

Annexure 3

Please indicate if you are a creditor, grower or landlord and send to BRI Ferrier:
 Email: fea@briferriernsw.com.au; Fax: 02 8263 2399; Post: GPO Box 7079 Sydney NSW 2001

FORM 532

Regulation 5.6.29

Corporations Act 2001
 APPOINTMENT OF PROXY

FEA PLANTATIONS LIMITED
 (SUBJECT TO DEED OF COMPANY ARRANGEMENT)
 (RECEIVERS APPOINTED)
 ACN 055 969 429

*I/*We (1)..... (Grower number if applicable)
 of a creditor of FEA Plantations Limited, appoint
 (2)..... or in his or her absenceas
 *my/our general/special proxy to vote at the Meeting of Creditors of the Company to be held at the Grand
 Chancellor Hotel, 29 Cameron Street, Launceston, Tasmania, 7250, on Tuesday, 27 September 2011 at
 10:30am, and at any adjournment of that meeting.

To vote as follows: (3)
(Not required if a general proxy)

RESOLUTION		FOR	AGAINST	ABSTAIN
1	To vary clause 3.1.5 of the FEA Plantations Limited Deed of Company Arrangement to extend the end date to 30 September 2012			

(If Resolution 1 is not passed)

2	That the company be wound up.			
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A specific proxy operates as a general proxy in respect of any other resolution put to the meeting of creditors. **If you do not want your specific proxy to operate in this way, please tick this box.**

The person so appointed as *my/*our *general/*special proxy is herewith authorised to accept nomination as a member of the Committee of Inspection, should he or she be so nominated or appointed.

HOW TO COMPLETE THIS FORM

1. Insert the creditor's name, address and grower number (if applicable).
2. Insert the name of the person appointed as proxy. If left blank, the proxy will be treated as in favour of the Chairman.
3. To vote tick the box next to the desired option.

DATED (4) Signature

(If Company - Sign under Seal)

Proxies should be returned to the offices of BRI Ferrier, GPO Box 7079, SYDNEY NSW 2001 by **Friday, 23 September 2011 at 2pm.**

CERTIFICATE OF WITNESS (5) -(to be completed only where person giving proxy is blind or incapable of writing)

I,Of.....certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

DATED thisday of 2011

Signature of Witness.....

Description

Place of Residence

Annexure 4

FORM 535
CORPORATIONS ACT 2001

Subregulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

FEA PLANTATIONS LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT) (RECEIVERS APPOINTED)
ACN 055 969 429

To the Administrators of FEA Plantations Limited

1. This is to state that the company was, on 14 April 2010 and still is, justly and truly indebted to⁽¹⁾
.....
..... (Grower number if applicable.....) for
.....dollars andcents.

Particulars of the debt are:

Date	Consideration ⁽²⁾	Amount \$	GST incl \$	Remarks ⁽³⁾

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following:⁽⁴⁾

3.^{(5)*} I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

3.^{(5)*} I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

DATED this day

Signature of Signatory.....

NAME IN BLOCK LETTERS(Please indicated if you are a creditor, grower or landlord.)

Occupation

Address.....

See Directions overleaf for the completion of this form

OFFICE USE ONLY

POD No:		ADMIT - Ordinary	\$
Date Received:	/ /	ADMIT - Preferential	\$
Entered into IPS/Computer:		Reject	\$
Amount per RATA	\$	H/Over for Consideration	\$
PREP BY/AUTHORISED		TOTAL PROOF	\$
DATE AUTHORISED / /			

Annexure 4

Directions

- * Strike out whichever is inapplicable.
- (1) Insert full name and address (including ABN) of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor.
- (2) Under "Consideration" state how the debt arose, for example "goods sold and delivered to the company between the dates of", "moneys advanced in respect of the Bill of Exchange".
- (3) Under "Remarks" include details of vouchers substantiating payment.
- (4) Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them in a schedule in the following form:

Date	Drawer	Acceptor	Amount	Date Due
	\$	¢		

-
- (5) If proof is made by the creditor personally, strike the two (2) paragraphs numbered 3.
-

Annexures

- A. If space provided for a particular purpose in a form is insufficient to contain all the required information in relation to a particular item, the information must be set out in an annexure.
- B. An annexure to a form must:
- (a) have an identifying mark;
 - (b) and be endorsed with the words:

"This is the annexure of *(insert number of pages)* pages marked *(insert an identifying mark)* referred to in the *(insert description of form)* signed by me/us and dated *(insert date of signing)*; and
 - (c) be signed by each person signing the form to which the document is annexed.
- C. The pages in an annexure must be numbered consecutively.
- D. If a form has a document annexed the following particulars of the annexure must be written on the form:
- (a) the identifying mark; and
 - (b) the number of pages.
- E. A reference to an annexure includes a document that is with a form.

