

**FOREST ENTERPRISES AUSTRALIA LIMITED  
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)  
(RECEIVERS AND MANAGERS APPOINTED)**

**BRI Ferrier**

Business Reconstruction & Insolvency

**Section 445F Creditors Meeting  
27 September 2011**



# Agenda

- Introduction
- Deed Administrators' Report
- Restructuring Proposals
- Internal Lease Legal Proceedings
- Proposed Resolution to Extend Holding DOCA Period to 30 September 2012
- Deed Administrators' Remuneration
- Resolution
- Questions

# Introduction

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

# Deed Administrators' Report

- Introduction
  - Purpose of Meeting for Creditors to vote on proposed resolution to extend current DOCA to 30 September 2012
  - Failure to extend current Holding DOCA could be terminal to current Group restructuring proposals and/or at least add significant cost to any restructure which may proceed for the Company.
  - Should the DOCA not be extended, the creditors should resolve to place the company in liquidation to preserve the Relation-back Date

# Deed Administrators' Report Group Restructure Proposals

- Current Reconstruction Proposals
  - One-line Sale Proposal
  - New Restructuring Proposal
  - Alternative Restructuring Proposals – BlackTree
  - Previously preferred Rural Funds Management (“RFM”) proposal unable to proceed
- Any proposed restructuring of the FEA Group, and the individual Schemes, is subject to approval by each of the affected companies and the separate Schemes
- The Deed Administrators continue to work with the FEA Growers Group (“FEAGG”) to progress both restructuring proposals
- Details of restructure proposal will be provided in future Growers Report

## Restructuring Proposals (continued)

### One-line Sale of Assets Proposal

- One-line Sale of Assets Proposal
  - Proposed sale of all assets of FEA and FEAP
  - Set an agreed reserve price, below which the Administrators are not bound to sell
  - Sale proceeds to be allocated between banks, Schemes and FEA (Unsecured Creditors)
  - Agreed payment to Banks
  - Viable external trees to be continued for the benefit of Growers
  - Joint sales approach between Receivers and Administrators to protect rights of Growers and Unsecured Creditors

## Restructuring Proposals (continued)

### One-line Sale of Assets Proposal

- The Receivers rejected this proposal and stated they would only consider a consensual one-line sale proposal:
  - Receivers to run sale process
  - No reserve price on the assets
  - The banks be paid from assets in priority to all other Creditors
- Deed Administrators do not consider this acceptable as it provides no protection for Growers and Unsecured Creditors
- Banks have been asked to reconsider their position

## Restructuring Proposals (continued) BlackTree Proposal

- Current status largely remains the same
  - FEAGG convened Growers Meetings for 1999 to 2008 schemes further adjourned to 4 October 2011
  - The BlackTree proposal contemplates their appointment as manager of the Schemes and removes FEAP as RE
  - 2003 to 2008 schemes will be converted from deferred contributory to pay as you go Schemes
  - BlackTree continue to engage with us in respect of our concerns detailed in our previous reports to 1999 – 2008 Growers



## Internal Leases Legal Proceedings

- Update of Recent Events
  - Receivers Appealed to the Full Federal Court seeking directions on rent offset - 2000 to 2008 but specifically referrable 2003 to 2009 schemes
  - In summary, Federal Court found:
    - FEAP is not entitled to internal rent offset of \$11M (available under 'letter of comfort')
    - However, declined to make the Directions sought by the Receivers
  - Receivers sought to act on the Court's findings in respect of all schemes (1994 – 2009) and issued:
    - Default Notices on monetary and non-monetary grounds attempting to terminate various internal leases
    - Demand letters to individual Growers requesting rent payments

## Internal Leases Legal Proceedings

- Our legal advisors' view:
  - Full Court erred in its findings on the question of entitlement to offset \$11 million due by FEAP against rent
  - 2003 Master lease in default only applies to properties purchased after June 2003
  - Defects in monetary and non-monetary Receivers' Default Notices:
    - Demand for rent on properties not owned by FEA, FEAC or TPUT
    - Demand for rent prepaid by Growers prior to 2000 directly to FEA
    - Significant overcharge of rent to earlier schemes
    - Applied Consolidation of Notice for all properties
    - 1994-2002 scheme maintenance in QLD, NSW, and TAS
    - Maintenance obligation of FEA not FEAP

## Internal Leases Legal Proceedings

- Options available to protect Growers' interests:
  - Appeal to High Court:
    - Seeks confirmation for FEAP's entitlement to offset \$11M against rent due to FEA
    - Application for Special Leave to Appeal – lodged 8 September 2011

## Internal Leases Legal Proceedings

- Proposed Federal Court Application seeking Relief for Forfeiture relative to:
  - 1994-2002 schemes – Seeking confirmation:
    - Prepaid Growers have no rental obligation until final harvest
    - 2000 Standard Head Lease applicable for all properties up to Scheme 2003 and rental obligations fully discharged before June 2003
  - 2003-2009 schemes – Application to be deferred pending outcome of Special Leave to Appeal to the High Court
- FPP reforestation obligation to be determined as part of the proceedings.

## Resolution to Extend Holding DOCA

- Resolution to Extend Holding DOCA Period to 30 September 2012
  - FEA Holding DOCA was extended to 30 September 2011 at the Creditors Meeting on 12 May 2011
  - Clause 3.1.5 requires a creditors resolution by 30 September 2011 to extend the DOCA
  - Should creditors reject the resolution to extend Holding DOCA, the DOCA will expire on 30 September 2011

# Deed Administrators' Remuneration

- Deed Administrators' Remuneration
  - Committee of Creditors and subsequently Committee of Inspection have reviewed and approved Deed Administrators' Remuneration
  - Remuneration has been approved by the Committee of Inspection for the period to 15 September 2011
  - Deed Administrators have not been reimbursed for any remuneration or disbursements due to the Company's lack of funds

# The Company's Future

- Company's Future
  - Extend Holding Deed; or
  - Liquidation
  
- Recommendation

We request that creditors vote in favour of proposed resolution to extend current DOCA to 30 September 2012. Should it be determined at any time in the future that it is in the interest of the various stakeholders for the Company to be placed in liquidation, we would then convene further Meetings of Creditors to consider the continued viability of the Deed

# Resolutions – Extension of Holding DOCA

## *Resolution*

*That clause 3.1.5 of the Forest Enterprises Australia Limited Deed of Company Arrangement be varied to:*

*“30 September 2012.”*



# Questions

**Meeting Closed**

**Thank you for attending.**