Attachments to the Letter Of Submission

Attachment A to letter of Submission: Is there still Cattle Rustling in Australia In The 21st Century?

Great Southern 2006 & 2007 Cattle Projects Frequently Asked Questions

It seems that everywhere you look these days you are hit with lists of "frequently asked questions". Below I thought I would create my own list of frequently asked questions in relation to the Great Southern 2006 and 2007 cattle projects and the Project Transform fiasco, and do my best to provide the answers or insight into the answers. My list of "Frequently Asked Questions" is as follows:

"Is it beneficial to have Hindsight?"

When reading the following you may think "well if he knew this was happening why did he invest in these projects"? Well the simple fact is that until August 2008 when Project Transform was announced I had not really looked that deeply into any of the Great Southern schemes I had invested in. My financial advisor had recommended the schemes, and as he was my company accountant I trusted him, to the extent that I invested large amounts of money based on his advise. Since Project Transform was announced it became clear Great Southern were in trouble and had been for a long time, and it was at that point that I became aware of all of the issues, to the extent I am, associated with Great Southern and its schemes.

"How does One Get Justice for the Cattle Project Investors?"

I guess as there are pirates operating still off the shore of Africa these days I should not be surprised that in this day-and-age there are cattle rustlers operating in Australia. Of course, in the American wild west they knew how to deal with rustlers. All they needed was a rope and a tree. Come to think of it, Great Southern has plenty of trees! It's a pity such forms of rapid justice are not still viable forms of recourse for the cattle investors these days. I guess we will have to make do with whatever justice we can get out of exercises such as this enquiry, hence why I am supporting it.

"Isn't it the Greedy Investors Own Fault?"

There has been quite a bit of chatter on the web and in papers of late about how the greedy investors are partly to blame in the Great Southern debacle. From my personal experience I cannot say I support this theory. For a start, I never knew such schemes existed until my accountant (who I later found out, after having made all my investments in Great Southern was an authorised representative of Great Southern) suggested I invest in the Great Southern schemes. With the crippling tax system in Australia, where income is taxed at the exorbitant rate of 46.5% percent, the prospect of the government taking your money to waste on handouts and wasteful infrastructure projects is certainly the incentive for people to consider such schemes to delay when they have to pay their tax, but you always end up paying tax when you actually receive money. So it is not really avoiding paying tax just delaying the inevitable. Personally previous to investing in these schemes I had put a lot of money in my super scheme, but at that time that was not a practical solution, with the 30% tax on the contributions (including the 15% surcharge in force at the time), especially having seen that things were elsewhere in the world, e.g. Canada where I lived for 10 years such contributions were tax free at the time of contribution, and the money was taxed when it was withdrawn.

My main motive for investing in Great Southern was not greed, but a desire to fund my own retirement, so I did not have to scrounge of anyone when I retired. You must remember, having invested in these schemes I did not actually have the money I invested in my hands to spend, so I think it is unreasonable to expect a person to be taxed on it. I did not feel I was being greedy to invest in the schemes. It seemed to me the schemes, if implemented properly should have been good for the country as well, via the increased employment and trade they brought, and the schemes seemed to be endorsed by everyone, e.g. my accountant, Great Southern, ASIC, the ATO and the government. In my financial calculations I had worked out if I got back what I put into these schemes then I should be able to have a reasonable retirement income, which does not seem to be too greedy an expectation. As it is, looks like my meagre expectations was a bit optimistic, and that I may not get anything back! This means I may be working till I'm 67, just like Kevin wants me to work. I would not call my investments in these projects as stemming from greed, just a desire to get bye without depending on handouts, and a desire to retire and enjoy like a bit before the grim reaper comes to call.

"Is it the financial advisors who are to blame?

Clearly, a large portion of the blame in the Great Southern fiasco rests with the financial advisors. Unfortunately, I am unable to share with you further here the details of the deceptions and other questionable practices engaged in by my advisor, due to pending legal action.

Recommendation: Do away completely with commission paid to advisors for such schemes.

"What affect did Project Transform have on me?"

The first I knew of Project Transform, and that it was going to affect me, was when I received a letter which seemed to indicate Great Southern were going to give me a very large number of dollars for my interest in the Cattle projects.

This was then followed up by a letter saying they were going to give me a very large number divided by 4 for my investment, but this was assuming the share price realised for the shares they were going to give me was $1.1/share. Of course, on the day the shares were given later the shares were actually worth $0.155/share, so both of letters mentioned here were clearly aimed at deceiving the investors that they were going to get a lot more from the cattle for share exchange than they actually were. With hindsight the use of such tactics can clearly be seen that they could have influenced the final vote in a significant manner.

I then received the explanatory memoranda explaining how they were going to give me shares in Great Southern for my cattle. This whole document was clearly aimed at confusing and deceiving the investors. For example, the indications given in Section 3.3 (Page 8) of the memo show predicted cash flows for the cattle project that bear no resemblance to the actual cash flows associated with the project. In addition, the explanatory memo and its supplement are full of claims about the net asset value of the organisation. However, in light of the indication from the auditor Ernst & Young in the supplementary explanatory memorandum of the uncertainty as to Great Southern remaining a going concern it is clear now, and should have been clear to KPMG at the time, if they are experts in the area of financial data, that the likelihood of the touted asset values being realised during liquidation was a very low probability, hence KPMG should never have made the recommendations they did.

Now, I did not want shares in exchange for cattle. If I had wanted shares I would have bought shares in the first place. I wanted my money in what should have been a safe, low risk, cattle asset. In their explanatory memorandum Great Southern tried to portray that the cattle projects were underperforming. However, the data presented in the memo was so poor quality, you could not really interpret clearly what the performance of the projects were. See Attachment B to this letter of submission for details of an analysis I have conducted which examines the claims of GSMAL and KPMG re the cash flows associated with the cattle projects, and which presents my own analysis, which I claim is far more accurate than either the GSMAL or KPMG "expert" analysis, as my analysis was calibrated with the actual returns from the first year of the 2006 cattle project, and by factoring in the 60% of cattle deliberately not sold by Great Southern in the first year of the project in the hope that Great Southern would be able to pocket this 60% return should their Project Transform acquisition of the cattle be successful. It is interesting to note that this 60% cattle hold back was not mentioned in the Explanatory Memorandum, and that the only aspect mentioned was the artificially inflated "shortfall" which was created by not selling these cattle, and which Great Southern threatened people that they would have to pay if they voted NO to Project Transform.

In Oct 2008 Great Southern had made the first cash distribution to investors from the 2006 cattle project.

Note: One anomaly associated with this distribution was that Great Southern short changed the investors, as they took 55% of the net proceeds of sale, and left the investors with 45% of the net proceeds of sale, where the PDS for the projects clearly indicates on Page 8 that Great Southern are entitled only to 50% of the net proceeds of sale. I queried this error with Great Southern but I failed to get them to admit to this error, clearly as it was not in their best interests to do so.

Hence, the 2006 project distribution in Oct 2008 was based on only the sale of 40% of the cattle which had been available for sale. It is clear that Great Southern did not sell 60% of the cattle so:

- They could sell the cattle they hoped following Project Transform going their way so they could use the money to pay down their debt; and
- They could use the lack of proceeds due to not selling the cattle to:
  - Distort the returns from the project, to make it appear as though the project was underperforming
  - They could say there was a shortfall in the proceeds from the cattle sale, so as part of project transform they could threaten the voters in Project Transform that they would have to pay the shortfall ($9000+ in my case) if they voted no (intimidation).

The original expectation given to me by my advisor was that I would see cash flow from the cattle project of 6%, 20%,20%, 20%,20% & 60% of my original investment in the successive years over the duration of the project. This would give an overall return on the investment of the period of the project of 146%. This meant I would expect $300/drove in the first year. If you add in the 60% which Great Southern held back from sale, and if you correct for the 5% error (underpayment) in the payment of the distribution for the first year of the project, I calculated that instead of them paying me $163/drove as they did in Oct 2008 they should have paid me $446.49, which exceeded my expectation by 49%. I worked out if the project paid similar returns over its duration it would have exceeded my original expectation, and paid me 215% of my original investment over the period of the project, which does not seem to me an unrealistic return on an investment such as this. See Attachment B Scenario 2 for details of my calculations.

Hence, I do not and never did buy the argument put out by GSMAL in the Project Transform documentation, where they were supposed to be acting as the Responsible Entity and acting in the best interests of the investors, that the 2006 cattle project was underperforming, and certainly not underperforming to the extent that it should be terminated. Project Transform was clearly the brainchild of someone at Great Southern who saw it as good way to get assets for worthless shares to pay down their debt. As it was, Great Southern threatened me with a shortfall of $333/drove if I voted NO to Project Transform, which was a figure of $9000+ in my case. This seemed a bit like intimidation, but I could be wrong! As can be seen from my calculation in Attachment B Scenario 2 this shortfall should have been of the order of $103.51/drove if the 60% cattle hold back and the 5% distribution error are factored in, which shows again why it was beneficial to Great Southern to hold back 60% of cattle from sale in the first year, to be able to create their “artificially generated” shortfall number of $333/drove.

Now, with the minimum management fees set at $550/drove in the PDS, there was always going to be a shortfall in the first year under my original expectation, where my expectation was set by a Great Southern authorised representative. The whole idea of the project was that the shortfall would carry forward to the second year, at which point it should be covered by the increased returns in the second year. But of course, by not selling 60% of the cattle when they should have done they magnified the shortfall for the first year, where in reality this was an artificially generated shortfall. No attempt was made to alleviate any concerns on the part of the investor in the Explanatory Memorandum, indeed with the threat that the investors would pay it if they voted NO GSMAL clearly manipulated the size of the shortfall and tried to manipulate the shortfall to their advantage to get the outcome their parent company wanted. The Attachment B Scenario 2 calculation shows that the first year would have been the only year for which a shortfall would have been expected from the project, as the returns from the project in the subsequent years would cover the minimum $550/drove management fee.

"Were there concerns that Great Southern would cease to Be A Going Concern?"

The supplementary memorandum indicated that Ernst & Young, the Great Southern auditors, thought there was concern that Great Southern would cease to remain a going concern. This fact was also manipulated in the Great Southern propaganda by it indicating that if Project Transform did not go ahead, then the company may cease to remain a going concern, putting the onus on the investors to vote YES, i.e. if they wanted to save their investment they needed to vote YES to Project Transform to save the company. Whereas the logical thing for GSMAL to have said in its documentation would have been "it looks like the company is on the verge of bankruptcy, as indicated by the Ernst & Young report, so you will be better off not accepting the Great Southern shares and keeping the cattle, as they are still going to retain their value if the company collapses". GSMAL did not say this, as clearly it was not in their best interests if they did not tow the Great Southern company line. Throughout the whole of the Project Transform debacle, GSMAL and in particular Steven Cole has shown a complete lack of consideration of the interests of the investors.

Recommendation: The committee should determine, from data available from the Great Southern Administrators/Receivers if necessary, at what point the Great Southern entities ceased to be "going concerns", and determine the extent to which this was known by the company officers and at what point they knew.

"Has there been Covert Propaganda Distribution By Great Southern?"

Yes. At one stage the investors in the cattle projects received a letter on Sentry Group headed paper, urging people to vote YES. There were not signs on this letter that it had come from Great Southern, and it purported to come from a concerned advisor. I enquired of the writer as to where he had got my details from and he said he had paid Great Southern to distribute the letter on his behalf. So the letter had actually come from Great Southern urging people to vote YES. On several occasions I asked Cameron Rhodes of Great Southern via email for the terms of them distributing a letter for me, him knowing that I would not urge people to vote YES, but although he responded to these emails Cameron failed to come up with a response as to how I could arrange to have this done or what it would cost me. Clearly, Great Southern were not interested at all in promoting the NO vote.

Note, there were also several small cards distributed from Great Southern (not covertly this time) where these cards were covered in ticks giving the reasons why one should vote YES, but I never did receive one from Great Southern or GSMAL clearly summarising why I should vote NO. I guess they figured I already knew this!

Eventually, when it was clear that Cameron Rhodes was not going to offer me the same distribution service he offered Sentry Group I contacted the "Manager – Client Services" and asked:

"…Lastly, I understand, for a fee, you will distribute information from 3rd parties such as myself, to project investors. Can you inform me as to the options you offer to do this, and the associated fees?"

To which she responded:

"… Finally, due to a skeleton staff for the Christmas period we are currently unable to offer a service to distribute information on behalf of investors and therefore suggest you contact a mailing house for a quotation."

