

25 June 2010

## **CIRCULAR TO EXTERNAL LANDOWNERS**

Dear Sir/Madam

**FOREST ENTERPRISES AUSTRALIA LIMITED (ADMINISTRATORS APPOINTED) (RECEIVERS AND MANAGERS APPOINTED) ("FEA") ACN 009 553 548**  
**FEA PLANTATIONS LIMITED (ADMINISTRATORS APPOINTED) (RECEIVERS APPOINTED) ("FEAP") ACN 055 969 429**

I am writing to follow up my letter of 11 June 2010 which covered our notice under s443B of the Corporations Act whereby the Administrators advised that we did not accept personal responsibility for leases in respect to FEA and FEAP. My aim in this letter is to answer questions and clarify issues that have been raised with my staff since I sent that letter.

### **CURRENT APPOINTMENTS FOR FEA AND FEAP**

Firstly, I should explain the different functions of the Receivers and Managers (Mr Norman and Mr Algeri from Deloitte) and the Voluntary Administrators (Mr Krejci and me, of BRI Ferrier). In simple terms, the Receivers were appointed by the companies' banks under the banks' securities with the primary purpose of taking possession of, and selling, the assets the companies had pledged to the banks under "fixed and floating charges" to secure loans made to the companies.

We, the Voluntary Administrators from BRI Ferrier, have a wider brief. We represent FEA and FEAP in their totality, subject of course to the banks' priorities and rights under the charges. For this reason, the Administrators represent unsecured creditors, growers and (ultimately) shareholders in the companies.

The effect of these appointments is that the primary focus of the receivership is on dealing with the land, the "in-house" land loan debtors, and the timber mill, whereas our focus as Administrators is on the equity interest of the managed investment scheme investors, represented by the timber plantations.

### **DEALINGS WITH LANDOWNERS**

Over the years both FEA and FEAP had various dealings with external landowners, under which each of FEA and FEAP took various leases, licences to occupy, "profits a prendre" (a legal right to enter onto property and harvest and sell the trees) and forestry management rights until harvesting occurs. You are receiving this letter because we understand you are a party to an agreement with one or more of FEA and FEAP.

Under most of the agreements, an amount (loosely described as “rent”) was payable by FEA Group twice each year, representing a payment in advance for the following half year. For most of you, the next payment is due later this month. As Administrators, we indicated by sending the notice on 11 June that we could not accept personal liability for rent where it would have fallen due; we understand that the Receivers have sent similar notices to some of you. In these circumstances, you will not receive payment of amounts falling due later this month at this time. We are, however, attempting to finalise an arrangement by negotiation with all stakeholders where you will be paid this current amount due, and all other amounts falling due in future.

You will appreciate that our efforts to achieve such arrangements are on a best efforts basis and do not constitute a promise to pay.

Arrangements between FEA, FEAP and the various landowners are complex in nature. We ask that all landowners provide us with invoices and supporting documentation to support their claim for current and future rent. This will assist us in speeding up the process.

### **OWNERSHIP OF TIMBER**

The land secured under these arrangements has been occupied to plant and manage trees under “managed investment schemes”, representing investments by investor-growers. In some cases investor-growers are obliged to pay money to FEAP annually to meet on-going rental obligations, however in other cases there was an expectation, (now unfulfilled), that FEA or FEAP would meet rent from its own resources. Under the managed investment schemes, FEAP or the grower-investors are the title owners of the trees planted on your land.

It is important for us to point out to you that you are not entitled to damage or harvest the timber or sell it regardless of the current payment or non-payment under the leases.

### **CONTACT DETAILS**

In addition I ask for your further assistance in requesting additional contact details. The physical cost of sending out letters in this administration (there are over 13,000 growers and over 300 landowners) is prohibitive. Your details will not be divulged to any party without your prior agreement.

Please provide us with additional contact details as soon as possible and in any event before 2 July 2010, by returning the attached completed form, **or emailing the following details to us at:**  
[fea@briferriernsw.com.au](mailto:fea@briferriernsw.com.au):

- Name
- Property Identification Number (if available)
- Phone Number
- Email Address

## **CONCLUSION**

We are working with the companies' directors, the Receivers, the banks and groups of growers to identify a plan by which some or all of the schemes may be "worked out". The objective is to come to a commercial resolution which will optimise the return to all parties. What we seek in the meantime is your indulgence in agreeing to a standstill arrangement in order to facilitate this.

We will be reporting to you over the next few weeks on how these restructuring programs may proceed.

We hope to have the issues resolved in an acceptable manner to satisfy all parties, but this not likely to be before September this year.

If you have any questions regarding this letter or the prior notice, please feel free to contact either of Mr Tony Pope or Mr Antony Resnick of my staff.

Yours faithfully  
Forest Enterprises Australia Limited  
FEA Plantations Limited



BRIAN SILVIA  
Administrator

## **LANDOWNER CONTACT INFORMATION**

Please complete and return this form as soon as possible and in any event before 2 July 2010 by one of the following methods:

**Post**

BRI Ferrier (NSW) Pty Ltd  
GPO Box 7079  
Sydney NSW 2000

**Email**

fea@briferriernsw.com.au

**Facsimile**

02 8263 2399

The details we require are as follows:

<b>Name</b>	
<b>Property Identification Number (if available)</b>	
<b>Phone Number</b>	
<b>Email Address</b>	