

29 March 2010

Dear Shareholder

Trading in our Company's shares
Heathcote & District Financial Services Ltd
ABN: 44 112 376 986

Your Company Directors write to advise you of important changes that relate to your shareholding.

Trading in your shares is to be simplified. Bendigo Bank and the Australian Securities and Investment Commission (ASIC) have agreed that Low Volume Markets (LVM) may be established.

Such new markets offer significant advantages to Australia's 250+ Community Banks and their shareholders.

The Board has been looking at ways to reduce the compulsory annual costs that are incurred by the Company to facilitate share trading. We have studied the introduction of Low Volume Markets elsewhere. Now it has decided to delist from the Bendigo Stock Exchange and to then obtain approval from ASIC to establish a Low Volume Market to be able to trade shares in our company. Company activities will continue to be reported to ASIC as is currently done.

The Board at its 1st March 2010 meeting resolved to apply to ASIC to register a Low Volume Market for our Company. There will be some administration expenses associated with running the LVM, but the net savings to our Company are estimated to be approximately \$4,400.00 per annum.

Our contract for services from Bendigo Stock Exchange expires on 30 June 2010. Shareholders wishing to use the services of Bendigo Stock Exchange are advised to do so before that date. Details of the proposed Low Volume Market will be issued to shareholders upon its inception.

Background to the Board's decision

1. While trading in our shares has been minimal (3 trades in nearly 4½ years), our Company account has carried the disproportionate cost of maintaining our share registry on the open market, a position common among Community Banks. We are pleased that our partner Bendigo Bank has taken steps to remedy the situation by negotiating with ASIC to approve the introduction of LVMs as another option for Boards.
2. A Low Volume Market is an option available to individual public companies with less than a hundred (100) share trades in a year. Services of brokers are not necessary as in the open market.
3. **The process** - Each Company already operates an internet website. There, shareholders will be able to register expressions of interest in selling Company shares and buyers will be able to register interest in purchasing shares. On application, paper versions of the required forms will be supplied to shareholders by the Board Secretary.
4. Our LVM once approved by ASIC will be operated by the Heathcote & District Board with support from Bendigo and Adelaide Bank Ltd Web Services. Information posted on our Company Website will provide details of the level of interest in buying and selling shares and also share trade history but our Company will not be involved in setting prices of shares. It is the responsibility of the interested parties after being put into contact with each other by the Heathcote & District Board to negotiate their own share trade.
5. The Board of our Company will have authority to approve or refuse share transfers because these must comply with certain prohibitive shareholding provisions imposed by the Company constitution.

The proposed changeover date to the Low Volume Market is anticipated to be around 30 June 2010 once an application to ASIC being approved.

Yours faithfully

Barry Cail
Chairman H&DFS Ltd

