

EAST MACHIAS RIVER FOREST

One of the most significant timberland investments released in the Northeast in recent years, this Downeast tract offers a substantial timber base enhanced by recreational lease income and miles of high quality frontage on several lakes, ponds and the East Machias River.



21,948± Acres
T19 ED BPP, Washington County, Maine

Price: \$12,875,000

PROFILE

East Machias River Forest represents one of the largest investment-grade timberland offerings to be made publicly available in the region in the past several years.

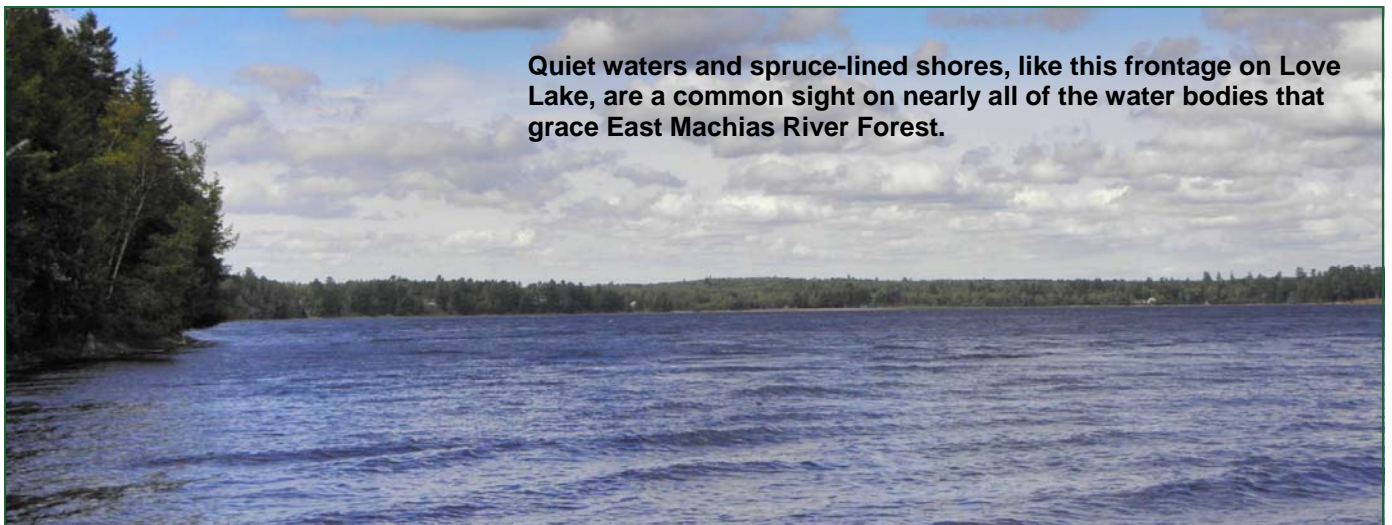
A host of short-term and long-term timber management opportunities are inherent in the tract's size, extensive road network, species composition, and forest age classes. While the investment is driven by its timber resource, other attributes contribute to the overall asset value, including a strong recreational lease program, providing nearly \$25,000 in annual cash flow.

In addition, the property is rich in water resources with over 16 miles of frontage on several of the region's most scenic lakes and rivers.



The tract holds significant, undeveloped frontage on several lakes and ponds, including Love Lake (above).

With a capital timber value over \$10 million, the asking price recognizes the land's inherent water amenities, conservation opportunities, and exceptional recreational attributes at \$124/acre.



Quiet waters and spruce-lined shores, like this frontage on Love Lake, are a common sight on nearly all of the water bodies that grace East Machias River Forest.

LOCATION

East Machias River Forest is located in the heart of Downeast Maine, just south of State Route 9, a major road that connects the greater Bangor area to the Canadian Maritimes. The tract is located in Township 19 Eastern Division - Bingham's Penobscot Purchase (ED BPP). The region is renowned for its rugged coastline, vast forests and a natural resource-based economy supported by three major industries — lobstering, forest products and blueberry cultivation.

The nearest town with basic amenities is Machias, about 15 miles to the south. Bangor is just over two hours to the west, while Portland is about 3 hours southwest. The Canadian maritime province of New Brunswick is only 30 minutes to the east. The province's two largest cities, St. John and Fredericton, are 2 hours along the coast and 2½ hours to the northeast, respectively.

ACCESS

With any large timberland acquisition, proximity to transportation routes and internal road networks are important considerations. East Machias River Forest is located just south of Route 9, one of the region's most important transportation corridors, connecting the Canadian Maritimes with the eastern United States. Locally referred to as "the airline," Route 9 also provides important access to regional wood markets.

The primary point of entry is just off Route 9, where the publicly-maintained Nineteen Road bisects the forest, running its entire length, providing excellent access to the forest interior and the extensive gravel-surfaced spur roads. The County provides maintenance on Nineteen Road and recently replaced the property's most significant bridge, substantially minimizing annual road maintenance costs.

Two additional points of entry facilitate forest management and future recreational development options. Eastern Ridge Road, which commences off Maine Route 192, provides access to the southwest corner of the ownership, including Long Lake and the western shore of Round Lake.

Spring House Road, which stems off US Route 9, offers alternative forestry access to the northwest corner of the forest via a road use agreement with the adjacent landowner.

In total, the internal road system is well developed with 56 miles of gravel road and over 25 miles of winter roads. Aside from customary maintenance requirements, the road network is well-suited to access nearly all forest stands on the forest.

Common to many large timberland investments in the region, reciprocal and other rights-of-way (ROW) exist on the property; however, these rights do not prevent or limit access to the subject parcel. Further details on access can be found on the Fountains data room.



An interior road parallels the East Machias River, providing direct access to the waterfront via short spur roads.



Several secondary roads provide key access to various corners of the forest, including over two miles of Long Lake shoreline.

SITE DESCRIPTION & WATER RESOURCES

The majority of terrain is flat with low rolling hills and numerous drainages. Soils consist primarily of glacial outwash, well-drained in most areas, and suitable for year-round forestry operations. Sand and gravel deposits are common on the property, providing abundant material for road construction and maintenance.

The forest is graced by a substantial number of high quality water resources in the form of lakes, ponds, rivers and streams, each offering a unique aesthetic character, wildlife habitat, and recreational opportunity. The northeast corner of the tract hosts Love Lake with over 10,000 feet of nearly undeveloped shoreline. The eastern portion of the forest encompasses the two secluded and pristine Spectacle Lakes, while the southwest corner of the property features three superlative water bodies: nearly 12,000 feet of undeveloped frontage on Long Lake (including a 2.8-acre island), over 5 miles of frontage on the East Machias River (renowned for its salmon habitat), and over 12,000 feet of frontage on Round Lake.



