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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)

7 March 2014

Great Southern Plantations Schemes: Allocation of Sale Proceeds and distribution to Growers

This explanatory notice (**Notice**) is for Growers in one or more of the following schemes:

Great Southern Plantations 1998 ARSN 092 780 204
Great Southern Plantations 1999 ARSN 092 452 849
Great Southern Plantations 2000 ARSN 085 669 361
Great Southern Plantations 2001 ARSN 089 958 029
Great Southern Plantations 2002 ARSN 095 343 963
Great Southern Plantations 2003 Scheme ARSN 099 131 825
Great Southern Plantations 2004 ARSN 107 811 709
Great Southern Plantations 2005 Project ARSN 112 744 877
Great Southern Plantations 2006 Project ARSN 112 744 902

(together, the **GSP Schemes**).

Introduction

As you may be aware, there is a court proceeding (**the GSP Proceeding** described in section 1 of this Notice) presently before the Supreme Court of Victoria (**Supreme Court**) concerning the proceeds from the sale of trees forming part of the GSP Schemes to the owner of the land on which those trees were situated. The purpose of the GSP Proceeding is to determine how those proceeds are to be allocated between the GSP Schemes and which members of those GSP Schemes are then entitled to share in the distribution of the net allocated proceeds.

The responsible entity of the GSP Schemes (RE) has proposed the manner in which the proceeds should be allocated and which members should share in the distribution (*the "Proposal"*). The purpose of this Notice is to explain the Proposal and to help Growers to understand the impact of the Proposal on Growers should it be approved by the Supreme Court.

Determination of the Proposal or other allocation and distribution approved by the Supreme Court will affect your entitlement to receive any of the proceeds of sale.

For the reasons set out in this Notice, the RE considers that the Proposal is in the best interests of Growers. However Growers should be aware of the conflict of interest highlighted in this Notice.

Next Steps

The Supreme Court will be asked to approve the Proposal at a hearing currently anticipated to commence on 12 May 2014 at the Supreme Court of Victoria, 210 William Street, Melbourne. The court documents are available to Growers online at each of:

www.ppbadvisory.com.au/creditor-information
www.abl.com.au/gunns/gunns.htm

If the Supreme Court approves the Proposal, the RE will proceed to implement the Proposal and you may lose any right to argue for an alternative allocation and distribution proposal. It is therefore important to read this Notice carefully.

Answers to some Frequently Asked Questions (**FAQ**) are available online and a telephone hotline facility and an email facility have been set up to assist Growers who:

- wish to comment on the Proposal;
- have any questions or wish to obtain further information on the Proposal; or
- wish to support or object to the Proposal.

Details of where you can access the FAQ, the telephone hotline facility and the email facility are set out in sections 15 and 16 of this Notice.

If you wish to comment, support or object to the Proposal, you should call the telephone hotline facility or email **as soon as possible before 2 April 2014**. Your comments, support or objections will be summarised and provided to the Supreme Court.

You are not required to attend or appear at the Supreme Court hearing on 12 May 2014. However, you may wish to attend or appear at that Supreme Court hearing, and/or seek independent legal advice and/or obtain representation at that hearing. If you wish to do so, you will need to apply by 28 March 2014 as set out in the orders made on 28 February 2014. If you do so, any legal or other costs of doing so will be at your own expense unless the Supreme Court orders otherwise.

Depending on the level of Grower interest in participating in the hearing, we may ask the Supreme Court to appoint parties to appear and advocate on behalf of the different Grower interests.

We will keep you informed of future developments regarding the Proposal and the Supreme Court approval of that proposal (see section 9 of this Notice).

Important Information for Growers

1 Background

Following the collapse of the Great Southern Group in 2009, Gunns Plantations Limited (receivers and managers appointed) (in liquidation) (**GPL**) became the RE of the GSP Schemes.

The Gunns Group (including GPL) went into administration on 25 September 2012 and was placed into liquidation on 5 March 2013. The liquidators of GPL are Daniel Bryant, Craig Crosbie and Ian Carson (**Liquidators**). While GPL remains the RE of the GSP Schemes, the Liquidators make decisions on behalf of the RE.

The majority of the land used in the GSP Schemes was owned by The Trust Company (Australia) Limited as trustee for the Forestry Investment Trust (**FIT**). In October 2013, the RE agreed to surrender the leases of the land owned by FIT and used in the GSP Schemes (**FIT Land**), to sell the trees located on the FIT Land (**GSP Trees**) to FIT and to extinguish the rights of Growers in the GSP Schemes to the FIT Land, leases and GSP Trees (**FIT Sale**).

The purchase price paid by FIT was \$38.5 million. This amount is referred to in this Notice as the “**Sale Proceeds**”. FIT also released the RE and the Growers from any liability in relation to the leases.

As the FIT Sale involved the sale of trees used in each of the nine GSP Schemes, the Sale Proceeds need to be allocated between the nine GSP Schemes. Once the Sale Proceeds are allocated between the GSP Schemes, they will be used to pay certain costs which have been (or are to be) approved by the Supreme Court. The balance will then be distributed to members of the relevant GSP Scheme. There is also a question as to which members of each GSP Scheme are entitled to share in that distribution. The allocation and distribution questions are explained in more detail in sections 3 and 6 of this Notice.