Annexure 5

**Please indicate if you are a creditor, grower or landlord and send to BRI Ferrier:
Email: fea@briferriernsw.com.au; Fax: 02 8263 2399; Post: GPO Box 7079 Sydney NSW 2001**

FORM 532

Regulation 5.6.29

Corporations Act 2001
APPOINTMENT OF PROXY

FOREST ENTERPRISES AUSTRALIA LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(RECEIVERS AND MANAGERS APPOINTED)
ACN 009 553 548

*I/*We (1)..... (Grower number if applicable)
of a creditor of Forest Enterprises Australia Limited, appoint
(2)..... or in his or her absenceas
*my/our general/special proxy to vote at the Meeting of Creditors of the Company to be held at the Grand
Chancellor Hotel, 29 Cameron Street, Launceston, Tasmania, 7250, on Tuesday, 27 September 2011 at 2:00pm,
and at any adjournment of that meeting.

To vote as follows: (3)

(Not required if a general proxy)

RESOLUTION		FOR	AGAINST	ABSTAIN
1	To vary clause 3.1.5 of the Forest Enterprises Australia Limited Deed of Company Arrangement to extend the end date to 30 September 2012			

(If Resolution 1 is not passed)

2	That the company be wound up.			
---	-------------------------------	--	--	--

A specific proxy operates as a general proxy in respect of any other resolution put to the meeting of creditors. **If you do not want your specific proxy to operate in this way, please tick this box.**

The person so appointed as *my/*our *general/*special proxy is herewith authorised to accept nomination as a member of the Committee of Inspection, should he or she be so nominated or appointed.

HOW TO COMPLETE THIS FORM

1. Insert the creditor's name, address and grower number (if applicable).
2. Insert the name of the person appointed as proxy. If left blank, the proxy will be treated as in favour of the Chairman.
3. To vote tick the box next to the desired option.

DATED (4) Signature

(If Company - Sign under Seal)

Proxies should be returned to the offices of BRI Ferrier, GPO Box 7079, SYDNEY NSW 2001 by **Friday, 23 September 2011 at 2pm.**

CERTIFICATE OF WITNESS (5) -(to be completed only where person giving proxy is blind or incapable of writing)

I,of.....certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

DATED thisday of 2011

Signature of Witness.....

Description

Place of Residence

Annexure 6

FORM 535
CORPORATIONS ACT 2001

Subregulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)

FOREST ENTERPRISES AUSTRALIA LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT) (RECEIVERS AND MANAGERS APPOINTED)
ACN 009 553 548

To the Administrators of Forest Enterprises Australia Limited

1. This is to state that the company was, on 14 April 2010 and still is, justly and truly indebted to⁽¹⁾
.....
..... (Grower number if applicable.....) for
.....dollars andcents.

Particulars of the debt are:

Date	Consideration ⁽²⁾	Amount \$	GST incl \$	Remarks ⁽³⁾

2. To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any manner of satisfaction or security for the sum or any part of it except for the following.⁽⁴⁾
- 3.^{(5)*} I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.
- 3.^{(5)*} I am the creditor's agent authorised in writing to make this statement in writing. I know that the debt was incurred and for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

DATED this day

Signature of Signatory.....

NAME IN BLOCK LETTERS(Please indicated if you are a creditor, grower or landlord.)

Occupation

Address.....

See Directions overleaf for the completion of this form

OFFICE USE ONLY

POD No:		ADMIT - Ordinary	\$
Date Received:	/ /	ADMIT - Preferential	\$
Entered into IPS/Computer:		Reject	\$
Amount per RATA	\$	H/Over for Consideration	\$
PREP BY/AUTHORISED		TOTAL PROOF	\$
DATE AUTHORISED / /			

Annexure 6

Directions

- * Strike out whichever is inapplicable.
- (1) Insert full name and address (including ABN) of the creditor and, if applicable, the creditor's partners. If prepared by an employee or agent of the creditor, also insert a description of the occupation of the creditor.
 - (2) Under "Consideration" state how the debt arose, for example "goods sold and delivered to the company between the dates of", "moneys advanced in respect of the Bill of Exchange".
 - (3) Under "Remarks" include details of vouchers substantiating payment.
 - (4) Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them in a schedule in the following form:

Date	Drawer	Acceptor	Amount	Date Due
	\$	¢		

-
- (5) If proof is made by the creditor personally, strike the two (2) paragraphs numbered 3.
-

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- A. If space provided for a particular purpose in a form is insufficient to contain all the required information in relation to a particular item, the information must be set out in an annexure.
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 - (c) be signed by each person signing the form to which the document is annexed.
- C. The pages in an annexure must be numbered consecutively.
- D. If a form has a document annexed the following particulars of the annexure must be written on the form:
 - (a) the identifying mark; and
 - (b) the number of pages.
- E. A reference to an annexure includes a document that is with a form.

