

**Lowell Capital Limited – HVT Land  
Scheme**  
(ARSN 154 154 033)

## **Product Disclosure Statement**

**Responsible Entity:**

Lowell Capital Limited (**Lowell**)  
(ABN 60 006 844 588)  
AFSL 241175

## Important Notices

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### This document

This Product Disclosure Statement (**PDS**) is dated 7 August 2012 and relates to an offer to acquire interests in the Lowell Capital Limited – HVT Land Scheme ARSN 154 154 033 (**Fund**).

### Responsible Entity and issuer of this PDS

Lowell as the Responsible Entity of the Fund has prepared this PDS based on information within its knowledge or provided by its advisers. Lowell is the issuer of the Units offered in this PDS.

### Risk factors

In considering the prospects for the Fund, potential investors should consider the risk factors detailed in Section 6 of this PDS. You should carefully consider these factors in light of your personal investment objectives, financial situation or particular needs (including financial and taxation issues) and seek professional advice from your licensed financial advisor and taxation advisor before deciding whether to acquire or dispose of units in the Fund.

### Electronic PDS

This PDS may be viewed online at [www.lowellcapital.com.au](http://www.lowellcapital.com.au). The website and its contents do not form part of this PDS and are not to be interpreted as part of, nor incorporated into, this PDS. Persons who receive the electronic version of this PDS should ensure that they download and read the entire PDS. The Offer constituted by this PDS is only available to persons within Australia.

### General advice only

Any opinions expressed in this PDS are general in nature and do not take into account your personal circumstances, objectives or needs. Accordingly nothing in this PDS should be construed as a recommendation by Lowell that an investment in units in the Fund or the HVT Projects is appropriate for you. You should seek advice from your professional and appropriately licensed (financial and tax) adviser before making any decisions in relation to this product or your interest in the HVT Projects.

### Glossary

Certain capitalised words and expressions used in this PDS are defined in the Glossary at Section 11.

### Updated information

Information in this PDS is subject to change. Any updated information which is not materially adverse will be posted on Lowell's website. You can obtain it from [www.lowellcapital.com.au](http://www.lowellcapital.com.au), or by calling Lowell (via the Manager) on 03 9982 4486.

A paper copy of the updated information will be provided free of charge on request.

### Questions

Questions relating to the Offer can be directed to Lowell (via the Manager) on 03 9982 4486.

Alternatively, you should contact your licensed financial advisor.

### Disclaimer

Your investment in Units is not an investment in, or a deposit with or other liability of Lowell Capital Limited, or any other member of the Lowell group and is subject to investment and other risks, including possible delay in repayment and loss of income and capital invested. An investment in the Fund is different to an investment in the HVT Projects. None of Lowell, the Manager, nor the Custodian nor any of their respective directors, officers or associates gives any guarantee or assurance as to the performance of the Fund or the underlying assets in the Fund or the repayment of capital from the Fund or any particular rate of capital or income return from the Fund. Entities related to Lowell may invest in, lend to or provide other services to the Trust. Unit Holders should note the disclosure of the involvement of certain entities affiliated with Lowell set out in Section 10.2.

Past performance of investment in property assets is no indication of future performance.

The Custodian and the Manager have not authorised or caused the issue of this PDS. The Custodian and the Manager make no representations as to the truth or accuracy of the contents of this PDS other than references to its name. The Custodian and the Manager do not make any representation regarding, or accept any responsibility for, any statements or omissions in or from any other parts of this PDS.

**Corporate Directory**

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Michael Ramsden (Chairman)  
Oliver Carton  
Don Carroll

**Company Secretary**

Lisa Ratcliffe

**Registered Office**

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**Summary of the Offer**

This section provides the basic terms of the Offer and a summary of the key features of the Fund, including annual fees and ongoing contributions payable by a Unit Holder. To fully understand these matters, you should read the whole PDS and consult your professional adviser before deciding whether to apply for Units in the Fund.

Offer Opens	10 August 2012
Due Date to pay Additional Contributions to HVT Projects	31 August 2012
Closing Date	10 September 2012
Unit Price	\$2
Minimum Investment	\$2
Issue Date	30 September 2012
Despatch of Unit certificates	31 October 2012

\* The above dates are indicative only and subject to change without notice.

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## 1. The Offer

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### 1.1. About the Fund

Lowell established the Fund to acquire land on which the plantations in the Great Southern 2007 High Value Timber Project (ARSN 123 528 950) and Great Southern 2008 High Value Timber Project (ARSN 123 529 233) (**HVT Projects**) are situated from Great Southern HVT Holdings Pty Ltd (In Liquidation) (**GSHVTPL**). Lowell negotiated the Land Transaction to purchase the Properties at a substantial discount to the unencumbered market value. Lowell negotiated access to a Debt Facility following the approval of Growers at meetings on 10 July 2012 and the Land Transaction settled on 12 July 2012.

Since the time of purchase, some of the Properties have been sold and others are under contract to be sold, with the proceeds to be used to fund the costs of the Land Transaction and reduce the debt of the Fund.

It is intended to sell sufficient additional Properties within the next 12 months to enable the full repayment of the Debt Facility, which is secured by a first mortgage over the Properties. Provided that this occurs, the Fund is then expected to be debt free.

The Fund now owns the Properties on which the plantations of HVT Projects are growing.

Members of the HVT Projects are offered the opportunity to subscribe for interests in the Fund at a nominal cost of \$2 per Unit and to participate in the ownership of the Properties which contain their Woodlots and to share the potential capital gains which may flow from the future sale of the Properties that have been purchased at a heavily discounted acquisition cost.

Units in the Fund will be allocated to Growers of HVT Projects in proportion to their Eligible Interests. Growers with Woodlots having fully paid up Additional Contributions by 31 August 2012 (**Due Date**) will be eligible for proportional entitlements to Units in the Land Scheme (the **Fund**). Members with Increased Interests will also be eligible for Units in the Fund. Growers are offered an extension until the Due Date to pay outstanding Additional Contributions and, Growers who had failed to pay previously owing Additional Contributions can pay retrospectively by the Due Date and have their full entitlements to Net Proceeds of Sale in the HVT Projects recognised.

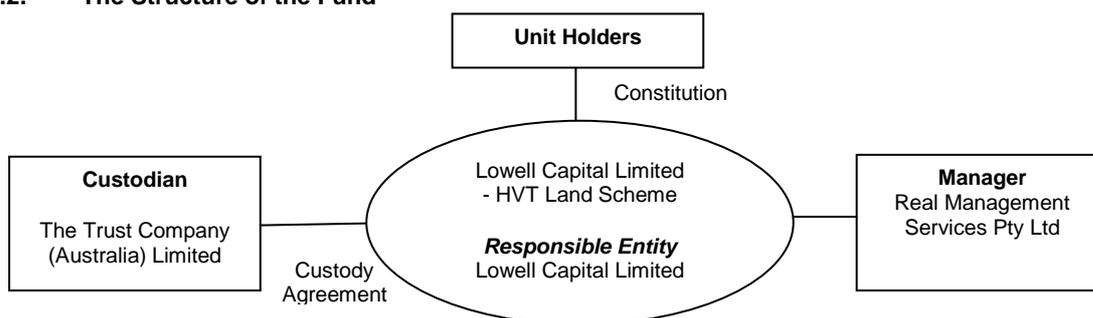
Members of the Fund will be required to make an annual Contribution Payment to meet operating expenses.

Applicants must pay the Initial Contribution Payment along with their application monies by the Closing Date of 10 September 2012.

Lowell will set the objectives of the Fund to complement the objectives of HVT Projects and intends to undertake a review of the future operations of the HVT Projects over a reduced land area in coming months.

Closing Date for Applications for Units and Payment of Initial Contribution Payments is 10 September 2012 and the Due Date (the last date on which Additional Contributions for the HVT Projects will be accepted) is 31 August 2012.

### 1.2. The Structure of the Fund



### 1.3. Eligibility to apply for Units

The number of Units for which a Grower will be entitled to apply will be in proportion to the Eligible Interests they hold in the HVT Projects in aggregate. Eligible Interests include:

- Woodlots held by Growers in the HVT Projects for which the Grower has pre-paid all Additional Contributions for five years;
- Woodlots held by Growers in the HVT Projects for which the Grower has paid all Additional Contributions for each of 2010, 2011 and 2012,

(referred to as **Eligible Woodlots**); and

- (c) Interests relating to Increased Contributions or interests issued by Lowell equivalent to a Non-Contribution Additional Fee (**Increased Interest**).

The Unit entitlement for **each** Eligible Interest is as follows:

<b>Eligible Interest</b>	<b>Number of Units</b>	<b>Application Form Reference</b>
<b>Eligible Woodlot</b> A Woodlot issued to a Grower at the commencement of the relevant HVT Project for which the Grower has paid Additional Contributions for five years or for 2010, 2011 and 2012 by 31 August 2012	5 per Woodlot	Item 1(a)
<b>Increased Interest</b> An interest relating to an Increased Contribution or an interest issued by Lowell equivalent to a Non-Contribution Additional Fee	1 per Increased Interest	Item 1(b)

### **Eligible Woodlots and Increased Interests**

Growers who hold Eligible Woodlots have an entitlement to apply for 5 Units per Eligible Woodlot. Growers who hold Increased Interests have an entitlement to apply for 1 Unit per Increased Interest. Growers who have an entitlement in relation to both Eligible Woodlots and Increased Interests may apply for Units under both entitlements.

By way of example, a Grower who holds 5 Eligible Woodlots in the 2007 HVT Project may apply for 25 Land Scheme Units (5 Units for each Woodlot).

A Grower who holds 2 Eligible Woodlots in the 2008 Project and who has also made Increased Contributions equivalent to 1 Non-Contribution Additional Fee, will be entitled to apply for 11 Units (5 Units for each Woodlot and 1 Unit for each Increased Interest).

### **Additional Contributions Must be Fully Paid Up**

Growers who have not paid all of the Additional Contributions in relation to Woodlots held by them, will be given until 31 August 2012 to pay the Additional Contributions for which they have been previously invoiced by Lowell in 2010, 2011 or 2012. Those Growers who had failed to pay Additional Contributions they had been invoiced and had forfeited their entitlement to Net Proceeds of Sale, will have that entitlement restored to the extent that the Additional Contributions owing are paid by the Due Date.

**Growers who have not paid all of the Additional Contributions in relation to Woodlots held by them by the Due Date of 31 August 2012 will NOT receive an entitlement to Units in the Fund.**

### **1.4. Key Features of The Offer**

<b>FEATURE</b>	<b>SUMMARY</b>	<b>FOR MORE DETAILS SEE</b>
What is being offered?	53,335 Units in the Fund at \$2 each to raise \$106,670. The Fund is a unit trust and a managed investment scheme registered under the Corporations Act (ARSN 154 154 033).	Section 4.1
What are the terms of the Offer?	Growers may apply for their eligible entitlement to Units in the Fund. The price of each Unit will be \$2. In addition, Unit Holders must make an annual Contribution Payment. Units will only be issued upon payment of the Initial Contribution Payment.	Sections 1.3 and 1.7
How much is the annual Contribution	Unit Holders will be required to make an annual Contribution Payment to meet the Fund's operating costs (including interest, rates and	Sections 7 and 9

