Macquarie Bank Limited or another Macquarie Group company as determined (**MBL** or the **Loan Provider**) and are subject to approval.

This product summary is a summary of the information contained PDS. It is not a substitute for reading the PDS.

Neither MAAML nor MFPML represent that this product summary is appropriate for use in a Statement of Advice to be prepared by Advisers. If Advisers decide to use all or any of this products summary in a Statement of Advice, they do so at their own risk and they acknowledge that it is their responsibility to ensure that any Statement of Advice complies with the requirements of the Corporations Act 2001 (Cth) (Corporations Act), Australian Securities and Investment Commission policy, practice notes or guides (ASIC Policy) and any other relevant legislation. Advisers should also ensure that they have referred to any updates of the information in the PDS or any supplementary PDS contained on the website macquarie.com.au/forestry or obtainable by phoning 1800 080 033, prior to making use of this information.

Neither MAAML nor MFPML takes any responsibility whatsoever for ensuring that this product summary complies with the disclosure requirements for Statements of Advice under the Corporations Act (in particular the content requirements for Statements of Advice under Part 7.7 of the Corporations Act).

Advisers are not agents of MAAML, MFPML or the Macquarie Group of companies and must not under any circumstances hold themselves out as being so.

This product summary has been prepared without taking into account any potential investor's personal objectives, financial situation or needs. Advisers should consider their client's objectives, financial situation and needs before providing any financial advice in relation to the appropriateness of an investment in the Macquarie Forestry Investment 2011. Both MAAML and MFPML recommend Advisers seek their own legal and tax advice, where appropriate.

MFPML, MAAML and the Macquarie group of companies do not give, nor do they purport to give any taxation advice. The taxation discussion in this product summary is based on laws in force or proposed and administrative practices as at the time of writing. Those laws and the level of taxation may change. The application of taxation laws to each investor depends on that investor's individual circumstances. Accordingly, Advisers and investors should seek independent professional advice on taxation implications before making any investment recommendations or decisions.

ATO Product Ruling PR 2011/2 (the **Product Ruling**) has been issued to confirm the tax treatment for eligible investors who invest in the Tree Project on or before 30 June 2011. You should note that the Product Ruling will only apply to investors who insure their trees. The Product Ruling is only a ruling on the application of taxation law and is in no way expressly or impliedly a guarantee or endorsement of the commercial viability of an investment in the Tree Project or the soundness or otherwise of the Tree Project as an investment, or the reasonableness or commerciality of any fees charged in connection with the Tree Project. The Product Ruling is only binding on the Commissioner if the Tree Project is implemented in the specific manner provided in the Product Ruling. See Section 8 'Tax Treatment' of the PDS for details. The Product Ruling does not rule on the tax consequences of investing in the Land Trust. You can view a copy of the Product Ruling by visiting the ATO website law.ato.gov.au/atolaw/view.htm?locid=PRR and searching the "2011" Product Rulings.

Investments in the Macquarie Forestry Investment 2011 are not deposits with, or other liabilities of, Macquarie Bank Limited (MBL), MAAML, MFPML or of any Macquarie Group company, and are subject to investment risk, including possible delays in repayment and loss of income or capital invested. None of MBL, MAAML, MFPML or other member companies of the Macquarie Group of companies guarantees any particular rate of return, the performance of, or the repayment of capital from the Trust.

The capitalised terms included in this product summary have the same meaning as those terms included in the PDS.

MACQUARIE FORESTRY INVESTMENT 2011 – EXECUTIVE SUMMARY

This executive summary outlines your opportunity to invest in the Macquarie Forestry Investment 2011. It is expected that your forestry business will grow plantation Trees in Victoria.¹ Once fully grown, the Trees will be harvested and the woodchips sold on your behalf.

The Macquarie Forestry Investment 2011 also offers you the opportunity to invest in the Land on which the Trees are grown. By investing in the Land as well as the Trees, you have the potential to benefit from any annual rental income earned by the Land Trust. This includes any proceeds from the sale of the Land at the end of the Investment Term in addition to any cash returns from the sale of your woodchips.

