
LOWELL CAPITAL LIMITED

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6 July 2012

Dear Grower,

It is critically important that you fully understand the facts of the matters surrounding the Responsible Entity's recommendations that you vote **FOR** the Resolutions at the resumed Growers meeting on 10 July.

Voting **FOR** the Resolutions will enable Lowell to enter into the Finance Facility and complete the Land Transaction. This will secure ownership of the HVT Projects plantation land.

If Growers vote against the Resolutions or adjourn the meeting, the Lender will not lend the funds necessary to settle the Land Transaction.

Be clear, that a vote against the resolutions is tantamount to a vote to wind up all the Schemes.

Settlement on 12 July

The Land Transaction with the Liquidator is scheduled to settle on 12 July 2012. If the transaction does not settle on this date, the Liquidator will not grant further extensions of time and will likely cancel the leases and sell the land to another party.

An Important Message from the Liquidator

On Friday 5 July at 3.30 pm, Andrew Saker wrote to Michael Ramsden and sent the following clear message to growers:

- The extension to 12 July was agreed on the basis that no further extension will be accommodated;
- After 6 months of extensions and delays, the Liquidator needs to take into account the insolvent company's creditors' interests; and
- The Liquidator will not agree to any further extensions.

The Liquidator has run out of patience

Make no mistake. Mr Saker is communicating very clearly to Growers that he has had enough. He believes that he and the creditors he represents (essentially the banks) have offered Growers a very fair deal, which took a long time to negotiate and an even longer time awaiting settlement. He has been generous and accommodating – but no longer. The message is clear. Settle now – or lose the Land.

What does this mean for Growers in HVT Projects?

Growers will lose the opportunity to purchase the land which contains their plantations and it is highly likely, evidenced by the correspondence noted above, they will lose the leases over that land which will bring about the end of HVT Projects.

It is Lowell's belief that Growers will lose:

- the opportunity to secure returns on their original expensive investment in HVT Projects;

- the additional contributions and increased contributions made over the last two years; and
- the opportunity to make capital gains on the Land purchased by HVT Land.

Do not be Mislead by the Noisy Few

David Head and his supporters have made serious allegations against Lowell which are untrue and misleading. They have misled Growers in a number of ways, but most importantly, by failing to properly inform you of the **Risks** associated with voting against the Resolutions. They have misunderstood the urgent requirement to settle the Land Transaction and Lowell's strategy to secure the Land and to work with Growers to secure the viability of HVT Projects towards a meaningful return on their investment for the 2,822 Growers who remain financial in the HVT Projects. They have ignored all invitations to negotiate, preferring to recklessly risk all the Project assets in the pursuit of their way.

Responsible Entity will issue a Supplementary PDS

Lowell is working towards the completion of a sophisticated strategic plan which will see the settlement of the Land Transaction, and fast pay down of the high cost debt. Lowell intends to issue a Supplementary PDS which will Offer ownership of the HVT Land Scheme to all Eligible (financial) Growers at a nominal cost. Lowell has the resources to administer the Projects and to manage the plantations out to a rewarding harvest. This plan of action is in stark contrast with that of Mr Head, who has no viable plan, and who has in fact not offered any plan at all.

Land Sales

Lowell has already arranged the sale of 5 selected properties which will allow the Finance Facility to be quickly reduced.

Vote Yes for the Resolutions

You should lodge your proxy vote in favour of the Resolutions without delay. If you have previously lodged a proxy in favour of Mr Head, you should read on, then consider changing your vote and proxy appointment before the deadline.

Understand the Detailed Facts

Unlike Mr Head and the other members of the GRC, Lowell as Responsible Entity for both HVT Projects and HVT Land is required to carry out its management obligations within the commercial environment which exists at this time and take responsibility for its actions. It is easy to be critical if you fail to put forward any meaningful alternative and you cannot be held to account.

Variance from the Terms Sheet

Lowell has been forced to vary the Offer from some aspects of the Terms Sheet. The Terms Sheet was based on the premise that the Land Transaction would be funded through a mix of equity, debt and land sales, with a Grower preference, lead by Mr Head, for a majority of debt. The GRC promised that they had access to finance which would provide preferential terms to the benefit of Growers, including an ability to borrow up to 100% of the money required to settle the Land Transaction at "mates rates". Lowell cautioned against what it saw as a highly risky approach, and the fact that "all debt" would mean that Growers would be forced to sell large amounts of land and plantations, but acceded to their demands.

