Notice of the 2004 Annual Meeting of Shareholders

Notice is hereby given that the 2004 annual meeting of Tenon Limited shareholders will be held at the ASB Bank Stand, Eden Park, Auckland, New Zealand, on Wednesday, 22 December 2004 commencing at 2.00 pm

25 November 2004

IMPORTANT INFORMATION

This document includes the following information:

- a letter from the Chairman of Tenon Limited;
- a description of the business of the Annual Meeting; and
- an explanatory memorandum, which provides detailed information regarding the Capital Return and the adoption of Tenon's new constitution.

VOTING/PROXY FORM

Accompanying this document is a voting/proxy form, to enable shareholders to vote on the resolutions by:

- attending the Annual Meeting; or
- lodging a postal vote; or
- appointing a proxy to vote on their behalf at the Annual Meeting.

Shareholders are encouraged to complete and return the voting/proxy form if they do not plan to attend the Annual Meeting.

IMPORTANT DATES

All times are given in New Zealand time.

2.00 pm, 20 December 2004	Latest time for receipt by the Company of postal votes and proxies
5.00 pm, 20 December 2004	Record date for determination of voting entitlements for the Annual Meeting
2.00 pm, 22 December 2004	Annual Meeting
2 February 2005	Final Court hearing expected to approve Capital Return
Late February 2005	Capital Return expected to be completed

CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to invite you to the Annual Meeting of shareholders of Tenon Limited, which will be held at 2.00 pm on Wednesday, 22 December 2004, at the ASB Bank Stand, Eden Park, Auckland.

Enclosed is the Notice of Meeting, outlining the business to be conducted. I draw your attention to two particular items on the agenda.

As a consequence of the successful completion of the forest asset sales process, shareholders will be asked to approve special resolutions at the Annual Meeting to authorise the payment of a second return of capital to the Company's shareholders, amounting to $1.15 for every existing share held by shareholders (about $321 million in total). At the time of payment, we intend to implement a small shareholder plan that will provide shareholders with a means of rationalising their holdings.

Shareholders will also be asked to approve the adoption of a new constitution for the Company. The new constitution is being adopted to reflect changes to:

- incorporate by reference amendments to the NZX Listing Rules made in October 2003 and May 2004;
- reflect the Company's step to de-list from the Australian Stock Exchange; and
- update some minor items in the constitution.

Details of the new constitution can be viewed on the Company's website www.tenon.co.nz, or obtained on request from the Company at PO Box 92-036, Auckland 1030. In addition, if shareholders and the High Court approve the Capital Return, and the Company receives a favourable tax ruling, the Company will no longer have a separate class of preference shares on issue. All the then-existing preference shares will be deemed to be ordinary shares and the existing constitutional provisions establishing the distinctions between the classes of shares will be removed with effect from the implementation of the Capital Return.

I recommend that shareholders support the matters to be put to the Annual Meeting.

If you are unable to attend the Annual Meeting on 22 December, I encourage you to complete and lodge your voting/proxy form (either by post or fax) so that it reaches the registered office of the Company, or the office of the share registry, no later than 2.00 pm on Monday, 20 December 2004 (NZ time).

I hope to see you at the Annual Meeting.

Yours sincerely,

A I (Tony) Gibbs
Chairman

BUSINESS TO BE CONDUCTED

Notice is hereby given that the annual shareholders meeting of Tenon Limited (the ***Company***) will be held at the ASB Bank Stand, Eden Park, Auckland, New Zealand, on Wednesday, 22 December 2004 at 2.00 pm.

A. THE CHAIRMAN'S INTRODUCTION

B. ADDRESSES TO SHAREHOLDERS FROM THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

C. SHAREHOLDER DISCUSSION

D. RESOLUTIONS

Resolution 1 – Capital Return – Special Resolutions

Pursuant to an order of the High Court of New Zealand made at Auckland on 22 November 2004, to consider, and if thought fit, pass the following resolution as a special resolution:

That the arrangement relating to the return of capital to the Company's shareholders, as described in the Explanatory Memorandum and the Arrangement Plan, under which:

(i) the Company will return approximately $321 million of capital, representing $1.15 per existing share, to shareholders;

(ii) three out of four preference shares and three out of four ordinary shares will be cancelled; and

(iii) subject to receipt of a favourable tax ruling, the rights of preference and all other differential rights between the preference shares and ordinary shares will be extinguished, such that there will only be a single class of ordinary shares on issue,

be approved.

This resolution is to be voted on by preference shareholders and ordinary shareholders, voting separately.

See pages 4 to 10 of the Explanatory Memorandum.

Resolution 2 – Election of Directors – Ordinary Resolutions

To elect Directors of the Board of the Company. For that purpose:

(a) Anthony Ian (Tony) Gibbs, having being appointed by directors since the 2003 annual shareholders meeting, retires in accordance with the Constitution and, being eligible, offers himself for election;

(b) Michael John Andrews retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election; and

(c) Michael Carmody Walls retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.

See page 11 of the Explanatory Memorandum for a biography of each Director offering himself for election. The election of each Director will be voted on separately.

Resolution 3 – Auditors' Remuneration – Ordinary Resolution

To record the re-appointment of PricewaterhouseCoopers as auditors of the Company and to authorise the Directors to fix the auditors' remuneration for the ensuing year.

See page 12 of the Explanatory Memorandum.

Resolution 4 – Adoption of New Constitution – Special Resolution

Under section 32 of the Companies Act 1993, to consider, and if thought fit, pass the following resolution as a special resolution:

That the existing constitution of the Company be revoked and the Company adopt the new constitution in the form tabled at the meeting and signed by the Chairman for the purposes of identification, with effect from the conclusion of the meeting.

See pages 12 to 15 of the Explanatory Memorandum.

VOTING INTENTION

Rubicon Forest Holdings Limited, Rubicon Forests Limited and Rubicon Forests Investments Limited which, in aggregate, own 50.01% of the voting securities of the Company, have indicated their intention to vote in favour of all resolutions.

PROCEDURAL NOTES

(i) Resolution 1 will be put to the ordinary shareholders and preference shareholders separately at the meeting by an order of the High Court of New Zealand made at Auckland on 22 November 2004.

(ii) Resolutions 2(a), (b), (c) and 3 are ordinary resolutions and therefore are required to be passed by a simple majority of the votes of those shareholders entitled to vote and voting on that resolution. Resolutions 1 and 4 are special resolutions and therefore are required to be passed by a majority of 75% or more of the votes of those shareholders entitled to vote and voting on that resolution. Resolution 1 must be approved by special resolutions passed by the preference shareholders and ordinary shareholders voting separately.

(iii) The persons who will be entitled to vote on the resolutions at the Annual Meeting are those persons who are shareholders at 5.00 pm on Monday, 20 December 2004, and only the shares registered in those shareholders' names on that date may be voted at the Annual Meeting.

(iv) The accompanying voting/proxy form should be used to vote on the resolutions. Shareholders can participate by postal vote, by proxy or by casting their vote in person at the Annual Meeting.

(v) Shareholders may cast a postal vote on the resolutions to be voted on at the Annual Meeting by indicating his/her/its voting preference on the enclosed voting/proxy form, signing the form and sending it to the registered office of the Company or the office of the Share Registrar. It is not necessary to also appoint a proxy. The completed voting/proxy form must be received no later than 2.00 pm on Monday, 20 December 2004. The Chief Executive Officer and the Director, Corporate & Legal Services have each been authorised by the Board to receive and count postal votes at the Annual Meeting.

