

Hamilton Securities Limited
ACN 138 270 201

10 Murray Street
Hamilton NSW 2303
PO Box 413
Hamilton NSW 2303

Telephone +61 2 4920 2877
Facsimile +61 2 4920 2877

20th February 2014

The Manager
Company Announcements Office
NSX
Level 2, 117 Scott Street
Newcastle NSW 2300

Dear Sir/Madam,

Hamilton Securities Limited (NSX: HSE)
RE: Timbercorp Orchard Trust Debenture Update

The Trust Company, Trustees for the Timbercorp Orchard Trust Debentures, has called a meeting of TOT Debenture holders to be held on 28th February 2014.

This meeting will vote on a proposed Compromise with the TOT growers. If approved, Debenture holders are estimated to receive approximately \$37.90 per debenture around July 2014. Hamilton owns 67,940 debentures, and therefore expects to receive approximately \$2,574,926.00 if the Compromise is approved.

A copy of the notice of meeting is attached, as well as a covering letter and explanatory memorandum.

Yours faithfully



Melanie Holmes
Secretary

6 February 2014

Dear Debenture Holder

Timbercorp Orchard Trust – Meeting of Debenture Holders

The Trust Company (Nominees) Limited (**Trustee**) is the trustee for the holders of debentures (**Debenture Holders**) issued by Align Funds Management Limited in its capacity as the responsibility entity of the Timbercorp Orchard Trust (Receivers and Managers Appointed) (**Align**) pursuant to the Timbercorp Orchard Debenture Trust Deed dated 17 October 2003 (**Trust Deed**).

As you are aware, in 2013 the Trustee commenced the following two proceedings in the Supreme Court of Victoria:

- (a) Proceeding No. SCI 2013 1478 (the ***Kangara Rights Proceeding***); and
- (b) Proceeding No. SCI 2013 1477 (the ***Bella Vista Rights Proceeding***),

to resolve the dispute as to how the net proceeds of sale of the land and associated water rights owned by Align should be apportioned between the Trustee (as secured creditor), the growers who invested in the Timbercorp projects, and other interested parties.

As communicated in the update to Debenture Holders dated 14 January 2014 and posted on the PwC website (www.pwcrecovery.com), a deed of compromise in respect of each of the Kangara Rights Proceeding and the Bella Vista Rights Proceeding has been executed by the relevant parties. Each deed of compromise sets out, relevantly, the terms of a 'Compromise' of each proceeding.

Each deed of compromise provides for, among other things, a sum representing approximately 5% of the gross sale proceeds of the relevant assets to be paid to growers. **The Compromises will result in a meaningful return of funds to Debenture Holders and given the circumstances are considered by the Trustee to be in the best interests of Debenture Holders. Accordingly, the Trustee recommends that Debenture Holders vote in favour of the Special Resolutions (further details are in the explanatory memorandum attached).**

There are certain conditions precedent to the Compromises taking effect. The deeds of compromise are conditional on, among other things, separate approval by Special Resolution by the Debenture Holders of both Compromises contained in those documents on or before 7 March 2014. If both of the Special Resolutions are not passed by the Debenture Holders by 7 March 2014, neither Compromise will have any effect.

Accordingly, the Trustee is convening a meeting of Debenture Holders on 28 February 2014 at 11.00am (Melbourne time) at the offices of its lawyers, Allens, Level 37, 101 Collins Street, Melbourne to enable Debenture Holders to consider passing Special Resolutions to approve the Compromises.

In that regard, the following documents are enclosed for your attention:

- A Notice of Meeting;
- An Explanatory Memorandum to the Notice of Meeting; and
- a Proxy Form.

Details of the requirements for a quorum for the meeting and the approval threshold for the Special Resolution are set out in the Notice of Meeting. A copy of the executed deeds of compromise in the Kangara Rights Proceeding and the Bella Vista Rights Proceeding, and a frequently asked questions document, can be viewed at:

www.thetrustcompany.com.au/corporate/debt-capital-markets/timbercorp-orchard-trust/

You are encouraged to attend the meeting, but if you cannot you are requested to complete and return the enclosed Proxy Form without delay. As the outcome of the vote on the Special Resolutions will affect all Debenture Holders, your vote is important.

Yours sincerely



Rupert Smoker

Head of Corporate and Debt Capital Markets Trustee Services
The Trust Company (Nominees) Limited

For any inquiries please call:

1. the hotline facility that the Trustee has set up on 1300 850 505 (within Australia) or +61 (3) 9415 4000 (outside Australia), or
2. email timbercorp@thetrustcompany.com.au.

