

IN THE FEDERAL COURT OF AUSTRALIA
VICTORIA DISTRICT REGISTRY

VID of 2011

IN THE MATTER OF WILLMOTT FORESTS LIMITED (RECEIVERS AND MANAGERS
APPOINTED) (LIQUIDATORS APPOINTED)
ACN 063 263 650

WILLMOTT FORESTS LIMITED (RECEIVERS AND MANAGERS APPOINTED)
(LIQUIDATORS APPOINTED)
ACN 063 263 650

IN ITS PERSONAL CAPACITY AND IN ITS CAPACITY AS RESPONSIBLE ENTITY OF
EACH OF THE MANAGED INVESTMENTS SCHEMES LISTED IN SCHEDULE 1 AND IN
ITS CAPACITY AS MANAGER OF THE UNREGISTERED MANAGED INVESTMENT
SCHEMES LISTED IN SCHEDULE 2
First Plaintiff

CRAIG DAVID CROSBIE
Second Plaintiff

IAN MENZIES CARSON
Third Plaintiff

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "CDC-18" now produced and shown to **Craig David Crosbie** at
the time of swearing his affidavit on 11 May 2011.

Before me:



MEAGAN LOUISE GROSE
Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne 3000
An Australian Legal Practitioner within the
meaning of the Legal Profession Act 2004

Filed on behalf of the Plaintiffs
ARNOLD BLOCH LEIBLER
Lawyers and Advisers
Level 21
333 Collins Street
Melbourne 3000

DX 38455 Melbourne
Tel: 9229 9999
Fax: 9229 9900
Ref: 01-1565015
(Leon Zwier)

Plantation Capital Limited

ACN 133 678 029

21 March 2011

To:

Korda Mentha
333 Collins Street
Melbourne, VIC 3000

PPB Advisory
181 William Street
Melbourne, VIC 3000

Also by email to Messrs Webster, Korda, Mentha, Crosbie and Carson

Private and Confidential

Dear Sirs

**Ref: - Deed of Company Arrangement (DOCA) - Willmott Forests Limited and its subsidiaries,
(Receivers and Managers Appointed) (Administrators Appointed) (WFL)**

We refer to our previous communications to you in respect to WFL dated 25th February 2011 and your respective roles as Receivers and Managers Appointed and Administrators Appointed.

Having read the PPB Administrators Report to Creditors dated 15 March 2011, we now hold the view that our offer to both the Receivers and Managers Appointed and the Administrators Appointed in our earlier registration of interest in the assets of WFL should be substituted and replaced with this offer to enter into a Deed of Company Arrangement (DOCA) with the current Administrators of WFL and future Administrators of the DOCA.

This registration of interest is made by Plantation Capital Limited ACN 133 678 029 ("PCL"), holder of AFSL 339481, who represents a significant offshore investor [Offeror] that has substantial interests in forestry investments and businesses around the world. Freehills Sydney has agreed to act on our behalf in pursuing this matter.

We are also corresponding with WFL's Banks under separate cover in respect to the loan book it has with a number of investors of Willmott managed investment schemes. We aim to continue our negotiations with the Bank in respect of our ongoing interest in those loan book assets.

Level 16, 390 St.Kilda Road, Melbourne Vic 3004

Telephone: +61 3 982 15233

Facsimile: +61 3 982 15244

The key elements of our DOCA is address the following proposed outcomes for Stakeholders of WFL and its subsidiaries:-

Structure

This preliminary DOCA is structured to split off the RE responsibilities from WFL to PCL with a view to providing clarity to Growers, specifically in terms of contractual simplicity. PCL will have a newly appointed Board focused purely on RE responsibilities and independence.

WFL will simultaneously be recapitalised (initially by way of secured advances) with commercial rental streams available to WFL (and underwritten by our Offeror) to secure a five year window which we believe will provide sufficient time to commercially assess and restructure each plantation, either to transfer land assets to a land trust or for the land to be sold with grower participation and consent as required. A restructuring of the land assets to a land trust with Court consent, if required, may in the ordinary course minimise stamp duty imposts.

Stakeholder Benefits

Secured Creditors

This preliminary DOCA has made use of modelling a Deed exit fee for secured creditors at year 5 of circa \$10 million to \$12 million calculated and based on our current Offeror base hurdle rate IRR of 25 percent.

In dollar terms this may uplift secured creditor returns by up to 50 percent net of collection costs and could be higher on a shared arrangement with the Offeror - post recovery of Offeror risk capital advances and hurdle rate returns.

Our analysis of current land value suggests land value impairment created by Grower leases of up to 90 percent of unencumbered value. Our modelling suggests that under our proposed restructuring arrangements, a fundamental rerating of land values is possible if Growers commit to accepting market rental rates and annual cash flow payment obligations. In addition, our modelling forecasts that this may be the best option for Growers to recover any sort of value from their plantation assets – either through realisation of a free carried land interest issued to them on establishment of commercial rental agreements, or as a result of providing the necessary land tenure security needed till clear fell.