East Machias River and its many winding turns traverse more than five miles through the forest.

TIMBER RESOURCE

Timber Inventory:

Timber volumes in this report are based on data collected and processed by the forest manager prior to the 2012 growing season. A stratified point sample design was used to determine volumes for each of 9 delineated strata, using a 10 BAF variable radius prism with a total of 644 sample points across the 20,280 commercial forested acres. The cruise data were processed by stratum and summarized with the forest manager's proprietary inventory software.

Statistical analysis of the data based on a total volume of all products of 16.82 cords/acre produced a standard error of $\pm 4.64\%$ at the 95% confidence level. Volumes were then adjusted to account for a harvest of 1,666 cords & growth for 2012/13 using rates provided by the seller.

Total sawlog volume is 19.491 million board feet (0.961 MBF/commercial acre) and 301,499 pulpwood cords (14.9 cords/commercial acre). Total volume (all products combined) per commercial acre is 16.8 cords. Fountains assigned stumpage values by species and product to the volumes which established a capital timber value of \$10,541,000 (see Timber Valuation sheet within this report).

Additional details of the inventory process, raw data, growth rates, harvest volumes, inventory maps, cruise specifications and full inventory data are available at the Fountains Land Data Room. To obtain a data room pass code, please contact Patrick Hackley at (603) 435-7428 or via e-mail at patrick.hackley@fountainsamerica.com.

Water Attributes		
Feature Name	Water Frontage (ft)	Acreage
East Machias River	29,460	NA
Indian Lake	545	18
Long Lake	11,848	596
Love Lake	10,735	650
Mud Lake	2,875	8
Munson Lake	2,724	29
Round Lake	12,213	345
Upper Spectacle	7,323	31
Lower Spectacle	7,581	28

Acreage Summary	
Type	Acres
Road	270
Wetland	1,231
Camps	10
Gravel Pit	14
Water	143
Forest	20,280
Total	21,948

TIMBER RESOURCE (continued)

Species Composition & Stocking:

Species composition is dominated by the softwoods of red spruce, balsam fir, white pine and a complement of northern white cedar. Associated northern hardwoods comprise the balance, led by the maples (primarily red), the birches (primarily white) and poplar.

Based on the reported MBF sawlog volume, red spruce, balsam fir and white pine account for 63% of the sawlog volume; red maple, northern white cedar and poplar account for 25%, and other hardwoods and softwoods comprising the balance. However given the significant MBF volume inherent in the hygrade spruce/fir, which is reported in cords, the spruce/fir MBF volume actually holds closer to 68% of total sawlog volume.

Forest-wide, total basal area is 106 ft²/acre, representing well-stocked stand conditions on average, with early commercial thinning opportunity ready across much of the property, supported by the locally strong low grade markets.

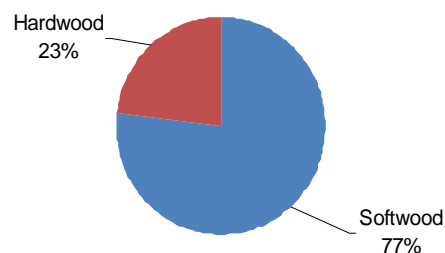
Forest Structure & Age:

The resource is represented by a variety of tree sizes and age classes, with the majority of volume in the small pole to small sawlog sizes that originated largely 20 to 40 years ago. An older age class (50 to 65 years of age) is distinctly represented in the volume data (generally dispersed within two aged stands) and comprised of stems in the 12" to 16" diameter range.

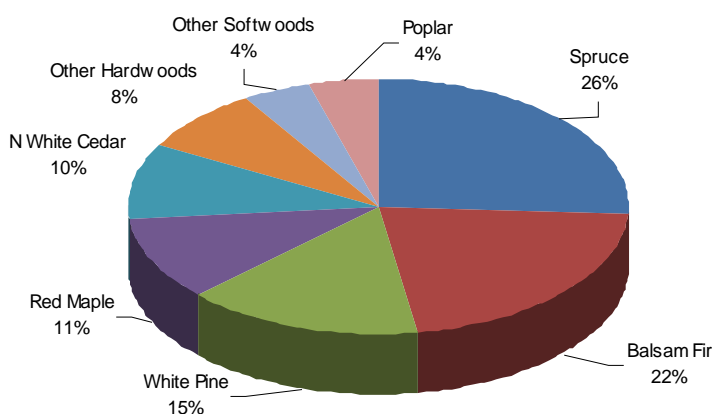
Many of the forest stands were established 20 to 30 years ago in the 80's and early 90's as a result of spruce budworm salvage. Also, the sapling size classes, which are in a free to grow state, largely became established from harvesting 8-12 years ago.

Intensive softwood silviculture has occurred on over 1,000 acres in the form of pre-commercial thinning via brushsaws. Many of these stands are in a free-to-grow condition and are expected to mature rapidly over the next 15 to 30 years.

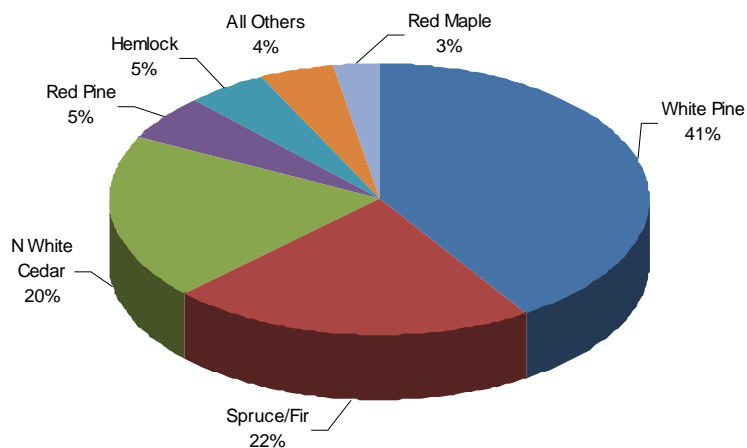
Hardwood vs Softwood
Percentage of Total Volume