FEATURE	SUMMARY	FOR MORE DETAILS SEE
Payment?	<p>taxes), fees and expenses.</p> <p>The Contribution Payment for the initial period commencing July 2012 and ending June 2013 will be \$13 (including GST) per Unit (<b>Initial Contribution Payment</b>).</p> <p>The Contribution Payment for each following financial year will be determined by the Responsible Entity after preparation of a detailed budget of Fund operating costs.</p>	
How do I invest?	By completing the Application Form and paying the Issue Price and the Initial Contribution Payment for the Units.	Section 1.5
When will Units be issued?	Provided that the Minimum Subscription is reached, Lowell will issue Units to Applicants on the Issue Date to those Applicants that have paid the Issue Price and the Initial Contribution Payment.	Sections 1.1 and 1.7
Can a Unit Holder lose their interest in the Fund?	Unit Holders who fail to make their Contribution Payment in subsequent years will be given a notice requiring payment within 30 days. If the Unit Holder does not pay the Contribution Payment within 30 days, Lowell may determine that the Unit and any distributions or other money payable to the Unit Holder are forfeited.	Section 8.2.1
What are the significant features and potential benefits of investing in the Fund?	<p>The benefits and features of investing in the Fund include:</p> <ul style="list-style-type: none"> <li>• the Properties in the Fund have a security valuation of \$9,100,000 as at the date of this PDS, however, this is subject to change after the Contracted Properties are sold and funds are used to repay debt and pay transactional and operational costs;</li> <li>• Growers may participate in the land investment in conjunction with their Eligible Interests in the HVT Projects;</li> <li>• the potential for capital growth in the value of the Properties at completion of the Fund;</li> <li>• share of final distributions from sale of remaining properties at the conclusion of the Fund;</li> <li>• a low initial entry price for holders of Eligible Interests;</li> <li>• Lowell, as Responsible Entity for the HVT Projects is the long term tenant of the Properties; and</li> <li>• the Fund will receive rental income derived from a 2.5% share of Net Proceeds of Sale of produce of the HVT Projects.</li> </ul>	Section 3.4
Does the Fund have debt?	The Fund currently has a Debt Facility of \$2,700,000 which is secured by a first mortgage which has priority over investors' interests in the Fund. Lowell intends to sell enough properties to extinguish the debt within the first 12 months of Fund operations. The Fund currently has other outstanding debt relating to transactional and operational costs incurred which will also be paid from sale proceeds.	Sections 4 and 7.3.11
What is the expected life of the Fund?	The expected life of the Fund is 15 years.	
What are the significant risks of investing in the Fund?	<p>The significant risks of investing in the Fund include:</p> <ul style="list-style-type: none"> <li>• The Fund has high cost debt secured by a mortgage with priority over the head leases (<b>Debt Facility</b>).</li> <li>• If there is a default under the Debt Facility, the head leases will automatically terminate and the Lender will be able to sell Properties unencumbered.</li> </ul>	Section 6

FEATURE	SUMMARY	FOR MORE DETAILS SEE
	<ul style="list-style-type: none"> <li>• In the event of a default, any sale of Properties by the Lender is likely to result in reduced returns for Unit Holders.</li> <li>• It is intended to sell Properties to extinguish the Debt Facility which will reduce the number of Properties owned by the Fund and reduce the amount of rental received.</li> <li>• Each Property may not be readily sold, as and when required, due to prevailing market conditions or other factors beyond Lowell's control.</li> <li>• Any or all of the Properties may sell for a lower value than current valuation, due to market conditions prevailing at the time of sale.</li> <li>• Rental income cannot be guaranteed. The HVT Projects may not meet their obligations to pay rent at the conclusion of HVT Projects.</li> <li>• The Contribution Payment may increase due to escalating costs or reduced numbers of Unit Holders meeting the annual Contribution Payment.</li> </ul>	
What are the ongoing costs and amounts payable by the Fund?	All of the ongoing costs in operating the Fund are payable out of the assets of the Fund, including the Responsible Entity Fee, Management Services Fee, Property Management Fee, Registry Management Fee, Custodial Fee, Audit Fees, Legal Costs, Interest Costs, Compliance Costs, Rates and Taxes, Liability Insurance and other fees and costs of operating the Fund.	Section 7
What are the tax implications for Unit Holders?	The Fund is likely to be taxed as a company. Any profits may be taxable in the hands of the Trust. General information about the significant tax implications of the Fund is outlined in section 8.	Section 8
What procedures are in place to deal with Unit Holder complaints?	Lowell provides a complaints handling and dispute resolution process for Unit Holders and is a member of an external complaints resolution body.	Section 5.18
Is there a cooling-off period?	There is no cooling-off right for investors, as the Fund is not liquid.	
Where can I get further information?	By calling the Manager on 03 9982 4486 or emailing <a href="mailto:hvtland@realmanagementservices.com.au">hvtland@realmanagementservices.com.au</a>	Corporate directory
Where can you lodge your application?	<p>Real Management Services Pty Ltd            PO Box 1621            Mount Gambier, SA 5290</p> <p>Fax: 08 8724 7466</p> <p>Email: <a href="mailto:hvtland@realmanagementservices.com.au">hvtland@realmanagementservices.com.au</a></p>	Application Form

### 1.5. How to apply for Units

You can only apply for Units by completing and lodging the Application Form accompanying this PDS. Applications are due by no later than 5.00pm AEST on 10 September 2012 (unless Lowell in its absolute discretion extends this date), which is the Closing Date of the Offer. Applications must be completed and lodged in accordance with the instructions in the Application Form.

Applicants must calculate the Units they are entitled to apply for based on their Eligible Interest as explained in 1.2 above and insert this in their Application Form. Applicants must also indicate in their Application Form the total Initial Contribution Payment they are required to pay by multiplying the Units they are applying for by \$13.

By completing and returning an Application Form, each applicant gives a series of acknowledgments, including having read this PDS in its entirety. Lowell reserves the right to cancel the Offer at any time, in which event all application monies will be refunded.

Lowell may reject an application for Units, in which case, it will refund the application monies without interest.

**The Fund will keep any interest earned prior to the issue of Units in a trust account for the benefit of all Unit Holders.**

#### 1.6. Minimum investment

The minimum investment amount is \$2, the Issue Price of a Unit. Additional application amounts must be in multiples of \$2. Applicants must also pay the Initial Contribution Payment of \$13 per Unit. The total minimum that must be contributed when applying for Units is therefore \$15 per Unit, and total amounts contributed under the Application Form must be in multiples of \$15.

#### 1.7. Minimum subscription

The minimum subscription for this Offer is 50% of the Units being offered under this PDS (**Minimum Subscription**). If the Minimum Subscription is not reached, Lowell will not issue Units and will return all application monies received pursuant to this PDS.

If the Minimum Subscription is not reached, Lowell will consider what is in the best interests of Growers and may restructure the HVT Projects and the Fund

#### 1.8. Issue of Units

Units will only be issued to Applicants after they have paid the Issue Price and Initial Contribution Payment in relation to the Units for which they have applied before the Closing Date of 10 September 2012. Upon acceptance of an Application and receipt of application monies and Initial Contribution Payments, the Manager will send an invoice itemising Issue Price, Initial Contribution Payment and GST.

#### 1.9. Forfeiture of Units

Subject to the Corporations Act, Lowell may sell (or otherwise dispose of) a forfeited Unit, for the benefit of the Fund.

Forfeited Units that are not taken up will be cancelled and any entitlements accruing to the forfeited units will be distributed to members proportionally at the end of the Fund. Please refer to Section 9.2.1 for more information.

## 2. Property Portfolio

The Properties acquired and sold by the Fund at the date of this PDS are described in the tables below. Lowell has engaged Real Management Services Pty Ltd (ACN 121 786 712) (**the Manager**) to manage the Properties on its behalf.

The Lessee under each of the Head Leases is Lowell Capital Limited, in its capacity as responsible entity for the relevant HVT Projects. The Terms of the Leases are summarised in Section 9.4.

#### 2.1. The Properties Acquired under the Land Transaction

The properties described in the table below were acquired by the Fund, as a result of the Land Transaction which settled on 12 July 2012. The purchase price of these properties was \$2,340,000 plus transaction costs. The value of the properties, at the time of purchase, was \$10,200,000.

Property	Location	Project Year	Total Area (Ha)	Planted Area (Ha)	Tree crop
Castellani	Abergowie QLD	2008	67	51.8	Teak
Cavallo Aggregation	Abergowie QLD	2007 & 2008	394.5	221.5	Teak
Coldwater	Abergowie QLD	2007 & 2008	148.1	68	Teak
Di Giacomo	Stone River QLD	2007 & 2008	81	53.7	Teak
Erkilla	Abergowie QLD	2008	123.2	64	Teak
MacDonald	South Johnson QLD	2007 & 2008	149.2	73.5	Teak
Mahony	Abergowie QLD	2008	94	55.1	Teak

Property	Location	Project Year	Total Area (Ha)	Planted Area (Ha)	Tree crop
Messina	Tully QLD	2008	63	42.3	Teak
Mombelli	Abergowie QLD	2008	77.1	67.4	Teak
Quagliotto	Mount Fox QLD	2007 & 2008	204.7	92.7	Teak
Rutherford	Abergowie QLD	2008	45	35.2	Teak
Sheahan	Abergowie QLD	2007	226.1	105	Teak
Sorbello	Abergowie QLD	2008	101.4	80.5	Teak
Vella	Abergowie QLD	2008	55.5	43.7	Teak
Whatfor	Douglas Daly NT	2007 & 2008	3,198.7	1,875.6	Mahogany
			5028.5 ha	2930.0 ha	

## 2.2. Properties On-Sold

The following properties were acquired by the Fund, as a result of the Land Transaction and on-sold concurrently with the completion of the Land Transaction on 12 July 2012 (**On-Sold Properties**). The sale price of the On-Sold Properties was \$1,043,000 less transactional costs.

Property	Location	Project Year	Total Area (Ha)	Planted Area (Ha)	Tree crop
Mombelli	Abergowie QLD	2008	77.1	67.4	Teak
Sorbello Lot 107 on CPCWL 1996 Lot 89 on CPCWL2321	Abergowie QLD	2008	59.44	40.9	Teak
Cavallo Lot 160 on CPCWL2875	Abergowie QLD	2007	16.93	13.2	Teak

## 2.3. Contracted Properties

The following properties acquired by the Fund, as a result of the Land Transaction are contracted to be on-sold and settled by 12 October 2012 (**Contracted Properties**). The contracted sale price for the properties to be settled is \$887,000 less transactional costs.

Property	Location	Project Year	Total Area (Ha)	Planted Area (Ha)	Tree crop
Castellani	Abergowie QLD	2008	67	51.8	Teak
Rutherford	Abergowie QLD	2008	45	35.2	Teak
Sorbello Lot 4 on RP 908281	Abergowie QLD	2008	27.0	23.8	Teak

## 3. Value of the Fund

### 3.1. The Properties

The properties listed in the Schedule at 2.1 above were purchased from the Liquidator under the Asset Sale Agreement for \$2,340,000.

At the time of purchase, the Directors of Lowell valued the properties purchased at \$10,200,000.

The Directors' valuation is based on information supplied from sworn valuations obtained by the Lender and a current sale contract for one of the Properties.

### 3.2. Purchase and on-sale of Properties

#### College Farm

Lowell exercised its option under the Land Transaction to purchase the College Farm property (an Option Asset not listed in the Schedule at Section 2.1 above) for \$1,200,000. Lowell purchased the property on 25 March 2012 and on-sold the property to Carey Investments Pty Ltd on an unencumbered basis for \$1,575,000.

#### On-Sold Properties

Concurrently with settlement of the Land Transaction on 12 July 2012, Lowell on-sold the properties listed in the table in Section 2.2 above. The On-Sold Properties were sold on an unencumbered basis for a gross sale price of \$1,043,437. The Directors valuation of the On-Sold Properties at the time of purchase was \$1,025,000. The allocated cost of purchase of the On-Sold Properties from the Liquidator under the Asset Sale Agreement was \$162,627.

#### Contracted Properties

Lowell has contracted to sell the Contracted Properties listed in the table in Section 2.3 above on an unencumbered basis for \$887,000. The Directors valuation of the Contracted Properties at the time of purchase was \$825,000. The allocated cost of purchase of the Contracted Properties from the Liquidator under the Asset Sale Agreement was \$132,556.

### 3.3. Transactional and Operational Costs

Lowell has incurred the following one-off costs, which either have been paid or will be paid in future, using the funds borrowed under the Debt Facility and the funds received from the on-sale of properties. These Transactional and Operational costs are detailed further in Section 7.3.11.

### 3.4. Fund Valuation

The Estimated Net Scheme Value of the Fund is summarised in the table below.

Directors of Lowell have estimated the value of the Properties based on an orderly sale process on an unencumbered basis. This is based on the formal valuation conducted on behalf of the Lender of the Debt Facility and separate advice of licensed real estate agents in the region where each of the Properties are situated. Lowell has a valuation policy in place and will regularly report the value of the Properties and Net Scheme Value to Unit Holders.

