

Rewards Group Limited (RGL)
Rewards Projects Limited (RPL)
Rewards Land Pty Ltd (RLPL)
Rewards Management Pty Ltd (RMPL)

(Administrators Appointed)

(Some Receivers and Managers Appointed)

Second Meeting of Creditors

11.00 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

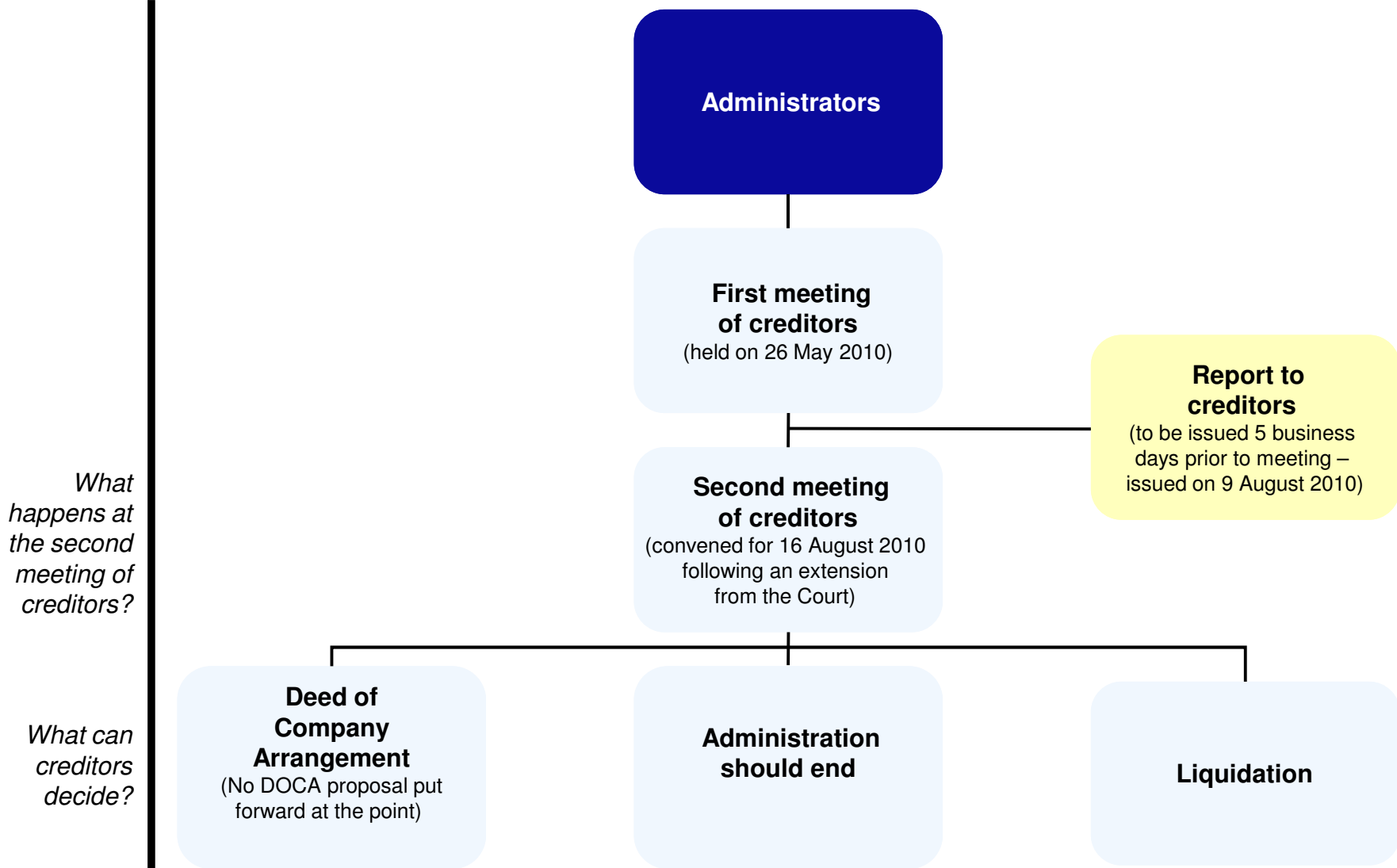


The objective of an Administration of a Company's affairs is to:

- 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

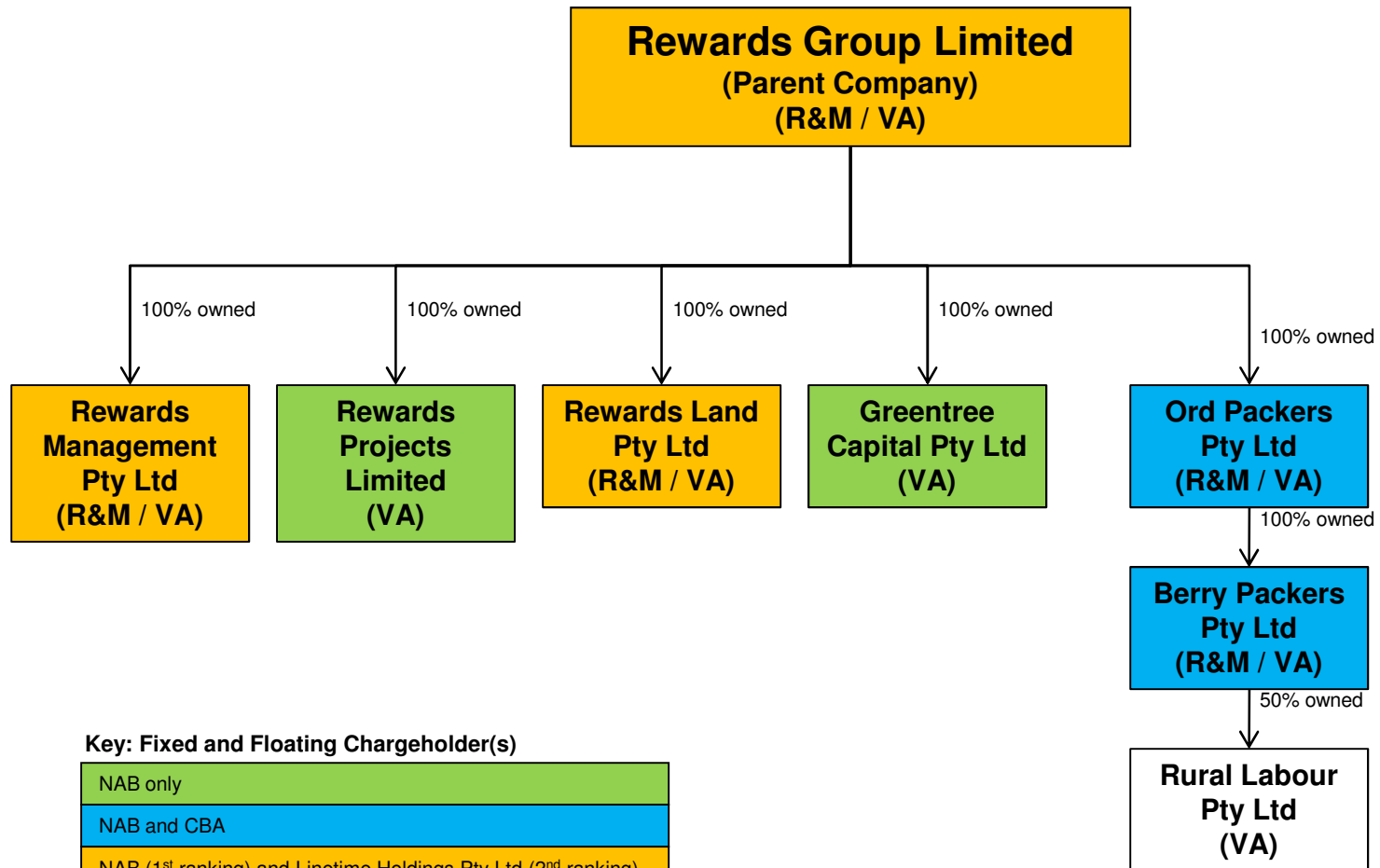




