



Second letter to tree partners

Dear tree partner

At the beginning of July we sent you a letter (along with the circular from the liquidators) informing you of our rescue plan. This second letter is intended to give you an update and tell you about the next steps.

What have we achieved in the last weeks?

- ✓ The rescue company has been incorporated. Forests for Friends Ltd is a Swiss private limited company with seat in Affoltern am Albis and registered in the Commercial Registry of the Canton of Zurich under the number CH-140.3.002.790-4. Its main purpose is to save the teak plantations of Prime Forestry Panama S.A. and prevent the tree partners from losing their investment.
- ✓ Forests for Friends Ltd has bought Prime Forestry Panama S.A. out of the bankruptcy estate of Prime Forestry Switzerland AG and all the shares were transferred on 27th June, 2006. Forests for Friends Ltd, therefore, now owns Prime Forestry Panama S.A. and its teak plantations.
- ✓ We wrote to about 3,000 tree partners. Up until today, approximately 2,400 have responded. More than 95% thereof are willing to become shareholders of Forests for Friends, an unexpectedly high number.
- ✓ In the meantime, we have managed to guarantee the short-term maintenance of the plantations in Panama with advance payments of tree partners and our own money.
- ✓ The detailed planning for the future operations of the plantations is being worked on at full speed. For this reason, I spent the last week of June working intensively in Panama.
- ✓ Work for the necessary share capital increase is also progressing. This will allow the tree partners to participate in the new company.

Thus we can state that the rescue plan for the plantations is on its way. There are still some risks, but they have reduced in comparison to the situation we met at the end of May.

What is going to happen in the coming weeks?

- Prime Forestry Panama S.A. still has some legacies. Thus the books for 2005 and the balance sheet at the end of May, 2006, have not yet been audited and the land register in Panama has not yet been fully updated. These jobs will be finished in the coming days.
- Before we are able to submit a binding offer for the subscription of the shares to you, these pending matters must be properly sorted out.

We assume that the share capital increase will be launched in September and will send you the detailed subscription papers at that time. We apologise for the delay in relation to our original timetable.

Finally, we should like to alert you to an annoying development: We have heard from tree partners in various countries that a firm we have never heard of has offered to repay 150% of the tree partners' investment after the 1st August, if the tree partners immediately send about US \$ 1,850 per tenth of a hectare. **We consider this offer to be dubious and unrealistic and strongly advise you not to accept such offers.**

With best regards

Dr. Carol Franklin
Chairman of the Board

Enclosure

Curricula of the members of the Board