<b>FUND CURRENT VALUATION</b>	
<b>ASA Transaction</b>	<b>Amount</b>
Directors Valuation of Properties	<b>\$10,200,000</b>
<b>College Farm</b>	
Gross Sale Proceeds	\$1,575,000
Less Cost at Valuation	-\$1,200,000
College Farm Net Proceeds	<b>\$375,000</b>
<b>On-Sold Properties</b>	
Gross Sale Proceeds	\$1,043,000
Less Cost at Valuation	-\$1,025,000
On-Sold Properties Net Proceeds	<b>\$18,000</b>
<b>General Transaction Costs</b>	
Less Estimated Transaction and Associated Costs	-\$ 2,300,000
Less Purchase Price	-\$2,340,000
<b>NET SCHEME VALUE</b>	<b>\$5,953,000</b>

## 4. Funding

### 4.1. Source and application of funds

Under the Terms of this Offer Lowell proposes to raise up to \$106,670 (53,335 Units at \$2 each). These funds will be used to partially fund the costs of issuing this PDS.

Funds for the Land Transaction were borrowed through a Debt Facility under terms which are summarised below. See Section 4.2.

Lowell has incurred one-off costs, which either have been paid or will be paid in the future, using the funds borrowed under the Debt Facility and the funds received from the on-sale of Properties. See Section 3.4.

Lowell intends to sell further properties in order to repay the Debt, as soon as practicable.

### 4.2. Debt Facility

With the approval of Growers at a meeting of members on 10 July 2012, Lowell entered into a Debt Facility with Balanced Securities Limited (**Lender**) to fund the Land Transaction.

The key terms of the Debt Facility with the Lender are summarised below.

Facility Limit	\$2,700,000
Maturity Date	2 years from the Date of Commencement. The Principal may be re-paid before maturity, at Lowell's discretion, without penalty.
Interest payment	Estimated \$520,000 per annum payable quarterly in advance
Interest Rate	Acceptable Rate 19.75%, payable quarterly in advance Higher (Default) Rate 12.2% above the Acceptable Rate
Gearing Ratio	30% based on Lenders Valuation
Risk Fee	Either: <ul style="list-style-type: none"><li>• \$250,000 is to be paid if all Secured Moneys are repaid by the Maturity Date; or</li><li>• \$500,000 is to be paid, if repayment does not occur by the Maturity Date or an Event of Default occurs.</li></ul>
Approval Fee	1.50% of the Facility Limit
Loan Evaluation Fee	\$25,000
Valuation Fee	\$34,500
Acceptance Fee	\$9,750
Security	First Mortgage over the Properties ranking in priority to leases to HVT Projects.

\*All fees are exclusive of GST.

## 5. Operation of the Fund

### 5.1. About the Responsible Entity

Lowell is the responsible entity for a number of managed investment schemes including the HVT Projects. It is licensed to carry on a financial services business and to act as responsible entity of the Fund. This includes responsibility for compliance with the Fund's constitution and compliance plans, and ongoing satisfaction of legislative and regulatory requirements. In carrying out its duties, Lowell must comply with the Corporations Act and must, among other things:

- act honestly and in the best interests of Unit Holders;
- exercise care and diligence; and
- act in the best interests of Unit Holders, and if there is a conflict between the Unit Holders' interests and its own interests, give priority to the Unit Holders' interests.

Lowell has established compliance plans and supporting compliance procedures, which are applied to ensure that Lowell continues to meet its obligations. A constitution and compliance plan have been prepared for the Fund which describe

the key processes, systems and structures that Lowell will use to ensure compliance with the Corporations Act, the Fund's constitution and financial service laws. In summary, Lowell's role as Responsible Entity generally incorporates the following:

- (a) registering the Fund;
- (b) issuing disclosure documents;
- (c) establishing compliance plans and monitoring against regulatory and legislative requirements ;and

- (d) appointing and monitoring of external service providers (audit, custody management and Fund administration).

## 5.2. The Board of Lowell

The Board is responsible for monitoring the activities of the Fund, which includes oversight of the Manager. All acquisitions, developments and disposals require the approval of the Board.

## 5.3. The Directors of Lowell Capital

<p><b>Michael Ramsden</b> (Chairman)</p>	<p><b>Appointed 01/06/2007 BEc, LLB, F.Fin</b> Mr Ramsden is a qualified lawyer with more than 25 years' experience in the corporate finance industry. He has been extensively involved in investment banking and insurance, including corporate advisory, fixed income, futures trading, cross border transactions, foreign exchange and funds management in the United Kingdom and Australia. Mr Ramsden's skill base includes equity raising, funds management and general corporate advice. Mr Ramsden is also Chairman of Australian Mines Ltd, managing director of Terrain Capital Pty Ltd AFSL number 240276 and previous director of D &amp; D Tolhurst (stockbrokers) and executive chairman of the listed Terrain Australia Limited.</p>
<p><b>Oliver Carton</b> (Director)</p>	<p><b>Appointed 22/10/2010 BJuris, LLB</b> Mr Carton is a qualified lawyer with over 22 years' experience in a variety of corporate roles. He currently runs his own consulting business and was previously a Director of Chartered accounting firm KPMG. Prior to that he was senior legal officer with ASIC. Mr Carton has significant corporate governance experience and is currently director or company secretary of a number of listed and unlisted companies, ranging from Lowell Capital Limited to the not for profit Melbourne Symphony Orchestra Pty Ltd.</p>
<p><b>Don Carroll</b> (Director)</p>	<p><b>Appointed 21/09/2009 BE(Mining), MAusIMM, MAICD</b> Mr Carroll has extensive experience in the development and marketing of minerals and energy products. Mr Carroll held a number of senior positions with BHP Billiton including General Manager Minerals Marketing Asia, President BHP Billiton Japan, President BHP Billiton India, and was a Director and CEO of Guinea Alumina Company. Mr Carroll has a Bachelor Degree in Mining Engineering from Sydney University, and is on the board of listed company Energo.</p>

## 5.4. Board Function

The Board seeks to perform the following key functions:

- (a) provide strategic direction;
- (b) protect and promote the best interests of Unit Holders;
- (c) oversee the Management Agreement between Lowell and the Manager; and
- (d) by delegation to the compliance committee monitor risk management, compliance and financial and other reporting requirements.

## 5.5. Board Policies

The Board has adopted a number of policies covering a range of matters dealt with by the Board and its sub committees which are aimed at providing best practice corporate governance standards. The policies cover the following subjects:

- (a) Conflicts of Interest;

- (b) Breach and Incidents Reporting;
- (c) Unit Holder Communication;
- (d) Related Party Transactions;
- (e) Risk Management;
- (f) Service Agreements;
- (g) Privacy of Consumer Information;
- (h) Complaints Handling and Dispute Resolution;
- (i) Property Valuation;
- (j) Investment Management Guidelines;
- (k) Accounting, Administration and IT policies and procedures;
- (l) Anti-Money Laundering Policies;
- (m) Legal and Regulatory; and
- (n) Code of Conduct policies.

## 5.6. The Manager

Lowell has appointed Real Management Services Pty Ltd (the **Manager**) to provide management services in relation to a number of its Funds. The services include:

- fund management services;
- property management services;
- registry services; and
- other services agreed from time to time.

The Manager and its Principals have previous experience in the provision of management services for other managed investment schemes and currently provide a range of services to other schemes managed by Lowell.

## 5.7. Compliance committee

The Board has established a compliance committee to monitor Lowell's compliance with the compliance plan. This committee will meet at least quarterly and comprises the two independent directors and the Compliance Manager, and is chaired by the independent member who is not associated with the Board.

## 5.8. Capital Management

The principal aim of Lowell's capital management framework for the Fund is to deliver desirable long term strategic outcomes for Unit Holders including the provision of a low risk land asset platform to enable completion of the associated HVT Projects and to deliver a capital gain for Unit Holders when Properties are sold.

The Properties will be covered by long term lease agreements between the Custodian (legal owner of the properties) and Lowell (as the responsible entity for each of the HVT Projects). At the completion of the lease period, Lowell expects that each remaining Property will be sold and the net proceeds distributed to Unit Holders.

Under the terms of the Offer, 53,335 units in the Fund are offered to coincide with five times the number of Woodlots existing within the HVT Projects. The ongoing management costs and expenses of the Fund will be met from annual contributions from Unit Holders.

The Debt Facility is high cost and extends only for a two (2) year term. Lowell considers it is in the best interests of Unit Holders to raise equity or to sell Properties to eliminate the debt as soon as possible. The Manager will continuously monitor the performance of the Properties to ensure that the Lessee is compliant with the lease terms and that the fixed assets are appropriately maintained.

The Manager will prepare annual operating budgets and recommend an annual Contribution Payment in order to maintain sufficient liquidity in the Fund to enable payment of management fees, interest on any borrowings, Government rates and taxes, fees, insurances and other costs. Please

see section 7 for more information about fees and other costs.

## 5.9. Distribution Policy

The Fund will make final distributions after the Fund terminates and the Properties are sold.

In the event that sufficient properties are sold and the transactions generate funds which are surplus to requirements, Lowell will consider the payment of interim distributions.

At other times, the Fund will be illiquid and it is unlikely that distributions will be payable.

When Lowell makes distributions to Unit Holders, Lowell will only pay distributions by electronic transfer to the Unit Holders' nominated bank or other Australian financial institution accounts specified in the Application Form. Lowell will require your banking details to be specified in the Application Form as no cheques will be issued for distributions.

Investors should note that Lowell does not guarantee that distributions will be paid to Unit Holders. Investors should carefully review Section 6 (Significant Risks), and Section 8 (Tax) before making a decision to acquire Units in the Fund.

## 5.10. Valuation Policy

Lowell proposes to value the Properties once every 5 years, or more frequently as advised by the Manager. ASIC's regulatory guidance (RG 46 and RG 120) provides that obtaining an independent property valuation once every 3 years is good practice to satisfy the obligation to obtain regular property valuations under the Corporations Act. Lowell acknowledges that certain property funds conduct independent property valuations at least once every 3 years. However, Lowell considers that this interval is not appropriate for the nature of the Properties, nor cost effective for Unit Holders. There are several reasons for this, including that:

- rent is not marked to the market value of the Properties, so a change in valuations will not change rental returns to the Fund;
- Lowell does not intend to actively trade the Properties;
- the Fund is expected to operate for 15 years and Lowell anticipates minimal trading in the Units;
- more frequent valuations will mean more cost to Unit Holders, for no obvious benefit.

At each reporting date, the carrying value of the Properties will be determined in accordance with the Australian accounting standards, which requires that investment properties be recorded at fair value, reflecting market conditions. The gain or loss arising from any change in the fair value of the investment property is recognised in the income statement for the period in which it arises.

### 5.11. The Custodian

The Trust Company (Australia) Limited has been appointed as the Custodian to hold the application monies and title to the Properties, as directed by a proper instruction from the Lowell or the Manager.

### 5.12. Compliance and the Fund

The Corporations Act, the Fund's Constitution, the Fund's compliance plan and general Australian law regulate the operation of the Fund and the responsibilities and duties of Lowell (and its directors and officers) as the Fund's Responsible Entity. The Board is responsible for the overall corporate governance of Lowell and the operation of the Fund. The Board has accepted that they must exercise their functions diligently and in the best interests of Unit Holders. To achieve this objective the Board has adopted a structure and policies as described below.

Lowell has adopted a compliance plan and established an independent compliance committee to monitor its compliance in relation to the Fund. The compliance plan sets out the methods that Lowell will follow in relation to the Fund to ensure that it is complying with the Corporations Act and Constitution. The compliance plan was lodged with ASIC when the Fund was registered as a managed investment scheme. Lowell appoints an independent auditor who will audit the compliance plan annually and report their findings to the Board and to ASIC.

### 5.13. Conflict of interest

The Corporations Act also imposes a specific duty on Lowell, as an AFSL holder, to manage conflicts of interest. Lowell has an internal policy to manage existing and future conflicts of interest, including potential conflicts between the Fund, Lowell and other funds that Lowell operates.

