

IN THE FEDERAL COURT OF AUSTRALIA
VICTORIA DISTRICT REGISTRY
GENERAL DIVISION

No. VID of 2009

IN THE MATTER OF TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
ACN: 092 311 469

TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
ACN 092 311 469
and OTHERS

Plaintiffs

AFFIDAVIT OF MARK ANTHONY KORDA
IN SUPPORT OF APPLICATION REGARDING POWER TO SELL FORESTRY ASSETS

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Filed on behalf of the Plaintiffs

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13	MAK-13 Constitution, Management Agreement and Sublease for the 2001 Forestry Scheme
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On 13 August 2009, I, **MARK ANTHONY KORDA**, of Level 24, 333 Collins Street, Melbourne, in the State of Victoria, Chartered Accountant, SAY ON OATH that:

- 1 I am the liquidator of the First Plaintiff, Timbercorp Securities Limited (**TSL**), and of the Second Plaintiff, Timbercorp Limited (**TL**), with Leanne Kylie Chesser.
- 2 Except where I otherwise indicate, I make this affidavit from my own knowledge. Where I depose to matters from information or belief, I believe those matters to be true. I am authorised by Ms Chesser to make this affidavit on her behalf. References in this affidavit to "we", "us", "our" or "ourselves" are references to Ms Chesser and me.
- 3 This affidavit is made in support of an application for orders under section 511 of the *Corporations Act 2001* (Cth) (**Act**), section 63 of the *Trustee Act 1958* (Vic) (**Trustee Act**) and the inherent jurisdiction of the Court for a direction that we have the power to sell the Forestry Assets, as defined below in paragraph 49 or alternatively to amend the constitutions pursuant to section 601GC of the Corporations Act, to empower the TSL to sell the Forestry Assets on the basis that the amendment will not adversely affect members' rights.

General background

- 4 I am a chartered accountant and a partner of the firm KordaMentha. I am a Registered Liquidator and an Official Liquidator of the Court. I am a member of the Insolvency Practitioners Association of Australia and a member of the Institute of Chartered Accountants. Before founding KordaMentha in 2002, I had a 24-year career with the firm Arthur Andersen, during which I held the positions of Director of Corporate Finance, Managing Partner Asia Pacific Corporate Recovery Services Practice and Managing Partner Australia Accounting and Audit Practice. I was also a Member of the Australian Executive Committee and Board of Partners. I have been practising in the area of corporate insolvency and financial reconstructions for 20 years.

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- 5 On 23 April 2009, we were appointed as voluntary administrators of TSL pursuant to section 436A of the Act. Various partners of KordaMentha Pty Ltd (ACN 100 169 391) and I were appointed as voluntary administrators of TL and 39 of its wholly owned subsidiaries (**Timbercorp Group**).
- 6 On 29 June 2009, the creditors of TSL and TL (and the Timbercorp Group) resolved to wind up the companies.

Timbercorp schemes

- 7 TSL is currently the responsible entity for 11 forestry managed investment schemes registered under Part 5C of the Act. TSL is also the manager of one unregistered managed investment scheme for forestry, known as the 1999 Timbercorp Eucalypts Double Rotation Project. I refer to the 12 schemes, listed in Schedule 1 of the originating process, collectively as the "**Forestry Schemes**".
- 8 The members of the Forestry Schemes are called "**Growers**" in the constitutions for the Forestry Schemes and I adopt that term here.
- 9 The purpose of the Forestry Schemes is the cultivation of Eucalyptus trees for commercial wood production. The Growers sublease allotments of land of approximately, known in the Forestry Schemes variously as "Woodlots" (1 hectare) or Timberlots" (1/3 of a hectare) (**Lots**).

Meeting of Forestry Scheme Growers

- 10 On 7 August 2009 we held an informal Meeting of Growers of the Forestry Schemes (**Meeting**). The Meeting was held in the Victory Room at Etihad Stadium. Matthew Walsh, Special Counsel of Gaden Lawyers, agreed to take the role of independent chairperson at the Meetings (**Chairman**).
- 11 In preparation for the Meeting my staff sent to Growers, and posted on the websites of KordaMentha and Arnold Bloch Leibler, a Notice of Meeting and Proxy Form. My staff also arranged for a link on the Timbercorp website, directing readers to the KordaMentha website. Now produced and shown to me and marked **MAK-1** is the Notice of Meeting and Proxy Form.
- 12 Prior to the formal notification of the Meeting we also sent two emails to Forestry Scheme Growers updating them on the position of the Forestry Scheme and alerting them to the Meeting on 7 August 2009. Now produced and marked **MAK-2** are two emailed letters dated 27 July 2009 and 4 August 2009. The Meeting was also reported widely in

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newspapers with national and state circulation. Now produced and marked **MAK-3** are a bundle of newspaper articles reporting the meeting.

- 13 The purpose of the Meeting was to:
- (a) provide Growers with an update on key issues facing the Forestry Schemes; and
 - (b) put a non-binding resolution to the Growers to request their approval for the Liquidators to seek a power of sale.
- 14 We have commenced a sale or recapitalisation process for the forestry assets (as defined below at paragraph 49). To enable the sale or recapitalisation process we need assurance that we have a power to sell the forestry assets free from encumbrances.
- 15 At the Meeting a number of presentations were given to update the Growers on the Forestry Schemes. A series of PowerPoint slides accompanied each presentation (**PowerPoint Slides**). Now produced and shown to me marked **MAK-4** is a copy of the Powerpoint Slides.
- 16 The order of the Meeting was:
- (a) a presentation on behalf of the Liquidators, which I gave, updating key issues for the Forestry Schemes (PowerPoint Slides 3 - 11);
 - (b) a statement on the independent accountant's report prepared by Ernst & Young regarding the Forestry Schemes (PowerPoint Slides 12 - 13);
 - (c) a statement of the independent forestry expert's report prepared by URS Australia Limited (PowerPoint Slides 14 - 15);
 - (d) an address from Timbercorp Growers Group given by Chris Garnaut (PowerPoint Slides 16 - 29);
 - (e) the sale or recapitalisation strategy and update given by me (PowerPoint Slides 30 - 34).
- 17 Following the presentations the Growers were given the opportunity to ask questions of the presenters. A transcript has been made of the entire meeting including the questions. Now produced and shown to me marked **MAK-5** is a copy of that transcript.

Insolvency of the Forestry Schemes

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- 18 At the meeting I presented information regarding the solvency of the Forestry Schemes and statements summarising independent reviews of the solvency analysis. I also arranged for this information to be posted on KordaMentha's website.
- 19 My staff prepared a "Forestry Schemes Cash Flow Analysis" dated 6 August 2009 (**Cashflow Analysis**). Now produced and shown to me marked **MAK-6** is the Cashflow Analysis which includes as Appendix 1 a "Summary Extract from the Forestry Scheme model as at 31 July 2009" showing the required contributions for the remainder of the life of each Forestry Scheme.
- 20 The Responsible Entity for all of the Forestry Schemes together needs to contribute an estimated \$172.6 million for the remaining life of each Forestry Scheme. This funding comprises key costs such as establishment, maintenance, leasing and forestry operational overheads. TSL as the Responsible Entity is insolvent and is not in a position to provide this funding.
- 21 Many of the Forestry Schemes also require ongoing contributions from Growers. These Grower contributions vary depending on the type of scheme. The types of schemes are explained on page 1 of the Cashflow Analysis. In some Forestry Schemes the Growers pay the rent and maintenance at the outset of the scheme and therefore do not have continuing contributions. In other Forestry Schemes the Growers incur rent and maintenance amounts as offset against harvest proceeds at the time of distributions. Where Growers are required to contribute for the remainder of the life of the Forestry Scheme, these contributions are for establishment, maintenance and rent payments (excluding plantation insurance). In total, the Growers need to contribute an estimated \$168.5 million for the remaining life of the Forestry Schemes.
- 22 The combined future funding requirement for all the Forestry Schemes to the end of their lives is therefore estimated at \$341.1 million. Each Forestry Scheme is projected to eventually make a net return to Growers. However, the long term viability of the Forestry Schemes does not resolve the issue of the insolvency of the Forestry Schemes presently and in the near term. For example rent of \$7.2m became payable on 1 July 2009 for all the Forestry Schemes and TSL and the Timbercorp Group do not have the capacity to meet this cost.
- 23 Ernst and Young reviewed the Cashflow Analysis and provided a report. Now produced and shown to me marked **MAK-7** is the Ernst and Young report dated 6 August 2009. The Ernst and Young report stated "we have reviewed the logic and mathematical formulae in the calculations within the model, noting no matters have come to our attention which indicate that these are not materially correct". They also stated that the

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analysis in Appendix 1 of the Cashflow Analysis was "applied in a consistent manner throughout the model" and the summarised financial information extracted from the model and presented at the Meeting "is consistent with the model on which our procedures were performed".

- 24 The Cashflow Analysis is based in part on assumptions regarding yield and expected harvest completion dates. I arranged to have posted on KordaMentha's website Timbercorp management's projections for the expected weighted/average yields and expected harvesting completion dates for the Forestry Schemes. Now produced and shown to me marked **MAK-8** are the summaries of the harvesting schedule and yields. In general terms, Timbercorp management's estimates of harvest periods are longer and expected weighted average yields are lower than envisaged in the Product Disclosure Statement for each Forestry Scheme. URS Australia Pty Ltd reviewed Timbercorp's mapping processes methodologies, inventory processes and site productivity estimates for the Forestry Scheme plantations. Now produced and shown to me marked **MAK-9** is a report by URS Australia Pty Ltd dated 6 August 2009 entitled "Summary of Productivity Review Report" (**URS Report**). I have read the URS Report and I believe its conclusions are that Timbercorp's methodologies appear reasonable. However, URS conclude that while the productivity estimates are reasonable in respect of the more mature trees (using age 7.5 year data) they are higher than likely to be realised in respect of less mature trees (using age 4.5 year data and pre-plant estimates). As such if URS's conclusions are borne out the Cashflow Analysis may overstate the actual yield.