(vi) Any shareholder who is entitled to attend and vote at the Annual Meeting may appoint a proxy to attend and vote in his/her/its place. A shareholder wishing to appoint a proxy should complete the enclosed voting/proxy form and send it to the registered office of the Company or the office of the Share Registrar. The completed voting/proxy form must be received no later than 2.00 pm on Monday, 20 December 2004. A proxy does not have to be a shareholder in the Company. A shareholder may appoint the Chairman of the Board to act as his/her/its proxy, or another person (such as the chairman of the meeting). It is intended that the Chairman of the Board will be the chairman of the Annual Meeting except in relation to that part of the meeting that addresses his election as a Director of the Company. The Chairman of the Board has advised that it is his intention to vote undirected proxies received by him in favour of all of the resolutions set out above with the exception that undirected proxies received by a Director, including the Chairman of the Board, will not be exercised by a Director to vote on the election or re-election of any Director. Shareholders may revoke their proxies by giving written notice of revocation to the registered office of the Company or the office of the Share Registrar no later than 2.00 pm on Monday, 20 December 2004.

(vii) This Notice of Annual Meeting has been approved by New Zealand Exchange Limited in accordance with NZX Listing Rule 6.1.1.

(viii) If shareholders plan to attend the Annual Meeting, their completion and return of the enclosed reply-paid attendance card would assist our planning.

By Order of the Board

Auckland
New Zealand
25 November 2004

Paul Gillard
Director, Corporate & Legal Services
Tenon Limited

EXPLANATORY MEMORANDUM

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EXPLANATORY NOTE 1 – THE CAPITAL RETURN

INTRODUCTION

At the special shareholders meeting held on 20 February 2004, the Company's shareholders approved the sale by Tenon of its forest estate to a consortium of Kiwi Forests Group Limited, OTPP New Zealand Forest Investments Limited and Viking Global New Zealand Limited. That sale resulted in the Company being in a position to return surplus capital to shareholders with the first capital return of approximately $350 million (representing 62.5 cents per then existing share) having been made in March 2004.

The Company indicated at that time that it proposed to make a further capital return once the process of transferring the non-freehold forestry interests was completed, with the final amount of the capital return being subject to the success of the Company in this regard, as well as market conditions.

The process of transferring the non-freehold forestry interests has now been completed with 95% of such interests having been transferred for approximately $198 million. Further, on 4 June 2004, the Company completed the sale of a forestry right over the land held by the Company's subsidiary, Tarawera Forests Limited, to Tiaki Plantations Company which is managed by Hancock Natural Resource Group, Inc. for $165 million, and on 3 November 2004 Tarawera Forests Limited sold its land to Maori Investments Limited and, in return, Tenon acquired Maori Investments Limited's minority shareholding in Tarawera Forests Limited. In addition, Tenon is currently negotiating terms for the purchase of the Crown's minority interest in Tarawera Forests Limited and the settlement of this transaction is anticipated to take place in December 2004.

The receipt of the proceeds of sale for these forestry assets, together with the Company's trading performance over this period, allows the Company to make a capital return of $321 million. This equates to $1.15 per existing share and will bring the total capital returned to $1.20 per Tenon share on issue prior to commencement of the forest sale process. This is the maximum aggregate amount of capital that the Company indicated to shareholders in February this year that it expected to return as a consequence of the forest sale.

Under the Capital Return the Company will cancel three out of every four ordinary shares in the Company and three out of every four preference shares in the Company. Shareholders will receive $1.5333 for each share cancelled (with the total payment to be made to a shareholder rounded up to two decimal places) which equates to $1.15 per share held before the cancellation. So, if a shareholder holds four ordinary shares before the Capital Return, three of those shares will be cancelled and the shareholder will receive $1.5333 for each cancelled share, which rounds to $4.60 in total. This equates to $1.15 for each of the four ordinary shares held before the cancellation.

THE PROPOSED CAPITAL RETURN

On 22 November 2004, the Company received initial orders granted by the High Court under section 236 of the Companies Act directing the Company to seek shareholder approval for an arrangement under Part XV of the Companies Act. The arrangement provides for:

(a) the cancellation of three out of every four ordinary shares in the Company and three out of every four preference shares in the Company registered in the name of a shareholder on the Record Date. To the extent that a shareholder does not have a number of shares exactly divisible by four, the surplus shares left following that division will also be cancelled;

(b) the payment to each shareholder by the Company of $1.5333 for every ordinary share and every preference share registered in the name of the shareholder that is cancelled (with the total payment made to a shareholder rounded up to two decimal places). This is equivalent to $1.15 for each share held immediately prior to the share cancellation;

(c) the payment to the Company of a dividend of up to $361 million from its wholly owned subsidiary, Tenon Holdings Limited, in order to fund the Capital Return and the associated repayment of debt;

(d) providing a favourable tax ruling is received prior to the Capital Return, the amendment of the terms of the preference shares and the ordinary shares by removing all liquidation preferences and other differential terms associated with each class of share (as a consequence of the Capital Return) with the effect that the Company will have only one class of share following the Capital Return; and

(e) amending the terms of the Company's constitution removing the provisions dealing with preference shares and liquidation preferences.

If the favourable tax ruling referred to in (d) above is not received prior to the Capital Return, then the classes of shares will not be merged. Instead, the amount of the liquidation preference will be reduced to reflect the Capital Return such that, on a liquidation of the Company, each remaining preference share will rank ahead to the amount of 40 cents per share, each remaining ordinary share will be entitled to the next 40 cents per share and thereafter the shares will have equal entitlements to the surplus.

Approximately 209 million shares, or 75% of the total number of the Company's shares on issue, will be cancelled under the Capital Return.

The High Court has required that the Capital Return be approved by special resolutions of holders of ordinary shares and holders of preference shares, voting as separate classes. Therefore, each class must separately pass Resolution 1 by a majority of 75% or more of the votes of those shareholders of that class entitled to vote and voting on the resolution. This approval will also satisfy the requirements of NZX Listing Rule 9.1 (to the extent it is applicable) in the context of the Capital Return.

The Company will apply to the High Court for final orders sanctioning the Capital Return if the Capital Return is approved by shareholders. If these orders are granted, the Capital Return will be binding on all shareholders and the Company. Providing no notices of opposition are filed, the Company expects the final orders from the High Court to be obtained in early February 2005, and the Capital Return completed and payment made to shareholders in late February 2005.

No minority buy-out rights arise under the Capital Return.

RATIONALE FOR THE CAPITAL RETURN

As a result of the completion of the sale of the Company's forestry assets, the Company has an inefficient capital structure, as it has no net debt and significant cash on its balance sheet. That cash is surplus to the Company's projected requirements, and the Company is therefore in a position to return capital to its shareholders. The Board is of the opinion that the Capital Return is the best use of that capital at this time.

The Board has determined to return the capital to shareholders by way of a Court approved scheme because this is:

- consistent with the underlying nature of the transaction, which is to return to shareholders a significant amount of capital that is surplus to the Company's ongoing requirements; and
- fair to all shareholders as it achieves its objective of returning the desired amount of capital to shareholders on a pro rata basis and leaves relative voting rights unaffected (except in relation to voting on a liquidation of the

Company where, if the share classes are merged, the current right of preference shareholders to separately vote on a liquidation will be extinguished).

COURT ORDERS

Attached to this Explanatory Memorandum are:

- the initial Court orders given by the High Court on 22 November 2004 – see Appendix 1; and
- the form of the final Court orders that the Company will seek if the Capital Return is approved by shareholders, including the Arrangement Plan – see Appendix 2.

