

# Sandalwood Growers Co-op Ltd

Dear Growers

## **Grower Update for Projects 2003 to 2005**

We understand that Huntley Management Ltd (“Huntley’s”) who growers voted to appoint as their RE in place of Sandalwood Properties Ltd (“Quintis”) late last year have now in a bizarre twist attempted to reappoint Quintis as your Manager.

Despite independent growers voting overwhelmingly to sack Quintis and replace them with Huntley’s as RE and the SGC as your Manager, Huntley’s have accepted an offer from Quintis to pay them more money and in return have ignored growers wishes and purported to reappoint Quintis as your Manager. This disloyal deal between Huntley’s and Quintis simply highlights the total disrespect Quintis and now Huntleys have for growers and how growers best interests and wishes come a long way last behind the financial interests of Quintis (now US owned by Black Rock) and Huntleys. Despite this betrayal growers need not be overly concerned as the self-serving financial arrangements between Huntleys and Quintis should not survive even cursory examination by the regulators (ASIC and ACCC), and in any event will be dismantled later this year when the SGC has obtained its own Responsible Entity and with overwhelming grower support we expect it will be voted in as RE and Manager for all the Quintis MIS projects replacing the Huntleys/ Quintis arrangement.

This is our summary of the current situation for growers in the 2003, 2004, 2004 Premium, and 2005 projects:

Huntleys and Quintis now each have a massive conflict of interest. Their contractual obligations and loyalty to each other completely override independent growers’ interests and constitute a breach of Section 601FC of the Corporations Act and we expect ASIC to intervene. Huntleys have not only misled growers and the SGC by representing they were going to appoint the SGC as their Manager they have apparently misled ASIC. ASIC granted Huntleys a variation to their licence to become RE on the basis of a representation that the SGC was to be appointed the Manager of the 2003, 2004 and 2005 projects, we know this because the SGC had to agree the terms of a management agreement with Huntleys for the Projects and submit it and extensive other materials to ASIC.

Huntleys have already signed a management agreement with the SGC for the 2003 Project, have not given the SGC any notice of termination, and have no grounds to terminate this management agreement.

Therefore the SGC is still validly appointed as Manager of the 2003 Project and will be harvesting, marketing and selling the 2003 Project timber for growers.

By the time the 2004 and 2005 Projects are ready to be harvested either ASIC will have intervened or the growers will have voted to replace them and appointed the SGC’s own Responsible Entity and Manager and consequently the harvesting, marketing and sale of these Projects will also be undertaken by the SGC for the benefit of growers.

While Huntleys and Quintis have been working on their self-serving deal the SGC has been active in marketing the 2002 grower’s wood and has already demonstrated that it will more than double the return per hectare to growers compared to that delivered by Quintis last year. The SGC is spending its time and resources delivering superior returns to growers and on obtaining its own RE for the benefit of growers, while Quintis and Huntleys spend their time working out how they are going to deliver better returns to themselves.

Get ready for the spin doctors at Quintis to try and make you believe they and Huntleys are working together for your best interests but this should be disregarded in the light of their disloyalty to the growers who have repeatedly voted against this conflict of interest.

Rest assured the SGC will continue to do everything it can to implement growers' wishes.

Regards,

Teague Czulowski

Chairman

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