The FIT Sale was approved by the Supreme Court on 20 December 2013. In approving the FIT Sale, the Supreme Court ordered (among other things) that the Sale Proceeds be held on trust by the Liquidators pending the hearing by the Supreme Court of a proceeding to determine the allocation of the Sale Proceeds between the GSP Schemes and which members of the GSP Schemes should share in the distribution of the allocated Sale Proceeds.

We also asked the Supreme Court at the hearing in December 2013 to approve an allocation of the sale proceeds and the distribution to members of the GSP Schemes in accordance with the Proposal set out in this Notice. The Supreme Court was concerned that Growers may not have been aware of the details of the Proposal, the effect that it had on their returns and the conflict of interest of the Liquidators given the impact that the allocation method adopted had on the recovery of costs by the Liquidators and other parties and that the allocation was therefore compromised. Given these concerns, the Supreme Court was not prepared to approve the Proposal unless Growers were first provided with additional information and a further opportunity to participate in the proceedings. That additional information is included in this Notice. Growers should read this Notice carefully.

The Liquidators support an allocation process which is approved by the Supreme Court and in which Growers have the opportunity to participate.

2 Overview of the Proposal

It is proposed that:

- (a) the Sale Proceeds be allocated between the GSP Schemes in a manner which would result in the Growers in all of the GSP Schemes receiving a payment, after all scheme related costs are paid (being those which have already been approved and those which will be the subject of a further approval application). **This also means that the scheme related costs and remuneration of the Liquidators will be paid in full.**
- (b) the net Sale Proceeds allocated to each GSP Scheme (after payment of costs) are distributed amongst all members of the relevant GSP Scheme:
 - (i) regardless of whether their woodlot was situated on the FIT Land;
 - (ii) regardless of whether their woodlot was situated on land for which the RE’s right to use had been terminated, whether as a result of the Great Southern Group collapse in 2009 or Gunns Group collapse in 2012; and
 - (iii) on the basis of their proportional interest in the GSP Scheme prior to any termination or expiry (other than following harvest) of the RE’s right to use any land.

It may be that the Supreme Court considers an alternative allocation and distribution is appropriate. These matters are explained in more detail in sections 3 to 6 of this Notice.

The allocation between GSP Schemes, estimated total net return to Growers after deduction of costs as set out in section 4, and estimated return per Woodlot, based on the Proposal, is set out in the following table:

GSP Schemes	FIT Land Hectares	Gross return (\$'000s)	Net return (\$'000s)	Return per woodlot (\$)
GSP 1998	134	90	64	6.30
GSP 1999	344	110	64	5.05
GSP 2000	11,547	1,761	1,205	28.37
GSP 2001	4,412	1,328	805	58.59
GSP 2002	5,248	7,172	5,485	328.88
GSP 2003	17,690	17,469	14,101	269.61
GSP 2004	20,414	3,442	391	4.93
GSP 2005	23,984	3,988	1,092	9.58
GSP 2006	20,094	3,140	382	4.57
Total	103,867	38,500	23,589	

The estimated net return is calculated on the basis of estimated costs, including costs which are yet to be approved by the Supreme Court and future costs. Those costs may vary. If the actual costs are more than the estimated costs, the net return to Growers will reduce. If the actual costs are less than the estimated costs, the net return to Growers will increase. The estimated net return also assumes that no liabilities, other than Scheme Costs, are payable from the Sale Proceeds. If there are other liabilities payable as referred to in section 8 of this Notice, the net return to Growers may reduce. The estimated net return per Woodlot is calculated on the basis of all Growers being entitled to share in the distribution as referred to in section 6 of this Notice. If fewer Growers are entitled to share in the distribution, the estimated net return per woodlot may increase.

3 Allocation between GSP Schemes

The GSP Trees which were sold as part of the FIT Sale were spread over all nine GSP Schemes. It is therefore necessary to allocate the Sale Proceeds between the GSP Schemes to reflect the value of the relevant assets sold by each GSP Scheme and of the rights of Growers in each GSP Scheme which were extinguished as part of the FIT Sale. The allocation of more value (and therefore Sale Proceeds) to any one GSP Scheme will result in less value (and therefore Sale Proceeds) being allocated to one or more other schemes.

As the trees which formed part of the GSP Schemes were planted at different times, they were of different levels of maturity and had different values. It is common for there to be different views as to the value of certain assets or rights. Those views may reflect the value to a particular person, rather than the value to others. In determining the appropriate value for the purposes of the allocation between the GSP Schemes, the Liquidators therefore determined that it would be appropriate to consider both the value allocated by the purchaser and the value allocated by an independent third party.

During the negotiations for the FIT Sale, the RE requested FIT, as purchaser, to allocate the Sale Proceeds between the various plantations being sold. As each plantation was used in a particular GSP Scheme, an allocation between the GSP Schemes could then be determined. FIT prepared and gave the RE an allocation (**FIT Allocation**) and a summary of the major assumptions used to arrive at that allocation (**FIT Methodology**). The FIT Allocation and FIT Methodology reflected FIT's subjective opinion as to various matters relevant to the valuation of the trees, such as land costs, woodchip prices, harvest timing and constraints.