Annexure 7

FEA & FEAP Joint Report to Creditors and Growers 16 September 2011

1 THE FEA GROUP MANAGED INVESTMENT SCHEMES

The FEA Group sponsored annual Prescribed Interest Schemes from 1993 to 1999 and then Managed Investment Schemes from 2000 to 2009. Broadly, each scheme involved Grower-Investors contributing funds (sometimes borrowed from or through FEA), which were used to fund the establishment of plantations. Each Grower purchased a “woodlot”, being an area within each plantation. The trees on the woodlot belong to the Grower, and the land on which they are planted is held under a form of Grower-lease. The payments required from Growers differed: in many early Schemes, Growers paid fixed annual rent and maintenance fees. In some schemes Growers were able to pre-pay their rent and maintenance fees, while in the schemes from 2003 to 2009, Growers paid an establishment fee and agreed that the Group would obtain a share of the proceeds at harvest in return for funding rent and maintenance, an arrangement equivalent to a joint venture.

In all cases, the woodlots were established on leased land (that is the land was leased by the Grower), although the Product Disclosure Statements issued to Grower-Investors in relation to them had sometimes said the land was owned by the party giving the Grower-lease.

In some cases, the land was leased from external third parties. However, most woodlots were established on land owned by FEA, Tasmanian Plantations or FEA Carbon. We use the term internal leases to describe these leases.

There does not appear to have been any leases within the FEA Group before 2000 applicable to the 1994-2000 Schemes. We have located all the relevant later lease documents and we consider we have identified the terms sufficiently to state the leasing position.

1.1 CONVERSION TO MANAGED INVESTMENT SCHEMES

In 2000, the FEA Group arranged for the conversion (by holding meetings of the schemes’ members) of its *Prescribed Interest Schemes* into *Managed Investment Schemes*, so that they would comply with provisions of the *Corporations Act* introduced in 1998.

The changes involved in this conversion were significant, reflecting the significant changes in the law applicable to schemes. The changes included:

- Merger of the roles of Growers’ landlord, manager and trustee in a “Single Responsible Entity”, FEAP;
- The grant to FEAP by ASIC of an Australian Financial Services Licence allowing it to operate the Schemes. As an AFSL-holder and Responsible Entity, FEAP (and its officers and directors) were subject to strict duties regarding the protection of scheme property, compliance with the law applicable to Managed Investment Schemes (including the terms of the Scheme Constitutions and Compliance Plans) and to maintain a capital buffer, and to formulate and implement Compliance Plans;

- Adoption of 2000 Standard form of Head Lease (agreed to by the Group's bank, Commonwealth Bank) of land owned by Tasmanian Plantation which was occupied by woodlots to FEAP for a notional rent;
- Appointment of a Custodian for the Schemes (Tasmanian Perpetual Trustees Ltd)
- Execution of *Forestry Rights Deeds* to record and secure Growers' interests in their woodlots. Held by FEAP on behalf of Growers.

Although not strictly required to become a conforming Managed Investment Scheme, arrangements were also made for:

- Appointment by FEAP of FEA to carry out plantation management activities on its behalf;
- A Wood Purchase Agreement by FEA.

While some of the documents necessary to implement these changes were executed, some seem to have been lost and others (such as transfers of the externally leased land from FEA – the former lessee from external landlords and lessor to Growers) seem to have been overlooked. The *Corporations Act* however deems Scheme Property (that is, contributions to Schemes and their proceeds) to vest in the Responsible Entity, regardless of the notional ownership of the asset.

The effect of the 2000 Standard form of Head Lease was to secure for FEAP the land on which the Woodlots were planted at a purely notional rent and to encumber the land with what would, in ordinary circumstances, be regarded as an onerous lease: one where Tasmanian Plantation (TPUT - another company in the FEA Group) was required to allow FEAP to remain in occupation without further reward. While this transaction was an acceptable one in the context of the FEA Group as a whole – it shifted a burden from one company to another – it also reduced the Group's ability to borrow against the land. The effect was that FEAP was entitled to remain in possession until harvest without any further payment of rent. This did not affect the payments required by Growers to FEAP; however it acted to protect the Growers by reducing the financial burden on FEAP to pay Tasmanian Plantations.

1.2 CHANGES TO INTERNAL LEASES

In 2002 the Group sought to borrow from a new lender, Tasmanian Perpetual Trustees, to add to its existing borrowings from the Commonwealth Bank. To allow it to offer Tasmanian Plantations' land as security, it appears to have been thought necessary to change the lease arrangements for specific properties.