Macquarie Alternative Assets Management Limited (**MAAML**) is the responsible entity of the Tree Project (**Tree Project RE**) and Macquarie Financial Products Management Limited (**MFPML**) is the responsible entity of the Land Trust (**Land Trust RE**).

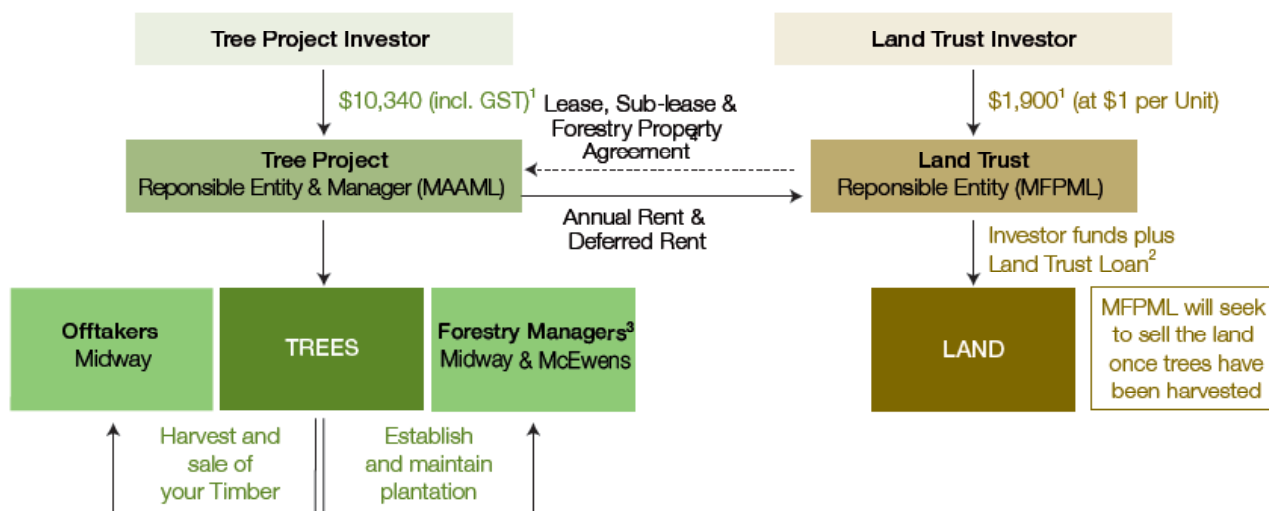
Please ensure that you read the PDS dated 21 March 2011 before you invest in either component of Macquarie Forestry Investment 2011.

How the Macquarie Forestry Investment 2011 works

There are two offers available to investors. You can choose to invest in the Tree Project or the Land Trust or both. By investing in the Tree Project you will undertake a business of growing and selling varieties of Eucalyptus trees, owning, for each Interest, the Trees on a Plantation Lot of one quarter of a hectare. Your Plantation Lots may be wholly or partly in the Geelong and Portland Regions of Victoria. After an average growth period of 10 years, the Trees will be harvested and the woodchips sold on your behalf.

By investing in the Land Trust you will receive 4.95% of the net sale proceeds as a Deferred Rent and you may also receive an annual distribution from annual rental income earned by the Land Trust.² You will also receive any net proceeds from the sale of your Land (if sold) once the Trees have been harvested.³

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.

As an investor in the Tree Project

¹ Land acquisitions may also be established in other places within Australia that meet the Land Selection Protocols.

² Depending on the amount required to be reinvested to meet the loan obligations of the Land Trust, which is likely to include any Deferred Rent received by the Land Trust.

³ And after any residual balance on the Land Trust Loan is repaid.