Total Volume by Species



Sawlog Volume by Species

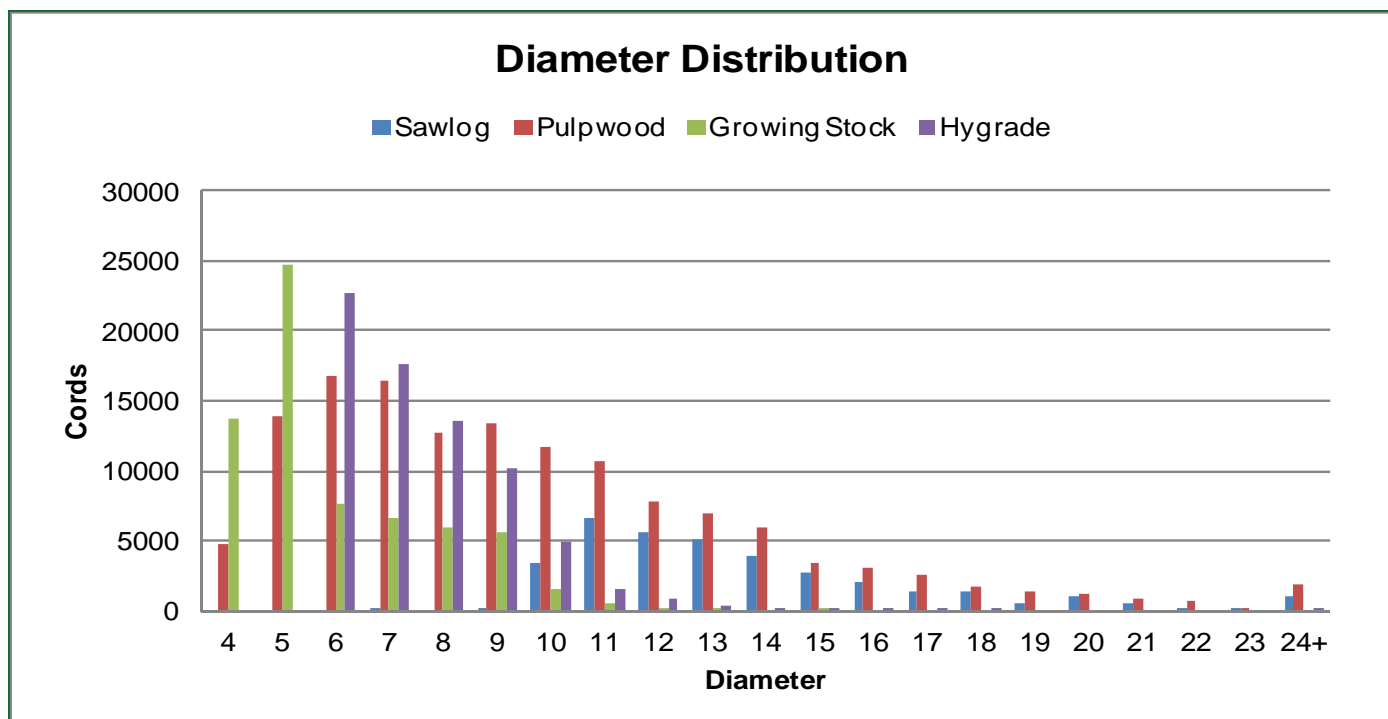


TIMBER RESOURCE (continued)

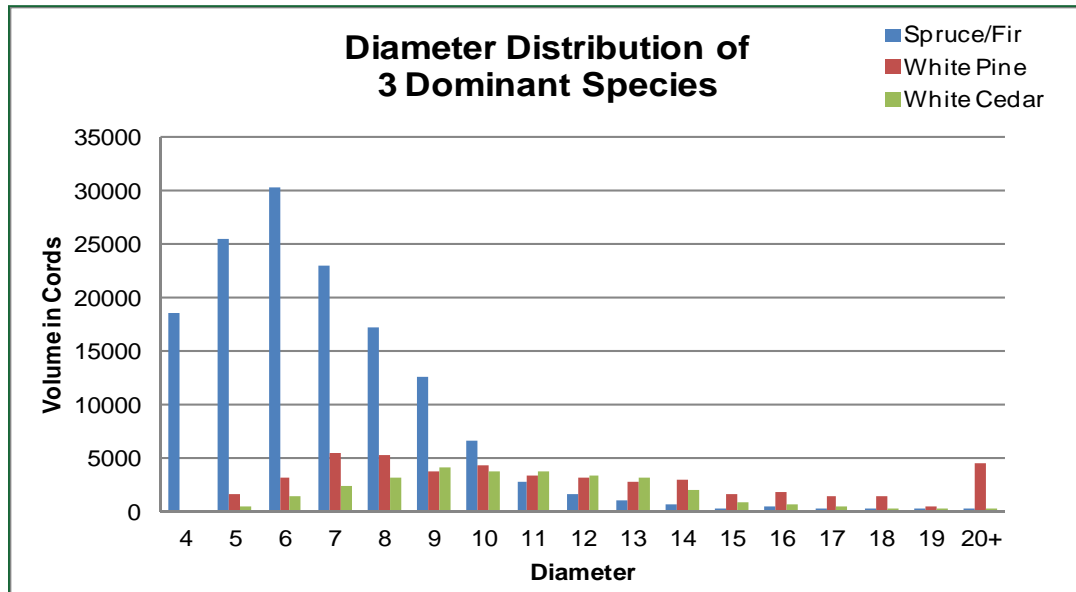
Diameter Distribution:

The average diameter for total timber volume is 7.5" with the average diameter for all sawlog products at 12" which is indicative of a relatively young, largely spruce/fir species composition.

Diameters are broadly represented across the size classes with a proportionally high volume in the pre-sawlog category (4" to 6" DBH). A substantial portion of spruce/fir hygrade (small diameter sawlogs) is present in the 6" to 9" diameter range.



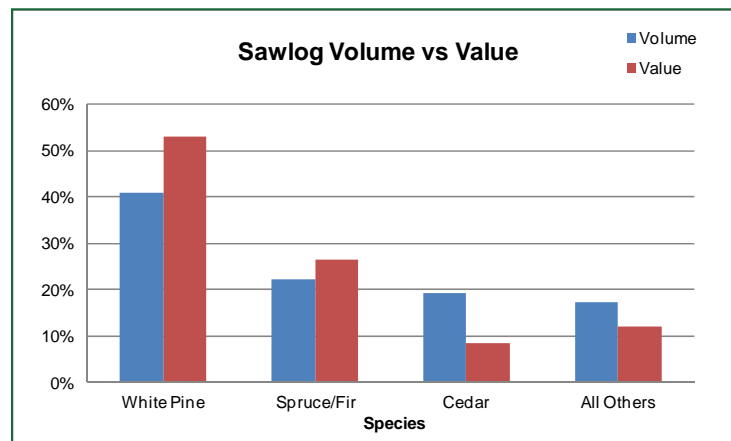
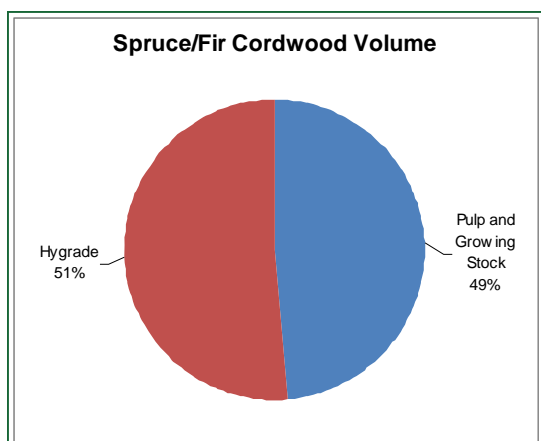
White pine and white cedar reflect a broad diameter distribution and occupy most of the larger diameters (> 13" DBH). Although much less a part of the smaller diameter classes compared with spruce/fir, white pine is well represented in the 7" to 10" diameter range, ensuring its presence in the species mix of future sawlogs.