This resulted in FEA, FEAP and TPUT in 2003 executing a master lease, under which Tasmanian Plantation leased land to FEA, and FEA on-leased that land to FEAP, which on-leased land to Growers. Again, this lease only related to limited parcels of land held by FEA in addition to all further land acquired by FEA. This document recites that it was brought into existence as an exercise of an option contained in a 2002 lease. This lease has not been located. We note that the parcels of land referred to in the 2003 lease were already planted and subleased to Growers, it therefore follows that this land was subject to the 2000 Standard Head Lease and not the 2003 Lease.

1.3 DISPUTE BY THE RECEIVERS AND MANAGERS

The executed documents from FEA, FEAP and in some cases TPUT show that from the year 2000 when the all of the earlier Prescribed Schemes were converted into Managed Investment Schemes FEAP leased from TPUT all of the property in the 1993 – 2000 Schemes and a revised sub-lease was created between FEAP and the Growers. At the same time the FRDs were entered into and registered on the properties by FEAP on behalf of the Growers. This 2000 Standard Lease stated that it applied to properties acquired after the lease was executed.

All of these actions we are advised were undertaken as part of the registration of FEAP as Australian Financial Services Licence (AFSL) holder and the approval of the Constitutions of the Managed Investment Schemes by Australian Securities Investment Commission (ASIC). It does not appear at any time after 2000 that FEAP or FEA sought approval from ASIC to vary any of the terms of these arrangements between FEAP, FEA, TPUT and the Growers.

The 2003 Master Lease was entered into by FEAP, FEA and TPUT as a direct result of obtaining new financing from Tasmanian Perpetual Trustees. This agreement did not act retrospectively to replace the 2000 leases however; it purported to cover a specific list of properties (which we contend were already subject to the 2000 lease) and all future properties acquired by TPUT.

The Receivers and Managers argument seems to rest on the relationship between FEA and the Growers prior to the year 2000. At that time FEAP was not directly involved with Growers and all invoicing went from FEA to the Growers. However the situation changed in 2000 and the evidence demonstrates FEAP thereafter maintained the relationship with the Growers, as was appropriate being the Responsible Entity of the various Schemes, and invoiced the Growers on an annual basis. FEAP then paid funds to FEA and TPUT under the various agreements between them.

It also appears at some stage FEAP started paying higher amounts to FEA and TPUT than it was contracted to do on some land. It would appear the 2009 Deed of Variation, drafted by the Banks lawyers, seeks to ratify these overpayments and protect FEA and TPUT from any claims from the Schemes.

The 2009 Deed of Variation specifically seeks to amend the rent payment from the nominal rental amount included in the 2000 Standard Head Lease to a commercial rent both retrospectively and prospectively from the date of the Deed of Variation.

The Deed Administrators consider the body of evidence shows that FEAP is the party entitled to invoice the Growers for rental payments and will continue to do so. So as to receive clarity on this matter we will be including a request at Court that they confirm this situation as part of the relief against forfeiture action.

In July 2009, the Group's Banks required the appointment of Deloitte (the firm of the Receivers and Managers), and through them, a legal firm (who continue to act for the Receivers and Managers) to review the Group's affairs. We have been provided with the report prepared by Deloitte, but have been told that the review of the Banks' securities (which in the ordinary course would include a review of the main underlying contracts) undertaken by the lawyers was either not completed, or if so, not provided by Deloitte to the Banks. We contemplate that the lawyers may have reported

directly to the Banks, and may have done so in a series of reports of varying levels of formality. Regardless the Deed Administrators have not been furnished with any lawyers report.

It appears that the lawyers identified deficiencies in the leasing arrangements, most likely those we have referred to, and with them the risks to which the Banks security and/or its value may have been exposed. For whatever reason, the Banks required the deficiencies be rectified. Toward the end of 2009 the Banks and their advisors required, as a condition of conditional suspension of the default into which the Group had otherwise fallen, that, amongst other things, the companies regularise the leasing position to the satisfaction of the Secured Creditors by 22 December 2009.

The Group prepared varied lease agreements, and consulted their lawyers concerning the leases.

Finally, on 23 December 2009, instead of entering into any new lease, FEA and FEAP entered into a "Deed of Variation" which purported to ratify the past payments of rent as having been on a "commercial open-market basis", and then purported to vary the rent applicable to almost all of the land occupied by the Managed Investment Schemes. It is important to note that this Deed was drafted and finalised by the Banks lawyers on behalf of the Banks. The variation of rent term was inserted by the Banks lawyers within hours of the Deed being executed.