The compliance plan for the Fund includes references to Lowell's policy for dealing with conflicts of interest. Various roles and/or investments held by Lowell and any of its representatives may give rise to conflicts of interest, including Lowell's role as Responsible Entity of the Fund, a director of Lowell also being a director of another company and a representative of Lowell being remunerated by way of commission or receiving a benefit in return for providing general advice about the Units.

When providing general advice on Units, each Lowell representative is required to disclose the extent to which (if any) they have a legal or beneficial interest in the Units, they are related to or associated with Lowell as issuer, and are likely to receive financial or other benefits depending on whether their advice is followed.

The Compliance Manager is responsible for advising all directors and officers, and representatives of their obligation to disclose any conflicts, and to disclose any interests that they or their associates may hold in the Fund. The Compliance Manager maintains a register

recording all reported conflicts and potential conflicts, and tables the register at each quarterly compliance meeting.

The Board is ultimately responsible for controlling conflicts, assisted by the Compliance Manager and the compliance committee. Each may obtain independent expert advice, in order to resolve the conflict and determine whether and if so what action it should take.

### 5.14. Identification and management of conflicts

Lowell has established procedures in accordance with ASIC's Regulatory Guide 181 Licensing: *Managing conflicts of interest* to ensure that any conflict of interest in respect of the directors, compliance committee members and key staff is disclosed and appropriately dealt with. In addition to being the Responsible Entity for the Fund, Lowell is also the responsible entity of other registered managed investment schemes, including the HVT Projects.

Conflicts that may arise include property acquisitions and disposals between Lowell and related parties, the provision of Plantation management services to the Lessee by AMAT (previously related to Lowell), property leasing by Lowell in its dual capacities, disputes between Lessor / Lessee; performance of duties and powers in its Lessor and Lessee capacities; apportioning proceeds of sale of Properties between the Fund and relevant HVT Projects.

The Manager must ensure that any issues arising in relation to the performance of the Lessee are reported to the directors of Lowell.

### 5.15. Compliance Committee

A key element of the Fund's corporate governance framework is the compliance committee, which is a sub-committee of the Board. Please refer to section 5.7 for further information about the structure of the compliance committee.

In summary, the role and responsibilities of the compliance committee is to:

- (a) monitor to what extent the Lowell complies with the Fund's compliance plan and to report on its findings to the Board;
- (b) report to the Board:
  - (i) any breach of the Corporations Act involving the Fund; or
  - (ii) any breach of the provisions included in the Fund's constitution in accordance with section 601GA of the Corporations Act;

of which the committee becomes aware or that it suspects;

- (c) report to ASIC if the compliance committee is of the view that Lowell has not taken, or does not propose to take, appropriate action to deal with a matter reported above;

- (d) assess at regular intervals whether the compliance plan is adequate, report to the Board on the assessment and make recommendations to the Board about any changes that it considers should be made to the Fund's compliance plan.

The compliance committee meets regularly and makes recommendations to the Board on matters arising from each of the abovementioned matters.

#### 5.16. Lowell's obligations as an AFSL holder

Lowell has obligations under its AFSL and under the Corporations Act.

Those obligations include ensuring that financial services are provided efficiently, honestly and fairly (in addition to the conflict management obligations referred to above). Lowell must also ensure that its representatives are competent to provide the financial services under its AFSL, and do so complying with all legal requirements.

#### 5.17. Independent Professional Advice

Lowell's directors and committees may obtain independent professional or other advice at the reasonable cost of Lowell (in its personal capacity). It is intended that the Lowell's directors and compliance committee members will consult the Chairman of Lowell before obtaining such advice.

#### 5.18. Complaints

Lowell has appointed the Compliance Manager to act as the complaints officer, with authority to review any complaints from Unit Holders or holders of other instruments. The role and responsibilities of the complaints officer include receiving and processing complaints, reviewing and considering complaints in a timely manner and communicating directly with Unit Holders or holders of other instruments in relation to complaints.

A Unit Holder may make a complaint by lodging it at the following address:

The Complaints Officer  
Mr Steven O'Connell  
Compliance Manager  
Lowell Capital Limited  
PO Box 1136  
South Melbourne VIC 3205

Business (03) 9815 2444  
Fax: (03) 9620 9855  
Email: steveno@lowell.net.au

If the complainant is dissatisfied with the decision of Lowell or if a complaint is not resolved within 45 days following receipt of the complaint, the complaints officer will inform the complainant of the reasons for the delay and/or explain that the complainant has the right to refer the complaint to the Financial Ombudsman Service Limited (FOS) for determination. The complainant may also take any appropriate lawful action.

Lowell is a member of FOS which is an independent external dispute resolution scheme approved by ASIC.

Unit Holders can contact FOS by telephone on 1300 780 808, or write to:

Financial Ombudsman Service Limited  
GPO Box 3  
Melbourne VIC 3001

Website: [www.fos.org.au](http://www.fos.org.au)

## 6. Significant Risks

### 6.1. Risk factors

The risk factors associated with an investment in Units in the Fund fall into the following broad categories:

- (a) risks associated with investing in the Fund;
- (b) risks associated with the Fund's investments;
- (c) risks associated with funding;
- (d) risks associated with the management structure of the Fund; and
- (e) other risks.

Lowell considers that the summary below, which is not exhaustive, represents the significant risk factors of which potential Unit Holders should be aware. The risks, if they occur, could materially affect the value of Units, the size and timing of distributions and the underlying value of the Fund's Properties and returns to Unit Holders.

Some risks may be unforeseen or unknown to Lowell and other risks, currently believed to be immaterial, could turn out to be material.

Lowell recommends that potential investors examine the contents of this PDS in its entirety and consult their professional advisers before deciding whether or not to invest in the Fund.

### 6.2. Risks associated with investing in the Fund

Risk	Description of risk
The Fund will not pay distributions	The Fund is illiquid and is unlikely to pay distributions. This means that investors are unlikely to receive any return from the Fund, save for the balance of any expected rental income and proceeds from the sale of properties (after debt and other expenses).
You may not be able to access your	You are unlikely to be able to access your investment until the end of the Fund.

<b>Risk</b>	<b>Description of risk</b>
investment during the life of the Fund	Lowell does not propose to make withdrawal offers if the Fund is illiquid.
If the Fund is wound up, Unit Holders rank behind all creditors of the Fund	Unit Holders will rank behind all creditors of the Fund in the event of winding up. This means that, if there is a shortfall of funds, Unit Holders will not receive a full (or any) return of capital.
Contribution payments may change	The Initial Contribution Payment has been set at \$13 including GST per unit p.a. If the numbers of Unit Holders of the Fund reduces over time, the level of Management Costs for each unit will increase, however, so will the value of each Unit. Lowell has relied upon information provided by third parties and has prepared a budget of the costs associated with operating the Fund (including holding the Fund's investments) for the year ending 30 June 2013. These costs may change, and if these costs increase, the amount of the Contribution Payment may increase or decrease.
Lowell may default on the Debt Facility	If Lowell defaults on the Debt Facility, the Lender may enforce its mortgage over some or all of the Properties and sell them at a price that is lower than what Lowell could achieve in an orderly sale.
The taxation treatment of Units may change	An outline of the taxation features of an Australian taxpayer investing in the Units is set out in Section 8. It is a general outline only and investors should seek independent advice in relation to their own taxation position.

### 6.3. Risks associated with the Fund's investments

<b>Risk</b>	<b>Description of risk</b>
Properties may not be able to be sold to meet the debt reduction strategy	The Properties are highly illiquid assets (i.e. cannot be immediately sold to generate cash). The Fund may not be able to sell them at their reasonable value in a timely manner. This could impact upon the Fund's ability to reduce debt in the manner proposed.
Early sale of Properties may have adverse effects	If Properties are sold before harvest, Lowell may be required to pay some of the sale proceeds (after debt, costs and expenses) to the HVT Projects to account for the value of trees on the Properties sold. Lowell may consider it is in the best interests of Unit Holders to sell Properties prior to the expected end of the term of the Fund. Any payments to the HVT Projects will be made to reflect the net value of trees foregone under any sale. As such, an early sale (forced or otherwise) may have a material adverse effect on the Fund's financial performance, financial position, cash flows, distributions, growth prospects or Unit price if the Trees on a sold Property are given a high value proportionate to the sale price.
General economic conditions will impact on the Fund	The operation of the Fund is affected by a variety of general economic and business conditions, including inflation, interest rates and exchange rates, access to debt and capital markets, and government fiscal, monetary and regulatory policies. Changes in inflation, interest rates, commodity prices and other economic conditions may affect the value of the Fund's assets. Property values and, therefore, the level of growth in value of the Properties may be affected by these factors, in addition to the risks associated with an investment in any agricultural property.
Value of Properties may not increase	The value of the Properties may fall as well as rise leading to losses or gains. There is no certainty as to the state of the property market during the life of the Fund and no guarantee can be given as to the resale value of the Properties when they are sold. There are a number of general risks associated with investing in this type of property and associated plantations which may affect the value of the Properties, including: <ul style="list-style-type: none"> <li>(a) general changes in agricultural property values;</li> <li>(b) variances in yield for Plantation Produce on the Properties, due to general economic conditions, a fall in consumer demand, adverse movements in foreign currency exchange rates and/or the imposition of new levies, imposts or taxes; and</li> <li>(c) variance in the price received for Plantation Produce, due to general global economic conditions, a fall in consumer demand, adverse movements in foreign currency exchange rates and/or the imposition of new levies, imposts or taxes.</li> </ul>
Damage to the	Rental income of the Fund will depend upon the amount of Plantation Produce

Risk	Description of risk
Plantations may reduce rental yield	available for harvest. If any Plantations are damaged by fire, flood or windstorm, the Fund's rental income will be reduced. The Fund does not maintain insurance for this purpose.
Change in discount rates used in valuing Properties may reduce value of the Fund's assets	The future valuations of the Properties will be undertaken using a variety of methods, including the application of discounted cash flow analysis. The valuations will therefore be sensitive to the choice of discount rate used. Lowell's directors intend to use market determined discount rates, adjusted for the level of risk, in performing the valuations. If discount rates increase, it may lead to a reduced valuation and possibly a breach of the Fund's gearing covenants in its borrowing facilities. The market's valuation of the Fund's assets will also be susceptible to movements in comparable discount rates, which may affect the Fund's financial performance, financial position, cash flows, distributions, growth prospects and Unit price.

#### 6.4. Risks associated with funding

Risk	Description of risk
Funding costs are high and may increase	The Fund must pay a significant amount of interest, a risk fee of either \$250,000 or \$500,000 and other costs under the Debt Facility. Lowell was not able to obtain finance from a Bank. Interest costs for the Debt Facility are calculated using a base indicator rate plus a margin. Interest rates may increase in response to broader market factors causing the Debt Facility rates to increase.
Limited access to funding may affect the Fund's financial position	The Fund's ability to make further investments or refinance its debt is dependent on its ability to access funding from external sources, which may be in the form of debt, equity or quasi-equity. There can be no assurance that any such funding will be available to the Fund on favourable terms, or at all, if required. If adequate funds are not available on acceptable terms, the Fund, directly or indirectly, may not be able to take advantage of opportunities that may arise out of retaining Properties, or be forced to sell Properties. This may have a material adverse effect on the Fund's financial position, financial performance, cash flows, distributions, growth prospects and Unit price.
Unit holdings may be diluted by future capital raisings	Future capital raisings by the Fund may dilute the holdings of Unit Holders. This may have a material adverse effect on the Fund's financial performance, distributions, growth prospects and Unit price.