Not wanting to be defeated in my quest to contact my fellow investors I obtained from Great Southern's Manager - Client Services the project investor Registers for the cattle projects. Following having contacted the manager via email I contacted the manager by phone and asked if I could have the register in Excel format, as I wished to make a mailing list. I was told she could only provide it to me in pdf format. I was not happy with this, but figured at least I should still be able to copy the text from the file for the addresses, although this was clearly going to take a lot longer than having the register in Excel format, but at that time the date for the vote was rapidly approaching, so I did not have any choice other than to have the register in that format. However, to my dismay, when I received the register it transpired it had been generated as a pdf image file, from which you could not copy the text in character format, but just as an image, which was no good for making a mailing list. I figured at the time this was clearly done to stop me from creating a mailing list to easily from the Register. These Great Southern ombre's sure played dirty! In practice, I paid a software engineer around $2000 to buy some software and spend time converting this pdf image file into an Excel file. So I eventually did get my flier mailed out to my fellow investors to explain to them why I was voting NO to Project Transform. Mind you, if I had known then what I know now, that in the same timeframe Cameron Rhodes was bribing large investors to vote YES to Project Transform, I might have saved spending my additional money on sending out the fliers to 1500 on the cattle project investors, as with Cameron engaging in bribery my paltry effort clearly was not set to have much effect on the outcome of the vote. Clearly the playing field was not level, and it was tipped in a major way in favour of Great Southern!

After Great Southern went into Administration, and after I had received the Register for the 2008 Wine Grape project in Excel format from the Administrator, I contacted the Manager – Client Services again and asked:

*"…Was this instruction from the person in Great Southern to provide the register in pdf image format specifically with respect to me obtaining the cattle project registers or with respect to people in general obtaining the cattle project registers?
"*

And the response I received from the Manager – Client Services was:

*"… The PDF format for copies of Registers was a Company Policy for all requests. Previously legal advice had been sought and the Company was advised that PDF was an acceptable format and **would deter some recipients** who would use the information for inappropriate purposes as defined in the Corporations Act. Many investors had complained that the issue of a Register is a breach of their privacy and were unhappy about receiving mail from fellow investors, hence the PDF format would reduce the number of mailing lists been activated."*

NOTE: The bolded characters in the above were not bolded in the original response from Great Southern.

Clearly the Great Southern directors figured it was acceptable for them to pester investors with propaganda supporting a YES vote for Project Transform but not acceptable for investors to contact each other supporting a NO vote. A bit of a double standard adopted here by them.

It was clear from the above response, and from the fact that I had received no other mail outs from investors, apart from the Sentry Group one mailed out by Great Southern, that the Great Southern intent was to provide the project Registers in a format designed to prevent the easy creation of mailing lists, with the specific intention of preventing investors contacting each other, and in particular to prevent investors contacting each other with the purpose of attempting to coordinate a NO response to Project Transform. Such behaviour on the part of a corporation should be illegal, as it prevents the investors exercising their right under the Corporation Act to contact their fellow investors.

Recommendation: It should be compulsory for corporations to supply the content of the register of investors to investors that request a copy in the original format of the register, e.g. Excel format, to allow the investors to easily create a mailing list to contact fellow investors.

“Was there vote Manipulation/Rigging in the Project Transform votes?”

The Project Transform vote was originally supposed to take place on 10 December 2008. However, having taken a peek at the state of the proxies before then, it became clear to GSMAL they were not going to get the YES vote if they went to the poll in Dec 08, so they moved the vote to 19-Jan-2009 to give them more time to promote the YES vote, which they did by distributing an update to their propaganda.

There are a number of reasons why I allege the vote was unconstitutional/illegal/rigged, which include the following:

Question as to right of GSMAL, as RE, to table Special Resolution required to change project Constitution at a meeting not requested by Members of projects, when the vote is not in the best interests of the investors?

I allege the Special Resolution vote was not in accordance with the Corporations Act – i.e. count based on droves voted not on “member votes cast” – which would have made seen Great Southern lose the vote? (it appears “voting power” should not have been applied to vote on special resolution based on the Corporations Act), and should certainly not have been applied by GSMAL if they were truly acting in the best interests of the investors.

Potential vote count error impact – 2006 project lost of small margin i.e. 0.8% on a 75% threshold vote. The 2007 project pass margin was not much better.

Affect on vote of misleading data distributed originally by GTP – which indicated larger (x 4) return (“Imputed” value) for investors under the project – than indicated in a subsequent mail out, but some people, enough to swing the vote, may have used the original information on which to base their voting decision. To be fair to all project investors, not just those who felt obligated to vote in the Project Transform fiasco vote, the % pass should have been based on the total number of project investors. Of course, again,. The RE did not do this as this would have given them the least chance of getting a YES vote passed.

Investors who were also GTP shareholders voted in investor vote – which is precluded by the amended Constitution voted in – but which GSMAL overturned they say via notes in the Notice of Meeting – hence the investor/shareholders voted, potentially swinging the vote.

Cameron Rhode’s alleged bribery of large cattle project investors.

This last two points above re the voting of the investor-shareholders and voter bribery are fundamental issues with the vote, which should alone invalidate the votes held on the Project Transform projects.

The updated constitution clearly had the effect of precluding investors who were also Great Southern share holders from voting in the investor vote . GSMAL, Steven Cole, understood this was the case prior to the vote, this is why when I approached Steven Cole on this he said they had got around it by putting information in the notice of meeting that investor – shareholders were not precluded. I pointed out to him that you cannot override the constitution in the notice of meeting, as if you could do this you would not need a special resolution to update the constitution. He did not buy my argument, for obvious reasons, as likely without the investor-shareholders voting they would have lost the vote. In reality, if GSMAL had had any intention of being fair to investors they would have held 3 votes, an investor vote, an investor-shareholder vote and a shareholder vote. Or they could have told the investor-shareholders to vote in the shareholder vote. Clearly it is not in the interests of the investors for share holders to have voted in the investor vote, as it is likely there were a number of shareholders involved who held significantly more shares than cattle droves, and might assume they are going to get an increased benefit, e.g. increased dividend, if Great Southern took the cattle assets.

My initial response to Project Transform was to say I was not going to vote, why should I, I had a contract with Great Southern for them to run the cattle project. My daughter then said I should vote, as if I did not vote it would count against me, as this would boost the YES vote, and I could lose the cattle.

It is very strange that any people voted yes for this deal. The likely options are:

They were worried about paying the shortfall

They were worried about Great Southern going into bankruptcy if project transform did not go ahead, which is what GSMAL were saying.

In the end, even if the vote was legal/constitutional, in the case of both project the vote was so close you have to wonder if the vote was passed due to vote counting errors, or other voting anomalies. The Administrator should recheck the vote, to determine the published numbers are accurate, in support of any future legal action.

As it turns out, it is now clear from information released via the media that in connection with the Project Transform vote, and that he bribed cattle project investors with large investments to vote YES to Project Transform, which is clearly the only reason why they ended up getting the YES vote across the line. One wonders how many others at Great Southern were involved in or conspired to commit bribery. Interestingly months before the bribery claims were published in the press I contacted Neil Hackett, the Great Southern Company Secretary, on the 20-Feb-2009 and indicated to him the following:

"By the way I forget to ask this. I have heard a rumor from a couple of sources now that indicated that Great Southern did a deal with some of the big investors in the cattle projects to swing the vote in favor of the YES vote. Is there any truth in this rumor? If so, can you tell me what the terms and conditions of the deal were, and who the investors involved were?"

Funnily enough, even though he had previously responded to another email from me on the 20-Feb-2009 re Project Transform, Neil Hackett never responded to the above questions. This raises the question as to how much he knew or was involved in the bribery and corruption going on at Great Southern at the time of Project Transform.

Recommendation: In a vote held under the Corporations Act, such as the Project Transform vote, it should not be allowed for any parties to examine the proxy count until the final vote has been taken, otherwise this allows vote rigging, as GSMAL did in this instance, when they moved the vote to a later date to allow them more time to work on the investors to get the outcome from the vote that Great Southern wanted. In addition, in such Corporations Act votes, the percentage yes vote should have to be calculated using the total number of people involved in the project, so that people not voting because they thought they should not have to vote, would not by default bolder the YES vote percentage. The committee should determine whether the vote counting used by GSMAL was in keeping with the Corporations Act and their obligation to act in the best interests of investors, i.e. as to whether they were allowed, without being requested by investors, to call a vote on a special resolution and whether they were allowed to use voting power in connection with the vote, where the Corporations Act does not indicate that this should be the case for a special resolution, which clearly the act considers should be a special case of not using voting power. The committee should determine if GSMAL deliberately manipulated these voting issues to more likely secure a YES vote for Project Transform. The committee should also investigate GSMAL allowing investors who were also Great Southern shareholders to vote in the investor vote, when this was clearly prohibited by the amended constitution, and where the amended constitution clearly could not be over ridden in this respect in the Notice of Meeting, contrary to what was claimed by Steven Cole in an email to myself, where he claimed Great Southern could override the constitution in this area via the Notice of Meeting.

Recommendation: The committee should do whatever is within its power to ensure that the Great Southern Project Transform vote result is set aside, and that the cattle projects are reinstated as operational projects, with the Receivers being held liable for reconstitution of any assets which the Receiver has sold off in their haste to liquidate the cattle project assets to allow the Receivers to provide the proceeds to the banks as debt repayments.

"Was not GSMAL in a conflict of interest position with respect to Project Transform?"

I raised the above issues with Steven Cole and as he did with most issues I raised with him he indicated what they were doing was OK, and he indicated they had expert advice from various quarters to back up their position. He did not seem to factor in the one crucial aspect, that he was acting for the RE, and supposed to be acting in the best interests of investors, which means if there is any interpretation of the constitution or of the law to be made he should be erring on the side of caution and ensuring ALL project investors interests were factored in. GSMAL and Steven Cole were clearly in a severe conflict of interest position in the case of the Project Transform vote, as they clearly promoted the Great Southern position, to the extent even of saying on the cover page of the half inch thick Explanatory Memorandum the following:
"The GSMAL Independent Directors UNANIMOUSLY RECOMMEND that, in the absence of a superior proposal, you VOTE IN FAVOUR of Your Scheme Proposal.

The Independent Expert has concluded that Your Scheme Proposal is in the BEST INTERESTS of Project Investors as a whole."?
They might have well added on the end to this ", **so you need not bother to read the rest of this document, just vote YES**"!

A more useful (to investors) statement that GSMAL should have put on the front of the explanatory memorandum would have been one along the lines of the Ernst & Young statement from (in Section 3.0 of the Supplementary Explanatory Memorandum(Attachment B)) which indicates the doubts associated with GTP (Great Southern's ASX symbol) remaining a "going concern", i.e. they should have put the following on the front page of the Explanatory Memorandum:
"…there is significant uncertainty whether GSL will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. …".

I can see why they did not put this statement on the front of the document, as it was clearly not in Great Southern's best interest.

Recommendation: A Responsible Entity (RE) for a MIS project should be independent of the company running the project, otherwise the RE is placed in an intolerable conflict of interest position. The RE should be accountable to the investors and not to the company running the project.

"What does "superior proposal" mean?"

In the Project Transform documentation the phrase "in the absence of a superior proposal" occurs a number of times. When I saw this phrase I thought there must be a superior proposal to what they are offering. It then dawned on me what it was, which was to keep the cattle project going as they were originally set up. But of course, this option was not really pushed very hard in the explanatory memoranda associated with Project Transform, as its sole aim was to promote a Project Transform YES vote, so I thought I had had a big insight when I realised what the "superior proposal" was. Knowing that GSMAL were the responsible entity I some how figured that surely they must be actively pursuing a "superior proposal", hence I wrote to Steven Cole to formally request him to consider my superior proposal to keep the existing projects going. Not satisfied with the response from Steven Cole on this topic I also contacted Cameron Rhodes and received the following response from him:
Cameron Rhodes (16-Dec-08): "With respect I am a little confused by your "better proposal" concept.

Investors currently have the choice to vote to accept our proposal OR to maintain their investment in the project. They in effect have two proposals in front of them – accept our offer and receive shares or reject our offer and stay in the projects until termination.

I do not consider the point to look at the value of the proposals only until the investor voting date as a valid one – both proposals must be considered on the same terms – that

is look at both until a future date (with the uncertainties that brings) or look at the value of realizing either proposal today. It is only fair to compare "apples with apples".

GSL has made an offer to project investors that it believes is fair and reasonable and provides value but at the end of the day it is the collective wish of the project investors that will determine the outcome."