Whatever may have been FEAP's ability to comply with the terms of the 2000 and 2003 lease arrangements, its financial resources were not such that, without the support of associated entities, it could meet the lease commitments owed to other members of the Group from December 2009 Thereafter, but for the matter referred to below, FEAP, and the Schemes it administered were bound to exhaust the financial resources available to them, and thereafter to become insolvent.

Despite executing this Deed, FEA and FEAP did not change their internal practices for the charging of rent until after March 2010 when the company was pushed into making the changes retrospectively not from December 2009 (as requested by the Deed of Variation) but from 1 July 2009. The effect of this Deed was to make the obligations of FEAP in respect of Scheme land, assessed both on a Scheme by Scheme basis, and on a whole of entity basis, substantially exceed both its income, and the projected cash flow, from existing schemes. Our view is that this rendered the company insolvent so far as it was not already so, having regard to the substantial obligations it had already incurred to fund existing rent and management costs on the land occupied by the deferred fee Schemes. Once this transaction took effect, the Responsible Entity was bound to default in its performance of lease terms and therefore to imperil the interests of Growers in the Schemes. Importantly, as the rents agreed upon in the Deed of Variation substantially exceed those payable in the Grower-leases, even Schemes with on-going Grower contributions, such as the 1994 - 2002 Schemes, were imperilled.

With default by FEAP upon its rental obligations, and given the precarious position of the related companies to which it might have looked for support (including, in particular, the extent to which their assets had been pledged to the secured creditors), we consider that entry into the Deed was not in the interest of Growers, and while it served to continue the operation of the conditional suspension of default, ultimately, as it was bound to result in the failure of the Responsible Entity, and with it the other members of the FEA Group which were dependent upon the RE's continued operation as a promoter of Managed Investment Schemes.

In our view, this transaction is an Uncommercial Transaction, being one which either caused FEAP to become insolvent, or was entered into after it was already insolvent, and which, having regard to the benefits and detriments of the transaction to FEAP, a reasonable person would not have entered into.

Uncommercial Transactions can be reviewed by a Court, which can then make orders reversing the transaction and/or requiring payment of compensation. Those orders can be made both against the other parties to the transaction and against other parties – including potentially the Banks, who have been involved, either by inducing or implementing the transaction. This can only occur at the request of a Liquidator. Hence, we contemplate that it may eventually be necessary for the companies to enter into liquidation should a commercial resolution not be found with the Banks. However, for reasons provided below, we do not consider it desirable for creditors to resolve to wind up FEAP or FEA at this time.

This right of action to seek to void the 2009 Deed of Variation remains available to FEAP even if the DOCA is extended.

1.4 FURTHER BACKGROUND TO THE SCHEMES

The early FEA schemes involved either pre-payment by growers of rent and maintenance fees set at establishment, or the annual contribution of those fees over the life of a project. Schemes 2003 onward were “Deferred Fee” schemes, where, in substance, the FEA entity sponsoring the scheme became a joint-venture with growers, undertaking to procure at no direct cost to growers the land divided into woodlots, and the maintenance of plantations. In return for doing so, the sponsor (FEAP) would receive a share of the net harvest proceeds.

Under those deferred fee Schemes, entities within the FEA Group promised to meet the cost of funding the operation of schemes for the 12 – 18 years they might extend after establishment. Our assessment is that the Group’s financial resources were not ever capable of funding this commitment from internally-generated resources, and that the Group was therefore dependent upon either continued Growers subscriptions in new Schemes (which of course increased the funding shortfall) or Bank borrowing.

While the structures of the Schemes are simply described, experience following our appointment is the documentation of respective rights and liabilities of group entities, termination of Scheme property, and management information concerning the Schemes has been complicated, uneven, and confused. At many levels, the Managed Investment Schemes became exposed to either powers of veto by, or rest upon the support of other entities in the FEA Group. Upon the enforcement of securities by the Group’s Bankers, that support was withdrawn.

1.5 HEAD MANAGEMENT AGREEMENT

While FEAP contracted with growers to undertake management activities, it appears never to have done so on its own behalf. It sub-contracted with FEA to undertake both establishment, maintenance, and harvest activities. The terms on which they did so were contained in a Head Management Agreement; the most recent version was concluded in 2009. That agreement provided that FEA undertake management for FEAP for a token fee. The Head Management Agreement allowed termination by FEA upon the appointment of external administrators to FEAP; that right was

exercised immediately upon their appointment by the Receivers and Managers (Deloitte) who were appointed by the secured creditors.

We note that the 2009 document replaced an early management agreement that did not include termination provisions. This document provided for significant erosion in Grower protection and could be subject to the same voiding provisions as the 2009 Deed of Variation.

2 CONDUCT OF THE ADMINISTRATIONS

As noted earlier, in 2009 FEAP, the Responsible Entity, did not satisfy the requirements imposed by the Australian Security and Investments Commission that it required sufficient resources to meet its commitments for three months.

