

FEA Growers Group Communication
Update No 28, 25 January 2012

Dear Growers,

BACKGROUND

Over the Christmas/New Year period there have been a few developments in respect of the various FEA Schemes and we would like to provide a plain English explanation as far as possible.

We draw your attention to the fact that the Deed Administrators, BRI Ferrier, have released an individual report for each of the FEA schemes in late December.

These were emailed to all Growers (where they have a valid email), they are also available on BRI Ferrier's website.

PLEASE TAKE THE TIME TO READ YOUR BRI FERRIER SCHEME REPORT AS IT WILL GREATLY ASSIST YOUR UNDERSTANDING OF THE CURRENT SITUATION AS IT PERTAINS TO YOUR SCHEME.

As you are no doubt aware they have also raised invoices in respect of various schemes and the reason for this is detailed in each individual scheme reports.

We are going to attempt to provide a general overview to assist you, it is however not a substitute for doing the detailed reading.

COURT MATTERS

There are two main Court matters on foot which are essentially;

1. The Deed Administrator's appeal to the High Court of Australia predominantly dealing with the argument that some \$11 million dollars guaranteed by FEA Ltd to FEA Plantations Ltd can be offset against rent owed by FEAP to FEA. It is in the Growers interest that it can be offset, the Receivers (representing the Banks) are arguing it cannot be offset.
2. The second case commenced by the Receivers (representing the Banks) in the Victorian Supreme Court essentially is an attempt to extinguish Growers rights via court approval of the termination of leases. This matter is critical to Growers as there remains a large value, even in these depressed markets that should return to Growers.

It is essential the lease termination case is fought and fought thoroughly, BRI Ferrier have been doing significant work on behalf of Growers in this respect. They will be using this forum to not only defend the matter raised by the Receivers but also to counter claim many issues against the Receivers.

They will be filing the defence and counter claims very shortly. We believe they have uncovered many issues and have a strong case against the Receivers.

Issues to be addressed are the value of lease payments on internal lease, where it appears there is reasonably strong argument they should remain at a \$1 as opposed to the market rents. It will also address such issues as the Receivers blocking BRI Ferrier harvesting the earlier schemes on behalf of Growers, and suspected backdating of lease changes, when leases have not been signed until some six years after they apparently commenced.

There are **many significant issues that will arise from this Court** action and it will also afford the opportunity to discover documents that may provide further insight into the Banks position and actions in the period leading to the Company going into administration.

The Receivers have shown little or no respect for the value invested by Growers and we believe it is essential this is taken to task, not only for the benefit of the FEA Growers, but as a precedent for the future.

In short there is significant Grower value, we need this matter to be fought and won to preserve this value and prevent the Receivers and Banks simply running roughshod over Growers and using the morally rightful Growers value to supplement the recovery of their funding.

It is a possibility that when these matters are aired fully that the actions of the Banks may be damaging to their reputations. Time will tell.

GROWERS SHOULD SUPPORT THIS MATTER AS IT SEEKS TO PROTECT THEIR VALUE AND MAKE VARIOUS PARTIES ACCOUNTABLE FOR ACTIONS.

Sometimes parties must stand up for what is morally correct and we believe the FEA Growers are faced with this choice at the moment.

VOLUNTARY INVOICING -- LEGAL CASE ASPECTS

The voluntary invoicing that has occurred recently is based on detailed Scheme Budgets including the two court actions. The legal and administration costs have been allowed to take the cases from start to finish including estimated costs awards against BRI Ferrier if they should happen to loose badly. In short the

estimates have been done on a possible worst case scenario so that the Growers will be hopefully only be asked once to contribute.

The costs have then been allocated against the various Schemes on a fair pro-rata basis. They have allowed for the fact some Growers will choose not to make the voluntary payments.

Each Scheme legally must be accounted for separately, and BRI have adopted a fair and reasonable approach in this respect.

There is no more important matter the Growers can support than BRI's fight of the Victorian Supreme Court action as the situation currently stands.

