

Timbercorp Group In Liquidation



Frequently Asked Questions – Eucalypt Schemes

- **Sale of Forestry Assets; and**
- **Distribution of Proceeds**

Purpose of Frequently Asked Questions

The purpose of the Frequently Asked Questions is to provide some general answers to common questions received. They cannot and are not intended to provide detailed answers or advice to you. The Liquidators must act in the best interests of all creditors. Accordingly, we are unable to provide advice to you on your specific circumstances. If you have any queries in relation to your rights and obligations, we recommend that you seek independent advice.

This is not a legal document.

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Information in relation to the Sale and/or Recapitalisation Process

Why was a sale and/or recapitalisation of the Timbercorp Forestry Schemes required?

Timbercorp Securities Limited (In Liquidation) (“TSL”) which is the Responsible Entity for each of the Timbercorp Forestry Schemes is insolvent and in Liquidation. Accordingly, TSL is not able to continue to meet its obligations in relation to the Managed Investment Schemes which it operates, including the Forestry Schemes, and was not able to fund operations from 1 July 2009. Consequently, following Growers’ Consultation Meetings on 7 August 2009 the Liquidators commenced a process to sell the Forestry Assets, including Grower Investors’ trees, or to recapitalise the schemes through the appointment of a new Responsible Entity.

Were Grower Investors consulted in relation to the Sale and/or Recapitalisation Process?

On 7 August 2009 Growers Consultation Meetings were held for each of the Timbercorp Forestry Schemes and the following non-binding proposal was put to Grower Investors:

“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.”

Prior to the meeting Grower Investors were provided with an update as to the status of the Schemes including a cash flow analysis, an independent forestry expert report and an independent accountant expert report. Grower Investors voted overwhelmingly in favour of the resolution with in excess of 90% of Grower Investors in each scheme voting for the resolution.

Following the Growers’ Consultation Meetings the Liquidators applied to the Federal Court of Australia for orders granting them a power of sale over Grower Investors’ trees. These orders were handed down on 18 August 2009.

In addition, the Growers’ representatives on the TSL Committee of Inspection who were elected at the second meeting of TSL’s creditors were kept informed of developments as the sale and/or recapitalisation process was progressed. The Growers’ representatives were also consulted at the completion of the process before the Liquidators applied to the Federal Court of Australia for approval of the sale.

What was the outcome of the Sale and/or recapitalisation process?

Final bids in the Sale and/or Recapitalisation Process were due on 18 September 2009 and seven bids were received for the purchase of the full complement of Timbercorp Forestry Assets. No bids to recapitalise the schemes were received. Following a review of the bids, an international forestry investment fund advised by Global Forest Partners (“GFP”) was selected as the preferred bidder and a Sale and Purchase Deed of approximately \$345 million was signed on 30 September 2009. The business will trade under the name Australian Bluegum Plantations Pty Ltd (“ABP”). GFP is a leading international plantation forestry investment manager based in New Hampshire, USA.

The sale provides for the continued employment of all existing forestry staff and the purchase of Grower Investors' trees in the amount of up to \$197.7m.

One of the conditions precedent of the Sale Contract was that the lender with mortgages over the Timbercorp Group owned land release their charges. The secured lender would not release its security unless all of its cross collateralised debt was repaid. This included facilities in relation to the Forestry Schemes and the Olive Schemes. Based on the purchaser's bid allocation between the forestry assets there was a shortfall of approximately \$25.5m in relation to the assets over which the secured lender held mortgages.

In order for the sale to be completed the shortfall to the secured lender was required to be paid out of the \$197.7m allocated to the purchase of Grower Investors' trees. In return Grower Investors have been given security over certain Olive Assets and the amount of the shortfall is expected to be repaid to Forestry Grower Investors from the sale of Olive Assets. Settlement of the sale of the Timbercorp Olive Assets is scheduled to occur early in the 2010 and realisations from the sale of assets over which Forestry Grower Investors have security are expected to be distributed thereafter.

Did the Liquidators obtain approval of the Court in relation to the sale?

The Timbercorp Forestry Schemes are incredibly complex in structure and involve many competing interests including different Grower Investor groups. Accordingly, the Liquidators have involved the courts throughout the Sale and/or Recapitalisation Process to ensure that the interests of all parties are fairly treated. All documents in relation to court proceedings concerning the schemes are available for download via the Timbercorp section of the KordaMentha website (www.kordamentha.com).