To overcome this defect, FEAP obtained from FEA a commitment to provide up to \$5.5 million in funding each month. Although the secured creditors have argued that this was an unenforceable commitment, the Federal Court, in litigation between the Deed Administrators and the Receivers and Managers, has twice held that this was a binding commitment.

FEAP did not draw upon this commitment before our appointment. However, shortly after our appointment, the Administrators drew upon it twice, so that we considered an entitlements draw amount of up to \$11 million. The Receivers and Managers terminated the agreement in accordance with a power contained in it, all the while protesting it was unenforceable, so that we were unable to make any further call upon it. As stated, the Federal Court has held that the claim is enforceable.

We sought to apply the funding commitment (which was not honoured by payment of cash to us) by applying the benefit FEAP ought to have received in discharge of the rent established under the 2009 Deed of Variation. While we consider that we were bound to exhaust the available fund before harvest of most of the plantations, doing so allowed us time within which to formulate means of reconstructing the schemes. A considerable body of correspondence passed between our office and that of the Receivers and Managers on this subject.

In proceedings before the Federal Court (relating only to the 2000 to 2008 Schemes), the Receivers and Managers contended that, not only was the commitment not legally binding, but that it could not be invoked to make rent payments, because the Leases required the payment of rent “without deduction”, this, they say, requires payment in cash, rather than by way of credit against obligations owed by FEA to FEAP. The Receivers and Managers position was inconsistent with the accounting approach FEAP and FEA applied before their appointment, wherein the rent was paid via loan accounts.

We were successful in persuading a single judge of the Federal Court that this view was wrong. However the Receivers and Managers appealed that decision to a Full Court of the Federal Court. The Full Court, while upholding most of our arguments, held that “without deduction” required that we could not offset the entitlement we had under the letter of commitment against FEAP’s entitlement to pay rent. As we had not been paid cash under the funding commitment, and have no access to cash sufficient to meet the rent, we have been unable to make further payment.

While FEAP has available to it some other financial resources, this interpretation of the leases arrangement has severely restricted the time available for FEAP to meet its rental obligations. The Receivers and Managers, controllers of the various landlords (FEA and Tasmanian Plantations), have now sought to terminate the leases between the entities, so that, subject to any relief that a Court might grant against forfeiture, the Grower-leases FEAP has granted may in turn be terminated and Growers could, in due course, cease to have an interest in their woodlots, with the affect that the trees standing on those woodlots will accrue, through their securities over the land, to the secured creditors.

The secured creditors have indicated that they regard themselves as uniquely entitled to market the land and trees for sale; to do so without reference to other creditors, and subject only to limited duties owed under the *Corporations Act*. They also contend that all of their debt, inclusive of penalty interest, and the costs of the Receivers and Managers, ought to be paid in priority to the claims of both Growers and unsecured creditors of the companies. All these issues remain to be resolved by the proceedings which we have/will commence as outlined in this Report.

FEA Plantations Limited as Responsible Entity
Summary Receipts and Payments (Including a Scheme Pools Analysis)
as at 31 August 2011