CONDITIONS TO THE CAPITAL RETURN

Completion of the Capital Return by way of payment to shareholders is conditional on:

- the approval of the Capital Return by both preference shareholders and ordinary shareholders by way of special resolution, voting separately;
- the granting by the High Court of final orders approving and giving effect to the Capital Return; and
- the Board remaining satisfied that the Company will, immediately after the Capital Return, satisfy the solvency test prescribed by the Companies Act.

AMENDMENT TO THE TERMS OF THE SHARES

The Board has determined that, as a consequence of the return of a substantial amount of capital to shareholders, it is appropriate to also now remove the distinction between the Company's preference shares and ordinary shares. The Company has sought a binding tax ruling from the Commissioner of Inland Revenue confirming that the preference shares and ordinary shares will, once the classes merge, be treated as the same class for tax purposes. If that tax ruling is received prior to the Capital Return (which the Company expects), then the classes will merge with effect from the Record Date for the Capital Return. This is discussed in more detail under the heading "Merger of the Share Classes" below.

If the tax ruling is not obtained before the Capital Return, then the preference shares will not merge with the ordinary shares. Instead, the preference entitlements attaching to the preference and ordinary shares will be reduced to reflect the capital being returned. This is discussed in more detail under the heading "Reduction in the preferential entitlement" below.

Merger of the Share Classes

Under the terms of the Company's current constitution, in the event of liquidation of the Company:

- the Company's preference shares rank ahead of the Company's ordinary shares to the amount of $1.25 per preference share; and
- the ordinary shares are entitled to the next $1.25 per ordinary share,

and thereafter preference shares and ordinary shares are entitled to share equally in the surplus. Under the current constitution, holders of preference shares and holders of ordinary shares are required to vote separately in relation to a liquidation of the Company but at all other times are to vote together. In all other respects, the rights attaching to preference shares are the same as those attaching to ordinary shares. These distinct rights terminate automatically on 15 December 2005 whereupon the two classes of shares effectively become a single class of ordinary shares.

The Board considers that it is appropriate to bring forward the date for the merging of the two classes of shares and termination of the liquidation preference arrangements as part of the Capital Return so that there is only one class of shares. This will result in administrative efficiencies for the Company and forms part of the Company's programme to simplify its shareholder arrangements which has included de-listing from the NYSE and the ASX and the cancellation of its ADR programme. The removal of the need to have two classes of essentially identical shares traded on NZX is appropriate given the 75% reduction in the Company's shares following the Capital Return.

The purpose of the preference rights was to give priority to recovery by preference shareholders in liquidation for the subscription amounts paid for each preference share issued in the rights issue completed in December 2000. This was 25 cents per original preference share (later increased to $1.25 per preference share as a result of the 5:1 share consolidation) or $465 million in total.

The effect of the two capital returns is to return to preference shareholders substantially all (96%) of the original investment protected by the preferential rights ($446 million in aggregate or $1.20 per preference share of the $1.25 per preference share invested). The two capital returns thereby largely negate the original purpose of the preference rights. In addition, the Board considers that the financial performance of the Company since the issue of the preference shares, together with the restructuring that has been undertaken over this period, mean that the prospects of a liquidation of the Company prior to 15 December 2005, in circumstances where preferential shareholders will actually receive a greater amount in liquidation in priority to ordinary shareholders, are negligible. In order for the preference rights to operate to produce a different amount paid per preference share as compared with an ordinary share, the net assets of the Company following the capital returns would need to be less than $28 million (assuming that the preference rights are reduced to reflect the amount of capital returned). As can be seen from the table on page 10, the Company's pro forma net asset value is $149 million. As a result, it is highly unlikely that preference shareholders will need to rely on the preference amount remaining after completion of the Capital Return.

As discussed earlier, the merging of the classes of shares is conditional upon receipt of an acceptable tax ruling. The Company has applied for a ruling from the Inland Revenue Department (New Zealand) confirming that once the preferential rights have been terminated, the preference shares and ordinary shares will become shares of the same class for tax purposes and the "available subscribed capital" attributed to shares will comprise the sum of the "available subscribed capital" attributable to the preference shares and the ordinary shares immediately prior to formation of the single class. There should be no other tax consequences for shareholders from the change to rights attaching to the preference shares and ordinary shares. The outcome of that application is expected to be known prior to the Annual Meeting.

The terms of the liquidation preferences, as well as all of the other terms relating to preference shares, are contained in the Company's current constitution. Equivalent provisions are contained in the proposed new constitution that shareholders are being asked to consider adopting pursuant to Resolution 4. If the tax ruling is received, one consequence of the Capital Return will be that the Company's constitution will be deemed to be amended to delete these provisions to reflect the merging of the classes of shares. Details of the relevant constitutional amendments are contained in the Arrangement Plan. There are two variants set out to address the possibility that the adoption of the new constitution is not approved at the Annual Meeting.

Assuming that the High Court grants the final orders approving the Capital Return on 2 February 2005, the last day on which the Company will have both ordinary and preference shares on issue will be 16 February 2005.

Reduction in the preferential entitlement

If the tax ruling is not received prior to the Capital Return, then the classes of shares will not merge as a consequence of the Capital Return. Instead, the preference amount attached to the preference and ordinary shares will be reduced to reflect the capital that has been returned. The Board considers that in order for the arrangement to be fair, it must provide for the economic value of the preference rights attaching to each class of shares, less the amount of capital returned to the holders of that class of shares, to be applied to the remaining shares of that class. The residual preference amount is therefore 40 cents per share. This calculation is illustrated by the following example for a holder of four preference shares. The aggregate preference entitlement associated with those shares prior to the Capital Return is $5.00 (being 4 x $1.25). Under the Capital Return, three of those shares will be cancelled for which the shareholder will receive $4.60 (3 x $1.5333). The remaining 40 cents of preference (being $5.00 – $4.60 returned) is then allocated to the surviving share.

As a result, the Arrangement Plan provides that if the tax ruling is not received prior to the Capital Return, the constitution of the Company will be amended with effect from the Capital Return so that the Company's preference shares will rank ahead of the ordinary shares to the amount of 40 cents per preference share, the ordinary shares are entitled to the next 40 cents and thereafter they share equally in any surplus. The classes of shares will merge automatically on 15 December 2005.

Shareholder approval

Because this aspect of the Capital Return affects the rights attaching to each class of the Company's shares, the High Court has required that the Capital Return be approved by holders of ordinary shares and holders of preference shares, voting as separate classes.

PAYMENT TO SHAREHOLDERS

The Company's share register will close at 5.00 pm on the 10th business day after the date on which the final orders from the High Court are made for the purpose of determining the number of shares to be cancelled and the amount to be returned to those shareholders recorded in the Company's share register at that time (the ***Record Date***).

Payment to shareholders will be made by cheque or, in the case of New Zealand shareholders who have previously provided bank account details to the Company or the Share Registrar, by direct credit. Payments will be made in New Zealand dollars. Cheques will be posted, or direct credits made, within five business days after the Record Date. Shareholders will be issued with new holding statements at the same time, showing the number and class of shares held following the cancellation of shares pursuant to the Capital Return.

CONSEQUENCES OF THE CAPITAL RETURN FOR SHAREHOLDERS

An illustrative example of the impact of the Capital Return for a shareholder holding 1,000 shares in the Company is as follows:

	Pre Capital Return	*Post Capital Return*
Shares held	1,000	250
Share price before return of capital (assumed/estimated)	$2.20	$4.20
Value of shares before return of capital	$2,200	–
Value of shares after return of capital	–	$1,050
Cash received	–	$1,150
Total value	$2,200 (Shares only)	$2,200 (Cash and shares)

Overall, shareholders should therefore be in the same financial position after the Capital Return as they were in before. However the share prices referred to in this table are indicative and no assurance can be given by the Company that the prices will respond in this manner. **The impact of the Capital Return will ultimately depend on the actual movements in the Company's share price following the Capital Return.**

CREDITORS

Following the completion of the Capital Return, the Company will continue to satisfy the solvency test set out in the Companies Act and the Company's creditors will not be prejudiced by the Capital Return. The Company's banking facility allows the proposed Capital Return to proceed. The Company has also obtained confirmation from the Company's bank syndicate that it has no objection to the Capital Return.