Approval for a Power of Sale

Following the Growers' Consultation Meetings on 7 August 2009 the Liquidators applied to the Federal Court of Australia to obtain a Power of Sale in relation to the Timbercorp Forestry Assets. On 18 August 2009 Finkelstein J handed down orders that the Liquidators were justified in amending the constitutions of the Forestry Schemes to enable a sale of Forestry Assets including Grower Investors' trees.

Application regarding forestry leases

Lease payments in relation to the land utilised by the forestry schemes became payable on 1 July 2009. TSL is insolvent and was unable to pay approximately \$9m due for the quarterly rent instalment. In order to keep the forestry leases and schemes on foot the Liquidators applied to the Federal Court of Australia for an order that the Liquidators were not liable for the rental payment. On 10 July 2009 Justice Finkelstein handed down Orders that the leases were not a cost of the liquidation if the Liquidators were not utilising or occupying the properties. These orders enabled the Liquidators to avoid having to disclaim all of the forestry leases under Section 568 of the Corporations Act.

Application for extension of the Section 568(8) disclaimer period

Despite the orders of 10 July 2009, landlords were able to require that the Liquidators to decide whether to adopt or disclaim their leases under Section 568(8) of the Corporations Act after a 30 day disclaimer decision period. Two separate applications were made to the Federal Court of Australia in August 2009 and September 2009 for extension of the disclaimer period to 3 November 2009. These applications were necessary to ensure the leases remained on foot while the Sale and/or Recapitalisation Process was finalised. Without these Orders trees located on leased land would not have been able to be included in the Sale and/or Recapitalisation Process.

Approval to enter into the Sale Contract

As negotiations with the preferred bidder reached their conclusion the Liquidators applied to the Supreme Court of Australia for orders approving the Liquidators entering into a Sale and Purchase Deed with ABP. On 30 September 2009 the Court made directions that it was reasonable and appropriate for the Liquidators to enter into the Sale Contract and to pay out the secured lender from the proceeds of sale. The court was also informed Sale and Purchase Deed provides that the Liquidators will extinguish Growers rights at or shortly before Completion.

Apportionment of Sale Proceeds

Following settlement of the transaction for the sale of the Timbercorp Forestry Assets, an application was made to the Supreme Court of Victoria for approval of the apportionment of the sale proceeds that relate to Grower Investors' trees and the allocation of costs between each of the forestry projects and schemes. On 17 December 2009, these orders were handed down allowing the Liquidators to commence the distribution of sale proceeds to Grower Investors.

Note: All documents related to the various court actions taken by the Liquidators are available for download from the KordaMentha website.

How was the value of trees determined?

The Sale and/or Recapitalisation Process required bidders to submit a bid that allocated their total purchase price across each of the Forestry Assets including the trees associated with each of the schemes. The following are some of the factors that were taken into account in relation to the valuation of the trees:

- The maturity of the trees;
- Time to harvest;
- Forecast costs to harvest; and
- Distance to port.

Information in relation to the distribution of sale proceeds

When will the proceeds be distributed to Grower Investors?

It is anticipated that proceeds from the Sale of Forestry Assets will be distributed to Grower Investors over a number of payments with the first distribution to the majority of Grower Investors to occur prior to Christmas. The first payment will be the largest with subsequent smaller payments occurring as the Liquidators finalise the remaining outstanding matters associated with the sale. It is expected that no more than three to four payments will be required to distribute the Sale Proceeds in full.

How was the per lot return for Grower Investors be calculated?

The per lot returns for each of the Forestry Projects were calculated with reference to the purchaser's bid allocation to the trees on each of the properties in the various projects. On 17 December 2009, the Supreme Court of Victoria gave orders approving the Liquidators' method of apportioning the gross sale proceeds and allocation of costs between each of the Forestry Projects.