6 February 2014

Explanatory Memorandum

1 Purpose

This Explanatory Memorandum accompanies a Notice of Meeting dated 5 February 2014 to Debenture Holders of the Timbercorp Orchard Trust in relation to a meeting to be convened on **28 February 2014 at 11.00am (Melbourne time) at the office of the Trustee's lawyers, Allens, Level 37, 101 Collins Street, Melbourne** for the purpose of considering and, if thought fit, passing the following resolutions as Special Resolutions:

Special Resolution 1: 'That the Compromise set out in clause 2 of the deed of compromise executed on 14 January 2014 in the Kangara Rights Proceeding is approved.'

Special Resolution 2: 'That the Compromise set out in clause 2 of the deed of compromise executed on 14 January 2014 in the Bella Vista Rights Proceeding is approved.'

Terms defined in the Notice of Meeting have the same meaning in this Explanatory Memorandum.

This Explanatory Memorandum contains information which the Trustee considers may be relevant to Debenture Holders in deciding how to vote on the Special Resolutions.

2 Recommendation by Trustee

The Trustee considers that the Compromises reached in the Kangara Rights Proceeding and the Bella Vista Rights Proceeding are in the best interests of Debenture Holders and, accordingly, recommends that Debenture Holders vote in favour of both Special Resolutions.

This Explanatory Memorandum does not take into account the financial situation and needs of individual Debenture Holders or any other person. Accordingly, if Debenture Holders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or professional advisers and make such other inquiries as they consider appropriate, to ensure that they are in an informed position prior to voting.

If the Debenture Holders vote in favour of the Special Resolutions and the Court subsequently approves the Compromises, the Trustee presently expects to be able to make a distribution to Debenture Holders in or about July 2014.

There are certain conditions precedent to the Compromises taking effect. In short, if each of the Special Resolutions is not passed by the Debenture Holders by 7 March 2014, or each of the Compromises is not approved by the Court and orders made by 30 June 2014 that the Compromise shall be binding on the absent growers represented by the appointed representative growers in each proceeding, neither Compromise will have any effect. In that respect the satisfaction of the conditions precedent in each Compromise is conditional on the satisfaction of the conditions precedent in the other.

If that Special Resolutions are not passed, it will be necessary to take further steps to progress both the Kangara Rights Proceeding and the Bella Vista Rights Proceeding to a hearing by the Court in late 2014 or early 2015. Depending on the decision of the Court, a distribution (if any) to Debenture Holders will not occur until some time thereafter.

3 Outline of Explanatory Memorandum

Details of:

- (a) the relevant background are set out in section 4 below;
- (b) the Kangara Rights Proceeding and the Bella Vista Rights Proceeding are set out in section 5 below;
- (c) the Compromises are set out in section 6 below;
- (d) the anticipated return for Debenture Holders per debenture under the Compromises is set out in section 7 below;
- (e) the basis for the Trustee's view (supporting its recommendation) that the Compromises are in the best interests of Debenture Holders is set out in section 8 below; and
- (f) how Debenture Holders can find out more information is set out in section 9 below.

4 Background

Pursuant to an information memorandum dated 27 October 2003 and a prospectus dated 5 May 2005, Align raised funds through the issue of debentures to Debenture Holders. The Trustee was appointed as trustee for the Debenture Holders pursuant to the Trust Deed.

The funds raised by Align were used to purchase certain land and associated water rights which are now the subject of the Kangara Rights Proceeding (***Kangara Assets***) and certain other land and associated water rights which are now the subject of the Bella Vista Rights Proceeding (***Bella Vista Assets***).

Timbercorp Limited (in liquidation) and its subsidiaries (together, the **Timbercorp Group**) conducted various agribusiness managed investment schemes across a number of properties, including the properties owned by Align the subject of the Kangara Rights Proceeding and the Bella Vista Rights Proceeding. A member of the Timbercorp Group, Timbercorp Securities Limited (in liquidation) (**TSL**) was the responsible entity of the projects registered as Timbercorp managed investment schemes.

On 29 June 2009, the Timbercorp Group was placed into liquidation.

On 22 October 2009, the Trustee appointed receivers and managers to the charged assets of Align (currently Michael Fung of PricewaterhouseCoopers) (**Receiver**). Upon appointment, the Receiver commenced separate sale processes in respect of the Bella Vista Assets and the Kangara Assets. Court approval of the sale transactions was obtained in each instance.

