



**BETTER OUTCOMES
THROUGH EXPERIENCE**

SECTION 445F CREDITORS MEETING

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

**Brian Silvia and Peter Krejci
27 March 2013**

BRI Ferrier

Business Reconstruction & Insolvency

Sydney | Melbourne | Brisbane | Perth | Adelaide | Townsville | Cairns | Hong Kong

Agenda

1. To discuss the Deed Administrators' Report to Creditors dated 15 March 2013.
2. Purpose of Meeting
3. To discuss the following issues:
 - a) Mediation Outcome; and
 - b) Current status
4. Deed Administrators' Opinion and Recommendation
5. Deed Administrators' Summary Receipts and Payments
6. Deed Administrators' Remuneration
7. The Company's Future
8. Resolution
9. Questions

1. Formalities

- ▲ Introductions: Deed Administrators
- ▲ Corporate Regulations:
 1. Meeting convened pursuant to Section 445F by Notice dated 15 March 2013.
 2. Voting: Current Proof for voting purposes only. Creditors will ultimately be requested to prove debts for dividend purposes.
 3. Quorum.
 4. Time and place of Meeting.
 5. Proofs of Debt and Proxies.
 6. Table Administrators' Declaration of Independence, Relevant Relationships and Indemnities.
 7. Report to Creditors dated 15 March 2013 taken to be read.

2. Purpose of Meeting

- ▲ To provide update for Creditors on progress of the Deed Administration
- ▲ Purpose of Meeting for Creditors to vote on proposed resolution to extend current Holding Deed of Company Arrangement (“DOCA”)
- ▲ Failure to extend current Holding DOCA could be terminal to current restructuring proposals and/or potentially lead to lease terminations if the Company enters liquidation
- ▲ Should the DOCA not be extended, the Creditors should resolve to place the Company in liquidation to preserve the Relation-back Date

3. Deed Administrators' Report – Administration Progress Update

- ▲ Mediation occurred between November 2012 to February 2013
- ▲ Parties have concluded “in principle” agreement with the Banks and Receivers:
 - Orderly resolution of disputes between Receivers and Administrators
 - Proposed Sale of Schemes - Options
 - One-line Sale – Sale of land and trees in all Schemes in “one-line” by the Banks
 - Macquarie Proposal – Sale of land in Schemes 1995 to 2002 in Tasmania – has the potential to become a subset of the One-line Sale
 - Orderly winding-up of 2003 to 2009 Schemes
 - A dividend fund for unsecured creditors
 - Settlement of all litigation between parties
- ▲ “Implementation Deed” being drafted for Creditors/Growers to consider and approve
- ▲ Banks support a two-month extension of the existing DOCA to 31 May 2013
- ▲ Deed Administrators continue to maintain and insure woodlots subject to available funding
- ▲ Deed Administrators urge all Growers to provide financial support to Schemes and enable restructure agreements and implementation

3. Deed Administrators' Report – Sale of Schemes

One-Line Sale

- ▲ Bank-driven process whereby FEAP will receive a share of proceeds
- ▲ Land and trees for all Scheme years offered for sale
- ▲ FEAP/FEA Division of Sale Proceeds:
 - Contemplated as being differentiated to creditors on equitable basis – to be determined
- ▲ Not possible to predict outcome of sale process at this stage

Going-concern Sale (Macquarie Proposal)

- ▲ Contemplates continuation of the 1995 to 2002 Schemes (Tasmania only) on a Going Concern basis – as representing a subset of the One-line Sale process
- ▲ Will only proceed depending on offers that come forward (if any)
- ▲ Potential purchaser(s) can purchase the Land component only (based on a pre-determined level of rent set by Macquarie)
- ▲ Macquarie becomes the RE and will:
 - Manage Schemes to harvest; and
 - Provide funding towards Schemes costs.
- ▲ Not possible to predict outcome of sale and/or if this is an acceptable alternative to One-Line Sale at this stage

3. Deed Administrators' Report – Benefits of Macquarie Proposal

Benefits

- ▲ Growers will get the Cash Flow benefit of fully matured trees (based on a Net Present Value of at least 12 percent)
- ▲ Wood chip prices are currently at record lows – any increase in prices will be for the benefit of Growers

4. Deed Administrators Opinion and Recommendation

- ▲ Creditors should vote for extension of Holding DOCA as it:
 - Allows for continuing restructure implementation;
 - Avoids additional cost and delay due to liquidation;
 - Is a pre-condition for continued support from various parties towards a restructure

- ▲ If DOCA terminates and FEA goes into Liquidation:
 - Internal and External Leases – Landlords have right of termination of leases
 - Return to Growers unlikely
 - No returns to Unsecured Creditors
 - Allows for further investigation and potential recoveries from antecedent transactions
 - Increased risk of more expensive, uncertain and protracted litigation unlikely to maximize overall return to Creditors

- ▲ Administration Ends:
 - The Company is insolvent and would be placed in a similar position if the Deed Administration were to end.

7. The Company's Future

▲ The Company's Future

- Extend Holding DOCA; or
- Liquidation

▲ Recommendation

- We request that creditors vote in favour of proposed resolution to extend current DOCA to 31 May 2013.
- If Creditors are unwilling to extend the Holding DOCA, it would be preferable for FEA to be wound up.
- Should it be determined at any time in the future that it is in the interest of the stakeholders for the Company to be placed in liquidation, we would then convene a further Meeting of Creditors to consider the continued viability of the DOCA.

8. Resolutions – Extension of Holding Deed of Company Arrangement

Resolution

That Clause 3.1.5 of the Forest Enterprises Australia Ltd Deed of Company Arrangement be varied to:

“31 May 2013”