TIMBER RESOURCE (continued)

Sawlog Value:

In much of Maine, the small diameter spruce/fir sawlog resource is commonly sold in tree-length form where the entire stem, from the butt log to the top end of the tree (up to 4 inches in diameter) is transported to the mill. The portion of the tree-length stem that meets the small sawlog specification (6" minimum DBH to 4" top; 12' length) is classified as "hygrade" and processed for lumber. As such, hygrade has a higher market value than pulpwood. Extensive even-aged management over the years has resulted in a spruce/fir hygrade component comprising 51% of the total cord volume. As these hygrade stems advance into larger sawlog sizes, there will be a significant increase in sawlog volume and associated value in the coming decades.



FOREST PRODUCT MARKETS

While the attributes of the timber resource and road infrastructure significantly impact investment success, availability of forest product markets within an economically feasible trucking distance is also an important consideration. The forest is well located with respect to the many biomass, pulp and sawlog markets as portrayed on the *Forest Products Manufacturing Mill* location map provided at the end of this report. Located within 30 miles of the forest, the Indeck Maine Energy, LLC mill is one of the region's largest biomass plants, with gate capacity entirely sufficient to meet current early entry thinning requirements. Further, Thermogen Industries is in the planning process of developing a torrefied wood pellet mill in nearby Eastport, Maine to fulfill the strong European demand for biomass fuel. With an anticipated gate capacity of 2-300,000 tons/year this facility, when operational, will ensure a steady biomass outlet for years to come.

Strong pulpwood markets are provided from Woodland Pulp, Old Town Fuel & Fiber, Verso Paper, and other facilities, all within trucking distance of the property. Long standing white pine and spruce/fir sawlog markets have been provided by Pleasant Valley Lumber, as well as from a host of other mills, concentration yards and cross border mills, including Irving Forest Products.



Previously thinned pine and spruce/fir stand.



The forest wraps around a large portion of Love Lake's western shoreline, offering outstanding recreational potential with its 10,700' of largely undeveloped shoreline.



Upper and Lower Spectacle Lakes mirror the sky and cloud reflections on a late summer afternoon.



The forest includes significant Long Lake frontage along the eastern shoreline, encompassing a large peninsula and a 2.8-acre island.



The scenic East Machias River flows through the southeast corner of the forest.

There are other important water resources on the property such as Richardson Stream, Indian Pond, Mud Pond and Joe Hanscom Heath, each with their own ecology and recreational qualities.

The Northern Stream watershed, which commences from Love Lake, is almost entirely on the property and considered one of the region's highest priority watersheds for salmon habitat.

Collectively, these resources make a positive contribution to the overall forest investment and represent notable conservation value.

LAND USE REGULATION COMMISSION

All forestry and development activities on East Machias River Forest fall under the jurisdiction of the Land Use Regulatory Commission (LURC). LURC was created by the Maine Legislature in 1971 to serve as the planning and zoning authority for the state's townships, plantations and unorganized areas. The Commission has land use regulatory jurisdiction over these areas because they have no form of local government to administer land use controls.

The majority of the forest acreage falls within LURC's "General Management Subdistrict" (M-GN) which is compatible with long-term forestry practices in accordance with state forestry laws, including Best Management Practices for erosion control and water quality. Special protection subdistricts exist primarily within the immediate river corridor and riparian zones around wetland areas. A LURC Land Use Guidance Map depicting these zones is available in Fountains Data Room.

SUBDIVISION OPPORTUNITIES

The ability to subdivide the forest and sell off individual parcels, especially with high quality waterfront, represents significant value-added opportunities for future owners. LURC's subdivision law allows for the creation of two lots via subdivision by a single ownership per township in a five-year period. To that end, the owner has created a new lot that encompasses the tract's entire frontage on Long Lake, including the 2.8 acre island, via a legal division along Eastern Ridge Road (see notation on report maps.) This new 1,873-acre lot is owned under a different entity (Spectacular Six, LLC) but will be conveyed with the sale of the primary parcel. The configuration of the internal road network and proximity to prime water bodies on the forest allow for a number of potential recreational lot divisions that could be implemented within the LURC zoning regulations.



Young stands represent the majority of stocking.

ACREAGE, TAXES & TITLE

Municipal property taxes in 2011 on 21,904 tax acres were \$24,391.39. The property is enrolled in Maine's Tree Growth Tax program, a program in which land is taxed based on its productivity in growing timber rather than its fair market value. The Tree Growth tax rate is calculated for each county from tree growth rates measured by the U.S. Forest Service. For more information, contact the Maine Forest Service at (207) 287-2791 or go to www.maine.gov/doc/mfs/woodwise/text/growth.html.

Commercial Forestry Excise Tax

Maine landowners of 500 acres or more of commercial forest land are subject to a Commercial Forestry Excise Tax (CFET). The purpose of the tax is to partially offset the cost of forest fire protection provided by the Maine Department of Conservation. The cost share assessed by the Maine Revenue Service averages between 35 to 45 cents per taxable acre annually.

The property is subject to a mineral rights reservation held by IP Maine Forests, LLC whose deed is recorded in the Washington County (Maine) Registry of Deeds in Book 2497, Page 83.

The property is owned by Timbervest Partners Maine, LLC and Spectacular Six, LLC whose deeds are recorded in the Washington County (Maine) Registry of Deeds in Book 3247, Page 224 and Book 3738, Page 259, respectively.

Fountains Land Inc. is the exclusive broker representing the seller's interest in the marketing, negotiating and sale of this property. Fountains has an ethical and legal obligation to show honesty and fairness to the buyer. The buyer may retain brokers to represent their interests. All measurements are given as a guide, and no liability can be accepted for any errors arising therefrom. No responsibility is taken for any other error, omission, or misstatement in these particulars, nor do they constitute an offer or a contract. We do not make or give, whether in these particulars, during negotiations or otherwise, any representation or warranty in relation to the property.