In approving each sale transaction, the Supreme Court ordered that the net sale proceeds be placed in trust pending a proceeding to determine the rights of the Trustee as the secured creditor, the affected investors (known as "growers") in the relevant projects and other interested parties to all, or any part, of those proceeds. The relevant proceedings are the Kangara Rights Proceeding and the Bella Vista Rights Proceeding (see further section 5 below). In accordance with orders of the Supreme Court, certain costs have been deducted from the net sale proceeds, and interest has accrued, with the balance of the proceeds the subject of each proceeding from time to time being referred to in this document as the "**Funds**".

From a cost and efficiency perspective, the Trustee determined that it would be in the best interests of Debenture Holders to await the resolution of five other rights proceedings in respect of a number of properties formerly owned by companies in the Timbercorp Group which were the subject of various other projects registered as managed investment schemes (the **Resolved Timbercorp Proceedings**). One of those proceedings, the Almond Land Rights Proceeding, progressed to a trial and determination of the competing claims of growers and secured creditors to the relevant net sale proceeds. The Court held that the secured creditors were entitled to the entire amount of the net sale proceeds the subject of the Almond Land Rights Proceeding. The Trustee formed the view that the decision of the Court in the Almond Land Proceeding and the process and outcome of the other Resolved Timbercorp Proceedings would assist to inform the approach the Trustee should adopt in the Kangara Rights Proceeding and the Bella Vista Rights Proceeding.

In December 2012, prior to the hearing of the appeal in the Almond Land Rights Proceeding and the trials of the other Timbercorp proceedings, the Supreme Court of Victoria approved deeds of compromise executed by the parties in each of the Resolved Timbercorp Proceedings. As a result, each compromise was binding on the growers represented in the relevant proceeding by the court appointed

representative growers. The Trustee has had regard to the decision of the Court in the Almond Land Proceeding and the process and outcome of the Resolved Timbercorp Proceedings in finalising its position, as reflected in the deeds of compromise executed on 14 January 2014 in the Kangara Rights Proceeding and the Bella Vista Rights Proceeding.

5 The Kangara Rights Proceeding and the Bella Vista Rights Proceeding

As previously communicated in the Trustee's updates to Debenture Holders (posted on PwC's website www.pwcrecovery.com), on 25 March 2013, the Trustee commenced the Kangara Rights Proceeding and the Bella Vista Rights Proceeding to determine what rights (if any) the Trustee and the growers have to the Funds held on trust by the Receiver.

The parties to the respective proceedings are the Trustee, the Receiver (as stakeholder of the Funds) and individual growers appointed by the Court to represent the interests of all growers in the relevant projects the subject of the respective proceedings.

Since the initial directions hearing in July 2013 (at which the representative growers were appointed by the Court), no other formal steps have been taken in either proceeding while the parties conferred about possible compromises. The court documents filed by the parties to date in each proceeding can be viewed at:

www.abl.com.au/timbercorp/currentapplications.htm

The Trustee and the representative growers in each proceeding have now reached a resolution of the dispute between them as to the allocation of the Funds and have agreed to compromise the Kangara Rights Proceeding and the Bella Vista Rights Proceeding. Details of the Compromise in each proceeding, as well as the conditions precedent, are set out in section 6 below.

6 Details of the Compromises in the Kangara Rights Proceeding and Bella Vista Rights Proceeding

Deeds of Compromise

As mentioned above, on 14 January 2014, the parties to the Kangara Rights Proceeding executed a deed of compromise for the Kangara Rights Proceeding and the parties to the Bella Vista Rights Proceeding entered into a deed of compromise for the Bella Vista Rights Proceeding. The deeds of compromise can be viewed at:

www.thetrustcompany.com.au/corporate/debt-capital-markets/timbercorp-orchard-trust/

Parties to the deeds of compromise

The parties to the respective deeds of compromise are the Trustee, Align, the Receiver (as stakeholder) and individual growers appointed by the Court to represent the interests of all growers the subject of the respective proceedings.

Conditions precedent

The deed of compromise in the Kangara Rights Proceeding is conditional on:

- (a) approval by the Debenture Holders of:
 - (i) the "Compromise" set out in clause 2 of the deed of compromise in the Kangara Rights Proceeding by **7 March 2014**; and
 - (ii) the "Compromise" set out in clause 2 of the deed of compromise executed in the Bella Vista Rights Proceeding, **by 7 March 2014**;
- (b) approval by the Supreme Court of the "Compromise" in the Kangara Rights Proceeding and the granting of orders that the Compromise shall be binding on the absent growers who are represented by the appointed representative growers in that proceeding by **30 June 2014**; and
- (c) approval by the Supreme Court of the "Compromise" in the Bella Vista Rights Proceeding and the granting of orders that the Compromise shall be binding on the absent growers who are represented by the appointed representative growers in that proceeding by **30 June 2014**.