	FEAP General Fund	1994	1995	1996	1997	1998	1999	2000	2001	2002	1994 - 2002	2003	2004	2005	2006	2007	2008	2009	2003 - 2009	Scheme Total	Grand Total
Grower Receipts to 31 August 2011																					
Grower Receipts Allocated to Scheme Pools																					
Insurance	-	14,693.16	27,559.38	24,896.70	41,000.38	86,283.96	364,880.70	30,457.92	47,913.98	11,675.75	649,361.93	54,107.47	107,611.93	236,323.95	266,206.28	236,986.54	356,851.92	45,451.99	1,303,540.08	1,952,902.01	1,952,902.01
Internal Rent	-	34,076.92	48,185.46	29,430.55	63,620.69	120,505.83	2,475,355.08	304,164.19	146,308.66	112,369.88	3,334,017.25	-	-	-	-	-	-	-	-	3,334,017.25	3,334,017.25
External Rent (94 - 02) / Rent (03 - 09)	-	-	-	5,074.23	86,866.72	171,525.19	364,214.57	9,937.75	6,466.65	5,404.16	649,489.28	133,213.39	163,362.84	528,672.25	322,544.38	421,496.19	784,844.24	63,868.96	2,418,002.25	3,067,491.53	3,067,491.53
Administrators remuneration	-	-	-	-	-	-	-	-	-	-	91,900.50	148,911.19	198,774.12	283,146.94	189,343.53	209,398.53	35,562.34	-	1,157,037.16	1,157,037.16	1,157,037.16
Administrators disbursements	-	-	-	-	-	-	-	-	-	-	53,295.64	81,929.05	95,900.54	135,873.11	91,103.84	92,862.78	21,168.25	-	572,133.22	572,133.22	572,133.22
Forestry maintenance	-	15,417.49	24,610.00	31,091.08	60,843.75	86,302.39	820,512.07	136,263.36	24,626.54	75,218.58	1,274,885.26	23,815.76	35,757.96	57,055.83	204,257.09	169,234.75	438,824.56	26,804.54	955,750.48	2,230,635.74	2,230,635.74
Postage administrative	-	-	-	-	-	-	-	-	-	-	-	1,120.57	2,634.23	3,991.28	5,583.04	4,074.62	5,575.67	972.20	23,951.61	23,951.61	23,951.61
Other grower receipts	-	-	0.04	1,336.87	45.50	11,553.83	168,648.59	9,424.29	32,155.60	2,068.30	225,233.02	0.38	9,202.06	4,793.38	5,111.72	2,304.93	3,527.42	340.80	25,280.69	250,513.71	250,513.71
Total Grower Receipts Allocated to Scheme Pools	-	64,187.57	100,354.88	91,829.43	252,377.04	476,171.20	4,193,611.01	490,247.51	257,471.43	206,736.67	6,132,986.74	357,453.72	549,409.26	1,125,511.35	1,222,722.56	1,114,544.39	1,891,885.12	194,169.09	6,455,695.49	12,588,682.23	12,588,682.23
Other Receipts																					
Cash at bank at appointment	-	577,480.45	103,411.30	1,632.65	0.09	22,827.30	1,208,597.82	469,307.41	-	-	2,383,257.02	-	-	-	-	-	-	-	-	2,383,257.02	2,383,257.02
Harvest proceeds	-	802,564.34	-	-	-	-	-	-	-	-	802,564.34	-	-	-	-	-	-	-	-	802,564.34	802,564.34
Pre-appointment insurance	-	-	28,474.52	-	-	107,183.76	272,017.07	-	-	-	407,675.35	-	-	-	-	-	-	-	-	407,675.35	407,675.35
Other cash transferred from VA to DOCA	-	-	-	-	-	-	-	-	-	-	-	-	-	7,767.47	-	-	-	-	7,767.47	7,767.47	7,767.47
Unallocated grower receipts	-	-	2,020.18	3,057.64	6,566.93	8,492.91	56,492.51	6,564.19	1,712.47	945.27	85,852.10	3,300.29	17,301.94	73,238.70	29,607.96	30,215.11	85,407.44	3,930.15	243,001.59	328,853.69	328,853.69
Pre-appointment debtor	1,987.63	-	-	5,242.93	2,316.99	6,662.02	3,963.22	518.48	5,337.70	848.00	24,889.34	1,665.49	1,870.04	6,258.23	4,417.32	4,746.98	2,739.46	-	21,697.52	46,586.86	48,574.49
Bank interest	153.27	3,696.45	266.48	8.14	55.42	418.10	18,323.82	1,722.64	1,600.76	271.06	26,362.87	3,985.54	5,418.45	13,288.20	11,322.81	11,177.12	25,330.02	1,337.02	71,859.16	98,222.03	98,375.30
Inter scheme transfer	-	-	-	-	-	-	-	-	405.20	-	405.20	-	-	-	-	-	-	-	-	405.20	405.20
Legal fee over paid by schemes	51,961.67	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,961.67
Recovery of solicitor trust funds	82,780.35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,780.35
Over payment refunds	-	6,004.28	57,988.77	5,700.04	4,379.00	-	12,177.63	-	-	4,002.75	90,252.46	-	-	-	-	-	-	-	-	90,252.46	90,252.46
General Fund Receipts from Schemes on Account of																					
Pre appointment management fee outstanding	687,748.14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	687,748.14
Pre appointment management fee outstanding	104,005.74	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,005.74
BAS refund	1,277,032.42	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,277,032.42
Rent recoveries to general fund from schemes	948,538.14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	948,538.14