Voting at the Meeting

- 25 At the conclusion of question time in the Meeting, the Growers were asked to vote on the non-binding resolution. The non-binding proposal was:

That the Liquidators' of TSL request the Federal Court of Australia to grant the Liquidators a power of sale to enable the implementation of the sale/recapitalisation strategy.

- 26 Votes were accepted both at the Meeting and by an internet poll on the KordaMentha website. Voting on the internet poll remained open until 4:00 pm on Monday 10 August 2009.
- 27 The results of the voting were recorded on a scheme by scheme basis. Voting was 1 vote per Lot. More than 90% of the Growers who voted, voted in favour of the non-binding resolution. Now produced and shown to me marked **MAK-10** are the results of the voting on the non-binding resolution on a scheme by scheme basis.



- 28 For each Forestry Scheme, an average of 30% of the possible votes were cast. Now produced and shown to me marked **MAK-11** is a summary of the votes cast as a percentage of possible votes.

Power of Sale in the Scheme Documents

- 29 Each of the Forestry Schemes is governed by a complex suite of documents. I am informed of the matters contained in this section of my affidavit by Jane Sheridan, Partner of Arnold Bloch Leibler.

- 30 For each of the Forestry Schemes, there are three documents which could support a power of sale for the Responsible Entity (or TSL in its own capacity) in respect of the trees the subject of the Forestry Schemes:

- (a) the Scheme Constitution;
- (b) the Management Agreement between the Grower and TSL; and
- (c) the Sub-lease between the Grower and TSL.

- 31 Now produced and shown to me marked **MAK-12** is a CD Rom containing these documents for each of the Forestry Schemes for which we seek a power of sale.

- 32 In some Forestry Schemes there is more than one Management Agreement or Sub-lease, but each Grower in each scheme is a party to only one of those Management Agreements or Sub-leases in respect of each Lot held by the Grower.

- 33 While there are differences between the Constitution, Management Agreement and Sub-leases for each of the Forestry Schemes, the following clauses (or clauses which are substantially similar) are common to all. The relevant extracts are from the documents for the 2001 Eucalypts Project. Now produced and shown to me marked **MAK-13** are the Constitution, Management Agreement and Sub-leases for the 2001 Forestry Scheme.

Constitution

- 34 Under each Constitution, the Responsible Entity has irrevocable power as the agent and attorney of the Grower (amongst other things) to:

- (a) bind the Grower as a party to a Wood Purchase Agreement that is permitted to be entered into under the Management Agreement or the Constitution (clause 9.1(a));



- (b) enter into any contracts which have the effect of varying, replacing or cancelling a Wood Purchase Agreement (clause 9.1(b));
- (c) exercise all rights and powers of the Grower under any Agreement (clause 11(f));
- (d) generally to enter, make or engage in transactions, undertakings, activities and arrangements of every kind and nature which a natural person of full age and capacity could enter, make or engage in and which constitute or are part of or relate to or are incidental to the Plantation Services on behalf of the Grower (clause 11(h)); and
- (e) execute any deed, agreement, certificate or other document and to do all other things necessary or desirable in furtherance of certain powers granted to the Responsible Entity (including those referred to in paragraphs (c) and (d)) (clause 11(g)).

35 For these purposes, the definitions are (relevantly):

Agreement means the Sub-lease, Management Agreement and Wood Purchase Agreement,

Plantation Services means the services and duties which the Grower is required to perform or carry out under the Sub-lease (other than the obligation to pay rent) and which are to be carried out by the Responsible Entity under the Management Agreement.

Trees means the crop of trees farmed or to be farmed on the Lots, for commercial timber production.

Wood means any saleable wood derived from Trees grown pursuant to the Agreements on the Lots, whether in a processed or unprocessed form.

Wood Purchase Agreement means an agreement for the sale of Wood of the Grower from the relevant Lot entered into by the Responsible Entity as agent and attorney for the Grower in accordance with the Management Agreement.

36 For some Forestry Schemes, Wood Purchase Agreements were entered into at, or about, the commencement of the Scheme, that is, before the trees were planted. For other Schemes, no Wood Purchase Agreements have been entered into as yet.

Management Agreement

37 Under the Management Agreement, each Grower commissions and engages the Responsible Entity:

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- (a) as an independent contractor (and not as an agent) to carry out the Plantation Services during the Term in accordance with the Management Plan; and
 - (b) as an agent to Harvest and sell the Wood on behalf of the Grower,
- on the terms and conditions set out in the Management Agreement (clause 3).
- 38 The Grower specifically engages the Responsible Entity to sell as agent for the Grower the Wood grown or growing on the relevant Lots to any bona fide purchaser, whether in a processed or unprocessed state for as high a price as it can reasonably achieve for the Wood, taking into account certain factors (clause 7(a)). For these purposes, the Grower appoints the Responsible Entity to be the Grower's attorney and in the Grower's name and on the Grower's behalf to:
- (a) enter into any agreement for the sale and/or processing and sale of the Grower's Wood at any time during the Term (provided that the Responsible Entity discloses that the Responsible Entity is a party to the agreement as agent and attorney for the Grower and that the Grower's liability is limited); and
 - (b) vary, replace or cancel any such agreement
- (clause 7(b)).
- 39 The Management Agreement provides that Harvest must take place between specified dates or as otherwise agreed in writing between the Growers and the Responsible Entity (clause 8(a)).
- 40 The Responsible Entity agrees to give due consideration to any opinions received in writing from the Grower in relation to the activities of the Responsible Entity under the Management Agreement and to use its best endeavours to carry out every recommendation from the Grower, subject to certain conditions (clauses 11(b) and (c)).
- 41 For these purposes, the definitions are (relevantly):

Harvest means the cutting down, felling or logging of the Trees and the extraction and/or processing of the Trees so cut down, fallen or logged to a loading point either on or adjacent to the Plantation.

Trees means the crop of eucalyptus trees the subject of the Management Plan planted, tended and maintained or to be planted, tended and maintained, on the Lots.



Wood means any saleable wood derived from Trees on the Lots whether in a processed or unprocessed state and whether in the form of trees, logs, timber, woodchips or otherwise. (In the Management Agreements for the 1997, 1998 and 1999 Forestry Schemes, there is no reference to woodchips in the relevant definition of Wood.)

Sub-lease

42 Under the Sub-lease, the sub-lessor agrees that the Trees are and will remain the property of the Grower until the end of the Term (clause 8.3). The Grower is expressly entitled to harvest the Trees and to remove and sell the products derived from the Trees and to retain all income from such sale (clause 8.2).

43 The Grower is granted an independent proprietary interest in the relevant Lots, to establish tend and manage the Trees and to harvest the Trees and remove and sell the products derived from the Trees (clause 13).

44 For these purposes, the definitions are (relevantly):

Wood means any saleable wood derived from Trees on the Lots whether in the form of trees, logs, timber or otherwise.

Trees means the crop of eucalyptus trees the subject of the Management Plan planted, tended and maintained or to be planted, tended and maintained, on the Lots.

Effect

45 The Responsible Entity has power to sell the Wood on behalf of Growers. We, as liquidators, of the Responsible Entity are seeking to confirm that this power extends to the power to sell the Trees now, in their current state of maturity, and is not limited to a power to enter into an agreement now to sell the Trees which only becomes effective when the trees reach the requisite state of maturity.

Sale Process

46 Since early July 2009, a number of parties have contacted KordaMentha to express their interest in the possible acquisition or recapitalisation of the various assets which are the subject of the Forestry Schemes. Richard Forbes, a partner of KordaMentha, has had responsibility for coordinating the expressions of interest. Mr Forbes has informed me of the matters which I depose to below.

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- 47 On 31 July 2009, we published an advertisement in the *Australian Financial Review* in which we sought expressions of interest for the possible acquisition or re-capitalisation of the assets the subject of the Forestry Schemes. Now produced and shown to me marked **MAK-14** is the advertisement that appeared in the 31 July 2009 edition of the *Australian Financial Review*.
- 48 A number of interested parties have executed a Confidentiality Agreement (**the Interested Parties**) and subsequently been given a copy of a Confidential Information Memorandum (**Information Memorandum**), and been granted access to an on-line Data Room. Now produced and shown to me marked **Confidential Exhibit MAK-15** is an anonymous list of the Interested Parties which details the number of documents viewed, printed and downloaded from the Data Room as at 12 August 2009 by those who have accessed the Data Room. Now produced and shown to me marked **Confidential Exhibit MAK-16** is a copy of the Confidential Information Memorandum.
- 49 The assets that we are offering for sale are described in the Information Memorandum as follows:
- (a) 97,500 hectares of high-yielding premium quality *Eucalyptus globulus* distributed across various age classes, and located close to seaports;
 - (b) 38,800 hectares of freehold land owned by Timbercorp group companies in the "Green Triangle" region in Victoria and South Australia, and in south-west Western Australia which has a total book value of \$238 million. These regions are regarded as amongst the best in the world for the cultivation of *Eucalyptus globulus*, with high average annual rainfall and premium quality soils;
 - (c) 58,700 hectares of land leased by Timbercorp group companies in the Green Triangle region and in south-west Western Australia (however, the sale of the leasehold land rights is conditional upon the Liquidators determining to retain and assign those leases in connection with the liquidations or the sale process and obtaining the consent of the relevant landlord if necessary);
 - (d) a dedicated and highly skilled forestry management business, including seed-to-port management and harvesting capacity at maturity of up to 1.8 million GMT and EBITDA exceeding \$20 million per annum; and
 - (e) part ownership of the Albany Chip Terminal which has a load capacity of 1.3 million GMT per annum.

