

25 August 2009



## Letter to 2006 Avocado Project Grower Investors

Dear Grower

### Notice to Investors in the 2006 Avocado Project ARSN 119 199 941 (“the Scheme”)

#### Proposed Meeting of Members

We have received from Holt Norman & Co an undated notice of meeting of members of the Scheme, which is proposed to be held this week on Friday 28 August 2009 (“Proposed Meeting”).

#### Current Responsible Entity

We are the Liquidators of Timbercorp Securities Limited (In Liquidation) (“TSL”) and other companies in the Timbercorp Group of Companies. TSL currently acts as responsible entity of the Scheme. As Liquidators of TSL (the responsible entity of the Scheme), we have a duty to act in the best interests of members of the Scheme (“Growers”).

#### Proposed Replacement of Current Responsible Entity

As we have made clear in relation to other Timbercorp schemes (including the three Timbercorp schemes in relation to which Huntley Management Limited has already replaced TSL as responsible entity), we are happy to support the replacement of TSL as responsible entity of the Scheme with an alternative entity provided that we are satisfied that it is in the best interests of Growers to do so. As we have not been provided with any substantive information in relation to:

- the ability of Huntley Management Limited to perform the role of responsible entity of the Scheme;
- the plans of Huntley Management Limited in relation to the immediate operational issues facing the Scheme (including pressing funding shortfall and lease termination issues);
- the longer-term strategy of Huntley Management Limited in relation to the Scheme,

we are unable to make a recommendation to Growers in relation to the proposed resolutions to replace TSL as responsible entity of the Scheme with Huntley Management Limited.

#### Substantive Issues

We also wish to bring the following matters to the attention of the Growers in the context of the Proposed Meeting:

1. **(Termination rights)** The explanatory memorandum attached to the notice of the Proposed Meeting does not refer to the existing rights Growers may have to terminate project agreements in relation to the Scheme to which they are a party (including their Licence Agreements and Avolot Management Agreement), arising from our appointment as Liquidators to TSL. If Growers terminate these agreements they may cease to have any obligations to pay fees in respect of the continuation of the

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Scheme and may cease to have any rights or interest they have in the Scheme. Growers are encouraged to seek their own legal advice in relation to their rights and obligations if they wish to exercise this right of termination. Lawyers for Huntley Management Limited have confirmed their view that, if TSL is replaced by Huntley Management Limited as responsible entity of the Scheme, Growers will no longer have these termination rights.

2. **(Jasper Farms notice of demand)** Jasper Farms Holdings Pty Ltd (“Jasper Farms”) is the landowner in relation to the Western Australian avocado orchards. Jasper Farms have given a notice of demand in respect of overdue rent owing as at 30 June 2009 under head leases between Jasper Farms and Timbercorp Limited (In Liquidation) (“TIM”). TIM and TSL are insolvent and in liquidation, and do not have the funds to pay outstanding rent to Jasper Farms and other lessors. Non-payment of rent within 60 days of notice requesting payment will entitle Jasper Farms to terminate the head leases with immediate effect.

We also note that, as TIM is the counterparty to the Jasper Farm head leases, it has primary liability in respect of outstanding rent under these leases. The Liquidators of TIM have until 1 September 2009 to disclaim the Jasper Farm head leases. Although an application to court may be made to extend this disclaimer period, there can be no certainty that such an order will be obtained.

As TIM (and its Liquidators) face the prospect of considerable liability in respect of this outstanding and accruing rent, the Liquidators may decide to disclaim the leases (notwithstanding the replacement of TSL as responsible entity) if they are not satisfied that the replacement responsible entity (Huntley Management Limited) has made arrangements to immediately pay the outstanding and accrued rent and has provided security or comfort satisfactory to the Liquidators in respect of those amounts. Huntley Management Limited have given no evidence at this time of such arrangements, or given such security.

It is not clear whether termination of the head leases (by Jasper Farms) or their disclaimer (by the Liquidators of TSL) will terminate any of the underlying Licence Agreements held by the Growers in relation to the Western Australian avocado orchards. The Licence Agreements do not stipulate what occurs when the head leases terminate (although they may terminate at common law in these circumstances). If any of the Growers’ Licence Agreements are terminated, it appears that all of those Growers’ Licence Agreements in relation to the Scheme are automatically terminated. For example, if a Licence Agreement in relation to the Jasper Farms orchards is terminated, then the Licence Agreements related to the Simpson Farms (Queensland) orchards may also terminate.

Lawyers for Huntley Management Limited have advised that:

- they are aware of the issues with Jasper Farms and have been in discussions with them; and
  - they do not oppose any disclaimer of the head leases that TIM has with Jasper Farms.
3. **(Notice of meeting)** We have been advised by Holt Norman & Co that all persons entitled to receive notice of the Proposed Meeting received at least 21 days written notice. Please contact us if you do not believe this to be correct.
  4. **(Alternative)** We note at this time, in the absence of Huntley Management Limited or another entity replacing TSL as responsible entity of the Scheme, the Liquidators will likely seek to wind up or terminate the Scheme.

Should you have any queries in relation to this matter please contact Timbercorp Grower Management on 1800 628 188 or via email ([investorqueries@timbercorp.com.au](mailto:investorqueries@timbercorp.com.au)).

Yours faithfully



MARK KORDA  
Liquidator