Recovery of management fees prior to 14/4/10	186,635.38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	186,635.38
Recovery of pre appointment debtors (by way of offset against funds held)	348,110.24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	348,110.24
Recovery of legal fees from Schemes (over paid)	51,961.67	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51,961.67
Refunded disbursements from Schemes (over paid)	24,621.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,621.72
Recovery of group GST payable	82,152.16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	82,152.16
Total Receipts	\$ 3,847,688.53	\$ 1,453,933.09	\$ 292,516.13	\$ 107,470.83	\$ 265,695.47	\$ 621,755.29	\$ 5,765,183.08	\$ 968,360.23	\$ 266,527.56	\$ 212,803.75	\$ 9,954,245.42	\$ 366,405.04	\$ 573,999.69	\$ 1,226,063.95	\$ 1,268,070.65	\$ 1,160,683.60	\$ 2,005,362.04	\$ 199,436.26	\$ 6,800,021.23	\$ 16,754,266.65	\$ 20,601,955.18
Payments Made to 31 August 2011																					
Payments Allocated to Scheme Pools																					
Insurance FY2011	-	10,644.71	12,023.18	11,691.44	19,654.20	39,226.54	416,641.10	73,042.31	44,521.93	18,080.06	645,525.47	39,268.06	73,069.79	149,845.91	190,528.28	168,259.67	246,338.30	36,698.37	904,008.37	1,549,533.84	1,549,533.84
External Rent Paid FY2011 and FY2012	-	-	-	-	89,575.83	307,320.91	743,680.13	57,490.97	25,217.62	6,291.29	1,229,576.73	-	-	-	-	-	-	-	-	1,229,576.73	1,229,576.73
Internal Rent Paid (Cash) FY2011	-	-	-	1,843.00	5,441.00	850,299.00	-	5,925.00	-	-	863,508.00	-	-	-	-	-	-	-	-	863,508.00	863,508.00
Internal rent offset against remuneration FY2011	-	25,808.23	24,123.20	17,690.93	45,600.70	97,500.00	1,972,462.92	347,392.86	102,147.52	98,253.34	2,730,979.70	-	-	-	-	-	-	-	-	2,730,979.70	2,730,979.70
Internal rent offset against disbursements FY2011	-	22,538.90	33,457.33	-	21,463.66	13,270.19	45,222.06	7,645.14	-	18,451.13	162,048.41	-	-	-	-	-	-	-	-	162,048.41	162,048.41
Scheme 2003 to 2009 Administrators Remuneration FY2011	-	-	3,743.36	4,098.46	7,394.79	18,965.25	155,417.97	40,640.32	24,702.91	2,183.15	257,146.21	86,613.84	179,953.02	292,649.36	416,651.83	278,350.28	300,403.04	57,639.95	1,612,261.33	1,612,261.33	1,612,261.33
Forestry maintenance FY2011	-	-	9,939.62	9,939.62	9,939.61	9,939.62	10,196.27	89,498.75	18,811.06	13,166.54	178,764.45	-	-	-	-	-	-	-	-	178,764.45	178,764.45
Forestry manager fee FY2011	-	3,395.15	6,157.72	4,388.77	2,436.38	8,372.53	23,297.19	6,042.08	2,482.13	1,764.36	58,336.31	-	-	-	-	-	-	-	-	58,336.31	58,336.31
Total Payments Allocated to Scheme Pools	-	72,326.61	89,444.40	47,809.21	197,908.18	500,292.69	4,296,519.12	551,064.74	218,163.65	152,356.69	6,125,885.27	125,881.90	253,022.81	442,495.27	607,180.11	446,609.95	546,741.34	94,338.32	2,516,269.70	8,642,154.97	8,642,154.97
Distribution	-	560,000.06	-	-	-	-	-	-	-	-	560,000.06	-	-	-	-	-	-	-	-	560,000.06	560,000.06
Other Payments																					
Pre-appointment insurance refund	-	-	-	-	-	-	272,017.05	-	-	-	272,017.05	-	-	-	-	-	-	-	-	272,017.05	272,017.05
Legal fees	-	24,417.73	10,297.99	9,370.95	10,817.35	18,993.57	229,496.54	33,896.05	15,477.37	11,224.22	363,991.77	11,478.94	23,163.44	49,488.24	58,933.75	50,824.47	92,990.40	7,373.77	294,253.01	658,244.78	658,244.78
Debtor reallocation on VA rollover (over payment)	-	-	-	-	-	-	-	-	-	-	-	-	-	6,623.15	196.83	-	-	-	8,516.18	8,516.18	8,516.18
Bank charges	11.80	809.54	799.29	773.74	795.88	871.74	1,636.21	865.23	898.92	850.53	6,692.25	561.96	727.41	1,973.12	1,295.76	915.76	1,367.36	411.71	7,253.08	13,945.33	13,957.13
Bank Withdrawal transferred to other Schemes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400.77	400.77
Rent clearing	-	-	-	-	125.67	-	-	-	403.96	-	529.63	-	-	-	-	-	-	-	-	529.63	529.63
GST Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	816.01	-	-	816.01	816.01	816.01
Operating	-	-	152.87	152.87	-	-	-	-	-	-	152.87	-	-	-	-	-	-	-	-	152.87	152.87
Professional costs	-	-	460.46	465.89	129.73	129.73	129.73	129.73	129.73	129.73	1,244.27	129.73	129.73	129.73	129.73	129.73	129.73	129.73	908.10	2,152.37	2,152.37
Meeting room	-</																				