The deed of compromise in the Bella Vista Rights Proceeding is conditional on:

- (a) approval by the Debenture Holders of:
 - (i) the "Compromise" set out in clause 2 of the deed of compromise in the Bella Vista Rights Proceeding by **7 March 2014**; and
 - (ii) the "Compromise" set out in clause 2 of the deed of compromise executed in the Kangara Rights Proceeding, by **7 March 2014**;
- (b) approval by the Supreme Court of the "Compromise" in the Bella Vista Rights Proceeding and the granting of orders that the Compromise shall be binding on the absent growers who are represented by the appointed representative growers in the proceeding by **30 June 2014**; and
- (c) approval by the Supreme Court of the "Compromise" in the Kangara Rights Proceeding and the granting of orders that the Compromise shall be binding on the absent growers who are represented by the appointed representative growers in that proceeding by **30 June 2014**.

The Compromises

Under the terms of the deeds of compromise, the "Compromise" involves:

- (a) first, the making of the following payments out of the Funds (in accordance with clause 4 of each deed):
- (i) **to the Receiver:** for his unpaid remuneration and expenses in connection with or arising from his appointment as receiver and manager of Align, his management, maintenance and (in accordance with the deeds of compromise) disbursement of the Funds, and his costs of and incidental to the Court approval applications for the Compromises and the two proceedings generally (the quantum of which will either be agreed by the Trustee or approved by the Court);
 - (ii) **to TSL:** to be held on trust for distribution to the growers in accordance with their entitlements, a settlement sum representing approximately 5% of the relevant gross sale proceeds of the Kangara Assets and the Bella Vista Assets, being:
 - (A) the amount of \$1,043,321 under the deed of compromise in the Kangara Rights Proceeding; and
 - (B) the amount of \$385,000 under the deed of compromise in the Bella Vista Rights Proceeding;
 - (iii) **to the Trustee:** the balance of the Funds for distribution to the Debenture Holders;
- (b) secondly, each party giving a release to all other parties (in accordance with clause 5 of each deed) from any further claim in relation to their respective entitlements to the Funds and the allocation and disbursement of the Funds.

Consequences of Debenture Holders not approving the Compromises

If the Debenture Holders do not approve the Compromises by **7 March 2014** (or the Court does not approve the Compromises by **30 June 2014**):

- the deeds of compromise cease to have any effect;
- none of the parties to the deeds of compromise will have any right or entitlement as a result of, or by reason of, the parties having entered into

the deeds of compromise or having conditionally agreed to the Compromises;

- the Kangara Rights Proceeding and the Bella Vista Rights Proceedings will each continue to a hearing, and the entitlements of the parties to the Funds will be determined by the Court (and the deeds of compromise cannot be referred to in evidence at the hearings of those proceedings).

A timetable has not been set down by the Court for the hearing of the Kangara Rights Proceeding and the Bella Vista Rights Proceeding, should the Compromises not be approved by the Debenture Holders. There are a number of preliminary steps which will need to be completed before a date for any hearing in either proceeding is set. It is unlikely that the two proceedings would be heard before late 2014 or early 2015.

The Funds would therefore remain in trust, in an interest bearing account, until that time, absent any other proposal for a compromise approved by the Debenture Holders and the Court) less amounts deducted from time to time for the payment of legal costs of the Trustee and the grower representatives under the pre-emptive costs orders made by the Court on 19 July 2013.

7 Anticipated return per debenture under the Compromises

The debentures were issued at a face value of \$100 each. The Trustee presently estimates that, if the Compromises are approved by the Debenture Holders and the Court by the respective dates set out in the deeds of compromise, the anticipated return to Debenture Holders will be approximately 38 cents in the dollar (as defined in the Trust Deed). This represents a return of principal only (and excluding any interest that may have accrued post-issue).

A breakdown of the Trustee's calculation of the estimated return is set out in the Schedule to this Explanatory Memorandum along with accompanying notes.

It is important for Debenture Holders to appreciate that it is difficult to estimate accurately at the present time the amount of the costs and expenses that will be deducted from the Funds prior to the distribution to Debenture Holders. Some of those costs and expenses are yet to be incurred. Accordingly, the range provided by the Trustee in the Schedule should be regarded by Debenture Holders as an indicative best estimate, provided to give Debenture Holders guidance on their potential return per debenture under the Compromises. The actual return to Debenture Holders may be above or below this range. Based on the best information presently available to the Trustee, the actual return to Debenture Holders under the Compromises should not be materially outside that range.

