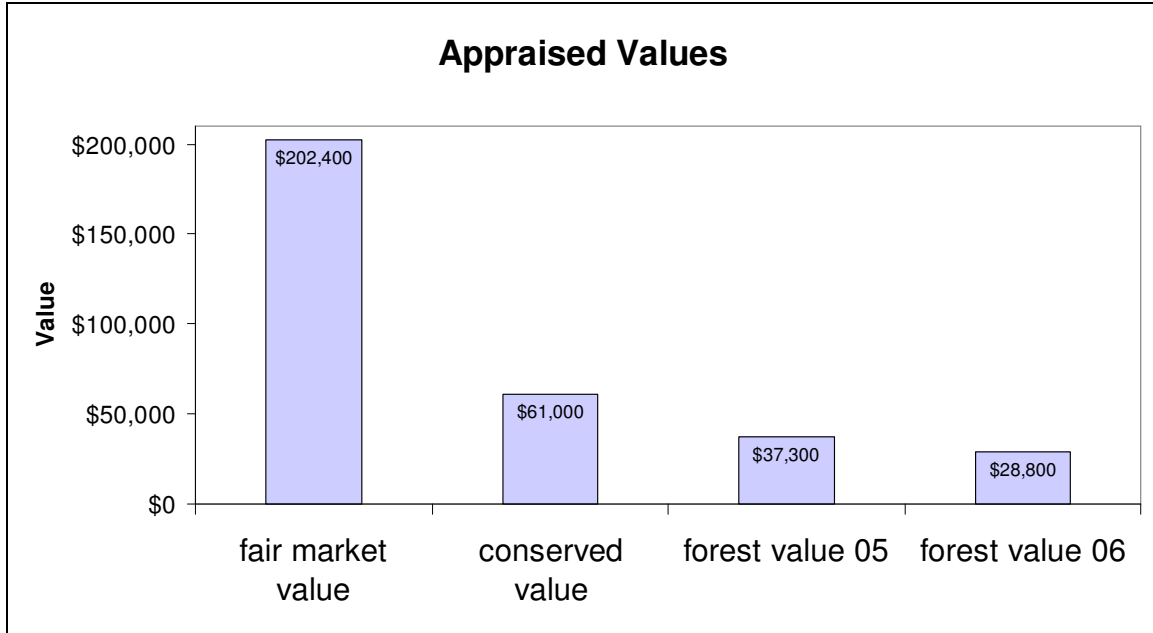
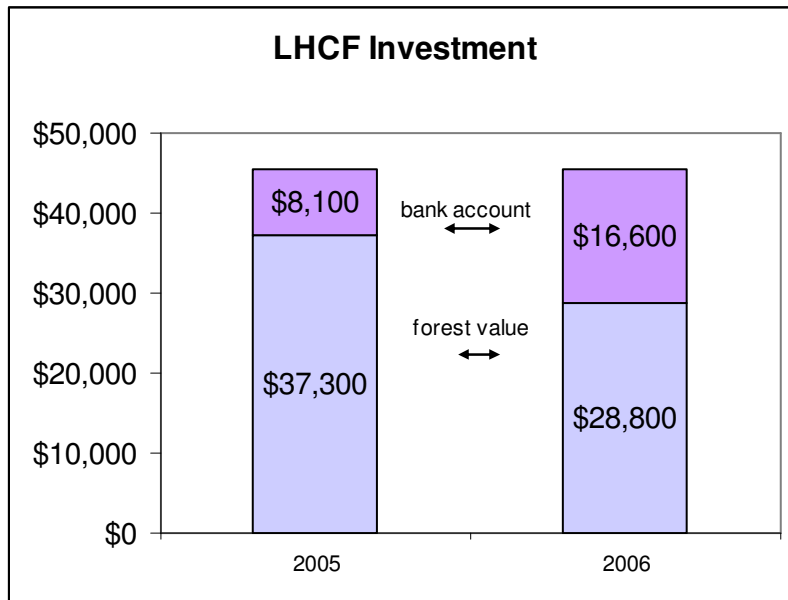