The RE also requested an independent forestry consultant, URS Australia Pty Ltd (**URS**), to consider and report upon the FIT Allocation and FIT Methodology. Given there are a number of ways in which value can be allocated, this report was intended, among other things, to provide an independent assessment of whether the FIT Allocation was outside the range of values which could reasonably be applied, having regard to the factors which were particularly relevant to FIT. URS's report to the RE indicated the FIT Allocation and FIT Methodology were not unreasonable for a party that would own both the land and trees situated on the land.

URS was also asked by the RE to allocate the Sale Proceeds between the various plantations. URS prepared and gave the RE an allocation (**URS Allocation**). This provided the RE with an assessment of how the Sale Proceeds could be allocated if FIT's subjective opinion as to various matters was replaced with URS's independent, and hence objective, opinion in relation to those matters. URS attributed no value to the trees in the 1998 and 1999 GSP Schemes, as it appeared that the leases of the FIT Land on which the trees were planted had expired. URS did not allocate any separate value to the rights of Growers in those GSP Schemes or the potential claims the Growers would have to a residual interest in the relevant trees.

The RE reviewed both the FIT Allocation and the URS Allocation. The FIT Allocation allocated greater value to the earlier schemes with more mature trees, while the URS Allocation allocated greater value to the later schemes, which were significantly larger but had less mature trees.

The RE considered that the most fair and reasonable method for allocating the Sale Proceeds would be to take a mid-point between the FIT Allocation and the URS Allocation (**Mid Point Allocation**). This had the effect of balancing the allocation based on FIT's subjective opinion as to particular matters used in its allocation with an allocation based on URS's objective opinion as to those matters. It also ensured that a value was allocated to the Growers' rights in each GSP Scheme, including specifically to the 1998 and 1999 GSP Schemes.

URS reviewed the Mid Point Allocation and determined that it was not an unreasonable allocation. The Mid Point Allocation was adopted as the agreed allocation in the FIT Sale agreement.

The following table sets out the amount of Sale Proceeds which would be allocated to each Scheme under the different allocations (before deducting any applicable costs).

GSP Schemes	FIT Land Hectares	Mid Point (\$'000s)	FIT (\$'000s)	URS (\$'000s)
GSP 1998	134	90	115	-
GSP 1999	344	110	115	-
GSP 2000	11,547	1,761	2,618	924
GSP 2001	4,412	1,328	2,118	577
GSP 2002	5,248	7,172	8,624	5,736
GSP 2003	17,690	17,469	18,480	16,478
GSP 2004	20,414	3,442	1,617	5,275
GSP 2005	23,984	3,988	2,657	5,352
GSP 2006	20,094	3,140	2,156	4,158
Total	103,867	38,500	38,500	38,500

The net estimated return per woodlot under each of the allocation methods, after payment of estimated costs (referred to in section 4 of this Notice), is set out in the following table:

GSP Schemes	Woodlots	Mid Point (\$)	FIT (\$)	URS (\$)
GSP 1998	10,204	6.30	8.52	-
GSP 1999	12,567	5.05	5.44	-
GSP 2000	42,479	28.37	46.33	10.84
GSP 2001	13,734	58.59	109.74	9.96
GSP 2002	16,677	328.88	406.36	252.28
GSP 2003	52,303	269.61	286.81	252.75
GSP 2004	79,247	4.93	-	25.50
GSP 2005	114,060	9.58	-	20.22
GSP 2006	83,562	4.57	-	15.41

The estimated net return is calculated on the basis of estimated costs, including costs which are yet to be approved by the Supreme Court and future costs. Those costs may vary. If the actual costs are more than the estimated costs, the net return to Growers will reduce. If the actual costs are less than the estimated costs, the net return to Growers will increase. The estimated net return also assumes that no liabilities, other than Scheme Costs, are payable from the Sale Proceeds. If there are other liabilities payable, the net return to Growers may reduce. The estimated net return per Woodlot is calculated on the basis of all Growers being entitled to share in the distribution as referred to in section 6 of this Notice. If fewer Growers are entitled to share in the distribution, the estimated net return per woodlot may increase.

4 Costs

There are a number of costs which will be deducted from the Sale Proceeds once they are allocated to the GSP Schemes (**Scheme Costs**). These Scheme Costs include:

- (a) the remuneration and costs incurred to date by the Liquidators which relate to the GSP Schemes;
- (b) amounts which were originally payable to the receivers of the previous RE, Great Southern Managers Australia Limited (receivers and managers appointed) (in liquidation) (**GSMAL**), in respect of costs incurred following the collapse of the Great Southern Group, but which became payable to GPL after it became the RE. These amounts are now under the control of the current receivers and managers of GPL (**Receivers**). This amount is referred to in this Notice as the "**Receivers' Lien**". The Receivers' Lien was approved by the Supreme Court in 2011; and
- (c) the future remuneration and costs incurred by the Liquidators which relate to the GSP Schemes, including costs of the GSP Proceeding and of distributing the Sale Proceeds to Growers.

