



13 August 2009

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Update for Investors in Timbercorp and Great Southern MIS Projects

We provide this update as a service to our clients. It will cover frequently asked questions and give further insights and reassurance to each of our clients.

Part A covers Timbercorp and Part B covers Great Southern.

Clients who are investors in Great Southern projects are encouraged to read our report concerning Timbercorp as well because many of the issues are expected to play out in a similar way for them.

A. Timbercorp

Olives Projects: Meeting on Monday 17 August 2009

- The Olives projects will be discussed with growers in a meeting to be held on **17 August 2009**. Investors in those projects are urged to respond appropriately to the opportunity to vote on matters affecting the future of these projects
- The reprieve for the benefit of investors was hard-fought by the Timbercorp Growers Group. If the fight wasn't won in Court recently all olive projects would have been wound-up by now and investors would not have had a say
- Investors are urged to exercise their right to vote either in person or by their appointed proxy. The meeting will commence at 10.00am in the Grand Ballroom, Sofitel Melbourne on Collins, 25 Collins Street Melbourne
- To keep open as many options as possible for investors we recommend a vote in favour of the resolutions set out in the voting paper. In other words, tick the boxes indicating a vote "for"
- Meanwhile, we remind all investors to keep checking the dedicated website www.timbercorpgrowergroup.com.au for up-to-date information for all projects.

Victoria
Dandenong
Melbourne

New South Wales
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Business contracts + advice
Corporate insolvency
Corporate, mergers + acquisitions
Employment + industrial relations
(D1062115:1)

Intellectual property + trade
Litigation/dispute resolution
Property + construction

Tax + superannuation
Family law
Wills + estate planning



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Mango Projects: Invoicing by Huntley Group as the new Responsible Entity

- All investors' rights against Timbercorp Finance Pty Ltd and Timbercorp Securities Limited are still able to be asserted. M+K is still dedicated to seeking appropriate remedies on behalf of investors in the Mango projects (and all other projects). This includes challenging the validity of loans granted by Timbercorp Finance Pty Ltd
- Many investors in the Mango projects have approached us, very concerned about being called upon to pay relatively large amounts of money quickly in circumstances where investment losses might be sustained for a considerable time to come. Those investors have satisfied themselves they no longer wish to be a participant in the project or have come to that conclusion after having consulted with their financial planner.
- M+K is not in a position to provide financial advice. We can, however, provide legal advice and are in a position to assist investors exercise their legal rights once the investors have formed a view about whether they wish to remain invested in the project or, instead, to terminate their involvement. Enquiries in this regard should be directed to either Claudia Baskett, Rob Downing or Ben Saunders of our office: Tel: (03) 9794 2620.

Table Grapes Project and other projects: Investors who wish to cut their losses and terminate their involvement in the project

- Enquiries recently received by M+K reveal that people would like information about projects not previously mentioned in our updates. Investors have asked why we have not mentioned anything about table grapes, for example. The reason is that we have no relevant information to report in connection with that project
- We can only suggest that investors contact KordaMentha's Timbercorp hotline on Tel: 1800 628 188 to enquire about the current status of any particular project
- If investors believe there is no likelihood of salvaging the table grapes project (or any other particular project) and they wish to cut their losses they should contact our office to take formal steps to terminate their involvement in the project concerned. Again, the lawyers to contact in that regard are Claudia Baskett, Rob Downing or Ben Saunders - Tel: (03) 9794 2620.

Forestry projects: Outcome of last Monday's growers' meetings

- The votes were overwhelmingly (90% and higher) in support of allowing for the possibility of a sale or recapitalisation
- Presentations given at the meeting concerning the Forestry projects revealed that TC Growers' Group (a forestry company backed by large super funds here and in Canada) will put in a bid for the running of the projects as a replacement Responsible Entity, as will Gunns Ltd. TC Growers' Group has indicated it will also offer alternatives - a buyout of land and trees or a recapitalisation
- These bidders, and others KordaMentha expect to submit bids, will have until **18 September** to submit their bids. A decision will in due course be made and announced

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- Meanwhile, all rent arrears will need to be paid to the forestry landlords by **30 September** otherwise everything stops, the landlords take control of the properties and the problem becomes very messy (and expensive) to sort out in Court
 - In relation to the 2008 Timber project, the liquidators indicated it was not yet known what became of the money which people invested for that project. It was not kept in any separate account after being released from the initial custody account. The liquidators have been so preoccupied with attending to operational matters affecting all projects that they have not yet been able to devote much time to conducting investigations of "what went wrong". Those investigations will be carried out by the liquidators at a later date

Class action against Timbercorp Finance Pty Ltd and Timbercorp Securities Limited:
Expected to be filed in Court in September