Group Overview



Group Structure

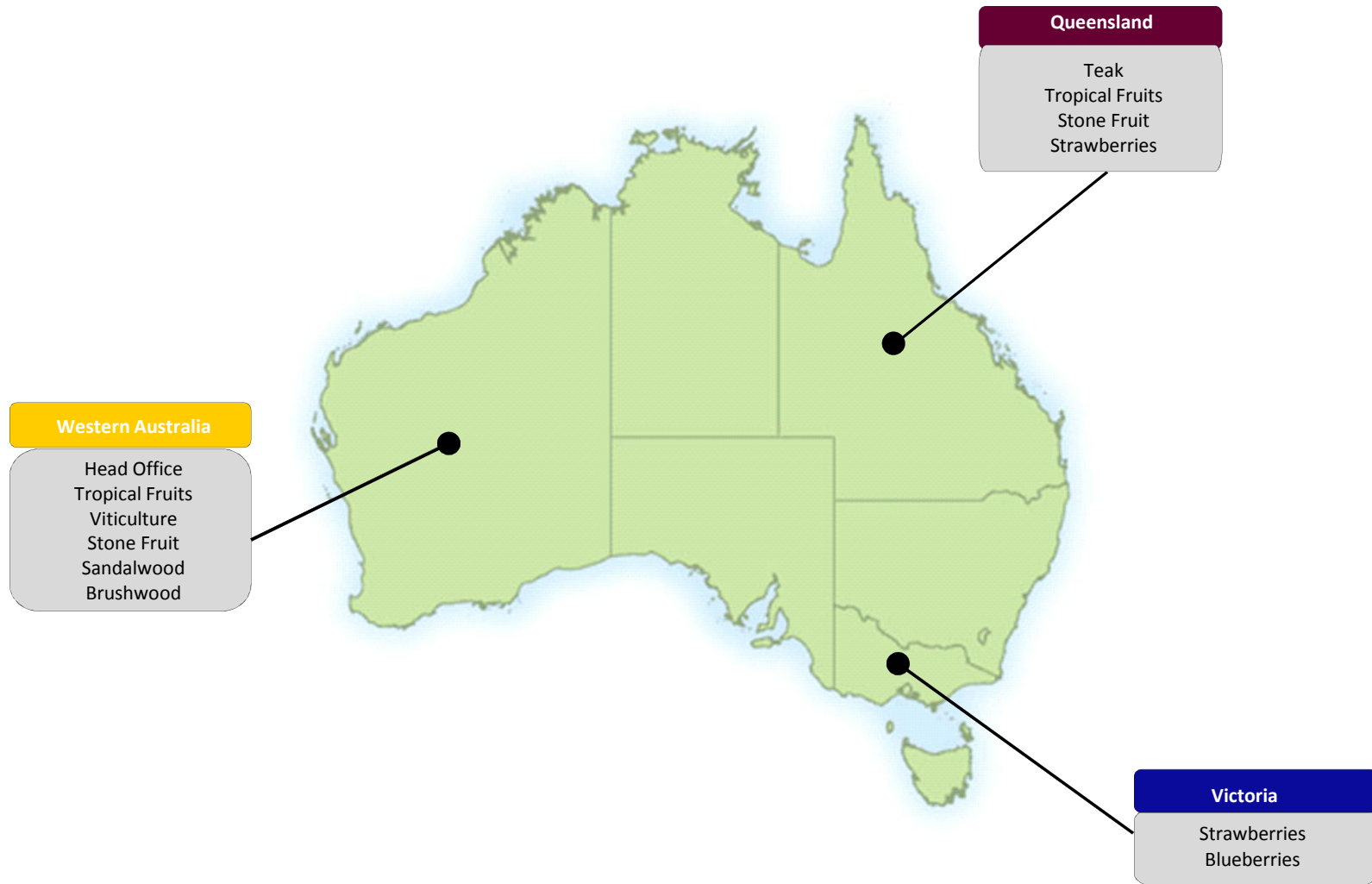


Key: Fixed and Floating Chargeholder(s)

