



## Second letter to shareholders

Dear shareholder

It is with great pleasure that I can inform you of the recent development of Forests for Friends Ltd.

### 1. Third share capital increase completed more successfully than expected

- ✓ You, the shareholders, subscribed to 70 % more issue rights than we had expected. We are very grateful for this important demonstration of confidence in the future of Forests for Friends.
- ✓ 160 former tree partners grasped their last chance and subscribed to shares equivalent to 75 hectares of original tree investment. This is as much as we expected. Unfortunately, some people could not bring themselves to pay the necessary surcharge, although they had originally expressed their interest. This is a pity, as according to the circular letters to the creditors sent by the bankruptcy liquidators of Prime Forestry Switzerland AG, the remaining tree partners cannot expect any payment out of the bankruptcy estate and, therefore, face a total loss.

We are glad to have made this last offer of fairness. Thus, every tree partner was fully aware of the situation and had the opportunity to make a decision.

- ✓ In addition, more than 100 shares at 1150 Swiss Francs were subscribed to, exclusively by existing shareholders.

This success raises the liquid assets of our company by 2.4 million Swiss Francs and increases our financial security. We now have more time to generate additional revenues for the years 2011 and 2012.

We now have 2,158 shareholders. Over all, 2,250 former tree partners with 1,252 hectares have irrevocably waived any possible claims ensuing from their Purchase and Service Agreements with Prime Forestry Switzerland AG and any possible proprietary claims to the trees in the plantations of Forests for Friends Panama Inc. We can assume that between 78 % and 86.5 % of the former tree partners have accepted our rescue plan. This a great success.

### 2. Land and plantations in Panama

Last June, I visited our partners and our plantations in Panama again and can also report good news.

It is very positive that we have been able to sign a contract which ensures that all the land we bought will be inscribed in the public register in the name of Forests for Friends Panama Inc. In the next few days, we will, therefore, be shown in the public register as legal owners of the 3,393 hectares. We are greatly relieved that we have been able to solve this problem we inherited.

A further welcome information is the development of the areas around our plantations in Torio and Boca Chica. Tourism is developing fast. Many US-Americans, who used to retire to Costa Rica, are now moving to Panama. Starting in September, US-airlines will fly directly from Miami to David, from where it is only an hour's drive to Boca Chica. In addition, there is an influx of people from Venezuela. The land prices are rising by the week, causing the value of our land to increase as well.

This development offers opportunities to parcel land that is not planted or not suitable for teak and sell it or mortgage it based its increased value. We are currently evaluating all the possibilities with BARCA.

As announced at the AGM in May, Christoph Keller, our auditor, accompanied me to Panama. He gained an impression of the accounting in Panama and scrutinised the closing of the books as at the end of 2006 and the accounting for the current year. Following the updating and closing of various pending matters, we should

have a solid basis for the consolidation of the 2007 annual statement of accounts. We will then have a clearer understanding of the financial situation. Land and trees will be shown correctly in the books of Forests for Friends Panama Inc and – based on this – we will be able to update our financial planning

### **3. FSC certification**

Due to the turbulences of Prime Forestry last year, FSC suspended our certification. The renewed FSC certification is scheduled for the end of August. We do not expect any complications.

### **4. Trading our shares**

Soon, the shares of Forests for Friends Ltd can be traded on the over-the-counter platform of the Bernese Cantonal Bank. This means that you can sell your shares and also buy additional shares. The price is set by supply and demand. If you do not have access to the internet or if you are not yet used to work with it, you can continue to contact us directly.

The next letter to shareholders will inform you in detail of this new opportunity. Tradability and requirements of the money-laundering laws necessitate a change to our byelaws at the second ordinary Annual General Meeting.

### **5. Shareholders' trip to Panama from 9<sup>th</sup> to 16<sup>th</sup> February, 2008**

Many shareholders would like to visit our plantations and get an impression of Panama. We have contacted an experienced tour operator, who has put together an exciting trip for you, and we invite you to come along. We will spend one day on the plantations in the east of Panama (Agua Fría, Cañazas, Tortí) and one day in the plantation Boca Chica in the west. We will visit the Panama Canal, the capital Panama City and also have a look around a coffee plantation in the province of Chiriquí. You will have two days to explore the country on your own or to join one or both of the additional excursions: one excursion will take us to the Embera-Indians in the Chagres rain forest and the other on a nostalgic train ride along the Panama Canal to Colón and Portobelo

Our partners from BARCA will accompany us on the plantation tour so that you will hear everything about teak, plantations, the environment and whatever else you want to know in this context. Members of the Board of Directors will also join the trip.

The enclosed short version of the brochure will give you an overview; you can find the extensive brochure on our website under "News" or you can order it from us. Please register by 5<sup>th</sup> October, 2007. The registrations will be considered on a first-come-first-served basis.

### **6. Second Annual General Meeting on 8<sup>th</sup> May, 2008**

Please note the date of the second Annual General Meeting: it will take place in Affoltern am Albis (Switzerland) on Thursday, 8<sup>th</sup> May, 2008.

I wish you a beautiful autumn.  
Best regards



Carol Franklin Engler, Ph.D.  
Chairman of the Board

Enclosure Short version of the brochure „Shareholders' trip“