#### 6.5. Risks associated with management structure of the Fund

Risk	Description of risk
Reliance on the Manager	Unit Holders will have no control over the day-to-day operations, including investment decisions of the Fund. Unit Holders must rely on the judgement of the Board and the Manager, their delegates and, in particular, on the judgement of their respective principals, officers and employees to advise on the conduct and affairs of the Fund. The Fund's success depends, in large part, on the performance of this management team.  There can be no assurance that Lowell or the Manager will be able to retain its key personnel. In addition, both Lowell and the Manager have rights to terminate the Management Agreement in certain limited circumstances and accordingly there can be no assurance that the Manager will remain the Manager of the Fund, nor can there be any assurance that the Fund could remove the Manager of its own accord or that a suitable replacement would be found. See section 9.5 for further details of the termination provisions under the Management Agreement.
Conflicts of interest with other Lowell managed funds	In addition to being the Responsible Entity of the Fund, Lowell is also the responsible entity of other funds, including the HVT Projects (which leases the Properties). Lowell's compliance plan for each scheme sets out how it will deal with such conflicts of interest. In consideration for agreeing to the mortgagee having priority over the head leases, the relevant HVT Project may receive a proportion of net proceeds (after debt, costs and expenses) to account for the value of trees on the Properties sold.
Conflicts of interest	<b><u>Acquisition opportunities</u></b> There are no formal arrangements or obligations requiring Lowell to introduce

Risk	Description of risk
	<p>transactions to the Fund directly or through the Manager and the Fund will not have priority to any investment opportunities within the Fund's investment profile which are identified by the Manager or Lowell. Accordingly, Lowell and the Manager can identify investment opportunities for itself, for other current or future entities.</p> <p><b><u>Related party transactions</u></b></p> <p>The Properties owned by the Fund are held by the Custodian and leased to Lowell (as responsible entity for the HVT Projects), in addition to Lowell being the Fund's Responsible Entity.</p> <p>It is anticipated that the Fund will primarily invest in properties that have been purchased from GSHVT, and leased to Lowell as responsible entity for the HVT Projects.</p> <p>As such it is possible that from time to time conflicts of interest may arise between the interests of the Fund and those of the HVT Projects. In such cases, Lowell will adhere to the requirements of its conflicts policy and relevant law.</p> <p>Lowell has Eligible Interests in the HVT Projects and may apply for Units in the Land Scheme proportionate to their Eligible Interests.</p>

#### 6.6. Other risks

Risk	Description of risk
<p>Unforeseen circumstances may arise in respect of the Fund</p>	<p>Major unforeseen circumstances may occur in respect of the Fund, Lowell or their assets and affect the ability of the Fund or Lowell to meet their obligations, and importantly Lowell's obligation to pay rent to the Fund under the Head Leases.</p> <p>Such circumstances in respect of the Fund or Lowell, may include major litigation; natural disaster; significant industrial action; loss of major clients or suppliers or other causes of business interruption.</p>
<p>Complex legal documentation</p>	<p>Legal documentation in respect of the use and occupation of the Fund's Properties is complex and the risk of a dispute over interpretation or enforceability of this documentation may be higher than in a conventional equity investment.</p> <p>The contracts between the Fund and other parties are fundamental to the success of the investment for Unit Holders. The terms of the documents in many cases contain various representations and indemnities given by the Fund to other parties. Any loss suffered by a party may lead to a claim against the Fund and losses incurred may be paid out of the Fund assets and result in a reduction of the Fund assets. To better appreciate the risks associated with documentation, Unit Holders should also read the summary of Material Documents which is set out in section 9.</p>

## 7. Fees and Other Costs

### 7.1. Consumer Advisory Warning

Before setting out the fees and other costs of the Fund, we are obliged under Australian Law to provide you with the following Consumer Advisory Warning. Specific information about fees and costs is available at Section 7.2.

#### DID YOU KNOW?

**Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example reduce it from \$100,000 to \$80,000).**

**You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.**

**You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.**

#### TO FIND OUT MORE

If you would like to find out more, or see the impact of fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website [www.moneysmart.gov.au](http://www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

### 7.2. Fees and Other Costs

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole. Tax information is set out in Section 8 of this PDS.

You should read all of the information about fees and costs, because it is important to understand their impact on your investment. All fees referred to in this section are inclusive of GST less any applicable Reduced Input Tax Credits.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>Fees when your money moves in or out of the Fund</b>		
<b>Unit establishment/ transfer fee</b> The fee to register your investment	A fee of up to \$55 for processing and registering each assignment or transfer of Units	Payable directly by the Unit Holder upon receipt of an invoice
<b>Contribution fee</b> The fee on each amount contributed to your investment – either by you or your employer	Nil	Not Applicable
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not Applicable
<b>Termination fee</b> The fee to close your investment	Nil	Not Applicable
<b>Management Costs</b>		
The fees and costs for managing your investment	<b>Annual contribution</b> \$13 per unit	Payable annually in advance from the commencement of the Fund
<b>Service fees</b>		
<b>Investment Switching Fee</b> The fee for changing investment options	Nil	Not Applicable

### 7.3. Additional Explanation of Fees and Other Costs

#### 7.3.1 Annual Contribution Payment

The annual Contribution Payment is calculated on an annual basis. The annual Contribution Payment will be the principal source of income for the Fund and must cover operational and transactional costs and the following management costs which are further explained in 7.3.6 to 7.3.9 below:

- (a) Responsible Entity Fee;
- (b) Management Services Fee;
- (c) Property Management Fee;
- (d) Registry Maintenance Fee;
- (e) Custodial Fee;
- (f) Audit Fees;
- (g) Legal Costs;
- (h) Interest Costs;
- (i) Compliance Costs;
- (j) Rates and Taxes;
- (k) Liability Insurance; and
- (l) Administration.

#### 7.3.2 Acquisition, Asset Disposal and Selling Agent Fees

When the Fund acquires or disposes of real property the Responsible Entity may be entitled to an Acquisition Fee in the case of an acquisition and may be entitled to an Asset Disposal Fee and/or Selling Agent Fee in the case of a disposal.

A worked example of these fees that would be applicable in relation to the acquisition or disposal of a \$500,000 property is set out in the table below. This example is illustrative only

TYPE OF FEE OR COST	CALCULATION OF AMOUNT	AMOUNT IN \$
<b>Asset Acquisition Fee</b> The fee payable on acquisition of real property with a purchase price of \$500,000	Minimum Fee (0%) Maximum Fee (2.50% of gross acquisition price)	<b>Nil</b> <b>\$13,750</b>
<b>Asset Disposal Fee</b> The fee payable on real property disposed by the Fund with a gross sale price of \$500,000	1.50% of the gross sale price	<b>\$8,250</b>
<b>Selling Agent Fee</b> Fee payable to Responsible Entity or other party that provides selling agent services to the Fund for real property with a sale price of \$500,000	Maximum Fee (2.0% of gross sale price)	<b>\$11,000</b>

#### 7.3.3 Debt Arrangement Fee

Under the Debt Facility, Lowell became entitled to a Debt Arrangement Fee of 1.5% of the amount of debt arranged payable on the date on which the first draw-down was made by the Fund. This fee amounted to \$44,550.

#### 7.3.4 Capital works, development and other services fees

Lowell may be required to undertake capital works, development or other property-related services for the purposes of development or improvement of the Fund's property. If this is the case, Lowell will be entitled to a fee which is commercially and reasonably appropriate in the circumstances. Because of the uncertainty of the capital works and development which may need to be undertaken in relation to the Properties over the term of the Fund, it is not possible to estimate the amount of such fees.

### 7.3.5 Ongoing Expenses

Ongoing expenses represent the operating expenses incurred in the day-to-day operation of the Fund. There is no limit in the Fund's Constitution on the amount that can be reimbursed for expense recoveries, in the proper performance of the Responsible Entity's duties in respect of the Fund.

Such reimbursable expenses, taxes and liabilities include, but are not limited to:

- (a) setting up the Fund, including obtaining taxation advice, legal advice, appointing external consultants, negotiating the purchase of Scheme Property, appointing a manager, preparing this document and any amendments to it (for example, drafting and stamping them as well as lodging them with the ASIC);
- (b) obtaining approval from members of the HVT Projects to facilitate the acquisition of the Properties;
- (c) making Offers or invitations in respect of Units, including costs of preparing, lodging, registering, distributing, advertising and promoting any Offer documents including a product disclosure statement, prospectus or information memorandum;
- (d) marketing and promoting the Fund;
- (e) underwriting arrangements in respect of the Fund;
- (f) any further actual or proposed purchase, sale or other dealing with Scheme Property (including investigating and making inquiries into property intended to be acquired for the Fund);
- (g) the insurance, custody, valuation, maintenance and improvement of Scheme Property;
- (h) any contract or proposed contract relating to the Fund;
- (i) the administration or management of the Fund and the Scheme Property (including financial institution fees and expenses associated with the use of computers for the Fund);
- (j) calling and holding Meetings, communicating with Unit Holders and implementing any resolution passed by Unit Holders;
- (k) appointing or engaging any agent (including the Manager), delegate, custodian, adviser or other person in relation to the Fund (including legal expenses on a full indemnity basis);
- (l) preparing and auditing tax returns and accounts of the Fund;
- (m) the retirement or removal of the Responsible Entity, Fund auditor or Compliance Plan auditor as well as the appointment of a new one;

- (n) any court proceedings, arbitration or other dispute concerning the Fund (including proceedings against the Responsible Entity);
- (o) the setting up and operation of any compliance committee (including any fees paid to, or insurance premiums in respect of, the compliance committee members);
- (p) preparing, implementing, amending and auditing of the Compliance Plan;
- (q) regulatory and legislative compliance in respect of the Fund (including complying with any request or requirement of ASIC);
- (r) terminating and winding up the Fund;
- (s) taxes imposed on the Fund or the Responsible Entity in relation to the Fund (but not taxes on the Responsible Entity's own income); and
- (t) any liability arising in respect of the Scheme Property (for example, calls on shares).

### 7.3.6 Responsible Entity Fee

The Responsible Entity Fee payable to the Responsible Entity is \$82,500 per annum, indexed annually from 30 June 2013 to the greater of 3% or CPI. Each Unit Holder pays a portion of this fee, calculated as the percentage of Units held by the Unit Holder against the total Units on issue. An example is given in the table at 7.4 below.

### 7.3.7 Management Services Fee

Lowell has agreed to pay the Manager a Management Services Fee, commencing at \$82,500 per annum, indexed annually from 30 June 2013 to the greater of 3% or CPI. Each Unit Holder pays a portion of this fee, calculated as the percentage of Units held by the Unit Holder against the total Units on issue. An example is given in the table at 7.4 below.

Lowell is entitled to be reimbursed for the Management Services Fee under the Constitution as explained in Section 7.3.5. The terms of the management agreement are detailed in Section 9.5.

### 7.3.8 Property Management Fee

Lowell has agreed to pay the Manager a Property Management Fee, commencing at \$55,000 per annum and indexed annually from 30 June 2013 to the greater of 3% or CPI. Each Unit Holder pays a portion of this fee, calculated as the percentage of Units held by the Unit Holder against the total units on issue. An example is given in the table at 7.4 below.

### 7.3.9 Registry Maintenance Fee

Lowell has agreed to pay the Manager a Registry Maintenance Fee, commencing at \$11,000 per annum, and indexed annually from 30 June 2013 to the greater of 3% or CPI. Each Unit Holder pays a portion of this fee, calculated as the percentage of Units held by the member against the total Units on issue. An example is given in the table at 7.4 below.

### 7.3.10 Deferred Management Fee

Lowell has agreed to pay the Manager a Deferred Management fee of \$137,500 to be indexed. This amount is paid in addition to other fees payable to the Manager. The Deferred Management Fee is paid to the Manager payable upon liquidation of the Fund.

Lowell is entitled to be reimbursed for the Deferred Management Fee under the Constitution as explained in Section 7.3.5.

### 7.3.11 Transactional and Operational Costs

Lowell has incurred the following one-off costs, which either have been paid or will be paid in future, using the funds borrowed under the Debt Facility and the funds received from the on-sale of Properties:

- (a) for the negotiation of the Asset Sale Agreement, obtaining Grower approval for the Land Transaction obtained over a number of Grower meetings, obtaining debt finance, totalling approximately \$900,000.
- (b) for the completion of the Land Transaction, transaction fees and adjustments, valuations, penalty interest, interest, facility fees and legal fees, including legal fees of the Lender's and Liquidator's advisers, totalling approximately \$700,000 (excluding tax and duty);
- (c) for the offer under the PDS dated 29 May 2012 and the Offer under the PDS, totalling approximately \$600,000; and
- (d) for the costs of sale of properties, before and following acquisition, adjustments, fees, commissions and facilitation, approximately \$200,000.