East Machias River Forest

Timber Valuation

Prepared By

FOUNTAINS FORESTRY INCORPORATED

Washington County, Maine
September 2014

21,948 Acres
20,280 Commercial Acres

Species	Volume MBF/CD	Unit Price Range			Total Value
		Low	High	Likely	Likely
<i>Sawtimber - MBF (International 1/4")</i>					
White Pine	7,976	110.00	190.00	153.00	1,220,300
Spruce/Fir	4,384	100.00	160.00	139.00	609,400
Cedar	3,734	60.00	140.00	52.00	194,100
Red Pine	1,086	50.00	110.00	50.00	54,300
Sugar Maple	269	150.00	290.00	237.00	63,800
Hemlock/Tamarack	1,004	40.00	90.00	46.50	46,700
Yellow/Black Birch	215	150.00	275.00	150.00	32,200
Red Maple	321	75.00	140.00	90.00	28,900
White Birch	180	80.00	190.00	101.00	18,100
Hardwood Pallet	234	40.00	90.00	64.00	15,000
Red Oak	38	120.00	250.00	235.00	9,000
White Ash	49	100.00	170.00	128.00	6,300
<i>Pulpwood - Cords</i>					
Spruce/Fir Hygrade	80,609	35.00	55.00	45.00	3,627,400
Spruce/Fir	74,057	15.00	32.00	29.00	2,147,600
Hardwoods	75,507	12.00	28.00	26.50	2,000,900
Pine-Other Softwood	64,139	6.00	12.00	6.50	416,900
Hemlock	7,186	6.00	15.00	7.00	50,300

Totals				
Sawtimber Total	19,491	MBF		\$2,298,100
Sawtimber Per Acre	0.888	MBF		\$105
Sawtimber Per Comm. Acre	0.961	MBF		\$113
Cordwood Total	301,499	Cords		\$8,243,100
Cordwood Per Acre	13.7	Cords		\$376
Cordwood Per Comm. Acre	14.9	Cords		\$406
Total Per Acre				\$480

Total Value	Unit Price Range		Likely
	Low	High	
	\$8,786,000	\$11,770,000	\$10,541,000

BASED ON MAY 2012 INVENTORY DATA SUPPLIED BY THE OWNER

Volumes have been adjusted for 2012, 2013 & 2014 growth and modest harvest volume in the fall of 2012 & winter 2013.

The volumes and values reflect estimated total capital value of merchantable timber.

*Spruce/fir hygrade is recognized by the market as a small sawlog product and therefore is sold at a higher per unit price than pulpwood.

The volumes and values are not a liquidation value.

Prices are averages for the area and are adjusted to reflect, access, quality and operability of the site.