- You will enter into an agreement with the Tree Project RE for the management of your Investment. The Tree Project RE will establish and maintain your Plantation Lots and will act on your behalf in relation to all matters relevant to the Plantation Lots.
- Experienced forestry managers Midway Limited (**Midway**) and McEwens Contracting Pty Ltd (**McEwens**) have been appointed to plant and manage your Trees. The forestry managers will look after your Trees from the day they are planted through to final harvest. Importantly, this includes fire abatement work such as the creation and maintenance of fire breaks. The forestry managers will also actively monitor any impacts of drought on the growth of your Trees.
- MAAML has arranged for the sale of your Trees by entering into an Offtake Agreement with Midway, one of Australia's largest exporters of pulpwood. Under the Offtake Agreement with Midway, Midway will purchase merchantable timber to be used in the production of hardwood woodchips for export.
- Following the harvest of Timber, there may be some Residual Timber that the Offtaker does not deal with (for example harvest residue (or bio-mass) such as leaves, tops limbs and undersized trees left following the logging of merchantable timber). Accordingly, where feasible, the Tree Project RE will consider arrangements for the possible offtake of Residual Timber from all plantations established in the Portland Region.⁴

As an investor in the Land Trust

- You will acquire Units in the Land Trust. The Land Trust will issue 475 Units for each quarter hectare of Plantable Land that it will own.
- The Land owned by the Trust will be leased to MAAML and sub leased to the Tree Project Custodian which will grant Licences over the Land so that Investors in the Tree Project can conduct their forestry business on their Plantation Lots. Land Trust Unit holders receive 4.95% of Net Sale Proceeds from the Tree Project⁵ and may receive annual cash distributions paid from the rental income earned by the Land Trust for the term of the Lease except to the extent these are required to be reinvested to meet the loan obligations of the Land Trust.
- On expiry of the Lease, the Land Trust RE will seek to sell the Land and the Net Sale Proceeds will be distributed to investors.⁶

At a glance

	The Tree Project	The Land Trust
• Minimum investment	• 4 Interests (1 hectare of trees)	• 1,900 Units (1 hectare of land)
• Application price	• \$2,585 (including GST) per interest	• \$1,900 minimum (at \$1 per Unit) • Note: The estimated purchase price of one hectare of land is expected to be between \$6,000 and \$6,100 (excl. 5.5% stamp duty)
• Investment term	• Approximately 11.5 years	• Approximately 11.5 years
• Potential returns	<ul style="list-style-type: none"> • Returns derived from the sale of timber to be used for the production of woodchips • Returns derived from the sale of harvest residual (or bio-mass) to be used for the production of wood pellets 	<ul style="list-style-type: none"> • Returns derived from any growth in one full hectare of rural land values following sale at maturity • Distributions from any annual rental income and the Deferred Rent

⁴ Please note, 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.

⁵ To the extent MAAML receives deferred rent under the Sublease - see section 6.2 of the PDS for further information.

⁶ After any residual Land Trust Loan balance outstanding is required.

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. 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

Below is a simple overview of the Deposit Accounts. Investors however should read section 1.4 of the Macquarie Forestry Investment 2011 PDS for further information with respect to these Deposit Accounts.

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.

THE TREE PROJECT

(a) A plantation business

Each Investor who acquires an Interest in the Tree Project (**Interest**) will undertake a business of growing and selling Eucalyptus trees including *Eucalyptus globulus* and *Eucalyptus nitens* trees, owning, for each Interest, the Trees on a Plantation Lot of one quarter hectare. The plantation will be planted, managed and maintained for an average growth period of approximately 10 years before being sold either as standing timber, harvested logs or Residual Timber during the harvest period.

Currently, it is anticipated that Land will be located in the Geelong and Portland Regions⁷. The plantations will generally be located within an economic haulage distance from a log processor's mill gate, eg Midway's log processing facilities at the port of Geelong.

