

Ord Packers Pty Ltd (OPPL)
Berry Packers Pty Ltd (BPPL)
Rural Labour Pty Ltd (Rural Labour)
Greentree Capital Pty Ltd (GCPL)

(Administrators Appointed)

(Some Receivers and Managers Appointed)

Second Meeting of Creditors

9.00 am WST, Monday, 16 August 2010

reach, vision, experience

CORPORATE ADVISORY

FORENSICS

CORPORATE RECOVERY



Chairman's Introduction



Chairman's Introduction



- Administrators – Martin Jones, Andrew Saker and Darren Weaver
- Appointed on 16 May 2010 over eight (8) companies of the Rewards Group
- Receivers and Managers appointed on 20 May 2010 to Rewards Group Limited and Rewards Land Pty Ltd – McGrath Nicol
- Receivers and Managers appointed on 1 June 2010 to Rewards Management Pty Ltd, Berry Packers Pty Ltd and Ord Packers Pty Ltd – McGrath Nicol
- Separate meetings held together
- Martin Jones to act as Chairman



Housekeeping



- Please turn off all mobile phones during the meeting
- Media will be asked to leave
- Chairman will invite questions at appropriate time
- All questions to be directed to Chairman
- When asking a question, please clearly state your name and the name of the company you represent for the purposes of minutes for the meeting



Introduction of meetings



- Second meetings of creditors
- Notice of meetings
- Purpose of meetings
- Separate meetings held together
- Admission of proxies
- Amount admitted – voting purposes only
- Quorum
- Voting and resolutions



Independence, relationships and indemnities



- Declaration attached to Notice of Meeting
- No prior relationship with Company or related parties
- No conflict of interest
- Other relationships
 - Banks & financial institutions





Voluntary Administration Process



Objectives of a Voluntary Administration



The objective of an Administration of a Company's affairs is to:

- Maximize the chances of the Company, or as much as possible, continuing in existence
- If not possible, result in a better return for Company's creditors and members that would otherwise result in the immediate winding up of the Company



Voluntary Administration Process



Administrators

First meeting of creditors
(held on 26 May 2010)

Report to creditors
(to be issued 5 business days prior to meeting – issued on 9 August 2010)

Second meeting of creditors
(convened for 16 August 2010 following an extension from the Court)

Deed of Company Arrangement
(No DOCA proposal put forward at the point)

Administration should end

Liquidation

What happens at the second meeting of creditors?

What can creditors decide?