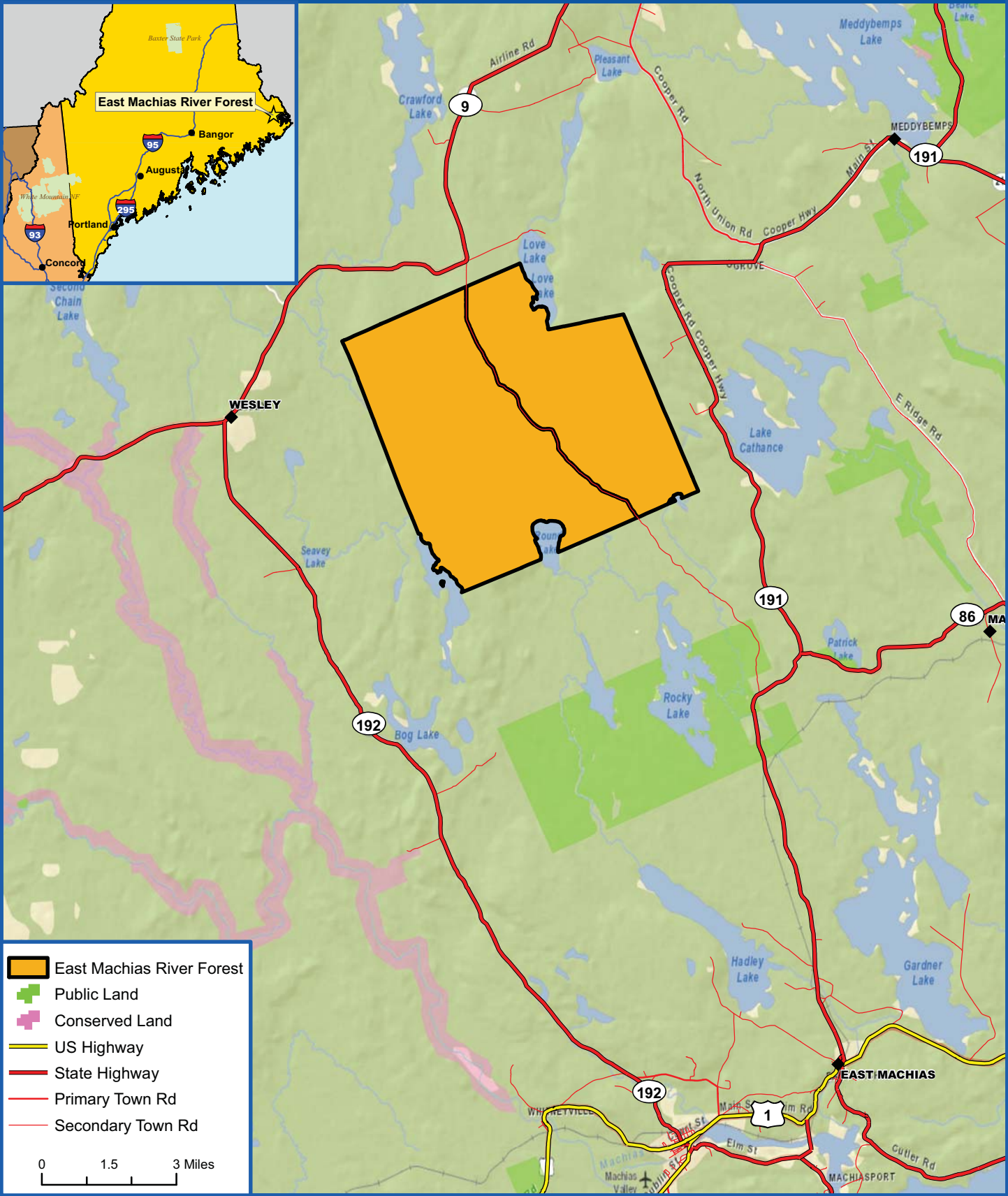
Locus Map

East Machias River Forest

21,948 GIS Acres

Township 19 ED BPP, Washington County, Maine

fountains

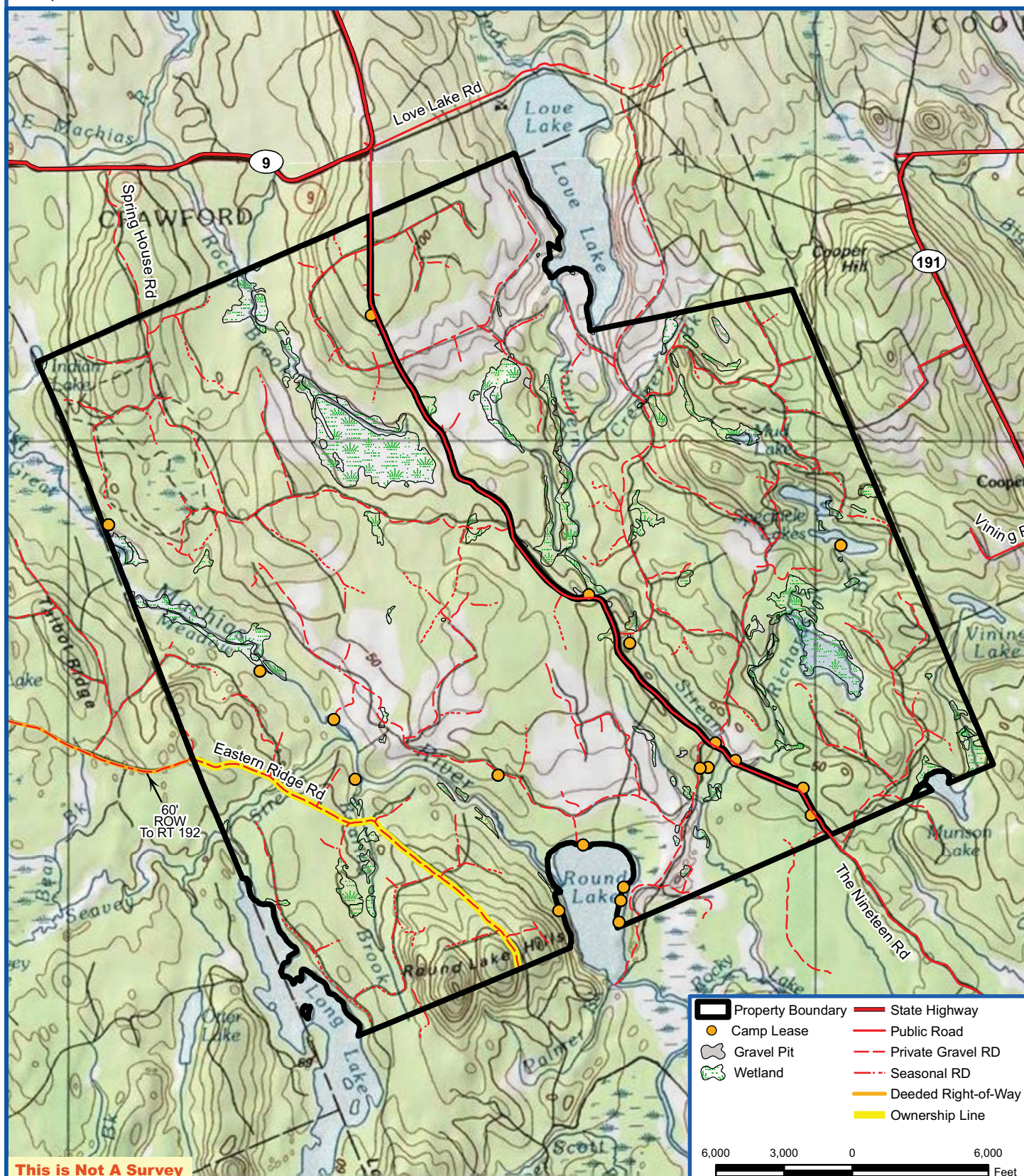




East Machias River Forest

21,948 GIS Acres
Township 19 ED BPP, Washington County, Maine

fountains



Map produced from information supplied by Seller, aerial photography and reference information obtained from ME GIS.
Boundary lines portrayed on this map are approximate and could be different than the actual location of boundaries found in the field.