TAXATION IMPLICATIONS OF THE CAPITAL RETURN

The Company has received confirmation from the Commissioner of Inland Revenue that the Capital Return will not be classified as "dividends" for New Zealand income tax purposes. The Company will not deduct any withholding taxes from payment of the Capital Return. For shareholders resident in New Zealand who hold their shares on capital account there would be no taxation implications.

There may be income tax consequences for shareholders resident in New Zealand who hold their shares on revenue account for income tax purposes. Such shareholders include those conducting an investment or share dealing business or who acquired shares with the purpose of resale or as part of a profit-making undertaking or scheme. Such shareholders should obtain independent advice on the effect of the Capital Return on their individual tax position.

Shareholders not resident in New Zealand should also obtain independent advice on the effect of the Capital Return on their individual tax position.

DIRECTORS

Directors of the Company, and associated persons of Directors, who beneficially own shares in the Company will participate in the Capital Return in exactly the same way as all other shareholders in the Company. The number of shares in which Directors and/or their associated persons have relevant interests as at 17 November 2004, and the payments they will receive under the Capital Return, are noted in the table below.

Shares held by Directors and/or associated persons

Director	*How held*	*Number of Ordinary Shares*	*Number of Preference Shares*	*NZ$ to be Received*
M J Andrews	associated persons	15,925	31,850	54,941.20
R H Fisher	beneficially	2,000	1,000	3,449.93
A I Gibbs	–	–	–	–
S L Moriarty	beneficially	3,403	6,805	11,740.48
M C Walls	beneficially	–	3,000	3,449.93

Tony Gibbs and Luke Moriarty are directors of Rubicon Limited, subsidiaries of which own 39,690,083 ordinary shares and 99,763,870 preference shares in the Company and, as a result, will receive approximately $160 million under the Capital Return. Mr Gibbs and Mr Moriarty did not participate in the Board's approval of the Capital Return.

RIGHT TO BE HEARD FOR FINAL ORDERS

Unless the non-interested Directors of the Company determine to abandon the Capital Return, then the application for final Court orders will be heard before the presiding judge at 10.00 am on 2 February 2005.

Any shareholder of the Company who wishes to appear and be heard on the application for final Court orders must file a notice of appearance or a notice of opposition (both containing an address for service) and any affidavits and a memorandum of submissions on which such shareholder intends to rely by 5.00 pm on 21 January 2005 and serve a copy on the Company at its address for service. The Company will serve upon that shareholder at their address for service a copy of the affidavits in support of the application for final Court orders by 5.00 pm on 28 January 2005.
If the application is opposed, it will be called at 10.00 am on 2 February 2005. It is possible that it may then be adjourned to a date to be fixed by the Court for argument.

FINANCIAL CONSIDERATIONS

The following table shows the adjustments to the June 2004 Financial Position of Tenon arising from the Capital Return.

NZ$ million	*Tenon (as published)*	*Capital Return*	*Other[1]*	*Tenon (pro forma)*
Assets				
Cash and Liquid Deposits	141	(141)		–
Stocks	83	–	–	83
Debtors	82	–	–	82
Current Assets – Discontinued Operations	133	–	(123)	10
Total Current Assets	439	(141)	(123)	175
Fixed Assets	116	–	–	116
Investments	34	–	–	34
Goodwill	12	–	–	12
Deferred Taxation Asset	22	–	–	22
Total Group Assets	623	(141)	(123)	359
Liabilities and Equity				
Liabilities				
Creditors	73	–	–	73
Provision for Current Taxation	1	–	–	1
Current Liabilities – Discontinued Operations	17	–	(17)	–
Total Current Liabilities	91	–	(17)	74
Term Debt	34	180	(94)	120[2]
Total Group Liabilities	125	180	(111)	194
Equity				
Group Equity (Shareholders' Funds)	470	(321)	–	149
Minority Equity	28	–	(12)	16
Total Group Equity	498	(321)	(12)	165
Total Group Liabilities and Equity	623	(141)	(123)	359

(1) On 20 October 2004 the Company announced that the Company's subsidiary, Tarawera Forests Limited (***TFL***) had reached agreement with Maori Investments Limited (***MIL***) that resulted in TFL selling the Tarawera freehold land and Tenon acquiring MIL's minority interest in TFL. As at 1 November 2004, Tenon had received $96 million out of a total of $106 million from the sale of non-freehold estates that had not completed as at 30 June 2004. Tenon has also received all funds due from discontinued debtors ($3 million) and settled discontinued creditors ($17 million).

(2) The Company projects that Total Debt as at 28 February 2005 will be approximately $100 million (assuming no major changes to the business of Tenon, and based on Management's current expectation that the Put Option in respect of the Empire Company's minority shareholders will not be exercised prior to 28 February 2005).

EXPLANATORY NOTE 2 – ELECTION OF DIRECTORS

Below are the brief biographical notes on each of the persons offering themselves for election as Directors.

A. **Anthony Ian (Tony) Gibbs**

Fellow of the Institute of Directors

Chairman of Directors

Committees: Nominations and Governance (Chairman)

Initially appointed 2004.

Mr Gibbs is a company director. He is Chairman of Turners and Growers and Staveley Inc. and is a director of Rubicon, Coats, Coats Holdings plc, Turners and Growers Fresh, Staveley Industries plc, Tower, Tower Australia, Guinness Peat Group plc, Guinness Peat Group New Zealand, GPG Forests, GPG Shares, Ithaca Custodians, Ezypeel Mandarins, Aeneid Seventeen and Vector. He was previously Chairman of AGB McNair, Tyndall Life NZ, and Deputy Chairman of The NZ Guardian Trust Co. He is a former director of The Colonial Motor Co., Tyndall Australia, The Union Shipping Group and Wrightson.

Mr Gibbs is not considered by the Board to be an independent director because he is a director of Rubicon Limited, the holding company of the Company's largest shareholder.

B. **Michael John Andrews** MNZIF

Non-Executive Director

Committees: Remuneration, Nominations and Governance

Initially appointed 1990. Last re-elected 2002.

Mr Andrews retired as Chief Executive Officer of Fletcher Challenge Limited in April 2001. He was acting Chief Executive Officer of Fletcher Building until July 2001. He was previously Divisional Chief Executive of Fletcher Challenge Energy, Fletcher Challenge Forests and Fletcher Challenge Paper and previously Chief Executive Officer of the Solid Wood Forestry sector and before that of the former Energy and Resources Group. He was Chairman of Rubicon until June 2004. He is a director of Eastland Infrastructure, Eastland Port, Eastland Network, New Zealand Trade and Enterprise and the National Centre for Advanced Bio Protection Technologies.

Mr Andrews is not considered by the Board currently to be an independent director because he was chairman of Rubicon Limited, the holding company of the Company's largest shareholder, until June 2004, and would therefore not be perceived to be an independent director.

C. **Michael Carmody Walls** BA, LLB (VUW), LLM (London)

Non-Executive Director

Committees: Audit (Chairman), Nominations and Governance

Initially appointed 2001. Last re-elected 2002.