(b) Fees

After paying the Application Price, you pay no fees other than Tree Insurance⁸ until the Sale Period. At that time:

- 4.95% (including GST) of Net Sales Proceeds (or Tree Insurance proceeds) will be paid to MAAML for the Growers rights to use the Plantation Lot. These proceeds will be used to pay the Land Trust a Deferred Rent fee
- 5.50% (including GST) of Net Sale Proceeds (or Tree Insurance proceeds) will be paid to the Tree Project RE to be retained as its own as maintenance and management fees.
- A Productivity Performance Fee may be payable from the Net Sale Proceeds to the Tree Project in certain circumstances. The fee is payable from Net Sales Proceeds other than proceeds derived in

⁷ Land acquisitions may also be established in other places within Australia that meet the Land Selection Protocols.

⁸ Tree Insurance is optional unless you take out a loan with Macquarie with a term of more than one year or wish to rely on that part of the ATO Product Ruling PR 2008/38 issued in relation to the Tree Project that confirms you are carrying on a business of primary production.

respect of Residual Timber. This provides an incentive for the Tree Project RE to seek to maximise the income earned from your forestry business.

(c) Risk management measures

The Macquarie Forestry Investment 2011 includes measures which aim to reduce the risks of your Investment. These include:

- The Tree Project RE has entered into an Offtake Agreement to arrange for the sale of your Timber.
- The Tree Project RE has entered into an agreement with the Offtaker to ensure a process is set out which facilitates the determination of a fair price for your Timber.
- The security which will be granted over the 2011 Forestry Accounts for the benefit of the Tree Project Investors.
- Arrangements between the Land Trust, MAAML and the Tree Project Custodian ensuring that if MAAML defaults under its Lease of any Land, Investors will still have access to the Land for a nominal rental of \$1.00 plus taxes and outgoings

(d) Land productivity

Land Selection Protocols have been established which prescribes specific criteria to be satisfied by the Land that is purchased by the Land Trust, leased to MAAML and subleased to the Tree Project Custodian on behalf of Tree Project Investors. The criteria include consideration of factors such as requiring that the rainfall, soil and location be consistent with the forecast Timber yield set out in the PDS.

(e) Carbon Sequestration and other environmental considerations

At the time of the PDS, it does not appear that Growers in the Macquarie Forestry Investment 2011 will be able to derive a commercial benefit from any Carbon Sequestration Benefits that may be generated by the Tree Project. Notwithstanding the above, if you participate in the Tree Project, 100% of any Carbon Sequestration Benefits generated by your Trees will belong to you, and may be sold on your behalf by the Tree Project RE which has total discretion as to the extent and manner in which it does so. To the extent that the sale or other dealing with your Carbon Sequestration Benefits gives rise to a carbon debit liability on the harvest, destruction or otherwise of your Trees, such liability will be deducted from your Net Sale Proceeds.

(f) Manager's Incentive (Performance Fee)

A Productivity Performance Fee is available as an incentive to the Tree Project RE to maximise the income earned from the Tree Project. The Productivity 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 (Geelong or Portland) exceed \$4,000 per ¼ hectare; and
- The average amount of Timber (other than Residual Timber) produced is greater than 60 GMT (or 60m³) per ¼ 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.

The Productivity Performance Fee that will be paid to the Tree Project RE is 16.50% (including GST) of the amount by which the Net Sale Proceeds of Timber (other than under Offtake Agreements for Residual Timber) from a Region exceeds \$4,000 per ¼ hectare. This is \$0.165 for every \$1.00 of Net Sale Proceeds above \$4,000 per ¼ hectare.

(g) Tree insurance

Insurance against the risk of loss to Trees due to, for example, fire, windstorm or hail damage is not included in the Application Price. However, insurance will be required at the time the Trees are planted on your Plantation Lot if:

- you take out loan with Macquarie Bank Limited with a term of more than one year to fund your investment; or
- you wish to rely on that part of the ATO Product Ruling PR 2011/2 which has been issued by the ATO in relation to the Tree Project that confirms that you are carrying on a business of primary production.

The Tree Project RE may offer to arrange and administer insurance against fire and other insurable risks.

Please note that the Tree Project RE will not organise Tree Insurance for you if you have failed to pay for Tree Insurance previously arranged for you by the Tree Project RE.