When the "GRC facility" failed to materialize, Lowell was forced to seek finance on the open market, within a difficult lending environment, made exponentially more difficult as most of

the major and second tier banks suffered recent major losses through lending to MIS schemes and are currently involved in a myriad of associated litigation.

Despite a wide ranging search, Lowell struggled to find a single Lender interested. Finally, after exhaustive negotiations and investigations by the Lender, an Offer to Lend was secured. However, the Lender, having seen the problems experienced by other financiers trying to enforce securities in an MIS environment, demanded the specific terms, including Grower approval.

The PDS

The Finance Facility offered is short term, with high entry costs, extremely punitive interest rates plus a risk margin. All in all it is unpalatable. Lowell realised that the **ONLY** Finance Facility on offer would be unpalatable, and decided in its professional judgement, that it would be a more commercially sustainable solution for Growers to purchase the Land with the largest proportion of equity available, allowing minimal exposure to the Finance Facility. This required a change of strategy and some variance to the terms of Terms Sheet. Growers have been offered preferential ownership of the Land Scheme interests in proportion to their interests in HVT Projects. The Offer has not been promoted to the public.

Numbers of Growers have already subscribed for interests under the terms of the PDS, however the quantum of the uptake has been disappointing. Lowell suspects that Growers' willingness to invest has naturally been reduced by current economic uncertainty and realises by their failure to subscribe, that they have expressed a clear preference to use the "implied equity" in the properties to be purchased under the Land Transaction to complete the purchases.

A Revised Strategy

Lowell has revised its strategy in line with the preferences expressed by Growers. The Land Transaction must be settled as the Liquidator will not allow any more time. Lowell is determined to borrow the money through the Finance Facility to extinguish the risk of the cancellation of the Asset Sale Agreement by the Liquidator.

Growers have expressed a preference to buy the portfolio of properties and to quickly on-sell the number necessary to raise the funds to clear all HVT Land Scheme debt. Lowell estimates that it will be required to sell about 40% of the Scheme property by area to clear the total debt, inclusive of all creditors of the Projects. Growers should appreciate that this will result in a corresponding 40% reduction in plantation area and a related reduction in final harvest proceeds.

In summary, the purchase of the land, funded by the future sale of part of the land, will cost Growers the value of the land plus the value of the trees sold with the land.

The Supplementary PDS

If the Resolutions are approved at the 10 July meeting, Lowell has determined to change the essential terms of the PDS Offer and to issue a Supplementary PDS (SPDS). The essential terms of the SPDS are summarised as follows,

- Interests in the Land Scheme will be offered to Eligible Growers at nominal cost;
- Eligible Growers means fully financial growers in HVT Projects;
- Interests will be offered to Eligible Growers proportionate to interests held in HVT Projects;

- Growers will be offered a period to remediate any arrears in Additional Contribution payments so as to become Eligible Growers;
- Interests will be allocated to Eligible Growers who apply and pay the initial Contributions Fee within HVT Land;
- Interests will not be offered to external parties under the Supplementary PDS; and
- The application period will be extended to a date to be fixed.

The SPDS will contain an Offer with very little variance from the Term Sheet.

Financial Sustainability in MIS Schemes

Mr Head and the GRC, claim that there are serious deficiencies in the proposed funding model and go onto promote a scheme where members pay nothing to enter the scheme, all the money is borrowed and members do not pay anything to continue funding the scheme. This model seems very like those MIS models that costs thousands of small investors, hundreds of millions of dollars in the recent past.

In contrast, Lowell is successfully managing numerous funds, including the re-construction of other MIS forestry schemes. The experienced Board of Lowell realize that any successful MIS scheme must be based on a financial model which is truly sustainable. In essence, a sustainable model requires members to pay the true costs of the scheme on a “pay as you go basis” avoiding over-leveraging and wastage. This leads to better management and realistic member expectations.

Costs of the Transactions

Mr Head and the GRC have made mention of the very significant costs attaching to the transactions, yet have regularly claimed recompense for un-authorized expenditure on legal fees, raised money from growers under questionable circumstances and recklessly brought on meeting adjournments, threatened legal proceedings against Lowell as RE of the Schemes and fired off legal letter after legal letter, without a thought of accountability of the costs of those actions.

The costs related to the Land Transaction are very significant. Costs to the level of \$1.1 million were explained in the Meeting Booklet which accompanied the November Meeting. Further explanations of costs were set out in the PDS and will be further explained in the SPDS.

