

Australian Securities and Investments Commission

ENFORCEABLE UNDERTAKING

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ACT

SECTION 93AA

The commitments in this Enforceable Undertaking are offered to the Australian Securities and Investments Commission ("ASIC") by:

Forest Enterprises Australia Pty Ltd ACN 009 553 548
St John Street
Launceston Tasmania

SECTION 1 - BACKGROUND

1. As a result an investigation by the Australian Securities and Investments Commission ("ASIC") in respect of securities offered by Forest Enterprises Australia Pty Ltd ACN 009 553 548 ("FE") in the period from 1 January 1999 to 13 December 1999 inclusive ("the relevant period"), ASIC has reason to suspect that FE may have contravened section 1018, subsection 601ED(5) and subsection 113(3) of the *Corporations Law* ("the Law"), by reason of the matters set out in paragraphs 2 to 12 below.
2. During the relevant period, FE was the principal contractor engaged by Tasforestry Limited ("Tasforestry"), a related entity of FE, for a forestry scheme (known as Tasmanian Forests Trusts) which operated as an approved prescribed interest scheme under the Law. Tasforestry marketed interests in this scheme pursuant to a prospectus lodged with and registered by ASIC on 5 November 1998. Both FE and Tasforestry are part of the "Forest Enterprises Group".
3. During the relevant period, FE invited investors to subscribe for an interest in a scheme in which investors subscribe for interests in woodlots ("the Scheme"). The Scheme is separate from Tasmanian Forest Trusts and investment in the scheme was considered by the Forest Enterprises Group as an "off prospectus" investment.
4. Participants in the Scheme entered into a contract with FE for FE to establish a plantation of trees on land leased by the investor from FE. ASIC is concerned that the Scheme does not comply with the Law in that it does not contain the following statutory safeguards:

- a) the Scheme is not registered under the Law;
 - b) the Scheme is not operated by a responsible entity licensed by ASIC; and
 - c) investors are not provided with a prospectus registered under the Law.
5. Approximately 116 investors agreed to invest approximately \$6.8 million pursuant to the Scheme.
 6. FE is not licensed as a responsible entity of any registered managed investment scheme.
 7. FE was not licensed as an approved manager for the purposes of section 1067 of the Law.
 8. FE did not lodge a prospectus in relation to the Scheme and no prospectus was registered.
 9. FE is a proprietary company which must not engage in any activity that would require lodgement with ASIC of a prospectus under Part 7.12 of the Law.
 10. Pursuant to provisions in the Law and the ASC Law, ASIC may apply to the Court:
 - a) to obtain injunctions to restrain FE from issuing any interests in the Scheme;
 - b) to wind up the Scheme; and
 - c) to appoint a receiver to the Scheme.
 11. FE acknowledges the concerns of ASIC and accordingly offers the undertakings set out in section 2.
 12. ASIC has agreed to accept the commitments in this Enforceable Undertaking as an alternative to the exercise of the power referred to in paragraph 10.

SECTION 2 - UNDERTAKINGS PURSUANT TO SECTION 93AA OF THE ASC LAW

13. Pursuant to section 93AA of the ASC Law, FE undertakes:
 - a) to immediately cease to offer for subscription, or issue invitations to subscribe for, interests in the Scheme;
 - b) on or before 8 February 2000, to appoint Tasmanian Trustees Limited, or any other trustee acceptable to ASIC, to undertake a role in relation to the Scheme corresponding to its role as an approved trustee in relation to the

Tasmanian Forest Trusts. All costs associated with and arising from the appointment will be borne by FE;