(h) Tax treatment

The ATO has issued the Forestry Project with Product Ruling PR 2011/2. The Product Ruling confirms for investors whose Interests are issued on or before 30 June 2011 that subject to any assumptions and conditions set out in the Product Ruling (including but not limited to an assumption that you have taken out Tree Insurance):

- you should be entitled to a tax deduction for the Application Price in respect of your Interests in the year of payment; and
- a deduction should be allowable to you for the interest expense on your Investment Loan (if taken), to the extent it applies to your Forestry Project Interests, in the year that the interest is paid, to the extent that it is used to acquire Interests.

The Product Ruling PR 2011/2 does not cover the tax consequences of an investment in the Land Trust. However 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 a typical Investor deductions for expenses incurred in the Tree Project, where an Investor's circumstances are consistent with those set out in the Product Ruling.

Further information regarding the potential taxation treatment for investors in the Macquarie Forestry Investment 2011 is described in section 8 of the PDS.

(i) Current GST treatment

Goods and Services Tax (GST) is included in your Tree Project Application Price as well as in the licence, management and productivity performance fees charged to you. These GST components may be tax deductible or fully refunded upon claiming the input tax credits, depending on your individual circumstances (in particular, whether you are registered for GST purposes).

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. You may also elect to register for GST, even if you are not required to do so. If you are registered for GST you will generally be entitled to input tax credits for any GST paid, and will be required to charge and remit GST to the Australian Taxation Office on any taxable supplies you make. Where you are registered for GST, the sale of Timber will attract GST and you will need to remit the same to the Australian Taxation Office in your Business Activity Statement. You must be registered for GST if you wish to claim an input tax credit for the GST components charged.

THE LAND TRUST

(a) A Unit Trust Investing in Land

Each investor in the Land Trust will acquire Units in the Macquarie Timber Land Trust 2011. The Land Trust will issue 475 Units each for an economic interest in a quarter hectare of plantable land. It is expected that the Land will be in the Geelong or Portland regions of Victoria.⁹

(b) Land will be leased to the Tree Project

The Land will be leased to MAAML and sub leased to the Tree Project Custodian who will grant licenses to allow investors in the Tree Project to conduct their forestry business on the Plantation Lots. The term of the Lease is expected to be approximately 11.5 years.

(c) Fees

After paying the Application Price, no upfront or ongoing fees are payable on your Units in the Land Trust.

Until the Application Price is applied toward the purchase of the Land, it will be placed in an interest bearing deposit account. A management fee up to \$33.25 per 475 Units (or up to \$0.07 per Unit) is payable out of interest earned by the Land Trust on any amounts held by or on behalf of MFPML in the account until invested or otherwise applied and will be paid to the Land Trust RE.¹⁰

A Land Acquisition Fee may also be payable by the Land Trust to the Land Trust RE as a fee for acquiring the Land on behalf of the Land Trust. This fee may be for 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 interest in Land is below \$1,575 per ¼ hectare.

(d) Land value

The average value of Plantable Land is expected by MFPML to be between \$6,000 and \$6,100 per plantable hectare (excl. stamp duty).

(e) Land Trust Loan

The Land Trust RE has been granted a loan facility of up to \$19,104,000 by MBL (Land Trust Loan) 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). 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 representing an initial gearing level of approximately 80%. Minimum regular Land Trust Loan repayments will be required to be met 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.

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 annum. Loan repayments will be made from the rental income (including Deferred Rent) received under the Lease to MAAML. The Land Trust Loan will be repayable in full by 30 June 2023, but in certain circumstances may be repayable earlier. Investors should note that amounts owing to MBL 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.

⁹ Land acquisitions will not necessarily be confined to these regions but may also be established in other places within Australia that meet the Land Selection Protocols.

¹⁰ Fees payable prior to 30 June 2020. Following this date additional fees may apply for investors who elect to remain in the Land Trust.