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



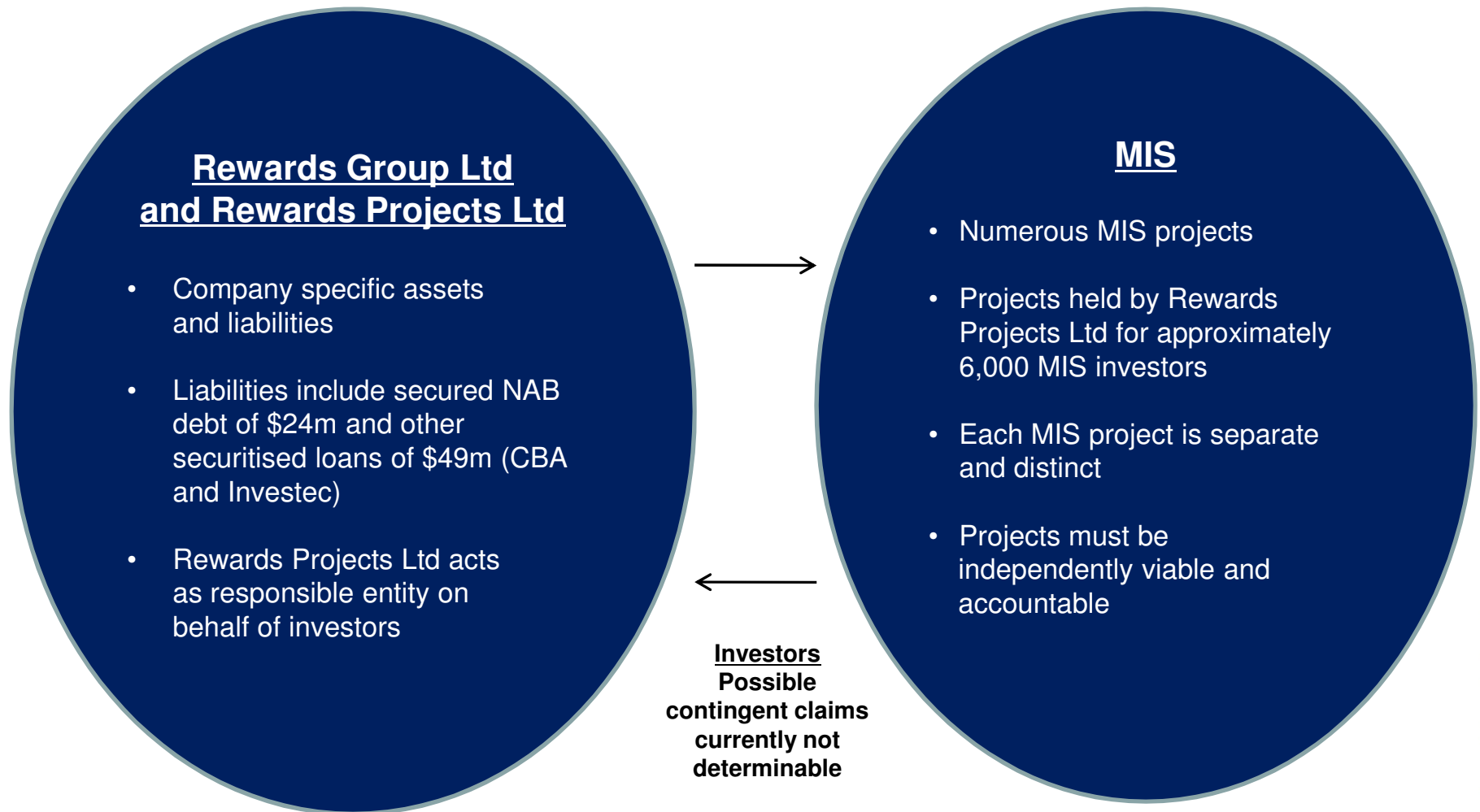
Operational Map



Relationship Between Companies and MIS



- Assets of the MIS are separate from the rights and obligations of the companies