Mr Walls practises as a business consultant. He was previously the Managing Director, Investment Banking, for BZW New Zealand, and then for its successor, ABN AMRO New Zealand, from 1997 to 2000. Prior to that Mr Walls practised as a commercial lawyer at Chapman Tripp, where he was a partner from 1972 until 1996 specialising in mergers and acquisitions, international finance and corporate law. Mr Walls is a former Chairman of BHP NZ Steel Holdings, and a former Chairman of the listed Independent Press Communications (now a subsidiary of APN News and Media Limited). In addition, he has been a director of a number of unlisted companies. He is the Chairman of the Board of the New Zealand Institute of Economic Research.

The Board has determined that Mr Walls is an independent director.

EXPLANATORY NOTE 3 – AUDITORS' REMUNERATION

PricewaterhouseCoopers are the existing auditors of the Company. They are automatically re-appointed by virtue of section 200 of the Companies Act. The proposed ordinary resolution is required to authorise the Directors to fix their remuneration for the purposes of section 197 of the Companies Act.

EXPLANATORY NOTE 4 – ADOPTION OF NEW CONSTITUTION

INTRODUCTION

Resolution 4 is a proposal that the Company revokes its existing constitution and adopts a new constitution.

A copy of the proposed new constitution and the existing constitution may be viewed on the Company's website www.tenon.co.nz. Copies of those documents are also available on request from the Company at PO Box 92-036, Auckland 1030, Attention: Director, Corporate & Legal Services. You may also inspect copies of these documents at the Company's offices at 8 Rockridge Avenue, Penrose, Auckland.

MAIN REASONS FOR THE CHANGES REFLECTED IN THE NEW CONSTITUTION

The changes to be made by the adoption of the proposed new constitution are required as a result of the following developments since the Company last amended its constitution in 2003:

- The NZX Listing Rules were amended in October 2003 and May 2004. Many of those changes are required to be reflected in the Company's constitution.
- The Company has de-listed from the Australian Stock Exchange and, as a result, is no longer subject to the listing rules of that exchange.
- The Company has taken the opportunity to do some "housekeeping" at the same time, by updating some minor items in its constitution.

Amended Listing Rule 3.1.1 came into effect in May 2004 and permits the Company to incorporate the relevant Listing Rules by reference. The Company proposes to adopt this approach as it has a number of advantages, including:

- removing the need for the Company to update its constitution each time the Listing Rules change, thereby saving the Company both time and money and avoiding the need to obtain waivers from NZX in the event of any inconsistency between the constitution and the Listing Rules;
- permitting the Company to utilise any Listing Rule amendments from the date that those amendments become effective without the need to first obtain specific waivers or rulings in each case; and
- shortening and simplifying the constitution.

If the new constitution is adopted by shareholders it will mean that if in future there are changes made to the Listing Rules such that any provision in the constitution is inconsistent with the Listing Rules, then the Listing Rules (as amended by any waiver or ruling relevant to the Company) will prevail. This will be similar to the position that exists currently by virtue of clause 1.4 of the Company's existing constitution. Ongoing compliance with the Listing Rules is a condition of continued listing on NZX and the market trading of its shares. A copy of the Listing Rules may be viewed on NZX's website: www.nzx.com/regulation.

NZX APPROVAL

NZX has approved the proposed new constitution.

EXPLANATION OF MAJOR DIFFERENCES

The adoption of the proposed new constitution will allow the Company to operate within the full parameters permitted by the Listing Rules. Set out below is an explanation of the various material amendments to the Listing Rules which will apply immediately to the Company upon adoption of the proposed new constitution, as well as an explanation of the material differences between the existing constitution and the proposed new constitution.

Unless expressly stated otherwise, references to clause numbers below are references to clause numbers in the proposed new constitution.

1. Clause 4.1 – Issues of new equity securities

1.1 *Time limit*

In line with the Listing Rule amendments, the proposed new constitution incorporates by reference amendments to Listing Rule 7.3.2, which deal with time limits for the issuance of equity securities following approval by shareholders. The Listing Rule amendments extend the time within which an issue of new equity securities can be made as follows:

(a) in the case of an issue made solely to employees, from within 12 months to within 36 months after the passing of the resolution of shareholders approving the issue; and

(b) in all other cases, from within 6 months to within 12 months after the passing of the resolution.

1.2 *$5,000 offers to holders of existing securities*

The amendment to Listing Rule 7.3.4 now allows the Board to issue equity securities without shareholder approval to holders of existing equity securities if the consideration does not exceed $5,000 per existing security holder and the number of equity securities to be issued does not exceed 30% of the total number of fully paid equity securities already on issue. This provision is incorporated by reference into the proposed new constitution. This provision provides the Company with more flexibility to raise capital without seeking specific shareholder approval, on the basis that the capital is obtained in relatively small sums from existing equity security holders.

1.3 *Issues within 15% limit*

Listing Rule 7.3.5 has been amended to increase the maximum number of equity securities that can be issued in a 12-month period, without the need to obtain shareholder approval, from 10% to 15% of the total number of equity securities of that class on issue. That increased maximum number is incorporated by reference into the proposed new constitution. A Ruling issued by NZX preserves the current position that preference shares are not considered to be convertible into ordinary shares for this purpose so the 15% threshold applies separately to each class of shares.

1.4 *Employee share issues*

The proposed new constitution incorporates by reference amendments to Listing Rule 7.3.6. These amendments increase the thresholds for issues of equity securities to employees without the need to first obtain shareholder approval from the current levels of:

(a) 2% of the total number of equity securities of that class on issue in the 12-month period preceding the date of issue to 3%; and

(b) 5% of the total number of equity securities of that class on issue in the 5-year period preceding the date of issue to 7%.

The amendments to the Listing Rules also provide that if securities have been issued to directors or employees with shareholder approval, those securities cannot be re-priced or their terms amended except in accordance with the relevant Listing Rules or with the approval of NZX or with further shareholder approval. This restriction will also apply to the Company by way of incorporation by reference into the proposed new constitution. A Ruling issued by NZX preserves the current position that preference shares are not considered to be convertible into ordinary shares for the purposes of calculating these thresholds.

2. Clause 5.1 – Buybacks of equity securities

The proposed new constitution incorporates by reference amendments to Listing Rule 7.6.1 which increase the limit imposed on the Company on acquiring its own shares during any 12-month period without shareholder approval from 10% to 15% of the total number of equity securities of the class acquired on issue at the commencement of this period. A Ruling issued by NZX preserves the current position that preference shares are not considered to be convertible into ordinary shares for the purposes of calculating this threshold.

3. Liability of transferee who is given notice of lien

Clause 2 of Schedule 4 to the current constitution deals with liens the Company may have over any issued securities that are not fully paid (of which there are none at present). Under clause 2.2 of Schedule 4 transferees of securities are only liable to the Company for monies owing to the Company if they have been given notice of the lien prior to the registration of the transfer. It is not proposed to replicate this clause in the proposed new constitution.

Consequently, all transferees of securities that are not fully paid and therefore subject to liens held by the Company will acquire those securities subject to the Company's rights under the lien.

4. Clause 10.3 – Transfers executed outside New Zealand

The proposed new constitution simplifies the means by which securities may be transferred when the transfer instrument has been executed outside of New Zealand.

5. Clause 21.1 – Board composition

The proposed new constitution incorporates by reference amendments to Listing Rule 3.3.1 which require a minimum number of independent directors on the Board. The Listing Rule states that the minimum number of independent directors shall be two or, if there are eight or more directors, the greater of three directors or one-third of the total number of directors (rounded down to the nearest whole number of directors). The proposed new constitution also now allows Directors to appoint alternates (see clause 22) in a manner consistent with the requirements of Listing Rule 3.3.4.