These Scheme Costs are payable in priority to any payment to Growers. Some Scheme Costs relate only to a particular GSP Scheme, while others relate to more than one GSP Scheme. Scheme Costs which relate to more than one GSP Scheme have been allocated between the GSP Schemes. Approval for that allocation has been obtained, or will be sought, from the Supreme Court prior to any payment of those costs from Sale Proceeds. Scheme Costs relating to the FIT Sale and the GSP Proceeding will be allocated between the GSP Schemes in the same proportion as the Sale Proceeds are allocated between the GSP Schemes. Therefore, while the total amount of Scheme Costs remains the same under the Mid Point Allocation, FIT Allocation and URS Allocation, the amount of Scheme Costs allocated to each GSP Scheme will vary.

The Liquidators have estimated the costs for each GSP Scheme. The following table sets out the estimated Scheme Costs for each GSP Scheme based on the Mid Point Allocation, showing

- amounts payable to the Liquidators (such as remuneration);
- legal costs;
- amounts payable to other third parties and amounts incurred by other parties to the GSP Proceeding which may be payable out of the Sale Proceeds; and
- the Receivers' Lien (if any).

GSP Schemes	Professional fees and disbursements (\$'000)	Legal (\$'000)	Third party (\$'000)	Total (\$'000)	Receivers' Lien (\$'000)	Total (\$'000)
GSP 1998	9	9	8	26	-	26
GSP 1999	25	15	6	47	-	47
GSP 2000	312	155	88	556	-	556
GSP 2001	146	74	53	273	250	523
GSP 2002	472	277	236	985	703	1,687
GSP 2003	1,241	721	586	2,548	819	3,368
GSP 2004	762	404	721	1,887	1,165	3,051
GSP 2005	796	421	689	1,906	989	2,896
GSP 2006	682	360	641	1,683	1,075	2,758
TOTAL	4,446	2,436	3,029	9,911	5,001	14,911

This table sets out the estimated costs, including costs which are yet to be approved by the Supreme Court and future costs. Those costs may vary. Actual costs may be more or less than the estimated costs. Approval of these costs will form part of a separate application to the Supreme Court. Costs relating to the FIT Sale and the GSP Proceeding are allocated between the GSP Schemes in the same proportion as Sale Proceeds are allocated between the GSP Schemes. The allocation of these costs will therefore differ between the Mid Point Allocation, FIT Allocation and URS Allocation. The allocation of the other Scheme Costs does not differ between the Mid Point Allocation, FIT Allocation and URS Allocation. The costs set out in the table have been calculated based on the Mid Point Allocation.

The Scheme Costs allocated to a particular GSP Scheme will only be paid from the assets of that GSP Scheme. **Unless the relevant Scheme Costs for a particular GSP Scheme are paid in full, Growers in that GSP Scheme will not receive a return.**

The Scheme Costs will only be paid in full if the amount of the Sale Proceeds allocated to the relevant GSP Scheme is greater than the Scheme Costs for that GSP Scheme. If the amount of Sale Proceeds allocated to GSP Schemes is less than the relevant Scheme Costs, either the Liquidators or the Receivers or both of them may not recover all of the amount owing to them and Growers in that GSP Scheme will not receive a return.

This gives rise to a conflict of interest for the Liquidators, as the Liquidators may be seen as having an interest in allocating the Sale Proceeds in such a way as to ensure that the Scheme Costs owing to them are paid in full.

This conflict of interest was considered by the Supreme Court at the hearing which took place on 16 and 17 December 2013. It will be raised with the Supreme Court at the hearing of the GSP Proceeding in the context of its impact on the allocation of the Sale Proceeds.

Based on the estimated Scheme Costs and their allocation between the GSP Schemes, the Mid Point Allocation results in all of the Scheme Costs for each GSP Scheme being paid in full and a return to Growers in each GSP Scheme. The FIT Allocation and URS Allocation would have a different result.

The following table sets out the amount (if any) of the estimated Scheme Costs allocated to each GSP Scheme which would not be recovered by the Liquidators, the Receivers or both of them and the estimated net return to Growers in each GSP Scheme under the different allocations. The estimated Scheme Costs allocated to each GSP Scheme differ between the Mid Point Allocation, FIT Allocation and URS Allocation. This is because Scheme Costs relating to the FIT Sale and the GSP Proceeding are allocated between the GSP Schemes in the same proportion as the Sale Proceeds are allocated between the GSP Schemes under the relevant allocation. As the allocation of Sale Proceeds differs between the Mid Point Allocation, FIT Allocation and URS Allocation, so too does the allocation of these Scheme Costs. The allocation of the other Scheme Costs does not differ between the Mid Point Allocation, FIT Allocation and URS Allocation.