The following table details the per lot return applicable to Grower Investors net of costs in each of the Forestry Projects:

Scheme	Lots	1st Distribution - Per Lot	Total of Forecast Subsequent Distributions (Minimum) - Per lot	Total of Forecast Subsequent Distributions (Expected) - Per lot ⁱⁱⁱ
		\$	\$	\$
(Not allocated)				
1997 Eucalypts Double Rotation - Late	582	1,249	114	367
1997 Eucalypts Single Rotation - Late	1,384	321	30	93
1998 Eucalypts Double Rotation - Early	1,533	2,365	217	688
1998 Eucalypts Double Rotation - Late	2,688	1,546	142	449
1998 Eucalypts Single Rotation - Early	3,768	1,767	157	821
1998 Eucalypts Single Rotation - Late	4,507	2,405	217	979
1999 Eucalypts Double Rotation Private Offer	478	0	0	3,205
1999 Eucalypts Single Rotation - Early	5,577	937	74	923
1999 Eucalypts Single Rotation - Late	21,978	1,601	145	543
2000 Eucalypts	10,197	1,384	124	481
2001 Eucalypts	4,086	1,547	140	501
2002 Eucalypts - Early	3,270	976	88	297
2002 Eucalypts - Post June	246	543	49	169
2003 Eucalypts Early	996	1,116	96	656
2003 Eucalypts Pre Payment	4,931	463	41	150
2004 Eucalypts Pre Payment	1,744	1,347	123	397
2004 Timberlots	12,099	414	38	156
2005 Timberlots Post-30 June ⁱ	13,881	319	29	93
2005 Timberlots Pre-30 June	18,214	358	33	102
2007/2008 Timberlots Post-30 June ⁱⁱ	18,386	52	5	21
2007/2008 Timberlots Pre-30 June	14,570	185	17	61
	145,116			

i) The 2005 Timberlots Post 30 June includes Grower Investors in the 2006 (2005 Timberlots Post 30 June) project.

ii) The 2007/2008 Timberlots Post 30 June project includes Grower Investors in the 2008 FinYr (2007/2008) Timberlot Post-30 June project.

iii) The retention account includes a secured loan made to particular Timbercorp olive asset owning companies that allowed the Forestry Sale to proceed. The expected subsequent distribution assumes 100% of this loan is repaid from realisation of the secured assets. If the realisation of these secured assets is less than 100% of the loan balance, then the expected return to Grower Investors will be reduced accordingly.

What costs have been deducted from the gross sale proceeds?

Costs deducted from the gross sale proceeds include:

- Rent for the period 1 July 2009 to 2 November 2009;
- Land rates for the period 1 July 2009 to 2 November 2009; and
- Costs of sale.

If I am in arrears, will I still receive my payment?

The following points detail the TSL's position in relation to the distribution of sale and harvest proceeds where the Grower has a loan with Timbercorp Finance:

- Grower Investors who have loans with Timbercorp Finance will have their distributions placed on hold by the TSL pending a legal determination in relation to the competing rights of the Grower Investor and Timbercorp Finance to the distribution proceeds;
- Until such time as this matter is resolved, the TSL is not in a position to release funds to either party; and
- Grower Investors may execute a Timbercorp Finance Direction to Pay document directing the TSL to pay their proceeds to Timbercorp Finance. Timbercorp Finance will apply proceeds against Grower Investors' loan balances.

Where Grower Investors have invoice arrears, certain amounts may be deducted from the gross amount payable in accordance with scheme documentation.

Do I need to continue my loan payments?

Yes, the sale of your trees does not extinguish your loan. Sale proceeds equal to your loan arrears and or loan balance will be held pending settlement of the arrears and or loan balance.

How will advance rental payments from 1998 and 1999 Eucalypt Grower Investors be dealt with?

Grower Investors in the 1998 and 1999 Eucalypt Projects were invoiced in May 2009 for maintenance for the year ended 30 June 2009 and rent for the year ended 30 June 2010. Payments received for the rent component of the invoice were refunded to Grower Investors in full in late November and early December. Rent owing for the period 1 July 2009 to 2 November 2009 will be deducted from the gross sale proceeds.

Will my payment include any unpaid harvest proceeds or will they be paid separately?

Proceeds relating to the sale of harvested wood, that occurred prior to the sale of the Timbercorp Forestry Assets, are held for the benefit of a small number of projects. It is expected that these proceeds will be distributed early in the New Year.

What is the GST effect on the distributions made to Grower Investors?

In relation to the impact of GST on distributions from the sale of the Timbercorp Forestry Assets:

- TSL is in no position to provide tax advice including how to declare amounts received on Grower Investors' BAS
- Growers who are registered for GST may be liable for GST on their receipts of proceeds from the sale of trees

- Payment of the GST element on all distributions will be made in a separate distribution to all affected growers prior to 30 June 2010.