Compared to the likely monetary contributions that could be expected from Growers wishing to, say participate in a class action (which has the issues of determining if there is a case, sufficient evidence and then collectability of any judgement, or funding costs if not successful), this is relatively cheap.

It goes directly to preserving your value now.

It is stating the obvious that the older the Scheme the more value, the younger the Scheme the less value, per woodlot, as a general principle. Even so we would ask you to consider the moral aspect of fighting and winning this matter against the big end of town.

It is not a reasonable expectation that BRI Ferrier continue to fund the working capital on this matter; the voluntary contributions are the mechanism for Growers to contribute to taking on the Banks and protecting their value.

VOLUNTARY CONTRIBUTIONS WILL RECEIVE PROIRITY PAYMENT BY BRI FERRIERS

It must be emphasised that these voluntary payments and previous voluntary payments made by Growers will receive priority payment back to the Growers who have made them.

To the extent of monies realised for the Schemes from any source. eg harvest, reconstruction of Schemes, agreed sale process etc. it will be recognised that those Growers who have made voluntary contributions have done so specifically to preserve the value of the Scheme for the benefit of all.

In recognition of this the voluntary payments would be refunded, prior to any general distribution across the Grower pool.

The FEAGG believes this is a correct and proper mechanism to acknowledge the voluntary capital provided by Growers prepared to fight to save the value for all Growers.

There have been a lot of questions in this respect and we make this statement with confidence after numerous discussions with BRI Ferrier on this matter.

OTHER COMMERCIAL OUTCOMES

It remains possible other commercial outcomes may be reached and these could involve a standstill and even potentially a withdrawal of the Court action in time.

In this respect monies not spent will be returned to those who have made the voluntary payments and any shortfall would remain a propriety payment from the proceeds recovered.

However it is prudent that BRI go into the matter with knowledge of their funding up front.

The Growers meetings relating to the Blacktree proposal has been adjourned during last week for a period to be determined to allow the lease issues to be clarified in the Victorian Supreme Court matter. It would be difficult to implement without such clarification.

SUMMARY OF INVOICING POSITION

1) SCHEMES 1994 to 1998

Were invoiced at the usual time for their full 12 months rent and management fees as per the normal operating requirements.

External rent payments are being made, internal rent payments are being held in Trust pending outcome of the Court arguments.

Voluntary payments requested are to support the share of the expected costs of the legal matters and associated costs. NOTE - PRIORITY TREATMENT OF THESE PAYMENTS AS DETAILED ABOVE.

2) SCHEMES 1999 to 2002

Were initially invoiced for 40% of the normal annual fees, as it was expected the RFM deal would have come to fruition. However this has not occurred so the compulsory invoicing effectively represents the balance of the ordinary annual invoicing under the normal operations of the Schemes.

External rent payments are being made, internal rent payments are being held in Trust pending outcome of the Court arguments.

Voluntary payments requested are to support the share of the expected costs of the legal matters and associated costs. NOTE - PRIORITY TREATMENT OF THESE PAYMENTS DETAILED ABOVE.

3) SCHEMES 2003 to 2009

There are no compulsory payments under these Schemes.

All payments are voluntary for these years.

They are requested to be held to cover some operating costs of the Schemes which would have been covered by FEA Ltd in the ordinary course of events and also as a contribution to the a pro-rata amount of legal and associated costs.

Obviously the cost/benefit analysis is less for say a 2009 Scheme year and Growers must make their own choice.

SUMMARY

Hopefully this provides a condensed overview to Growers, but you should read your properly prepared scheme reports published by BRI Ferrier, in their capacity as Deed Administrator's and Responsible Entity of the Schemes.

FEAGG supports the fact the Court case must be fought.

We do not believe it is reasonable BRI Ferrier does this without Grower support.

We ask you to consider supporting the voluntary payments to protect the Schemes value and even if the commercial argument does not hold for you as a moral battle that should be fought.

YOUR VALUABLE INVESTMENT

No doubt there will be differing opinion on this but we feel it is essential this be fought if another commercial alternatives does not come to fruition.

It is very much a NOW issue so please consider your support now.

Regards,

FEA Growers Group

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