GSP Schemes	Midpoint			FIT			URS		
	Estimated costs (\$'000s)	Net Grower return (\$'000s)	Deficit to Liquidators / Receivers (\$'000s)	Estimated costs (\$'000s)	Net Grower return (\$'000s)	Deficit to Liquidators / Receivers (\$'000s)	Estimated costs (\$'000s)	Net Grower return (\$'000s)	Deficit to Liquidators / Receivers (\$'000s)
GSP 1998	26	64	-	29	87	-	16	-	(16)
GSP 1999	47	64	-	47	68	-	34	-	(34)
GSP 2000	556	1,205	-	650	1,968	-	464	460	-
GSP 2001	523	805	-	610	1,507	-	441	137	-
GSP 2002	1,687	5,485	-	1,847	6,777	-	1,529	4,207	-
GSP 2003	3,368	14,101	-	3,479	15,001	-	3,258	13,220	-
GSP 2004	3,051	391	-	2,850	-	(1,233)	3,253	2,021	-
GSP 2005	2,896	1,092	-	2,749	-	(92)	3,046	2,306	-
GSP 2006	2,758	382	-	2,650	-	(494)	2,870	1,288	-
Total	14,911	23,589	-	14,911	25,408	(1,819)	14,911	23,639	(50)

The estimated net return is calculated on the basis of estimated costs, including costs which are yet to be approved by the Supreme Court and future costs. Those costs may vary. If the actual costs are more than the estimated costs, the net return to Growers will reduce. If the actual costs are less than the estimated costs, the net return to Growers will increase. The estimated costs allocated to each GSP Scheme differ between the Mid Point Allocation, FIT Allocation and URS Allocation. This is because Scheme Costs relating to the FIT Sale and the GSP Proceeding are allocated between the GSP Schemes in the same proportion as Sale Proceeds are allocated between the GSP Schemes under the relevant allocation. The estimated net return also assumes that no liabilities, other than Scheme Costs, are payable from the Sale Proceeds. If there are other liabilities payable, as referred to in section 8 of this Notice, the net return to Growers may reduce.

In summary, based on the estimated Scheme Costs and on the Liquidators' costs being paid in priority to the Receivers' Lien:

- the FIT Allocation results in **no return to Growers in the 2004, 2005 and 2006 GSP Schemes** and a shortfall in the recovery of costs by the Liquidators of \$69,000 and by the Receivers of \$1,750,000 in respect of the Receivers' Lien;
- the URS Allocation results in **no return to Growers in the 1998 and 1999 GSP Schemes** and a shortfall in the recovery of costs by the Liquidators of \$50,000 and no shortfall in the recovery by the Receivers of the Receivers' Lien;
- the Mid Point Allocation results in **a return to Growers in all nine GSP Schemes** and no shortfall in the recovery of costs by the Liquidators or the recovery by the Receivers of the Receivers' Lien; and
- the total amount available to Growers after payment of costs is the highest under the FIT allocation. However, this total net amount would only be shared between the Growers in the 1998-2003 GSP Schemes. No amount would be available to Growers in the 2004, 2005 and 2006 GSP Schemes.

The Receivers may assert that the Receivers' Lien ranks either in priority to or equally with the Liquidators' costs, which would alter the way in which the estimated shortfall was shared between the Liquidators and Receivers. This matter will not be determined as part of the

GSP Proceeding and, depending on the allocation approved by the Court, may form part of a separate proceeding which would not affect the return to Growers.

5 Best interest of all Growers

Based on the estimated net returns under each allocation, it would be expected that Growers in the earlier GSP Schemes would prefer the FIT Allocation but Growers in the later GSP Schemes would prefer the URS Allocation. It is not possible to satisfy both of these preferences.

In deciding whether to enter into the FIT Sale agreement, the RE concluded that the sale of the GSP Trees in one transaction would maximise the purchase price received. However, the RE also had to consider whether the sale was in the best interests of Growers in each GSP Scheme, if that GSP Scheme was viewed separately from the other GSP Schemes. Growers in each GSP Scheme were giving up rights that they would otherwise have had in the relevant GSP Trees and over the FIT Land. Accordingly, the sale would only be of benefit to the Growers in a particular GSP Scheme if they were to receive reasonable consideration for giving up their rights. The Liquidators considered that it would be fair and reasonable and in the Growers best interests to enter into the FIT Sale, if the Growers in each GSP Scheme would receive a return, net of applicable estimated costs.

Having regard to the RE's statutory duty, the Liquidators believe that the Mid Point Allocation is in the best interests of Growers as it results in a return to Growers in all GSP Schemes, based on the estimated Scheme Costs. **The Liquidators highlight the conflict of interest they have given the Mid Point Allocation is also likely to result in the Scheme Costs of the Liquidators being paid in full.** This is a natural consequence of all Growers receiving some return, given the Scheme Costs are payable in priority to any payment to Growers.

6 Distribution to Growers

Once the Sale Proceeds are allocated to the various GSP Schemes, the Sale Proceeds will be used to pay the relevant Scheme Costs and satisfy any other liabilities of that GSP Scheme. The balance of the allocated Sale Proceeds will be distributed to Growers in that GSP Scheme (subject to any competing claim against a particular Growers' entitlement, for example by a financier under a Grower loan).

When each GSP Scheme was established, Growers were allocated one or more woodlots. Growers did not have a say in where their woodlots were located. Each woodlot was located on land which the RE had rights to use, either pursuant to a lease or forestry rights agreement from the owner of that land.