### 7.3.12 Redemption Provision

Unit Holders will have a right to request redemption of Units while the Fund is liquid. Under the Constitution, the RE may determine a redemption provision to allow for costs and disbursements, commissions, expenses, legal fees, brokerage, stamp duty, tax and other costs that may be

### 7.4. Example of Annual Fees & Costs

The worked examples in this section are illustrative only. This table gives an example of how fees and costs for this product can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

EXAMPLE		Contributions of \$50,000 made to the HVT Projects <sup>1</sup>
Contribution Fee	Nil	Not applicable
<b>PLUS</b> Management Costs	\$13. per Unit p.a.	<b>And</b> , for every \$50,000 initial investment in the HVT Projects entitles you to apply for 20 Land Scheme Units for which you will be charged <b>\$260</b> per year.
<b>EQUALS Cost of Fund</b>		If you had an investment of \$50,000 at the beginning of the HVT Projects and applied under this PDS for your maximum entitlement you would be charged fees of <b>\$260</b> .

#### Additional fees may apply:

Unit registration/transfer fee - \$55.

#### Notes:

- 1 We have based the example above on the annual fees and costs that a Grower who acquired Woodlots in the HVT Projects to the value of \$50,000 would incur in the Land Scheme. This equates to 2 Woodlots in the 2007 Project and 2 Woodlots in the 2008 Project. It also assumes that the Grower has paid all of the Additional Contributions relating to those Woodlots, and then applies for the maximum Units they are entitled to under this PDS (20 Woodlots).
- 2 The calculations are based on fees payable in the first year of the Fund's operation. The indexation of management costs will be first applied on amounts payable by 30 June 2014.

incurred or are expected to be incurred in connection with the realisation and conversion into cash of Scheme Property or the valuation and transfer of Scheme Property to satisfy a particular redemption request. The redemption provision will be applied to the amount that would otherwise be payable to a Unit Holder making a redemption request for the redemption of their units. This aims to ensure that other Unit Holders are not impacted by the transaction costs associated with the redemption of units from the Fund by a particular Unit Holder.

The redemption provision is an additional cost to you. However, it is not a fee paid to Lowell Capital and is retained in the Fund to cover the actual transaction costs incurred.

### 7.3.13 Indirect Cost Ratio (ICR)

The ICR is a measure of the ongoing fees and costs (**Management Costs**) you can expect to pay if you invest in the Fund.

The ICR includes investment management fees and other expenses, but excludes:

- (a) direct costs, that you would incur if you invested directly in the underlying asset (e.g. the property management fee); and
- (b) Fund transaction costs (such as the stamp duty on the purchase of any property investment) that would be incurred by someone investing directly in the underlying assets, as these expenses are built into the price of the asset purchased or sold and are, therefore, borne by the Fund.

The ICR (inclusive of GST and net of any applicable Reduced Input Tax Credits) for the Fund is expected to be 3.9%.

Costs for FY2013 are budgeted to be \$231,000.

Asset Valuation is estimated to be \$5,953,000.

### 7.3.14 Taxes

Tax information is set out in Section 8 of this PDS.

## 8. Taxation

The following is a summary of the Australian income tax implications of an investment in the Units and is based on the income tax law as at the date of this PDS. We recommend that you consult your own professional advisor as the summary contained in this section is necessarily general in nature. Each investor's taxation position will depend on their individual circumstances.

It should be noted that taxation laws can change at any time and such change may have adverse taxation consequences on the Unit Holders concerned. The taxation position for Unit Holders and the Fund are discussed separately below.

### 8.1. Taxation – The Fund and distributions

The Fund is likely to be taxed as a company because it is not expected to receive rental income until the trees on the Properties are harvested. This will ultimately impact upon returns to Unit Holders. The tax treatment of the Fund can change from year to year.

At commencement, the Fund is to be taxed as a company and therefore any distributions would be made on an after tax basis. Distributions paid by the Fund will be franked to an appropriate extent having regard to available franking credits. Lowell will provide Unit Holders with the appropriate documentation showing franking details. It is expected that this will be done annually, after each period ending 30 June, in respect of all distributions paid in the year ended on that 30 June.

While the Fund is taxed as a company, the precise manner of application of the franking provisions to the Fund depends on whether the Fund is treated as a "public company" or a "private company" under tax law. Lowell expects the Fund to be taxed as a "private company", and the information in this Section 8.1 has been prepared on that basis.

Lowell will inform Unit Holders if the taxation status of the Fund changes.

### 8.2. Taxation Implications of investing

The taxation information that follows is of necessity general in nature. The tax implications for Unit Holders may differ depending on their individual circumstances. In particular, the information may not apply to a Unit Holder who is regarded as a trader or who holds Units as part of a business activity. Accordingly, Unit Holders are advised to seek professional tax advice in relation to their own positions. This Section is not, and is not intended to be, taxation advice to any applicant for Units.

### 8.3. Australian resident Unit Holders

The information in this Section 8.3 assume that a Unit Holder is an Australian resident for tax purposes and is an individual or company which holds its investments in the Fund on capital account or it a complying superannuation fund. Where this Section refers to any amount being included in the cost base of a Unit for capital gains tax purposes, the amount so included should be

net of any reduced input tax credit which the Unit Holder received for that amount.

#### (a) Income Distribution

For Unit Holders who are individuals, complying superannuation funds, or companies, a distribution received will be included in assessable income. Where the distribution is partly or wholly franked, the amount received will be grossed up to reflect the level of franking. A tax offset equal to the gross-up will be available to offset the tax otherwise payable on the Unit Holder's taxable income. An individual or a complying superannuation fund will be entitled to a tax refund to the extent that the tax offsets exceed the total tax payable on its taxable income. A company will be able to convert any such excess into an equivalent grossed-up tax loss available for carry forward. A company will also obtain a franking credit in its franking account for an amount equal to the gross-up.

#### (b) Sale of Units

Where a Unit Holder sells Units, a capital gain or loss may arise for capital gains tax purposes. The gain or loss would be expected to be the difference between:

- (i) the sale price; and
- (ii) the Unit Holder's application monies (where the Units were issued to the Unit Holder, the Unit Holder's purchase price and purchase fee (where the Units were transferred to the Unit Holder by Lowell), or the Unit Holder's purchase price plus the transfer fee (where the Unit Holder purchased the Units from someone other than Lowell). Costs relevant to selling Units (being the transfer fee) may also be included.

Where relevant, individuals and complying superannuation funds may be eligible to have any gain discounted for capital gains tax purposes (by one-half and one-third respectively).

#### (c) Redemption of Units

If Units are redeemed they will be redeemed at Net Scheme Value. The redemption price of a Unit will be treated as disposal proceeds for capital gains tax purposes. Certain provisions in the tax law can, in appropriate cases, treat part of an amount received upon redemption as an unfranked dividend. Lowell does not expect those provisions to operate in relation to Units in the Fund.

A capital gain or loss may arise for capital gains tax purposes on a redemption of a Unit, expected to be calculated as the difference between:

- (i) the redemption price; and
- (ii) the sum of the redemption fee and the Unit Holder's application monies (where the Units were issued to the Unit Holder), the sum of the redemption fee and the Unit Holder's purchase price and purchase fee (where the Unit Holder

purchased the Units from Lowell), or the sum of the redemption fee and the Unit Holder's purchase price and transfer fee (where the Unit Holder purchased the Units from someone other than Lowell).

(d) Imputation benefits.

Unit Holders will be subject to the same rules as shareholders in companies in relation to qualifying for the franking benefits described above.

#### 8.4. Non-resident Unit Holders

Unit Holders who are not residents of Australia for tax purposes will be liable to Australian dividend withholding tax on any part of their distribution which is neither fully franked nor paid out of the Fund's foreign dividend account. The rate of tax is

15% in the case of the residents of most countries with which Australia has double taxation agreement and 30% in the case of residents of countries with which Australia does not have any such agreement.

#### 8.5. Goods and Services Tax (GST)

GST will generally be incurred on each of the fees and charges that apply to the Fund. GST for which the Fund is liable in respect of any matters arising under the Constitution including the performance of any obligations, will be deducted from the assets of the Fund. In specified circumstances, the Fund may receive a credit from the Australian Taxation Office of 75% of the GST amount paid. Any of these payments and credits will be reflected in the unit price of the Fund.

## 9. Material Documents

### 9.1. Summary

The following is a summary of material documents relating to the Fund. This summary is not exhaustive and you should refer to (and the following is subject to) the Constitution, Corporations Act, and the general law for further information about the rights attaching to Units.

The actual terms of the relevant document will prevail over this summary if there is any inconsistency. The summaries are not exhaustive, as many of the documents are lengthy and complex in nature.

CONTRACT	PARTIES	PURPOSE	SECTION
<b>Fund Establishment</b>			
Constitution	Lowell and the Unit Holders	Sets out rights and obligations of the relevant trustee (Lowell) and beneficiaries (Unit Holders)	Section 9.2
Compliance Plan	Lowell	Sets out the compliance arrangements and measures of Lowell in line with s601HA of the Act.	Section 9.3
<b>Property Management</b>			
Leases	The Custodian and the Lessor	Sets out the agreement by the Lessor granting the Lessee a lease over the Core Plantation Properties for the purpose of planting, tending and harvesting a high value timber plantation for commercial wood production.	Section 9.4
Management Agreement	Lowell and the Manager	Sets out the management services that the Manager will provide to Lowell.	Section 9.5
Custody Agreement	The Custodian and Lowell	Sets out that the Custodian will hold the assets of the Fund on trust for Lowell.	Section 9.6

### 9.2. The Constitution

The Fund is governed by a Constitution dated 8 November 2011, as amended. The Fund is governed by the Constitution and the Corporations Act. The Constitution and any amendments to it have been lodged with ASIC. The Constitution contains provisions relating to:

- the rights and obligations of Unit Holders and of Lowell acting as the Responsible Entity;
- the commencement of the Fund;
- the offer of Units;
- the rights and obligations attaching to Units (more information about contribution payments and forfeiture is set out in section 9.2.1 below);
- the method for calculating the issue price and withdrawal price;
- the fees and expenses that Lowell is entitled to recover from the Fund (more information on the fees is set out in section 7);
- Lowell's rights to invest, borrow and grant security over the Fund's assets;
- the voting rights of Unit Holders;
- distributions of income and capital;

- the transfer and valuation of Units;
- complaints handling procedures; and
- the liability of Unit Holders (which is limited to the Issue Price of Units held by the Unit Holder, plus contribution payments in respect of those Units, unless Lowell incurs a liability for tax as a result of the Unit Holder's action or inaction).

### 9.2.1 Contributions and forfeiture

Lowell can make a call on members to contribute cash to the Fund and each member must pay the contribution. Where the contributions remain unpaid by the required date, interest accrues. If all or part of a contribution is not paid by the required date, Lowell may apply any amount payable to the member to pay amounts unpaid under the contribution. Units may be forfeited where a member does not comply with a forfeiture notice. Lowell may sell the forfeited unit. A member whose units have been forfeited ceases to be a member of the Fund, however the member remains liable for satisfying the call, all costs and interest. If Lowell has appointed an underwriter to underwrite the payment of contributions and the underwriter has purchased forfeited units for an amount equal to the contributions and the unit value on the day of the purchase is less than the contributions and Lowell is liable to the underwriter, then the former member whose units have been forfeited may be sued for the difference between the contributions and unit value, interests and all costs and expenses.

### 9.2.2 Limitation on Responsible Entity's liability

Without limiting its liability under the Corporations Act, if Lowell acts in good faith and without negligence, it is not liable in contract, tort or otherwise to Unit Holders for any loss or damage suffered in any way relating to the Fund.

### 9.2.3 Indemnities

Lowell is to be indemnified out of Fund property for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Fund.

### 9.2.4 Termination of the Fund

On termination of the Fund, Lowell must wind up the Fund in accordance with the procedure set out in the Constitution or any court orders under the Corporations Act. To wind up the Fund, Lowell must liquidate the Fund property and pay expenses of winding up, pay all other fees, expenses and liabilities of the Fund, pay any preferential payments to Unit Holders in accordance with class rights and, subject to class rights, distribute the balance to Unit Holders in proportion to the number of fully paid units held by them.

