



Maddocks

Lawyers
140 William Street
Melbourne Victoria 3000 Australia

Telephone 61 3 9288 0555
Facsimile 61 3 9288 0666

info@maddocks.com.au
www.maddocks.com.au

DX 259 Melbourne

Email Letter

From Michael Johns	Date 1/04/2011	
Direct 03 9288 0565	Email michael.johns@maddocks.com.au	
To Rob Garton-Smith	Organisation Primary Securities Ltd	Email rob@primarysecurities.com.au
And to Tony Jack	Organisation Black Tree Pty Ltd	Email info@blacktreeltd.com.au

Our Ref IMJ:5674591

Dear Sirs

**Forest Enterprises Australia Group
Managed Investment Schemes 1999 to 2008 (FEA Schemes)
FEA Limited (subject to deed of company arrangement)(receivers and managers appointed)
(FEA)
FEA Plantations Limited (subject to deed of company arrangement)(receivers appointed)
(FEAP)
Proposed adjourned Grower meetings on 4 April 2011 and proposed change of Responsible
Entity**

We refer to our letter dated 17 February 2011 and note that, despite the matters raised in our letter, it appears that there is an intention to continue with a proposal for restructuring the FEA Schemes.

In addition to the matters raised in that correspondence, it has become apparent from our review of the materials in relation to the proposed Grower meetings that there are further substantial flaws in the proposed restructure and the manner in which the parties involved are purporting to seek to implement it.

One significant issue is that the Proposal appears to contemplate that the Responsible Entity (**RE**) will be given the ability, pursuant to powers of attorney imposed on the Growers through the Constitution, to purport to vary agreements to which the Grower is a party, including:

- Grower Leases;
- Management Agreements.

This mechanism is flawed and cannot be implemented for reasons including:

1. The power of attorney is only granted by the Growers. That does not give the attorney any capacity to agree to an amendment or variation of that agreement on behalf of the other party to the agreement;

Interstate office
Sydney

Affiliated offices around the world through the
Advoc Asia network - www.advocasia.com

2. As the Grower is only one party to those agreements, those agreements cannot be varied without the valid consent and agreement of the other parties;
3. The other parties to those agreements are:
 - 3.1 In relation to the Grower Leases for the 1999 Scheme, FEA; and
 - 3.2 In relation to the other Grower Leases and Management Agreements, FEAP;
4. It is therefore apparent that there is no basis on which it could be suggested that anyone connected with the proposal could effect a variation of the Grower Leases in respect of the 1999 Scheme as that would necessarily involve FEA's consent or agreement. We are instructed by the Receivers that no such consent or agreement has been sought or, on the basis of the proposal as framed, would be given;
5. In relation to agreements to which FEAP is a party, as you are aware and have previously been advised:
 - 5.1 Those agreements and the benefit of them are held by FEAP in its own right; and
 - 5.2 FEAP's rights in respect of those agreements are subject to the charges of the Financiers; and
6. Accordingly, those agreements cannot be varied without the consent of the Financiers.

Accordingly, the entire sub-stratum of the proposals is flawed and cannot be carried into effect.

To the extent that you or any other person proceed to seek resolutions of Growers or purports to carry those resolutions into effect, including purporting to vary any of the agreements referred to above, FEA, the Receivers and the Financiers reserve all rights to recover any loss or damage (including costs and expenses) incurred by any of them as a consequence of those wrongful acts and in connection with any actions which they may deem necessary to take to remedy the position.

We also attach for your information a copy of a letter that we have sent to Mr Rob Burns in his capacities as:

- President of FEAGG, being the party sponsoring the proposals;
- the incumbent Chair of the meetings of Growers; and
- one of three attorneys for certain Growers who caused the notices of meeting to be issued.

Copies of this correspondence is also being provided to:

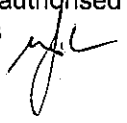
- the Administrators of FEAP; and
- ASIC.

Accordingly, please confirm by return that:

- you will not be seeking to proceed with the proposed resolutions at the adjourned meetings of Growers on 4 April 2011;
- the proposal will be withdrawn.

Yours faithfully
Maddocks

Transmission authorised by:
Michael Johns
Partner



enc