- c) on or before 8 February 2000 to appoint a registered liquidator to undertake a full financial investigation, audit and assessment of the Scheme, and report to ASIC on or before 28 February 2000. All costs associated with and arising from the appointment and the report will be borne by FE;
- d) on or before 10 February 2000, to personally serve or send by registered post to all investors in the Scheme ("the investors"), a letter in a form approved by ASIC ("the letter"), stating:
 - i) that FE offers to refund all subscription monies to persons who have applied for and been issued interests. The offer is to remain open to investors until 5.00 pm on 29 February 2000, and all acceptances of the refund offer will be acted upon within 32 business days;
 - ii) ASIC is concerned that the interests were sold and operated without compliance with the managed investment provisions of the Law;
 - iii) ASIC is concerned that the management and lease agreements entered into to obtain the interests may be voidable by the person pursuant to section 601MB of the Law;
 - iv) the investors may wish to seek their own legal and taxation advice;
 - v) FE has signed an enforceable undertaking pursuant to section 93AA of the ASC Law, setting out the effect of this undertaking;and to comply with the statements in (i) above;
- e) the letter will also include the terms of subparagraph 13(f) of this Enforceable Undertaking;
- f) on or before 31 March 2000, to take all necessary steps within its power to bring all remaining interests in the Scheme within the terms of a registered managed investment scheme;
- g) to provide to ASIC, marked to the attention of the Regional Commissioner of the Tasmanian Regional Office, a statutory declaration by one of the directors of FE that the undertakings in subparagraphs 16(a) to (f) inclusive have been complied with within two working days of the relevant deadlines; and

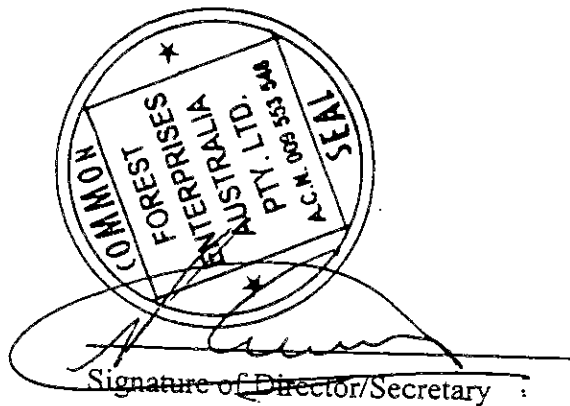
- h) on or before 18 February 2000, to provide to ASIC, marked to the attention of the Regional Commissioner of the Tasmanian Regional Office, a statutory declaration by one of the directors of FE setting out a list of the investors who have received a copy of the letter.

SECTION 3 - ACKNOWLEDGMENTS

- 14. FE acknowledges that it has obtained legal advice in relation to the content and effect of this Enforceable Undertaking.
- 15. FE acknowledges that ASIC:
 - a) may publicise the terms of this Enforceable Undertaking and the concerns of ASIC which led to its execution;
 - b) may from time to time publicly refer to this Enforceable Undertaking; and
 - c) will make this Enforceable Undertaking available for public inspection.
- 16. FE acknowledges that this Enforceable Undertaking in no way derogates from the rights and remedies available to ASIC (subject to paragraph 12) or any other person or entity arising from any conduct described in this Enforceable Undertaking.
- 17. FE acknowledges that this Enforceable Undertaking has no operative force until accepted by ASIC.

The Common Seal of
 Forest Enterprises Australia
 Pty Limited ACN 009 553 548
 was affixed to this undertaking
 in the presence of:

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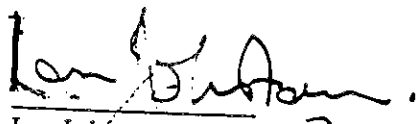
[Signature]
 Signature of Director

Anthony Wayne Seymour
 Name of Director (printed)

[Signature]
 Signature of Director/Secretary :

Peter David Curran
 Name of Director/Secretary (printed)

ACCEPTED BY THE AUSTRALIAN SECURITIES & INVESTMENTS
COMMISSION PURSUANT TO SECTION 93AA OF THE ASC LAW BY ITS
DULY AUTHORISED DELEGATE:



Ian Johnston
Regional Commissioner

14th February 2000.