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Confidential Email

Dear Mark

**Willmott Forests 1995-1999 Project (ARSN 089 598 612) (Scheme) –  
Notice of Meeting**

Please see attached.

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**Our Ref** CCHM:EVBM:120090098

mkwm A0117602118v6 120090098 30.5.2011

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30 May 2011

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Dear Mark

**Willmott Forests 1995-1999 Project (ARSN 089 598 612) (Scheme) –  
Notice of Meeting**

We refer to:

- (a) your letter dated 20 May 2011 attaching a Notice of Meeting of members of the Scheme and an accompanying Explanatory Memorandum prepared by Willmott Growers Group Inc (**WGG**); and
- (b) our previous correspondence in relation to WGG's proposals to restructure the Scheme, including the earlier Notice of Meeting of members of the Scheme dated 23 December 2010 which was ultimately withdrawn by WGG.

As you are aware, Willmott Forests Limited (Receivers and Managers Appointed) (In Liquidation) (**WFL**) holds in its personal capacity significant interests in the Scheme. As a result, the receivers and managers of WFL (**Receivers**), acting in its capacity as a member of the Scheme (**Grower**), have carefully considered the Notice of Meeting and Explanatory Memorandum and the information on the 'WGG Proposal' as defined therein.

This letter summarises the Receivers' response to the WGG Proposal and highlights a number of serious deficiencies in the information provided to Growers in the Notice of Meeting and Explanatory Memorandum. Given that the matters raised in this letter will be relevant to Growers' ability to assess the merits of the WGG Proposal and determine how to vote at the meeting currently scheduled for 14 June 2011, we request that you post a copy of this letter on the WGG website ([www.willmottgrowersgroup.com.au](http://www.willmottgrowersgroup.com.au)) so that it can be accessed by all Growers in the Scheme. We have also provided a copy of this letter to Arnold Bloch Leibler and will request that it also be posted on their website ([www.abl.com.au/willmott/willmott.htm](http://www.abl.com.au/willmott/willmott.htm)).

**1. Executive Summary**

1. The Receivers consider that the Notice of Meeting and Explanatory Memorandum circulated by WGG fail to provide sufficient information to inform Growers fully and fairly of the matters to be considered and to enable them to decide whether to attend the meeting of Growers scheduled for 14 June 2011 and (if so) how to

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exercise their voting powers. In summary, the Notice of Meeting and Explanatory Memorandum:

- (a) do not identify with sufficient specificity the amounts for which Growers will become liable under the WGG Proposal, both immediately and on an annual basis over the remaining life of the Scheme (see Section 2 below);
  - (b) do not adequately demonstrate or explain why WGG considers that the WGG Proposal is in the best interests of all Growers, particularly by comparison to the Liquidators' alternative proposal for realisation of the Scheme's assets (see Section 3 below); and
  - (c) do not adequately address a number of important issues impacting on particular classes of Growers in the Scheme and consequently their assessment of the WGG Proposal (see Section 4 below).
2. In addition, the Receivers consider that the proposed mechanism for dilution of non-contributing Growers in the WGG Proposal is unfair and unnecessarily prejudicial to the interests of:
- (a) Growers, including WFL, who are financially unable to pay the significant fees contemplated by the WGG Proposal; and
  - (b) Growers who do not wish to invest further funds in the Scheme and who might prefer the Liquidators' proposal for an immediate sale rather than the WGG Proposal;
- (see section 4 below);
3. In the circumstances, the Receivers request that WGG circulates as soon as possible a Supplementary Explanatory Memorandum (**Supplementary EM**) which:
- (a) provides further details of the liabilities to be incurred by Growers if the WGG Proposal were approved, including information supporting the estimates set out in the WGG Proposal for each of the fees to be invoiced to Growers;
  - (b) provides further details of WGG's and/or PSL's assessment of the viability of the Scheme, including:
    - (i) the items and unit costs (per hectare) WGG and/or PSL have identified as reasonable costs to bring the Scheme's assets to harvest;
    - (ii) the expected net return to Growers of each of the projects within the Scheme; and
    - (iii) the reasons why WGG and/or PSL consider that Growers will receive a superior return under the WGG Proposal as opposed to an immediate sale of Scheme's assets pursuant to the Liquidators' proposal.
  - (c) appropriately distinguishes between the relative purported benefits of the WGG Proposal for each relevant class of Growers, including Growers with interests in the 1999 Prospectus and Growers with or without loans for which the principal payments have been deferred in consideration of Growers assigning between 25 – 30% of their interest in the trees located on their hectares (**deferred loans**); and