On reading Cameron's response, I almost thought I, personally, still had the option to remain in the project, even if the other investors decided not to. I figured I should be able to remain in the project, as I had contracts with Great Southern re the cattle projects, and I was not agreeing to vary my contract in anyway. Hence, personally I consider Great Southern to be in breach of contract.

In a follow-up communication from Cameron Rhodes it became clear what they meant by a "superior" proposal, and that it meant if one planned on tabling a better proposal you would need a lot of money, as you had to do it yourself, and that neither GSL nor GSMAL were in the mood for or in the business of determining a better proposal, as Great Southern NEEDED the cattle and tree assets to survive:

Cameron Rhodes16-Dec-2008: "There is a mechanism to get consideration of a "better proposal" it's just not the role of GSL nor GSMAL to actually develop such a "better proposal" or put it forward.

If someone wanted to go through this process, they would need to formulate a formal proposal and put it to GSMAL for consideration, just as GSL has done. If you wanted to actually have a proposal considered by project investors, you would need to go through a similar process as we have done, at what is considerable time and cost.

I re-iterate however that remaining in the projects is not a new (or better) proposal – that is already a choice project investors have. …"

Note: It is interesting that the explanatory memorandum never dwelt on the benefits of keeping the projects running in their current form, which you might have expected if GSMAL were putting forward two options for investors to choose from in an unbiased manner in the memoranda. I might have expected approximately half of the pages in the memo to deal with remaining in the projects and approximately half of the pages in the memo to cover the alternative shares-for-cattle outcome, if the GSMAL coverage were truly unbiased.

"Did the Compliance Committee Play an Effective Role In Policing the RE?"

You have to remember that the compliance committee and the RE are staffed by Great Southern people. It was clear from my dealings with the Great Southern compliance committee in relationship to Project Transform and the cattle projects that the compliance committee under the given ground rules was totally ineffective in such a situation, as was true for the RE in this case also. They both have a severe conflict of interest, and they are clearly not going to side with investors but are going to err on the side of Great Southern, their paymaster. So although the compliance committee as a concept sounds like a good thing, from an investor viewpoint in practice it is just another entity, such as GSMAL and KPMG towing the Great Southern party line.

Recommendation: Although a compliance committee sounds good in theory, in practice it does not work, due to its conflict of interest, in being part of the company it is checking for compliance violations. Compliance checks and compliance complaints should be performed/dealt with by a totally independent body, e.g. ASIC or an newly created body specifically set up for the task.

"Was the project transform documentation "Clear and Concise?"
I think one would have to have a pretty convoluted thought process for the explanatory memorandum and the supplementary memorandum to appear "clear and concise". If the aim of the documentation was to give investors clear and concise information as to whether it was in their best interests to accept the shares or not then it failed dismally. For a start you would have to be a fairly intelligent investors (versed in such matters) to be able to follow the threat through the documentation and understand what was being said, and to mentally sort or the deception from the truth.

Senator the Hon Nick Sherry in (17-Apr-09): Indicated in the letter in Attachment B to Attachment B to this Submission that in response to the GSMAL application for licensing relief for GSMAL to enable its independent directors to give general financial product advice to scheme members Nick Sherry indicated the following with respect to the Project Transform documentation reviewed by ASIC:
"In granting the licensing relief ASIC imposed a condition that it review such documentation before the documents were sent to scheme members to ensure that clear, concise and effective disclosure was made of the risks and benefits of the transaction. After a detailed review of the documentation, ASIC obtained additional disclosure of the risks and benefits of the transaction in these documents before they were sent to scheme members."

All I can say is ASIC must have reviewed different documents from which I read, as I would not say the documents sent to me by GSMAL fell in the category of offering "***clear, concise and effective disclosure".***

Interestingly enough, on the subject of being "clear", on the inside of the cover on the Explanatory Memorandum GSMAL state:
"The GSMAL Independent Directors are not giving or providing, and shall not be taken to be giving or providing, any recommendation or statement of opinion in relation to the acceptance or otherwise of Your Individual Offer by way of this Explanatory Memorandum or otherwise."
This does not appear to be clear advice, as on the front cover they had already said:
"The GSMAL Independent Directors UNANIMOUSLY RECOMMEND that, in the absence of a superior proposal, you VOTE IN FAVOUR of Your Scheme Proposal."
Now I am confused. So were they recommending the offer be accepted or what?

Recommendation: ASIC and other interested parties should work together to see why ASIC failed in this instance in their review of this documentation and in permitting its release, and make whatever changes are necessary in the future to ensure that the next *time a similar situation arises it really is true that "clear and concise" information is provided to investors. A key aspect to this for the future should be the focus on the "concise" aspect, which would reduce what seemed in this instance to be reams of paper used by Great Southern to convey their Project Transform message to investors. Of course, Great Southern no doubt did not want the documentation to be "clear and concise" in this instance, otherwise the investors might have got a clearer idea of what Great Southern were really up to with their Project Transform fiasco.*

"Could KPMG have done better?"

YES. Certainly one of the main culprits of this saga which should be hanging its head in shame is KPMG, the so called "independent experts". Of course, you and I both know that they are not really "independent", as they were paid by Great Southern, and clearly Great Southern did not pay them to come out and recommend to people that they should vote NO to Project Transform (i.e. he who pays the piper syndrome). Also they clearly did not indicate a level of "expertise" either in the cattle project subject area in their report. So I am not sure exactly why their report was titled an "Independent Expert Report".

For lack of a better term the KPMG contribution to the GSMAL documentation was clearly hog-wash. The first problem with it was that their whole analysis was based on the assumption that if the investors took the shares for cattle then the cattle projects would be terminated. Now in my book this means this is the only return from the project, i.e. the investor return on the project is equal to the value of the shares received on the day the exchange of cattle for shares takes place. The bulk of the KPMG "independent expert report" dealt with historical share prices and asset values and extolled to the investors how they were going to make money out of shares now rather than cattle, and that this was in their best interests, oh yes, and this was all in the knowledge as indicated by the auditors, as to it being questionable as to whether Great Southern was going to remain a going concern, even if per chance it was a going concern at all at the time of Project Transform.

This meant that investors such as myself saw a 20 cent in the $ return for our investment if we took the KPMG advice. Now this does not seem to me to be in the best interests of the investors. It sounds better to me to have kept the projects going to get an overall return of 215 cents in the $ if the projects had been left to run based on the first years estimated return (factoring in the 60% held back cattle and correcting for the 5% error in the first years distribution). See Attachment A to Attachment B Scenario 2 for details of my analysis in this area.

KPMGs model continued past the end of the project, because of course it had to in an attempt to try and convince the investors that they were going to recoup their losses from the termination of the project. So KPMG said that from dividends and from an eventual increase in the share price that in the long term it was in the best interests for the investors to accept the shares. But KPMG in coming up with this recommendation must have forgotten the concerns expressed by the auditor re Great Southern becoming bankrupt. No sane truly independent expert should have come to the decision that to take shares in an ailing MIS firm was a better option than keeping the cattle assets, to be managed by someone else post the demise of Great Southern. But of course, there is no way KPMG could have recommended the investors vote NO to Project Transform, as they were being paid specifically by Great Southern to encourage the investors to vote YES.

In the end it is clear that when the KPMG analysts must have seen a YES vote based on the results of their analysis was a non-starter it was then they came up with the astounding conclusion the offer was in the best interests of the investors overall. What I am still grappling with is that if it was clearly not in my best interest, and if it could not possibly be in the best interests of any individual investor, how on Earth could it have been in the best interests of investors overall?

Of course, this is the answer GSMAL wanted, and they have been quick to point this out on the front cover of the Explanatory Memorandum, as indicated previously, that it is in the best interest of investors overall. GSMAL obviously figure there is no come back on themselves when it turned out not to be the case, as has happened, as they were just repeating the expert advice they were given by KPMG, so they can conveniently pass any litigation onto KPMG and their liability insurers.

See Attachment B to this letter of submission for an in depth analysis of the KPMG analysis and its apparently deliberately bleak prognosis in the area of predicted cattle project cash flows. The low quality of their analysis clearly brings into question the KPMG analysts analytical abilities and their “expertise”/professionalism, and brings into question their motives in coming up with the analysis outcome which they did.

Of course though, just as GSMALs “get out of gaol free card” is to say they were only following the advice of the independent experts, KPMG, the KPMG “get out of gaol free card” will likely be similar, that they were just following the advice of the cattle experts who provided them with their expert cattle project advice.

Recommendation: The committee should direct ASIC to take action against KPMG for their seriously delinquent role in promoting the aspirations of Great Southern via their so called "Independent Expert Report" which formed part of the Project Transform documentation, and seek to ban the people involved from roles which place them in a position to perpetrate similar unprofessional acts in the future.

“Are there any Tax Implications from Project Transform?”

I don’t know, but I would hope not, as I have not done anything to change my tax obligation. Unfortunately, this was one aspect which got overlooked while striving for, to use Nick Sherry’s terminology, “clear, concise effective disclosure” in the Project Transform documentation, in that GSMAL could not disclose clearly or effectively in the documentation what the tax implications were of receiving the shares in exchange for cattle. I’m not sure why an investor would have to pay any tax on this transaction, as you do not pay tax normally when you obtain shares. And in my case, for example, I have not even agreed to take the shares. Apparently, potentially the ATO could use the issue price ($0.5/share) for the determination of the tax due, even though this was significantly higher than what the shares were worth on the day of issue, which was $0.155/share. In the current situation where likely the shares are worthless, this may mean I get a large tax bill for my worthless shares. As it is, I and many other people have requests into the ATO for a private rulings on the tax situation. If is a pity GSMAL did not sort this out before they recommended the deal to investors. Again, this was another example of them not acting in the best interests of the investors, and clearly they figured they did not have time to wait for the tax office to rule of the tax situation, as Great Southern was desperate to reap the rewards of its cattle rustling exercise to pay down its dept, and GSMAL knew this.

The outcome of the tax ruling is still awaited at the time of writing this Submission to the committee.

Recommendation: The committee should investigate with the ATO the tax liabilities on the investors from Project Transform, and seek to ensure that the investors are not disadvantaged by the events beyond their control in connection with the Project Transform exchange of cattle and trees for shares.

"But how much was my interest in the cattle projects worth?"

At the time of Project Transform I was thinking I had invested $5000/drove in this project and now I am being told my investment is only worth a fraction of that! Logically I thought if you invest in something that breeds and grows you might expect the value of the asset to grow over time. Of course, when one talks of value of an asset here, we are not just talking of the 4 cows in each Drove, but the value of a portion of a an up-and-running cattle project, and where there are progeny in existence, including the 60% held back from the sale in year one of the project. Hence, for a start I had a problem dealing with the fact that I was being told my stake in the project was of so little value now. But to add insult to injury then GSMAL said they were going to charge me $0.5/share when on the day of the exchange of cattle for shares the shares were only worth $0.155/share, giving rise to the approximately 20 cents in the dollar return to investors before tax, where the tax is likely at 46.5%, knocking the return down to around 10 cents in the dollar after tax, or in the current situation where the shares are likely worthless, and where tax may be payable on $0.5/share the return may turn out to be negative. Hence, you can see why I am still trying to understand KPMGs statement that it was in the best interest of investors overall!

Interestingly very shortly after the exchange of cattle for shares Great Southern were promoting how they had acquired $88M of cattle assets from the investors in exchange for shares, whereas as can be seen from the following table the investors only got $27M of shares on the day, and $0 today for their shares. It seems that maybe GSMAL acted in the best interests of Great Southern here, or were a bit naïve not to see what was coming, which I somehow doubt.

Cattle Project "Asset Value"

	Shares Issued	Issue Price ($0.5/share) Value	Value on Date of Issue ($0.155/share)
2006	88,992,780	$44,496,390.00	$13,793,880.90
2007	87,391,200	$43,695,600.00	$13,545,636.00
		$88,191,990.00	**$27,339,516.90**

Total shares:
176,383,980

What really concerns me is that it appears no one really know how many cattle there were in the cattle projects at their termination, and due to the lack of transparency in the termination of the projects by GSMAL that they clearly intended that no one would ever know the answer to this question.

I requested from Steven Cole and Neil Hackett via emails on 18-Jan-09 and 24-Jan-09 respectively as to how many cattle were in the projects, knowing that they had held back 60% from the first years sale for the 2006 project, and because of concerns I had over data published in the Great Southern financial statements 30-Sep-2008, where the data re the number of cattle published did not tally with what I might have expected to be the number of investor cattle in the projects at that time.