(together "**Forestry Assets**")

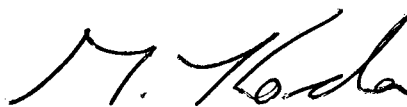


- 50 The Information Memorandum sets out a timetable for the sale/recapitalisation process and stipulates that the closing date for first and final binding offers is: 5:00pm AEST on Friday, 18 September 2009.
- 51 Any final binding offer must include a completed Purchase Price Allocation schedule which requires each bidder to ascribe a dollar value to the trees in each of the Forestry Schemes.
- 52 Overall, there has been a significant level of interest expressed by the Interested Parties. A number of the Interested Parties are considering making a bid to acquire all of the Forestry Assets, while others have expressed an interest in also offering a recapitalisation proposal for some of the Forestry Schemes.
- 53 As I explained at the Meeting, we intend to retain an independent accountant for the purpose of reviewing the reasonableness of any offers received from the Interested Parties, having regard to the components of the purchase price allocated to each of the Forestry Assets as set out in the Purchase Price Allocation schedule.

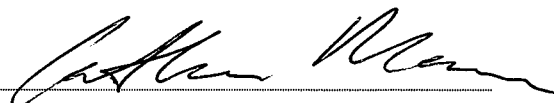
Notification of this proceeding

- 54 On 12 August 2009, KordaMentha notified the Committee of Inspection for the Timbercorp Group of Companies, and ASIC, that this proceeding was to be commenced and would be heard on 14 August 2009. Notice was also posted on the websites of KordaMentha and Arnold Bloch Leibler advising that this proceeding would be heard on 14 August 2009. Now produced and shown to me marked **MAK-17** is the notice (**Notice**).
- 55 On 13 August 2009, the Notice was published in *The Australian*. Now produced and shown to me marked **MAK-18** is the Notice as published in *The Australian*.

SWORN by the abovenamed deponent at)
Melbourne in the State of Victoria)
this 13th day of August 2009)



Before me:



CATHERINE HELEN MACRAE
Arnold Bloch Leibler
Level 21, 333 Collins Street
Melbourne 3000
An Australian Legal Practitioner within the
meaning of the Legal Profession Act 2004

IN THE FEDERAL COURT OF AUSTRALIA
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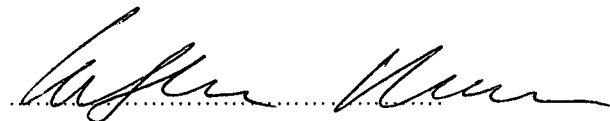
Plaintiffs

AFFIDAVIT - CERTIFICATE OF COMPLIANCE

(Order 14, rule 5A)

I, Catherine Helen Macrae, certify to the Court that the affidavit of **MARK ANTHONY KORDA** sworn on 13 August 2009 filed on behalf of the Plaintiffs complies with Order 14, rule 2 of the Federal Court Rules.

Date: 13 August 2009



Catherine Helen Macrae
A solicitor of Arnold Bloch Leibler
Solicitor for the Plaintiffs

Filed on behalf of the Plaintiffs

ARNOLD BLOCH LEIBLER
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(Leon Zwier)

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TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
ACN 092 311 469
and OTHERS

Plaintiffs

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**MAK-1**" now produced and shown to **MARK ANTHONY KORDA** at the time of swearing his affidavit on 13 August 2009.

Before me:.....

Catherine Helen Macrae
A solicitor of Arnold Bloch Leibler
Solicitor for the Plaintiffs

**Timbercorp Securities Limited (ACN 092 311 469) (in Liquidation) (TSL)
as Responsible Entity of each Forestry Scheme
Grower Consultation Meetings of Members of each Forestry Scheme**

NOTICE IS GIVEN that concurrent Growers' Consultation Meetings for:

1997 Timbercorp Eucalypts Project (ARSN 112 309 234);
1998 Timbercorp Eucalypts Project (ARSN 112 309 216);
1999 Timbercorp Eucalypts Project (ARSN 085 827 872);
1999 Timbercorp Eucalypts Double Rotation Project (Private Offer)
2000 Timbercorp Eucalypts Project (ARSN 091 172 093);
2001 Timbercorp Eucalypts Project (ARSN 094 392 000);
2002 Timbercorp Eucalypts Project (ARSN 098 233 571);
2003 Timbercorp Eucalypts Project (ARSN 103 183 446);
2004 Timbercorp Eucalypts Project (ARSN 108 099 645);
2004 Timbercorp Timberlot (Single Payment) Project (ARSN 108 336 830)
2005 Timbercorp Timberlot (Single Payment) Project (ARSN 111 683 491) and
2007/2008 Timbercorp Timberlot (Single Payment) Project (ARSN 122 510 981)

will be held in Victoria -

Date: Friday, 7 August 2009

Registration: 9:00am at AEDT

Meeting commences: 10.00 am at AEDT

Location: Etihad Stadium, Victory Room Level 1, Gate 9, Docklands Melbourne

Directions available at:

<http://www.etihadstadium.com.au/site/content/document/00000119-source.pdf>

Webcast starting from 10.00 am AEDT:

<http://www.brr.com.au/event/59044/popup=true>

Background of meetings

The meetings to be held are NOT formal scheme meetings.

The purpose of the meetings is to provide growers with an update on key issues facing the Forestry Schemes and to put a non binding proposal to growers.

Agenda

1. Independent Chairman's Address
2. Scheme Update and Key Issues
3. Statement on Independent Accountant's Report
4. Statement on Independent Forestry Expert Report
5. Address from Grower Representatives
6. Sale/Recapitalisation Strategy and Update
7. Questions
8. Growers Non Binding Vote

Non Binding Proposal

The following non-binding proposal shall be put to Growers in relation to the future of the Schemes:

"That the Liquidators' of TSL request the Federal Court of Australia to grant the Liquidators a power of sale to enable the implementation of the sale/recapitalization strategy."

Further Information

The Independent Expert reports are anticipated to be added to the KordaMentha and Timbercorp websites at least 48 hours prior to the commencement of the grower consultation meetings. Due to the urgency of providing growers with notice of these meetings and the ongoing nature of our discussions with various stakeholders it may be necessary to amend the agenda and resolution/s being put to the

meetings. We will notify you of any changes to either the agenda or resolution via the KordaMentha and Timbercorp websites.

1. Material accompanying this notice

Accompanying this notice is a Proxy Appointment Form.

2. Voting and required majority

- (a) Given the need to ensure that all Growers have adequate information on which to make an informed decision in respect of the non binding proposal the Liquidators have retained an independent expert in both Accounting and Forestry to prepare reports for distribution to the Growers.
 - (b) It is anticipated that these independent reports will be made available to Growers via the KordaMentha and Timbercorp websites before the scheduled Grower meetings. We have also asked the independent experts to make themselves available to answer questions on their reports at the meetings.
 - (c) After having the benefit of reviewing the independent experts reports and hearing their presentations, Growers will be able to vote in the following ways;
 - (i) In person at the Grower Meetings. Growers will receive a voting form at the meetings; or
 - (ii) By appointing a proxy to attend the Growers Meetings and then make a decision on their behalf. The proxy appointment form is attached to this notice and the proxy will receive a voting form at the meetings; or
 - (iii) On-line via the KordaMentha website at www.kordamentha.com or Timbercorp website at www.timbercorp.com.au from 12 noon on Friday 7 August 2009 until 4pm Monday 10 August 2009. You will need your Timbercorp Grower ID in order to vote on-line.
 - (d) Growers will only be entitled to vote in one of these ways.
 - (e) The results of the vote will be published on both the KordaMentha and Timbercorp websites on Tuesday 11 August 2009.
 - (f) Each Grower has one vote per Woodlot or Timberlot.
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4. **Proxies and Representatives**

- (a) All Growers who are entitled to attend and vote at the Forestry Growers Consultation Meeting may appoint a proxy for that purpose. Growers may not appoint multiple proxies.
 - (b) A proxy need not be a Grower of the Forestry Scheme.
 - (c) If you are a Grower in more than one Timbercorp Forestry Project and you wish to appoint a proxy, the proxy must be the same person for each Project.
 - (d) Completed Proxy Appointment Forms must be received by the Responsible Entity by no later than the **2:00pm on Thursday 6 August 2009**:
 - (i) at the office of KordaMentha – GPO Box 2985, Melbourne, Victoria, 3001; **or**
 - (ii) by fax to the office of KordaMentha – fax number (03) 8623 3399 (within Australia) and +61 3 8623 3399 (outside Australia); **or**
 - (iii) by email to grower@kordamentha.com.
-

TIMBERCORP SECURITIES LIMITED (ACN 092 311 469) (IN LIQUIDATION)

Registered Office of Responsible Entity: Timbercorp Limited
Level 8, 461 Bourke Street, Melbourne, VIC 3000

PROXY APPOINTMENT FORM

I/We _____
of _____
being a grower in one or more Timbercorp Forestry Schemes
hereby appoint/s _____
of _____

or failing such person the Chairperson of the meeting as my/our proxy to attend on my/our behalf in respect of all the woodlots and timberlots i/we hold in the Timbercorp Forestry Projects at the Forestry Grower Consultation Meetings to be held in Victoria at Etihad Stadium, Victory Room, Level 1, Gate 9, Docklands, Melbourne on Friday 7 August, 2009 commencing at 10.00 a.m. and at any adjournment thereof and to vote on my/our behalf **as they so determine after having had the benefit of hearing from the Independent Accountant and Forestry Expert.**

DATED this _____ day of _____ 2009.

*** Please sign below if individuals or joint members**

.....
Signature of Member

.....
Signature of Member

*** Please sign below if a corporate member**

EXECUTED by _____)

.....
Signature of director/sole director
and sole secretary (delete as applicable)

.....
Signature of director/company secretary
Signature of sole director and sole secretary
(delete as applicable)

.....
Name of director/sole director
and sole secretary (delete as applicable) (print)

.....
Name of director/company secretary or sole
director/sole secretary (delete as applicable) (print)

IN THE FEDERAL COURT OF AUSTRALIA
VICTORIA DISTRICT REGISTRY
GENERAL DIVISION

No. VID of 2009

IN THE MATTER OF TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
ACN: 092 311 469

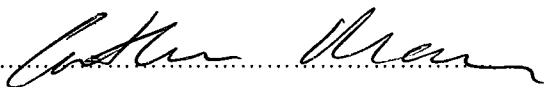
TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
ACN 092 311 469
and OTHERS

Plaintiffs

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**MAK-2**" now produced and shown to **MARK ANTHONY KORDA** at the time of swearing his affidavit on 13 August 2009.

