



Little Hogback Community Forest LLC

A long-term investment that you can walk in, work with and be proud of

A Peoples Prospectus

What it is:

Little Hogback Community Forest LLC is a Vermont Limited Liability Company that will own a 115-acre forested parcel that must remain as carefully managed forest forever. The LLC will be made up of 16 shares, called Membership Interests. Each investor/member will own a share of the LLC that owns the land; investor/members will not own separately delineated portions of the land.

The land will be carefully managed as an undivided unit to protect forest health and to provide opportunities for recreation as well as timber and firewood. Management costs and proceeds from the land will be divided equally among the shares.

Goals:

- To protect forest health in perpetuity
- To offer opportunities to community members who may not be able to buy land otherwise to do two things simultaneously:
 - hold, steward and enjoy land
 - make a modest return on their investment through sustainable community-based forestry

Conservation Easement and Affordability Covenant on the land:

The LLC will buy the parcel of land subject to a Conservation Easement held by the Vermont Land Trust and an Affordability Covenant held by Vermont Family Forests.

The Conservation Easement requires good forest management, and means the land can never be developed or subdivided.

The Affordability Covenant limits the parcel's sale (and resale) value so that an investment in the land could provide a modest rate of return from forest products—making it perpetually affordable to community members who look at this purchase as a long-term investment. Because of the subsidy provided in the purchase price, the income of members at the time of purchase must be below \$89,400--150% of the county median.

Because these two covenants are in place, the LLC is able to purchase the parcel at a price that is significantly lower than the price of forest land that does not have covenants. In combination, the two covenants have lowered the price of the land to one that we think will give investor/members a return on their investment that is roughly equivalent to what they would expect to get if they had kept the money in the bank.

Management and Uses of the Land

The land will be managed according to a long-term management plan jointly approved by the LLC, the Vermont Land Trust and VFF. A manager, also jointly approved, will direct

management activities. While the management is designed to protect forest health, growing and harvesting trees is crucial in providing the return to the investors. Trees will be cut!

It is anticipated that the forest will be uneven-aged, having trees of all ages. Harvests would be conducted every ten years or so.

In addition, members can hike and ski on the land, harvest firewood, camp (no-trace camping), watch birds, picnic and enjoy the view. No atv's are allowed; no hunting is allowed on this small parcel.

Financial:

Each share will cost less than \$3,000 initially. That initial investment is the only financial outlay anticipated.

When the money from all the shares is pooled, there will be enough to buy the land, to cover closing costs and taxes, and to set aside a small amount in a "Management Reserve Fund." Shortly after the land is purchased, there will be a timber sale. The proceeds from that sale also will go into the Management Reserve Fund. The Fund should be managed by the LLC so that there is always enough money to pay for property taxes, insurance and management without asking the members to contribute more.

The reason for keeping a Management Reserve Fund to cover costs is so that people won't find themselves strapped by the need to make payments—some of which might be erratic--and so that neither the LLC nor VFF will have to be collection agents. Ultimately, however, members are responsible for their share of costs should the Management Reserve Fund run short.

Any revenue from the land goes into the Management Reserve Fund. Revenue can only be distributed to members if there is an adequate amount to cover anticipated expenses (plus contingency) until future revenue replenishes the Fund. When there is revenue to be distributed to members, it will be divided evenly between shares.

When revenue comes from the land, each member is responsible for reporting any income and paying taxes on it. Similarly, each member may report a loss in the years in which there are management costs but no revenue.

Firewood

Members who would like firewood can be allocated a lot with trees marked by the forester. There will be a small fee to cover the marking costs.

Selling your share

Although we don't advise buying a share if you anticipate needing to sell within ten years, shares can be sold. You may sell, give or will your share to a member of your family or to another member of the LLC (provided the member doesn't already own two shares). Otherwise, the share should first be offered to the Vermont Family Forests

Community Equity Fund, which is established to buy and resell shares to achieve two purposes:

1. to allow members who want to sell to get their money quickly
2. to resell to community members

The price paid by VFF would be calculated by the same formula that establishes your purchase price: the value that could provide a modest return on investment. This value is likely to increase over time for two reasons:

1. the trees will be bigger and higher quality—therefore more valuable--as a result of time and management
2. the price mills pay for logs is likely to increase over time

The price of a share will also include a proportional percentage of the Management Reserve Fund.

VFF would never exercise its option to buy a share at a price that is less than the original share price appreciated at the inflation rate.

If the VFF Fund doesn't agree to buy your share within thirty days, you are free to sell it to anyone for any price.

If you have a loan from the VFF Community Equity Fund, please see the loan information about selling your share and repaying the loan.

Expected financial return

We expect the total long-term return to be around 3%. This return comes in two ways: the net revenue, after subtracting expenses, that would be distributed roughly every ten years; and the appreciation in the value of a share that would result from growing an older and more valuable forest and from increases in the prices paid for logs.

Running the LLC

The LLC may be set up as an owner-managed company, with decisions made by the members. The LLC members may elect agents or committees to be authorized to do certain things, such as pay bills, file papers, work with the forest manager, coordinate firewood sales, or negotiate with the Vermont Land Trust about the management plan.

Alternatively, it may be set up as a manager-managed company, with most decisions made by the manager, presumably Vermont Family Forests.

In either case, any decisions made by the LLC will be run democratically, with one vote per share. No household may own more than two shares. Decisions will be made by simple majority. The only exceptions would be decisions to amend the original agreement or to dissolve the LLC; both of those decisions require more votes.

Working on the Land

Members are not required to work on the land. However, if any members would like to perform any of the management activities prescribed by the approved management plan they can be hired by the Forest Manager to do so.

Risk

As with any investment, there is risk. Much of the value of the LLC will be in the trees themselves and there are possible threats to the trees from storms, fire, disease, insects, or vandalism. There is also the possibility that pollution or climate change could reduce the anticipated growth rate or weaken the trees so that they are more susceptible to disease. In addition, there is the possibility that the value of logs will decrease, or will not increase as expected.

If the LLC uses the land in a way that violates the terms of the easement or covenant, legal consequences may include financial payments.

Members can be “removed” from the LLC for violating legal obligations or rules set out by the LLC if members holding 60% of the shares so vote. The removed member would be fully compensated for the sale of the share.