

This is the form of a material change report required under section 85(1) of the *Securities Act* and section 151 of the *Securities Rules*.

BC FORM 53-901F
(Previously Form 27)

Securities Act

MATERIAL CHANGE REPORT UNDER SECTION 85(1) OF THE SECURITIES ACT

NOTE: This form is intended as a guideline. A letter or other document may be used if the substantive requirements of this are complied with.

NOTE: Every report required to be filed under section 85(1) of the *Securities Act* (the "Act") must be sent to the British Columbia Securities Commission (the "Commission") in an envelope addressed to the Commission and marked "Continuous Disclosure".

NOTE: WHERE THIS REPORT IS FILED ON A CONFIDENTIAL BASIS, PUT AT THE BEGINNING OF THE REPORT IN BLOCK CAPITALS "CONFIDENTIAL - SECTION 85", AND PLACE EVERYTHING THAT IS REQUIRED TO BE FILED IN AN ENVELOPE ADDRESSED TO THE SECRETARY OF THE COMMISSION MARKED "CONFIDENTIAL".

Item 1. Reporting Issuer

State the full name and address of the principal office in Canada of the reporting issuer:

The names of the reporting issuers are FOREST & MARINE FINANCIAL LIMITED PARTNERSHIP (the "Partnership"), FOREST & MARINE INVESTMENT TRUST (the "Trust") and FOREST & MARINE INVESTMENTS LTD. (the Company") (collectively the "Issuer"). Its principal office is located at 500 - 345 Wallace Street, Nanaimo, British Columbia, V9R 5B6.

Forest & Marine Investments Ltd. is an exchange issuer; Forest & Marine Financial Limited Partnership and Forest & Marine Investment Trust are not exchange issuers.

Item 2. Date of Material Change

January 25, 2002

Item 3. Press Release

State the date and place(s) of issuance of the press release issued pursuant to Section 85(1) of the *Act*:

Press release issued on January 30, 2002 and disseminated by way of SEDAR and through Canada NewsWire.

Item 4. Summary of Material Change

Provide a brief but accurate summary of the nature and substance of the material change:

As at November 30, 2001, the Partnership had a credit facility of \$64,000,000 which had been drawn to \$53,317,687. The credit facility was for a one year term which expired on November 30, 2001, however, the term has now been renewed by the Bank for a further four month period expiring March 31, 2002. The renewal of the credit facility to March 31, 2002 is also subject to a critical review of the Partnership's credit policy and arrears portfolio being completed by PricewaterhouseCoopers LLP, Chartered Accountants, prior to March 31, 2002.

Item 5. Full Description of Material Change

Supplement the summary required under Item 4 with the disclosure which should be sufficiently complete to enable a reader to appreciate the significance of the material change without reference to other material. Management is in the best position to determine what facts are significant and must disclose those facts in a meaningful manner. See also Item 7.

This description of the significant facts relating to the material change will therefore include some or all of the following: dates, parties, terms and conditions, description of any assets, liabilities or capital affected, purpose, financial or dollar values, reasons for the change, and a general comment on the probable impact on the reporting issuer or its subsidiaries. Specific financial forecasts would not normally be required to comply with this form.

The above list merely describes examples of some of the facts which may be significant. The list is not intended to be inclusive or exhaustive of the information required in any particular situation:

As at November 30, 2001, the Partnership had a credit facility of \$64,000,000 which had been drawn to \$53,317,687. The credit facility was for a one year term which expired on November 30, 2001, however, the term has now been renewed by the Bank for a further four month period expiring March 31, 2002. The renewal of the credit facility to March 31, 2002 is also subject to a critical review of the Partnership's credit policy and arrears portfolio being completed by PricewaterhouseCoopers LLP, Chartered Accountants, prior to March 31, 2002.

Interest on the renewed credit facility is increased to not less than prime plus 225 basis points from the previous rate of prime plus 75 basis points and/or Canadian dollar Bankers' Acceptance rate plus 385 basis points from the previous level of 225 basis points. The average spread (the spread being the difference between the cost of the borrowed funds and the rate of interest charged to borrowers) has been reduced from approximately 3.50 % to approximately 3.0% due to the increased cost of borrowing associated with the renewed credit facility with the Bank. This decrease could impact the earnings of the Partnership. This pricing increase is to be reviewed by the Bank on April 1, 2002 upon review of the progress the Partnership has made in improving their loan portfolio.

The Consolidated Revenue Fund has exercised its right of redemption and the Partnership is obligated to redeem the Class A Units of the Consolidated Revenue Fund by way of 20 quarterly payments of approximately \$339,797.38 each commencing June 30, 2001. One of the events of default of the renewed credit facility is if the Partnership makes the March 31 and June 30, 2002 redemption payments without having previously replenished such equity from proceeds from new subscriptions for Class A Units. Treesea Holdings Inc., the sole shareholder of FMFC, has provided confirmation of financial support to the Partnership with respect to any shortfall in Class A Unit subscriptions during the periods ending March 31 and June 30, 2002 by way of agreeing to invest in Class A Units of the Partnership. All subsequent payments to the Consolidated Revenue Fund are unrestricted provided that the Bank is satisfied with the financial condition of the Partnership as at July 14, 2002.

Concurrent with the renewal, the Partnership applied for a renewal of its credit facility for a further term. In the event that a further renewal term is not agreed to between the parties, the Partnership has the ability to convert the credit facility into a revolving term loan whereby the amount then outstanding will be repaid in monthly instalments equal to 1/36th of the amount outstanding as at the termination of the credit facility, or such other amount as may be agreed.

The Forest & Marine Group operates as a Limited Partnership primarily engaged in financing heavy mobile equipment, helicopters, tugs and barges utilized in the British Columbia forest products and marine industries, as well as other non-forestry businesses such as supermarkets and food distribution, small commercial airlines, fishing and processing plants and wholesale glass distributors.

Item 6. Reliance on Section 85(2) of the Act

If the report is being filed on a confidential basis in reliance on Section 85(2) of the *Act*, state the reasons for such reliance.

INSTRUCTION:

Refer to Section 85(3) of the *Act* concerning continuing obligations in respect of reports filed pursuant to this subsection:

Not Applicable.

Item 7. Omitted Information

In certain circumstances where a material change has occurred and a material change report has been or is about to be filed but Section 85(3) of the *Act* will no longer or will not be relied upon, a reporting issuer may nevertheless believe one or more significant facts otherwise required to be disclosed in the material change report should remain confidential and not be disclosed or not be disclosed in full detail in the material change report.

State whether any information has been omitted on this basis and provide the reasons for any such omission in sufficient detail to permit the Commission to exercise its discretion pursuant to Section 169(4) of the *Act*.

The reasons for the omission may be contained in a separate letter filed as provided in Section 153 of the Rules:

Not Applicable .

Item 8. Senior Officers

To facilitate any necessary follow up by the Commission, give the name and business telephone number of a senior officer of the reporting issuer who is knowledgeable about the material change and the report or an officer through whom such senior officer may be contacted by the Commission:

Further information may be obtained from John Hitchcock, President and Director of the Issuer, at (250) 753-0141.

Item 9. Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at Nanaimo, B.C., this 30th day of January, 2002.

ON BEHALF OF:

**FOREST & MARINE FINANCIAL LIMITED
PARTNERSHIP
by its General Partner, Forest & Marine Financial
Corporation**

**FOREST & MARINE INVESTMENT TRUST
by its Manager, Forest & Marine Financial
Corporation**

**FOREST & MARINE INVESTMENTS LTD.
per:**

"David R. Hitchcock"

Signature

Director

Capacity with Reporting Issuers