Before me:.....



Catherine Helen Macrae
A solicitor of Arnold Bloch Leibler
Solicitor for the Plaintiffs



Dear Forestry Grower Investor

Liquidators to further consult forestry growers on future of schemes

The Liquidators of the Timbercorp Group will hold an informal meeting for forestry scheme growers to consider the future of the forestry schemes.

The meeting, to be held on 7 August 2009 at the Victory Room, Level 1, Gate 9, Etihad Stadium, Docklands, Victoria at 10am, will set out the Liquidators' strategy to call for expressions of interest to either acquire or recapitalise the schemes through a competitive process.

Growers will be asked for their views on the future of the schemes.

The meeting will be chaired by Matt Walsh, an independent chairperson (CV attached).

The Timbercorp Growers Group (TGG), comprised of growers representing the schemes, has worked with the Liquidators to formulate the sale and recapitalisation strategy and to plan the meeting. TGG will convey their views in support of the strategy at the meeting.

Growers will also hear from an independent auditor in relation to the Liquidators' scheme analysis, and an independent forestry expert who will answer questions relating to plantation yield and harvesting matters.

A large number of parties have already expressed their preliminary interest in the Timbercorp Group's forestry assets and the Liquidators believe a formal, structured and competitive sale or recapitalisation process will ensure the best outcome for Growers.

Growers are encouraged to attend the meeting.

Live webcast facilities will be available to those who cannot attend in person.

The meeting is important. As you may know the Responsible Entity is insolvent. The plantation maintenance has ceased. There is also a likelihood that certain land leases may be terminated on or before 30 September 2009. The termination of the leases could jeopardise Growers' rights and financial interest in their plantation assets.

Notices of the meeting will be issued to forestry Grower investors this week.

Corporate Recovery Services

Turnaround & Restructuring Services

Real Estate Advisory

Forensics

info@kordamentha.com
www.kordamentha.com

Liability limited by a scheme
approved under Professional
Standards Legislation

Melbourne

KordaMentha Pty Ltd
ACN 100 169 391
Level 24, 333 Collins Street
Melbourne VIC 3000
GPO Box 2985
Melbourne VIC 3001
Office: 03 8623 3333
Fax: 03 8623 3399

KordaMentha Offices

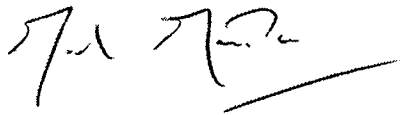
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New York
Paris
San Francisco
Shanghai
Tokyo

Further information in relation to the forestry schemes will be available on the KordaMentha and TGG websites during the course of this week and Growers are advised to regularly check these websites for updates.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Mentha', followed by a long horizontal line.

MARK MENTHA
Liquidator

4 August 2009



Email to Forestry Scheme Grower Investors

Dear Grower Investor

Extension of Disclaimer Period for Forestry Leases

A decision in the Federal Court yesterday provides some time to determine the future of Timbercorp's forestry assets, but a permanent solution needs to be found soon.

A group of forestry landlords had served notices on the Liquidators to decide whether to disclaim the leases. The move by the landlords threatened to throw into doubt the ownership of hundreds of millions of dollars worth of eucalyptus trees.

However, Justice Finkelstein in the Federal Court yesterday extended the disclaimer period until 1 September 2009. The Liquidators are able to apply to court for a further extension.

The decision is welcome, but the general threat remains imminent. Grower Investors could lose their trees or face a difficult fight to keep them unless there is progress soon.

Grower Investors in the forestry schemes have been assumed to have clear ownership of the trees, but some landlords have claimed that their leases allow them to take the trees if the rent is not paid.

At stake are 100,000 hectares of timber plantations in south-west Western Australian and the Green Triangle area of Victoria and South Australia.

A copy of the affidavits of the plaintiffs and defendants are available on the KordaMentha and Timbercorp websites under the section for forestry schemes. The Court Order will be placed on the websites once it is issued.

Grower Meeting to Determine the Future of Forestry Schemes

The issue involving the leases highlights the urgency for Grower Investors and the Liquidators to finalise a strategy this week.

A meeting will be held at Etihad Stadium in Melbourne on Friday 7 August 2009 to give their views on the future of the schemes.

At the meeting, the Liquidators will give an update on the recapitalisation/sale process for the plantations, with bidders having been asked to submit offers by 18 September 2009. The Liquidators have begun a

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KordaMentha Offices

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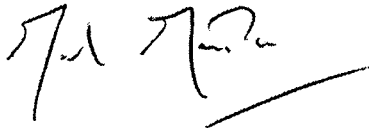
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Milan

formal process and have received strong interest among potential buyers in Australia, Asia, North America and Europe. The strongest interest received so far is to buy all the forestry assets outright, including the trees, as a fully integrated forestry business.

We believe the process begun for Grower Investors and other creditors is the best way to generate competition amongst bidders and ensure the best outcome for the investments of Grower Investors.

Information relating to the meeting has been sent to Grower Investors by post and email and is available for download via the KordaMentha and Timbercorp websites (www.kordamentha.com and www.timbercorp.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. Mentha', with a long horizontal line extending from the end of the signature.

MARK MENTHA
Liquidator

IN THE FEDERAL COURT OF AUSTRALIA
VICTORIA DISTRICT REGISTRY
GENERAL DIVISION

No. VID of 2009

IN THE MATTER OF TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
ACN: 092 311 469

TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
ACN 092 311 469
and OTHERS

Plaintiffs

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**MAK-3**" now produced and shown to **MARK ANTHONY KORDA** at the time of swearing his affidavit on 13 August 2009.

Before me: 

Catherine Helen Macrae
A solicitor of Arnold Bloch Leibler
Solicitor for the Plaintiffs

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The Advertiser (Australia)

August 8, 2009 Saturday
1 - State Edition

liquidation Race to pay off forestry leases

BYLINE: TREVOR CHAPPELL

SECTION: FINANCE; Pg. 78

LENGTH: 341 words

THE liquidator of failed agricultural projects manager Timbercorp Group says he is in a race against time to deal with the future of Timbercorp's forestry schemes.

Grower-investors who invested in Timbercorp's 12 forestry managed investment schemes met yesterday to vote on a non-binding proposal that the Federal Court be asked to grant the liquidator a power of sale to enable a recapitalisation of the schemes or a sale of assets.

The result of the growers' vote is expected on Tuesday next week.

About 10,000 people invested \$800 million in Timbercorp's forestry schemes before it went into administration in April.

In June, Timbercorp creditors voted to have 41 companies within the group wound up.

But the Timbercorp managed investment schemes, including the forestry projects, have not been wound up.

Timbercorp's forestry assets include nearly 100,000 ha of eucalyptus plantations worth hundreds of millions of dollars: 58,600 ha of leased land, with 202 individual lessors; and 38,800 ha of freehold land.

Timbercorp also owns a 50 per cent interest in the Albany woodchip terminal.

Timbercorp liquidator Mark Korda of KordaMentha told the meeting on Friday that the companies within the group were insolvent and had no money to pay toward the continuation of the forestry projects.

The most pressing problem was to pay the rent owing to landowners who had leased land to Timbercorp.

It had been assumed that grower-investors owned the trees on the forestry scheme plantations, but some landlords have claimed that their leases allow them to take the trees if the rent is not paid.

As of July 1, Timbercorp was required to pay \$7.2 million in rent on forestry land and this had not been paid.

All the leases were now in default, and if the rent was still unpaid by September 30, the landlords could terminate the leases.

Mr Korda said ownership of the trees might then revert to the landlords.

"If we can get the leases paid, then we potentially remove that problem," he said.

"We're in a race against time to deal with the landlords and the leases."

LOAD-DATE: August 7, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

JOURNAL-CODE: ADV

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The Age (Melbourne, Australia)

August 8, 2009 Saturday
First Edition

Forestry investors in Timbercorp vote

BYLINE: PHILIP HOPKINS, AGRIBUSINESS REPORTER

SECTION: BUSINESS; Pg. 5

LENGTH: 401 words

FORESTRY investors in the collapsed Timbercorp Group, faced with the danger their trees could be confiscated by their landlords at the end of September, must vote on whether to sell or recapitalise their schemes in a bid to realise their investment.

Growers at a meeting in Melbourne yesterday voted on a resolution that would empower Timbercorp liquidators KordaMentha to sell or recapitalise the various forestry schemes while maintaining the growers' rights to the trees.

Growers must submit their vote by 4pm on Monday, with a decision to be announced on Tuesday.

KordaMentha and the Timbercorp Growers Group "overcoming months of conflict" urged growers to back the resolution, which is non-binding.

Liquidator Mark Korda told the meeting, attended by about 400 growers at Etihad Stadium, that all the leases on the land on which the trees were growing were in default " \$7.2 million in rent was owed " with most of the leases expiring on September 30.

The landlords would then have the right to terminate the leases and, in most cases, take ownership of the trees.

The Federal Court previously awarded the liquidators an extension in which to pay the rent while the liquidator determined how best to proceed.

Mr Korda said that more than 50 expressions of interest had already been received to buy or recapitalise the forestry assets, with more than 20 from "substantial" parties.

Final binding offers are due by September 18 to enable the liquidators to obtain money to pay the rent.

"Strong market feedback is that maximum value will be achieved through keeping all assets together as an integrated forestry business," Mr Korda said, with all of the proceeds from the trees being returned to growers.