I understand the federal police have been involved in claims of cattle rustling associated with the Great Southern cattle projects, but they appear to be taking no action. It seems to me, this is more a case of corporate fraud, hence it would appear whoever deals with such fraud (e.g. ASIC?) should really be taking up and getting to the bottom of the cattle rustling associated with the projects.

Lets hope the Administrators/Receivers can work out how many cattle were in the projects, albeit a bit late now, now that the Receiver, acting as an irresponsible Responsible Entity for the projects, is selling off the cattle project assets as fast as they can to ensure that the cattle projects cannot get off the ground again under a new RE following the Administration period, so that the Receiver can go ahead and sell all of the assets for fulfil the Receivers primary objective, which is that of recouping money for the banks they represent.

Recommendation: The enquiry should question the Great Southern directors and obtain data from Great Southern to fully substantiate the number of cattle which were part of the cattle projects to ascertain if Great Southern have been misappropriating cattle from the projects.

Recommendation: The committee should investigate the proportion of the money invested in Great Southern projects that actually went to the setup and operation of the projects *versus the proportion of the money that was paid to advisors and others to bring in the investors or the bonuses that were paid to people to set up the projects. The committee should determine whether it was the scale of the money filtered away from the projects in this manner which ultimately led to the failure of the projects, due to the project subscriptions (investments interests) being higher than could be managed within the constraints of the projects, e.g. project setup times scales and resources available for project setup, and was the main failure due to the money being left over once the promotional budget was paid out being insufficient to operate the projects without further investor cash flows.*

Recommendation: The committee should investigate why ASIC has failed to remove the Receiver from being the responsible entity, due to the clear conflict of interest, and why ASIC has not acted to stop the Receiver selling off the cattle project assets. The receiver is clearly making such sales to prevent the cattle projects being reinstated under a new RE, which is clearly in the best interests of the investors, and the Receiver is clearly attempting to sell the cattle assets due to the Receivers primary purpose being to sell off all of the Great Southern assets to recoup the money for the banks.

"Was there a high level of voter turnout?"

In practice there was a low level of people voting in the cattle project votes, and a large portion of the project investors either voted NO or did not vote, presumably because either:

- they did not know the vote was happening;
- they did not realise they had to vote;
- they did not know how to vote; or
- they did not see why they should have to vote to protect their interests in the cattle projects.

If GSMAL had been acting in the best interests of investors the vote % would have been based on the %age calculated based on the total project investors voting YES, in which case clearly they would have lost the vote. Hence, it is clear this is why they did not conduct the vote in this manner, and why the vote results clearly indicate they have not acted in the best interests of investors overall, as the clear majority of investors did not vote YES, yet Great Southern has still stolen their cattle, as summarised in "The Australian" newspaper:

The Australian (article Anthony Klan, May 29, 2009) ***"… The proposal was narrowly accepted by investors of both schemes. Of the investors in the 2006 Beef Cattle Project, 75.8 per cent of those who voted approved the deal. The transfer was supported by 77.3 per of voting investors in the 2007 Beef Cattle Project. Only 34 per cent of investors in the 2006 scheme, and 39 per cent of investors in the 2007 scheme, voted in favour. The remainder either voted against the Project Transform proposal or did not vote at all. "***

I guess the answer was there was a low level of turnout, after all, why should anyone bother to vote, as there was nothing in the PDS that declared the risks of Project

Transform occurring or of Great Southern being able to take your cattle and give you worthless shares in exchange for them.

Recommendation: When there are votes on things such as to terminate a project or to make significant changes to the manner in which a project operates, the % of people voting in favor should be based on the total number of participants in the project. In this way, if people choose not to vote their vote is counted as a NO, and you do not get situations such as with Project Transform where the YES vote wins with the minority of people voting YES.

"Were the cattle projects terminated properly, in the best interests of the investors?"

Things did not get much better for the investors at the termination of the projects. I raised an number of issues with Steven Cole as to the termination of the project, and the requirements on GSMAL at the termination of the project.

After all, it clearly states in the amended constitution that the deal included **"GSL Shares for each Drove"**, hence this share transaction does not include the progeny, and the amended constitution also states ***"each Project Investor will agree to sell, and GSCM will agree to acquire, the Project Investor's Progeny"*** . Now logically, if the shares are given for the Droves, then the investors would expect to get additional payment for the sale of the progeny in existence at the time of the termination of the project. After all during the project, and until it is terminated, all of the progeny belong to the investors, this includes the 60% of the progeny held back from sale in the 2008 financial year.

It is also the case that the PDS indicates that in the termination year of the project, female cattle cannot be used to replace leased cattle in the droves, clearly as they are not going to be used for project breeding any more. So when I say the progeny to be sold belong to the investors I mean also that this includes the female ones born since 1 July 2008, and that the Droves that GSMAL paid shares for according to the amended constitution should only contain the cattle in the Droves as of 1-Jul-2009 as indicated in the Schedule 1, where Schedule 1 is the schedule attached to the Lease Management and Agistment Agreement. Schedule 1 shows the cattle, including leased cattle, included in Droves.

This should have been good news for the investors, as there should be more cattle to be sold for them to profit from! I thought to myself "surely Great Southern cannot think all of the progeny are theirs! The PDS also says the sale of the progeny are to be performed at "arms length", and at the termination of the project the proceeds are to be paid to the investors. I approached Steven Cole re this issue, but was not surprised again when all my arguments were dismissed out of hand. I also indicated to Steven Cole that the termination of the project should be done using an independent administrator, to ensure that the projects were terminated in the best interests of the investors, as neither Great Southern nor GSMAL could be trusted to do so. A suggestion again which was not well received.

As it happens, an administrator was appointed, but not to terminate the projects but to instead terminate the company. KPMG should have seen that coming, as everyone else seems to have seen it coming!

Since being told as part of Project Transform about the poor performance of the cattle projects, and why they needed to be terminated, it seems there has been nothing but good news in the news papers re cattle, e.g. large cattle exports taking place, and Great Southern has been doing well selling cattle on the web, so it has been indicated in various articles. This leads one to wonder again, how come the Great Southern projects were underperforming according to GSMAL.

I am no tax expert, but it appears to me that the manner in which GSMAL have terminated the cattle projects, and the manner in which they apparently have tried to disguise the sale of the cattle projects as the sale of a "going concern" to the ATO, when it clearly was not the sale of a going concern, as the projects were being terminated and the cattle were being rustled. So it appears to me the statement in the GSMAL Explanatory Memorandum indicating **"GSCM, GSMAL, GSL and each Project Investor agree that the transaction is the sale of a going concern which is GST free."** is an attempt at getting the investors to collude in claiming the sale of the project cattle is exempt form GST, which may not be the case for all the investors know. The modified constitution says the investors are selling the cattle, and according to the constitution such sales of cattle are subject to management fees and GST.

Recommendation: Needs to be more accountability, e.g. at the termination of a project such as this, to insure the investors interests are looked after. Clearly, in such situations an independent administrator needs to be appointed to terminate the project.

Recommendation: The ATO should be tasked to investigate to ensure that Great Southern met their tax obligations associated with Project Transform under the current conditions, although if the outcome of Project Transform is reversed this will affect the actual tax due.

"Do corporations such as Great Southern have too much power ?"

One thing that has become very clear to me as a result of this fiasco is that corporations can pretty well do what they want and get away with it. I conducted an intensive lobby of Cameron Rhodes and Steven Cole and had no impact on their position at all. Steven Cole in particular clearly had no interest in the well being of his investors, just Great Southern.

It would be interesting to know if Steven Cole stood to gain personally financially or from promotion if Project Transform went through. Clearly, even if nothing was agreed up-front, he was likely to be looked on very favourably by his parent company the more people he got to give their assets to Great Southern. It is clear that GSMAL was in such a strong conflict of interest position that they should never have held the vote, and any responsible RE would never give the time of day to recommending investors take shares in a failing company in exchange for their valuable cattle assets. It just would not make sense.

It became clear to me in the end that there was nothing I as the typical “little-guy” could do against corporations with the money and power such as Great Southern. Unless you have pots of money to use the courts to block their actions you stand no chance, and they know this, and use this fact to get away with doing as they please.

But its also unfortunate, that the bodies that do have the resources and legal know-how, e.g. the government ministry responsible for the Corporations Act and in particular ASIC, sat on their hands and did nothing. ASIC has sat on its hands even after having been informed of the problems unfolding years ago by various observers and investors and more recently by hundreds of people, including myself, in connection with the Great Southern debacle. It has taken the demise of Great Southern to get them to take notice and start to act, e.g. with the likes of setting up this enquiry, however ASICs current actions in particular are more likely aimed at ensuring that the mud splashed up in the wake of the Great Southern investor rip-off does not stick to them, rather than as a result of any serious attempt to start doing the right thing, better late than never, to try and protect the interests of investors.

Recommendation: The committee should investigate what can be done to have bodies such as the responsible government ministries and ASIC, i.e. the guys with the money and the legal knowledge, do a better job at regulating, monitoring and punishing corporations such as Great Southern when they fall foul of the law, and to get out of the mind set of sitting back and doing nothing until the cow manure (in the case of the cattle projects) starts hitting the fan.

“Was anybody else affected by Project Transform besides the cattle people?”

We must not forget all of the tree project people who were also subject to this Great Southern scam under the guise of Project Transform, and who also cudgelled to give up their trees for shares, hence were also the victims of this corporate scam, and deserve redress also.

“Where was ASIC and the Government in All Of This?”

I ask myself what use is ASIC in situations like this? Early on I approached ASIC to point out what was going on with Project Transform, and that there were a bunch of cattle rustlers operating on their watch (well I might not have said exactly that!). This approach had no impact. The response I got from ASIC indicated that they saw nothing wrong in what Great Southern were doing, and suggested that I investigated pursuing the matter through a private legal case. See the ASIC response letters in Attachment C to the letter of Submission.

The response I received from Senator Nick Sherry (see Attachment B to Attachment B of this Submission) indicated ASIC had participated in the review of the Project Transform documentation, and apparently concluded it was "clear and concise" and contained the correct level of disclosure, and pointed out that my concerns about the constitutional amendment were are private matter between GSMAL and the investors and that I may like to take independent legal advice on the matter.

I understand ASIC have had many (possibly hundreds) of complaints from Great Southern project investors, I don't know if this is true though. It is a pity they did not act with respect to Great Southern sooner, and then maybe the mess to deal with now might have been a lot smaller.

Hence, with all of their resources ASIC, the government and the opposition ministry (who told me they could not talk to the government ministry on this topic as they were not on speaking terms with them, and that I should find a lawyer) have proved to be totally ineffective at reining in the activities of GSMAL and Great Southern in the Project Transform fiasco.

Maybe you can see now why I am not happy with the prospect of paying 46.5% tax to support a regulatory infrastructure which contains ASIC, and the relevant government and opposition ministries, with all of their high flying corporate and legal expertise, just to get told, sorry we cannot help you, you better go an find your own lawyer. Maybe if I did not have to pay so much tax to support them then I would have enough money in my pocket to afford a lawyer! Maybe also I could have afforded a lawyer now if I had not lost all my money in these investments! But it was very clear that I would have needed a LOT of money to take on Great Southern's lawyers, Freehills, as they clearly indicated along the way via various letters they produced that they would fight vigorously any claims!

In Attachment C to this Submission there are three examples of letters from ASIC in response to complaints re the behaviour of Great Southern in connection with the theft of the cattle project assets. As can be seen from the responses ASIC were totally ineffective to deal with this situation, and the best advice they could offer was to take legal action myself. If I could afford to take legal action in connection with Great Southern I think the first entity I would look into taking legal action against would be ASIC, for their gross incompetence over the years in dealing with MIS projects and specifically their gross incompetence in letting and even assisting Great Southern get away with their Project Transform rip-off. Although I guess someone being incompetent is maybe not illegal! Perhaps it should be, as in the industry covered by this enquiry there appear to be either a lot of incompetent people or maybe they are just smart people who know they can do what they like and get away with it. The outcome from this enquiry should be recommendations to do whatever is necessary to ensure that they can no longer do what they want, as they will not in the future get away with it.

I suspect if I asked a lawyer to take such action against ASIC they would tell me ASIC and its officers are immune from prosecution!

