

Representatives of Investors
Timbercorp Securities Limited Creditors' Committee

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Good afternoon Dealer Groups, Individual Advisers and others,

“Pulped: Timbercorp Heading for the Chop”

Simon Evans, Australian Financial Review, June 20 – 21, 2009, pp.2.

You need to read this and take action immediately.

As you are aware, last week we attended Court with our legal representatives on behalf of Growers. This appearance in Court related to the Administrator's application to wind up the Almond and Olive schemes. Our appearance was necessary to our ultimate objective of having the best interests of Growers represented. I am sure you all concur with this objective. The Growers (our mutual clients) are currently being represented by a conflicted Administrator, which we know amounts to no representation at all. Whilst this conflict is apparent to us, it is going to require a considerable amount of time and money to place this argument before the Court.

Whilst we have made considerable progress to date, it has only been made possible by many parties investing an enormous amount of time, most notably Clarendon Lawyers and some members of the Creditors Committee. We have also contributed an extensive amount of our own personal time to this process, at the expense of running the normal day to day operations of our own businesses. It is also impractical for this to continue.

Clarendon has advised us that funding is urgently needed for in order to properly defend Administrator's application to wind up the Schemes and have an independent responsible entity appointed to the Schemes.

The winding up hearing is on 15 July, but **we only have until Wednesday 1 July to submit all evidence in the growers' defence.** There are many scheme documents to review and affidavits and expert reports to prepare in a very short amount of time. Please refer to the attached letter from Michael Fernon of Clarendon to this effect. Clarendon has already committed an enormous amount of time and expertise to the case without any funding arrangements.

It is on this basis that we are proposing Advisers and/or their Dealer Groups contribute to a "Fighting Fund". The money raised will be used to fund the case, ensuring it is fully funded and does fail at this critical juncture.

KORDA MENTHA'S VIEW

- The Responsible Entity (RE), Timbercorp Securities Limited (TSL) is hopelessly insolvent.
- The Projects, based on internal KM analysis, are insolvent.
- No parties have come forward offering any alternative proposals to address the issues above.
- In light of the above issues, it is in the best interest of investors to wind the schemes up, with the Horticultural investors likely to receive nothing and the Forestry investor's outcome currently being determined (???)

COMMITTEE OF CREDITORS VIEW

- The RE, TSL, is and should be insolvent. No RE of any managed investment scheme has any assets and is always a vehicle with which project cash flow "passes through" and is dispersed in accordance with each project's Constitution. KM is embellishing the term "hopelessly insolvent" to "scare off" Growers from making future payments. This will achieve their ultimate objective of "receivership by stealth."
- Based on the analysis of the independent Agricultural Economists we have so far commissioned, many of the Projects **are not insolvent**. For example, KM's "viability assessments" do not even recognise future grower payments as a cash inflow and also aggregate all the project cash flows together as one. It is common knowledge that the more recent projects are more dependent on cash injections now, than the earlier projects. We are in advanced discussions with a number of Agricultural experts, who are willing to state in Court that these projects have a future under a number of different scenarios.
- The Banks clearly have an economic interest in the land that the projects are on. However, the Growers have contributed far more financially than the Banks. Under a wind up scenario, the Banks are likely to be paid in full and the Growers are likely to receive nothing. The case is even worse for Growers with loans, as they will be left with a "live" loan against a "dead" investment. Whilst there is some legal debate around current status of the loans, ultimately the best way to service the loans is to do so under a project with positive cash flow. Under this scenario, the positive cash flow can be used to fund the loan repayments as was originally planned.
- A number of parties have come forward to act as a RE for the Projects. Attached is correspondence from three RE's to this effect.

All of these RE's have made contact with KM, despite the Administrator's claims to the contrary. Gunns have expressed an interest in the Timber, Primary Securities in the Olives and Huntley's for the Almonds and any additional Projects as required. These letters are attached for your information.

- o In light of the above issues, the Creditors Committee believes that **it is not in the best interests of Growers** to wind up the schemes at this stage. On this basis, in consultation with our lawyers, we are proposing the following course of action.

OUR PLAN

- o Seek to appoint a temporary RE to replace the clearly conflicted KM.
- o Under the "safety" of a temporary RE, complete an independent viability assessment of each project.
- o Present a relevant restructure proposal(s) to the Growers to determine whether they wish to continue a project or, if not, seek to wind the scheme up. If Growers choose the latter, we can at least be satisfied that their decision was based on independent analysis.

YOUR OPTIONS:

1. Do nothing. This is likely to be met with considerable resentment from your clients. This will be magnified when it becomes apparent that other Advisers have contributed in your absence. A list of Advisers who contribute will be placed on the soon to be created "Fighting Fund" web site. This will be publically accessible. This web site will also contain an area accessible only to "Fighting Fund" contributors. This area will contain current and past information on the case. Claredon Lawyers will maintain the web site content on behalf of the Committee. Please advise the Committee if you do not want to receive public recognition for your financial support. Only the names of contributors that give consent will be included. No financial amounts will listed. If you are unwilling to contribute, greater amounts of your own time and money will be required in the future to address and appease these very same concerns for your clients.
2. Seek your own legal advice: An extensive amount of your own time and money will also be required under this option. You will need to find satisfactory legal counsel, mount a case and provide a briefing in a very short period of time. In doing so, you will be simply re-tracing the steps that we have already completed over the last two months. Unfortunately, we do not have the luxury of another two

months. My discussions with Clarendon have indicated that funding needs to be in place in the coming days, for us to resume proceedings next week. Without urgent funding, the case is dead and the value of your client's investments will be uncertain. As has been indicated by KM on many occasions, the cost of "going it alone" will be far greater to you, than the relative cost of contributing to the Fund in terms of both time and money.