- (d) amends the WGG Proposal so as to remove or amend the proposed dilution mechanism for non-contributing Growers and/or provide an exit mechanism whereby Growers can elect to withdraw from the Scheme on the basis that the RE will buy-back their interests for a fair and reasonable price.
4. The Receivers also request that:
- (a) WGG adjourns the meeting of Growers called for 14 June 2011 to a date no earlier than 21 days after circulation of the Supplementary EM in order to provide Growers with sufficient time to consider the material therein; and
  - (b) WGG refrains from accepting or using any proxies provided to PSL or procured by PSL prior to the receipt by Growers of the Supplementary EM as those proxies will not have been given on an informed basis.
5. Please confirm by no later than **midday on Thursday, 2 June 2011** that WGG will take each of the above steps. If WGG fails or refuses to do so, the Receivers reserve all of WFL's rights, including to issue proceedings seeking appropriate relief from the Courts without further notice to WGG.

## 2. Liabilities under the WGG Proposal

6. The WGG Proposal contemplates a fundamental change in the nature of the Scheme from a deferred payment scheme to a contributory scheme. This change would be effected by amendments to the Scheme constitution to allow the proposed new RE, Primary Securities Limited (*PSL*), to invoice Growers for a wide range of fees, both shortly after approval of the WGG Proposal and on an annual basis over the remaining life of the Scheme, namely:
- (a) a **Reconstruction Fee of \$200 per hectare** to be invoiced to Growers shortly after approval of the WGG Proposal;
  - (b) an **Initial Management Fee** currently **estimated at \$300 per hectare** to be invoiced to Growers shortly after approval of the WGG Proposal;
  - (c) **Supplementary Initial Management Fees of unknown and unlimited quantum** to be invoiced to Growers if the actual contributions of Growers in respect of the Reconstruction Fee and Initiation Management Fee are not sufficient to fund until 30 June 2012:
    - (i) the 'Cost of Reconstruction';
    - (ii) the 'Total Management Costs'; and
    - (iii) the 'Dispute Resolution Costs';
  - (d) an ongoing annual **Management Fee** currently **estimated at between \$150 to \$250 per hectare** (but to be determined by the RE each year) to be invoiced to Growers prior to the start of each financial year in order to cover the forecast:
    - (i) 'Total Management Costs'; and
    - (ii) 'Dispute Resolution Costs';
  - (e) **Supplementary Management Fees of unknown and unlimited quantum** to be invoiced to Growers each year if the actual contributions paid by Growers in

respect of the Management Fees are not sufficient to fund the ongoing costs of the Scheme in the applicable financial year.