The negotiation and settlement of the Land Transaction, arranging for Grower Meetings and documentation, issuing the PDS, arranging and entering into the Finance Facility, sale of an option property and future sale costs of properties, along with stamp duty, adjustments for statutory charges, penalty interest due to delays for adjournments, compensation for the Liquidator for delays, payment of the Liquidators additional legal costs and costs to manage this complex process are all incorporated in the headline numbers.

Negotiations with Growers, Threats, the GRC, ASIC, and Other Distractions

Mr Head and the GRC in their Update #25, claimed that Lowell failed to consult with them prior to the issue of the PDS, then failed to negotiate with them and later stated that as Lowell failed to agree with their firm position, it was not worth negotiating with Lowell.

Lowell has made numerous offers to meet with members of the GRC prior to the issue of the PDS and since. These offers have been repeatedly refused. Lowell issued Mr Head, the GRC and their legal advisor an advance copy of the PDS, however received no contact from them until shortly before the previous meeting in June. Since that meeting was adjourned,

on the premise of facilitating further negotiations, Lowell has made almost daily written representations to Mr Head, other members and their legal advisors seeking to enter into meaningful negotiations. These invitations have been ignored as Mr Head considered that “there was little point”. The full volume of correspondence is available at the request of any member.

The GRC Update #25 advises that Lowell disputes the standing of the GRC which is incorrect. Lowell disputes the use of the GRC membership by members of the GRC for purposes which are well outside the role of the GRC. Lowell also objects to them raising money under a company name (HVT Growers Pty Ltd) which has caused such confusion that a number of growers have paid project contributions to Mr Head. Lowell has questioned the purpose of the GRC activity and advised that they will deal with the members as individual growers, in order to avoid any conflict of interest issues.

Update #25 advises that David Head and others hold grave concerns about Lowell’s conduct and invited ASIC to intervene on growers behalf. Lowell notes that the complaints against Lowell were not specified in the update, which raises the prospect that the complaints may have been made purely to muddy the water at this crucial time. On their part, Lowell has previously raised concerns about the conduct of the GRC, members of the GRC, HVT Growers Pty Ltd and David Head. Lowell has contacted ASIC and raised its own concerns as raised in this update and offered to answer any questions that arise.

Mr Head claimed that Lowell has made threats against him to take action for misleading conduct and almost immediately withdrew this threat. Lowell withdrew its threats to report Mr Head to ASIC not the overall letter regarding his behavior. Lowell’s primary concern is that Growers understand the risks of voting against the Resolutions. Lowell was concerned that Grower Update #23 materially understated those risks and notes that Grower Update #25 does not make mention of them at all. Lowell has written to Mr Head’s legal adviser and restated its concerns.

Within Grower Update #25 the GRC has inflated other minor issues into something seemingly important. Lowell has no obligation to supply records and documents relating to the Land Transaction, which are commercial in confidence and which may give a small number of growers greater access to information than others. Lowell has no intention of using Project funds to pay un-authorized legal fees on the say so of individual growers, neither will it pay funds to individual members who claim unauthorized and unsubstantiated out of pocket expenses.

Proxies

In Grower Update #25 Mr Head advised that he will exercise his vote and any open proxies in his favour to vote against the Resolutions. Mr Head has failed to point out any of the Risks associated with his position. Mr Head’s position, which if supported by a majority of growers, will ensure that the Finance Facility will not be made available and could ultimately lead to the cancellation of the HVT Projects leases and the sale of plantation land as indicated by the Liquidator. Lowell again points out that neither Mr Head, nor his associates have put forward any viable alternatives.

We repeat our previous warnings that a vote against the resolutions is tantamount to a vote to wind up all the Schemes.

Growers should carefully consider all the information available, including the very clear correspondence from the Liquidator, before deciding on how to vote.

Lowell strongly recommends that you vote **FOR** the Resolutions.

If you have previously voted Against the Resolutions you should change your vote before the close off time.

Proxy voting closes at 10.00 AM (Eastern Standard Time) Sunday 8 July 2012.

Proxy forms can be downloaded from this website.

Any opinions expressed in this update are general in nature and do not take into account your personal objectives, financial situation or needs. Accordingly you should, before making any decisions, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs.

The Product Disclosure Statement for the Lowell Capital Limited – HVT Land Scheme is available on the Lowell website at www.lowellcapital.com.au. If any Supplementary PDS is issued by Lowell it will also be posted on the website. You should consider the PDS and any Supplementary PDS before deciding whether to acquire the product.