(f) Redemption of Units

The term of the Land Trust is current expected to be approximately 11.5 years. To withdraw from the Land Trust, Investors must lodge a redemption request in the form available from the Land Trust RE.

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

A summary of the key dates for redemption of Units 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 2021 and 30 June 2023.¹¹

(g) Distribution of proceeds from the sale of Land

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.

(h) Distribution of rental proceeds

Under each Lease annual rent will be payable by MAAML to the Land Trust RE. Rent will be used to make repayments on the Land Trust Loan and may be used to make cash distributions to Investors.

In addition to the annual rental payments MAAML is obliged to pay Deferred Rent to the Land Trust RE. The Deferred Rent is equal to 4.95% of the Net Sale Proceeds which is deducted from the Net Sale Proceeds and paid to MAAML under the sub lease. The Land Trust RE anticipates that any Deferred Rent received will be used to repay part of the principal under the Land Trust Loan.

(g) Tax treatment

Product Ruling PR 2011/2 issued in relation to the Tree Project does not cover the tax consequences of investing in the Land Trust. The Land Trust RE has obtained advice from law firm Clayton Utz of the main taxation implications of an investment in the Land Trust. This information is set out in section 8 of the PDS. However, you should be aware that the ATO may take a view that is different from that set out in the 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.

¹¹ Subject to available funds from Land Trust asset sales.

FINANCING FOR THE MACQUARIE FORESTRY INVESTMENT 2011 – HOW IT WORKS

Approved Investors may fund up to 100% of their Application Price (including any GST component of their Application Price) with an Investment Loan from Macquarie Bank Limited or its nominee (the “Lender”). The table below outlines the options available under the Investment Loan.

Loan Term	Repayment Type	Interest Rate (Indicative)	Repayment	Application Fee*
1 Year	Principal only	Nil	Equal Monthly Instalments **	1% of the Loan Amount
5 Years	Principal and interest	10.99%pa	Equal Monthly Instalments**	\$0
7 Years	Principal and interest	12.99%pa	Equal Monthly Instalments**	\$0

*Your Application Fee may be included in your Investment Loan Amount.

**The monthly repayment instalments shall be in equal amounts over the Loan Term or in such lesser 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 set out in the loan confirmation.

If you choose to apply for an Investment Loan, the Loan and Security Agreement and Notice of Mortgage is included in the PDS. 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.

(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 website at macquarie.com.au/forestry on the date that the facility is approved, as notified to the Investor in the loan confirmation. Interest is payable monthly in arrears and will be deducted by way of direct debit from your nominated bank account on the last business day of each month in respect of that Investment Loan.

(b) Repayments and Full Recourse Loan

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. The Investment Loans are full recourse loans. This means that the Investor will be responsible for making all payments under the Investment Loan itself (including loan repayments and interest), regardless of the success or failure of the Investment, or the level of returns from the Investment.

(c) Tree Insurance

An Investor in the Tree Project who utilises an Investment Loan from Macquarie Bank Limited for a term of greater than one year will be required to obtain and maintain Tree Insurance satisfactory to MBL, 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. Additionally, if you wish to rely on that part of the Product Ruling issued in relation to the Tree Project that confirms you are carrying on a business of primary production, you must take out tree 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. If you are an Investor in the Tree Project, the Tree Project RE will undertake to obtain Tree Insurance, if it is reasonably available, on your behalf unless you have stated otherwise in the 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 insurance.

(d) Investment Vehicle

The Investment Loan is not available to those investors who are superannuation funds.

PROJECT RISKS

As with any investment, 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.