7. As indicated by the summary above, there is a high degree of uncertainty regarding the amount of both the upfront Reconstruction Fee and Initial Management Fees payable in the first year following approval of the WGG Proposal and also the ongoing Management Fees payable each financial year for the life of the Scheme. Even the amount of the Initial Management Fee payable shortly after the approval of the WGG Proposal is stated to be an estimate (see page 12 of the Explanatory Memorandum) and no details have been provided to support the accuracy of the estimate for ongoing Management Fees.
8. The WGG Proposal does, however, set out in detail a wide range of remuneration, costs and expenses that are to be borne by Growers from the payment of the above fees, including the following:
  - (a) the '**Cost of Reconstruction**', as described in the proposed new clause 10.7 of the constitution, which is to be 'reasonably determined' by the new RE, PSL, and will include:
    - (i) all reasonable costs and expenses incurred by WGG (or any other 'recognised grower group') or PSL or the Manager (proposed to be Black Tree) prior to or following any meeting of Growers, including any due diligence by WGG, PSL and Black Tree;
    - (ii) procuring a variation of PSL's AFSL to include the Scheme;
    - (iii) preparing any notice of meeting including amendments to the constitution, recording proxies, dealing with the Receivers and Liquidators, attending the meeting or meetings of Growers; and
    - (iv) "any fees not accounted for under clause 10A" (that is, not recovered as part of the Initial Management Fee and Reconstruction Fee) and "other transitional work to become the Responsible Entity".

Each of the above categories include costs and expenses that will already have been incurred by WGG, PSL and Black Tree in developing the WGG Proposal and calling the meeting of Growers, however no details have been provided of these costs and expenses incurred to date and to be borne by Growers.

- (b) the '**Total Management Costs**' are defined in the proposed amended clause 3 of the constitution and include a broad range of operational costs and expenses and costs and expenses of the RE in conducting the Scheme. These costs also include "lien expenses being amounts claimed by either the Receivers or the Liquidators in recognition of costs properly incurred by either the Receivers or the Liquidators for the preservation and maintenance of the Project". There is no indication in the WGG Proposal of the 'lien expenses' incurred by the Liquidators to date or whether those expenses have been included in the estimate of either the Initial Management Fees or annual Management Fees. It is also unclear the extent to which the estimate of either the Initial Management Fees or annual Management Fees include a provision for the significant remediation and maintenance work which will be required given the lack of maintenance of the Scheme plantations

since the appointment of the external administrators (such work is contemplated as part of the implementation process as summarised on page 16 of the Explanatory Memorandum).

- (c) the '**Dispute Resolution Costs**' are also defined in the proposed amended clause 3 of the constitution and include a broad range of legal costs, expenses and disbursements associated with a variety of contemplated legal proceedings. Again, there is no indication in the WGG Proposal of the extent to which projected Dispute Resolution Costs have been included in the estimate of the Initial Management Fees, or if these Dispute Resolution Costs will need to be borne by Growers pursuant to additional Supplementary Management Fees. WGG and/or PSL have clearly prepared an estimate of the cost of legal proceedings (see page 22 of the Explanatory Memorandum) and allocated part of the Initial Management Fee to dispute resolution (see page 6 of the Explanatory Memorandum) however the estimate and allocation have not been disclosed to Growers.

#### PSL's Remuneration

9. We also note that the fees to be invoiced to Growers will include an amount attributable to the remuneration of PSL. The WGG Proposal contemplates an amendment to the Scheme constitution to include a new clause 10.5 which provides that PSL will be entitled to receive an annual fee of \$65,000 indexed per annum plus \$10 indexed per Grower (plus GST) for a minimum of three years payable in 12 equal monthly instalments the first instalment payable on the date of appointment. Further, the proposed new clause 10.10 of the Scheme constitution states that PSL shall "as part of its remuneration and in addition to the remuneration referred to in clause 10.5" be reimbursed for a long list of activities to be conducted by PSL falling within over 70 categories (see pages 53 – 57 of the Explanatory Memorandum). It is not clear whether the payments to be made pursuant to this clause represent an additional remuneration entitlement of PSL or whether they overlap the various costs described in paragraph 8 above.
10. By comparison, we note that, under the present Scheme structure, WFL receives **no ongoing remuneration** for its services as RE of the Scheme.