He said the schemes required at least \$342 million over the remaining 19 years " \$169 million that growers had already committed to pay, and \$173 million from the responsible entity, Timbercorp Securities, which was insolvent and in liquidation.

If the \$342 million was invested, the schemes would generate a net return of \$590 million over the next 19 years.

Forestry investors in Timbercorp vote The Age (Melbourne, Australia) August 8, 2009 Saturday

Returns per hectare would range from \$3010 to \$8329, depending on the year and project.

Mr Korda said independent forestry expert URS had found that Timbercorp's growth rates and yield estimates for trees in the Green Triangle were, respectively, 16 per cent and 26 per cent too high, but were accurate for plantations in Western Australia.

LOAD-DATE: August 7, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

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Sydney Morning Herald (Australia)

August 8, 2009 Saturday
First Edition

Forestry investors vote or face chop; LIQUIDATION

BYLINE: Philip Hopkins

SECTION: BUSINESS; Pg. 3

LENGTH: 326 words

FORESTRY investors in the collapsed company Timbercorp "faced with the threat that their trees could be confiscated by landlords at the end of September" must vote on whether to sell or recapitalise their schemes in a bid to realise their investment.

Growers at a meeting in Melbourne yesterday voted on a resolution that would empower Timbercorp liquidators KordaMentha to sell or recapitalise the forestry schemes while maintaining the growers' rights to the trees. Growers must submit their vote by 4pm on Monday, with a decision announced on Tuesday.

Overcoming months of conflict, KordaMentha and the Timbercorp Growers Group urged growers to back the resolution, which is non-binding.

The liquidator, Mark Korda, told the meeting, attended by about 400 growers, that all the leases on the land on which the trees were growing were in default " \$7.2 million in rent was owed " with most leases expiring on September 30. The landlords would then have the right to terminate the leases and in most cases take ownership of the trees.

Mr Korda said more than 50 expressions of interest had already been received to buy or recapitalise the forestry assets, with more than 20 from "substantial" parties.

Final binding offers are due by September 18 to enable the liquidators to pay the rent.

"Strong market feedback is that maximum value will be achieved through keeping all assets together," he said, with all proceeds from the trees being returned to growers.

Mr Korda said the schemes required at least \$342 million over the remaining 19 years " \$169 million that growers had already committed to pay, and \$173 million from the responsible entity, Timbercorp Securities, which was in liquidation.

If the \$342 million was invested, the schemes would generate a net return of \$590 million over the next 19 years, with 100 per cent of the proceeds going to growers. Returns per hectare would range from \$3010 to \$8329, depending on the year and project.

Forestry investors vote or face chop; LIQUIDATION Sydney Morning Herald (Australia) August 8, 2009 Saturday

LOAD-DATE: August 7, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

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Weekend Australian

August 8, 2009 Saturday
1 - All-round Country Edition

Timbercorp rent default jeopardises ownership of crops

SECTION: FINANCE; Pg. 29

LENGTH: 512 words

Agribusiness

THE liquidator of failed agricultural projects manager Timbercorp Group says he is in a race against time to deal with the future of Timbercorp's forestry schemes.

Grower-investors who invested in Timbercorp's 12 forestry managed investment schemes met yesterday to vote on a non-binding proposal that the Federal Court be asked to grant the liquidator a power of sale to enable recapitalisation of the schemes or a sale of assets.

The result of the growers' vote is expected on Tuesday.

About 10,000 people invested \$800 million in Timbercorp's forestry schemes before it went into administration in April.

In June, Timbercorp creditors voted to have 41 companies in the group wound up, but the Timbercorp-managed investment schemes, including the forestry projects, have not been wound up.

Timbercorp's forestry assets include nearly 100,000ha of eucalyptus plantations worth hundreds of millions of dollars: 58,600ha of leased land, with 202 individual lessors, and 38,800ha of freehold land.

Timbercorp also owns a 50 per cent interest in the Albany woodchip terminal.

Timbercorp liquidator Mark Korda of Korda Mentha told the meeting yesterday the companies in the group were insolvent and had no money to pay towards continuing the forestry projects. The most pressing problem was to pay rent owed to landowners who had leased land to Timbercorp.

It had been assumed grower-investors owned the trees on the forestry scheme plantations, but some landlords have claimed their leases allow them to take the trees if the rent is not paid.

As of July 1, Timbercorp was required to pay \$7.2m in rent on forestry land, and this had not been paid. All the leases are in default, and if the rent is unpaid by September 30, the landlords could terminate the leases. Mr Korda said ownership of the trees might then revert to the landlords.

"If we can get the leases paid, then we potentially remove that problem. We're in a race against time to deal with the landlords and the leases."

Timbercorp rent default jeopardises ownership of crops Weekend Australian August 8, 2009 Saturday

The forestry schemes would require \$342m to pay operational costs, including rent, over their 19-year lifespan, Mr Korda said.

Of that, \$169m was to have been paid by grower-investors and \$173m by Timbercorp, but Timbercorp had no money. Some grower-investors were willing to provide more funds, but others were not, or did not have the money.

"Our proposed solution at the moment is to go to the marketplace and get expressions of interest from bidders to either purchase all the assets -- that is, the land, the forestry operations, the maintenance operations and the trees -- or to get the schemes recapitalised," Mr Korda said.

"That is, who can put in the \$173m that Timbercorp can't, or who can replace the growers that can't be in there."

Mr Korda said he was looking for expressions of interest by September 18, so the rent could be paid. "Our strong feedback is that there is a lot of interest in these assets, and we will get market value for these assets."

If assets were sold, the net proceeds from the trees would go to growers, provided the rent had been paid, he said.

LOAD-DATE: August 7, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

JOURNAL-CODE: AUS

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The West Australian (Perth)

August 4, 2009 Tuesday
Second Edition

Timbercorp leases still at risk despite extra time

BYLINE: RUTH WILLIAMS

SECTION: MAI; Pg. 34

LENGTH: 478 words

Timbercorp's liquidator has been given more time to sell or recapitalise the failed company's vast bluegum plantation projects before it is forced to give up the leases on the land.

But although the liquidator was yesterday given a month to consider the fate of the plantations, it still faces the threat of some of the leases being terminated without notice by one of Timbercorp's landlords - a move that may undermine forestry investors' claims to their trees.

In an urgent Federal Court hearing in Melbourne yesterday, Timbercorp's liquidator, KordaMentha, asked the Federal Court to give it until September 30 to decide whether it would relinquish leases for forestry projects and avocado orchards.

Justice Ray Finkelstein gave the liquidator until September 1.

The Timbercorp Group of companies collapsed in late April and the rent on the tens of thousands of hectares it leased for its plantations was due on July 1.

Although Timbercorp has no money to pay the rent, KordaMentha has resisted giving up or "disclaiming" the leases because such a move would create uncertainty around investors' rights.

Yesterday's hearing came after several Timbercorp landlords issued KordaMentha with termination notices for non-payment of rent.

Some landlords, including two of yesterday's defendants, WA Chip and Pulp Co and WACAP Treefarms, asked the liquidator to decide within 28 days whether it wanted to continue the leases.

Last month, when the leases first became the subject of Federal Court action, Justice Finkelstein ruled that KordaMentha was not "using or occupying" the land and had not decided whether it would continue the leases.

But Justice Finkelstein also suggested landlords could ask KordaMentha to decide within 28 days.

KordaMentha launched an "expressions of interest" campaign for the forestry assets last week in the hope of finding someone to buy or recapitalise the projects, and investors will consider their options at an informal meeting this Friday.

Timbercorp leases still at risk despite extra time The West Australian (Perth) August 4, 2009 Tuesday

Philip Crutchfield, for KordaMentha, said yesterday the liquidator wanted more time to negotiate with those who had expressed interest in the forestry assets.

He said KordaMentha wanted to maintain the option of disclaiming the leases because Timbercorp investors would have stronger rights to their assets if the liquidator was to disclaim than if one of the landlords decided to terminate a lease for non-payment of rent.

Mr Crutchfield asked that WA Chip and Pulp Co commit to not terminating its leases without giving the liquidator 24 hours notice.

This would allow KordaMentha to apply to disclaim the leases before the termination took effect.

But Julian Sher, for WA Chip and Pulp Co, said his clients would not agree to give notice.

He added that "there's no finger on the trigger".

"We are prepared to maintain the situation to see what the liquidator does over the next period," Mr Sher said.

LOAD-DATE: August 3, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

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The Age (Melbourne, Australia)

August 3, 2009 Monday
First Edition

Timbercorp blues if the gum sticks

BYLINE: RUTH WILLIAMS

SECTION: BUSINESS; Pg. 1

LENGTH: 567 words

TIMBERCORP'S liquidator has warned that unless it has more time to consider the fate of thousands of hectares of Timbercorp plantations, investors' assets could become bogged down in a mess of litigation.

The liquidator, KordaMentha, has secured an urgent Federal Court hearing in Melbourne this morning, where it hopes to stave off any attempt by Timbercorp landlords to seize blue gum plantations owned by Timbercorp investors.

KordaMentha will ask Justice Ray Finkelstein to give it until September 30 to decide whether to terminate leases on land occupied by Timbercorp plantations, in the hope that, by then, it will have salvaged the projects by selling or recapitalising them.

The rent for the forestry leases on plantations fell due on July 1, and has not been paid. Although Timbercorp has no money to pay the rent, KordaMentha has resisted terminating Timbercorp's "head leases" on the land until it can sell or recapitalise the projects, because this would create uncertainty about the status of Timbercorp investors' "sub-leases".

A number of landlords have issued notices demanding KordaMentha decide on the leases within 28 days, prompting today's action.

"Media articles have reported that some landlords hold the view that upon termination of a head lease, the trees growing upon the leased land will become the property of the landlord, rather than the growers' property," KordaMentha's Mark Korda said in an affidavit lodged last week.