Recommendation: If it is not already given such powers and just currently fails to use them, ASIC should be given the power and resources to police all aspects of these MIS projects, including policing ensuring the PDS is adhered to and the constitutions are adhered to. After all, there is no point in having regulations and laws if you do not enforce them. Their main source of intel would still be investors, but as least one would then have them responding to complaints rather than washing their hands of them as in the correspondence of Attachment C to this letter of Submission. If ASIC is short of resources, police resources could be redirected, e.g. from manning speed cameras to collect revenues, to doing something more useful like policing that the Corporations Law is adhered to. With the current ASIC modus operandi the biggest crooks in the land, the bent corporation directors, are getting away with daylight robbery.

"Who is replacing the RE? Did you say the Receiver, but wont that be bad for investors?"

To add insult to injury in all of this saga, it came to pass that when Great Southern entered into voluntary administration, this seemed to be the best thing for investors at the time. However, this then got trumped by the Receivers taking over, and apparently being appointed as the Responsible Entity for the projects, and taking over the day-to-day operations of the projects. Now, to any warm blooded investor with a brain this does not sound like a good idea. According to the Corporations Act Section 601FC, the RE if in a conflict of interest position they are supposed to act in the best interests of the investors. See the following extract from the Corporations Act:

> Corporations Act:
> **601FC Duties of responsible entity**
> (1) In exercising its powers and carrying out its duties, the responsible entity of a registered scheme must:
> (a) act honestly; and
> (b) exercise the degree of care and diligence that a reasonable person would exercise if they were in the responsible entity's position; and
> **(c) act in the best interests of the members and, if there is a conflict between the members' interests and its own interests, give priority to the members' interests; and.**

Now clearly, the Receiver should not be appointed the RE for the projects, as the Receiver is acting on behalf of the banks, and clearly has no interest in the interests of the investors. I assume ASIC has given the go ahead to the Receiver becoming the RE, and I would question this decision. I have submitted a complaint to ASIC re this issue, but you guessed, ASIC has done nothing to remove the Receivers from being the RE. Hence the Receivers now are on a clear mission to sell of the cattle assets as soon as possible, to prevent the assets being around to continue the projects under a new RE following the Administration period. I complained about the Receiver selling the assets also to ASIC, but you guessed correct again, ASIC sat on its hands again.

The Receiver is apparently going ahead with the sale of the cattle stations and cattle, which is clearly not in the interests of the investors as a large proportion of these cattle belong to 2006 and 2007 cattle project investors, and either the proceeds from the sale if and when it happens should go to the investors or the cattle and the cattle stations will be required to restart the cattle projects should this be the outcome of the Great Southern Administrators deliberations and the associated vote.

Recommendation: The receiver should be removed from being the RE for the projects and running the day-to-day operations of the former GSMAL.

Recommendation: The sale of the Great Southern cattle properties and the cattle should be put on HOLD until the outcome of the Administration activities is known and implemented.

"Are MIS Schemes Viable?"

Clearly these schemes should be viable, and they should be a win-win for everyone involved. However, it seems from a mixture of lack of competence of the people running the schemes and the projects being on a scale which makes them too large to setup effectively in the timeframes required, they, in general, do not fair well.

Having examined the schemes now from Great Southern and other scheme vendors its clear to me that they are set up to make money more for the RE more than to make money to the investor, and theoretically it is hard to see how a RE could fail if it did a half competent job of setting up the schemes. The problem comes it appears that the PDSs are based on overly optimistic yield and price data, which if met the investor would do well out of the investments, but in practice such yields are prices are not achieved, so more often or not the investor may break even if lucky or make a loss if unlucky.

Recommendation: The main aspect of these schemes which disadvantages the investors is when the Responsible Entity (RE) takes fixed fees for managing a project, where these fees apply irrespective of how the project is performing. The RE should only be allowed to take a fixed percentage of the income from the project, and shortfalls should not be allowed to be claimed from the investors by the RE. Any shortfall if it occurs is due to the RE not running the project to operate at the performance level indicated in the PDS, hence the investor should not be liable for such a shortfall. If anything, the RE should pay the investor the shortfall figure, if the project does not perform as per the PDS, i.e. the performance stated in the PDS should be guaranteed in the PDS, hence this might make the RE think twice about overstating project performance estimates in the PDS. In this manner the investor would not end up losing, as currently is always the case, when the project underperforms, whilst the RE still gets their income. The REs income should be performance based in this manner. Such changes in the way projects are setup and run would be aimed at making the Responsible Entities "more responsible" for their actions. As it is, the way things are setup currently in the industry you have REs such as GSMAL acting totally irresponsibly with respect to the interests of investors, and to date, getting away with it without any repercussions on them.

“Did the Sale of The Great Southern Loan Book Disadvantage investors?”

It seems that one issue any government enquiry needs to address is the background to the sale of the loan book by Great Southern and the other aspects associated with the loans which the investors have. I have no detailed knowledge in this area, my not having this kind of loan with respect to the projects.

However, I have heard some disturbing things about people potentially having to sign up to new loan agreements, potentially putting up their house as security. It seems to me that if someone has an agreement with someone re a loan where I gather the cattle were put as security, and then the cattle were swapped for worthless shares, then the borrower would be within their rights to default on the loan and let the lender take the cattle or shares in lieu of the loan payments. I know I would not want to sign up for a loan transferred to a third party whereby I am expected to sign a new contact, put up my house as security and continue making payments to gain worthless shares. The government should sort this out for the investors, as the many investors involved stand no chance up against the banks individually.

What is interesting in this area is that I understand (from information on the web) that Cameron Rhodes took out a $1.5M loan circa 1994 to fund the purchase of shares in Great Southern. Apparently at least part, if not all, of the loan repayments were to come out of the dividends on the shares. I understand also that if he defaults on the loan repayments that Great Southern can take the shares which are security against the loan. If this is true, this is a classic example of corporate executives looking after themselves ahead of their investors in this instance. I bet the investors in Great Southern wish that their loans had been set up with such generous provisions, that if they defaulted now Great Southern could just have their worthless shares back.

Recommendation: The committee should investigate the goings on at Great Southern in connection with the sale of loan books, including the apparent purchase of the loan book by John Young, and take action where appropriate where there has been misconduct in connection with the loans.

“Where does John Young fit into Project Transform?”

I would think one thing an enquiry such as this should be interested in is talking to John Young, formally of Great Southern, to see what he knows about the history of Project Transform and the goings on behind the scenes at Great Southern in the lead up to its demise. It is interesting to note that John Young left Great Southern just prior to the announcement of Project Transform, i.e. 4-Jul-08 (Project Transform being announced on 26-Aug-08). Presumably he might not have been so keen on Project Transform as Cameron was, so it would be interesting to hear his story/views on the subject, and the direction the company went in. In addition, John Young does historically, according to information published in the media, appear to have been involved in some dubious goings on within the company, and possibly insider share trading in connection with Great Southern shares. Currently it seems John Young is sitting pretty in his expensive Perth mansion, while the 40,000 or so investors who his company duped are wondering how they are going to recover from their dire financial situation. If any of the allegations against John Young are true the court system should be used by ASIC, the government or whoever has the power to bring about justice in such a situations, to ensure his assets are donated to start to redress the losses incurred by his unwitting investors.

Recommendation: The committee should investigate the actions of the Great Southern founder John Young in connection with the operations of Great Southern, his share sales and his apparent acquisition of the loan book at a discount price.

“Have Great Southern officers benefited from share sales based on any insider knowledge associated with Project Transform?”

With the amount riding on Project Transform, and the likely perceived risk within Great Southern of the announcement of Project Transform to the investors it is conceivable that some people could have taken advantage of the pending announcement of Project Transform and sold shares to avoid losses based on insider information.

Recommendation: As part of any enquiry into Great Southern’s demise the committee should carefully scrutinise the share transactions associated with the Great Southern officers/employees to ensure nothing untoward occurred with respect to insider trading in the lead up to the announcement of Project Transform.

“Did Project Transform act as the straw that broke the camels back?”

Clearly Project Transform spelled the doom of future investments into Great Southern MIS schemes, as clearly none of the existing investors affected by Project Transform were likely to invest any money in the Great Southern projects, especially as the auditor indicated the concerns of the company failing. Hence, Project Transform was clearly put together as a desperate act by the companies officers in the face of the pending bankruptcy as a result of the systemic project mismanagement at Great Southern.

“Did Great Southern trade whilst insolvent?”

It is clear that one of the cornerstones to the Great Southern arguments (eg. via the KPMG report) was the ratio of assets to debt. It is also clear, following the introduction of the Administrator and the Receiver that the values realised for assets from any sale following the demise of Great Southern will likely show that the asset values quoted by GSMAL in the lead up to Project Transform likely greatly exceeded the true value of the assets when they are liquidated under the fire sale conditions which were bound to prevail under any scenario of the demise of Great Southern.

This brings into question the whole approach of using such information in documents such as the Project Transform documentation, where the information was clearly highly deceptive. The asset to debt ratios were clearly included to provide a “warm an fuzzy feeling” to the investors.

Recommendation: ASIC and the government should investigate the use of these alleged asset values to assist in swinging the vote as was done in Project Transform and consider outlawing the practice of relying on such asset value claims in documentation associated with such transactions. This applies to the inclusion of such information in PDSs as well, as it again in misrepresenting the facts to quote assets values in PDSs in manner that paints a rosier picture than is likely to prevail if an attempt is made to actually liquidate the assets.

"How important was the timing of events on the outcome of Project Transform?"

A key aspect that needs investigating is the timing of various events within Great Southern. In particular, of course, as key time point would be at what point in time did any of the Great Southern companies become insolvent, and were they trading whilst insolvent at the time KPMG were telling investors that it was in their best interests to take shares in Great Southern.

If Great Southern were trading whilst insolvent this raises the question as to how could they be in this situation, when ASIC claim to have reviewed the Project Transform documentation, which clearly states concern over them being a going concern, yet this does not appear to have been investigated further and acted on at the time by ASIC, in terms of if they were insolvent at the time one would have expected ASIC to be prosecuting Great Southern for trading whilst insolvent.

In addition, it is important for the enquiry to establish who knew what when, and for example, did GSMAL personnel know things while they were recommending Project Transform to investors which would reasonably have been expected to affect the outcome of the vote if the investors had known the information prior to the vote.

For example, I have been informed by an advisor (I was informed on the 3-Feb-09 via email, which was just one day before the swap of cattle for shares) that the Great Southern advisor annual conference in March 09 had been cancelled. The advisor indicated:

"there was no reason given I suspect that they would have problems convincing advisors to attend?"

Hence, this implies that at some time prior to the vote all was not well within Great Southern or between Great Southern and its advisors, and that this information was concealed possibly from investors in the lead-up to Project Transform.

Another aspect of timing with respect to its impact on investors was that Project Transform was announced 2 months after everyone, including myself, had signed up to the 2008 projects. Post the announcement of Project Transform it became clear that investors, including myself, had signed up to pay significant amounts of money to Great Southern for the 2008 projects yet were likely paying money into projects for which they may not get any return, e.g. if you believed at that time, as I did, that the auditors comments on Great Southern spelled the end of Great Southern, as it did. Clearly, with all of the preparation for Project Transform that had taken place within Great Southern it must have been known that Project Transform was going to happen well before June 08, but there was no mention of such an event and the attendant risks to investors in the PDS for the 2008 projects.

Recommendation: The enquiry should probe with Great Southern the circumstances surrounding the cancellation of the advisor conference.

Recommendation: The enquiry should investigate the background behind the failure to disclose the pending occurrence of Project Transform and the planned compulsory acquisition of tree and cattle project assets in the PDS for the 2008 Great Southern project investment, which appears to have been a deliberate attempt to deceive investors by failing to disclose relevant facts in the affected PDSs.

"What use is a PDS?"

Well, it appear to me, based on my foray into the goings on in MIS projects, and in particular the Great Southern ones, the PDS is not worth the paper it is printed on. The MIS companies like Great Southern put exaggerated claims in the documents to lure the unsuspecting investors, plus add copious small print, usually covering themselves to the effect there may not be any returns from the project. This has to change.

A PDS should be a clear and binding document, with binding minimum rates of return from the project. If the projects fail to deliver these returns the corporations running the projects should be liable for paying the difference between the return in the PDS and the actual return from the project. If this was the case, corporations would think twice before exaggerating the returns in a PDS. Likely this would reduce dramatically the number of PDSs being published, but if a PDS is not worth the paper it is printed on, then why bother to print it.