#### Increased liability due to non-contributing Growers

11. Significantly, the WGG Proposal also does not explain the extent to which the estimates of the Initial Management Fees and annual Management Fees include a provision for non-contributing Growers, including WFL. Page 15 of the Explanatory Memorandum states that, as WFL is in liquidation, it is not expected to make the annual contributions in relation to its interests. The Receivers confirm that WFL is not in a position to pay any fees that might be invoiced to it by a new RE under the WGG Proposal, therefore the Initial Management Fees and annual Management Fees payable by the remaining Growers will need to increase substantially given WFL's significant interests in the Scheme.
12. Further, as discussed below, there may be a number of other Growers who are unable or choose not to pay the fees invoiced by the new RE. This will again increase the fees payable by the remaining Growers which may in turn have an impact on Grower defaults, potentially creating an increasing spiral of liability for remaining Growers, whilst diluting the interests of non-contributing Growers.

13. Alternatively, rather than increasing the fees payable by remaining Growers, the WGG Proposal contemplates that the new RE may borrow to fund unpaid contributions (see pages 13 and 29 of the Explanatory Memorandum). The WGG Proposal includes a proposed amendment to the constitution to insert a new clause 6.8 permitting the new RE to borrow to fund any costs under the constitution and grant security over the assets of the Scheme, including the Revenue Account and any other property held on trust for Growers (such as the trees themselves). Accordingly, even if the new RE borrows to fund unpaid contributions, this will have an impact on the Growers' interest in the Scheme assets and reduce the revenue ultimately available to distribute to Growers.

#### Summary

14. In summary, if the WGG Proposal is approved:
- (a) Growers will assume unlimited liability for a wide range of costs, expenses and remuneration which they would not otherwise be liable to pay;
  - (b) it is estimated that the initial contribution payable by Growers for the Reconstruction Fee and Initial Management Fee will be \$500 per hectare (i.e. over \$2.7 million for the entire Scheme) and the ongoing annual Management Fees will be between \$150 to \$250 per hectare (i.e. approximately \$820,000 to \$1,360,000 for the entire Scheme each year);
  - (c) however, these are estimates only and the new RE will be entitled to invoice Growers for Supplementary Management Fees for a wide range of costs, expenses and remuneration, including
    - (i) all future maintenance requirements of the Scheme;
    - (ii) all outstanding and future costs of WGG, PSL and Black Tree involved with formulating the WGG Proposal and calling the meeting of Growers;
    - (iii) all outstanding and future legal expenses of WGG and PSL relating to any legal proceedings associated with the WGG Proposal; and
    - (iv) an increase in remuneration payable to PSL as the new RE and all of PSL's outstanding and future costs in relation to the Scheme (including, for example, wages of legal staff and compliance officers);
  - (d) further, Growers will need to make increased contributions to cover the costs of non-contributing Growers (or otherwise the new RE may borrow to fund these costs and grant security to the lender over the Scheme assets).
15. As stated above, the WGG Proposal does not contain sufficient details to support the estimates for the Reconstruction Fee, Initial Management Fee, annual Management Fees and Supplementary Management Fees. As a result, the Receivers consider that Growers are presently unable to make an informed assessment of the likely fees they will have to pay immediately and in each financial year for the life of the scheme which will impact both their own financial position and the viability of the Scheme (as discussed further below).
16. In the circumstances, the Receivers request that WGG circulates as soon as possible a Supplementary EM which provides further details supporting each of the fee estimates in the WGG Proposal.

### 3. Benefits of the WGG Proposal

17. Just as the WGG Proposal does not provide sufficient information as to the potential liabilities of Growers, the WGG Proposal also does not adequately demonstrate or explain why WGG considers that the WGG Proposal is in the best interests of all Growers, particularly by comparison to the Liquidators' alternative proposal for realisation of the Scheme's assets.
18. Page 3 of the Explanatory Memorandum contains a dot point list of the perceived merits of the WGG Proposal, which may essentially be summarised as follows:
- (a) the WGG Proposal would enable the Scheme to continue and Growers will retain a right to receive proceeds from the harvest of their trees; and
  - (b) if Growers do not approve the WGG Proposal, the Scheme will be wound up and the prospect of any value being returned to Growers is uncertain.
19. However, the WGG proposal does not contain any analysis of the actual benefit that would be derived from the Scheme continuing to harvest (i.e. a viability analysis) or a comparison the return to Growers pursuant to the Liquidators' current proposal for a sale of the Scheme assets.