"This court may be asked to determine the correct view. However . . . it may be possible to avoid this difficult situation arising if the forestry schemes can be sold or recapitalised [before] the external leases [are] terminated."

Being forced to terminate the leases would "severely adversely affect" KordaMentha's ability to salvage the schemes, the liquidator argued.

Today's hearing is the latest in a series of complex legal sagas that have engulfed Timbercorp's investors and its liquidator since the company's demise in late April.

It is understood that the plantations embroiled in today's court action are all in Western Australia, and account for about 8000 hectares of the 58,700 hectares of land leased by Timbercorp in WA, Victoria and South Australia.

Timbercorp blues if the gum sticks The Age (Melbourne, Australia) August 3, 2009 Monday

KordaMentha also warned that the need for costly fire prevention maintenance on Timbercorp plantations will become pressing from the start of October. Forcing it to terminate any plantation leases before September 30 would create uncertainty about who was responsible for the maintenance of those plantations, KordaMentha said.

Several are part-owned by Japanese woodchip broker Marubeni Corporation, which previously bought all Timbercorp's harvested timber.

KordaMentha is currently in woodchip price negotiations with Marubeni.

Timbercorp forestry investors will meet this Friday to consider the future of the schemes. Yesterday, KordaMentha said that a "chaotic" dispute over ownership of the trees could result if investors did not quickly make a decision about the future of the schemes.

Chris Garnaut, from Timbercorp's growers group, said it was important that investors were given the chance to consider their options.

Mr Garnaut said that he hoped the results of the informal meeting would be respected.

Mark Mentha, from KordaMentha, said that "a very encouraging number of serious parties" from Australia, Asia, North America and Europe had expressed interest in the forestry assets.

LOAD-DATE: August 2, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

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Herald Sun (Australia)

August 3, 2009 Monday
1 - FIRST Edition

THE WEEK AHEAD

SECTION: BUSINESS; Pg. 30

LENGTH: 245 words

MONDAY

ANZ job advertisements survey for July.

Australian Industry Group/PricewaterhouseCoopers Australian Performance of Manufacturing Index for July

Reserve Bank index of commodity prices for June

Argo Investments annual results.

TUESDAY

RBA August board meeting and interest rate decision.

Commonwealth Bank-Australian Chamber of Commerce and Industry business expectations survey.

Australian Bureau of Statistics retail trade data for June and June quarter.

ABS house price index data for international trade data for June quarter.

WEDNESDAY

Australian Industry Group/Commonwealth Bank Australian Performance of Services Index for July.

ABS international trade data for June.

David Jones fourth-quarter sales results.

Prima Biomed extraordinary general meeting in Sydney.

AXA Asia Pacific annual results.

Hills Industries Group annual results.

THURSDAY

ABS labour force data for July.

News Corporation fourth-quarter results.

Alumina interim results.

Bradken annual results.

Tutt Bryant Group annual meeting in Sydney.

Western Plains Resources annual meeting in Sydney.

Tabcorp annual results.

Scotgold Resources annual meeting in Perth.

Southern Pacific Petroleum annual meeting in Perth.

FRIDAY

RBA quarterly statement on monetary policy.

Australian Industry Group/Housing Industry Association Australian Performance of Construction Index for July.

Timbercorp forestry scheme growers to meet in Melbourne to consider future of schemes.

West Australian Newspapers annual results.

Resmed annual results.

LOAD-DATE: August 2, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

JOURNAL-CODE: DHS

10 of 13 DOCUMENTS

The West Australian (Perth)

August 3, 2009 Monday
First Edition

SECTION: MAI; Pg. 29

LENGTH: 364 words

Today

Perth: Boss Energy general meeting. Kalgoorlie: 2009 Diggers & Dealers forum. Sydney: ANZ job advertisements survey for July. Australian Industry Group/PricewaterhouseCoopers Australian performance of manufacturing index for July. Reserve Bank of Australia index of commodity prices for June. Melbourne: Golden Gate general meeting. Adelaide: Argo Investments annual results.

Dividends payable: Final: Aurora Infrastructure 33¢ uf.

Tuesday

Perth: Capital Intelligence general meeting. Sub-Sahara Resources scheme meeting. Sydney: RBA August board meeting and interest rate decision. Commonwealth Bank-Australian Chamber of Commerce and Industry business expectations survey. Australian Bureau of Statistics data: Retail trade for June and June quarter. House price index; International trade for June quarter. Apollo Life general meeting. Asian Masters Fund general meeting. Melbourne: Prime Financial extraordinary general meeting.

Dividends payable: Interim: Australand Property 3¢ uf, Final: BrisConnections Trust 0.05¢ uf.

Wednesday

Sydney: Australian Industry Group-Commonwealth Bank Australian performance of services index for July. ABS data: International trade for June. David Jones fourth-quarter sales results. Prima general meeting. Melbourne: AXA Asia Pacific annual results. Adelaide: Hills annual results.

Thursday

Perth: Scotgold Resources general meeting. Southern Pacific general meeting. Sydney: ABS data: Labour force figures for July. News Corp fourth-quarter results. Alumina interim results. Bradken annual results. Challenger Wine Trust annual results. Tutt Bryant annual meeting. Western Plains general meeting. Melbourne: Tabcorp annual results.

Friday

Perth: WA Newspapers Holdings annual results. Bonaparte Diamond Mines general meeting. GBM Resources general meeting. Minemakers general meeting. Silver Swan Group general meeting. Sydney: RBA quarterly statement on monetary policy. Bentley Capital general meeting. Vesture general meeting. Viridis Clean Energy Group general meeting. Melbourne: Timbercorp forestry scheme growers to meet to consider future of schemes.

The West Australian (Perth) August 3, 2009 Monday

Dividends payable: Final: Abacus Property Group 0.75¢ uf, Mirrabooka Investment 6.5¢ ff.

LOAD-DATE: August 2, 2009

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The Age (Melbourne, Australia)

July 27, 2009 Monday
First Edition

KordaMentha chases extension

BYLINE: PHILIP HOPKINS, AGRIBUSINESS REPORTER

SECTION: BUSINESS; Pg. 3

LENGTH: 304 words

THE fate of Timbercorp growers' tree investments is set to become clearer through two related events next week: Federal Court action launched by Timbercorp liquidator KordaMentha, and a growers' meeting to consider the future of the forestry schemes.

KordaMentha has applied to the Federal Court to ask for an order extending the time it has to decide whether to disclaim leases as demanded by some landlords who have served notices demanding an answer within 28 days.

About 10,000 growers invested \$800 million in 100,000 hectares of blue gum plantations. Timbercorp's forestry assets include 38,800 hectares of freehold land, leasehold interest in 58,600 hectares, and a 50 per cent share in the Albany woodchip terminal.

The rent to cover the plantation leases - an annual cost of more than \$27 million - fell due on July 1, and many growers have stopped paying rent. Some farmers who have leased the land are angry and argue they have a claim on the trees.

KordaMentha won an order from the Federal Court earlier this month that gave them more breathing space to find a commercial outcome for the growers. However, some landowners have issued notices on the liquidator to give them 28 days to disclaim the leases or pay the rent.

KordaMentha will now go again before Justice Ray Finkelstein in the Federal Court next week in a bid to extend the 28-day period until September 30. The aim is to gain more time recapitalise or sell the assets.

In the interim, investors will debate the future of the forestry schemes at the meeting in Melbourne on Friday, August 7. The meeting will set out the liquidator's strategy to either purchase or recapitalise the schemes through a competitive sale or recapitalisation process.

Liquidator Mark Korda said there was already strong interest from many parties in the Timbercorp forestry assets.

LOAD-DATE: July 26, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

KordaMentha chases extension The Age (Melbourne, Australia) July 27, 2009 Monday

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The Australian

July 27, 2009 Monday

1 - All-round Country Edition

Seeds of hope for MIS eucalypt investors

BYLINE: ANDREW MAIN BUSINESS EDITOR

SECTION: FINANCE; Pg. 20

LENGTH: 920 words

THINGS are looking up slightly for Timbercorp's 10,000 eucalypt plantation investors, with a meeting planned for August 7 in Melbourne for the "grower investors" to hear how much, if any, of their \$800 million investment they might get to see again.

The meeting, announced yesterday and due to be webcast live, will see Timbercorp liquidator Mark Korda outline his strategy to seek offers for, or recapitalise, the schemes for which he says there has been "strong interest from a large number of parties".

The blue-gum schemes cover 38,800ha of freehold land, as well as the leasehold interest in 58,600ha, and a 50 per cent interest in the Albany chip terminal. But if you're an investor in Timbercorp's olive and almond managed investment schemes, you'd better read another article. The news for those investors remains almost unrelentingly bad.

In simple terms, it seems those schemes lasted as long as they have only because of regular infusions of new money coming in around June 30 every year from investors more concerned with getting a tax deduction than making a profit.

It would be wrong to call them Ponzi schemes, because that suggests more deception than there actually was. The schemes suffered from what British investors call the "jam tomorrow" syndrome, where there was just enough carefully generated and annually renewed optimism to keep the numbers looking positive when they actually weren't.

There's been a lot written about the reluctance of organisations to take up the vital role of responsible entity (RE) in the place of collapsed subsidiary Timbercorp Securities Ltd (TSL). It's a critical issue, since without an RE the schemes are effectively headless. Liquidator KordaMentha is acting as temporary RE but there have been howls of protest about how KordaMentha staff are clearly conflicted as they have to represent the interests of Timbercorp's creditors and also the interests of the 18,000-odd grower investors. Despite many meetings, there's been precious little movement on that issue and the liquidators are moving to wind up the almond and olive schemes.

The affected grower investors in 14 schemes have been ordered by judge Ross Robson to meet on July 31 and August 17 to consider their options.

