

18 July 2012

Dear Grower

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

This letter provides an update on developments with the administration of WFL since our last update of 20 June 2012.

1. Grower Proceedings to Appoint Receivers

In our last update, we referred to the Grower Proceeding brought by a group of Growers, including Mark Hoddinott, the chair of the Willmott Action Group Inc (**WAG**) executive committee and Martin Grant, a principal executive member of the WAG, (**Plaintiffs**) in the Supreme Court of Victoria (**the Court**) against WFL. In that proceeding, the Plaintiffs sought, amongst other things, the appointment of receivers to certain Willmott registered and professional investor schemes or alternatively an order that certain Willmott registered schemes be wound up.

On 19 June 2012, the Plaintiffs abandoned their application to have the receivers appointed to the schemes.

While the Liquidators intended to commence the winding up of the registered schemes by notice to the relevant Growers without the need for a Court order, following the Plaintiff's abandonment of their application the Liquidators consented to the making of an order that WFL, as the responsible entity, wind up the registered schemes. The Liquidators are terminating the professional investor schemes in accordance with their investment deeds.

A hearing was held on 20 June 2012 in respect of the winding up of the registered schemes and the payment of costs.

On 27 June 2012 Justice Davies ordered that the registered managed investment schemes be wound up pursuant to s601ND of the *Corporations Act 2001*.

Importantly, Justice Davies also ordered the Plaintiffs to pay the Liquidators' costs and the costs of the receivers and managers of WFL (**Receivers and Managers**) of that proceeding.

The order that the Plaintiffs pay our costs recognises that the Plaintiffs effectively surrendered their claims against the Liquidators and that the exercise of the Court's discretion to award costs was justified in order to do justice between the parties. The decision enables WFL to recover its legal costs of the Grower Proceedings directly from the Plaintiffs. WFL's legal costs will only be borne by the creditors of WFL or growers of the respective schemes, if and to the extent, that the Plaintiffs do not pay those legal costs.

2. Costs

You will recall that, by orders dated 23 May 2012, Justice Davies ordered that the legal costs of the Willmott Growers Group (**WGG**) and the WAG, in acting as interveners on behalf of Growers in the Court proceedings seeking approval for the two sale agreements, are to be paid, pro rata, from the proceeds of sale of the land and tree interests (**Interveners' Costs Order**). In effect, those costs will be deducted:

- in part from the proceeds of the Murray Valley and North Coast land which would otherwise be available to the Receivers and Managers on behalf of WFL's secured creditors;
- in part from the proceeds of the unencumbered Bombala land, which would otherwise be available to the Liquidators on behalf of WFL's unsecured creditors; and
- in part from the proceeds of the trees, which would otherwise be available for distribution to Growers in the Relevant Schemes (**Tree Proceeds**).

The amounts deducted in each case will be in proportion to the amount of proceeds received for the sale of the relevant assets.

The legal costs of the WGG and WAG are yet to be quantified or paid. However, the WAG sought leave to appeal the parts of the Interveners' Costs Orders that relate to the payment of their costs of the Court proceedings. That application for leave to appeal, and (if leave is granted) the appeal of those parts of the Interveners' Costs Orders will likely be heard by the Court of Appeal either later this year or in the first half of next year.

The Liquidators and the Receivers and Managers have also incurred various costs and expenses which are referable to the Willmott Schemes (**Scheme Related Costs**). The Liquidators and Receivers and Managers are seeking to be reimbursed for their Scheme Related Costs from the Tree Proceeds. The entitlement of the Liquidators and the Receivers and Managers to be reimbursed from the Tree Proceeds, and the quantum of Scheme Related Costs for which the Liquidators and the Receivers and Managers will be entitled to be reimbursed, is yet to be determined by the Court.

The Court has set a timetable that allows any interested party to object to the Scheme Related Costs claimed by the Liquidators and Receivers and Managers. The key dates for the objection process are provided below:

Date	Requirement
27 July 2012	Any interested person that wishes to object to the Scheme Related Costs of the Liquidators and/or the Receivers and Managers (Objector) must file with the Court and serve a notice of objection (Objection)
10 August 2012	Objectors to file and serve written submissions in support of their Objection
24 August 2012	Liquidators and the Receivers and Managers to prepare submissions in reply to the Objections
10 September 2012	Hearing before Associate Justice Efthim to consider Objections and associated submissions

The Liquidators principally rely on three affidavits of Craig Crosbie (and the exhibits to those affidavits) in respect of their application for Scheme Related Sale Costs. Those affidavits are:

- the affidavit of Craig David Crosbie dated 27 April 2012;
- the affidavit of Craig David Crosbie dated 2 May 2012; and
- the affidavit of Craig David Crosbie dated 16 July 2012

(the **Costs Affidavits**).

Electronic copies of the Costs Affidavits may be accessed from the Arnold Bloch Leibler website at < <http://www.abl.com.au/willmott/willmott.htm> >.

Interested persons may inspect the Costs Affidavits and supporting documentation **by appointment** at the office of Arnold Bloch Leibler (level 21, 333 Collins Street, Melbourne). To make an appointment to inspect the material, please contact Meagan Grose or Jane Sheridan of Arnold Bloch Leibler on (03) 9229 9999 or via e-mail at < mgrose@abl.com.au >.

Any Objection to be filed and served by 27 July 2012 should set out:

- a. the costs, remuneration or expenses or categories of costs, remuneration or expenses the subject of the objection;
- b. the amount to which an objection is made;
- c. an outline of the basis for the objection; and
- d. if you contend that an amount can be claimed by the Liquidators for the relevant category, the approximate amount, or the approximate proportion of the amount claimed, which you contend is appropriate.

As the outcome of the WAG's appeal of the decision of Justice Davies in relation to the approval of the HVP and GFP sales may affect the determination of the amount available for distribution to Growers, ***we are not able to make a distribution to Growers of the Tree Proceeds until that appeal has been heard and decided by the Court of Appeal. This is unlikely to occur before 2013.***

If you have any questions, please contact us at willmott@ppb.com.au.

Yours faithfully



Ian M Carson and Craig D Crosbie
Joint and Several Liquidators