6. Independent directors

The proposed new constitution incorporates by reference new Listing Rules 3.3.1A, 3.3.1B and 3.3.1C in relation to independent directors. The effect of these requirements is:

(a) the Board must determine which of its directors are independent directors before publication of the annual report each year and after the annual shareholders meeting each year;

(b) if a director is appointed by the Board, the Board must determine whether the director is an independent director;

(c) each time the Board makes such a determination, the Company must announce the outcome to NZX; and

(d) the Company must make the necessary arrangements to require directors to provide sufficient information to the Board to enable it to make those determinations.

7. Audit Committee

The proposed new constitution incorporates by reference the amended Listing Rule 3.6 requirement that the Company establish an audit committee consisting of a minimum of three directors of the Company, a majority of whom are to be independent directors and at least one of which is required to have an accounting or financial background. The Company has had an Audit Committee in place for a number of years.

8. Nomination of Directors

The proposed new constitution incorporates by reference the amendments to Listing Rule 3.3.2 in relation to the nomination of directors. The Company will make a market announcement of the opening date and closing date for director nominations no less than three months prior to the date of a proposed annual shareholders meeting. The Company must also specify in any notice of meeting in which a person is nominated for election as a director, the Board's view as to whether or not the nominee would qualify as an independent director.

9. Clause 25 – Directors' Remuneration

Clause 25 incorporates by reference Listing Rule 3.5.1 and clarifies that no remuneration may be paid to a non-executive director of the Company in his or her capacity as a director of the Company unless that remuneration has been authorised by an ordinary resolution of shareholders of the Company. Listing Rule 3.5.1 extends the ambit of the rule to remuneration paid to a director of the Company by any subsidiary of the Company, other than a subsidiary which is listed.

10. Payments upon cessation of office

The proposed new constitution incorporates by reference Listing Rule 3.5.2 relating to payment of director retirement allowances. Under the amended Listing Rules, an ordinary resolution of shareholders is required to make a payment to a director on cessation of office, unless the director was in office on or before 1 May 2004 and has continued to hold office since that date. In that latter case, a payment of up to three years' remuneration may be made by the Company without the need to have that payment approved by an ordinary resolution of shareholders.

11. Disposal or acquisition of assets

The proposed new constitution incorporates by reference the amendments to Listing Rule 9.1.1 in relation to the disposal or acquisition of assets. The quantitative threshold for determining whether shareholder approval is required for the disposal or acquisition of assets now applies to transactions which are in excess of 50% of the Company's average market capitalisation (the previous test was based on 50% of the lesser of the Company's average market capitalisation or the gross value of its assets).

In addition, a takeover offer in respect of a Code Company made by the Company does not require shareholder approval under recent changes made to the Listing Rules.

12. Transactions with related parties

The proposed new constitution incorporates by reference the amended Listing Rule 9.2.2 threshold of 5% of the average market capitalisation of the Company for determining whether a transaction (or a related series of transactions) with a related party will be a "related party transaction" under the Listing Rules which requires shareholder approval to be obtained. The previous test was based on 5% of the lesser of shareholders' funds or average market capitalisation of the Company.

The "aggregate gross value" test for sales and acquisitions of assets has now been replaced with the concept of "aggregate net value" which is to be calculated by reference to the greater of net tangible asset backing and market value of the relevant assets.

In accordance with the amendments to the Listing Rules, a "related party transaction" now excludes an employment contract with a natural person who is not a director of the Company or any of its subsidiaries and related party transactions the total value of which is less than $250,000.

GLOSSARY

The following terms have the following meanings when used in this Notice of Annual Meeting:

"**Annual Meeting**" means the annual meeting of shareholders of the Company, to be held on 22 December 2004, and any adjournments or postponements thereof;

"**Arrangement Plan**" means the arrangement plan attached to the form of final Court orders that the Company proposes to seek approving the Capital Return, set out in Appendix 2;

"**Board**" means the board of directors of the Company;

"**Capital Return**" means the return of capital on terms set out in the Explanatory Memorandum to be approved by the High Court as an arrangement under Part XV of the Companies Act;

"**Company**" means Tenon Limited;

"**Companies Act**" means the Companies Act 1993 (New Zealand);

"**Constitution**" means the constitution of the Company;

"**Directors**" means the directors of the Company;

"**Explanatory Memorandum**" means the explanatory memorandum that forms part of this Notice of Annual Meeting;

"**High Court**" means the High Court of New Zealand;

"**Listing Rules**" means the listing rules of NZX;

"**Notice of Annual Meeting**" means this notice of annual meeting and explanatory memorandum issued by the Company for the purpose of calling the Annual Meeting;

"**NZ$**" and "**$**" means New Zealand dollars;

"**NZX**" means New Zealand Exchange Limited;

"**Record Date**" is defined under "Payment to Shareholders" on page 8 of the Explanatory Memorandum;

"**Share Registrar**" means Computershare Investor Services Limited; and

"**Tenon**" means the group comprising the Company and its subsidiaries.

APPENDIX 1 – INITIAL COURT ORDERS

In the High Court of New Zealand **CIV 2004-404-99**

Auckland Registry

In the matter of an Arrangement under Part XV of the Companies Act 1993

Tenon Limited (formerly Fletcher Challenge Forests Limited)

an incorporated company having its registered office at Auckland
carrying on business as a holding company

Applicant

Initial orders under section 236 of the Companies Act 1993 relating to an originating application for orders approving an Arrangement under Part XV of the Companies Act 1993

22 November 2004

BEFORE THE HONOURABLE JUSTICE RANDERSON

Monday 22 November 2004

UPON READING the originating application for orders approving an arrangement under Part XV of the Companies Act 1993, the ex parte notice of interlocutory application for initial orders under section 236 of the Companies Act 1993 dated 17 November 2004, the affidavits of John Anthony Dell and Simon Roger Cotter sworn in support of those applications and **UPON HEARING** Mr R G Simpson and Mr H S Wong, counsel for the applicants, **THIS COURT ORDERS**:

A. Annual meeting of Shareholders

1. At the applicant's annual shareholders meeting (***Shareholders' Meeting***) to be held at the ASB Bank Stand at Eden Park, Auckland at 2.00 pm on Wednesday, 22 December 2004 the applicant is directed to put to its shareholders for their consideration and approval in the manner specified in order 2 below, the proposed arrangement (***Arrangement***) to:

   (a) Cancel 3 out of 4 preference shares and 3 out of 4 ordinary shares in the applicant registered in the name of each shareholder on the Record Date and to make a cash payment of NZ$1.5333 per cancelled share to its shareholders by way of a return of capital; and

   (b) Extinguish the rights of preference attaching to the applicant's preference shares and the ordinary shares by clause 2.3 of the applicant's Constitution, and all other differential rights between the classes of preference and ordinary shares, such that there is only a single class of ordinary shares on issue.

   The key elements of the Arrangement are described in the arrangement plan (***Arrangement Plan***) annexed to the originating application for final Court orders approving the Arrangement (***Application for Final Court Orders***).

2. The Arrangement will be put to the shareholders of the applicant for approval by way of the following special resolutions (***Special Resolutions***):

   (a) A Special Resolution of 75% or more of the votes cast by holders of ordinary shares entitled to vote and voting on that resolution at the Shareholders' Meeting; and

   (b) A Special Resolution of 75% or more of the votes cast by holders of preference shares entitled to vote and voting on that resolution at the Shareholders' Meeting.

3. Only those shareholders whose names appear in the register of shareholders of the applicant as at 5.00 pm on Monday, 20 December 2004 (New Zealand time) will be entitled to be represented and vote at the Shareholders' Meeting or any adjournment(s) or postponement(s) thereof.

