

FEAGG GROWERS COMMUNICATION UPDATE NO.11

24 December 2010

POSITIVE NEWS TO FINISH THE YEAR FOR FEA GROWERS

The Federal Court handed down their decision on the 21st December, 2010 in respect to the internal leases relevant to the Schemes and various arguments in respect of offset of rent payments. In layman's terms and avoiding technicalities it would appear to be a resounding result in favour of Growers.

Essentially the positives appear to include: (subject to pending clarifications)

- Assistance in protection of our proprietary rights by having the ability to meet rental obligations;
- A win of some \$11 million to claim as a rental offset on behalf of Growers (arising from a previous funding commitment in favour of FEA from its parent company) ;
- This should extend to internal rent payments on the Schemes to beyond July/August 2011;
- It means voluntary payments (in non-contributory Schemes) requested from Growers by the Responsible Entity (BRI Ferrier as Administrators of FEAP) can be reforecast and substantially reduced;
- It relieves some time pressures for Growers in respect of implementing commercial outcomes;
- It should increase the willingness of the Secured Creditors to work towards implementing commercial propositions of benefit to all parties.

This result benefits all Growers and was achieved by a great deal of co-operation between the FEA Growers Group (FEAGG) and BRI Ferrier in respect of their legal arguments and commercial discussions. BRI Ferrier are currently seeking clarification of aspects of the judgment.

It did cost a lot of money, time and effort to achieve this result and the FEAGG Inc were fortunate we could source funds over and above the funds we have been able to raise from Growers and Advisors to date.

If you are not yet a member of FEAGG or a contributor to our fighting fund I would ask you to consider joining as a member by going to www.feagg.com.au.

Please note you can be a member without making any financial commitment.

Your support by joining as a member helps us immensely in terms of commercial standing. Your financial support makes our Charter of protecting your rights and helping to facilitate commercial outcomes a lot easier.

If you have not done so already please invest a few minutes of your time registering on www.feagg.com.au for a unified Growers voice.

New Invoices from our Responsible Entity – BRI Ferrier as Administrators of FEAP

This statement particularly relates to Growers in the 2003 to 2009 Schemes.

These Growers will be receiving a third Growers report from BRI Ferrier, which contains an update in respect of your Schemes and details of the substantially reduced invoicing request. We urge you to read this report thoroughly.

Most importantly we endorse their request for payment and ask you to consider this position carefully.

It would appear based on calculations by BRI Ferrier's and the Commercial Proposals that are being formulated at the moment, by various parties, that there is significant value that can attach to the Schemes (albeit it varies between the project years). This value may be in terms of the Net present value of trees or alternatively by having the Schemes on foot and valuing the Proprietary Rights associated with the leases.

We see the voluntary payments as an insurance policy to ensure your assets are maintained and your rights preserved for an interim period while commercial outcomes crystallize and you have the opportunity to decide the long-term future of your investment.

Please be aware of the dangers that exist if you do not help with the short period of interim funding;

- Schemes may become insolvent if there is an insufficient level of support;
- It may be more difficult to achieve a commercial outcome;
- Any value present may be lost completely;
- It may weaken Growers position in any future Court actions;
- Value of assets may diminish due to lack of maintenance and increased fire risk.

We have worked on some basic principles in conjunction with the Responsible Entity in respect of voluntary payment components. These include:

- Refunds (of the differential) for those who have already paid the previous invoices;
- A philosophy of ensuring those that contribute receive a benefit, in some tangible form, over and above those that do not contribute to stabilize the Schemes in the interim period. This may vary dependant upon which commercial outcome is finally implemented.
- Funds will be utilised to provide for maintenance, insurance, external lease payments and necessary costs in relation to the Schemes.
- Residual funds (if any ie depends on timing) will pass to any incoming commercial party

Please consider giving this interim protection mechanism your support. It is in our view critical to providing the best chance of a commercial outcome.

Possible Outcomes at This Stage

We see the possible scope of outcomes could conceivably include;

- Wind up of the schemes will little or no return to Growers (what we are fighting to avoid);
- Early harvest of the earlier Schemes 1994-1998 (1994 is in progress and we understand 1995 is to commence shortly)
- The Growers implement a change of Responsible Entity under the Black Tree proposal such that the schemes are re-constituted to make them solvent on an ongoing basis until natural harvest. We are hoping to be able to send out a notice of meeting very early in 2011. Black Tree appear to be working very hard on their proposal and have committed significant resource to it over the past 7-8 months. We commend their efforts to date.
- Rural Funds Management DOCA proposal is implemented. We are hoping an Implementation Agreement can be executed with the relevant parties very soon. RFM appear to be working very hard on their proposal and have committed significant resource to it. We commend their efforts to date.
- Another party proposes a DOCA or some other special vehicle structure.
- A one-line sale agreement is reached with the Banks (ie. assets and trees are pooled and sold together) for part or all of the Estate. We note it would appear the Banks view at present is that they would be paid in full under such a scenario and Growers would only receive any residual sale proceeds. Accordingly this would seem unlikely under such conditions but FEAGG would remain open minded to a commercially fair proposal if it was presented.
- Others that may subsequently emerge.

FEAGG 's view is the wind up proposal should be avoided and that we create time to implement one of the other commercial possibilities.

An essential element in creating this time is the **INTERIM FUNDING REQUEST** for the non-contributory schemes.

Growers Securing their Position

The FEAGG have been working closely with a commercial party, Black Tree, to ensure that growers can secure their position by appointing a replacement RE to continue to run the Schemes on a reconstituted basis.

This would achieve the following

- Provides a permanent solution for the Schemes.
- Still allows for offers such as RFM to be put in front of Growers even if we have implemented the change of RE.
- Still allows for consideration of any commercial one-line sale proposal for all or part of the Scheme Estate even if we have implemented the change of RE
- Helps preserve your Scheme value by looking after the trees and preserving proprietary rights.
- Ensures Growers have a strong position to negotiate from , rather than a weak position in an insolvent/wind up scenario.

Commercial discussions are close to conclusion with Blacktree in respect to achieving this outcome.

FEAGG has sufficient proxies to call meetings of Growers to consider such a proposal and we have Notice of Meetings drafted. We do need to contemplate the effect of the Federal Court decision on this strategy.

We would commend Blacktree on their positive attitude and flexibility in respect of the discussions to date in this respect. They are securing the position of Growers whilst still allowing for other commercial offers to be put in front of Growers.

Conclusion

Please register with the FEAGG on www.feagg.com.au

Please financially support our efforts in protecting Grower by making contributions to the following trust account held with Clarendon Lawyers:

Account Name: Clarendon Lawyers ATF FEA Growers Group Inc

GROWERS, ADVISORS AND ACCOUNTANTS

WORKING TO PROTECT AND RECOVER

YOUR VALUABLE INVESTMENT

Bank: NAB

Branch: Carlton

BSB: 083-170

Account No:17-672-6534

FEA Growers Group

Include your name with the transfer & send a confirmation e-mail to: feagg@clarendonlawyers.com.au.

Please support the interim funding strategy via BRI Ferrier.

Any questions in relation to financial advice about your investment product should be directed to an appropriately qualified adviser".

We wish you all a safe and happy Christmas.

Kind regards,

Rob Burns (B. Bus CPA JP)

Chairman of FEA Growers Group

FEA Growers Group Inc registration no. A0054610B.

www.feagg.com.au