As discussed further in section 8(c) below, if the Compromises are not approved by the Debenture Holders or the Court, and it is necessary to take further steps to progress the proceedings to a hearing, the additional costs and expenses that would be incurred by the Trustee and the grower representatives, which are likely to exceed the sum payable to the growers under the Compromises, will be deducted from the Funds.

8 Basis for the Trustee's view that the Compromises reached are in the best interests of the Debenture Holders

Having taken advice from the law firm Allens, the Trustee has formed the view that there are limited prospects of the growers succeeding in any claim in the Kangara Rights Proceeding and the Bella Vista Rights Proceeding to a portion of the Funds if each of those proceedings was to continue to a final determination by the Court.

The Trustee considers that the Compromises, which involve a payment to the growers of approximately 5% of the relevant gross sale proceeds of the Kangara Assets and Bella Vista Assets, reflect this view on prospects whilst also taking into account considerations including the following:

- (a) There is always some 'litigation' risk and 'merits' risk involved in any court proceeding, and it is never possible to predict with certainty what the Court would decide, should each of the Kangara Rights Proceeding and the Bella Vista Rights Proceeding proceed to a final hearing.
- (b) Compromising the proceedings in the manner proposed under the Compromises is the most expedient way for the Debenture Holders to obtain access to the Funds to utilise as they see fit. Under the compromise scenario proposed, a final distribution would be expected to be made to Debenture Holders in or about July 2014. If the Compromises are not approved by either the Debenture Holders or the Court, and each proceeding is required to progress to a hearing, the hearing will not occur until late 2014 or early 2015 and any distribution to Debenture Holders will not occur until judgment is delivered by the Court at some date thereafter. Until judgment is delivered, Debenture Holders will not have certainty about their entitlements.
- (c) If it is necessary to take further steps in the two proceedings to progress them to a hearing, significant further costs are likely to be incurred by the parties in relation to those proceedings. The Trustee is concerned that those further costs may well become disproportionate to the Funds available for distribution. While it is not possible at this early stage in the proceedings to anticipate with any certainty the costs that would be incurred by the parties in progressing to a hearing, the significant legal expenses that would be

involved and the additional costs and expenses that would be incurred by the Trustee and the grower representatives as a result of the delayed resolution of the proceedings (which will be deducted from the Funds) are likely to exceed the sum payable to the growers under the Compromises (being 5% of the relevant gross sale proceeds).

- (d) The Compromises must be approved by the Court in order to be binding on all growers. The Court Rules provide that the Court may approve the Compromises if it is satisfied that the Compromises are for the benefit of the growers. In the Resolved Timbercorp Proceedings, the Court held that the compromises reached in those proceedings, involving a payment to growers of approximately 5% of the relevant gross sale proceeds, were in the best interests of all growers in the relevant projects. Further, given:
- (i) the decision of the Court in the Almond Land Rights Proceeding;
and
 - (ii) the similarities between the issues raised, and the factual circumstances before the Court in the Almond Land Rights Proceeding and the other Resolved Timbercorp Proceedings on the one hand, and each of the Kangara Rights Proceeding and the Bella Vista Rights Proceeding on the other,

the Trustee considers that there is a meaningful reference point for a payment in the order of 5% of the gross sale proceeds as being an acceptable basis for the Court to approve the Compromises in the Kangara Rights Proceeding and the Bella Vista Rights Proceeding.

In light of these issues, the Trustee considers that the Compromises are in the best interests of the Debenture Holders and recommends that Debenture Holders vote in favour of the Special Resolutions.

It is important to note that if the Special Resolutions are passed, all Debenture Holders will be bound by the resolution, including those who did not vote and those who voted against the Special Resolutions.

9 How to find out more

The Trustee has prepared answers to what it believes will be the frequently asked questions of Debenture Holders. These questions and answers are available online at:

www.thetrustcompany.com.au/corporate/debt-capital-markets/timbercorp-orchard-trust/

The deeds of compromise, the notice of meeting and the proxy form are also available on this website.

Alternatively, Debenture Holders can call the hotline facility that the Trustee has set up on 1300 850 505 (within Australia) or +61 (3) 9415 4000 (outside Australia), or email timbercorp@thetrustcompany.com.au. If the hotline staff cannot answer your question, they will refer it to the Trustee and its lawyers, Allens, and a response will then be provided to you as soon as practicable.