4. The shareholders of the applicant are authorised to vote by postal vote or proxy at the Shareholders' Meeting provided that they deliver their postal voting forms or proxy forms to the registered office of the applicant or the office of the share registry of the applicant (including by facsimile) by 2.00 pm on Monday, 20 December 2004 (New Zealand time). The applicant is entitled to disregard any postal votes or proxy forms received after this deadline. However, the applicant may in its discretion waive the deadline for the delivery of postal votes or proxies by shareholders if it deems it to be in its best interests and in the best interests of its shareholders to do so. Shareholders may revoke their proxies by giving written notice of revocation to the registered office of the applicant or the office of the share registry of the applicant by 2.00 pm on Monday, 20 December 2004 (New Zealand time). The applicant is authorised to solicit proxies from its shareholders.

5. Subject to the terms of these orders, the Shareholders' Meeting will be conducted in accordance with the provisions of the Companies Act 1993 and the constitution of the applicant.

6. The applicant is permitted to make such amendments, revisions and/or supplements to the Arrangement and the Arrangement Plan as it may determine are in its best interests and in the best interests of its shareholders. The Arrangement as so amended, revised and/or supplemented will be the Arrangement to be submitted to the shareholders for their approval at the Shareholders' Meeting. The applicant is also permitted to make consequential amendments, revisions and/or supplements to the Special Resolutions and the Shareholders' Meeting Materials referred to in order 7 below. Should it make any material amendments, revisions and/or supplements to the Arrangement, the Arrangement Plan or the Special Resolutions after it has sent the Shareholders' Meeting Materials to those persons referred to in orders 7 and 8 below, it will send to those persons a supplementary memorandum by ordinary mail advising them of such amendments, revisions and/or supplements.

B. Notice of Shareholders' Meeting and Application for Final Court Orders

7. The applicant will give notice of the Shareholders' Meeting and the Application for Final Court Orders, by mailing, using prepaid ordinary mail, not less than 15 clear working days prior to the date of the meeting, the following materials:

   (a) A notice of the Shareholders' Meeting that will include a description of the Arrangement, together with:

      (i) A letter from the Chairman of the Board of Directors of the applicant to the shareholders of the applicant recommending support for the Arrangement;

      (ii) A description of the business of the Shareholders' Meeting;

      (iii) An explanatory memorandum providing detailed information regarding the Arrangement and its impact on the applicant;

      (iv) A statement to shareholders of their rights to appear and be heard on the Application for Final Court Orders;

      (v) A copy of the initial court orders made pursuant to this application; and

      (vi) The Application for Final Court Orders; and

   (b) A postal voting and proxy form for use by the applicant's shareholders at the Shareholders' Meeting,

   (collectively the ***Shareholders' Meeting Materials***) in substantially the forms referred and annexed to the affidavit of John Anthony Dell sworn and filed herein, with such amendments, revisions and/or supplements as counsel may advise are necessary or desirable (provided that such amendments, revisions and/or supplements are not inconsistent with the terms of this order) to the following persons:

   (c) The directors and auditors of the applicant;

   (d) The shareholders in the applicant entered on its register of shareholders at the addresses that appear on such register as at 5.00 pm the day immediately preceding the date of the notice of meeting (the ***Record Date***), being the date fixed by the Board of Directors of the applicant for the determination of the shareholders entitled to notice of the meeting pursuant to section 125 of the Companies Act 1993.

8. The applicant will provide a copy of the Shareholders' Meeting Materials on request to any person who is entered on the share register between 5.00 pm on the Record Date and 5.00 pm Monday, 20 December 2004 (New Zealand time).

9. The applicant is granted leave to give notice of the Application for Final Court Orders to persons outside the jurisdiction of this Court in the manner prescribed in orders 7 and 8 above.

10. The accidental failure or omission by the applicant to send the Shareholders' Meeting Materials and the Application for Final Court Orders to the persons specified in orders 7 and 8 above or the non-receipt of such documents by such persons will not constitute a breach of the orders nor invalidate any resolution passed or proceedings taken at the Shareholders' Meeting. If any such failure or omission is brought to the attention of the applicant, then it shall use its best endeavours to rectify it by the method and in the time most reasonably practicable in the circumstances.

C. Reporting of results of Shareholders' Meeting

11. The applicant shall, prior to the hearing of the Application for Final Court Orders, file with this Court an affidavit verifying the actions taken and the resolutions passed by the shareholders at the Shareholders' Meeting.

12. Unless the directors of the applicant determine to abandon the Arrangement, the Application for Final Court Orders will be heard before the presiding Judge at 10.00 am on Wednesday 2 February 2005.

D. Shareholder Rights of Opposition

13. Any shareholder of the applicant who wishes to appear and be heard on the Application for Final Court Orders must file a notice of appearance or a notice of opposition (both containing an address for service) and any affidavits and a memorandum of submissions on which such shareholder intends to rely by 5.00 pm on Friday 21 January 2005 and serve a copy on the applicant at its address for service. The applicant will serve upon that shareholder at their address for service a copy of the affidavits in support of the Application for Final Court Orders by 5.00 pm on Friday 28 January 2005.

14. The only persons entitled to appear and be heard at the hearing of the Application for Final Court Orders will be:

    (a) The applicant;

    (b) Those shareholders of the applicant who file a notice of appearance or a notice of opposition to the Application for Final Court Orders in accordance with order 13 above; and

    (c) Any other person with leave of the Court.

15. If the hearing of the Application for Final Court Orders approving the Arrangement is adjourned, only those persons referred to in order 14 above need be served with notice of the adjourned date.

16. Except as provided in orders 7, 8, and 13 above, the applicant is not required to serve any other documents on the persons specified in those orders.

17. Prior to 28 February 2005, the Court file for this proceeding is not to be available for public search without leave of the Court.

18. The applicant is granted leave to apply at short notice to vary these orders and apply for such further orders as may be appropriate.

BY THE COURT

…....................……………………………..
(Deputy) Registrar

Sealed this 22nd day of November 2004

APPENDIX 2 – APPLICATION FOR FINAL COURT ORDERS

In the High Court of New Zealand **CIV 2004-404-99**

Auckland Registry

In the matter of an Arrangement under Part XV of the Companies Act 1993

Tenon Limited (formerly Fletcher Challenge Forests Limited)

an incorporated company having its registered office at Auckland
carrying on business as a holding company

Applicant

Second originating application for orders approving an Arrangement under Part XV of the Companies Act 1993

17 November 2004

TAKE NOTICE that on Wednesday the 2nd day of February 2005 at 10.00 am or as soon thereafter as counsel may be heard the applicant will move the Court **FOR ORDERS** that:

1. The arrangement (***Arrangement***) to:

   (a) Cancel 3 out of 4 preference shares and 3 out of 4 ordinary shares in the applicant registered in the name of each shareholder on the Record Date and to make a cash payment of NZ$1.5333 per cancelled share to its shareholders by way of a return of capital; and

   (b) Extinguish the rights of preference attaching to the applicant's preference shares and the ordinary shares by clause 2.3 of the applicant's Constitution, and all other differential rights between the classes of preference and ordinary shares, such that there is only a single class of ordinary shares on issue,

   the key elements of which are described in the arrangement plan (***Arrangement Plan***) annexed to this application, is approved and is binding upon the applicant and its shareholders with effect from the Record Date defined in the Arrangement Plan, subject to:

   (a) The satisfaction, waiver or release of the terms and conditions of the Arrangement described in the Arrangement Plan; and

   (b) Any amendment, modification or supplement to the Arrangement made in accordance with the Arrangement Plan.

