

Gunns Plantations Limited ACN 091 232 209 (Receivers and Managers Appointed) (In Liquidation) (GPL)

Gunns Plantations Woodlot Schemes 2000 - 2006, 2008 & 2009 (Schemes) Update (Excludes Ex-Great Southern Schemes)

Update to Growers in relation to the Gunns Plantations Woodlot Schemes

Dear Growers

This communication updates you on recent developments as follows:

- strategy to pursue a sale of Grower assets via a Court approved sale process
- why the alternate RE (**Alternate RE**) process is considered to be no longer in the interests of Growers
- what this means for Growers
- developments in relation to the 2000 & 2001 Gunns Woodlot Schemes Grower meetings
- when we will next contact you

What are the Liquidators now doing in respect of my Scheme interests?

As you may be aware, shortly after our appointment as administrators, we commenced a program, seeking interest from parties to become the alternate responsible entity (**RE**) of the Gunns Woodlot Schemes. Over the last several months, we have been working on an Alternate RE process with a party in relation to some, but not all, of the Gunns Woodlot Schemes (**Nominated Schemes**).

The Liquidators have now formed the view that a court approved sale process is in the best interests of Growers, and will now cease further work in relation to the Alternate RE process.

Under this process the scheme assets will be sold in a competitive and orderly manner, under a Court approved process, with net proceeds returned to Growers (subject to any grower loans).

How is a Court approved sale process different to the Alternate RE process?

There are a number of differences between the two approaches, however, the principal difference is the liquidator will market scheme assets for sale now, via a Court approved process, and subject to orders of the Court, distribute the net proceeds to Growers in accordance with their interests (subject to any grower loans).

The Alternate RE approach was for a new RE to be appointed, for a restructure of the Nominated Schemes to occur and for scheme assets to be sold in a timeframe determined by the Alternate RE (or its advisers). However, for the reasons set out below, we concluded it is now in the interests of Growers to pursue a Court approved sale process.

Why are the Liquidators intending to pursue a sale of Grower assets via a Court approved sale process?

The issues we considered before reaching our conclusion that a Court approved sale process would be in the best interests of Growers include:

1. **Economic returns were assessed as less beneficial under the Alternate RE process:** our analysis of projected economic returns to the growers and various stakeholders of the Nominated Schemes (taking into account the advice of independent experts as to value and the Alternate RE's proposed cost structures) identified the Alternate RE proposal is likely to produce a result that would be less beneficial than the potential returns from a sale of scheme assets via a Court approved sale process.

2. **Proposed amendments to constitutions may not be in the interests of Growers:** the Alternate RE proposed amendments to the constitutions of the Nominated Schemes and the growers that recently called meetings of the 2000 & 2001 Gunns Woodlot Schemes (**2000 & 2001 Gunns Woodlot Schemes**) also proposed amendments to the constitutions of those schemes. These amendments may not be in the best interests of Growers.
3. **Alternate RE process timing and impact to Schemes:** the time required to complete the Alternate RE process is likely to be longer than the time necessary to achieve a sale of Grower assets via a Court approved sale. In particular, we are concerned that Alternate RE time delays may have a material adverse effect on the assets of the Growers in terms of:
 - a. ongoing costs (e.g. liquidators', legal and other costs)
 - b. the risk of further default or termination of various agreements (including leases, forestry rights deeds, maintenance arrangements and certification)
 - c. leaving the incumbent RE in an unfunded position in the interim, which may render the RE unable to perform necessary maintenance prior to and during the next fire season.
4. **The risk of lease terminations under an Alternate RE proposal or the 2000 & 2001 Gunns Woodlot Schemes proposal versus a proposed standstill under a court approved sale process:** the impact of various defaults and terminations of leases and forestry rights deeds, in so far as:
 - a. it remains unclear how an Alternate RE proposal or the 2000 & 2001 Gunns Woodlot Schemes proposal will adequately address rectification of existing lease defaults
 - b. the principal landlord of the Gunns Ltd (and subsidiaries) peppercorn leases (i.e. the receivers and managers) (**Gunns landowner**) has agreed to a standstill on the enforcement of existing defaults, on condition that a sale of the Grower assets is pursued via a court approved process, thereby eliminating substantial and material costs and risks to the assets of the Growers.
5. **Grower loan / finance impact:** the potential impact of pursuing an Alternate RE proposal or the 2000 & 2001 Gunns Woodlot Schemes proposal on Grower loans, in so far as:
 - a. a restructure of the Schemes (as proposed under the Alternate RE proposal or the 2000 & 2001 Gunns Woodlot Schemes proposal) may be a material event of default under the terms of Grower loans, thereby placing a number of the Growers at material economic risk from the resultant obligation to repay loans, in full, immediately.
 - b. the receivers and managers of Gunns Finance Pty Ltd (**Gunns Finance**) (which holds grower loans) have indicated a preparedness to agree with Growers that a sale of the assets of the Growers will not constitute an event of default under the loans, provided the proceeds from sale of Grower assets are applied in reduction of loan balances.
6. **Alternate RE uncertainty:** the uncertainty remaining surrounding the existing Alternate RE proposal and the likelihood that its conditions are satisfied on a timely basis.
7. **No party has expressed an interest in becoming the new responsible entity of some Gunns Schemes:** for those Gunns schemes for which no party has indicated a willingness to become responsible entity, the only alternative to a Court approved sale process is the winding up of the schemes. The winding up of the schemes would, itself, involve a sale of Scheme Assets.