You will continue to be kept informed of future developments by the Trustee's further updates, posted on:

www.thetrustcompany.com.au/corporate/debt-capital-markets/timbercorp-orchard-trust/

10 Key contacts

- Telephone hotline facility: 1300 850 505 (within Australia); or
+61 (3) 9415 4000 (outside Australia)
- Email address: timbercorp@thetrustcompany.com.au

FAQs and Proxy Forms:

www.thetrustcompany.com.au/corporate/debt-capital-markets/timbercorp-orchard-trust/

- Court documents:
www.abl.com.au/timbercorp/currentapplications.htm

**Schedule to Explanatory Memorandum
Breakdown of Trustee's estimate of return per debenture**

	Kangara Rights Proceedings (\$)	Bella Vista Rights Proceeding (\$)	Timbercorp Orchard Trust (\$) ¹	Total (\$) (cumulative)
Summary of interest accrued & deductions from Funds to 25 Jan 2014				
Net proceeds of sale of Kangara Assets and Bella Vista Assets	18,230,000 ²	5,340,000 ³		23,570,000
Interest accrued to 25 January 2014	1,969,549	482,180		26,021,729
Less payment of Trustee's legal costs pursuant to Pre-emptive Costs Order ⁴	(171,423)	(116,375)		25,733,931
Estimate of interest accrued & deductions from Funds from 25 Jan 2014 to 30 June 2014 (last date for Court Approval)				
Estimated interest accrued to 30 June 2014 ⁵	209,497	59,684		26,003,112
Less estimate of Trustee's legal costs deducted pursuant to Pre-emptive Costs Order	(444,572) ⁶	(381,139) ⁷		25,177,401
Less estimate of representative growers' legal costs deducted pursuant to Pre-emptive Costs Order	(253,000) ⁸	(253,000) ⁹		24,671,401
Payments under deeds of compromise				
Less estimated payment to Receiver ¹⁰			(1,102,715)	23,568,686
Less Settlement Sum payable to Growers	(1,043,321) ¹¹	(385,000) ¹²		22,140,365 ¹³
Estimated amounts to be deducted by Trustee prior to distribution to Debenture Holders				
Less estimate of Trustee's remuneration ¹⁴			(371,085)	21,769,280
Less estimate of legal expenses incurred by the Trustee ¹⁵	(121,240)	(122,402)		21,525,638
Less estimate of non-legal expenses incurred by the Trustee ¹⁶			(9,150)	21,516,488
Estimated total amount available for distribution ¹⁷				21,516,488
Estimated return per Outstanding Debenture ¹⁸			\$	37.90 ^{**}
Estimated c/\$ return			\$	0.38

** It is important for Debenture Holders to appreciate that it is difficult to estimate accurately at the present time the amount of the costs and expenses that will be deducted from the Funds prior to the distribution to Debenture Holders. Some of those costs and expenses are yet to be incurred. Accordingly, the figure provided by the Trustee in this Schedule should be regarded by Debenture Holders as an indicative best estimate, provided to give Debenture Holders guidance on their potential return per debenture under the Compromises. The actual return to Debenture Holders may be above or below this range. Based on the best information presently available to the Trustee, the actual return to Debenture Holders under the Compromises should not be materially outside that figure.

Schedule to Explanatory Memorandum Breakdown of Trustee's estimate of return per debenture

