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# LOWELL CAPITAL LIMITED

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## High Value Timbers Schemes Grower Meeting Update - November 15 2011

Dear Grower,

We refer to the Notice of Meeting and Explanatory Memorandum mailed to you on 22 October, which advised you of a forthcoming meeting of Growers set down for Friday 18 November. Lowell Capital Limited (Lowell) as Responsible Entity for the Great Southern High Value Timber 2007 & 2008 Schemes has called a meeting of your Scheme(s) to seek approval on matters vital to Grower' interests and the continuation of the Schemes.

Lowell has negotiated an Agreement with the Liquidator to purchase the viable Plantation Properties on behalf of Growers for \$2.34m - a recent market assessment of these properties places an unencumbered value of \$13 million on them in today's market. A positive vote for the Resolutions proposed by Lowell will enable the Scheme Land to be secured for Growers and provide eligible growers the opportunity to participate in the expected capital gains at the conclusion of the Schemes.

It is vitally important that as many Growers as possible attend the meeting and vote or lodge their proxy vote, as requested.

### Frequently Asked Questions

#### 1. What Land is being purchased by Lowell, what land is being terminated by the Liquidator?

The land selected for purchase and termination has been assessed by an independent forester and his report was included in the Meeting Booklet recently sent to you. The booklet and report can be accessed on our website. The areas to be kept and surrendered by Scheme are listed below.

	2007	2008
Net plantable area of Plantation Properties	52.7%	85.4%
Net plantable area of Option Properties	19.5%	9.9%
Net plantable area terminated	27.8%	4.7%

#### 2. What happens if Resolution 1 is approved?

- 2.1 Lowell will enter into the Nomination Deed (refer to the Meeting Booklet Glossary for details) and nominate a Registered MIS Scheme, The Lowell Capital – HVT Land Scheme, as the buyer of the properties.
- 2.2 Lowell will enter into the Deed of Acknowledgement (refer to the Meeting Booklet Glossary for definition) which will have a series of effects including allowing the Liquidator to terminate the leases on the unviable plantation land without objection from growers (refer Pages 6 -10 of the Meeting Booklet for details).
- 2.2 Lowell Capital HVT Land Scheme intends to issue a Product Disclosure Statement (PDS) detailing a preferential offer to Growers to participate in ownership of the Land by investing in the HVT Land Scheme. The PDS will contain the terms of the offer, details about the land to be purchased including an assessment of market value, details about the management of the land, risks and costs associated with the asset purchase, risk associated with investing in the HVT Land Scheme, and the ongoing management of the HVT Land Scheme.
- 2.3 If Lowell does not raise sufficient funds from Growers to purchase the core properties and meet costs, it may accept further applications from the general public.

2.4 Lowell plans, if necessary, to take up a short-term finance facility to fund the balance of the purchase price of the viable Plantation Properties and to purchase the Option Properties. If sufficient funds are available to purchase all properties, then the Option Properties will be on-sold and the proceeds used to reduce debt and fund ongoing operating costs of the Land Scheme.

2.5 It is Lowell's intention that the Plantation Properties be leased to the 2007 and 2008 Schemes until the trees are harvested and then sold, with net proceeds distributed to members of the HVT Land Scheme.

**3. What happens if Resolution 1 is not passed by both Schemes, or at least one of the meetings is adjourned?**

The Liquidator can terminate the agreement if Resolution 1 is not passed by Growers of both Schemes **at the meetings on Friday 18 November 2011**. This means that if Resolution 1 fails or if either of the meetings are adjourned, the Conditions Precedent of the Land Transaction will not be met and the Liquidator is likely to terminate the Agreement and sell ALL the Scheme Land. In the event of such an occurrence there is a high probability that Lowell would be forced to wind up the Schemes.

**4. What happens if Resolution 2 is passed?**

If Resolution 2 is approved Lowell will amend the Constitutions of the 2007 and 2008 GSHVT Schemes to allow it to recover costs and fees pertaining to the Land Transaction and other aspects of the administration of the Schemes from Scheme funds.

**5. What happens if Resolution 2 is not passed?**

Lowell will not amend the Constitutions as planned, however if Lowell cannot recover its legitimate costs incurred as RE of the Schemes this may affect the long term viability of Lowell and its ability to manage the Schemes appropriately.

**Response to HVT Grower's Pty Ltd**

Lowell Directors are aware of a recent communication sent to Growers on behalf of a company called HVT Growers Pty Ltd (**the Company**) (Grower Update # 11 November 12 2011). This organization, although named HVT Growers, is not a Grower, has no formal standing in the Schemes and is in fact owned and directed by three individual growers with interests in the Schemes. The Company has made a number of erroneous and inaccurate claims and statements to Growers in relation to the upcoming Meeting. Growers should carefully examine the Meeting Booklet and Lowell's responses to these claims and statements, as set out below.

**Lowell is gravely concerned that Growers may be misled by the Company's statements and consequently suffer considerable losses. Lowell will write to the Company and request they correct their statements.**

The following information seeks to correct and clarify statements made by the Company.

***Effect of Lowell Proposal on M+K class actions on loans***

Some Growers may be members of class actions being run by the law firm Macpherson & Kelley Lawyers (M+K) in relation to Grower loans. M+K recently advised their clients about the effect that releases to be given under the Lowell Proposal. They advised that "based on . . . the Meeting Booklet . . . the claim against GSMAL for misleading and deceptive in relation to the PDS issued would need to be withdrawn."

