



**TO THE DEBENTURE HOLDER**

13 June 2012

Dear Sir or Madam

**Align Funds Management Limited (formerly known as Orchard Investments Management Limited) in its capacity as the responsible entity of the Timbercorp Orchard Trust (Receivers and Managers Appointed) ("TOT RE")**

Reference is made to previous correspondences in relation to this matter and we confirm that on 22 October 2009, The Trust Company (Nominees) Limited (formerly Permanent Nominees (Aust.) Limited), as trustee for the TODHA debenture holders, appointed Receivers and Managers of the assets of Align Funds Management Limited in its capacity as responsible entity of the Timbercorp Orchard Trust.

Please find attached an update for all debenture holders issued by the Trustee.

As detailed in the attached correspondence, although the sale process in respect of the Bella Vista and Kangara assets has now completed, the Receivers and Managers continue to attend to various administrative and statutory matters, whilst awaiting an outcome of the determination as to whether growers who had invested in Timbercorp projects conducted on the TOT RE properties may be entitled to any part of those proceeds.

It is not expected that the Receivers and Managers will undertake substantial further tasks to those listed above until such time that the Trustee is in a position to commence the determination detailed above. Should this position change, debenture holders will be notified accordingly.

We will continue to post updates from both the Receivers and Managers, and the Trustee, on our website ([www.pwcrecovery.com.au](http://www.pwcrecovery.com.au)) as appropriate. Please monitor this website for the latest information.

Should you have any questions in relation to this correspondence, please do not hesitate to contact a representative of PwC via email: [alignenquiries@au.pwc.com](mailto:alignenquiries@au.pwc.com) or telephone (03) 8603 6000.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Michael Fung', written over a white background.

Michael Fung  
Receiver and Manager

Encl.

---

**PricewaterhouseCoopers, ABN 52 780 433 757**

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

13 June 2012

Dear Debenture Holders

**ALIGN FUNDS MANAGEMENT LTD (formerly known as Orchard Investments Management Limited) in its capacity as the responsible entity of the TIMBERCORP ORCHARD TRUST (Receivers and Managers Appointed) ("TOT RE")**

This is a further update for the holders of debentures issued by TOT RE ("Debenture Holders") prepared by The Trust Company (Nominees) Limited (formerly Permanent Nominees (Australia) Limited), as Trustee for the Debenture Holders.

Following on from our comprehensive update, dated 15 August 2011, we wish to reiterate the following salient points:

- all TOT RE assets have been sold and the net proceeds of approximately \$23 million (being total sale proceeds of \$30 million, less various settlement adjustments and costs of approximately \$7 million) have been placed in an interest bearing trust account maintained by the Receivers and Managers, Michael Fung and Paul Kirk, who continue to attend to various administrative and statutory matters (please refer to the attached letter from the Receivers and Managers of even date);
- pursuant to orders of the Supreme Court of Victoria the proceeds cannot be distributed until the completion of a hearing and determination by the Court as to whether growers who had invested in Timbercorp projects conducted on the TOT RE properties may be entitled to any part of those proceeds ("Bella Vista Rights Proceeding" and "Kangara Rights Proceeding");
- while the Receivers and Managers' role is now complete in respect of the asset sales, the Receivers and Managers are also likely to be a party to the eventual court proceedings to release the asset realisations; and
- the Trustee, acting in the best interests of the Debenture Holders, had hoped that the judgement in the so-called "Almond Land Rights Proceeding" would provide a useful template for the TOT RE situation, to enable a distribution to be made to the Debenture Holders – this would obviate the need for an expensive and potentially protracted court action to be funded from the proceeds.

**Current position**

Regrettably, the judgement in the "Almond Land Rights Proceeding" has been appealed and, to date, there has been no resolution of the matter. However, the Trustee is aware that there are other, similar matters which are yet to come before the courts or be otherwise settled. The Trustee understands that one such matter may be settled out of court in the near future. If this should be the case, any such outcome

would provide a useful model for a settlement and pave the way for the first and final distribution of TOT RE's proceeds.

In the event that this other matter does not settle as expected, the Trustee considers that it may still be appropriate to commence the Bella Vista Rights Proceeding and the Kangara Rights Proceeding prior to the determination of the "Almond Land Rights Proceeding" appeal, limited to the following:

- (a) seeking orders from the Court in those proceedings in relation to the appointment of representative growers which will help to ensure that the proceedings are in a position to be progressed as soon as practicable;
- (b) on the appointment of representative growers, the parties will then have an opportunity to confer immediately following the conclusion of the appeal in the Almond Land Rights Proceeding about the nature and scope of the issues in dispute, and the most expeditious method of bringing those proceedings to trial (including initially the desirability of the parties seeking orders from the Court staying the proceedings until the hearing and determination of the appeal in the Almond Land Rights Proceeding). In the event that the "Almond Land Rights Proceeding" or another similar matter settles out of court in the meantime, this may provide a useful precedent for TOT RE as an alternative to court proceedings.

### **The way forward**

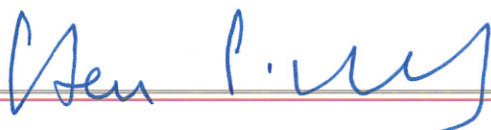
In summary, the Trustee considers that:

- (i) it would be advantageous to the interests of the TOT RE Debenture Holders if at least one similar matter settled out of court or a court judgement obtained so that such an outcome may be utilised as a model for TOT RE;
- (ii) it is expected that a similar matter may be settled in the near future but, failing this, the Trustee will consider whether it would be appropriate to commence the Bella Vista Rights and Kangara Rights Proceedings, albeit to a limited extent, so as to prepare the way for an eventual court determination as to the apportionment of the proceeds.

The Trustee is not able to estimate reliably the likely commencement of the hearing of the Bella Vista Rights Proceeding and the Kangara Rights Proceeding but anticipates that the hearing of these proceedings would not occur until some time late in the calendar year 2012 or first half of 2013.

In order to minimise expenses which would reduce the Debenture Holders' proceeds, the Trustee's further updates will again be posted on PwC's website.

Yours faithfully



**STEN SILAVECKY**  
**HEAD OF STRUCTURED FINANCE SERVICES**