He's given them more time than perhaps the liquidators would have liked because, for instance, if a \$3m bee-pollination program doesn't start in the next three weeks, then not only will the next \$100m almond crop probably be a writeoff, but the one after that may be as well. Without pollination there won't be any nuts, and one year's unproductive trees flower the next year as a defence mechanism. Again, there are no nuts. KordaMentha is under no

obligation to kick in the required \$3m, as it has stressed. It's the liquidator of the main Timbercorp companies and it has powers over the managed investment schemes, although they are not formally insolvent.

There's almost a catch-22 at work here because there are investors on the sidelines wanting to get involved but they don't want to take up the role of RE because it's full of potential liabilities. And if they don't stand up formally to take the role of RE, then the liquidators won't be in any rush to let them in because doing so might not be in the best interests either of creditors or grower investors, or both. KordaMentha put out a two-page document in late June listing potential alligators for any volunteers, starting with potential cost blowouts and noting that the documentation covering the schemes may not allow for any increase in fees being levied from growers.

The note is not headed ``Don't Do It" but it might as well be. It's interesting to note that a Melbourne group called Huntleys has taken on the RE role in three small schemes producing avocados and mangoes, but that's not expected to start a trend.

What's at fault here is the corporate structure, which can only be altered by some complex legal work. The only alternatives appear to be finding replacement REs or winding them up. Bear in mind that, for instance, the almond and olive grower investors don't actually own anything, except the harvest proceeds, which to date have almost invariably failed to cover the full costs of maintaining then harvesting the crop. They don't own the land and they don't even own the olive and almond trees featured so attractively on the brochures that got the investors queuing up in the first place.

Meanwhile the lawyers have jumped on another pressing issue. KordaMentha has just sued 18 grower investors who owe about \$15m to Timbercorp Finance, also defunct. That business specifically financed grower investors who needed help to make their annual payments. Writs were lodged early this month against 20 people who owe between \$219,000 and \$2.5m. The worrying fact is that many of those people probably won't be able to pay, since they were having trouble paying in the first place.

And on Friday, Melbourne law firm Macpherson and Kelley announced it was preparing a class action on behalf of 1600 of those borrowers on the basis they were not informed that the company was on the verge of collapse.

In one way, these MIS schemes are turning out a bit like a losing futures contract. You can't legally just bale and hope it all goes away.

While the liquidators are sanguine about the fact receipts from grower investors have dropped way below what they were meant to be, grower investors remain under a legal liability to pay annual fees and to keep paying every year unless the schemes are formally wound up.

LOAD-DATE: July 26, 2009

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

JOURNAL-CODE: AUS

IN THE FEDERAL COURT OF AUSTRALIA
VICTORIA DISTRICT REGISTRY
GENERAL DIVISION

No. VID of 2009

IN THE MATTER OF TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
ACN: 092 311 469

TIMBERCORP SECURITIES LIMITED (IN LIQUIDATION)
ACN 092 311 469
and OTHERS

Plaintiffs

CERTIFICATE IDENTIFYING EXHIBIT

This is the exhibit marked "**MAK-4**" now produced and shown to **MARK ANTHONY KORDA** at the time of swearing his affidavit on 13 August 2009.

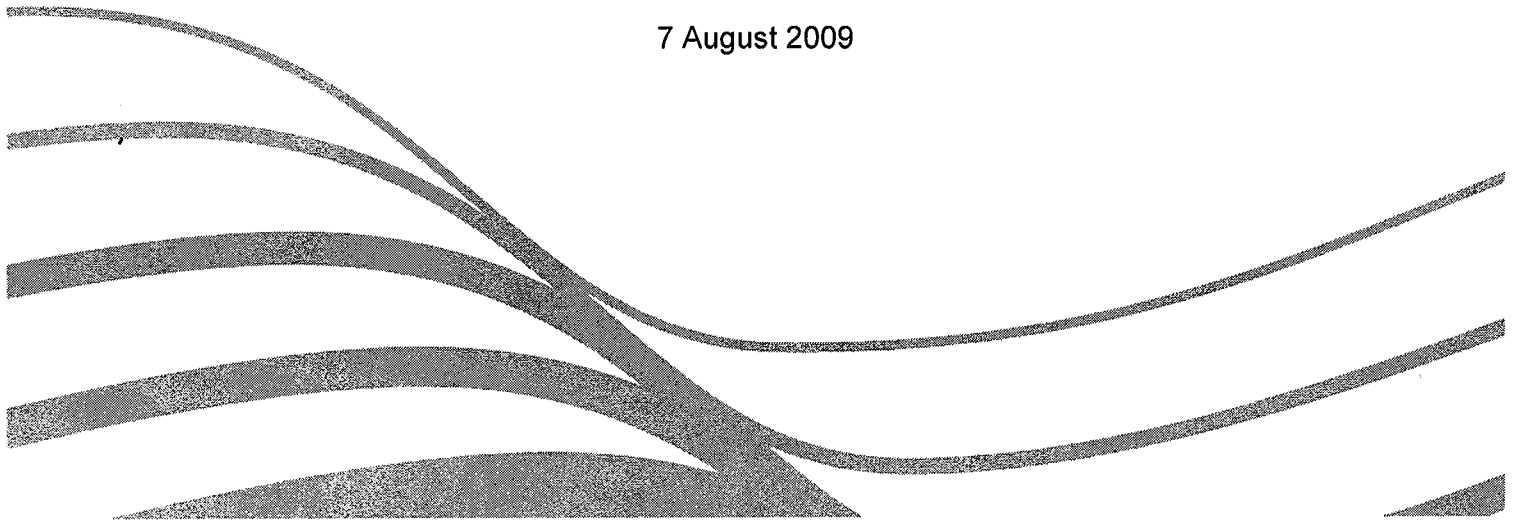
Before me: 

Catherine Helen Macrae
A solicitor of Arnold Bloch Leibler
Solicitor for the Plaintiffs



Forestry Scheme Growers' Consultation Meetings

7 August 2009



Agenda

- **Independent Chairman's Welcome**
- **Scheme Update and Key Issues**
- **Statement on Independent Accountant's Report**
- **Statement on Independent Forestry Expert Report**
- **Address from Grower Representatives**
- **Sale/Recapitalisation Strategy and Update**
- **Questions**
- **Growers' Vote**

Independent Chairman's Welcome

Forestry Schemes List

- 1997 Timbercorp Eucalypts Project (ARSN 112 309 234);
- 1998 Timbercorp Eucalypts Project (ARSN 112 309 216);
- 1999 Timbercorp Eucalypts Project (ARSN 085 827 872);
- 1999 Timbercorp Eucalypts Double Rotation Project (Private Offer);
- 2000 Timbercorp Eucalypts Project (ARSN 091 172 093);
- 2001 Timbercorp Eucalypts Project (ARSN 094 392 000);
- 2002 Timbercorp Eucalypts Project (ARSN 098 233 571);
- 2003 Timbercorp Eucalypts Project (ARSN 103 183 446);
- 2004 Timbercorp Eucalypts Project (ARSN 108 099 645);
- 2004 Timbercorp Timberlot (Single Payment) Project (ARSN 108 336 830);
- 2005 Timbercorp Timberlot (Single Payment) Project (ARSN 111 683 491); and
- 2007/2008 Timbercorp Timberlot (Single Payment) Project (ARSN 122 510 981).



Scheme Update and Key Issues

Timeline of events

- **April '09** Timbercorp Group appointed Voluntary Administrators
- **June '09** 2nd Creditors Meeting voted to put Companies into Liquidation
- **July '09** Court maintains “status quo” of leases
- **August '09** Court granted extension to disclaimer period
- **August '09** Forestry Scheme Growers' Consultation Meetings

Update on forestry operations

- **Foreign buyers are experiencing a reduction in demand for woodchips and no further sales of woodchips are anticipated in the near term**
- **Forestry operations have been suspended and we have terminated 23 maintenance staff**
- **Subject to finalising some privacy related issues, we anticipate Agririsk will commence dealing direct with forestry growers in respect of insurance cover**
- **On 1 July 2009, \$7.2m of forestry land rent fell due and was not paid. On the basis that the Liquidators are not in use or occupation of the land the leases were not disclaimed**
- **While this maintains the status quo for growers all care and maintenance work has stopped**

Land lease considerations

- **The majority of forestry land is externally leased with rental payments due quarterly in advance (59,000 ha is leased from 202 individual lessors, 36,000 ha is owned land)**
- **Rental payments due to be made on 1 July 2009 of \$7.2m were not paid**
- **All leases are now in default with most having a default expiry period of 30 September 2009. Some leases have a shorter expiry period and the liquidators are negotiating with landlords in respect of the leases**
- **At the end of the default period the landlords have the right to terminate the leases**
- **A significant proportion of the land leases have a clause to the effect that in the event of termination the ownership of the trees may revert to the landlord**

Land lease considerations

- **The Federal Court has granted the Liquidator an extension to 1 September 2009 to determine whether to disclaim the various leases. The liquidator can apply to the Court for a further extension**

- **While it remains the liquidators' position that the growers own the trees, if the schemes are not recapitalised or underlying assets sold in the short term further complications will arise;**
 - are the lease terms enforceable?
 - will the landlords assert ownership of the trees?
 - who will pay for the ensuing Court action?
 - how long will it take for stakeholder rights to be clarified?
 - will the plantations be appropriately maintained?