Little Hogback Community Forest--Financial Information



The fair market value of the parcel, according to the listers, is \$202,400. A donation enables the Vermont Land Trust to sell it to Vermont Family Forests, subject to an easement, for \$61,000. A donation from a sponsor enables VFF to sell the productive rights, subject to a right to repurchase, to LHCF LLC at a “forest value” of \$28,800. (This value was \$37,300 in 2005, but it has dropped to \$28,800 due to a timber harvest.)¹



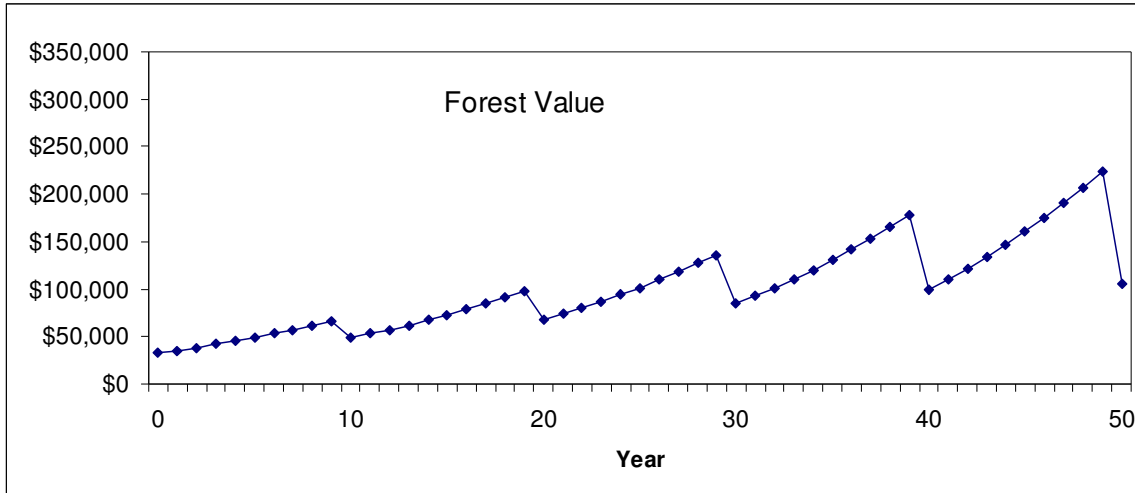
¹ The value of the standing timber was appraised at over \$80,000 prior to the recent harvest. Because careful management emphasizes improving the future stand over liquidating for maximum profit, and because one dollar in 2016 is worth less than one dollar today, the forest value shown here is less than half the value of the standing timber.

There will be 16 shares, at \$2,850. This will purchase the productive use of the land and also capitalize an account to cover management and taxes until the next harvest. Because of the recent harvest, the forest value is \$8,100 lower than it would have been if the sale had taken place in 2005, but the management fund has \$8,100 more in it.

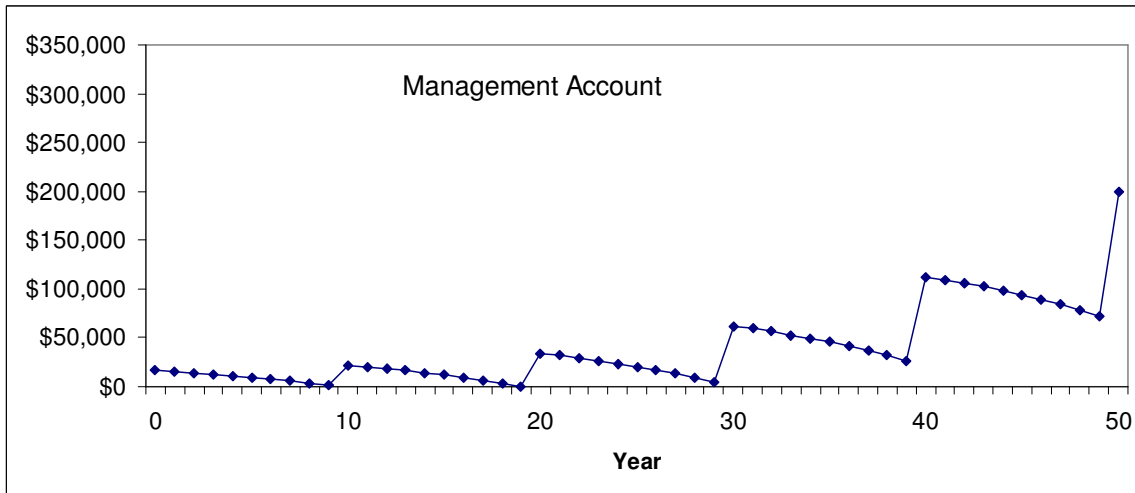
The forest value is expected to increase between harvests for three reasons:

- Trees grow (2%-4% per year)
- The value of sawlogs has been increasing at a rate that exceeds the consumer price index. (Between 1961 and 2002 the average nominal annual rate of increase in hardwood sawtimber stumpage price was 8.5%)
- Management will result in more of the growth going to higher-value trees.

Assuming harvests every 10 years, conceptually the change in forest value would look something like this:

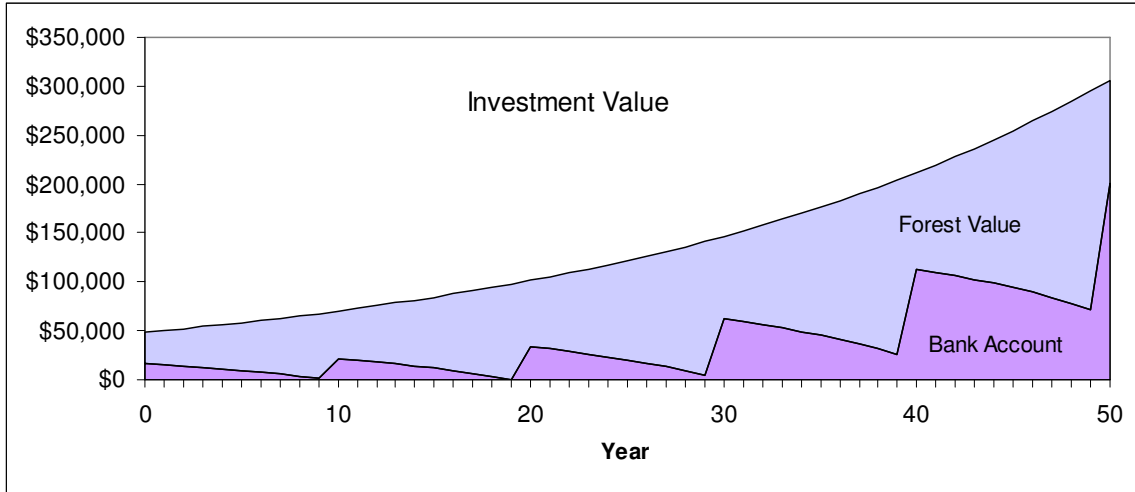


The management account would be used to pay taxes and management expenses so it would be drawn down between harvests and replenished at each harvest. Assuming all harvest revenues were kept in the account, its growth would look something like this:



When the forest value drops because of a harvest, the value of the management account spikes because of the net return from the harvest.

The combined investment would look something like this:



Of course we cannot predict the future and guarantee returns. However, the conceptual charts are based on the actual purchase price and the following assumptions:

Annual costs: 2007 dollars

Property taxes	\$350
Insurance	\$750
Management	\$300
certification	\$100
road maintenance	\$165
plan \$900/10years	\$90
boundary \$300/15 years	\$20

\$1,775

Management account in laddered cds at	3.75%
Expenses	3.5%
Stumpage value	4.0%

With those assumptions, the average annual return on investment would be 3.75%.