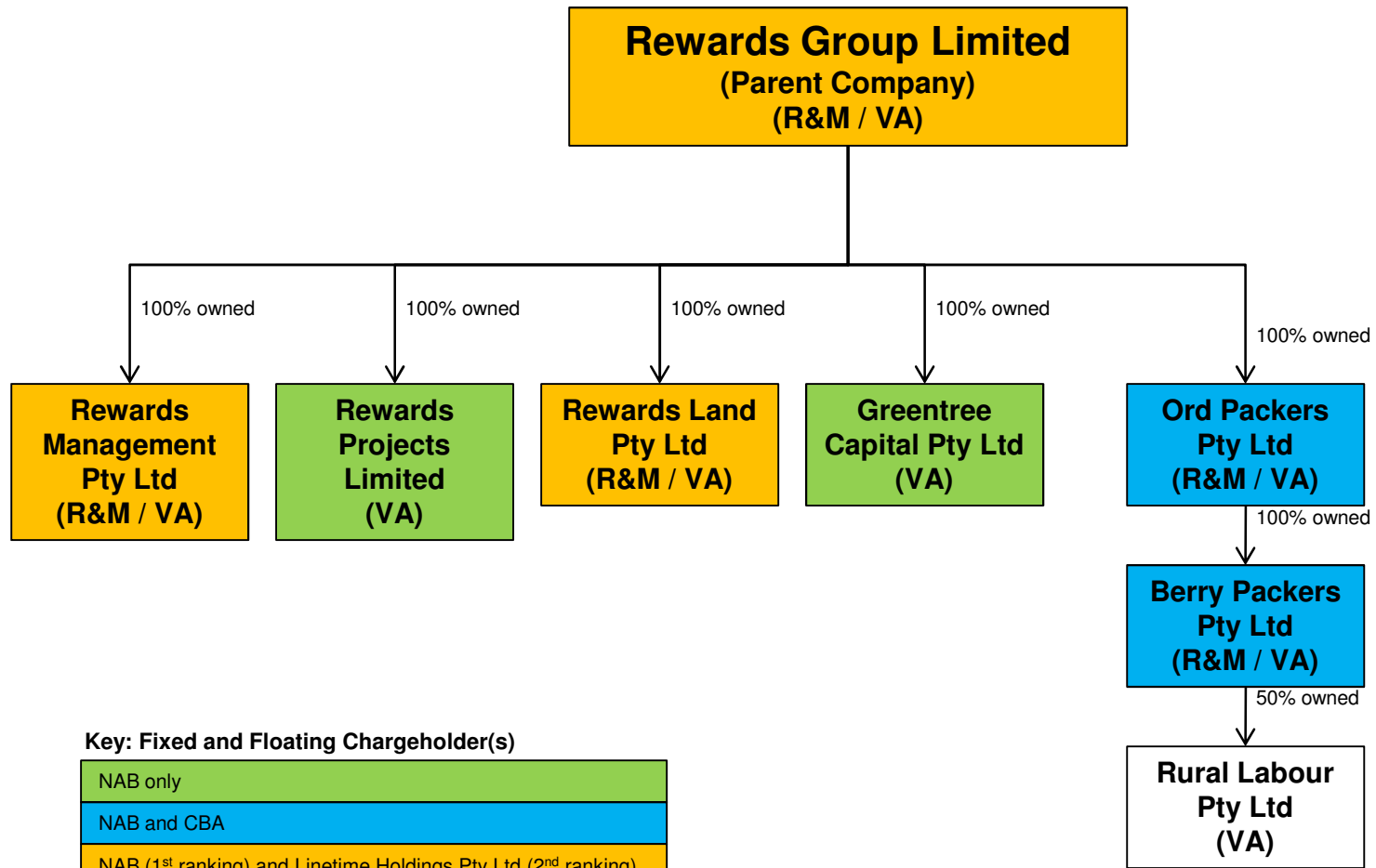




Group Overview



Group Structure

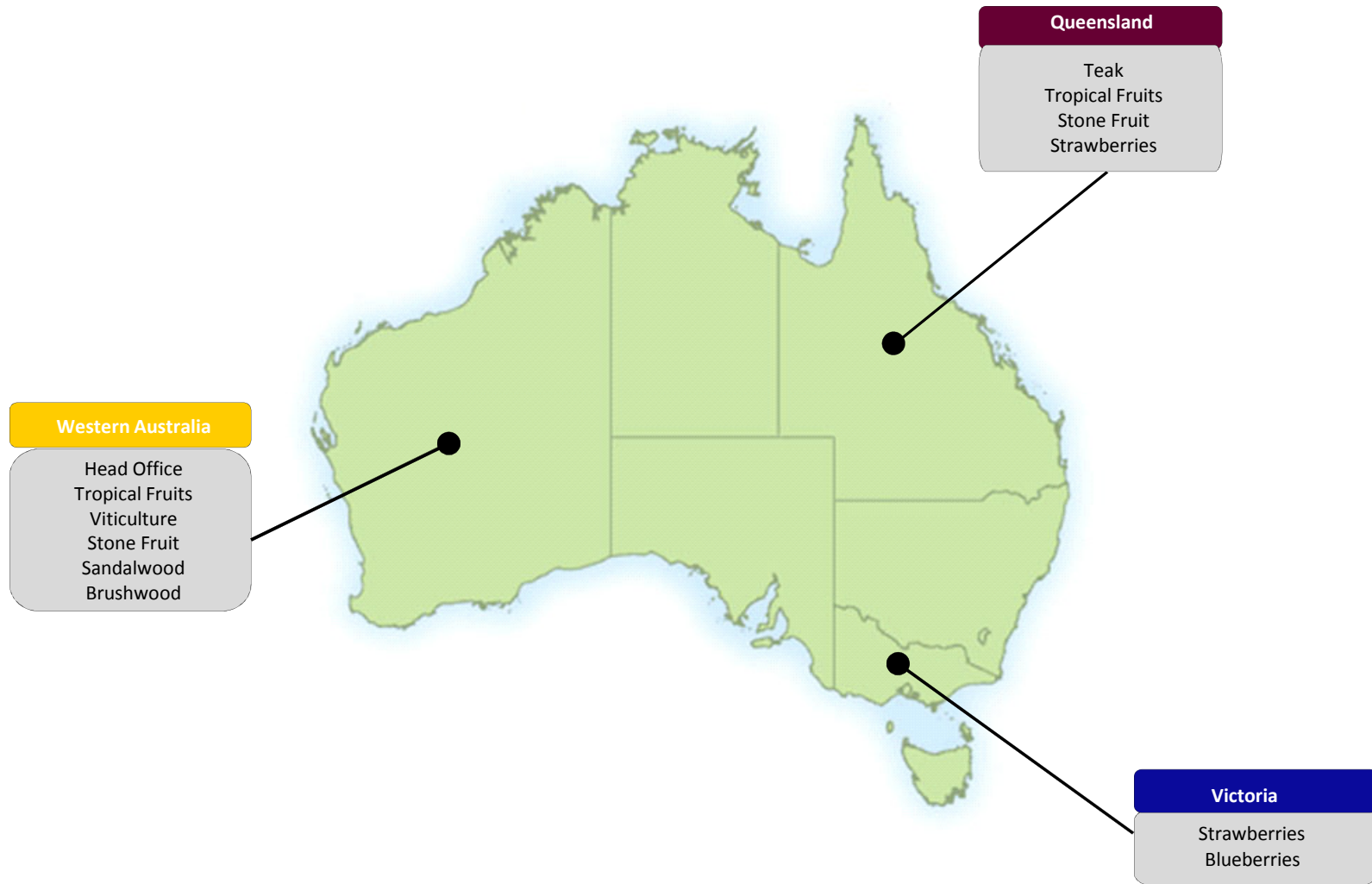


Key: Fixed and Floating Chargeholder(s)

| |
|---|
| NAB only |
| NAB and CBA |
| NAB (1 st ranking) and Linetime Holdings Pty Ltd (2 nd ranking) |
| No Fixed and Floating Charges |



Operational Map





Administrators' Reports



Convening Period Extension



- The convening period for the Rewards Group entities was extended to 14 September 2010 by order of the Court on 11 June 2010 following the Administrators' application
- The initial extension above was later shortened to 9 August 2010 following opposition by the Receivers and Managers following the Administrators' agreement and orders of the Court made on 29 June 2010
- The extension of the convening period allowed the Administrators to:
 - Continue discussions with existing interested parties and further seek expressions of interest with regard to the possible restructure and recapitalisation of the Rewards Group or part thereof, ultimately leading to a DOCA proposal being put forward to creditors; and
 - Conduct and complete our preliminary statutory investigations into the Rewards Group's affairs prior to our appointment and formulate an opinion with regard to the future of the Rewards Group which is in the best interests of creditors.



Funding Agreements



- The Administrators entered into funding arrangements with the Rewards Growers Advocacy Group Inc (RGAG) and Connections Group (CG). These funding arrangements were approved by the Court on 30 June 2010 and entail the following:
 - The RGAG facility agreement has been extended from 31 July 2010 to 31 August 2010 and incorporates a draw down facility for all forestry and horticulture schemes (excluding berry, brushwood and vineyard schemes). Exclusivity is granted to RGAG to information pertaining to the Rewards Group so long as funding remains in place and a restructure / DOCA proposal is anticipated to be put forward for all or part of the Rewards Group / schemes by 31 August 2010; and