3. Join a "Spin off Legal Fight": Our Group is the most legally advanced to date. We have been representing the Growers at every Supreme Court hearing. We have direct access and contact with Mark Korda, Mark Mentha, all the Korda Mentha Partners and Korda Mentha's Legal Team. We can call a meeting in Melbourne with them at any time and have a frank and open discussion. We have also organised the three replacement RE's and remain their preferred voice.

We are the "official" Group recognised by ASIC as acting for the grower's interests and are in dialogue with the relevant Senior Executives.

Given that we have all the integral parties "collected and interested", any spin off will only compete against the progress we have made to date. This will result in a duplication of time and costs and give KM a perfect opportunity to "divide and conquer." We are totally committed to the grower's interests and the amount of uncharged time and effort to date is a testament to this.

4. Contribute to the "Fighting Fund": Our legal team is well advanced in their strategy to install a temporary RE and also conduct viability assessments of each underlying project. In doing so, they have invested an extensive amount of time to advance the case to its current position. Whilst we are making positive progress, we need additional funding to bring it to a conclusion. On this basis, we are requesting a financial contribution from Advisers and Dealer Groups to our "Fighting Fund." Every dollar raised increases the chance of a successful outcome for our clients.

HOW MUCH DO WE NEED?

Clarendon estimates we require in the order of \$300,000 to fund the case. Korda Mentha is fully funded; having so far paid themselves more than \$2.18 million to date. We have asked, begged and pleaded for KM to give us money and as of last Thursday, they have categorically stated that they will not give us any. Therefore, we need at least \$300k to continue

the fight for our clients. Macpherson and Kelly (MKL) who are acting for Timbercorp Growers, represent more than 1200 investors who have paid \$275 each. At the very least, we require 1000 investors to be represented, with contributions of \$300 each, giving us initial funding of \$300,000.

Any funds remaining at the end of the case will be refunded on a pro rata basis in accordance with the Timbercorp Creditors Committee operating procedures document. This document is attached for your information

HOW TO CONTRIBUTE

Clarendon have set up a Trust account on behalf of the Creditors Committee. By making a contribution you are agreeing to contribute to the Growers' Committee costs which will relate to legal costs and disbursements such as expert reports in relation to the legal proceedings to wind up the Almond and Olive schemes, related advice and any subsequent proceedings. The details are as follows.

Name: Clarendon Lawyers atf AAGRI Growers "New Future" Group (Committee) CMA

Bank: NAB

BSB: 083 170

Acc No: 894691735

Please email a confirmation to Keata.lewis@clarendonlawyers.com.au as follows:

[Name of contributor] has made a contribution to the Clarendon Lawyers atf AAGRI Growers "New Future" Group (Committee) CMA of \$[insert amount] on [insert date].

Please also insert your name in the description area as another tracking mechanism. We also suggest that you email Creditors Committee member, Kerree Bezencon (kerree@siger.com.au), confirming your contribution. As mentioned above, the funds will be administered in accordance with the attached operating procedures document.

IF YOU HAVE ALREADY CONTRIBUTED

- o You may need to "top up" your contribution based on the amount of clients you represent.
- o You may need to seek a refund based on the amount of clients you represent. We would of course welcome any "over contribution" you may wish to make.

CONTRIBUTION QUESTION AND ANSWERS

Q. How do I calculate my contribution amount?

A. The Committee is requesting an amount of \$300 for each of your Timbercorp Investors. On this basis if you have ten clients, we request you contribute \$3,000 to the Fighting Fund.

Q. Is the Adviser or Dealer Group supposed to contribute?

A. Dealer Groups are likely to be the main contributors to the Fund, despite the fact that Advisers have received the majority of the remuneration. As Dealer Groups, if you wish to be reimbursed by either your Adviser or their clients, please organise to do so after you have made your own contribution. Given that Dealers often represent a disparate group of Advisers, it will be quicker and more efficient for the Dealer Group to make the payment.

Q. Will my Fighting Fund contribution cover any action on behalf of investors who have borrowed to invest in the projects e.g. Loans from Timbercorp Finance?

A. The legal fight for Growers who have borrowed to invest is a specialist case being coordinated by Ron Willemsen of Macpherson + Kelley Lawyers (MKL). If your clients require representation on this matter, please call MKL on (03) 9794 2625.

Q. Can individuals who invested directly without an Adviser or Accountant contribute to the Fighting Fund?

A. Yes. Any "direct" investor who receives this correspondence and contributes will be part of this action.

We cannot allow for any delays. A copy of this letter will go to the press to ensure we have the widest public recognition of our cause. The "Fighting Fund" story is likely to run heavily in the main stream press on Tuesday and Wednesday. If we do not raise the money required, our clients will have no legal representation in Court on 15th July, which will result in a rapid wind up of the projects.

This is where the "rubber hits the road." If this fails, we fail and our clients "have been failed." If you want to discuss this email, please make contact with Mark Bland or Michael Fernon of Clarendon Lawyers (for contact details go to www.clarendonlawyers.com.au). If you are concerned about

the “public recognition” of being on the Fighting Fund website, please be advised that ASIC already is aware of every Dealer Group, Adviser and Investor in Timbercorp.

The Committee will keep you updated as the case progresses. Please pass this letter onto anybody you know who has or is associated with someone who has invested in Timbercorp

Yours faithfully

Kerree Bezencon
Chris Garnaut
Neil White

The Finance Sub-Committee of
The Investor Representatives
on behalf of
Timbercorp Securities Limited Creditors Committee

Attachment 1:

Letter from Claredon Lawyers

Attachment 2:

Timbercorp Growers Trust Fund Operating Procedures

Attachment 3:

Letter from Huntley Management Ltd

Attachment 4:

Letter from Primary Securities Ltd

Attachment 5:

Letter from Gunns Ltd