Notes

1. These are amounts incurred by the Receiver and the Trustee in relation to the Timbercorp Orchard Trust and are not specifically referable to either the Kangara Rights Proceeding or the Bella Vista Rights Proceeding.
2. This amount comprises the relevant gross sale proceeds of the Kangara Assets (being \$20.86 million), less amounts approved for deduction by order of the Court dated 15 March 2011 in proceeding No. 888 of 2011 (including the Receivers' selling costs and expenses, the costs and expenses of the Receivers referable to the preservation and realisation of the Kangara Assets and the costs and expenses of the liquidators of TSL).
3. This amount comprises the relevant gross sale proceeds of the Bella Vista Assets (being \$7.7 million), less amounts approved for deduction by order of the Court dated 7 Feb 2011 in proceeding No. 7029 of 2010 (including the Receivers' selling costs and expenses, the costs and expenses of the Receivers referable to the preservation and realisation of the Kangara Assets and the costs and expenses of the liquidators of TSL).
4. Pursuant to the orders of the Court made on 19 July 2013 in each proceeding, the Trustee's and representative growers' legal costs and disbursements incurred in the proceedings on an indemnity basis are payable out of the Funds (**Pre-emptive Costs Order**). The parties' legal costs and disbursements are assessed by an independent costs consultant agreed by the parties, who prepares a 'bill of costs' for the relevant period. The Trustee subsequently reviews and approves each bill of costs prepared by the costs consultant prior to it being submitted by Allens to the Receiver for payment under the Pre-emptive Costs Order. Amounts deducted were in respect of Allens' legal fees and disbursements incurred by the Trustee between 30 January 2013 and 25 July 2013. The representative growers did not submit a bill of costs for payment out of the Funds prior to 25 January 2013.
5. Estimate based on the current rate of interest on the Funds of 2.5%, multiplied over the 5 month period to 30 June 2014. The precise date to which interest is accrued will depend on the date of the final distribution to Debenture Holders (which in turn depends on the date the Court delivers its judgment in relation to the Approval Application). Estimate is not adjusted for fluctuations in the interest rate payable or for deductions from the Funds at different intervals over that 5 month period from 26 January 2014 to 30 June 2014 under the Pre-emptive Costs Order.
6. This figure is based on bills of costs which have been prepared by the costs consultant for the period 25 July 2013 to 18 November 2013 but not yet paid out of the Funds, invoices submitted by Allens to the Trustee for the period 19 November 2013 to 28 January 2014 (for which bills of costs have not yet been prepared) and, in respect of future legal costs and expenses, Allens' upper estimate of its further costs and disbursements incurred in the Kangara Rights Proceeding, on the assumption that 90% of those fees and 100% of those disbursements will be recoverable under the Pre-emptive Costs Order.
7. This figure is based on bills of costs which have been prepared by the costs consultant for the period 25 July 2013 to 18 November 2013 but not yet paid out of the Funds, invoices submitted by Allens to the Trustee for the period 19 November 2013 to 28 January 2014 (for which bills of costs have not yet been prepared) and, in respect of future legal costs and expenses, Allens' upper estimate of its further costs and disbursements incurred in the Bella Vista Rights Proceeding, on the assumption that 90% of those fees and 100% of those disbursements will be recoverable under the Pre-emptive Costs Order.
8. Figure provided is upper end of estimate of M+K Lawyers' legal costs and disbursements set out in the affidavit of Michael Joseph Fernon sworn on 18 July 2013 in the Kangara Rights Proceeding.
9. Figure provided is upper end of estimate of M+K Lawyers' legal costs and disbursements set out in the affidavit of Michael Joseph Fernon sworn on 18 July 2013 in the Bella Vista Rights Proceeding.
10. Clause 4(a) of the deeds of compromise provides that the Receiver's unpaid remuneration and expenses are to be paid first out of the Funds. Amount payable to be agreed by the Receiver and the Trustee or failing agreement, approval of the Court. A breakdown of the Receiver's unpaid costs to date and estimated future costs are set out in the table below. Amounts provided are based on letters to Allens dated 30 September 2013 and 19 December 2013 from Norton Rose (solicitors for the Receiver).

Item	Description	Amount (excl GST)
Unpaid remuneration from appointment (22 October 2009) to 30 June 2013	Relates to general receivership tasks undertaken over the 3 years and 7 months from the commencement of the receivership including: communications with the Trustee in relation to its strategy in respect of the Proceedings and preparing correspondence to the debenture holders regarding the same; preparing audited reports for Align Funds for each half and full financial year since the half year ended 31 December 2009 until the full year ended June 2013; responding to queries from stakeholders of the TOT; applying for ASIC relief from reporting obligations; completing general statutory reporting and administrative duties which are required in a receivership.	\$590,835
Unpaid expenses from appointment (22 October 2009) to 30 June 2013	Includes management costs incurred on behalf of Align in respect of maintenance of Computershare debenture holder register, travel costs, advertising expenses and postage	\$90,913
Unpaid remuneration & expenses from 1 July 2013 - 15 December 2013	Includes managing debenture holder queries, correspondence regarding Proceedings, ASIC and ATO liaison, approval of off-market transfers via Computershare	\$27,720
<i>Estimated</i> future remuneration and expenses to end of receivership	Includes finalising deeds of compromise, final accounting tasks, payments under deeds and closing accounts and files	\$28,000
<i>Estimated</i> legal expenses	Legal expenses incurred as a result of role as stakeholder in Approval Application	\$5,000
<i>Estimated</i> Grant Thornton expenses	Includes preparation of audits and other statutory requirements on behalf of Align	\$260,000
	Sub-total	\$1,002,468
	GST	\$100,246.80
	Total	\$1,102,714.80

11. Settlement Sum represents 5% of the relevant gross sale proceeds of the Kangara Assets (see note 2 above).

12. Settlement Sum represents 5% of the relevant gross sale proceeds of the Bella Vista Assets (see note 3 above).

**Schedule to Explanatory Memorandum
Breakdown of Trustee's estimate of return per debenture**

13. This amount is the estimated balance of the Funds that will be payable to the Trustee under the deeds of compromise. The Trustee will deduct its own remuneration and expenses from this amount prior to distribution to the Debenture Holders.