#### Viability of the Scheme

20. With respect to the question of viability, pages 13 – 14 of the Explanatory Memorandum states that WGG has engaged in a number of discussions with forestry managers and reviews of material as to the viability of the Scheme, however the Explanatory Memorandum contains no details about WGG's viability analysis or even WGG's own view on the viability of the Scheme. The Explanatory Memorandum simply states that the view of PSL is that it is "reasonable to expect" that the Scheme is viable. It refers, in this regard, to "the reasons set out on page 5", however no explanation for PSL's views on viability appear on this page of the Explanatory Memorandum; perhaps this cross-reference was intended to invoke page 6 of the Explanatory Memorandum.
21. In fact, the Explanatory Memorandum states that no one from WGG, PSL or Black Tree has conducted a full due diligence of the Scheme and the plantations including site visits. The WGG Proposal contemplates that such due diligence and a viability report in relation to the Scheme plantations will be completed within a period of 90 days after approval of the WGG Proposal. If the anticipated harvest proceeds are less than the budgeted costs to harvest, then the RE may consider alternative options including the sale of the forestry interests or termination of the Scheme. In other words, none of WGG, PSL or Black Tree has yet formed a view as to whether the Scheme is viable and (if they determine it is not viable) it is likely that they will take steps to terminate the Scheme. In such circumstances, the Growers will have borne all of the costs of implementing the WGG Proposal and conducting the contemplated due diligence, only to be left seeking a sale of the Scheme as currently proposed by the Liquidators (but having been excluded from the benefits of the Liquidators' broader sale process for WFL's forestry assets).
22. The only information on viability of the Scheme pursuant to the WGG Proposal which can be gleaned from the Explanatory Memorandum arises out of the sections dealing with the consequences of non-payment of fees by Growers (see page 12 of the Explanatory

Memorandum). This issue is addressed in further detail below, however, in summary, the WGG Proposal provides that Growers who do not pay fees invoiced by the new RE will have their interest reduced by 1.5% of a hectare for every \$10 invoiced but not paid.

23. Using the proposed ratio of \$10 is equal to 1.5% of a hectare, WGG have assigned a present value of \$667 per hectare to the Scheme, giving the assets of the Scheme a total present value of only approximately \$3.65 million, which is comparable to the estimated total amount of fees to be incurred shortly after approval of the WGG Proposal and for one year's maintenance (without allowing for such supplementary fees as PSL may consider it necessary to charge).

Broadened powers to wind up the Scheme

24. Under the WGG Proposal, it is proposed that PSL will have broader powers to cause the Scheme to be wound up, including if it either:
- (a) is unable to ensure that the Scheme has security of tenure under the WGG Proposal; or
  - (b) determines that the Initial Management Fees and Reconstruction Fees, together with any amounts borrowed by PSL, are insufficient to fund the required actions.
25. The Explanatory Memorandum provides little assurance to Growers in relation to either of these matters. The uncertainty as to the viability of the WGG proposal has been addressed above. In addition, WGG is evidently uncertain about what rights to the land would be acquired by PSL upon its appointment as the new RE (p 14), and the amendments to the Constitution expressly anticipate the likelihood of litigation arising on the question (paragraph (b) of the definition of "Dispute Resolution Costs" at pp 40-41).