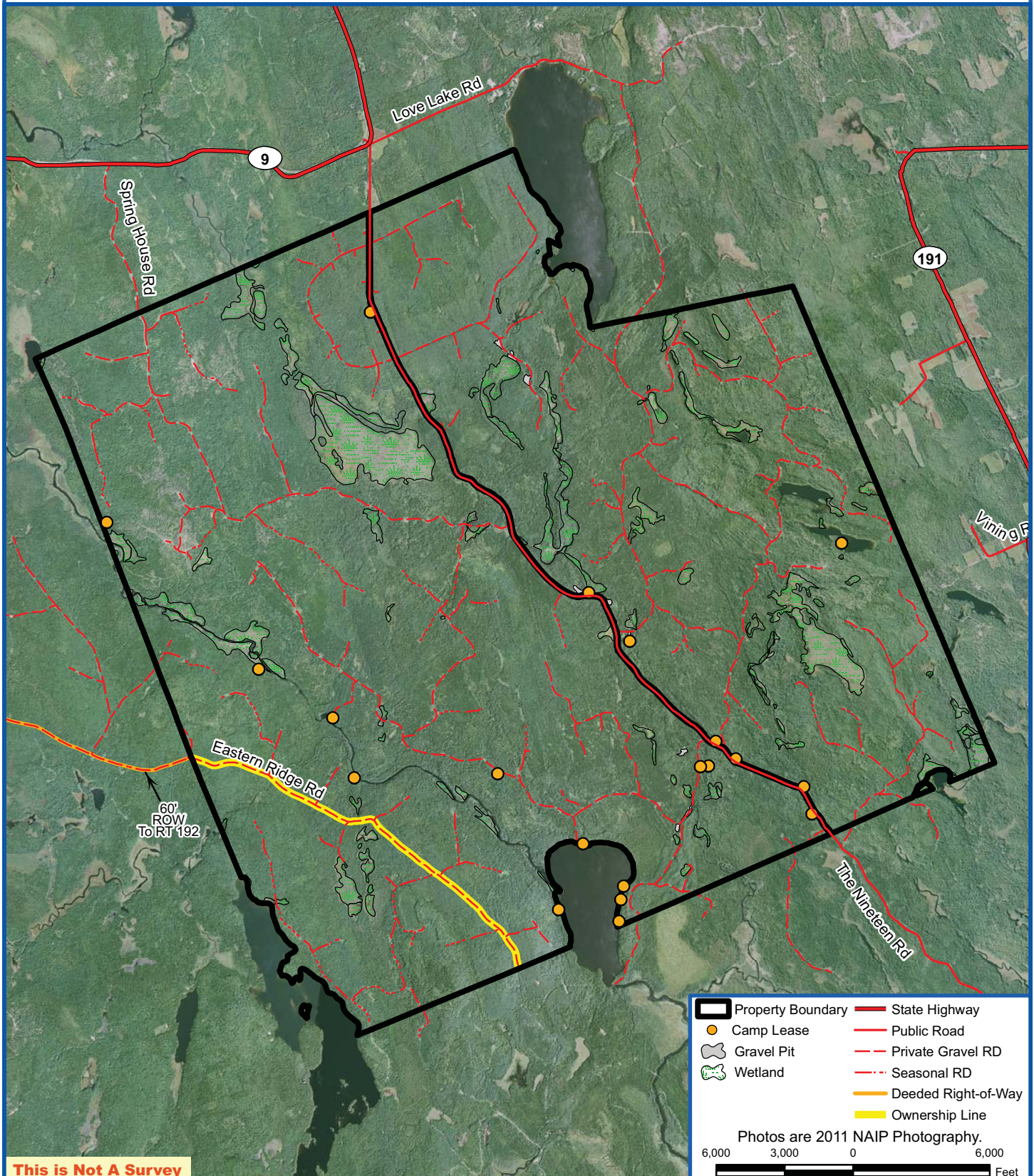


East Machias River Forest

21,948 GIS Acres

Township 19 ED BPP, Washington County, Maine

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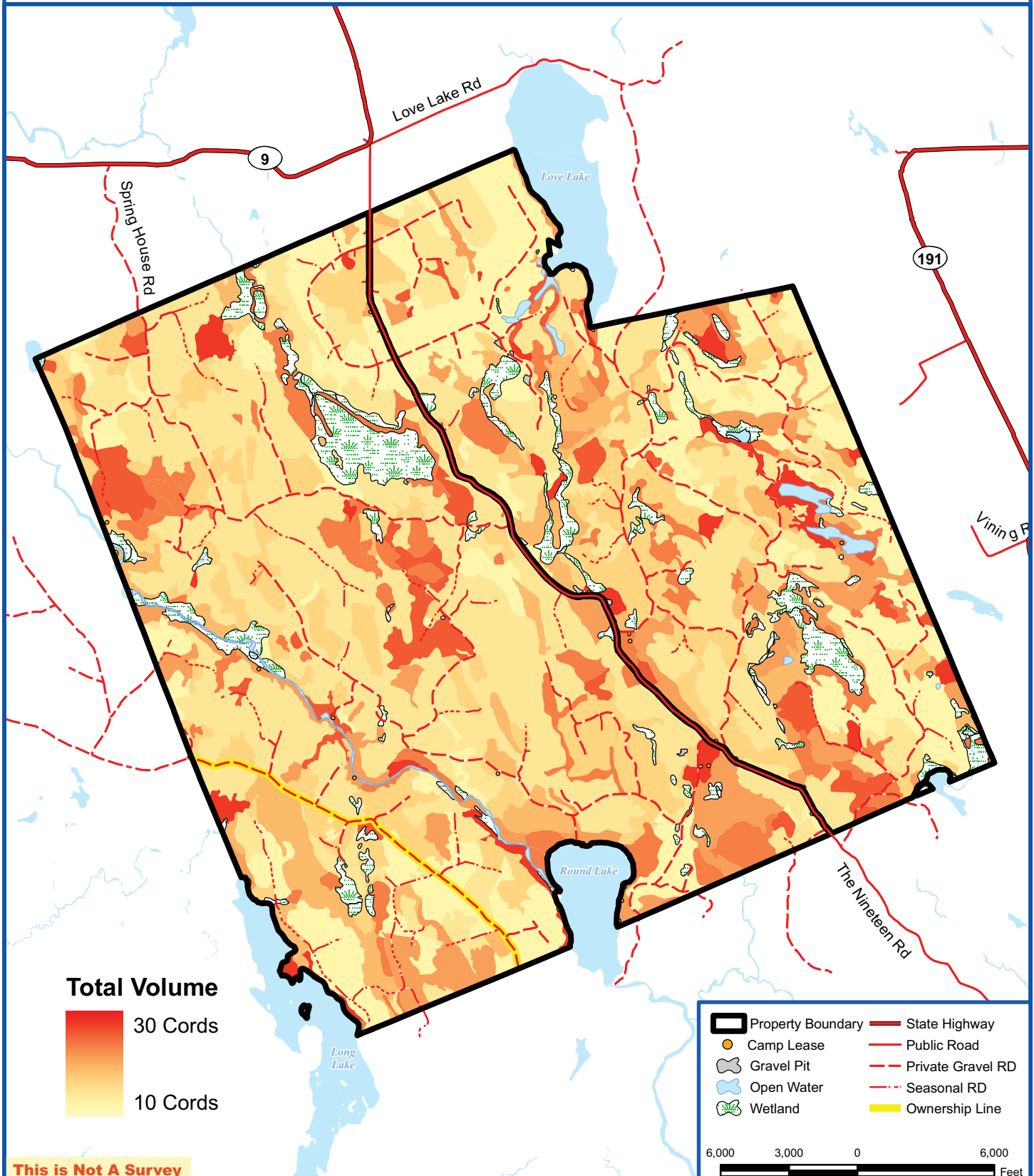
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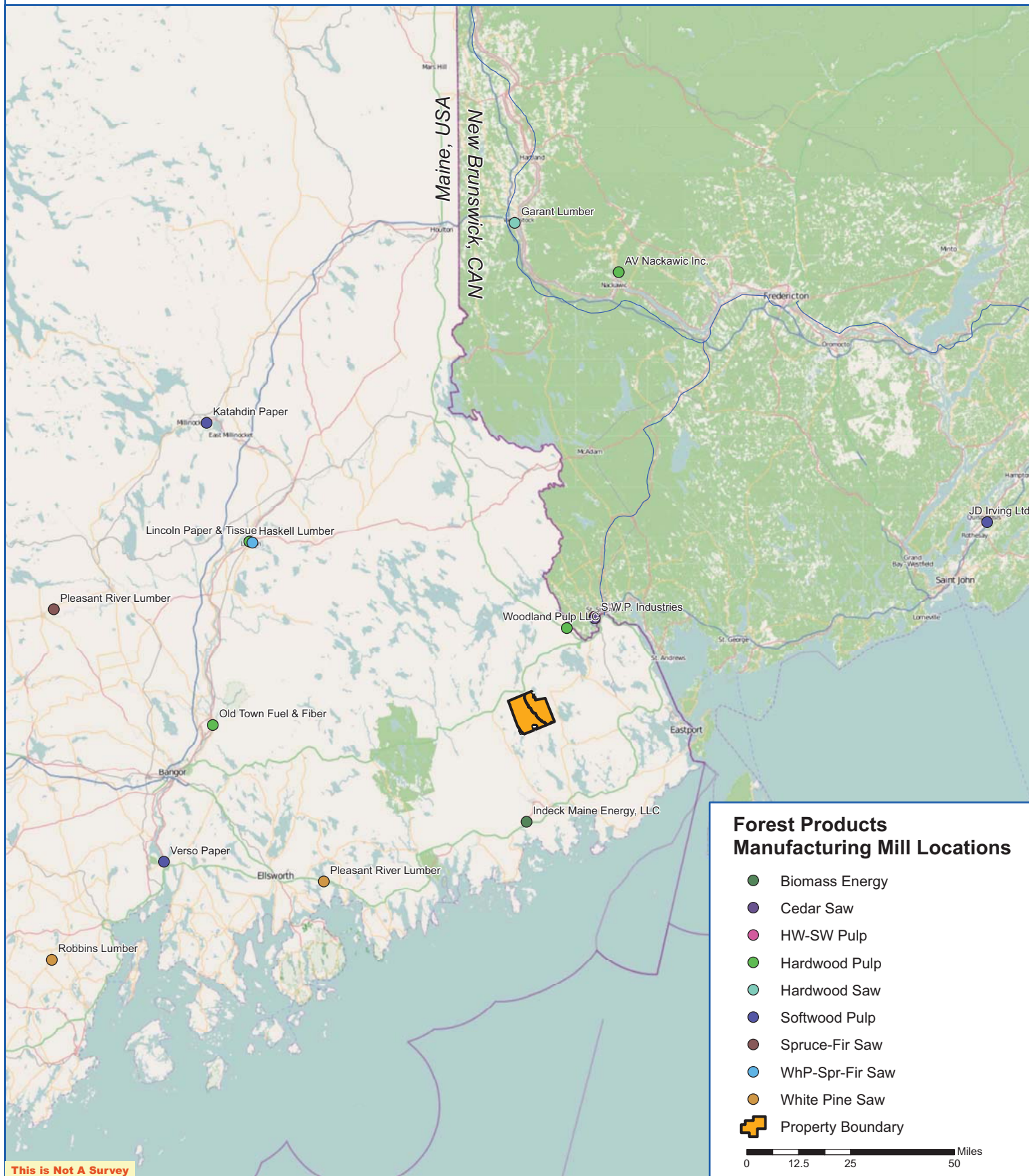
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East Machias River Forest