A copy of the Constitution and the compliance plan relating to the Fund, have been lodged with ASIC and may be viewed or a copy obtained from any ASIC office. A copy is also available from Lowell Capital Limited, 8 Chapel Street, Richmond, VIC

3121 or by writing to Lowell Capital Limited at 8 Chapel Street, Richmond, VIC 3121, or by telephoning the Manager on 03 9982 4486 during normal business hours.

## 9.3. Compliance plan

A compliance plan has been approved by the Board for the Fund which sets out operating procedures under the Constitution and Corporations Act and the process by which the compliance committee oversees the Fund's compliance.

A copy of the Fund's compliance plan has been lodged with ASIC and may be viewed or a copy obtained from any ASIC office. A copy is also available by contacting Lowell during normal business hours on any of the contact details set out in the Corporate Directory of this PDS.

Important features of the compliance plan include:

### 9.3.1 Compliance program

The Board is directly responsible for compliance matters. As a committee of the Board, the compliance committee assists the Board with the compliance function. The compliance plan sets out the structure of the compliance framework including any functions which Lowell outsources. The compliance plan sets out the duties and responsibilities of Lowell as Responsible Entity, the Compliance Manager and the compliance plan auditor.

### 9.3.2 Role of Compliance Committee

The Compliance Committee's role is to ensure compliance with the Fund's Constitution and compliance plan. The Compliance Committee consists of at least three members, being a minimum of two external members, one of whom will be the Chairperson, and may include an Executive Director of the Responsible Entity. The Board has adopted terms of reference for the Compliance Committee and each member of the Compliance Committee has entered into a service agreement with Lowell as Responsible Entity. The Compliance Committee meets at least four times each calendar year, unless agreed otherwise, and will report to the Board on compliance matters.

### 9.3.3 Compliance plan requirements

The compliance plan sets out a table of requirements including the source for compliance, the compliance measure, the responsible person for monitoring compliance and the frequency. The compliance requirements encompass:

- General requirements;
- Compliance plan audit requirements;
- Product distribution;
- Investment management;
- Trust operations and client services;
- Accounting and finance;
- Scheme assets;

- (h) Appointment and monitoring of custodian;
- (i) The Constitution;
- (j) AFSL including breaches;
- (k) Compliance committee;
- (l) External service providers;
- (m) Education and training;
- (n) Complaints handling;
- (o) Record keeping;
- (p) Risk management;

#### 9.4. Leases

##### Properties

The Properties are currently subject to lease agreements between the Custodian in its capacity as the custodian for Lowell (**Lessor**) and Lowell Capital Limited ACN 006 844 588 in its capacity as responsible entity for the relevant HVT Project (**Lessee**).

In order to ensure the mortgagee's security has priority on the register, the following steps were implemented as part of the arrangements with the lender in relation to the Debt Facility:

1. The Custodian terminated and the responsible entity of the HVT Projects agreed to surrender the Head Leases.
2. The Custodian granted a mortgage to the Lender to be registered on unencumbered title with a first ranking priority over the Head Leases;
3. The Custodian granted new Head Leases to the responsible entity of the HVT Projects as Lessee registered in favour of the HVT Projects that will terminate and have no force and effect if the Lender gives notice of an event of default under the Debt Facility which entitles the mortgagee to lawfully exercise a power of sale.

The operative provisions of each lease over the subject land are identical, save that:

- (a) the particulars and commercial terms are different for each lease;
- (b) the rent payable under each lease varies across the leases between:
  - (i) the amount equal to 2.5% of the net proceeds of harvest paid to the Lessee by a grower pursuant to a forest right agreement or sublease (as the case may be) relating to the subject land, payable on receipt of that fee from the grower; or
  - (ii) a combination of (i) and the amount of \$180 per hectare of the plantable area payable on the commencement date of each lease;

- (c) under the leases affecting land situated in Queensland and Northern Territory, the Lessee grants certain rights over the subject land to Growers pursuant to the Project by means of a forest rights agreement; and

There are encumbrances affecting the titles to the Properties. Some of the Properties are encumbered by:

- (a) a road licence, which restricts the relevant Property from being transferred other than together with the road licence; and
- (b) a statutory charge in favour of the Commissioner of State Revenue under section 60 of the *Land Tax Act 2010 (QLD)*, for the payment of land tax.

New leases have been prepared for the Properties purchased under the Land Transaction which will be held by the Custodian and are currently in registrable form.

The material terms between the Custodian and the Lessee are set out below. For the purposes of the summary, reference is made to one lease, as if referring to all leases:

- (a) the Lessor grants the Lessee a lease over the whole of the land for the purpose of planting, tending and harvesting a high value timber plantation for commercial wood production (**Harvesting**);
- (b) the term of the lease is 17 years (**Term**);
- (c) there is no option for the Lessee to renew the lease after expiration of the Term;
- (d) the Lessee will at all times during the Term:
  - (i) pay rent to the Lessor in the manner and amounts specified in the lease;
  - (ii) establish, tend and manage the plantation crop in a proper and skilful manner and in accordance with sound silvicultural and environmental practices adopted within the forestry industry;
  - (iii) comply with and obey all applicable legislation in respect of the use and occupation of the subject land;
  - (iv) Lessor;
- (e) Under the lease, the Lessor will:
  - (i) subject to its own right under the Leases to enter upon the Subject land for the purpose of carrying out its duties and obligations under the Leases, permit the Lessee to peaceably and quietly hold and enjoy the use of the subject land during the Term;
  - (ii) duly and punctually pay all rates, taxes and other charges levied on the Lessor in respect of the subject land;
  - (iii) if the Lender issues a notice to the Borrower of an Event of Default under the Facility Agreement, do all things

- necessary or required of it by the mortgagee to terminate the Lease.
- (f) Under the lease, the Lessor and Lessee mutually agree that, at any time during the Term:
- (i) neither will do or permit anything to be done on the subject land that may prejudice or render void or voidable, any insurances in respect of the subject land;
  - (ii) unless the lease is terminated in accordance with the provisions of the lease, the Lessee will not be required to remove any stumps from the subject land or remove any roads or tracks constructed in accordance with the provisions of the lease (or pay the costs associated with doing so);
  - (iii) the plantation crop is and will remain the property of the Lessee until the expiry or termination of the lease, and the Lessor is legally entitled to such trees, wood (from the plantation crop) or other vegetation not harvested and to all plant, equipment, implements and other things brought onto the subject land by the Lessee and not removed within 3 months after the expiry or termination of the lease;
  - (iv) either party to the lease may assign its rights under the lease provided that the transferring party complies with the procedure set out in the lease;
  - (v) the Lessee may sublease, grant licences or other interests over the subject land without the prior consent of the Lessor provided the grant of a right or interest over the subject land does not relieve the Lessee of any of its obligations under the lease;
- (g) Where the plantation crop is damaged (by any cause) or the Lessee, in its reasonable opinion, determines that it is no longer commercially viable to continue to operate all or any portion of the plantation crop, the Lessee is entitled to terminate the lease or partially surrender the lease over that part of the land on which the plantation crop has been damaged or the Lessee determines is no longer commercially viable, provided the Lessee first complies with the procedure set out in the lease;
- (h) If the lease is terminated or partially surrendered over the non-viable portion of the subject land, the Lessee must (if directed by the Lessor),
- (i) in the case of termination of the lease:
    - (A) harvest and remove all stumps, wood and debris from the subject land; and
    - (B) re-seed the subject land to pasture; or
  - (ii) in the case of partial surrender of the lease:
    - (A) harvest and remove all stumps, wood and debris from the subject land;
    - (B) fence the non-viable portion off from the remaining land;
    - (C) re-seed the non-viable portion to pasture; and
    - (D) if the Lessor does not have direct access to the non-viable portion other than through the remaining leased land, provide the Lessor with access to the non-viable portion of the land.
- (i) Despite any other provision of the lease, the Lessee may terminate the lease on completion of Harvesting, or within 1 month of notifying the Lessor in writing (whichever is the later).
- (j) The rights of the Lessor and Lessee under the lease are subject to any mining tenement or petroleum tenement granted over all or part of the subject land at any time during the Term.
- (k) The parties acknowledge that:
- (i) the Lessor has granted a mortgage to the Mortgagee which ranks in priority to this lease (Mortgage); and
  - (ii) this lease terminates automatically on the issue by the mortgagee of a notice of an Event of Default under the under the Debt Facility which entitles the mortgagee to lawfully exercise a power of sale under the Mortgage or the Debt Facility and the mortgagee is entitled to sell the land free of the lease.
- (l) Where, under the lease, the doing or executing of any act, matter or thing by the lessee depends on the consent or approval of the Lessor, then:
- (i) the Lessee must also obtain the consent or approval of the Lessor's mortgagee;
  - (ii) the consent or approval of the Lessor will not be deemed to be unreasonably withheld if the consent or approval of the Lessor's mortgagee is not given; and
  - (iii) the Lessee must pay the Lessor any fees payable by the Lessor under the mortgage in connection with obtaining the relevant consent or approval of the Lessor's mortgagee.

#### 9.5. Management Agreement

Lowell has appointed the Manager to provide management services in relation to the Fund on the

terms and conditions in the Management Agreement.

#### **9.5.1 Services**

The Manager must provide funds management, property management, registry services and other services to Lowell in relation to the Fund. Key services include assisting Lowell in relation to:

- (a) investment and asset management;
- (b) investor management
- (c) registry maintenance
- (d) capital management;
- (e) treasury, accounting, audit and ongoing disclosure;
- (f) supervising Lowell and AMAT's compliance with the Lessee's obligations;
- (g) procuring property valuations on Lowell's behalf and recommending acquisitions and disposal of Properties;
- (h) other services as agreed between the parties from time to time.

Lowell remains responsible to Unit Holders for the provision of all services performed by the Manager.

#### **9.5.2 Management fees and expenses**

Lowell must pay the Manager the fees and also meet the expenses incurred on its behalf in connection with the services under the Management Agreement, which include acquisition, disposal, valuation, insurance, custody, project management, leasing and any other dealing with assets. The Manager's fees are disclosed in Section 7.

Lowell must pay the Manager:

- (a) the Funds Management Services Fee on a monthly in arrears basis, within 14 days of being invoiced;
- (b) the Property Management Fee on a monthly in arrears basis, within 14 days of being invoiced;
- (c) the Registry Services Fee on a monthly in arrears basis, within 14 days of being invoiced;
- (d) the Deferred Fee upon termination of the Fund in accordance with the Constitution; and
- (e) any Additional Services Fee for any other services as agreed between Lowell and the Manager from time to time.

These fees and costs are an expense of the Fund and Lowell will pay them from the Fund.

#### **9.5.3 Reporting**

The Manager must provide Lowell with all information necessary to allow it to satisfy its obligations to Unit Holders.

The Manager will report to Lowell as soon as practicable with any information that would be expected to have a material adverse effect on the value of any of the Fund's assets at any time.

#### **9.5.4 Term**

The term of the Management Agreement is four years, and will automatically be renewed for further terms of four years unless either party terminates the Management Agreement earlier in accordance with the terms of the Management Agreement, or the Fund terminates. Lowell may terminate the Manager's appointment if:

- (a) there is an insolvency event in respect of the Manager;
- (b) the Manager is in material default of its obligations under the Management Agreement and has not remedied the default upon notice; or
- (c) the Manager acts fraudulently in performing its duties under the Management Agreement;
- (d) Lowell gives notice to the Manager at least 12 months before the end of a relevant term (being four years).
- (e) The characteristics of the Fund change materially and the parties agree to end the Agreement

#### **9.5.5 Liability of the Manager**

Neither the Manager nor any of its directors, officers, employees or agents is responsible to Lowell for the financial performance of an asset or for acting or refraining from acting in accordance with Lowell's instructions, except to the extent that it is negligent or fraudulent or engages in wilful misconduct.

#### **9.5.6 Exclusivity**

The Manager will be free to manage other assets during the term of the Management Agreement and provide similar services to other parties.