What are the key events leading to the Liquidators' decision?

Risk of lease terminations following end of the moratorium:

Following the end of the administration and our appointment as liquidators, the statutory moratorium, which had prevented landowners from re-taking possession of the land leased by GPL on which the Gunns Schemes are conducted, ended. As a result, a number of landowners have served notices of default and termination of these leases and forestry rights deeds (**leases**). Termination of the leases may result ultimately in Growers losing their interest in the trees on the relevant land. The landowners who have served such notices include the Gunns landowner.

Recent agreement to preserve leases if court approved sale process pursued:

The Gunns landowner has recently offered to not take any steps to enforce existing defaults under the Gunns leases on condition that GPL, as responsible entity of the Gunns Schemes, pursues a court approved sale process to sell the Scheme assets (e.g. the trees). Under such a process, if the sale is approved by the Court, the growers will be entitled to the net proceeds referable to the Scheme assets (subject to the terms of grower loans). Importantly, this offer relates to all Gunns Schemes and is not limited to only some schemes.

Recent agreement to prevent Grower loan defaults if court approved sale process pursued:

A number of Growers financed their original investment via a loan from Gunns Finance. We have been informed that a restructure of the Gunns Schemes as has been proposed by the Alternate RE and by the growers in relation to the 2000 & 2001 Gunns Woodlot Schemes may constitute an event of default under the Gunns Finance grower loans. If an event of default occurs under the Gunns Finance loans, this would enable Gunns Finance to demand repayment in full of the grower loan. Given this, we have been in discussions with the receivers and managers who control Gunns Finance to seek to resolve this risk for growers. Gunns Finance has indicated that, if a court approved sale process is implemented, Gunns Finance will make an offer to growers who have a Gunns Finance loan. If this offer is accepted by the relevant growers, a sale of Scheme assets would not of itself constitute an event of default under the Gunns Finance loan and Gunns Finance would receive the net proceeds of sale referable to each accepting growers' interest (up to the amount owing by that grower). Again, this offer relates to growers in all Gunns schemes who have Gunns Finance loans, and not simply to growers in some schemes.

What will now happen to my interests in the Schemes?

The Liquidators are preparing an application to seek Court approval for the inclusion of a power of sale in the constitutions of the Gunns Woodlot Schemes, to enable the Liquidators to conduct a court approved sale process of Grower assets. The application is likely to be lodged with Court in the coming weeks. Growers will have the opportunity to appear and present any objections at the hearing of the application.

If the application is successful, a sale campaign will be conducted. This campaign will be conducted in conjunction with a sale by the receivers and managers of the other Gunns companies of land and forestry assets in Tasmania. Any proposed sale will be subject to Court approval. Again, Growers will be able to appear and object at the hearing of the application for approval.

We will keep Growers fully informed of the dates of any Court hearing and any other developments. However, it is our expectation that a sale process could take around 4 to 5 months to complete.

How does this impact the 2000 and 2001 GPL Woodlot Scheme Grower meeting?

We have written separately to Growers in the 2000 & 2001 Gunns Woodlot Schemes in relation to the meetings called for 11 April 2013. We believe the meetings are unnecessary.

Who do I contact with any queries?

Growers with any queries can contact:

Contact	Phone Number	Email Address
GPL Client Services	(03) 6335 5290	gunns.plantations@gunns.com
PPB Advisory	(03) 9269 4160	gunns@ppbadvisory.com

When will I next receive an update?

We will write to you again with the progress of the Liquidators' power of sale application to Court and the sale process and responses to any additional FAQ's by Friday 12 April 2013.

However we also encourage you to refer to the Creditor Information section of the PPB Advisory website at www.ppbadvisory.com for any future updates.

Yours faithfully

Daniel Bryant
Liquidator