Such extreme measures might make corporations start to get their act together. I am amazed with the current way companies such as Great Southern have been operating, running projects in traditional low risk areas, e.g. cattle, that they cannot setup and run projects successfully. The main issue appears to be that the projects are so large, and setup in such a short time scale, that they are poorly setup and poorly run, as in the case of the Great Southern projects, that they are doomed from the start. If the directors had more at stake, by as a last resort being held personally responsible for paying out to the performance levels stated in the PDS, they would likely change their behavioral patterns significantly, or more likely, find another means of making money where they are not liable for their actions.

Recommendation: Have PDSs state the guaranteed minimum return the investor is going to receive from the investment (e.g. 5% ROI per annum), and not just say the return cannot be determined or their may not be any return. Have the company and directors held fully responsible for any shortfall in the return, and have it mandatory that they pay this shortfall to the investors. Note, this is the opposite to the current situation, where currently the investors ware required to pay shortfalls to the REs, which is backwards of *what should be the case. Have ASIC ultimately responsible for prosecuting companies who fail to deliver on these returns and sell off the company assets to pay the returns and ban directors for life from practicing as company directors if their company fails to pay out without intervention the guaranteed returns to investors.*

“Did the independent research groups such as AAG and Adviser Edge contribute to the misfortunes of the investors?”

The answer to this is clearly YES. For a start they are clearly not independent, as they are paid to provide research which supports the sales pitch of the MIS companies such a Great Southern. They then set out a supposedly expert analysis as to why they assess the projects as being possibly as high as 4 or 4 ½ star. Then of course, they add in copious disclaimers to reduce their liability to legal action when the schemes go pear shaped. Clearly, their support to these projects coming out of their analysis, and lack of effective due diligence into the projects, coupled with the Great Southern propaganda pushing the projects and the financial advisor whole hearted support to the projects, not surprisingly for the commissions involved, is all part of the overall MIS industry culture of ensnaring investors into these ponzi scheme scams.

Recommendation: Research companies such as AAG and Advisor Edge should have to guarantee the returns to investors which they indicate in their research reports, which if the projects fail to pay the returns they indicate investors should be reimbursed automatically by the research organization to the level of the shortfall between the guaranteed return stated in the new generation of PDSs coming out of this enquiry and the guaranteed returns level indicated in the research reports. Of course, such guarantee requirements will likely kill off such future research reports, but again, as with the PDSs, if the research reports are not worth the paper they are printed on they should not be printed.

Attachment B to letter of Submission – Content of Communication with Great Southern Administrator Re Why The Project Transform Vote Should Be Overturned

Notes:
1) The following was an update to a previous correspondence sent to the Administrator. The information relating to the changes between the first and this subsequent communication on the same topic has been omitted here and the change tracking colour coding has been removed. Otherwise the content is as submitted to the Administrator.
2) The analysis reported in this attachment re Project Transform vote rigging pre-dates when it was published in the media (17-June-09, The Australian Financial Review, Pages 1 & 61) that Cameron Rhodes had been bribing large investors to vote YES to Project Transform, so this aspect of the vote rigging is not mentioned in the following analysis.

14-June-2009

Dear Mr. Jones,

Re: Why The Result Of Project Transform Should be Overturned

1. Introduction

I understand from your information associated with the Great Southern MIS Projects that you are investigating the conduct of Project Transform and its outcome. I offer in this correspondence an analysis of two key aspects of Project Transform, which in my opinion show that the results of the vote on Project Transform should be considered invalid, and that the exchange of investor cattle assets for shares in Great Southern, at that time, an ailing MIS company on the verge of bankruptcy if you interpret their auditors report. The whole of Project Transform was clearly aimed at obtaining investor assets, against the will of the majority of investors, for the sole benefit of Great Southern/GSMAL, as a desperate last ditch attempt to avoid them going into bankruptcy.

There are a myriad other issues with Project Transform which I would be happy to enter into a dialogue with you with respect to, however, I think that the issues discussed in this correspondence are sufficient alone to overturn the outcome of Project Transform.

I have extensive correspondence with and responses from Cameron Rhodes and Steven Cole throughout the duration of the lead-up to the Project Transform vote, and post the vote, where my concern was then to try and protect the interests of the investors from the actions of GSMAL during the termination of the projects. It was clear from all of my communications with GSMAL that there was no way that they were going to stray from the goal of obtaining the project assets for their parent company. So intent on getting the investor assets for Great Southern were the GSMAL independent directors that they went as far as sticking the following on the front cover of the Explanatory Memorandum, effectively suggesting to investors there is no point reading on, just vote YES to project transform:

"The GSMAL Independent Directors UNANIMOUSLY RECOMMEND that, in the absence of a superior proposal, you VOTE IN FAVOUR of Your Scheme Proposal. The Independent Expert has concluded that Your Scheme Proposal is in the BEST INTERESTS of Project Investors as a whole."

May I suggest you may like to use the attached analysis in support of your efforts, as the documentation associated with the project is complex, and many investors such as myself have spent a long time studying this documentation already, and identified the issues with Project Transform, whereas in the time frame within which you are working, you will be hard pushed to cover the same ground to an extent whereby the conclusions you draw based on the understanding you gain in the short time frame may not protect the interests of the investors, if your people do not get in a position in time of fully grasping/comprehending all of the issues.

The analysis below focuses on the data associated with the 2006 Great Southern cattle project, but the conclusions from the analysis are equally applicable to all 8 of the projects in the Project Transform asset takeover exercise by Great Southern, as the same basic issues applied to all projects.

The following discusses two key areas in Project Transform:

The KPMG Independent Expert Reports; and

The apparent Vote rigging of the investor Votes

2. KPMG Independent Expert Report

For a start this report clearly lacks independence, as the report was paid for by GSMAL, and as with all "expert reports" paid for by a stakeholder it, perhaps not surprisingly, it conclusion supports the stakeholders position, despite clear evidence to the contrary.

2.1 Analysis Of KPMG Analysis

The following is based on an analysis of the *"Update of opinion set out in our Independent Expert Report (IER) and financial services guide dated 13 October 2008"* given to GSMAL via a letter on the 12-January-09.

Note, one interesting thing as regards this analysis update was that it was not actually sent to the investors in the projects, but was posted on the web. Hence, some investors will have seen the report, but many, likely the majority, will not have seen the report. <u>However, the basic content of the report is the same as the previous report sent to investors, as far as the arguments presented based on my analysis are concerned, just the</u>

numbers are slightly different. I have taken their latest report to analyse, to give them the benefit of their latest opinion and supporting data.

My analysis was of the 2006 project report, but the same arguments apply to 2007 cattle project, as the update from KPMG is basically the same for both projects.

The two main aspects of interest here are:

a) The KPMG evaluation of the cattle project cash flow if the project continued to completion; and
b) The opinion of KPMG that the offer from GSMAL was fair and in the best interests of investors overall.

It is clear from an examination of the GSMAL and KPMG documentation associated with Project Transform that it failed the supposed ASIC litmus test as to being “Clear and Concise” (Reference: Attachment B Page 1 of letter from Senator Nick Sherry, Paragraph 4). However, ASIC failed to pick up on this, for whatever reason, apart from likely a lack of appreciation as to the importance of these documents, lack of resources to conduct the review of the documentation and a misplaced trust in the directors of GSMAL and KPMG analysts that they would not go out of their way to promote the interests of Great Southern’s planned takeover of the cattle assets over the interests of the investors.

2.2 GSMAL “Project Transform” Cash Flow Details For 2006 Cattle Project

In the 2006 cattle project, Project Transform, explanatory memorandum on Page 8 GSMAL indicate in Section 3.3 “Cash Flows”. Now, due to the lack of the document being “clear and concise”, it is not exactly clear what the numbers represent and how they are derived, as they show cash flows in the years 2006 to 2012, which is not consistent with the actual planned cash flows for the project, which was for distributions to occur in the years Oct 2008 to Oct 2013. You would have thought GSMAL would have spotted that. It is also not clear from the memo how the numbers are derived. It is clear GSMAL did not want investors to compare the offer to the original project estimates, and they state this in Section 1.1 on Page 1 of the Explanatory Memo.

My interpretation, based on the evidence, is that on Page 8 of the memo, GSMAL are indicating that the investor can expect to see a cash flow of $4779/Drove from the project over the duration of the project, assuming a 46.5% tax rate applies to the cash flows presented in Section 3.3, and reverting the numbers back to their pre taxed values. This means, as the investor paid $5000 for the Drove, that GSMAL are saying that the investor will see 95% of his original investment returned over the duration of the project.

2.3 KPMG “assessed post tax fair value” of Droves

Now, KPMG are saying on Page 10 of their update to their expert report that they think the a drove is worth between $4048 (low) and $4314 (high). (Note: The $4048 falls to $3855.19 if the shortfall is taken into account and the first years money paid to graziers ($160.48) but excluded from the KPMG number (as KPMG point out) is taken into account as in Scenario 3 in Attachment A.) NOTE: The KPMG calculation of Scenario 3 in Attachment A has not had the 60% extra return in the first year (as factored into Scenario 2 in Attachment A) factored in, as KPMG has not acknowledged the existence of this 60% of cattle not sold in their report.

They then go on (on Page 10 in the KPMG report) and derive a "Value per Grazier's Interest (discounted) - $" (based on the residual post tax cash flow) of between $1,602 (low) and $1,751 (high).

In their subsequent discussion they pick the lower of the two values, $1,602, to represent their "assessed post tax fair value of retaining an interest in the 2006 project". Presumably they chose the lower value, as it looks smaller, and they chose the post tax value because it looks smaller than the pre-tax value, despite the fact that the value to investors will depend on their tax rate they actually pay. Note, this "fair value" is significantly different from the actual post tax value, presumably due to the "discounting", whatever than means in the context of the KPMG report, which is not explained in the report, or at least I could not find it, assuming it is clearly defined somewhere in the report. The post tax value on $4048 at 46.5% tax would in fact have been $2165.68/Drove, which would at least been a fairer value to show than $1602, as a "fair assessed" value, when the discount mechanism is not elaborated on in connection with the table on Page 10.

<u>Summary:</u>

Hence, the KPMG report shows this $1602 values plucked out of the air, with no elaboration as to how the number was derived, and clearly expects investors to believe them that this is the true "assessed post tax fair value" of their cattle asset, for which they paid $5000/Drove for in June 2006. As a fully operational cattle project has been set up with the investor funds, and the cattle have been breeding and growing since then, it is difficult for me to understand how KPMG can determine such a low "fair value" for an interest in the cattle project, but as I say, they have given no clues as to how they arrived at the numbers on Page 10 of their report.

<u>Intermediate Conclusion:</u>

It appears the KPMG "assessed fair value" is a low-ball estimate of the interest in the cattle project, likely aimed a encouraging investors to get rid of their interest in the project in exchange for shares in Great Southern.

2.4 "Fee Short Fall" On October 2008 Cattle Project Cash Flow

KPMG then go on, on Page 10, of the report to discuss a $334 (number applicable to people claiming GST input tax credits) shortfall in the GSMAL fee income from the first years distribution, and mention that GSMAL may ask the grazier to pay this shortfall.

KPMG failed to mention that the size of this shortfall is due to GSMAL only selling 40% of the available cattle in the 2008 tax year, and GSMAL holding back 60% of cattle from sale. This move on the part of GSMAL appears to have been made to create the appearance of a artificially high level of shortfall from the first year's distribution on the project, to create the impression of a poor performing project, and also to enable Great Southern to take the proceeds of the sale of this 60% of cattle post Project Transform.

It appears that none of the above subterfuge is mentioned in the KPMG report. This is not surprising, as to be able to mention the shortfall allows KPMG to support the underperforming project viewpoint of GSMAL, whereas the mention of the cattle holdback and the rationale behind it would not support the GSMAL position of promoting the offer for Great Southern, and would clearly show GSMAL have not acted in the best interests of their investors..

In practice, I believe, there was always going to be a shortfall in the first year of the distributions for the project, as there was never going to be enough proceeds in the first year to cover the minimum $550/per year management and agistment fee indicated in the PDS. The following explains why this is the case.

The PDS on Page 18 and in Section 7 (Page 70 in PDS) explains how the shortfall is to be handled. Any shortfall in a year is recouped in the following year. Now, one might have expected the shortfall to be recouped initially from any excess management and agistment fees, in excess of $550, that GSMAL make in the following year, and that if there is not enough cash flow for GSMAL to cover the years fees and the shortfall that the grazier would pay the rest. However, in practice, due to the manner in which the PDS has been written, the grazier has to pay the shortfall from their proceeds of sale for the year following the year in which the shortfall occurred. If there is not enough to cover the shortfall in the investors proceeds the investor has to pay the remainder of the shortfall out of their own pocket. However, the portion of the shortfall paid out of the graziers own pocket has to be paid back by GSMAL in a subsequent year, if the cash flow to GSMAL allows for this. None of the details behind the payment of this artificially increased shortfall are covered in the KPMG report, and in particular, they did not point out that if all 100% of the cattle had been sold by GSMAL the portion of shortfall to be paid by the grazier would have been significantly reduced, as indicated in the following.