Comparison with the Liquidators' Proposal

26. As you are aware, on 12 May 2011 the Liquidators of WFL filed an application in the Federal Court of Australia seeking, among other things, directions that they are justified in amending the constitutions of the registered managed investment schemes conducted by WFL, including the Scheme, to provide the Liquidators with a power to terminate, relinquish or surrender the Growers' leases and other project documents and any rights of Growers arising from or in connection with those documents on the basis that Growers will be entitled to the net proceeds of sale referable to the termination, relinquishment or surrender of the project documents and their rights.
27. In simple terms, the Liquidators' proposal is that, after obtaining the orders sought, they will market all of the Willmott plantations for sale on the open market on an unencumbered basis (i.e. without the overlaying managed investment scheme structure) in order to obtain the highest possible price. The net proceeds of sale referable to the Growers' interests (i.e. the trees) will then be distributed by the Liquidators to Growers. Growers will not be required to incur any further liability in connection with the Liquidators' proposal. **The Receivers support the Liquidators' proposal.**
28. The Receivers consider that the Liquidators' proposal is likely to result in a better return to Growers compared with the WGG Proposal (i.e. the net proceeds per hectare from a sale of the trees by the Liquidators will exceed the NPV of \$667 per hectare implied by the

WGG Proposal). This is due to the fact that a sale of the assets of the Scheme (together with other Willmott plantations) on the open market and on an unencumbered basis:

- (a) allows the Scheme's assets to be managed as part of a larger estate with greater economies of scale;
- (b) will have a lower cost of capital (through reduced risk of default with a single owner);
- (c) does not require the onerous costs of implementing the WGG Proposal including restructuring costs and litigation;
- (d) does not require ongoing costs associated with management of the Scheme, including:
  - (i) no AFSL compliance costs;
  - (ii) no Scheme compliance officer wages;
  - (iii) no Grower management wages and data management system, and
  - (iv) no ASIC compliance costs.

29. The Receivers understand WFL has received in excess of 50 expressions of interest for the purchase of the Scheme's assets without having yet conducted a marketing campaign.
30. For the above reasons, the Receivers dispute the assertions in the Explanatory Memorandum (at pages 3, 8 and 17) that, if the Scheme is wound up, the prospect of any value being returned to Growers is uncertain. On the contrary, the Liquidators' proposal for a 'de facto' winding up of the Scheme provides far greater certainty for Growers than the WGG Proposal as the Scheme assets will be sold on the open market to the highest bidder in connection with a comprehensive marketing campaign and Growers will immediately receive payment of the net proceeds referable to their trees without having to incur any further liability. At page 8 of the Explanatory Memorandum, it is argued that "there is no certainty that Growers will receive any return, for example, if the Growers' rights are considered to have zero or negative present value". However, if the Growers' rights in the Scheme have zero or negative present value then they will not receive any return from a continuation of the Scheme under the WGG Proposal and would in fact benefit from an immediate sale of the assets to avoid incurring ongoing liabilities under the WGG Proposal.

#### Summary

31. Given the absence of information in the WGG Proposal regarding either the viability of the Scheme (other than the implied NPV described above) or the likely return to Growers under the Liquidators' proposal, it is not possible for Growers to assess the merits of the WGG Proposal and make a fully informed vote at the meeting of Growers scheduled for 14 June 2011. Page 4 of the Explanatory Memorandum states that "Growers should give consideration to the likelihood of the Net Proceeds of Sale exceeding the costs of maintaining the plantation to clearfell" however it is not clear how WGG expects Growers to do so based on the information provided.
32. In the circumstances, the Receivers request that WGG include in a Supplementary EM complete details of:

- (a) the items and unit costs (per hectare) WGG and/or PSL have identified as reasonable costs to bring the Scheme's assets to harvest;
- (b) the expected net return to Growers of each of the projects within the Scheme; and
- (c) the reasons why WGG and/or PSL consider that Growers will receive a superior return under the WGG Proposal as opposed to an immediate sale of Scheme's assets pursuant to the Liquidators' proposal.