- We continue working hard to ensure we can advance our clients' interests efficiently and at fair and reasonable fees. We are preparing material that will aid in the orderly case management of the proposed class action. Common issues across all 1,600 of our clients' cases will be handled through a single case so our clients don't have to suffer individual Court cases. Individual aspects of each client's case will then be handled within the framework of that same single class action so that each individual's separate and unique claim is assessed and resolved
- The Court has scheduled the procedural hearing to resume on **27 August 2009** so that appropriate case management issues can be further explored on that date. We expect to be in a position to formally file the starting documents during September
- The case is that investors would not have entered into those fresh financial commitments if they had been informed by Timbercorp that it was on the verge of collapse. Our case is that Timbercorp was legally obliged to provide such critical financial information to investors. Timbercorp failed to discharge its duties in that regard

For investors who are not yet clients of M+K

- If you would like further information on how to be counted in with the group which will be pressing claims in relation to Timbercorp please call Katrina Slifka on (03) 9794 2620 or email katrina.slifka@mk.com.au

B. Great Southern

The future for Great Southern MIS Projects - being considered in Victorian Supreme Court next Monday 17 August 2009

- Next Monday **17 August** the Receivers and Managers, McGrathNicol, will approach the Victorian Supreme Court for Orders allowing for the tending of projects until 30 June 2010. This will require operational expenses to be met which on a "bare bones basis" could require approximately \$38m. The Receivers have outlined in a lengthy Affidavit that such money is not available. It may be able to be advanced by banks, however, provided the money can be

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recouped out of future harvest proceeds. The Judge who will hear the case is the same Judge who heard the Timbercorp cases concerning Almonds and Olives, Justice Robson

- M+K will monitor the progress of that case
- Meanwhile, as we suspected all along, the Affidavit from the Receivers has confirmed that there are serious *"structural integrity issues with data"* (within the books and records of the Great Southern Group of Companies). The Receivers have expressed frustration with the quality of the financial information, saying that it has *"repeatedly had to be re-checked and re-worked"*
- Even at this early stage, therefore, we believe that this finding by the Receivers will assist the cause of all investors who are represented by M+K in their challenge to the validity of certain transactions
- The other point worth noting from the Receivers' Affidavit is that neither the High Value Timber project nor the Renewable Fibre Project sold in 2008 have yet been completely established. We will monitor further reports in relation to those projects and provide information to affected investors once we know of new information.

Bendigo and Adelaide Bank

- Investors/borrowers who receive "Final Demands" for payout of loans should send copies of the full payout demands to our office C/tonya.mcdougal@mk.com.au. Computer-generated "Reminder Notices" should not be sent to us, only the "Final Demands" which threaten legal action.
- Our clients' argument is that a demand is only as good as the underlying loan agreement on which it is based. The demand will be worthless (and unenforceable) if the underlying loan agreement is found to be invalid or unenforceable
- Our lengthy letters to Bendigo and Adelaide Bank and to Ferrier Hodgson as Administrators of the relevant Great Southern companies set out extensive grounds as to why we believe the underlying subject loans are invalid or unenforceable.

Borrowers who receive demands from Javelin Asset Management Pty Ltd

- Some borrowers will have received a demand for payment from Javelin Asset Management Pty Ltd, on the basis that the company claims to have taken an assignment of the loan from the person's previous financier. The demands for payment are aggressive
- The demands assert that the company is entitled to be paid money but they assume the validity of the loans in the first place. Of course, M+K and its clients strongly challenge that assumption. We say the original loans are invalid and they cannot be "transformed" into valid loans just because somebody else has taken over the loans
- As part of the fixed fee offer to write letters on behalf of Great Southern investors, we will include letters to Javelin Asset Management Pty Ltd on behalf of any investor who receives a demand for payment from that company.

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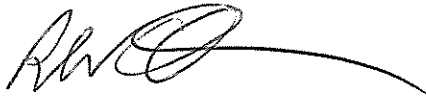
Great Southern Growers Group website: a "must see" place to visit

- For any investor who has not yet visited, we urge you to visit the Great Southern Growers Group's website and embrace "*The Save My Trees Initiative*". The website address is www.savemytrees.com.au
- Save My Trees is focused on a mission to ensure the majority of scheme investors (growers) affected by the collapse of the Great Southern Group end up in the best financial position attainable through coordinated advocacy and action. Out of this focus, it is a specific objective to advance the interests of all related groups impacted by the collapse of Great Southern

For investors who are not yet clients of M+K

- If you would like more information on how to join the group of Great Southern clients being represented by M+K, you should call Tonya McDougal of (03) 9794 2690 or email tonya.mcdougal@mk.com.au

Yours faithfully



Macpherson + Kelley

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