 - Under the CG funding arrangement CG will be funding operations to complete the current harvest of the berry schemes which are expected to conclude around September / October 2010 in the case of Caboolture, Queensland and May 2011 in the case of Yarra Valley, Victoria.



Funding Agreements



- The Administrators carefully considered and assessed the likely costs and benefits to creditors and growers in proceeding with the RGAG and CG funding arrangements. The Administrators entered into these funding arrangement for the following key reasons:
 - The ongoing property leases and maintenance works would be funded by RGAG and CG with other scheme funds held or collected utilised to supplement this funding (to the extent that such funds can reasonably and lawfully be utilised by the Administrators of RPL);
 - By maintaining the schemes on foot, it is likely that this would enhance RPL's ability to collect outstanding management fees owed by growers and repay RPL for fees and expenses it is entitled to be repaid under the respective scheme constitutions. Such funds repaid to RPL would then ultimately be available to creditors of RPL subject to statutory priorities;
 - By maintaining the schemes on foot, it is likely that this would enhance RMPL's, GCPL's, CBA's and Investec's ability to collect loan repayments;



Funding Agreements



- ❑ By maintaining the schemes on foot this enhances the possibility of the Rewards Group being restructured which may provide creditors of RPL with a superior return than if the schemes were immediately wound up and RPL placed into liquidation;
- ❑ A restructure of the schemes would also likely preserve value for growers and mitigate any claim that they may have as a creditor against RPL.