2. The applicant is granted leave to apply to the Court at short notice if further orders or directions are required.

UPON THE GROUNDS that:

(a) Section 236(1) of the Companies Act 1993 empowers the Court to make orders that the Arrangement is binding on the applicant, its shareholders and on such other persons as the Court may specify upon such terms and conditions as the Court thinks fit.

(b) Section 237(1) of the Companies Act 1993 provides the Court with the power to make additional orders to give effect to the Arrangement.

(c) By the date on which this application is determined the applicant will have complied with the initial orders made by this Court and the requirements of Part XV of the Companies Act 1993. The conditions to the Arrangement (other than the granting of the final orders) will have been satisfied.

(d) The terms and conditions of the Arrangement are fair and reasonable to the applicant and its shareholders.

(e) The Arrangement is such that an intelligent and honest person of business acting in respect of his or her own interest would reasonably approve it.

(f) The Arrangement is in the best interests of the applicant and its shareholders.

(g) The applicant will satisfy the solvency test prescribed by sections 4 and 52 of the Companies Act 1993 on completion of the Arrangement.

(h) The Arrangement is not adverse to the interests of creditors of the applicant.

(i) Appear in the affidavits of John Anthony Dell and Simon Roger Cotter filed in support of this application.

(j) Appear in the memoranda of counsel filed in support of the ex parte application for initial orders and in support of this application.

This application is made in reliance on Part XV of the Companies Act 1993 and upon Rule 4 and Part IVA of the High Court Rules.

Dated at Auckland on 17 November 2004.

…………………………………………………..

R G Simpson
Solicitor for the applicant

To: The Registrar of the High Court at Auckland
And To: The Parties entitled to be served with this application

ARRANGEMENT PURSUANT TO PART XV OF THE COMPANIES ACT 1993

BETWEEN Tenon Limited and the holders of its ordinary shares and preference shares.

1. INTERPRETATION

In this document, unless the context otherwise requires:

Arrangement means the arrangement described in this document;

Board means the board of directors of the Company;

Business Day means a day on which the NZSX market operated by New Zealand Exchange Limited is open for trading;

Company means Tenon Limited;

Constitution means the constitution of the Company in effect as at the Record Date;

Current Constitution means the constitution of the Company in effect as at the date of the grant of the initial Court orders under section 236(2) of the Companies Act 1993 in respect of the Arrangement;

IRD Ruling means a binding ruling from the Commissioner of the Inland Revenue Department confirming that the available subscribed capital in respect of the ordinary shares and preference shares will merge upon a merger of the Company's ordinary shares and preference shares and be ascribed to all of the shares then on issue, in a form satisfactory to the Board;

New Constitution means the proposed new constitution of the Company to be considered by Shareholders at the annual meeting which is proposed to be in effect as at the Record Date;

Record Date means the 10th Business Day after the date an order is made by the High Court of New Zealand pursuant to section 236(1) of the Companies Act 1993 in respect of the Arrangement;

Share means an ordinary share or a preference share in the Company; and

Shareholder means each person who is registered in the share register of the Company as the holder of a Share on the Record Date.

2. FUNDING

The Company will receive a dividend payment of up to $361 million from its wholly-owned subsidiary, Tenon Holdings Limited.

3. CANCELLATION OF SHARES

(a) Subject to receipt of the dividend referred to in clause 2, at 5.00 pm on the Record Date three out of every four ordinary Shares and three out of every four preference Shares registered in the name of each Shareholder will be cancelled. To the extent a Shareholder does not have a number of ordinary or preference Shares exactly divisible by four, the surplus Shares excluded from such division will also be cancelled.

(b) No later than five Business Days after the Record Date, the Company will pay to each Shareholder NZ$1.5333 for every ordinary Share and every preference Share registered on the Company's share register in the name of that Shareholder on the Record Date which has been cancelled in accordance with clause 3(a) (with the total payment made to a shareholder rounded up to two decimal places).

4. REMOVAL OF LIQUIDATION PREFERENCE

With effect from the Record Date:

(a) if, at the Record Date, the Company has received the IRD Ruling, the rights attaching to preference Shares will be modified so that they are the same as rights attaching to ordinary Shares and:

(i) if the New Constitution is in effect at the Record Date, the Constitution will be deemed to be amended as follows:

A. by deleting from the Constitution clauses 3.2, 3.3, 3.4 and 16.5 and updating the clause references and cross references in the Constitution to reflect those deletions;

B. by deleting the word "Ordinary" from the title of clause 3.1 and from before the word "Share" in the first line of clause 3.1 and the words "clause 3.3 and" from clause 3.1(c);

C. by deleting from clauses 30.1 and 30.2 of the Constitution the words "(including the rights of holders of Preference Shares and Ordinary Shares set out in clause 3.3)";

D. by deleting the definitions of "Ordinary Share" and "Preference Share" from clause 1.1 of the Constitution; and

E. by deleting the existing definition of "Share" from clause 1.1 of the Constitution and replacing it with the following:

"**Share** means a share which has been issued, or is to be issued, by the Company, as the case may require;"; or

(ii) if the Current Constitution is in effect at the Record Date, the Constitution will be deemed to be amended as follows:

A. by deleting the word "Ordinary" from the title of clause 2.1 and from before the word "Share" in the first line of clause 2.1 and the words "clause 2.3 and" from clause 2.1(c) of the Constitution;

B. by deleting from the Constitution clauses 2.2, 2.3, 2.4 and 4.8(b) and updating the clause references and cross references in the Constitution to reflect those deletions;

C. by deleting from clauses 3.5 and 3.6 of the Constitution the words "(including the rights of holders of Preference Shares and Ordinary Shares set out in clause 2.3)";

D. by deleting from clause 2(c) of Schedule 1 to the Constitution the words "Holders of Ordinary Shares and Preference Shares will vote together on a resolution of the nature referred to clause 1(a) of this Schedule.";

E. by deleting from clauses 5 and 6 of Schedule 1 to the Constitution the words "For the purposes of this clause, Preference Shares shall be deemed not to Convert into Ordinary Shares.";

F. by deleting from clause 1 of Schedule 2 to the Constitution the words "For the purposes of this clause, the Preference Shares shall be deemed not to Convert into Ordinary Shares.";

G. by deleting from clause 4 of Schedule 2 to the Constitution the words "Holders of Ordinary Shares and Preference Shares will vote together on a resolution of the nature referred to in this clause 4.";

H. by deleting from clause 2 of Schedule 3 to the Constitution the words "Holders of Ordinary Shares and Preference Shares will vote together on a resolution of the nature referred to in this clause 2.";

I. by deleting the definitions of "Ordinary Share" and "Preference Share" from the Annexure to the Constitution; and

J. by deleting the existing definition of "Share" in the Annexure to the Constitution and replacing it with the following:

"**Share** means a share which has been issued, or is to be issued, by the Company, as the case may require;"; or

(b) if, at the Record Date, the Company has not received the IRD Ruling:

(i) if the New Constitution is in effect at the Record Date, the Constitution will be deemed to be amended by deleting each reference to "NZ$1.25" in clause 3.3 of the Constitution and replacing it with "NZ$0.40"; or

(ii) if the Current Constitution is in effect at the Record Date, the Constitution will be deemed to be amended by deleting each reference to "NZ$1.25" in clause 2.3 of the Constitution and replacing it with "NZ$0.40".

5. CONDITION

Completion of the Arrangement is conditional on the Board remaining satisfied that the Company will, immediately after implementation of the Arrangement, continue to satisfy the solvency test prescribed by section 4 of the Companies Act 1993 as modified by section 52(4) of the Companies Act 1993.

Tenon
Wood Solutions to the World