In Attachment A to this document I have included some calculations supporting how the returns from the project behave under various conditions, including the occurrence of the shortfall. When I signed up for this project my Great Southern authorised advisor told me I would see returns of 6%, 20%, 20%, 20%, 20% and 60% of my initial investment over the successive years of distributions on the project. If you believe this, as I did, this means I would have expected, based on my initial investment of $5000/Drove, a return (pre tax) of $300/Drove in the first year.

In practice, because GSMAL deliberately held back the sale of 60% of the cattle, I actually saw a return of $160.48/Drove (ignoring interest paid by GSMAL). Now, for simplicity (and which should be accurate enough to prove a point) if we assume that if the 100% of cattle had been sold when they should have been, that the additional 60% cattle fetched the same return/head as the original 40%, as they should have been sold at the same time (if GSMAL had lived up to their responsibility, instead of promoting the Great Southern interest), then the return pre tax for the first year should have been $446.49 (which could be equated to the sale of one weaner per drove based on cattle data provided in the Adviser Edge Investment Report for the 2006 cattle project) . Now this $446.49 is still less than the minimum fee level set in the PDS of $550, but if GSMAL had sold 100% of the cattle then $446.49 of the minimum fee would have been met out of the GSMAL 50% fee on the proceeds of sale, leaving an actual shortfall of $103.51 to be met by the grazier in the following year. Now in Attachment A I have shown the following cash flow scenarios, tacking into account the shortfall:

1) **Scenario 1:** Based on my Great Southern advisor's original estimate (indicates a 146% ROI over the project). Note: 146% ROI on this investment does not seem unreasonable, as a sanity check. NOTE: The Return On Investment(ROI) (i.e. overall cash flow) is 141% if the shortfall is taken into account,
2) **Scenario 2:** Based on my advisors original estimate, but <u>calibrated</u> (by uplifting my original advisors estimates for each year by a factor of 1.49 to match up with the actual first years return value) based on the actual return for the first year, which indicates I would reasonably expect a better performance overall from that my advisor originally indicated in Scenario 1. Note: Scenario 2 shows a 215.22 % ROI over the period of the project.
3) Scenario 3: Based on the actual return for the first year and a distribution of the KPMG $4048 return for the remaining years of the project (from Page 10 in the KPMG report) spread over the remaining 5 years of the project using the same ratios as given to me by my advisor for the distribution of the cash flow for each year for Scenario 3. Note: No information was provided by KPMG in their report to allow me to spread the cash flow as they intended, but the spread of cash flows in Attachment A should be good enough to prove the point. NOTE: The KPMG cash flow model yields a 84.17% ROI (77.10% ROI if the shortfall is taken into account). NOTE: There is no evidence that KPMG calibrated their cash flow returns model, the output from which is shown on Page 10 of their report, with the actual cash flow for the first year of the projects return. It is remiss of them if they did not use the actual data to calibrate their estimation model.

Now, based on Scenario 2 in Attachment A, which I believe is the best estimate of the actual project returns out of the three scenarios presented in Attachment A, then as can be seen the $1,488.29 estimate for the 2nd years grazier return/Drove is sufficient to cover what should have been the shortfall from the first year if the 100% cattle had been sold, i.e. a shortfall of $103.51. This would have left the grazier with $1384.78/Drove for the 2nd year, which incidentally, is still higher than my original $1000 return expectation based on my advisors original return cash flow for the project in Scenario 1. Hence, even taking what should have been a more appropriate level of shortfall into account ($103.51) if GSMAL had sold the cattle when they should have, the project appears to me to be still performing above my original expectation, and I certainly would not see any reason for anybody to abandon the project in favour of a share option.

But of course, as KPMG would have known that this was not the message that their paymaster GSMAL wanted me to take away from their report, hence this appears to be why their report lacks a plausible analysis, based on a sound model, and why they have presented the pessimistic numbers they have without presenting any foundation for the derivation of the numbers at all in the report.

2.5 Intermediate Conclusion

The KPMG analysis with respect to cash flow presented in their report lacks credibility, and appears to be designed to convince investors that the project is underperforming. Their report:

> Pulls cash flow numbers out of the air, without any justification (note my cash flow numbers were I presume authorised by Great Southern, as they came from an authorised Great Southern representative. In addition, the original estimate of 146% seems a plausible return from a cattle project, and the fact that the project is over performing is evidenced by the first years actual data, see Scenario 2).
> Highlights the artificially inflated GSMAL shortfall figure, without explaining the true origine of this number (the 60% cattle holdback), and without attempting to show, based on a plausible cash flow model, that the shortfall even if 100% cattle had been sold, would never have been covered by the first years proceeds but would have been covered easily by the subsequent years proceeds.

KPMG omitted to discuss the 60% cattle hold-back from sale in their report, presumably not to place any emphasis in the report on the GSMAL apparently deceptive tactic to magnify the shortfall and to assist in keeping the cattle proceeds for Great Southern post Project Transform, as they threatened investors via the Explanatory Memorandum with having to pay this artificially inflated level of shortfall if they voted NO (Page 19).

Based on the above alone, it can be seen that the KPMG report lacks credibility, and is not an independent report clearly and concisely representing the true picture of the project cash flows, hence ASIC, if they reviewed this report update, or its similar predecessors, should never have allowed licensing relief to the GSMAL independent directors to allow them to provide general financial advice via their Project Transform documentation.

Whose project performance estimate is an investor supposed to believe, the GSMAL or KPMG one? The answer to this is not clear! As regards “clarity”, or otherwise of the data in the collection of documents associated with Project Transform, the only thing that is clear is that GSMAL had a significantly different view of the cash flow from the projects (i.e. $4779/Drove on Page 8 of the explanatory memorandum) than did KPMG (i.e. $4048/Drove on Page 10 of their report). Both numbers were presented with no means for an investor to verify for themselves the derivations in either of the numbers in the documents. It is not clear how the investors, if they were capable, are supposed to know whose estimate might be the closer estimate, when there is a 15.3 % difference between the estimates, with the KPMG one being 15.3 % lower than the GSMAL estimate. Interestingly, the GSMAL estimate is 55.59% below my Scenario 2 return (ROI = $10,761.02), which takes into account the 60% unsold cattle. The likely conclusion here is that the GSMAL estimate appears to be a low-ball estimate, to persuade the investors to take the offer, and the KPMG estimate is an even a lower ball park estimate, to further reinforce to the investors that they should take the offer.

2.6 The KPMG Conclusion/Opinion

If you examine the 60 page update to the KPMG IER report (the subject of this correspondence) it is clear that it is nothing but an attempt to persuade investors to accept the Great Southern/GSMAL offer of shares for cattle. It is also clear that the whole KPMG argument that it is in the best interests of investors overall is clearly not supported even by the content of their report. Hence their "opinion" is without foundation.

Approximately 3 pages of the report (half of Page 9 and half of Page 10, plus Pages 14 and 15) are devoted to deriving the "Collective assessed value of Graziers assets", although it is not clear from the report how the content of Pages 14 and 15 actually relate to any of the information presented on Page 10. The rest of the report is spent promoting the exchange of cattle for shares, by performing an in depth study of historical share price and asset value data. It is to be noted, that KPMG did not dwell of the significant issues associated with realising the assets of a company in the event of a bankruptcy fire sale, which is an issue the Great Southern auditors clearly understood when they expressed their concerns in the supplementary explanatory memorandum with respect to Great Southern remaining a going concern.

The opinion of KPMG (Section 2 in KPMG report) was that 5,910 Great Southern shares **"reflects a fair consideration for Graziers**" and "**We have concluded that the terms of the Scheme remain fair to Graziers".**

The only feasible way anyone could come up with this conclusion based on the evidence in the report would be for the report writer(s) to have ignored the evidence and consciously promoted the GSMAL view, GSMAL being their paymaster, showing the clear lack of independence in the report.

The "fair" consideration which the graziers received was:

> 5,910 shares x $0.155/share price of day of exchange (4-Feb-09) = **$916.05 per drove.**

Note: The share price quoted in the report by KPMG was $0.175/share, for the day prior to the date on their report (where the report was dated 12-Jan-09), but they clearly knew when writing the report that the share price could be lower on the day of exchange of cattle for shares, as indicated in the above calculation re the actual value of the shares on the day of the exchange of cattle for shares.

It was highly irresponsible for KPMG to have spent 56 pages of the report trying to put a "positive spin" on accepting the shares. If you assume, for example (which appears a very poor assumption), that the KPMG drove value estimate pre-tax on page 10 is correct, and take the $0.175/share value, just to use the data available to KPMG, then it is clear that KPMG had a $4048 – 5,910*0.175 = $3013.75 (ignoring shortfall) difference between their estimated returns to the investors if they stayed in the project versus what they would get on the swap day from the cattle via the share-for-cattle swap.

Note: The figure of $3013.75/drove, which is a measure of the unfairness of the deal, increases to $9,844.97/drove gap (if one includes shortfall) in the fairness of the deal, if my calibrated Scenario, Scenario 2 ROI of $10,761.02, and the 0.155/share actual exchanged share value are used in this calculation.

Hence, the whole gist of the rest of the 56 pages of the report was to try and convince investors that taking $1034.25 was a fair swap for a cattle project investment they valued at $4048/Drove, and that they would overtime reap the benefits from dividends and an increase in the share price. To have even factored in any potential dividends or share price rise into their arguments, was grossly irresponsible, as it was clear at the time, and more so now, that relying on future predictions of dividends and share price increase for the company was HIGHLY RISKY financial advice to investors:

> As the Great Southern had likely killed any prospect of significant investment in its MIS schemes in 2009 by announcing Project Transform (which aimed to take investor assets unfairly and against their will);
>
> The company auditors Ernst & Young had raised concerns of the company remaining a going concern.

2.7 CONCLUSION

If we are to believe the KPMG report truly reflects the KPMG analysts understanding of Project Transform, then clearly Ernst & Young had a far better understanding of the plight of Great Southern than did KPMG. Indeed, in the KPMG report it is clear there are instances where KPMG appeared to follow the reassurances given by Great Southern directors as to a positive future for Great Southern, rather than performing their own due-diligence on behalf of the investors.

It is clear that no reasonable person could conclude, based on the information in the KPMG report, that the offer proposed by GSMAL to exchange cattle for shares at a share value far below the assessed value of the assets was a "fair offer".

It is also clear that no reasonable person, without alternative motives, could give an opinion, where the provider of the opinion knows full well investors are going to rely heavily on the opinion in making their decision, to take shares in a company, where even the company auditors have serious doubts whether it will remain a going concern.

ASIC, should never have allowed any of the Project Transform Explanatory Memorandum, Supplementary Memorandum or the Update to the KPMG IER to be distributed to investors, as the documents failed to meet the criteria indicated in the

Senator Nick Sherry letter of Attachment B (Page 1, 4th paragraph) of providing "clear, concise and effective disclosure" or in the case of the KPMG report even being a truly independent report.

Now, ASIC REGULATORY GUIDE 111 "Content of expert reports", dated October 2007 states:

> *RG 111.10* ***Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.*** *This comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.*

- *RG 111.11 An offer is 'reasonable' if it is fair.* ***It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.***

It is clear that contrary to the statement on Page 2 of the KPMG report that "We have concluded that the terms of the Scheme remain fair to Graziers", that the offer violated RG 111.10, hence KPMG should never have promoted it as being a "fair" offer, as clearly the value of the offer price or consideration ($1034.25 used in their report) was not equal to or greater than the value of the securities (cattle project interest) subject to the offer ($4048 used in their report). It was irresponsible of KPMG to factor into their opinion, to MAKE the offer appear "fair", any future predictions on dividends and share price rise associated with a company clearly on the verge of bankruptcy at the time their report was written. The offer was clearly not reasonable, if it was clearly not fair, as clearly the reasonable position to adopt in the presence of the information contained in the KPMG report was to stay with the cattle project assets, as even if the company went bust and the project was wound up there would be some return for the investors from their cattle assets, including from the 60% of progeny held back from sale in the 2008 tax year by GSMAL.

