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17 September 2012

Dear Grower

**WILLMOTT FORESTS LTD
ACN 063 263 650
(IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED) (WFL)**

This letters provides an update of the administration of WFL since our previous correspondence of 18 July 2012.

WFL remains unable to distribute funds, specifically funds which may be payable to Growers, held on trust from the sale of trees, until the matters discussed at Points 1 and 2 are resolved.

These matters also prevent WFL from providing an updated estimated return to Growers.

1. *Willmott Action Group Inc actions and appointment of Voluntary Administrator*

As you are aware, in June 2012 the Willmott Action Group Inc (**WAG**) appealed the decision of the Supreme Court of Victoria (the **Court**) which approved the Liquidators of WFL entering into and performing the sale agreements with:

- Hancock Victorian Plantations (**HVP**) in respect of plantations located on its own land, but leased to WFL and used in connection with certain WFL registered and professional investor schemes; and
- Global Forest Partners LP (**GFP**) and its related entities for the balance of the plantations and the freehold land owned by WFL and used in connection with particular WFL registered and professional investor schemes (collectively the **Sale Agreements**).

At this time WAG also sought leave to appeal the orders of the Court which permitted the payment of the costs, amongst others, of WAG and the Willmott Grower Group (**WGG**) from the sale proceeds. The appeals by WAG as to the sale approval and the costs orders (**WAG Appeals**) are to be heard contemporaneously.

Although the Court of Appeal had set a timetable (commencing July 2012) for certain preliminary steps necessary before the WAG Appeals could be heard, WAG failed to meet the required timetable. WAG also did not respond to correspondence from us.

On 17 August 2012, WAG resolved to place itself into Voluntary Administration. John Sheahan and Ian Lock of Sheahan Lock Partners were appointed Voluntary Administrators (**WAG Administrators**). We have held meetings with the WAG Administrators and/or their advisors to understand their position.

The WAG Administrators have convened a second meeting of WAG creditors for 21 September 2012. We expect the WAG Administrators will then confirm their position with respect to the WAG Appeals.

In the interim, we and the WAG Administrators have agreed a revised timetable for the preliminary steps necessary to progress the WAG Appeals should the WAG Administrators continue with the proceedings. The WAG Administrators also agreed that the WAG Appeals would be stayed unless they provide security for costs to be incurred in relation to the WAG Appeals. Even if the WAG Administrators continue with the WAG Appeals and the preliminary steps are completed in accordance with the revised timetable, the WAG Appeals are still unlikely to be heard until sometime in 2013.

2. **Costs**

The Court has ordered that certain costs are to be deducted from the proceeds of sale under the Sale Agreements. These costs include:

- WAG & WGG – legal costs incurred in acting as interveners on behalf of Growers in the Court proceedings to approve the Sale Agreements are to be deducted from the proceeds of sale of both the land and trees;
- WFL's Receivers and Managers (**R&Ms**) – costs and expenses which are referable only to the Willmott Schemes are to be deducted from the proceeds of sale of the trees; and
- WFL's Liquidators – costs and expenses which are referable only to the Willmott Schemes are to be deducted from the proceeds of sale of the trees.

The costs and expenses of the R&Ms and the Liquidators which are not referable to the Willmott Schemes will be paid from the proceeds of sale of the land under the Sale Agreements.

On 10 September 2012, the Court approved the costs and expenses of WFL's R&Ms and Liquidators. Prior to this hearing, interested parties had a period of six weeks to object to these costs and expenses. No objection was received.

Both the WAG (prior to the appointment of the WAG Administrators) and WGG submitted their claim for legal costs for consideration to WFL. The WGG provided appropriate detail in relation to its costs and those costs appear to be reasonable. Our review of the WAG's claim suggests that a significant portion of the costs claimed by WAG do not relate to the Court proceedings and are therefore are not to be included in the costs which are to be paid from the proceeds. We have raised these concerns with WAG and asked that WAG limit its claim to the relevant costs. WAG has not provided a revised claim with the appropriate costs.

No costs (including those payable to WAG and WGG) can be distributed until Points 1 and 2, as outlined in this update, are resolved.

3. **Contractual and Partnership Schemes**

Following the decision by the Court that the disclaimer by the Liquidators of the Grower leases would not terminate the Growers' interest in the land, the Sale Agreements were amended to exclude the sale of land and trees used in the Contractual and Partnership schemes (**C&P Schemes**). The land and trees used in the Willmott Forests 1995–1999 Project were also excluded as a result of the appointment of a new responsible entity to this scheme.

In February 2012, we appealed the Court's decision in relation to the effect of the disclaimer of the Grower leases.

Our appeal was successful. On 29 August 2012, the Court of Appeal decided that the disclaimer by the Liquidators of the Grower leases will terminate the Growers' interest in the land. We can now sell the land and trees associated with the C&P Schemes on the basis that the Grower leases will be terminated as part of the sale. Any new sale contracts will be subject to court approval.

We have commenced discussions with various parties interested in the land and trees.

The C&P Schemes include:

- 1983 (No Project)
- 1984 (No Project)
- 1985 (No Project)
- 1986 (No Project)
- 1987 (No Project)
- 1989 (No Project)
- 1990 (No Project) Interest Only Offer
- 1991 (No Project)
- 1995 (No Project) (Custom)
- 2001 (No Project)
- Sharp/Reed Plantation Project -1998 Information Memorandum
- McKenzie & Partners - Forestry Partnership No.1 (1993)
- McKenzie & Partners - Forestry Partnership No. 2 (1994)
- Grimsey & Associates Pty Ltd - Forestry Partnership No. 1 (1994)
- Grimsey & Associates Pty Ltd - Forestry Partnership No. 2 (1994)
- Grimsey & Associates Pty Ltd - Forestry Partnership No. 3 (1994)

4. Schemes Wound Up

Following the completion of the Sale Agreements, the registered managed investment schemes and unregistered professional investor schemes, which were conducted on the land that was sold, are unable to be continued. Accordingly, we have commenced:

- winding up the registered managed investment schemes by lodging applicable notices with the Australian Securities & Investment Commission; and
- terminating the unregistered professional investor schemes by writing to the relevant Growers.

The winding up and termination of these schemes will not affect the return, if any, relevant Growers may be entitled to receive from the Sale Agreements.

We will continue to provide Growers with updates as developments occur. In the meantime, if you have any questions, please contact us at willmott@ppbadvisory.com.

Yours faithfully



Ian M Carson and Craig D Crosbie
Joint and Several Liquidators