#### **4. Issues relevant to particular classes of Growers**

33. The Receivers consider that the WGG Proposal also fails to adequately address a number of important issues impacting on particular classes of Growers in the Scheme and consequently their assessment of the WGG Proposal, in particular:

- (a) Growers who cannot afford or choose not to make the annual contributions contemplated by the WGG Proposal;
- (b) Growers who did not finance their investment in the Scheme through deferred loans; and
- (c) Growers who have interests in the 1999 Prospectus.

##### Non-Contributing Growers

34. As mentioned in paragraph 22 above, the WGG Proposal includes a proposed mechanism whereby Growers who do not pay the Reconstruction Fee, Initial Management Fee, any annual Management Fees or any Supplementary Management Fees will have their interest in the Scheme reduced by 1.5% per hectare in respect of every \$10 invoiced but not paid by those Growers.

35. In summary, this means that if Growers do not pay the estimated \$500 per hectare for the Reconstruction Fee and Initial Management Fee which would be payable shortly after approval of the WGG Proposal, they would immediately lose 75% of their investment in the Scheme. Those Growers' remaining interests in the Scheme would most likely be lost in the following year if they did not pay that financial year's Management Fee, or even earlier if invoices for Supplementary Initial Management Fees are rendered to Growers.

36. The proposed mechanism for dilution of non-contributing Growers (including the formula adopted) is excessively harsh and has not been justified sufficiently in the WGG Proposal. The Receivers consider that the dilution mechanism is unfair and unnecessarily prejudicial to the interests of:

- (a) Growers, including WFL, who are financially unable to pay the significant fees contemplated by the WGG Proposal; and
- (b) Growers who do not wish to invest further funds in the Scheme and who might prefer the Liquidators' proposal for an immediate sale rather than the WGG Proposal.

37. The Receivers consider that the dilution mechanism is particularly unfair to the Growers identified above given the fact that the Scheme was originally structured as a deferred

payment scheme with no ongoing contributions required and many Growers will have invested in the Scheme for this very reason.

38. In the circumstances, the Receivers request that WGG takes immediate steps to amend the WGG Proposal by way of a Supplementary EM so as to:
- (a) remove or amend the proposed dilution mechanism for non-contributing Growers; and/or
  - (b) provide an exit mechanism whereby Growers can elect to withdraw from the Scheme on the basis that the RE will buy-back their interests for a fair and reasonable price.

Growers with and without deferred loans

39. The Receivers consider that the WGG Proposal improperly emphasises considerations relating to deferred loans and, at the very least, it fails to address adequately the potentially different positions of Growers who have deferred loans with WFL and Growers who do not have deferred loans.
40. The Explanatory Memorandum states on several occasions that one of the benefits of the WGG Proposal is that, if it is not implemented and the Scheme is instead wound up by the Liquidator, it is likely the Receivers will seek to call in the deferred loans (see, e.g., page 4 of the Explanatory Memorandum). The Receivers consider that it is improper for the WGG to rely on considerations relating to the repayment of Grower loans when outlining the purported merits of the WGG Proposal, particularly given that Growers' financing arrangements are not relevant to the viability of the Scheme itself and not all Growers financed their investment in the Scheme.
41. For the avoidance of doubt, the Receivers confirm that, should the WGG Proposal not be implemented and the assets of the Scheme are sold (for example, in conjunction with the Liquidators' proposed sale process), the Receivers will seek to recover loans advanced to Growers who took advantage of the deferment option pursuant to a Deed of Deferment, Assignment and Variation. This should come as no surprise given that the Scheme assets will have been sold and a distribution will be payable to the Growers.
42. However, even if the WGG Proposal is adopted, the deferred loans might still be accelerated – regardless of the impact on the security value of any reduction in their project interest for non-contribution to fees (cf page 15 of the Explanatory Memorandum). This is because, in the Receivers' view, the rights of WFL as owner of the land (including rights as lessor under the Lease Agreements) will not transfer to Primary (cf page 14 of the Explanatory Memorandum). The Explanatory Memorandum fails to make clear that Growers with deferred loans might remain at risk of acceleration of their loans even if the WGG proposal is adopted and they contribute the fees required under the restructured scheme. Accordingly, contrary to the statements in the Explanatory Memorandum, the WGG Proposal may provide little or no benefit to Growers who are merely seeking to defer the repayment of their loans.
43. Given the absence of any material on viability in the WGG Proposal (as described in section 3 above), it is not clear the extent to which the purported benefits of the WGG Proposal are reliant on the financial consequences of any deferral of repayment of the