21,948 GIS Acres
Township 19 ED BPP, Washington County, Maine

fountains





MAINE REAL ESTATE COMMISSION

35 State House Station Augusta ME 04333-0035



REAL ESTATE BROKERAGE RELATIONSHIPS FORM

Right Now You Are A Customer

Are you interested in buying or selling residential real estate in Maine? Before you begin working with a real estate licensee it is important for you to understand that Maine Law provides for different levels of brokerage service to buyers and sellers. You should decide whether you want to be represented in

a transaction (as a client) or not (as a customer). To assist you in deciding which option is in your best interest, please review the following information about real estate brokerage relationships:

Maine law requires all real estate brokerage companies and their affiliated licensees ("licensee") to perform certain basic duties when dealing with a buyer or seller. You can expect a real estate licensee you deal with to provide the following customer-level services:

- ✓ To disclose all material defects pertaining to the physical condition of the real estate that are known by the licensee;
- ✓ To treat both the buyer and seller honestly and not knowingly give false information;
- ✓ To account for all money and property received from or on behalf of the buyer or seller; and
- ✓ To comply with all state and federal laws related to real estate brokerage activity.

Until you enter into a written brokerage agreement with the licensee for client-level representation you are considered a "customer" and the licensee may not act as your agent. As a customer, you should not expect the licensee to promote your best interest, or to keep any information you give to the licensee confidential, including your bargaining position.

You May Become A Client

If you want a licensee to represent you, you will need to enter into a written listing agreement or a written buyer representation agreement. These agreements create a client-agent relationship between you and the licensee. As a client you can expect the licensee to provide the

following services, in addition to the basic services required of all licensees listed above:

- ✓ To perform the terms of the written agreement with skill and care;
- ✓ To promote your best interests;
 - For seller clients this means the agent will put the seller's interests first and negotiate the best price and terms for the seller;
 - For buyer clients this means the agent will put the buyer's interests first and negotiate for the best prices and terms for the buyer; and
- ✓ To maintain the confidentiality of specific client information, including bargaining information.

COMPANY POLICY ON CLIENT-LEVEL SERVICES — WHAT YOU NEED TO KNOW

The real estate brokerage company's policy on client-level services determines which of the three types of agent-client relationships permitted in Maine may be offered to you. The agent-client relationships permitted in Maine are as follows:

- ✓ The company and all of its affiliated licensees represent you as a client (called "single agency");
- ✓ The company appoints, with your written consent, one or more of the affiliated licensees to represent you as an agent(s) (called "appointed agency"); or
- ✓ The company may offer limited agent level services as a disclosed dual agent.

WHAT IS A DISCLOSED DUAL AGENT?

In certain situations, a licensee may act as an agent for and represent both the buyer and the seller in the same transaction. This is called disclosed dual agency. The possibilities and consequences of dual agency representation must be explained to you by the licensee. *Both the buyer and the seller must consent to this type of representation in writing.*

Working with a dual agent is not the same as having your own exclusive agent as a single or appointed agent. For instance, when representing both a buyer and a seller, the dual agent must not disclose to one party any confidential information obtained from the other party. Also, a dual agent may not be the advocate for either party and cannot negotiate for nor advise as to the price or terms of the transaction.

THIS IS NOT A CONTRACT

Remember!

Unless you enter into a written agreement for agency representation, a licensee is not allowed to represent you!

It is important for you to know that this form is not a contract. The licensee's completion of the statement below acknowledges that you have been given the information required by Maine law regarding brokerage relationships so that you may make an informed decision as to the relationship you wish to establish with the licensee/company.

To Be Completed By Licensee

This form was presented on (date) _____

To _____
Name of Buyer(s) or Seller(s)

by Patrick Hackley
Licensee's Name

on behalf of Fountains Land Inc
Company/Agency

MREC Form#3 12/05

To check on the license status of the real estate brokerage company or affiliated licensee go to www.maine.gov/professionallicensing. Inactive licensees may not practice real estate brokerage.