Risks Applicable to investments in both the Tree Project and the Land Trust:

- Environmental risks - investors in both the Tree Project and the Land Trust bear the risk of their returns being affected as a result of loss of the Trees due to fire and other causes, except to the extent any Tree Insurance is taken out by Investors and covers any resulting damage.
- Human error –the financial performance of your Investment may be affected by human error
- 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.
- Counterparty Risk and contractual default – there is a risk that any party involved in the Macquarie Forestry investment 2011 may fail to meet its obligations or become insolvent and need to be replaced.
- Future global economic conditions – volatility in commodity markets implies a greater level of risk for investors.
- Tax Risk - future changes in tax laws or their interpretation could affect the tax treatment of the Macquarie Forestry Investment 2011.
- Legislative changes – legislative changes may affect the financial performance of Macquarie Forestry Investment 2011.
- Sale of Timber – the pooling of Timber from all regions means that an investor is impacted by the returns from all regions.
- Native Title Claims over the Plantations - these may affect the operation of the leases and sub leases to the Tree Project Investors and may adversely affect the value of the land.

Key Tree Project Risks

- **Yield and quality risk** - the return on your Interest will depend on the amount and quality of Timber grown on your Land which may be impacted by factors such as land and soil types, rainfall and other environmental conditions and the Forestry Contractors' forestry practices,
- **Price risk** - the return on your Interest will depend on the management and Offtake arrangements entered into by the Tree Project RE and the price obtained for your Timber.
- **Insolvency risk** - neither Macquarie Bank Limited nor any other company in the Macquarie Group guarantees any particular level of return, the performance of, or repayment of capital from, the Tree Project and an adverse change in the financial position of any Macquarie Group entity or other entity managing your Investment may negatively impact your Investment returns.
- **Liquidity risk** - you do not have a right to redeem your Interests except to the extent that subleases and forest property rights are not granted to the Custodian (on behalf of investors) within 15 months of Interests being allotted to investors.
- **Force majeure** – the Tree Project RE may be excused from the performance of its duties to the extent that such performance is prevented by reason of Force Majeure.
- **Carbon debit risk** – any carbon credit liability arising on harvest, destruction or other event in respect of your Trees will, unless met by any Carbon Sequestration Benefits or able to be deducted from your Net Sales Proceeds, be payable by you out of your own funds.

Key Land Trust risks:

- **Lease rental risk** - 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). Deferred Rent is calculated based on Net Sale Proceeds and accordingly to the extent that

Net Sales Proceeds are negatively affected, the Deferred Rent and the performance of the Land Trust may be adversely impacted.

- **Gearing risk** - 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 a geared investment. Gearing has the potential to multiply returns for your investment and similarly can multiply losses.
- **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.
- **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.
- **Responsible Entity replacement risk** - as the Land Trust RE is not paid a fee, it may be difficult to replace MFPML.
- **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.
- **Reinvestment of Distributions** – the Land Trust will require reinvestment of distributions in order for 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.

Applicants should read Section 6 “Investment Risks” of the PDS thoroughly for a detailed discussion of the risks of investing in the Macquarie Forestry Investment 2011. 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 the Land Trust RE. Given the nature of your Investment, it is difficult to predict future cash flows or returns. Any combination of the risk factors could reduce the value of your Investment to nil.

RISKS ASSOCIATED WITH GEARING

By using an Investment Loan to fund your Investment in the Macquarie Forestry Investment 2011 you are gearing. While gearing has the potential to increase potential gains when a profit is made, it can also increase the potential for losses if the value of the asset falls. As the loan is a full recourse loan, repayments must be met from the Investor’s other assets, regardless of returns on the Investment.

Gearing is only appropriate for those with sufficient cash flow to meet the repayment commitments.

INTRODUCTION TO THE MACQUARIE FORESTRY INVESTMENT TEAM

Macquarie has assembled an experienced team to manage your Investment. The team delivers industry expertise across all aspects of the management of your Investment.

Responsible Entities

MAAML is currently the Tree Project RE. MFPML is currently the Land Trust RE. MAAML and MFPML are both members of the Macquarie Group of companies. Staff and facilities from within the Macquarie Group of companies are available to MAAML and MFPML to enable them to perform their functions as the Responsible Entities.

MAAML is independent of and will enter into arms-length agreements with the Forestry Contractors, Foresters and all Offtakers. Furthermore, it subcontracts some of its functions to Macquarie Forestry Services Pty Limited (**Macquarie Forestry Services**).

