



## Third letter to shareholders

Dear shareholder

Shortly before the Holidays you are receiving this third letter to shareholders. And once again it contains good news about the development of Forests for Friends.

### 1. FSC-Certification

You will remember that the Forest Stewardship Council (FSC) suspended the certification in June 2006 due to the uncertainty of the future of the company and therefore also of the plantations. In August 2007, Smartwood audited and recertified all our plantations on behalf of FSC. As soon as the official FSC certificate has been issued, you will be able to find the report on our website [www.forestsforfriends.com](http://www.forestsforfriends.com) and under [www.fsc.org](http://www.fsc.org). We are very relieved about this further step.

### 2. Land and plantations in Panama

#### 2.1. Land transfer in June 2007

In our last letter to the shareholders, we were able to inform you that we had managed to sign an agreement which ensured that all the land we had bought would be inscribed in the public register in the name of Forests for Friends Panama Inc. This has happened in the meantime and we are now shown in the public register as legal owners of the 3,401 hectares.

#### 2.2. Land transfer in December 2007

After this land had been registered in our name, we brought an action against the company that had bought the land for Prime Forestry Panama and we claimed back the money that we had paid for land that had not been transferred to us. During our stay in Panama in October, we were able to negotiate an agreement which contributes considerably to the maintenance costs. We have agreed to accept 273 hectares worth \$ 700,000 near our land in Darién, bordering on our plantation Agua Fría. Of this money, we have to hand over CHF 100,000 to the bankruptcy estate. As we have always promised not to establish new plantations, we will only keep 49 hectares as compensation for the plantations we are giving up in San Lorenzo and San Juan and sell the rest.

#### 2.3. Plantations in San Lorenzo and San Juan

During the growth period of the recent rainy season, BARCA confirmed the apprehension that the trees in San Lorenzo and San Juan are growing insufficiently, despite fertilisation and liming. We have therefore decided to give up further hectares in San Lorenzo and San Juan, to clear the land, and sell it. The forgone revenue will be compensated by the new land in Agua Fría.

### 3. The Tree Partner Company

When we bought Prime Forestry Panama S.A. last year, some shareholders insisted that we did not develop new activities, particularly no new plantations. We included this in our rescue plan and promised to establish a fresh company to set up new plantations, if we considered the business to be attractive.

Now that Forests for Friends has been rescued, there is the opportunity of continuing the business model. Some shareholders of Forests for Friends Ltd have therefore established an independent corporation in Switzerland,

The Tree Partner Company Ltd (Commercial Register of the Canton of Zurich CH-020.3.031.584-6), and a subsidiary in Panama, The Tree Partner Company Panama Inc. The Panamanian company has bought land near our plantations in Darién.

The Board of Forests for Friends Ltd has decided to sell the land that we cannot plant ourselves to The Tree Partner Company Panama Inc. The land has been evaluated by an accredited independent expert and these are the prices we will use for the sale. After this transaction, about 300 hectares will be owned by The Tree Partner Company Panama. In spring 2008, this will be planted with teak and 20 % of other species of precious wood such as African mahogany, acacia, Spanish cedar, ronron (zebra wood) and rosewood.

This deal guarantees Forests for Friends various advantages:

- we know our neighbours and can communicate on a friendly basis;
- The Tree Partner Company's plantations will also be maintained by BARCA. This reduces the maintenance costs for Forests for Friends;
- our shareholders can participate in new plantations, which will be properly organised and managed from day one.

The Tree Partner Company plans to grow and increase its capital when required. It will only start planting, when the resources have been secured up until the final harvest. We are enclosing a short flyer. You can order more detailed information from The Tree Partner Company, Wiesenstrasse 11, CH-8910 Affoltern am Albis (Switzerland), e-mail: [office@tree-partner.com](mailto:office@tree-partner.com), telephone +41 44 700 16 45, fax +41 44 700 16 45, Website: [www.tree-partner.com](http://www.tree-partner.com).

#### **4. Possibility to trade the shares**

In-depth analysis has shown that the purchase demand for the shares of Forests for Friends Ltd on the over-the-counter platform of the Bernese Cantonal Bank will be limited. We are investigating whether the considerable effort is worth-while and will inform you at the ordinary General Meeting. Already today, our shares can be donated or bought without any problem.

As we have to introduce a deferred printing possibility for our shares due to the money-laundering law - thus also enabling the shares to be deposited - we will have to adapt the Statutes anyway.

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

The offer was received with great interest which pleases us immensely. We will be about 25 participants. We hope that one of the participants will be willing to give a short presentation at the Annual General Meeting in May.

As the dates were not convenient to some shareholders who would have liked to come along, we are planning a second such trip in 2009.

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

The second ordinary Annual General Meeting will take place in Affoltern am Albis in Switzerland during the afternoon of Thursday, 8<sup>th</sup> May, 2008. Romano Costa, our forest engineer on the Board, will report on the state of the plantations.

Season's Greetings and best regards



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

Enclosure **Investing in Teak** – a short information on The Tree Partner Company