Note: The KPMG experts would likely have come up with a different opinion if they or their parents were investors in the project, and they were going to be obliged to exchange their LOW RISK cattle project assets for VERY VERY HIGH RISK shares in a company which the company auditors clearly at the time considered the company to be on the verge of bankruptcy.

3. VOTE RIGGING OF THE PROJECT TRANSFORM VOTE

There are a number of issues surrounding the Project Transform votes, any of which could likely be used to overturn the vote, but the one dominant issue was that the amended constitution clearly forbade people who had an interest other than as being an investor in the projects from voting in the investor vote. See Page 27 in the Explanatory Memo of the 2006 cattle project Item 34A.3 (a) (Voting Eligibility) extracted as follows:

> **34A.3 Voting eligibility**
> (a) A Grazier (the '**Interested Grazier**') and the Interested Grazier's associates are not eligible to vote on a resolution under clause 34A.2 above in relation to the Interested Grazier's Droves if the Interested Grazier has an interest in, or receives a benefit from, the outcome of the arrangement other than in their capacity as a Grazier in the Project along with all other Graziers in the Project

Clause 34A.3 clearly precluded investors who were also Great Southern share holders from voting in the investor votes. GSMAL understood this was the case, this is why when I approached Steven Cole on this issue, an independent director of GSMAL, he indicated they had got around it by putting information in the notice of meeting that investor – shareholders were not precluded. I pointed out to him that you cannot override the constitution in the notice of meeting, as if you could do this you would not need a special resolution to update the constitution. He did not buy my argument, for obvious reasons, as likely without the investor-shareholders voting they would have lost the vote. Clearly, "investor-Great Southern shareholders" should not have been allowed to vote in the investor vote, and they were precluded from doing so by the amended constitution. They should either have been required to vote in the shareholder vote or there should have been three votes, i.e.:

An investor vote;
An investor – shareholder vote; and
A shareholder vote.

Clearly, it was in the interests of GSMAL and Great Southern to allow investor-shareholders to vote in the investor vote (due to them, due to potential dividend payments or share price increases, standing to "benefit from, the outcome of the arrangement other than in their capacity as a Grazier in the Project along with all other Graziers in the Project"). I allege GSMAL conducted the vote in the manner they did to bring about a higher YES vote than would have occurred otherwise if the vote had been held in accordance with the modified constitution paragraph 34A.3 (a), and the vote had not been subverted by overriding the constitution in the "Notice of Meeting" for the investor vote.

4. OVERALL CONCLUSION

The outcome from Project Transform should be reversed. I allege it was based on inadequate documentation, which should never have been approved for distribution by ASIC, and I allege it was based on a voting process rigged to promote the vote in favour of accepting the swap of investor assets for shares.

5. The ROLE OF ASIC

As can be seen from Attachments B ASIC was informed of this transaction when GSMAL sought licensing relief to enable its independent directors to provide general financial product advice to members of the Great Southern projects. An ASIC condition was to review documentation to be distributed to investors, including explanatory memorandum, and independent expert report and a prospectus, to ensure "clear, concise and effective disclosure was made of the risks and benefits of the transaction". ASIC conducted a detailed review of the documentation, and ASIC obtained additional disclosure of the risks and benefits in the documents before they were sent to the scheme members. See Attachment C for additional information re the role of ASIC in Project Transform.

I contend that ASIC has failed with respect to its duty as regulator with respect to it role in connection with the Great Southern Project Transform.

Yours Sincerely

Gary Jackson

Attachment A to Attachment B of letter of Submission: Analysis Of 2006 Cattle Project – Investors Pre Tax Cash Flow per Drove

Scenario 1: Original Great Southern Advisor Based Estimate - Plus Estimate Corrected With Shortfall

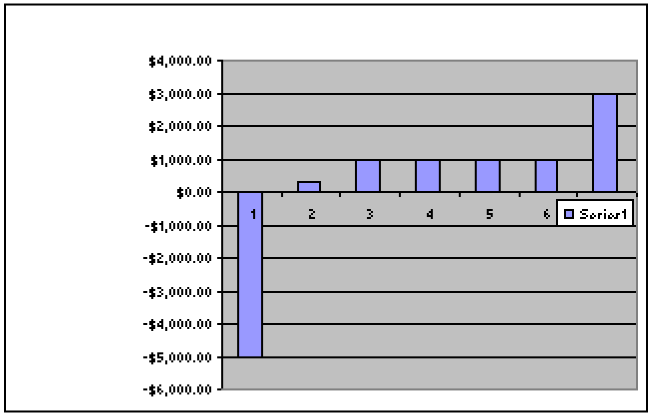
Scenario 1: 2006 Beef Cattle Project Original Project Expectation (Based on Great Southern Authorised Adviser Advice) - assumed pre tax

a) EXCLUDING SHORTFALL HANDLING

	Oct-08	Oct-09	Oct-10	Oct-11	Oct-12	Oct-13	
Orig Purchase	6%	20%	20%	20%	20%	60%	<==Return:
-$5,000.00	$300.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$3,000.00	<== excludes GST

146 % final return assumed at beginning of project

ROI = $7,300.00 per drove



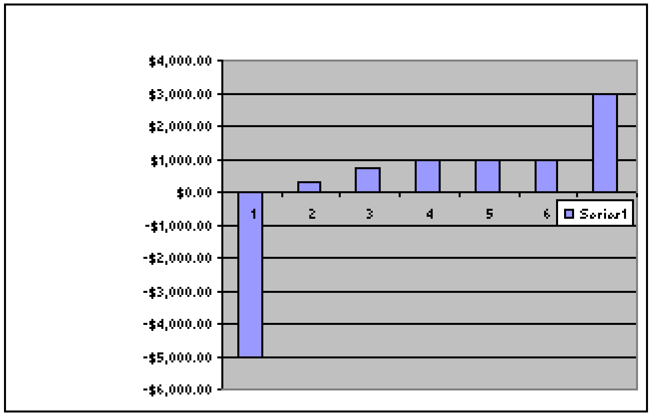
b) INCLUDING SHORTFALL HANDLING

Oct-08	Oct-09	Oct-10	Oct-11	Oct-12	Oct-13

Orig Purchase	6%	<20%	20%	20%	20%	60%	<==Return:
-$5,000.00	$300.00	$750.00	$1,000.00	$1,000.00	$1,000.00	$3,000.00	
		^shortfall paid here					
Shortfall=	$250.00	0	0	0	0	0	

141 % final return factoring in the shortfall based on a return of $300 in the first year

ROI = $7,050.00 per drove



Scenario 2: Original Cash Flow Model Calibrated Using First Years Returns and Factoring In 60% Unsold Cattle from 2008 tax year

Note: This model, for simplicity, factors in the 60% unsold cattle from the 2008 year into the first year. A more realistic model now would factor the 60% into the second year. Doing it the way it is, it clarifies the affect the unsold cattle have on the returns of the first year, and that it clearly shows that the project is performing ahead of my Great Southern authorised advisors original cash flow indication (i.e. Scenario 1 (a)).

	Oct-08	Oct-09	Oct-10	Oct-11	Oct-12	Oct-13
-5,000.00	$446.49	$1,384.78	$1,488.29	$1,488.29	$1,488.29	$4,464.88

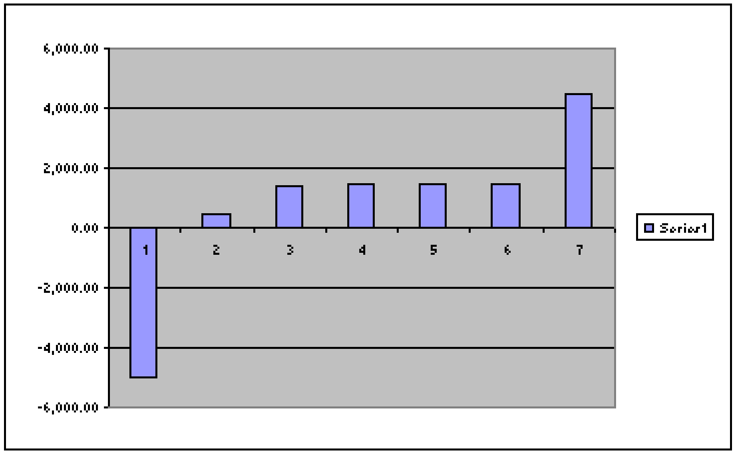
1st year return per drove (40% avail sold) = $178.60
(excluding interest earned on Net Grazier Return)

if all available cattle had been sold sold this would yield = $446.49

^shortfall paid here (excl GST)

NOTE: 1.49 = Scale facture used to lift subsequent returns based on 100% first year return compared to orig estimate.

Shortfall=	$103.51	0	0	0	0	0



215.22 % overall return

ROI =

$10,761.02 per drove after taking into account the first years shortfall if 100% cattle had been sold and the money from the 60% cattle not sold lumped into the first year, to simplify the analysis

NOTE: This calculation is based on the amount distributed by GSMAL in Oct 2008.
NOTE: I allege there was an error in the Oct 2008 distribution, and GSMAL took 5% more fees than they were entitled to.
To do this calculation I have recalculated the distribution so that GSMAL and the investor got 50% each as per the PDS, and used this data to calculate the shortfall, assuming again 100% of cattle sold.

Scenario 3: Cash Flow Model Based On KPMG Report Page 10 Data - Plus Model Corrected With Shortfall

Scenario 3: Cash Flow Scenario Based On KPMG Report Page 10 Cash Flow

a) EXCLUDING SHORTFALL HANDLING

Orig Purchase	6%	20%	20%	20%	20%	60%	<==Return:
	Oct-08	Oct-09	Oct-10	Oct-11	Oct-12	Oct-13	
-$5,000.00	$160.48	$578.29	$578.29	$578.29	$578.29	$1,734.86	

^excludes interest on Net Grazier Return

Sum years 2 to 6 = 4,048.00

NOTE: As per KPMG model this portion of the analysis does not take into account the 60% of cattle which were held over from the 2008 year, as KPMG ignored these, it seems, in their analysis.

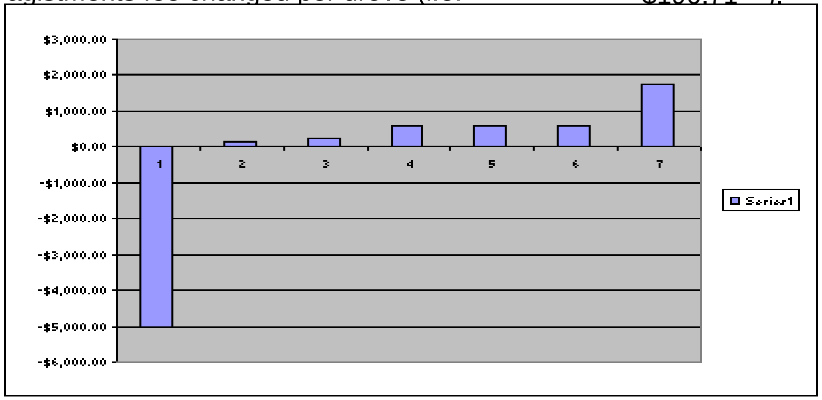
84.17 % ROI
$4,208.48 per drove overall cash flow

b) INCLUDING SHORTFALL HANDLING

	Oct-08	Oct-09	Oct-10	Oct-11	Oct-12	Oct-13
-$5,000.00	$160.48	$224.99	$578.29	$578.29	$578.29	$1,734.86
		^shortfall paid here				
Shortfall =	$353.29	0	0	0	0	0

(Calc) Note: The shortfall indicated by KPMG (Page 10) is $334. Not clear why this differs from the calculated shortfall used here.
Note: Second year GSMAL amount (same as grazier amount shown above) would cover min $550 GSMAL fee.
(the above statement assumes the error/deception in the distribution is fixed, so the distribution is done on a 50:50 basis)
Note: Shortfall based on $550/drove minus the lease management and agistments fee changed per drove (i.e. $196.71).

77.10 % ROI
$3,855.19 per drove overall cash flow



Attachment B to Attachment B of letter of Submission: Letter from Senator Nick Sherry

This attachment contains the content of a letter from Senator Nick Sherry (when he was the minister responsible for corporation law and superannuation) in response to my writing to him re my concern re the Great Southern planned acquisition of my cattle project assets in exchange for shares in the ailing Great Southern.

Attachment C to letter of Submission: Correspondence From ASIC Re Great Southern Complaints

This attachment contains three response letters from ASIC in response to my complaints to ASIC re the goings on at Great Southern in connection with Project Transform.