Trading by Administrators



- The Administrators have taken the following key steps with regard to the continued operation of the schemes:
 - Engaged with an independent agricultural consultant to provide a report on the condition of the scheme properties and required critical maintenance works which was provided in early July 2010;
 - Developed a maintenance plan in conjunction with RGAG, the above plan and with reference to the Receivers' immediate concerns for the properties;
 - Commenced maintenance works in accordance with the plan above;
 - Remitted payments since my appointment up until 17 August 2010 for property leases; and
 - Attempted to negotiate with the Receivers to hire site operational employees (with success but without full use yet) and critical plant and equipment to conduct maintenance works (without success).



Trading by Administrators



- Main activities undertaken at the scheme properties include:
 - Childers – conducted critical pruning work and commenced ground spraying and fruit thinning
 - Kumbia – conducted critical pruning and ground spraying
 - Dandaragan – conducted critical pruning works and seeking to engage a contractor for ground spraying
 - Kununurra – removed rotten fruit, irrigated property and commenced pruning
 - Mareeba – commenced pruning and ground spraying
 - Teak properties – conducted aerial spraying, commenced ground spraying and slashing

- The activities above are being overseen by various management contractors and agronomics engaged under our control.



Section 440C of the Corporations Act

Application made by the Receivers



- The Receivers made an application to the Court to take possession of the properties leased by RLPL and the Ark Fund Limited to RPL under Section 440C of the Corporations Act
- The Administrators opposed this application given funding arrangements in place with RGAG and CG
- A hearing was held on 30 June 2010, however was adjourned to 28 July 2010
- The matter was heard on 28 July 2010 and reconvened on 30 July 2010. His Honour reserved his decision with respect to the application and at this present time no decision has been delivered by his Honour



Directors' Statement



| Statement as at 16 May 2010 | Directors' Value | | | |
|---|---------------------|------------------|------------------|------------------|
| | BPPL | GCPL | OPPL | Rural Labour |
| Assets: | | | | |
| Sundry Debtors | 472,131 | 9,633,738 | 1,411,865 | 1,444,661 |
| Cash on hand | Nil | Nil | 20 | 400 |
| Cash at bank | 447 | 327 | 568 | 2,460 |
| Inventory | Nil | Nil | 467,506 | Nil |
| Plant and Equipment | 2,389,304 | Nil | 1,610,525 | Unascertained |
| Less Secured Creditor | Undisclosed | Nil | Undisclosed | Nil |
| Office Equipment | Nil | Nil | 42,762 | Nil |
| Other Assets | 10 | Nil | 3,378,237 | Unascertained |
| Total Available Assets | 2,861,892 | 9,634,065 | 6,911,483 | 1,447,521 |
| Liabilities: | | | | |
| Secured creditors: | | | | |
| NAB | Undisclosed | Undisclosed | Undisclosed | Nil |
| CBA | Undisclosed | Nil | Undisclosed | Nil |
| BOQ | Undisclosed | Nil | Nil | Nil |
| Contingent Liabilities | Nil | 399,035 | Nil | Nil |
| Available to Unsecured Creditors | 2,861,892 | Nil | 6,911,483 | 1,447,521 |
| Ordinary Unsecured Creditor Claims | (1,056,574) | Nil | (6,866,317) | (1,382,937) |
| Estimated Surplus/(Deficiency) | \$ 1,805,318 | Unknown | \$ 45,166 | \$ 64,584 |

The amounts represented above are Directors' estimates only .



Causes of Failure



- Based upon our preliminary investigations to date we consider that the main causes of failure for **OPPL** and **BPPL** were:
 - Inherent risks associated with the horticultural and agricultural industry;
 - Failure to enforce payment terms with related party companies;
 - Reduced investor confidence in MIS is resulting in a deteriorating industry;
 - Lack of willing external funders; and
 - Lack of adequate working capital.



Causes of Failure



- Based upon our preliminary investigations to date we consider that the main causes of failure for **GCPL** were:
 - GCPL did not directly employ staff for the purposes of servicing the loans and therefore was reliant on RMPL in respect of staffing and resources; and
 - The connection with the remaining subsidiaries within the Rewards Group on an operational level.