**Timbercorp Group of Companies
(All In Liquidation) ("the Companies")**

Companies In Liquidation

Name	ACN	Liquidator 1	Liquidator 2	Liquidator 3
Timbercorp Finance (Vic) Pty Ltd	091 460 356	Mark Korda	Craig Shepard	
Timbercorp Finance Pty Ltd	054 581 190	Mark Korda	Craig Shepard	
Timbercorp Treasury Pty Limited	097 898 130	Mark Korda	Craig Shepard	
Elemental Funds Management Limited	128 809 254	Mark Korda	Craig Shepard	
Agri Hort Developments Pty Ltd	115 939 994	Mark Korda	Leanne Chesser	
Almonds Investment Australia Pty Ltd	094 135 501	Mark Korda	Leanne Chesser	
Almond Land Pty Ltd	091 460 392	Mark Korda	Leanne Chesser	
Almond Management Pty Ltd	094 468 845	Mark Korda	Leanne Chesser	
Almondlot Limited	097 898 176	Mark Korda	Leanne Chesser	
Almonds Australia Pty Ltd	094 429 419	Mark Korda	Leanne Chesser	
Avcorp Management Pty Ltd	115 774 224	Mark Korda	Leanne Chesser	
Citruscorp Management Pty Ltd	105 995 257	Mark Korda	Leanne Chesser	
Grapecorp Land Pty Ltd	119 004 741	Mark Korda	Leanne Chesser	
Grapecorp Management Pty Limited	105 995 195	Mark Korda	Leanne Chesser	
Grovelot Holdings (2003 Project) Ltd	104 445 034	Mark Korda	Leanne Chesser	
Grovelot Holdings Limited	097 725 427	Mark Korda	Leanne Chesser	
Mango Land Pty Ltd	111 278 936	Mark Korda	Leanne Chesser	
Mangocorp Management Pty Ltd	111 279 004	Mark Korda	Leanne Chesser	
OIM # 10 Pty Ltd	123 041 403	Mark Korda	Leanne Chesser	
OIM #4 Pty Ltd	115 519 607	Mark Korda	Leanne Chesser	
OIM # 6 Pty Ltd	121 948 963	Mark Korda	Leanne Chesser	
OIM # 8 Pty Ltd	119 004 714	Mark Korda	Leanne Chesser	
Almond Land WA Pty Ltd	131 905 587	Mark Korda	Leanne Chesser	
Timbercorp Asset Management Pty Limited	105 888 364	Mark Korda	Leanne Chesser	
Timbercorp Glasshouse Pty Ltd	125 386 316	Mark Korda	Leanne Chesser	
Timbercorp Limited	055 185 067	Mark Korda	Leanne Chesser	
Timbercorp Lot Investments Pty Ltd	125 427 492	Mark Korda	Leanne Chesser	
Timbercorp Securities Limited	092 311 469	Mark Korda	Leanne Chesser	
B.B. Olives Pty Ltd	083 992 367	Mark Korda	Mark Mentha	
Boort Estate Pty Ltd	101 679 716	Mark Korda	Mark Mentha	
Jindalee Enterprises Pty Ltd	007 774 763	Mark Korda	Mark Mentha	
Olivecorp Groves Pty Ltd	089 242 437	Mark Korda	Mark Mentha	
Olivecorp Land Pty Ltd	090 141 512	Mark Korda	Mark Mentha	
Olivecorp Management Limited	089 542 343	Mark Korda	Mark Mentha	
Olivecorp Processing Facility Pty Ltd	098 581 081	Mark Korda	Mark Mentha	

Silvagine Pty Ltd	089 242 446	Mark Korda	Mark Mentha	
Timbercorp Forestry Pty Ltd	070 952 742	Mark Korda	Mark Mentha	Clifford Rocke
Timbercorp Lands Pty Ltd	085 886 835	Mark Korda	Mark Mentha	
Timbercorp Plantations 2002 IAB Pty Ltd	100 116 827	Mark Korda	Mark Mentha	
Timbercorp Plantations Pty Ltd	094 789 554	Mark Korda	Mark Mentha	
Timbercorp Properties Limited	074 825 675	Mark Korda	Mark Mentha	