Importantly, this residual interest is offered to secured creditors by way of negative pledge security arrangement which should be granted by the Offeror on commercial terms. To be clear, it is not intended that this residual interest will restrict either the timely completion of this Deed as proposed nor interfere with any restructuring opportunity to establish a land trust and potentially borrow against it if so required.

Employees

Our preliminary DOCA provides an opportunity to those remaining personnel of WFL to continue with their employment and or be offered a similar position with PCL on similar terms and conditions. Employee's claims are to receive a return not less than that in a liquidation scenario.

Unsecured Creditors

This preliminary DOCA sets aside an assignment of a quantum of future harvest proceeds for unsecured creditors and percentage participation in the future profits in WFL for the period of the Deed. We believe this arrangement will provide unsecured creditors with a greater likely hood of a return than they may otherwise receive under a liquidation scenario. In addition, WFL through its continuance may be able to mitigate Grower claims that would otherwise compromise the position of unsecured creditors.

Growers

All participating growers are being asked to pay a maintenance fee of at least 120 dollars but not more than 150 dollars per annum per hectare for their plantation investments. Growers who accept our offer of a free carry interest in land holdings equivalent to the extent of their own planted hectares will also be required to pay rent on their land holdings at the rate of 102 dollars per hectare per annum and they will receive the discounted lease costs of 120 dollars per annum.

Growers who choose not to participate in the rental arrangement can opt out by assigning say 50 percent of their registered holdings clear fell proceeds to WFL which will in turn, pay the 102 dollars rent, PROVIDED THAT the grower continues to pay the annual maintenance costs at the rate of 150 dollars per hectare across his or her total registered holdings for the life of the plantation.

Some growers prepaid lease and maintenance costs to WFL at the time of making their investment. These growers may unfortunately be effectively paying twice for the residual term of their investment. For the vast majority however, our due diligence enquiry suggests that rent and maintenance costs have been contractually deferred to clear fell. In this instance, our DOCA proposes cancellation of the deferment obligation and replacement will annual rent payments as outlined above.

Land Owners

Our preliminary DOCA provides for restoration and future commitment to reimburse and fund all future WFL undertaking pursuant to the leases with Hancock's and State Forests N.S.W. It does not provide any cost reimbursements associated with damages or collection of arrears that may have occurred during the period of administration.

Funding

Our preliminary DOCA will be funded by our Offeror:-

- initially by for the purpose of convening all necessary Grower meetings for forestry schemes; and
- Through the Deed Administrator by funding all recapitalisation costs required to meet the terms anticipated by the Deed; and
- to advance to PCL, working capital and subordinated debt support facilities to comply with AFSL requirements as relevant for the schemes in question.

We anticipate that circa 30 to 50 million dollars will be immediately required to satisfy WFL recapitalisation costs and working capital requirements going forward.

Conditions precedent

Dealing

Conditional on this preliminary DOCA being approved, separate meetings must be held of each of the registered MIS and unregistered schemes, to approve resolutions to:-

- Vary the Schemes to the satisfaction of the Offeror.
- Change the RE to PCL.

Conditional on this preliminary DOCA moving forward and considerable monies expended we require the terms on which you will grant to our Offeror, an exclusive dealing period.

DOCA precedents

- PPB will become the Deed Administrators.
- The claims of all secured creditors of all entities of WFL will be released subject to the terms of the Deed.
- The claims of all other creditors including Grower claimants, shareholders and ordinary unsecured creditors of all entities in WFL (unsecured creditors) will be released.
- Creditor's trusts will be created and unsecured creditors will only be able to participate as beneficiaries of the Creditors Trust.

Completion

Upon completion of the WFL Group DOCAs, control of WFL will revert to the Offeror by the appointment of new directors and new shareholders nominated by the Offeror.

Completion precedents

- Approval by the Committee of Creditors of WFL and subsidiaries;
- Approval by creditors of the various WFL entities to the Deed of company arrangement at a future meeting of creditors;

- A convening of Meetings of Growers of the various schemes to vary the respective constitutions in a form satisfactory to the Offeror;
- Approval by the Court to any applications relevant to this proposal, and
- Replacement directors.

Value Proposition

Item	Guidance value
Bombala lands, plant and equipment and office assets	circa \$10 million to \$12 million
Residual lands subject to First mortgage security	circa \$10 million to \$14 million
Leased lands	circa \$1 million to \$2 million
Vendor terms loan book (interest bearing – assumed performing)	circa NPV discount rate 25%
Vendor terms loan book (non interest bearing – subject to clear fell)	circa NPV discount rate 30% or \$1 million
Willmott owned timber	circa \$1 million
<u>DOCA Option - Value Add to Secured Creditors</u>	
Negative pledge secured Interest in 5 year exit plan by Offeror	circa \$10 million to \$15 million

Please advise us of your requirements needed to implement our proposed DOCA, as outlined above.

If you require any further clarification, please contact the undersigned by email at keith@woodhead.net.au or telephone +61 408 370 079.

Yours sincerely,



Keith Woodhead
 Managing Director
 Plantation Capital Limited