

28 February 2013

Dear Debenture Holder

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 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, follows on from our last communication, dated 13 June 2012.

Background summary

- Following the sale of all TOT RE assets the net proceeds of approximately \$23 million were placed in separate interest bearing trust accounts maintained by the Receiver and Manager, Michael Fung of PricewaterhouseCoopers ("Receiver");
- pursuant to orders of the Supreme Court of Victoria the net proceeds cannot be distributed until the hearing and determination by the Court of two proceedings to determine who has rights to all or any part of the proceeds from:
 - the sale of the Bella Vista property and associated water rights ("Bella Vista Rights Proceeding"); and
 - the sale of the Kangara property and associated water rights ("Kangara Rights Proceeding"), and
- while the Receiver's role is now complete in respect of the asset sales, the Receiver has continued to attend to various administrative and statutory matters and will be joined as a party to the Bella Vista and Kangara Rights Proceedings in his capacity as stakeholder of the net proceeds arising from the sale of the Bella Vista and Kangara assets.

Consistent with the Trustee's approach as set out in earlier updates, the Trustee awaited the final outcome of five rights proceedings in respect of properties owned by other ex-Timbercorp structures. As previously noted, the Trustee considered that it was in the Debenture Holders' best interests from a cost and efficiency perspective to have regard to the process and outcome of those proceedings as a reference point to progress the Bella Vista and Kangara Rights Proceedings.

Recent developments

In December 2012, the Court approved deeds of compromise executed by the parties to each of the five separate rights proceedings. As a result, each compromise was binding on the growers represented in the relevant proceeding by the Court appointed representative growers. Each deed of compromise provided, among other things, that 5% of the net proceeds (after deduction of any unpaid receiver and manager costs) were first to be paid to the growers, following which the relevant secured lender(s) was/were to receive payment to the extent of its/their secured debt. These deeds of compromise are available to view on the website of Arnold Bloch Leibler, the solicitors for the liquidators of Timbercorp Securities Limited (in liquidation).

The way forward

The Trustee has engaged Allens to advise it in relation to the proposed Bella Vista Rights Proceeding and the Kangara Rights Proceeding. Having regard to the process followed and outcome achieved in the five Timbercorp proceedings referred to above, the Trustee has decided at this stage to progress the following steps:

1. Commence the Bella Vista and Kangara Rights Proceedings (as required by the Court) and, in each proceeding, apply for:
 - an order appointing representative growers for each of the subject schemes; and
 - a pre-emptive costs order, which, as from the commencement of the proceedings, would allow most of the Trustee's legal costs of the proceedings to be paid out of the net proceeds.
2. Explore with the appointed representative growers whether compromises of the two proceedings can be reached.
3. If compromises are reached, it will then be necessary:
 - to obtain the approval of the Debenture Holders to the compromises by a special resolution vote passed at a duly convened meeting; and
 - in order for the compromises to be binding on the represented growers, to seek the Court's approval of the compromises after providing proper notice to all relevant parties. As part of the application for Court approval, the Court is likely to allow any growers who object to the compromises to appear and make submissions.

Estimated timing

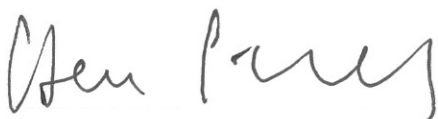
If compromises can be reached with the representative growers and approved by the Debenture Holders without undue delay, the Trustee will aim for a hearing of the approval applications in the second half of 2013. On this timing, the Court should be in a position by the end of the year to hand down its decision as to whether to approve the compromises (although this is of course in the Court's hands). If the Court approves the compromises, any agreed payment to the growers will be made by the Receiver following which the balance of the net proceeds should be released to the Trustee, for distribution to the Debenture Holders, in accordance with the deeds of compromise.

Alternative

If compromises cannot be reached, or the compromises are not approved by the Debenture Holders and, in turn, the Court, the Bella Vista and Kangara Rights Proceedings are likely to progress to a trial and final determination of the rights of the parties to the net proceeds. While it is difficult to estimate the timing of this alternative, the Court's final decision (which may be appealed) is unlikely to be handed down before the second half of 2014.

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