deferred loans. Consequently, it is not clear whether WGG considers the WGG Proposal to be beneficial for Growers without deferred loans or whether the Growers without deferred loans are being asked to vote in favour of the WGG Proposal and contribute fees in order to continue the Scheme for the benefit of Growers with deferred loans.

44. In the circumstances, the Receivers request that WGG addresses in detail in a Supplementary EM the relative benefits of the WGG Proposal for Growers with deferred loans and Growers without deferred loans by reference to the information on viability requested in section 3 above.

#### 1999 Prospectus

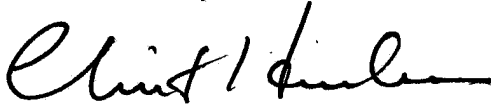
45. A significant number of Growers with interests in the 1999 Prospectus have assigned 30% of their interests in the Scheme to WFL in exchange for a suspension of their obligation to pay rent or maintenance payments. These assignments were entered into as a result of a snowfall event in July 2007 which destroyed or damaged all or part of those Growers' trees.
46. It is not clear whether the WGG Proposal would re-institute the requirement for these Growers with interests in the 1999 Prospectus to pay for maintenance costs (and the wide range of other costs and expenses described above), notwithstanding the assignment of their interests and the fact that there was significant damage to their trees. If so, this would clearly have an impact on the benefits of the WGG Proposal for Growers with interests in the 1999 Prospectus since, according to page 11 of the Explanatory Memorandum, these Growers will only be entitled to share in the revenue pool arising from the net proceeds of sale of trees in their particular plantation phase.
47. This issue emphasises once again the importance for WGG to provide a more detailed viability analysis for Growers in each project of the Scheme so that each class of Growers can assess the relative merits of the WGG Proposal.

### **5. Meeting of Growers**

48. For all of the reasons outlined above, the Receivers consider that the Notice of Meeting and Explanatory Memorandum circulated by WGG fail to provide sufficient information to inform Growers fully and fairly of the matters to be considered and to enable them to decide whether to attend the meeting of Growers scheduled for 14 June 2011 and how to exercise their voting powers. As they stand, the Notice of Meeting and Explanatory Memorandum are materially misleading by omission of information which is important and relevant to the decision which the Growers are being asked to make.
49. The Receivers request that:
- (a) WGG prepares and circulates as soon as possible a Supplementary EM which addresses each of the matters raised above (including in paragraphs 16, 32, 38 and 44);
  - (b) WGG adjourns the meeting of Growers called for 14 June 2011 to a date no earlier than 21 days after circulation of the Supplementary EM in order to provide Growers with sufficient time to consider the material therein; and

- (c) WGG refrains from accepting or using any proxies provided to PSL or procured by PSL prior to the receipt by Growers of the Supplementary EM as those proxies will not have been given on an informed basis.
50. As noted above, please confirm by no later than **midday on Thursday, 2 June 2011** that WGG will take each of the above steps. If WGG fails or refuses to do so, the Receivers reserve all of WFL's rights, including to issue proceedings seeking appropriate relief from the Courts without further notice to WGG. In the interim, please confirm that you have instructions to accept service on behalf of WGG.
51. The Receivers would be prepared to enter into a dialogue with WGG, PSL or any Growers who wish to discuss any of the matters raised in this letter or the WGG Proposal more generally.

Yours sincerely



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