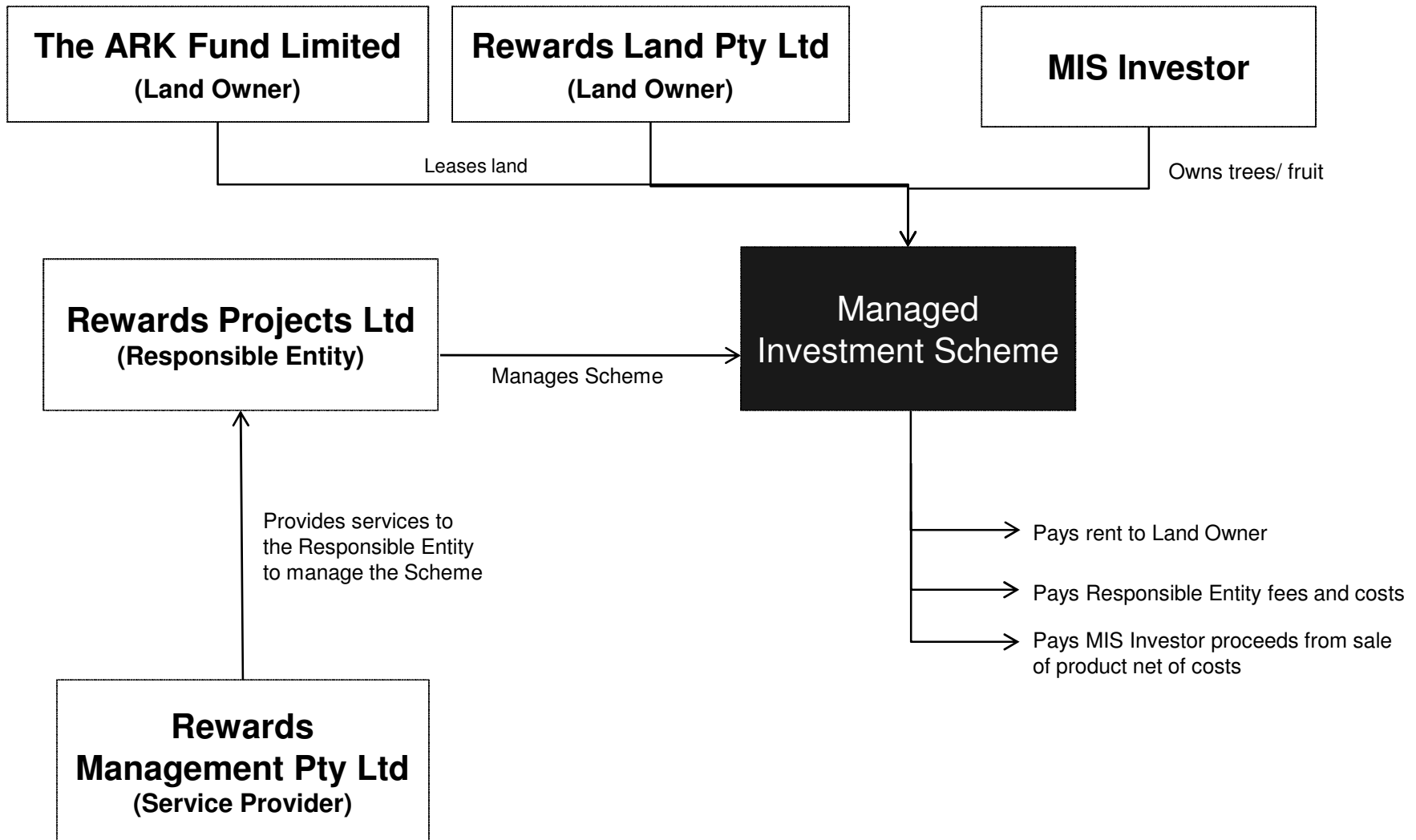
Investors in MIS Projects



- Investors are different to ordinary creditors of the company
- Investors are **not** creditors unless there is a claim for breach of duty by the Responsible Entity having regard to the Corporations Act and Scheme Documents. Such claims are contingent claims against the Responsible Entity at this point
- Each Investor has an interest in a MIS, assets of which are quarantined from the company's assets and generally can only be made available to investors
- Given that investors' claims are of an indeterminate nature, and as such, a contingent claim at this point I will allow those duly admitted claims to participate and vote at the meeting, however I will only allow each creditor to vote for the nominal amount of one dollar (\$1.00) pursuant to regulation 5.6.23(2) of the Corporations Regulations