Project Manager

Macquarie Forestry Services, a member of the Macquarie Group of companies, 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;
- overseeing forestry reporting and administration.

Forestry Management

Macquarie Forestry Services will enter into agreements with Forestry Contractors to perform some of its obligations. Under the Forestry Management Agreements, the Forestry Contractors will locate Land in accordance with the Land Selection Protocol applicable for the Regions selected by the Tree Project RE.

Midway will provide forestry management services for plantations in the Geelong Region, and McEwens Contracting will provide these services for plantations in the Portland Region (in each case such regions 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 other third party forestry contractors may be appointed.

The agreements will require both Midway and McEwens to fulfil certain forestry operational requirements of the Tree Project. Both parties will be required to undertake the planting of Trees in their respective areas and to maintain and manage those Trees for the term of the Investment.

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 on leased land in Victoria through a joint venture.
- Forestry Maintenance – Midway manages more than 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 through joint ventures) 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 has extensive experience in land acquisition, leasing and subdivision, plantation establishment, and ongoing maintenance. Furthermore, it has industry exposure at all levels – as landowners, 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.

Technical Expertise and Expert Forester

Geddes Management Pty Ltd (**Geddes Management**) will provide Macquarie Forestry Services with technical expertise and will be the Forester for 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, hundreds of consultancy projects (ranging from small to large scale) have been successfully completed, including soil plantation assessments, plantation valuations and risk assessments in New Zealand and Australia.

Where appropriate, MAAML will engage other experts and independent experts to provide input and feedback on the management of your plantations.

General Manager, Macquarie Forestry Services

In early 2011, Macquarie Forestry Services announced that it has 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-ground forestry operations, and will further improve the silvicultural decision making capabilities for the Tree Project.

Offtake Arrangements

The Tree Project RE has or intends to enter into agreements with Offtakers to acquire the Timber grown by the Tree Project. 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.

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 maybe 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: macquarie.com.au/forestry.

DISCLOSURE OF FEES AND COMMISSIONS

Fees

This table shows significant fees that apply in relation to the Tree Project and the Land Trust. These fees are either paid on Application, or deducted from your Net Sale Proceeds. All information in regard to fees in the PDS should be read, as it is important to understand the impact they have on the Investment.

Type of fee or cost	Amount	How and when is this fee paid
Tree Project		
Application Price This is the fee charged for one Interest.	\$2,585 per Interest (inclusive of \$235 GST)	By cheque or direct debit on Application.
Fees payable at Harvest:		
Deferred Rent:	4.95% (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 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. This fee is not kept by the Tree Project RE, but is applied towards payments for Rent owing to the Land Trust.
Management Fee: This is the fee for managing the Tree Project.	5.50% (incl. GST) of the Net Sale Proceeds or 5.50% 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 Tree Project Net Sale Proceeds during the Sale Period or from Tree Insurance proceeds.
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.	16.50% (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 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.
Land Trust		
Application Price: This is the fee charged for one Unit in the Land Trust.	Available in blocks of 475 units (at \$1 per unit)	By cheque or direct debit on Application.
Management costs: The fees and costs for managing your investment (before 30 June 2022).*	An estimate of up to \$33.25 per 475 Units (\$0.06 per Unit). **	Payable out of interest earned by the Land Trust holding money before the Land Trust acquires the Land.
Land Acquisition fee: The fee 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	Payable on or after 30 June 2011 out of property held by the Land Trust RE in connection with the Land Trust

	interests in Land is below \$1,575 per ¼ hectare.**	
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.

*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 slightly higher to account for the GST component not recoverable. Fees and costs of the manager from 30 June 2022 cannot be reasonably estimated as at the date of issue of Units in the Land Trust.

Commissions

The commissions that may be paid to advisers by MAAML and MFPML in relation to an Investment in the Macquarie Forestry Investment 2011 are set out in section 7.4.8 of the PDS dated 21 March 2011.