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GUNNS PLANTATIONS LIMITED
ABN 36 091 232 209
AFSL NO. 238701

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

Grower update – 8 May 2013

Gunns Plantations Woodlot Projects 2000 and 2001 (GPL Woodlot 2000 & 2001 Schemes)

The purpose of this update is to provide Growers of the GPL Woodlot 2000 & 2001 Schemes with:

1. an update on the court approved sale process
2. factors for Growers to consider when voting at the Grower meetings on 9 May 2013.

Summary:

The Primary Securities Ltd (**Primary Securities**) proposal (**Primary Securities Proposal**) comes with a number of risks and drawbacks such as:

- your leases will most likely be terminated putting your investment at risk
- there will be no waiver of back rent (\$3.5m) potentially increasing scheme liabilities
- your Grower loans may become immediately due and payable
- other risks such as tax treatment, potentially lower returns and increased costs including annual contributions.

We do not recommend that Growers support the present Primary Securities Proposal.

You must decide whether to pursue:

- a restructure proposal that may contain a number of additional risks and costs in managing your investment; or
- a process, where the Liquidator conducts an orderly sale process with your interests in mind which is subject to the approval of the courts.

Disclaimer

Growers are encouraged to read this update in its entirety before making a decision as to how to vote. Growers should make their own independent evaluation of the proposal and of the relevance and adequacy of the information contained therein, and should make such investigations as they deem necessary to determine whether and how to vote at the meetings.

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.

1. Court sets a hearing date for the application for power of sale

Our correspondence to Growers on [5 April 2013](#) outlined the rationale for our conclusion that it was in the interests of Growers and stakeholders to pursue a court approved sale process of Growers' trees rather than Growers voting to amend the GPL Woodlot 2000 & 2001 Schemes constitutions under the Primary Securities Proposal.

Our position has not changed.

We recently applied to the Supreme Court of Victoria (the **Court**) for approval of a power of sale. The Court has set a date for the hearing of the application on 30 May 2013.

2. Factors to consider when voting at the Grower meetings on 9 May 2013

A Grower vote to amend the constitutions of the GPL Woodlot 2000 & 2001 Schemes will be held in Melbourne on Thursday 9 May 2013 at 11am EST for GPL Woodlot 2000 Scheme and 11:30am EST for GPL Woodlot Scheme 2001. Further details of the meeting and Primary Securities Proposal can be accessed at primarysecurities.com.au/schemes/gunns_plantations.phtml.

We do not recommend that Growers vote in favour of the Primary Securities Proposal. The rationale for this recommendation was detailed in our correspondence of 5 April 2013 (and submitted to the Court). Key points include:

- **Risk of lease termination** – if Growers vote in favour of the Primary Securities Proposal, there is a high risk that the head leases of the GPL Woodlot 2000 & 2001 Schemes will be terminated. The Receivers and Managers of Gunns Limited (Receivers and Managers) (in Liquidation) (**Gunns**), the landlord of the scheme leases, have indicated that they will not terminate the head leases of the GPL Woodlot 2000 & 2001 Schemes if a Court approved sale process is pursued.
- **Increased fees** - the Primary Securities Proposal will increase the Growers annual contributions and require additional fees to be paid by Growers.
- **Grower loan risk** - Grower loans may immediately become due and payable in full if Growers vote for the Primary Securities Proposal. The Receivers and Managers of Gunns Finance Ltd (Receivers and Managers appointed) (in Liquidation) (**GFL**) have indicated that Grower loans financed through GFL will have an event of default called if the Primary Securities Proposal is successful. Additionally, the Receivers and Managers of GFL have indicated that they will not recognise an event of default if a Court approved sale process is conducted.
- **Tax risk** - it is not clear what the impact of the Primary Securities Proposal will be on Growers tax position. There is a risk to Growers that the Primary Securities Proposal will adversely impact the existing tax rulings in relation to the GPL Woodlot 2000 & 2001 Schemes if the Australian Tax Office (**ATO**) consider that changes to the schemes 'are significant enough to affect your tax outcomes'.¹ Generally, the ATO will not usually seek to clawback tax deductions under a wind-up scenario, although no determination has yet been made in respect of the GPL Woodlot 2000 & 2001 Schemes.
- **RE risk** - Primary Securities is not actually willing, at this time, to become the RE nor is it willing to accept all the obligations and liabilities of the RE. Also, Primary Securities does not currently hold an Australian Financial Services Licence capable of allowing it to operate the GPL Woodlot 2000 & 2001 Schemes.

¹ More information can be found at <http://www.ato.gov.au/atp/PrintFriendly.aspx?ms=atp&doc=/content/00193782.htm>

- **Grower liability risk** - Growers’ liability for the actions taken by Primary Securities is not limited under the interim agency agreement proposed by Primary Securities.
- **Potential adverse impact on returns** – an immediate constitutional amendment being proposed is the **ability of Growers to elect to individually self-manage and harvest their own trees**. This option is not practicable, or in the best interest of most small Growers and may **adversely impact on returns received by non-electing Growers**.
- **Expansion of RE powers** - the Primary Securities Proposal significantly expands the powers that Primary Securities will have as RE.

Additionally we note the following **important development** since our last update:

- **Back rent** - the Gunns Receivers and Managers have agreed to waive all alleged outstanding pre-administration scheme related back rent totalling c.\$3.5m. This is conditional on GPL continuing to be the RE of the GPL Woodlot 2000 & 2001 Schemes and the GPL Liquidators pursuing a Court approved sale process.

This will reduce the costs potentially deducted from any sales proceeds or prevent costly Court litigation to contest the Gunns Receivers and Managers claim in the event Growers vote in favour of the Primary Securities Proposal.

The Liquidators are continuing to investigate the alleged non-payment of past rent for the GPL Woodlot 2000 & 2001 Schemes.

We strongly recommend that you obtain independent financial advice on your investment and how the Primary Securities Proposal may impact it.

3. Further questions?

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

Contact	Contact Phone Number	Contact Email Address
GPL Client Services	(03) 6335 5290	gunns.plantations@gunns.com
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