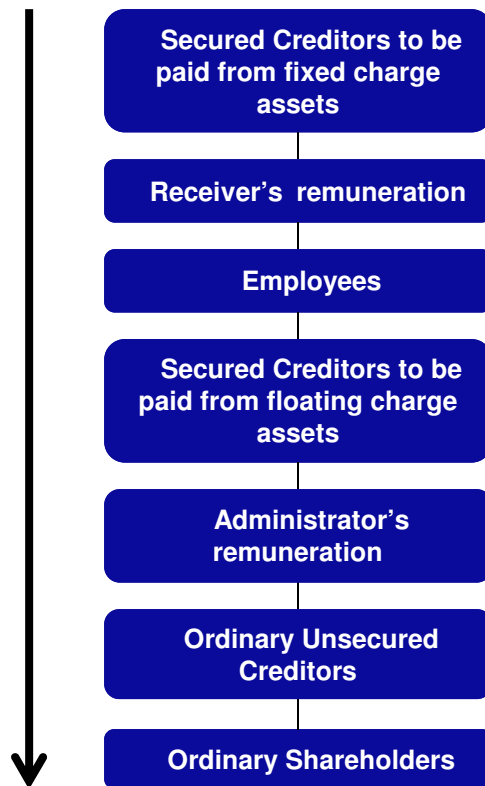
Operation of MIS Projects



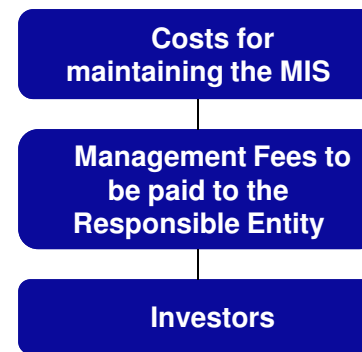
Order of Priority for Repayment



Rewards Group & Subsidiaries



MIS Schemes





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			
	RGL	RLPL	RMPL	RPL
Assets:				
Interest in Land	Nil	29,869,270	Nil	1,015,045
Sundry Debtors	117,028	11,113	58,130,608	319
Cash on hand	Nil	Nil	85,167	Nil
Cash at bank	1,143	5,532	Nil	Nil
Plant and Equipment	Nil	Nil	21,410,676	Nil
Other Assets	14,465,098	3,633,797	10,282,920	6,139,834
Total Available Assets	14,583,269	33,519,712	89,909,371	7,155,198
Liabilities:				
Assets subject to specific charges	Nil	29,869,270	(27,888,588)	Nil
Less amounts owing under the charge	Nil	Nil	Unascertained	Nil
Priority Creditors	Nil	Nil	(403,313)	Nil
Secured creditors:				
NAB	Undisclosed	Undisclosed	Nil	Nil
CBA	Nil	Nil	Nil	Nil
BOQ	Nil	Nil	Nil	Nil
CBFC	Undisclosed	Nil	Nil	Nil
Esanda	Undisclosed	Nil	Nil	Nil
Linetime Holdings Pty Ltd	(1,783,643)	Nil	Nil	Nil
Contingent Liabilities	Nil	Nil	(6,380,862)	Nil
Available to Unsecured Creditors	Unknown	33,519,712	55,236,608	7,155,198
Ordinary Unsecured Creditor Claims	(12,311,657)	(25,459,038)	(11,565,343)	(338,677)
Estimated Surplus/(Deficiency)	Unknown	\$ 8,060,674	\$ 43,671,265	\$ 6,816,521

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 **RMPL, RPL, RGL and RLPL** were:
 - Inherent risks within agricultural businesses that were susceptible to commodity prices and limited ability to increase annual management fees to adequately fund future costs from other sources of funding;
 - Failure of some agriculture projects, investments and business units to deliver adequate returns to investors, which ultimately required supplemental funding, or the use of funds which would ordinarily be utilised for other scheme assets;
 - The compounding impact of management fee write offs and impact on working capital available; and
 - Management of the risk associated with the Group's heavy reliance on MIS sales comingled with the consequential vulnerability to regulatory changes that impact on such sales and the impact upon the industry due to the collapse of Great Southern Limited, Timbercorp Limited and Forestry Enterprises Australia Limited which in effect eroded investor confidence.