Causes of Failure



- Based upon our preliminary investigations to date we consider that the main causes of failure for **Rural Labour** were:
 - ❑ Inherent risks associated with the horticultural and agricultural industry;
 - ❑ Failure to enforce payment terms with related party companies;
 - ❑ Reduced investor confidence in MIS is resulting in a deteriorating industry;
 - ❑ Lack of willing external funders;
 - ❑ Poor day to day operations management especially with respect to managing outstanding debtors; and
 - ❑ Lack of adequate working capital.



Statutory Investigations



Ord Packers Pty Ltd

- It is the Administrators' preliminary view that OPPL may have been insolvent as early as October 2009 based on aged payables, working capital, net assets and profitability records
- Possible defences available to the directors of OPPL should a claim for insolvent trading be made against them include:
 - A reasonable expectation that the company was or would remain solvent due to the support of RGL, RMPL and RPL to meet its payment obligations and that a recapitalisation of the Rewards Group was being planned;
 - When it appeared that the recapitalisation efforts were unlikely to go ahead, the directors took actions (sought advice on 6 May 2010) which lead to the appointment of the Administrators on 16 May 2010; and
 - The Rewards Group was able to secure further funding from NAB in early March 2010.
- It may be arguable that RGL as holding company may be held liable for the debts incurred by OPPL subsequent to when it became insolvent under Section 588W of the Corporations Act (only from 1 February 2010 when RGL became its holding company)



Statutory Investigations



Ord Packers Pty Ltd

- Other matters continuing to be investigated:
 - Unreasonable director-related transactions in relation to packing services between OPPL and BPPL
 - Unfair preference transactions



Statutory Investigations



Berry Packers Pty Ltd

- It is the Administrators' preliminary view that BPPL may have been insolvent as early as October 2009 based upon our review of aged payables and the company's working capital position.
- Possible defences available to the directors of BPPL should a claim for insolvent trading be made against them include:
 - A reasonable expectation that the company was or would remain solvent due to the support of RGL and RMPL to meet its payment obligations and that a recapitalisation of the Rewards Group was being planned;
 - When it appeared that the recapitalisation efforts were unlikely to go ahead, the directors took actions (sought advice on 6 May 2010) which lead to the appointment of the Administrators on 16 May 2010; and
 - The Rewards Group was able to secure further funding from NAB in early March 2010.



Statutory Investigations



Berry Packers Pty Ltd

- It may be arguable that RGL as holding company may be held liable for the debts incurred by BPPL subsequent to when it became insolvent under Section 588W of the Corporations Act (only from 1 February 2010 when RGL became its holding company)
- Other matters continuing to be investigated:
 - Unreasonable director-related transactions in relation to packing services between BPPL and OPPL and guarantee and indemnity provided to the Rewards Group by BPPL for a leasing arrangement
 - Unfair preference transactions



Statutory Investigations



Rural Labour Pty Ltd

- It is the Administrators' preliminary view that Rural Labour may have been insolvent as early as December 2009 based upon our review of aged payables, working capital, net assets and statutory commitments
- Possible defences available to the directors of Rural Labour should a claim for insolvent trading be made against them include:
 - A reasonable expectation that the company was or would remain solvent due to the support of RMPL, RPL and RGL to meet its payment obligations and that a recapitalisation of the Rewards Group was being planned;
 - When it appeared that the recapitalisation efforts were unlikely to go ahead, the directors took actions (sought advice on 6 May 2010) which lead to the appointment of the Administrators on 16 May 2010; and
 - The Rewards Group was able to secure further funding from NAB in early March 2010.



Statutory Investigations



Rural Labour Pty Ltd

- Other matters continuing to be investigated:
 - Unfair preference transactions
 - Unreasonable director related transactions



Statutory Investigations



Greentree Capital Pty Ltd

- It is the Administrators' preliminary view that GCPL may have been insolvent at 16 May 2010 as its only liability was of a contingent nature given its guarantee of the related party loan from the NAB
- Other matters continuing to be investigated:
 - Unreasonable director related transactions



Options Available to Creditors at Meeting



- The following options are available to creditors for each respective company at this meeting:
 - That the administration should end and control of the company revert to its directors; or
 - That the company should be wound up; or
 - That the company execute a DOCA. (This option falls away as no DOCA has been proposed at this point).
- The meeting may also be adjourned for a period not exceeding forty-five (45) business days



