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GUNNS PLANTATIONS LIMITED
ABN 36 091 232 209
AFSL NO. 238701
(Receivers & Managers Appointed) (In Liquidation)

A WHOLLY OWNED SUBSIDIARY OF GUNNS LIMITED
ABN 29 09 478 148
(Receivers & Managers Appointed) (In Liquidation)(Gunns)

Grower update – 23 August 2013

This update relates to Gunns Plantations Woodlot Schemes 2002 to 2006 & 2008 (GPL Woodlot Nominated Schemes) (Excludes the Great Southern Schemes)

Findings of the Supreme Court of Victoria (Court) regarding the Macquarie / WA Blue Gum (WABG) proceedings

This communication updates you on:

1. **Macquarie / WABG explanatory memorandum was misleading and deceptive**
2. **The reasons why the Court determined that:**
 - a. **Macquarie / WABG's explanatory memorandum issued to Growers was misleading and deceptive**
 - b. **the resolutions passed at the Grower meetings on 28 May 2013 are invalid**
3. **Impact of the Court's decision on Growers**
4. **Further arguments heard and dismissed by the Court**
5. **Next steps – Sale Campaign**

1. Macquarie / WABG explanatory memorandum was misleading and deceptive

Growers will recall that on 16 July 2013 we provided an update confirming that the Court determined:

- the explanatory memorandum distributed by Macquarie / WABG was misleading and deceptive
- the resolutions passed at the Grower meeting on 28 May 2013 were invalid.

2. The Court's reasons for its decision

On 19 July 2013 the Court published its judgment in the proceedings relating to the Macquarie / WABG restructure proposal and related Grower meetings.

The reasons for the key determinations are summarised below. A full copy of the judgment is available on PPB Advisory's website www.ppbadvisory.com (click through to the "Creditor Information" section of the website).

a. Macquarie / WABG explanatory memorandum was misleading and deceptive

The Court declared that the Macquarie / WABG explanatory memorandum was misleading and deceptive on the basis that:

- it failed to explain the effect of the *Corporations Act 2001* that all rights, liabilities and obligations of the former responsible entity (RE) (including in respect of the Head Leases) would become the rights, liabilities and obligations of the new RE
- it did not disclose the quantum of the outstanding and future rent and maintenance liabilities in respect of the commercial Head Leases that would become the liability of the new RE
- the argument Macquarie was relying on to avoid liability for the commercial Head Leases was untested and involved a significant risk that should have been explained to Growers.

Essentially, the Macquarie / WABG Proposal gave Growers the false impression that the proposal was a viable method for the GPL Woodlot Nominated Schemes to continue unburdened by the Head Leases bearing commercial rental rates (i.e. that the new RE could pick and choose which Head Leases it would and would not become the lessee of).

b. Resolutions passed are invalid

The Court also found that the resolutions passed at the Grower meetings on 28 May 2013 are invalid given:

- the material put to Growers was misleading and deceptive
- Macquarie / WABG had provided an undertaking in the injunction proceedings held on the day before the Grower meetings (initiated by the Gunns Receivers and Managers) that, if the explanatory memorandum was found to be misleading, it would agree that the resolutions were invalid.

3. Impact of the Court's decision on Growers

The Court's determinations mean that, in order to become the RE of the GPL Woodlot Nominated Schemes, Macquarie / WABG will need to:

- provide Growers with a new restructuring proposal
- hold new Grower meetings
- accept liability for accrued and future rental obligations.

In other words, GPL remains RE of the GPL Woodlot Schemes.

As far back as late 2012 the Liquidators noted their concerns to parties, including Macquarie / WABG, regarding the need for any restructure proposals to appropriately deal with scheme leases and liabilities. Despite these warnings, and as a result of Macquarie / WABG's misleading and deceptive explanatory memorandum, material delays and costs have been incurred without providing any improved certainty as to the future of the GPL Woodlot Nominated Schemes.

4. Further arguments heard and dismissed by the Court

In the weeks after the Court's decision, handed down on 16 July 2013, Macquarie / WABG provided submissions to the Court seeking to re-open the proceedings.

On 20 August 2013 the Court dismissed Macquarie / WABG's application to re-open proceedings and accordingly, the decision of the Court published on 19 July 2013 stands.

A copy of the Court's reasoning in the re-opening application is available on PPB Advisory's website www.ppbadvisory.com (click through to the "Creditor Information" section of the website).

5. Next steps

We will shortly be commencing a sales process for the assets of the GPL Woodlot Nominated Schemes (**Scheme assets**) noting:

- On 31 May 2013, the Court confirmed GPL would be justified in creating a power of sale in respect of the Scheme assets if Macquarie / WABG did not become the replacement RE by 30 June 2013. This date was later extended by the Court to 12 August 2013.
- By 12 August 2013, Macquarie / WABG had not become the replacement RE.
- Accordingly, the Scheme constitutions have been amended to include the power of sale.

The sale of the Scheme assets will be conducted through a robust and transparent process as we discussed in our Grower teleconference on 21 May 2013. We will keep you informed of the progress of the sale process.

In order to maximise value, we will market the Scheme assets concurrently with the complementary Gunns assets as this will provide access to:

- a broader market
- deeper pool of buyers.

Prior to completion of any sale, we will also seek directions from the Court that we are justified in proceeding with the sale.

The sale process is expected to take 3 to 4 months.

It is also important to note:

- The Liquidators do not have to accept an offer for your assets if it is deemed not in the best interests of Growers. They will continue to explore other options if an acceptable offer is not obtained.
- If the Liquidators receive an offer for your assets that is acceptable, they will return to Court prior to completing any sale to obtain directions that they are justified in proceeding with the sale.
- Even though GPL will be conducting a sale process, Macquarie / WABG is not precluded from becoming the RE of the GPL Woodlot Nominated Schemes at a later date (i.e. prior to the directions from the Court in relation to the completion of the sale of the assets of the GPL Woodlot Nominated Schemes).

Further questions?

If you have any further questions please address them to the following contacts:

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Disclaimer

Growers are encouraged to read this update in its entirety before making any decisions concerning their investment. Growers should make their own independent evaluation of the relevance and adequacy of the information contained herein.

PPB Advisory has not considered the investment objectives, financial situation or particular needs of individual Growers or any other person. Accordingly, this update should not be relied upon as the sole basis for any decision in relation to your investment. Growers should obtain and rely on professional advice from their own tax, legal, accounting and other professional advisers in respect of the Growers' investment objectives, financial position or particular needs.