

**FOREST ENTERPRISES AUSTRALIA LIMITED
(ADMINISTRATORS APPOINTED)
(RECEIVERS AND MANAGERS APPOINTED)**

BRI Ferrier

Business Reconstruction & Insolvency

**Creditors Meeting
23 November 2010**



Agenda

- Introduction
- Administrators' Report
 - Investigations
 - Recent court decision and reserved decision
 - Committee of Creditors and Grower Meetings
 - Reconstruction Proposals
 - Reconstruction Deed and Projection Modelling
 - Holding DoCA change of recommendation
 - GEERS
- Company's Future
- Administrators' Remuneration
- Questions

Introduction

- Welcome
- Agenda
- Adjudication on Proofs and Proxies
- Quorum
- Determinations of Convenience
- Declaration of Independence, Relevant Relationships and Indemnities

Administrators' Report

- Investigations
 - 2001 and 2009 Head Management Agreements
 - Other investigations and summary of position
- Recent Court Decision regarding External Leases
- Proceedings regarding Internal Leases
- Outcome of Committee Meeting
- Outcome of Grower Meetings (information regarding restructuring)

Administrators' Report

- Reconstruction Proposals
 - Four Proposals, one open
 - Focussed on FEAP, with effects on FEA
 - Outline on next two slides

Administrators' Report – Current Preferred Restructuring Proposal

- Proponent One's proposal is currently the party who are in advanced negotiations with the Banks'.
- Developed stand-alone cash flow projections.
- Propose to pool the 1999 to 2009 MIS schemes and issue replacement interests reflecting the Net Present Value of Growers' Timber, and to take on the land owned by the Group.
- Will require scheme approval and will take some months to resolve.
- This proposal covers unsecured claims as well as Growers.
- Leaves Schemes 1994-1998 to run on
- Contemplates injection of around \$75 million in equity into the “pooled” Schemes with an further \$50 million from land sales. Growers and Shareholders could participate in fundraising, getting “upside” potential

Administrators' Report – Current Preferred Restructuring Proposal

(cont'd)

- Involves a reduction in coups but not so far as in BRI Ferrier Model C, to achieve a “higher value” restructure.
- First step is to agree an Implementation Deed – prepared in draft.
- At a high-level, comparative net stumpage return under the proponent's projections compared to BRI Ferrier estimates shows an additional \$4 per cubic metre. This equates to approximately \$69 million in additional net profit based on 17.4 million tonnes of timber for Schemes 1999 to 2009.
- **The Administrators' are not yet able to recommend the proposal, however developments since the last report lead us to recommend a Holding Deed.**

Administrators' Report – Proposal 2 – Land Purchase

- Covers the land on which Schemes 1994 to 1998 are planted – it would be bought by the proponent, subject to the Scheme rights
- Could complement the Preferred Proposal
- Could resolve the Reafforestation issue with current harvests
- Involves sale of land to party able to undertake management and harvest.
- Either a new Responsible Entity or continuation of FEAP RE

Administrators' Report – Proposal 3 – Change of Responsible Entity and Conversion to Pay as you Go Funding

- Proposal is for replacement of FEAP by another entity, conversion of 2003 to 2009 schemes to Pay as you Go and amendment to management fees
- Proposal has been referred back to proponents for further elaboration and satisfaction as to financial backing.
- The proponents have not taken the proposal further so far.

Administrators' Report – Proposal 4 – Land Purchase

- Received Friday 19 November 2010
- Offer received that provides a mixture of debt and equity to combine the 1999 to 2009 schemes
- Growers receive a minority interest in the land and trees
- Offer subject to due diligence
- Structure is similar to proposal 1 in terms of implementation
- We are yet to consider the proposal and intend to meet with the proponent shortly to discuss their reconstruction

Administrators' Report

- Modelling
 - Disagreements between Receivers and Administrators about models
 - Different assumptions relate to:
 - Net stumpage
 - Wood uses
 - Cartage costs
- GEERS
- Conclusion

The Company's Future

- Company's Future
 - Holding Deed
 - Liquidation
 - Return to Directors
- Recommendation – Holding DoCA

Resolutions – Company's Future

Resolution 1

That the company execute a Holding Deed of Company Arrangement in accordance with the terms appended to the Administrators' Report of 11 November 2010, (as applicable to FEA) to operate until 11 April 2011 at which point the company will be placed in liquidation with the Deed Administrators appointed Liquidators unless prior to that time all the employees of the company who are creditors have had their claims satisfied in which case the Deed shall terminate in accordance with its terms.

Resolution 2

That control of the company be returned to its directors.

Resolution 3

That the company be wound up.

Resolutions – Committee of Inspection

Resolution

That there be a committee of inspection, comprising representatives of the creditors comprising <nominees' names>

Recommend – All current committee members be members of the Committee of Inspection

Questions