While the GSP Scheme continued to operate and the RE retained the right to use the relevant land, the location of a Grower's woodlots was of little importance. The proceeds from the harvest and sale of all trees used in the GSP Scheme were pooled and distributed to Growers in proportion to the number of woodlots they held. The return per woodlot was the same, regardless of where the Grower's actual woodlot was located.

Following the collapse of the Great Southern Group in 2009, the owners of some of the land on which the GSP Schemes were then operated purportedly terminated the rights of the RE to use that land (**Terminated Land**). Some landowners (such as the owners of the land located in the Tiwi Islands on which trees had been planted) re-took possession of the land and assumed all rights to the trees located on that land. This raised questions as to whether the rights of Growers who had woodlots on the Terminated Land were terminated or otherwise varied as a result of the purported termination. The constitutions of the GSP Schemes do not expressly provide what happens in such circumstances.

In 2010, GPL sought to become the new RE of the GSP Schemes in place of GSMAL. At that time, an explanatory memorandum was provided to Growers. That document asserted that Growers whose woodlots were located on the Terminated Land would cease to be Growers but would remain as members of the GSP Schemes. They were said to have an “impaired interest” as they would not share in any future sale proceeds from the harvest and sale of any trees used in the GSP Scheme (**Impaired Interest**). In effect, those Growers who had an Impaired Interest would become a separate class of members in the GSP Schemes. However, no changes were made to the constitutions of the GSP Schemes to expressly provide for the creation of this class of members or to set out the ongoing rights of this class of members.

The RE has a duty to act in the best interests of scheme members and treat all members who hold interest of the same class equally and members who hold interests in different classes fairly. Prior to the Great Southern Group collapse, all members of each GSP Scheme were of the same class and, in the Liquidators’ view, should therefore have been treated equally.

Since the Gunns Group collapse, a number of landowners have sought to terminate the rights of the RE to use their land and have sought to re-take possession of the land and assume all rights to the trees located on that land. This may be seen as having an impact on the interests of Growers whose woodlots were on this land and arguably created more members, or a new class of members, in the relevant GSP Schemes with Impaired Interests. Having regard to their interpretation of the constitutions of the GSP Schemes, the Liquidators consider that the RE would not be treating all member of the same class equally or the members of different classes fairly if these Growers were denied the right to participate in any distribution of net Sale Proceeds, through circumstances such as these over which the Growers had no control.

The Proposal therefore provides that all Growers and members in the GSP Schemes should share in the proceeds of sale allocated to their GSP Scheme:

- (a) regardless of whether their woodlot was situated on FIT Land;
- (b) regardless of whether their woodlot was situated on Terminated Land or their interest in that GSP Scheme might have been classified previously as an Impaired Interest, following the collapse of the Great Southern Group or of the Gunns Group; and
- (c) on the basis of their proportional interest in the GSP Scheme prior to any purported termination or expiry (other than following harvest) of the rights of the RE to use the land on which a Grower’s woodlots were or are located.

This means that the number of woodlots in some GSP Schemes will be greater than it would be if Growers whose woodlots were situated on Terminated Land or whose interest might have been classified previously as an Impaired Interest were not entitled to participate in the distribution of net Sale Proceeds. While the amount of Sale Proceeds allocated to each GSP Scheme will not change, the larger number of woodlots per GSP Scheme will reduce the net estimated return per woodlot in the affected GSP Schemes.

The following table sets out the number of woodlots in each GSP Scheme assuming the Impaired Interests are included and assuming they are excluded and the corresponding estimated net return to Growers, based on the Midpoint allocation.

GSP Schemes	Incl. Impaired Interests		Excl. Impaired Interests	
	Woodlots	Mid Point Allocation return \$	Woodlots	Mid Point Allocation return \$
GSP 1998	10,204	6.30	10,204	6.30
GSP 1999	12,567	5.05	12,567	5.05
GSP 2000	42,479	28.37	42,479	28.37
GSP 2001	13,734	58.59	12,987	61.96
GSP 2002	16,677	328.88	15,140	362.27
GSP 2003	52,303	269.61	49,224	286.47
GSP 2004	79,247	4.93	78,468	4.98
GSP 2005	114,060	9.58	85,443	12.79
GSP 2006	83,562	4.57	71,290	5.36

The estimated net return is calculated on the basis of estimated costs, including costs which are yet to be approved by the Supreme Court and future costs. Those costs may vary. If the actual costs are more than the estimated costs, the net return to Growers will reduce. If the actual costs are less than the estimated costs, the net return to Growers will increase. The estimated net return also assumes that no liabilities, other than Scheme Costs, are payable from the Sale Proceeds. If there are other liabilities payable as referred to in section 8 of this Notice, the net return to Growers may reduce.

7 Other Amounts

The RE holds other amounts which form part of the scheme property of some GSP Schemes (**General Scheme Funds**) or which are referable to specific Growers in some GSP Schemes (**Specific Grower Funds**).

General Scheme Funds include harvest and thinnings proceeds from the trees used in a particular GSP Scheme. Following the payment of any applicable scheme costs or other claims (such as those set out in section 8 of this Notice) which are payable from scheme property in priority to distributions to Growers, General Scheme Funds will be distributed to Growers in the relevant GSP Scheme in the same manner as set out in section 6, if that distribution method is approved by the Supreme Court.