Administrators' Recommendation



- The Administrators recommend that creditors resolve **to adjourn the second meeting of creditors for a period not exceeding forty-five (45) business days** for each entity of the Rewards Group for the following reasons:
 - The adjournment would enable RGAG to finalise its DOCA proposal for the Rewards Group for creditors' and growers' consideration;
 - The DOCA proposal put forward by RGAG may provide a superior return to creditors than if the company was immediately wound up and may have benefits for other stakeholders than if the company was immediately wound up; and
 - The RGAG is attempting to find a solution to the Rewards Group's / Company's current financial predicament and situation with a view to repaying secured creditors in full, unsecured creditors a better outcome than in a winding up, as well as preserving scheme assets for the benefit of growers.



Administrators' Recommendation



- Whilst the adjournment period is in place, RGAG and CG would continue to provide the Administrators with funding to keep the schemes on foot and conduct critical maintenance works
- At meetings of the committee of creditors held for **RPL, RLPL, RMPL** and **OPPL** on 13 August 2010, the committees resolved to support the Administrators' recommendation to adjourn the second meetings of creditors for these entities for a period not exceeding forty-five (45) business days



Questions from Creditors



- All questions to be directed to Chairman
- When asking a question, please clearly state your name and the name of the company you represent for the purposes of the minutes of the meeting





Formal Items of Business



Resolutions as to Future of Companies



- For creditors to consider a resolution THAT:

“the meeting be adjourned for a period not exceeding forty-five (45) business days”.

(A resolution to be put forward and considered for each of OPPL, BPPL, Rural Labour and GCPL.)



Resolutions as to Future of Companies



- For creditors to consider a resolution THAT:

“the company be wound up”.

(A resolution to be put forward and considered for each of OPPL, BPPL, Rural Labour and GCPL.)



Resolutions as to Future of Companies



- For creditors to consider a resolution THAT:

“the administration end”.

(A resolution to be put forward and considered for each of OPPL, BPPL, Rural Labour and GCPL.)



Administrators' Fee Resolutions



- At meetings of the committee of creditors held for **RPL, RLPL, RMPL** and **OPPL** on 13 August 2010, the committees resolved to approve the fee resolutions sought by the Administrators in respect of fees incurred to 31 July 2010 and a provision for further fees to 15 August 2010.
- At this meeting the Administrators seek approval from creditors of **BPPL, Rural Labour and GCPL** for the following fee resolutions:



Administrators' Fee Resolutions



Ord Packers Pty Ltd

- “THAT the Administrators’ remuneration as set out in the Administrators’ remuneration report dated 9 August 2010 for the period 16 May 2010 to 31 July 2010 be fixed in the sum of \$24,569 (exclusive of GST)”.
- “THAT the Administrators’ further remuneration as set out in the Administrators’ remuneration report dated 9 August 2010 for the period 1 August 2010 to 15 August 2010 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$20,000 (exclusive of GST)”.



Administrators' Fee Resolutions



Rural Labour Pty Ltd

- “THAT the Administrators’ remuneration as set out in the Administrators’ remuneration report dated 9 August 2010 for the period 16 May 2010 to 31 July 2010 be fixed in the sum of \$26,690 (exclusive of GST)”.
- “THAT the Administrators’ further remuneration as set out in the Administrators’ remuneration report dated 9 August 2010 for the period 1 August 2010 to 15 August 2010 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$20,000(exclusive of GST)”.



Administrators' Fee Resolutions



Greentree Capital Pty Ltd

- “THAT the Administrators’ remuneration as set out in the Administrators’ remuneration report dated 9 August 2010 for the period 16 May 2010 to 31 July 2010 be fixed in the sum of \$8,729 (exclusive of GST)”.
- “THAT the Administrators’ further remuneration as set out in the Administrators’ remuneration report dated 9 August 2010 for the period 1 August 2010 to 15 August 2010 be fixed in accordance with the hourly rates of Ferrier Hodgson up to the sum of \$10,000(exclusive of GST)”.



Closure of Meetings



- Other business
- Final questions
- Next steps
 - Further reports and communications to creditors
- Thank you for attendance



Closure of Meetings



- The meetings of creditors for the below entities have now concluded
 - Ord Packers Pty Ltd
 - Berry Packers Pty Ltd
 - Rural Labour Pty Ltd
 - Greentree Capital Pty Ltd

- Further meetings of creditors of other entities of the Rewards Group to be held at 11.00 am WST