#### **9.6. Custody Agreement**

The Trust Company (Australia) Limited ACN 000 000 993 has been appointed as an independent custodian to hold all the assets of the Fund on behalf of Unit Holders. The responsibilities of the Custodian include entering:

- (a) into Contracts or effecting transactions in relation to the Assets of the Fund, on the responsible entity's behalf;
- (b) hold Assets of the Fund on the responsible entity's behalf;
- (c) open and maintain bank accounts to hold moneys of the Fund, including:
  - (i) Cash;
  - (ii) application moneys; and
  - (iii) rent and other income of the Fund;

- (d) provide Security Interests in respect of the Assets of the Fund;
- (e) Lowell retains the discretion to appoint or replace the Custodian from time to time.

## 10. Additional Information

Real Management Services Pty Ltd has consented to being named in this PDS in the form and context in which it is named, and has not withdrawn its consent before the date of this PDS. Real Management Services Pty Ltd has not authorised or caused the issue of this PDS and takes no responsibility for any part of this PDS other than references to its name.

The Trust Company (Australia) Limited has consented to being named in this PDS in the form and context in which it is named, and has not withdrawn its consent before the date of this PDS. The Trust Company (Australia) Limited has not authorised or caused the issue of this PDS and takes no responsibility for any part of this PDS other than references to its name. The Trust Company (Australia) Limited does not make any representations as to the trust or accuracy of the contents of this PDS other than references to its name. The Trust Company (Australia) Limited does not make any representation regarding, or accept any responsibility for, any statements or omissions in or from any other part of this PDS. The Trust Company (Australia) Limited does not make any representation as to the performance of the Units, the maintenance of capital or any particular rate of return.

### 10.1. Disclosure of directors' interests

Lowell has established procedures to ensure that any conflict of interest in respect of the directors is disclosed and appropriately dealt with. Any changes to a director's interests is disclosed at the next available Board meeting and reviewed by all Board members against the conflicts of interest policy to ensure that conflicts are appropriately managed and, if necessary, avoided.

Michael Ramsden, a director of Lowell, has interests in:

- Terrain Capital Limited. Terrain will receive \$300,000 for providing advisory services to Lowell in relation to:
  - establishment of the Fund;
  - acquisition of the Properties;
  - obtaining debt finance;
  - instruction of legal advisors;
  - negotiations with growers;
  - preparation of explanatory correspondence, including this PDS; and
  - the capital raising activities of the Fund.

Within the last six months, Michael Ramsden was previously a director of:

- AMA Teak Pty Ltd. AMA Teak Pty Ltd is the forestry manager of the HVT Projects. Its performance in this role may impact upon rent payable to the Fund.

### 10.2. Related party transactions

As at the date of this PDS, all Properties purchased by the Fund are leased to Lowell as the Responsible Entity of the HVT Projects.

As such it is possible that from time to time conflicts of interests may arise between the interests of the Fund and those of the Lessee.

The objective of the Fund is to purchase Properties on which the plantations of the HVT Projects are being grown. This means that Lowell may transact with related parties including:

- acquiring or disposing of interests in the Fund by another scheme operated by Lowell, by Lowell in its capacity as RE or by related parties of Lowell;
- leasing or disposing of Properties to related parties;
- paying some of the net sale proceeds (after debt, costs and expenses) to the HVT Projects to account for the value of trees on the Properties sold to reflect the value of trees foregone under any sale; and
- other transactions,

in addition to those disclosed elsewhere in this PDS.

Lowell has Eligible Interests in the HVT Projects and may apply for Units in the Fund proportionate to their Eligible Interests.

In all cases where the Fund transacts with a related entity, it will either conduct the transaction on commercial terms and at arm's length, that is, on terms and conditions no more favourable than would apply if the other party were not a related party of Lowell, or the Manager will obtain the prior approval of Unit Holders. In general terms, "arm's length" terms and conditions will be determined in accordance with ASIC Regulatory Guide 76 *Related Party Transactions*.

### 10.3. Ongoing Disclosure

If there are more than 100 Unit Holders in the Fund, the Fund will be a disclosing entity under the Corporations Act and as such the Fund will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC may be viewed on Lowell's website [www.lowellcapital.com.au](http://www.lowellcapital.com.au), obtained from or inspected at an ASIC office, or obtained from Lowell free of charge upon request.

You can request from Lowell, in writing, a copy of the Fund's:

- (a) annual financial report most recently lodged with ASIC. As at the date of this PDS no annual financial report had been lodged with ASIC;
- (b) any half-year financial reports lodged with ASIC by the scheme after the lodgement of that annual financial report and before the date of this PDS; or
- (c) any continuous disclosure notices given by the Fund after the lodgement of that annual report and before the date of this PDS.

Throughout the life of the Fund, Lowell will maintain a register of Unit Holders at its office. The register may be inspected in accordance with the Corporations Act.

#### **10.4. Supplementary PDS**

A Supplementary PDS will be issued if Lowell becomes aware of any of the following matters between the issue of this PDS and the date the Units are issued:

- (a) a material statement in this PDS is misleading or deceptive;
- (b) there is a material omission from this PDS;
- (c) there has been a significant change affecting a matter included in this PDS; or
- (d) a significant new circumstance has arisen and it would have been required to be included in the PDS.

#### **10.5. Labour standards, and environmental, social or ethical considerations**

In view of the nature of investment in agribusiness properties, Lowell will not take into account labor standards, or social or ethical considerations in selecting, retaining or realizing investments for the Fund. Environmental issues will be taken into

account as part of normal property due diligence. As Responsible Entity, Lowell will act in the best interests of Unit Holders and will at all times seek to deal with Unit Holders and all persons associated with the Fund in a fair and ethical manner.

Lowell appreciates that native vegetation is a valuable asset, and generally aims to retain this vegetation and existing community plantings in order to promote biodiversity and provide wildlife corridors.

#### **10.6. Privacy**

The information requested in the accompanying Application Form is used by Lowell for the primary purpose of establishing and administering your investment in the Fund.

You may request access to the information held by Lowell about you and your investment. It is your responsibility to advise Lowell of any changes to such information you have provided.

From time to time, Lowell may disclose your information (or parts thereof) to external parties who act on Lowell's behalf in the operation of its business. Lowell may also disclose your information to external parties on your behalf, such as your financial adviser, unless you have instructed otherwise.

Lowell and its related bodies corporate may use your information on occasion to advise you about other services or products offered by Lowell or its related bodies corporate, but you may elect to stop receiving such information at any time.

Please contact Lowell (via the Manager) on 03 9982 4486, if you wish to update or request access to your information or if you have any queries regarding our Privacy Policy.

## 11. Glossary

The following terms are used in this PDS:

Additional Contributions	Means the Additional Contributions payable over the Five Year Period by each Grower in the HVT Projects in relation to Woodlots.
AFSL	Australian financial services licence.
AMAT	AMA Teak Pty Ltd ACN 141 122 652.
Applicant	A person who applies to subscribe for Units Offered under this PDS.
Application Form	Application form accompanying this PDS.
ASIC	Australian Securities and Investments Commission.
Asset Sale Agreement	The agreement between GSHVTPL, GSMAL, the Liquidators and Lowell dated 7 October 2011 in relation to the Land Transaction, as amended.
ATO	Australian Taxation Office.
Board	The board of directors of Lowell.
Closing Date	10 September 2012 or such date as Lowell determines.
Compliance Manager	The person nominated from time to time by Lowell to fulfil this role.
Constitution	The constitution of Lowell Capital Limited – HVT Land Scheme ARSN 154 154 033.
Contribution Payment	The annual contribution payment payable by Unit Holders of the Fund.
Corporations Act	Corporations Act 2001 (Cth).
CPI	The annual Consumer Price Index All Groups Weighted Average for the Eight Capital Cities last published by the Australian Bureau of Statistics before 30 June in every year, commencing in 2013.
Custodian	The Trust Company (Australia) Limited ACN 000 000 993.
Due Date	31 August 2012, the last date Lowell will accept Additional Contributions in relation to Woodlots in the HVT Projects for 2010, 2011 and 2012.
Debt Facility	The debt facility with the Lender used by the Fund for the Land Transaction.
Eligible Interest	Includes Eligible Woodlots and Increased Interests.
Eligible Woodlot	A Woodlot originally issued to a Grower in relation to which all Additional Contributions for which the Grower has been invoiced in 2010, 2011 and 2012 have been paid.
Five Year Period	The first five years after Lowell becomes Responsible Entity of the HVT Projects during which the Responsible Entity will issue invoices for Additional Contributions.
FOS	Financial Ombudsman Service.
Fund	Lowell Capital Limited – HVT Land Scheme ARSN 154 154 033.
Grower	A member of the HVT Projects.
GSHVTPL	Great Southern HVT Holdings Pty Ltd (In liquidation) ACN 123 433 778.
GSMAL	Great Southern Managers Australia Limited (receivers and managers appointed)(In liquidation) ACN 083 825 405.
GST	Goods and services tax.
HVT Projects	Great Southern 2007 High Value Timber Project ARSN 123 528 950 and Great Southern 2008 High Value Timber Project ARSN 123 529 233, and HVT Project means one of these, as applicable.
Increased Interest	Interests relating to Increased Contributions or interests issued by Lowell equivalent to a Non-Contribution Additional Fee (the fee paid by a Grower who has forfeited their entitlement by failing to pay Additional Contributions).
Initial Contribution Payment	The Contribution Payment for the initial period of the Fund commencing July 2012

	and ending September 2013.
Issue Date	28 September 2012.
Issue Price	\$2 per Unit.
ITAA	Income Tax Assessment Act of 1936 and 1997 (Cth).
Land Transaction	The acquisition of properties and the purchase and on-sale of certain properties described in Sections 2.1 and 3.2.
Lender	Balanced Securities Limited ACN 083 514 685.
Lessee	Lowell Capital Limited as responsible entity for the HVT Projects.
Lessor	The Custodian.
Liquidators	Martin Bruce Jones, Andrew John Saker, Darren Gordon Weaver and James Henry Stewart of Ferrier Hodgson, in their capacity as liquidators of GSHVTPL and GSMAL.
Lowell	Lowell Capital Limited ACN 006 844 588 in its capacity as Responsible Entity for the Fund, unless otherwise specified.
Management Agreement	The agreement under which the Manager is to provide the management services described in Sections 5.6 and 9.5.
Manager	Real Management Services Pty Ltd ACN 121 786 712.
Minimum Subscription	The minimum subscription that must be reached before Lowell will issue Units in the Fund.
Non-Contribution Additional Fee	Non-Contribution Additional Fee paid by a Grower for any Woodlot in respect of which the Grower does not pay the Additional Contribution in any year of the Five Year Period.
Net Proceeds of Sale	Has the meaning given in the constitution of the HVT Projects.
Net Scheme Value	Has the meaning given in the Constitution.
Offer	The offer of Units under this PDS.
Offer Period	The period from the Offer Opening Date until the Offer Closing Date.
Offer Proceeds	Funds raised under the Offer.
On-Sold Properties	Properties acquired by the Fund as a result of the Land Transaction and on-sold concurrently with the completion of the Land Transaction on 12 July 2012.
Opening Date	10 August 2012.
Option Assets	College Farm as described in Section 3.2.
PDS	This product disclosure statement.
Plantation Produce	The Value of the trees grown on the Properties.
Properties	The properties owned by the Fund from time to time. The properties owned at the date of this PDS are listed at Section 2.
Manager	Real Management Services Pty Ltd ACN 121 786 712.
Receivers and Managers	James Gerard Thackray, Colin McIntosh Nicol, Anthony Gregory McGrath, Shaun Robert Fraser and Murray Campbell Smith of McGrath Nicol, in their capacity as receivers and managers of GSMAL.
Responsible Entity	The responsible entity of the Fund.
Responsible Entity Fee	The fee payable to the Responsible Entity for the provision of responsible entity services.
Unit	Units in the Fund.
Unit Holder	Any person who is registered as holding a Unit in the Fund.
Woodlot	Any woodlot issued under the relevant HVT Project.
You or Unit Holder	A person (or in the case of joint Applicants, those persons) who subscribe(s) for

	Units pursuant to an application under this PDS and who remain(s) the registered holder for the time being of any relevant Units; and the expression all Unit Holders means all persons who have so subscribed for Units under this PDS or previously, or have had Units transferred or transmitted to them, and remain the registered holders for the time being of any relevant Units.
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