Funding Considerations

- **The Schemes require a total of at least \$342m in cash to be invested over their remaining lives**
 - \$169m is the amount the growers have already committed to pay
 - \$173m is the responsibility of the RE (the RE is insolvent and in liquidation)

- **Growers hold diverse views**
 - Some want to make further contributions and have the ability to do so
 - Some want to make further contributions but do not have the ability to do so
 - Some do not want to make any further contributions
 - Some believed they had paid all future contributions in advance

An overview of scheme solvency and viability

- **We have completed a significant amount of work reviewing the solvency and viability of each forestry project and scheme**
- **Our analysis shows that:**
 - Assuming the RE funds the \$173m shortfall all projects and schemes are forecast to achieve a positive net cash flow for growers, the RE's immediate cash requirements remain unmet
 - if \$342m was injected into the schemes they could be anticipated to generate a positive cash return for growers of \$590m over the next 19 years

Estimated forecast forestry scheme cash position

Project	Grower future contribution (beyond 31/7/09)	RE future funding requirement	Combined future funding requirement	Grower future project distribution	Project future net return (undiscounted)	
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$/ha)
1997 Eucalypts	-	(4)	(4)	7	4	3,010
1998 Eucalypts	(11)	(29)	(40)	131	91	5,590
1999 Eucalypts Double Rotation (PO)	-	(4)	(4)	11	7	7,809
1999 Eucalypts Single Rotation	(61)	5	(55)	243	188	6,712
2000 Eucalypts	(37)	-	(37)	92	55	5,347
2001 Eucalypts	(16)	(2)	(17)	41	24	5,715
2002 Eucalypts	(13)	(1)	(14)	28	14	3,812
2003 Eucalypts	(23)	-	(23)	41	18	3,022
2004 Eucalypts Pre Payment	(8)	(0)	(8)	23	15	8,329
2004 Timberlots	-	(16)	(16)	50	34	8,143
2005 Timberlots	-	(50)	(50)	137	86	7,460
2007/2008 Timberlots	-	(73)	(73)	127	55	4,429
	(169)	(173)	(341)	931	590	

RE needs to invest this amount



Potentially returned over the next 19 years

Role of independent experts

- **To help facilitate the decision making process for growers in respect of the proposed resolution both the Liquidators and the Timbercorp Growers Group (TGG) saw benefit in engaging Independent Experts**
- **Ernst and Young were engaged as Independent Expert Accountants**
- **URS Australia were engaged as Independent Forestry Experts**
- **The Independent Chairman will now read a short extract from the independent expert reports**



Statement on Independent Accountant's Report

Independent Accountant 's Report extract

“We report as follows:

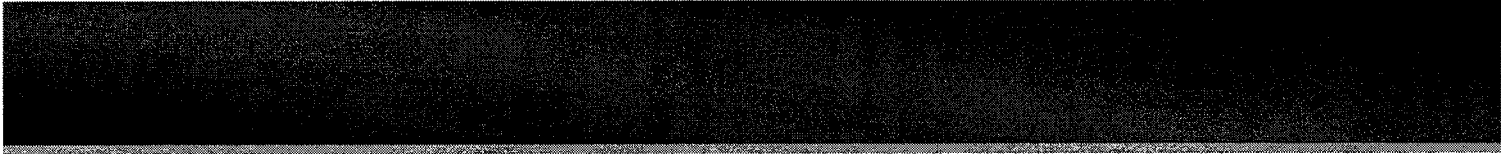


...we note that the stated assumptions [in respect of the estimated forecast forestry project cash flows] attached at Appendix 1 to [the] report have been applied in a consistent manner throughout the model

...we note that the summarised financial information extracted from the model proposed to be presented to the Meetings [in our report] is consistent with the model on which our procedures were performed

...we have reviewed the logic and mathematical formulae in the calculations within the model, noting no matters have come to our attention which indicate that these are not materially correct”

These comments should be read in conjunction with the other comments contained in the E&Y report, a copy of which has been posted on the website.



Statement on Independent Forestry Expert's Report

Extract of Independent Forestry Experts Report

Executive Summary

"In relation to Timbercorp's mapping processes, the methodology used is systematic and appears reasonable.

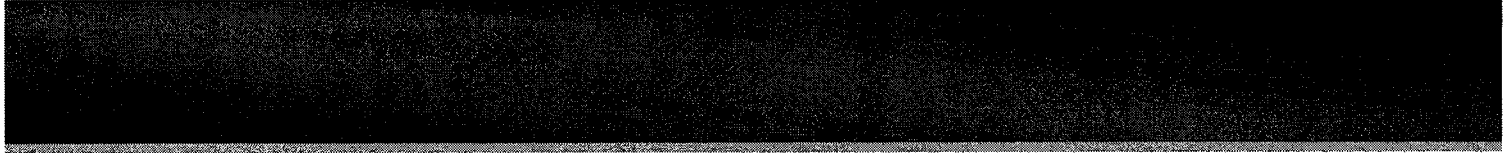
In relation to Timbercorp's inventory processes, the methodology used is consistent with good forestry practice.

In relation to Timbercorp's site productivity estimates using age 7.5 inventory data, the URS review found that Timbercorp's approach is robust.

In relation to Timbercorp's site productivity estimates using age 4.5 inventory data, the URS review found that the WA model is a reasonable predictor of current growth, while the Green Model over predicted volumes to age 7.5 by an average of 16%.

In relation to Timbercorp's site productivity estimates made prior to establishment, the URS review found that the estimates are on average 26% higher than the projected age 10 volumes derived from other plantations in the same region where inventory data or actual harvest yields was available. URS considers the pre-plant estimates are generally higher than are likely to be realised."

These comments should be read in conjunction with the other comments contained in the URS report, a copy of which has been posted on the website.



Address from Grower Representatives

Chris Garnaut

Chairman, Timbercorp Growers Group

Temporary Responsible Entity?

“... if Timbercorp were to become insolvent, TSL would be unable to remain as responsible entity of the project. ... ASIC will seek to appoint an alternative responsible entity to the project and ... Any financier/ mortgagee would liaise closely with ASIC and the replacement responsible entity to ensure that the project continues to operate ...”

Gideon Melzer

Timbercorp Limited

General Counsel & Company Secretary

December 2008

DIY Regulation?

“ASIC appears happy to sit back and watch as litigation funders take on the role of ‘keeping the bastards honest’.”

Tony Boyd

Privatising regulation

Business Spectator

18 June 2009

Where We Were Going

“... we currently intend to apply to the court to seek an early termination of the forestry schemes. ... not all growers may support this approach and the court will provide a forum for those voices ...”

Mark Korda

Administrator

Timbercorp Securities Limited

Email to Forestry Scheme Growers

16 June 2009

Almond and Olive Schemes

June 5

Korda Mentha goes to Court to seek wind up of “*hopelessly insolvent*” schemes. With lawyers acting *pro bono*, growers intervene and gain adjournment.

July 15 -July
21

Timbercorp Growers Group represents growers and gains adjournment of wind up application with orders for meetings of growers – schemes now have “*some short term cash issues*”.

TGG

Short History

- ❑ First Creditors' meeting 5 May 2009
- ❑ Second Creditors' meeting 29 June 2009
- ❑ Just 2 months old

Objectives

- ❑ Oppose summary wind up of schemes
- ❑ Ensure that Growers make the decision

TGG Achievements

- ❑ Major fundraising for litigation
- ❑ Assembled formidable legal team
- ❑ TGG website to inform growers
- ❑ Uncovered responsible entities
- ❑ Laid out real alternatives to wind up
- ❑ Conducted effective media campaign
- ❑ Legal victory for Olives and Almonds
- ❑ Precedent set for forestry schemes

Today's Meeting

Possible Outcomes –

- ☐ Sale with fair value of trees to growers
[Marubeni?]
- ☐ Continue with MIS and new RE
[Gunns?]
- ☐ Continue with restructure and opt out
 - *Pay rent and maintenance to harvest*
 - *Manager pays and deducts from proceeds*
 - *Sell trees*

[TC Growers]

TGG Process Enhancements

Forecast of forestry position

URS verified sales

No Timbercorp fees or overhead recovery

Calculations reviewed by E&Y

CBA has no access to forestry proceeds

Growers involved with TC Growers

Proposals to be reviewed by E&Y

Safeguards

Mark Mentha has agreed:

- ☐ **Cashflow assumptions on website**
- ☐ **E&Y reviewed cashflows to be held by Chairman**
- ☐ **TGG will have access to cashflows once proposals are in**
- ☐ **Proponents have not been told that CBA must get \$150m for land**
- ☐ **Growers will be funded for final appearance at Court**

Differences

Wind Up

- ☐ No possibility of schemes continuing
- ☐ Growers' rights fall away

Power of Sale

- ☐ MIS may continue
- ☐ Growers' rights remain to the end

Process

Today's Meeting

Selection of Proposal

Court Hearing

COMPARE

Growers' Information

E&Y verified
Cash Flows

TC Growers
Valuation

Features of the Process

Safeguards

Hold on default by landowners

Competitive Process

Range of Solutions Possible

Information on Value of trees

Timbercorp costs eliminated

No court costs



Sale or Recapitalisation Strategy

Overview of Sale or Recapitalisation Strategy

- The liquidators are conducting a properly structured and competitive sale/recapitalisation process that provides a level playing field for all interested parties
- Interested parties can offer to purchase all of the assets or recapitalise the schemes
- More than 50 EOIs and more than 20 “substantial” parties invited into data room
- Final binding offers are due on 18 September 2009
- Transaction must be concluded and outstanding rent paid by 30 September 2009
- Strong market feedback is that maximum value will be achieved through keeping all assets together as an integrated forestry business
- 100% of net proceeds of the trees will be returned to growers

What options do the forestry growers have?

- **The Liquidators appreciate that this is a very difficult situation however, broadly speaking, growers have two options;**
 - 1. Support the proposed sale/ recapitalisation process (vote YES)**
 - Enable liquidators to approach court with grower support
 - Liquidator aiming to complete sale by 30 September 2009
 - 100% of net proceeds from sale of trees to go to growers
 - 2. Disagree with the proposed sale/ recapitalisation process (vote NO)**
 - Liquidators will go to court seeking direction
 - May have no choice but to halt sale/ recapitalisation process
 - May have no choice but to disclaim leases to protect growers ownership of trees
 - May result in protracted legal action with uncertain outcome



Questions?

Non Binding Proposal

- The meeting will now move to a vote by poll on the following non binding proposal;

“That the Liquidators of TSL request the Federal Court of Australia to grant the Liquidators a power of sale to enable the implementation of the sale / recapitalization strategy.”