While M+K's view may be consistent with the general description in the booklet, M+K is incorrect. The releases only relate to the Leases, the Land and any assets on them (excluding the plantation crop). The releases do not relate to the PDS.

Lowell has contacted M+K and has requested they clarify their advice to their clients.

***Access to the Asset Sale Agreement***

The suite of documents setting out the Agreement with the Liquidators amount to over 100 pages of legal documentation and are governed by strict confidentiality clauses. The key terms of the Agreement are set out in detail in the Meeting Booklets. In response to a request by Grower directors of the Company, Lowell sought permission from the Liquidators and offered to provide a copy to those Growers and a law firm that represents them to enable a review to be completed and the results communicated to all growers in preparation for the

meeting. The offer was consistently refused and yet these Growers now use a claimed lack of access to the documents as a reason **NOT** to agree to a very good deal for Growers.

If another Grower wishes to access these documents, they should contact Lowell.

### ***Eligibility to Participate in the Land Scheme***

Lowell proposes to restrict participation in the Land Scheme to those Growers who are currently fully paid financial growers with no outstanding Grower Contributions for 2010 or 2011, which the RE considers is appropriate as the continuation of the Schemes are dependent on Grower contributions. The Directors of the Company all subscribed to take up considerable additional units in the schemes, forfeited by non continuing growers. None of them are currently classed as Qualifying Growers due to having outstanding Grower Contributions.

### ***Conflicts of Interest***

Lowell acknowledges that its proposal to become RE of the new Land Scheme may give rise to conflicts. It has implemented arrangements to identify, disclose and manage any conflicts that may arise. Lowell will resign as RE of the Land Scheme if it becomes aware of any actual conflicts which cannot be adequately managed.

### ***Lowell's fee for securing the release of the Receivers' Lien***

The Company's Grower Update overstated Lowell's existing fees. In any event, Lowell has negotiated the release of \$1,000,000 of future liabilities for Growers over the Schemes. Lowell has also taken considerable financial risks in pursuing the course of action it believes to be of maximum benefit to all Growers.

### ***Is it possible to obtain an adjournment and negotiate with Lowell or the Liquidators?***

No. If the meetings are adjourned, Lowell will be in breach of the Agreement.

The Liquidators have recently advised that they have reserved their rights, if this occurs, to terminate the agreement and terminate the leases.

### ***Can the Company deliver an alternative proposal?***

Lowell has made numerous attempts to make regular meetings with representative growers, including the Directors of the Company, whilst maintaining their obligations to act fairly to **ALL GROWERS**.

Lowell has consistently requested that Grower representatives put forward an alternative plan to enable Growers to fund the purchase of the Plantation Land and the Option Land (over \$9.0m including costs) as well as provide an alternative Registered Scheme and Responsible Entity to enable compliance with Corporations Law.

Lowell has not received any credible alternative proposal from the Company or any other grower interest group.

Only Lowell, as RE of the Schemes:

1. has the "standing" to enter into a deal with the Liquidator on your behalf
2. is required to act in your best interests
3. has properly considered the funding required to purchase the land
4. has applied to register the HVT Land Scheme (a Managed Investment Scheme) to hold the land assets as required by law;
5. has arranged to appoint:
  - a. a custodian to hold and safeguard the land assets once purchased; and
  - b. an experienced property manager (not AMAT) to physically manage them. Lowell has negotiated agreements with qualified organizations.
6. has prepared a Product Disclosure Statement to offer ALL eligible Growers a share of the Land Scheme through a capital raising process, which will allow the settlement of the Liquidators agreement by the completion date and settlement date of 10 January 2012. Lowell will publish a PDS on 22 November if the meetings approve Resolution 1 at the Growers meeting
7. has implemented conflicts management arrangements that comply with the law
8. has arranged a line of credit which will support the purchase of the Option Properties.

**The Company has been unable to provide any credible proposal that addresses the points set out above. We recommend that you reject the Company's recommendations and if necessary, complete another proxy**

**form to change your vote. This is imperative for the survival of the Schemes. A proxy form can be downloaded from the Lowell website – [www.lowellcapital.com.au](http://www.lowellcapital.com.au).**

Whilst meetings have taken place in recent days, due to the imminent requirement to approve the Liquidators agreement, and meet the Conditions Precedent in order to secure the future of the Schemes and in the face of any form of documented alternative proposal on behalf of Growers, Lowell has decided to proceed with a plan which it considers to be in the best interests of **ALL GROWERS**.

**Voting at next Friday's Growers meeting in Melbourne**

The Board of Lowell encourages Growers to attend the meeting in Melbourne next Friday to express their views and vote on the Resolutions.

Growers must be aware that any successful attempt to vote down the Resolutions or to adjourn the meetings and delay the votes will have the effect of denying Lowell the ability to meet the conditions precedent of the Liquidators agreement and will place in jeopardy not only the Land Transaction but also increase the risk of the survival of the High Value Timber Schemes.

Growers who cannot attend the meeting should complete and lodge their proxy vote by 10.00 am on Wednesday 16 November by one of the following methods:

- Fax a copy to (08) 8724 7466;
- Email a copy to [hvt@napm.com.au](mailto:hvt@napm.com.au);
- Post a copy to PO Box 1621 Mt Gambier SA 5290