

24 June 2011

Our Ref: MAB:PAC:1000190

Julian Smith
Maddocks
140 William Street
MELBOURNE VIC 3000

Dear Julian

FEA Growers meetings scheduled for 29 June 2011

We are instructed by Mr Rob Burns to respond to your letter to him dated 21 June 2011 concerning the meetings of Growers scheduled for 29 June 2011, and the attached letter to Primary RE Ltd (**Primary**) and Black Tree Pty Ltd (**Black Tree**). We write on behalf of Mr Burns in his capacity as an attorney for the convenors of the meeting and as chairman of the FEA Growers Group Inc (**FEAGG**).

We advise that FEAGG and the convenors of the meeting decline to give the assurances you seek as to not proceeding with the meetings and withdrawing the proposed restructure.

Further to this, we enquire as to:

- (a) who and in what capacity you assert has an obligation to act in the "best interests" of the Growers; and
- (b) on what basis Mr Burns is obliged to respond to letters from your client, other than in his capacity as chair of the meeting.

With regard to the latter point, we note that your clients are funded by banking institutions with strong interests in dissolving these schemes. The FEAGG does not have, nor does it propose to expend, the funds necessary to respond to all of your complaints. The FEAGG carefully considers and seeks advice on your correspondence, however our client strongly objects to being criticised for not responding to contentions in voluminous correspondence from you and your well funded client.

For reasons set out below, the FEAGG will not publish your letters and recommend you take your complaints to the Administrators who have been seeking to discharge the responsible entity's duty to provide commentary to Growers on all commercial proposals. We understand that they will be doing so again soon.

Role of the FEAGG

In your letter, you effectively assimilate FEAGG's role with that of the proponent of the restructure Black Tree and the proposed responsible entity Primary. The notice of meeting and Explanatory Memorandum make it clear that officers of the FEAGG have called the meeting but the proposal and the explanatory material is that of the proponent Black Tree. As to how the convenors of the meeting have satisfied their obligations is a matter for the convenors.

Our client wishes to place on record that the FEAGG is a party at arms length to each of Black Tree, Primary, Rural Funds Management Ltd (**RFM**) and the administrators BRI Ferrier. FEAGG as a growers advocate group has worked with all parties, utilising similar effort on an ongoing basis to help facilitate commercial options for Growers. Its statement of purposes is on its website for you to peruse. We request that you read this before making any more assertions to our client or to a court as to the obligations of the FEAGG and what it must do.

We note your client has previously attempted to insinuate some deeper involvement of FEAGG with Black Tree than with other commercial parties, which we answered in our letter to Michael Johns of your office dated 16 June 2011. That letter included acknowledgements by RFM and BRI Ferrier of FEAGG's efforts working with the RFM proposal. As stated in that letter, both proposals provide for contributions towards FEAGG's costs, a fact that has been disclosed to Growers. Our client wishes to remind you that your client, in discussions at their



offices in respect of a possible “one-line” sale process acknowledged that a cost recovery for FEAGG would be appropriate as well as recovery of the receivers’ costs. Accordingly, our client considers your client’s criticism at this time disingenuous.

Assertions in your letter

Our client disputes many assertions in your letter and objects to your clients’ contentions being presented as incontrovertible fact.

Your complaint of a failure to acknowledge the secured creditors’ security disregards:

- (a) the contentious nature of the scope of the security which your office has asserted in correspondence with the Administrators and other parties;
- (b) the express exclusion in the charge documents for scheme property;
- (c) the disclosure in the Explanatory Memorandum of:
 - (i) the risk of success by the Receivers in litigation; and
 - (ii) the risk of resolution of the scope of the charge in favour of the secured creditors.

Your letter asserts that any monies paid by Growers to maintain their Schemes fall under the secured creditors’ charge, yet you neglect to mention this is strongly disputed by the Administrators.

Your letter expresses an expectation that FEAGG explains, if not endorses, your contentions to Growers. Our client is concerned that the effect of this would be to mislead Growers. It is clear from the the regular updates published by the Administrators, by Black Tree and by RFM that there are a number of difficult and disputed issues. Your client has a highly functional website and enjoys access to the Growers registers together with substantial resources which can be employed to disseminate its views to Growers. In essence the Receivers can publish their views and be responsible for their views so published without expecting FEAGG to publish or endorse its views.

Your letters also raise issues of other alternatives. As you are aware FEAGG has worked similarly with RFM but you fail to mention that the disclosure you seek for Growers includes disclosure of serious implementation risks in the RFM proposal. In these circumstances our client seeks confirmation of whether RFM has breached any milestones in its Forbearance Agreement with the banks which would allow the banks to withdraw and enforce their securities.

The alternative of a “one line” sale option, if disclosed to Growers, should include disclosure that your client’s position is to pool the land and trees after satisfaction of the banks’ securities and costs and distribute whatever is left to the Growers. This position contains no recognition that Growers are giving up their asset to improve the saleability of the banks’ asset without any sharing mechanism of sales after costs. In addition we are instructed that your client asserted that the plantation trees contain a negative value between minus \$120 million to minus \$160 million when FEAGG was in your offices in Melbourne. We note that FEAGG has invited your client in various discussions to move to a sensible position so it can begin discussions but to date they have declined. Our client feels compelled to place this on record to balance your expressions of concern for the interests of Growers.

We are instructed to advise that our client remains willing to engage in discussions at any stage if your client departs from its position as stated in your letter.

Black Tree Proposal

Our client can confirm that Black Tree’s calculator was withdrawn in April 2011. We are not at liberty to discuss with you the circumstances but are in a position to strong reject your inferences from its withdrawal.

In relation to FEAGG’s involvement in calling the meetings, our client does not accept that your complaint about the calculator requires it to stop the meetings, still less would the withdrawal of a website calculator require a financial services provider to cease its product offering.



Your criticism of Black Tree's due diligence and approach to assessment of viability and reliance on Grower funding is noted. Our client is aware of these things and is satisfied with the disclosure of them to Growers.

Yours sincerely

Mark Bland
Director

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