Statutory Investigations



Rewards Management Pty Ltd

- It is the Administrators' preliminary view that RMPL may have been insolvent as early as July 2009 based on aged payables, working capital and profitability records
- Possible defences available to the directors of RMPL 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 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 RMPL subsequent to when it became insolvent under Section 588W of the Corporations Act



Statutory Investigations



Rewards Management Pty Ltd

- A charge was created by Linetime Holdings five (5) days prior to RGL being placed into administration and in this regard we are investigating this matter given that the creation of the charge falls within the relevant relation back date. Also Linetime Holdings has common directors to RGL
- Other matters continuing to be investigated:
 - Potential unfair preference claims
 - Two (2) potential unfair loans to the company and associated security granted
 - Director related transactions



Statutory Investigations



Rewards Projects Limited

- Likely date of insolvency is 16 May 2010 based on preliminary investigations given RPL's reliance on RMPL for funding
- Possible defences available to the directors of RPL 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; and
 - 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.
- It may be arguable that RGL as holding company may be held liable for the debts incurred by RPL subsequent to when it became insolvent under Section 588W of the Corporations Act



Statutory Investigations



Rewards Projects Limited

- Other matters continuing to be investigated:
 - ❑ Purchase of plant and equipment
 - ❑ Driscolls / Ozfresh Potential Claim
 - ❑ Premium Timber 2009 scheme
 - ❑ Global Rewards Fruit Marketing Agreement
 - ❑ Litigation brought against RPL for alleged breaches of duty as Responsible Entity
 - ❑ Use of scheme funds



Statutory Investigations



Rewards Land Pty Ltd

- It is the Administrators' preliminary view that RLPL may have been insolvent as early as June 2008, however possibly insolvent as late as 16 May 2010 being the date that Administrators were appointed to RMPL given RPL's apparent reliance on funding from RMPL
- Possible defences available to the directors of RLPL 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 to meet its payment obligations and that a recapitalisation of the Rewards Group was being planned; and
 - 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.
- It may be arguable that RGL as holding company may be held liable for the debts incurred by RPL subsequent to when it became insolvent under Section 588W of the Corporations Act



Statutory Investigations



Rewards Land Pty Ltd

- A charge was created by Linetime Holdings five (5) days prior to RLPL being placed into administration and in this regard we are investigating this matter given that the creation of the charge falls within the relevant relation back date. Also Linetime Holdings has common directors to RLPL



Statutory Investigations



Rewards Group Limited

- It is the Administrators' preliminary view that RGL may have been insolvent as early as July 2009, by virtue of the Deed of Cross Guarantee with RMPL and given RMPL's likely date of insolvency
- Possible defences available to the directors of RGL should a claim for insolvent trading be made against them include:
 - A reasonable expectation that the Rewards Group was or would remain solvent due to the planned recapitalisation of the Rewards Group;
 - 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



Rewards Group Limited

- It may be arguable that RGL as holding company be held liable for the debts incurred by its subsidiaries subsequent to when they became insolvent under Section 588W of the Corporations Act
- A charge was created by Linetime Holdings five (5) days prior to RGL being placed into administration and in this regard we are investigating this matter given that the creation of the charge falls within the relevant relation back date. Also Linetime Holdings has common directors to RGL
- Investigations are continuing into the conduct of RGL's officers prior to our appointment



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 RPL, RMPL, RLPL and RGL.)



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 RPL, RMPL, RLPL and RGL.)



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 RPL, RMPL, RLPL and RGL.)



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 **RGL** for the following fee resolutions:



Administrators' Fee Resolutions



- “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 \$124,912 (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 \$30,000 (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.

- Rewards Land Pty Ltd
- Rewards Management Pty Ltd
- Rewards Group Limited
- Rewards Projects Limited