Specific Grower Funds are not shared between all Growers in a GSP Scheme but relate only to specific Growers. These include insurance proceeds and amounts reflecting unrepresented cheques. Subject to any claims which may have priority to the distribution to Growers, Specific Grower Funds will be paid to the relevant Growers.

The following table sets out the amounts currently held by the RE.

GSP Schemes	General Scheme Funds (\$'000)	Specific Grower Funds (\$'000)
GSP 98	177	-
GSP 99	910	-
GSP 00	1,829	195
GSP 01	26	237
GSP 02	29	-
GSP 03	277	-
GSP 04	-	260
GSP 05	-	5
GSP 06	-	13
Schemes to be confirmed	-	348
TOTAL	3,248	1,058

8 Potential Other Claims

There may be some liabilities which are payable from the scheme property of some GSP Schemes. The RE may be required to satisfy those liabilities from scheme property (including Sale Proceeds) prior to paying any amounts to Growers.

Some landowners may have claims against the RE for rent or other amounts owing under leases entered into in relation to the GSP Schemes. If these claims are valid, the RE may be entitled to be indemnified from the scheme property of the relevant GSP Scheme for any such claims. If the RE is entitled to be indemnified, the valid claims of landowners may be payable from scheme property in priority to distributions to Growers. The Liquidators have commenced, and intend to continue, negotiating with landowners in order to minimise such claims.

The Receivers have notified the RE that they have claims in respect of:

- (a) amounts paid by Gunns Limited to FIT, prior to the collapse of the Gunns Group, in satisfaction of GPL's obligations in relation to the leases of the FIT Land; and
- (b) fees payable to GPL in its personal capacity pursuant to the constitution of each GSP Scheme.

If these claims are valid, they may be payable from scheme property in priority to distributions to Growers. The Liquidators have commenced, and intend to continue, negotiating with the Receivers in relation to these claims.

If any such potential claims are valid and payable from the scheme property of a GSP Scheme, the net return to Growers in that GSP Scheme may be reduced.

9 Rights of Growers in connection with the Proposal

Some Growers may wish to comment on, raise questions in relation to, or support or object to the Proposal. Without prejudice to any other course Growers may be advised by their own advisers to take, Growers may:

- (a) address any comments on the Proposal, the GSP Proceeding or their individual circumstances;
- (b) ask any questions or obtain further information on the Proposal or the GSP Proceeding; or
- (c) confirm their support or raise any objection to the Proposal,

by calling the telephone hotline on (03) 9269 4160 or emailing gunns@ppbadvisory.com. The telephone hotline facility will be staffed by representatives of GPL and the Liquidators (see section 16).

Before calling the telephone hotline facility or emailing, we suggest that you read and carefully consider this Notice and the FAQ available at any of:

www.ppbadvisory.com.au/creditor-information
www.abl.com.au/gunns/gunns.htm

for answers to your queries. If you do not find a suitable response and you call the hotline facility or email, you will receive a reply and your comments, support or objections will be noted and passed on to the Supreme Court for the purposes of the hearing of the GSP Proceeding.

If you wish to support or object to the Proposal, you should call the telephone hotline on (03) 9269 4160 or by email gunns@ppbadvisory.com **as soon as possible before 2 April 2014**.

We expect that Growers in the earlier GSP Schemes will prefer the FIT Allocation but Growers in the later GSP Schemes will prefer the URS Allocation. It is not possible to satisfy both these preferences.

At the hearing of the GSP Proceeding, the RE will disclose to the Supreme Court all comments, support or objections they have received from Growers prior to the hearing of the GSP Proceeding in relation to the Proposal or the GSP Proceeding. Personal details will be kept confidential subject to any orders of the Supreme Court. Any such comments, support or objections will be considered by the Supreme Court in the context of determining whether the Proposal should be approved.

You are not required, but are able, to attend or appear at the Supreme Court for the hearing of the GSP Proceeding. Any Grower who objects to the Proposal may raise their objection at the GSP Proceeding. Growers may choose to appear in person, or have their own lawyers represent them. If you wish to appear or have your own lawyers appear on your behalf, you should seek legal advice in relation to the steps that you will be required to take in order for this to happen.

Depending on the level of Grower interest in participating in the hearing, we may ask the Supreme Court to appoint parties to appear and advocate on behalf of the different Grower interests.

Shortly after the Supreme Court delivers its decision in respect of the GSP Proceeding the RE will publish a further notice setting out the consequences of the decision (**Second Notice**) and will notify you of the publication of the Second Notice by post or email.

10 **Grower Loans**

Some Growers in the GSP Schemes entered into loan agreements to fund their initial investment in the GSP Schemes. While some Growers have repaid their loans in full, other Growers have outstanding loans (**Grower Loan**).

A number of financiers of Grower Loans (**Financiers**) may assert a proprietary interest in and/or security claim over the amount of any Sale Proceeds which are payable to any Grower (**Sale Proceeds Entitlement**), if that Grower has an outstanding Grower Loan.

If there are competing claims by the Grower and its Financier to the Sale Proceeds Entitlement, the Sale Proceeds Entitlements of Growers with a Grower Loan will be held on trust by the RE pending resolution of the competing claims, either by agreement or court order. The GSP Proceeding will not determine the respective rights of the Financiers and Growers with Grower Loans.

Section 11 of this Notice provides further details of the options available to Growers with Grower Loans.

11 **Distribution of Sale Proceeds Entitlements**

If the Proposal is approved by the Supreme Court, the RE will implement the Proposal.

Growers who have a Grower Loan in connection with their investment in the GSP Schemes will be able (should they choose) to direct that their Sale Proceeds Entitlement is paid, in whole or in part, to their Financier to pay, to the extent possible, their Grower Loan.

A direction to pay form is available at any of:

www.ppbadvisory.com.au/creditor-information
www.abl.com.au/gunns/gunns.htm

If you have a Grower Loan you can (if you choose) give your directions to the RE by completing and returning a direction to pay form. To arrange for a direction to pay form to be sent to you, call the telephone hotline on (03) 9269 4160 or email gunns@ppbadvisory.com.

If you wish to confirm the number of woodlots you held in the GSP Schemes or any other private information which the RE holds in relation to your individual circumstances in respect of the Proposal, you should call the Gunns telephone hotline on (03) 9269 4160 or email gunns@ppbadvisory.com.

Growers that wish to obtain details in relation to the status of any loans that they may have, should contact their Financier directly.

To receive your Sale Proceeds Entitlement (if payable to you having regard to your Grower Loan, if any), you must notify the RE of the bank account you nominate to receive payment. You can notify the RE of your bank account details by completing and returning the bank account nomination form at any of:

www.ppbadvisory.com.au/creditor-information
www.abl.com.au/gunns/gunns.htm

To arrange for a bank account nomination form to be sent to you, call the telephone hotline on (03) 9269 4160 or email gunns@ppbadvisory.com.

12 Timing of payments

If the Proposal is approved by the Supreme Court, the Second Notice will notify you of (among other things) the anticipated timing of payments. The timing of a Grower's payment of their Sale Proceeds Entitlement will depend, in part, on their individual circumstances.

If a Grower does not have a Grower Loan, the RE will pay the Grower's Sale Proceeds Entitlement to its nominated bank account as soon as practicable following the necessary approvals being obtained from the Supreme Court.

If a Grower has any Grower Loan and its Financier has asserted a proprietary interest in and/or security claim over the amount of the Grower's Sale Proceeds Entitlement and the Grower:

- (a) has directed the RE to pay its Grower Loan, to the extent possible, out of its Sale Proceeds Entitlement, the RE will, as soon as practicable, use the Grower's Sale Proceeds Entitlement to pay, to the extent possible, the Grower Loan and remit the balance of the Grower's Sale Proceeds Entitlement (if any) to the Grower into its nominated bank account;
- (b) has directed the RE to use its Sale Proceeds Entitlement to pay only part of its Grower Loan, the RE will, as soon as practicable, pay that part of the Grower Loan and retain the balance of the Grower's Sale Proceeds Entitlement (if any) on trust pending an agreement between the Financier and the Grower or Court order as to whom it should pay; or
- (c) has not directed the RE to use any part of its Sale Proceeds Entitlement to pay its Grower Loan, the RE will hold that Grower's Sale Proceeds Entitlement on trust pending agreement between the Financier and the Grower or court order as to whom it should pay.

Other parties (such as other landowners) may assert a competing claim to the Sale Proceeds allocated to a GSP Scheme. Any such claim will affect the timing of payments and may affect the amount of the Growers' Sale Proceeds Entitlements.

13 Tax consequences of the Compromise

The Proposal and payment of the Sale Proceeds Entitlement may have tax consequences for each Grower. The consequences for each Grower will depend on the Grower's individual circumstances. You may wish to seek advice from your personal financial or taxation adviser about the potential tax consequences of receiving your Sale Proceeds Entitlement and any choice you may make to give directions to pay your Sale Proceeds Entitlement to the Financier.

14 Comments, questions, support or objections

The RE has established a telephone hotline facility and email facility so that Growers may address any comments or questions, confirm their support or raise any objections.

The Liquidators will record in appropriate detail, in an affidavit to be filed with the Supreme Court in connection with the GSP Proceeding, the substance of all comments and questions raised to it by the Growers and the responses to those Growers, and the nature of any support given or objections made to it by Growers and the responses provided by it to those Growers.

15 Further information

The RE has prepared answers to what it believes will be frequently asked questions. These questions and answers are available online at any of:

www.ppbadvisory.com.au/creditor-information
www.abl.com.au/gunns/gunns.htm

or can be obtained by calling the telephone hotline on (03) 9269 4160 or email gunns@ppbadvisory.com.

16 Key contacts

Telephone Hotline Facility (03) 9269 4160

Email address gunns@ppbadvisory.com

Frequently Asked Questions and notices to Growers Available online at any of:

www.ppbadvisory.com.au/creditor-information
www.abl.com.au/gunns/gunns.htm