14. Clauses 10(a) and 16(c) of the Trust Deed provide that the Trustee's remuneration and expenses are to be paid out of any amount it recovers through enforcement action in priority to any payment to debenture holders. The Trustee is entitled to an annual fee of \$20,000 for its services (CPI adjusted) as well as time based fees and other expenses reasonably and properly incurred in relation to post-enforcement activities in accordance with clauses 16(a) and 16(b) of the Trust Deed. A breakdown of the Trustee's unpaid remuneration to date and estimated future remuneration and expenses are set out in the table below.

Item	Description	Amount (excl GST)
Unpaid remuneration from 1 July 2009 to 31 December 2013	Remuneration for the Trustee's services - being an annual fee of \$20,000 (CPI Adjusted) payable in accordance with clause 16(a) of the Trust Deed.	\$132,722
Unpaid additional time based fees from 1 July 2009 to 15 November 2013	Includes communications with debenture holders and various stakeholders of the TOT, appointing receivers, dealing with and providing guidance on asset sales process, working through recapitalisation proposal, reviewing legal documentation and providing approvals, general statutory and administrative duties.	\$87,948
<u>Estimated</u> future remuneration to the end of the receivership	Remuneration for the Trustee's services - being an annual fee of \$20,000 (CPI Adjusted) payable in accordance with clause 16(a) of the Trust Deed.	\$26,680
<u>Estimated</u> future additional time based remuneration to the end of the receivership	Includes finalising deeds of compromise, approving reports and correspondence to note holders/distributions and final accounting tasks, payments under deeds and closing accounts and files.	\$70,000
<u>Estimated</u> future expenses	Travel expenses to meeting of note holders, Computershare's charges for issuing notices to debenture holders, statutory lodgements and document management until finalisation of the receivership.	\$20,000
	Sub-total	\$337,350
	GST	\$33,735
	Total	\$371,085

15. Includes legal expenses incurred in the Proceedings which are not covered by the Pre-emptive Costs Order and legal expenses incurred in relation to providing general advice to the Trustee and assisting with obtaining Debenture Holder approval of the Compromises.

16. The final item in the table at note 14 above sets out the Trustee's estimated future expenses (excluding legal expenses).

17. This estimated amount available for distribution to debenture holders is a return of principle only and assumes that tax is not payable on the accrued interest earned on the Funds by the Receiver or the Trustee. Debenture Holders should obtain their own advice regarding any tax consequences of the payment they will receive.

18. Total available for distribution divided by 567,737 Outstanding Debentures (as defined in the Trust Deed). This results in a return of approximately 38c per dollar for Debenture Holders, based on the face value of the debentures at the issue date (and excluding any interest that may have accrued post-issue). The debentures were issued at a face value of \$100 each.

To: Debenture Holders of Timbercorp Orchard Trust

Notice of Meeting

The Trust Company (Nominees) Limited (**Trustee**) is the trustee for the holders of debentures (**Debenture Holders**) issued by Align Funds Management Limited in its capacity as the responsibility entity of the Timbercorp Orchard Trust (Receivers and Managers Appointed) (**Align**) pursuant to the Timbercorp Orchard Debenture Trust Deed dated 17 October 2003 (**Trust Deed**).

In this Notice of Meeting:

- "Kangara Rights Proceeding" means Supreme Court of Victoria proceeding No. S CI 2013 1478;
- "Bella Vista Rights Proceeding" means Supreme Court of Victoria proceeding No. S CI 2013 1477.

Notice of meeting

Notice is given by the Trustee, pursuant to clauses 1 and 18 of Schedule 3 of the Trust Deed, that a meeting of Debenture Holders will be held on **28 February 2014 at 11.00 am (Melbourne time) at the office of its lawyers, Allens, Level 37, 101 Collins Street, Melbourne** to consider and, if thought fit, pass the following resolutions as Special Resolutions:

Special Resolution 1: 'That the Compromise set out in clause 2 of the deed of compromise executed on 14 January 2014 in the Kangara Rights Proceeding is approved.'

Special Resolution 2: 'That the Compromise set out in clause 2 of the deed of compromise executed on 14 January 2014 in the Bella Vista Rights Proceeding is approved.'

Conditions Precedent to Compromises taking effect

There are certain conditions precedent to the Compromises taking effect. Relevantly, if both of the Special Resolutions are not passed by the Debenture Holders by 7 March 2014, neither Compromise will have any effect.

Quorum for meeting

The requisite quorum for a properly convened meeting of Debenture Holders requires sufficient Debenture Holders, whether present in person or by proxy or by corporate

representative, who together hold 25% of the amount of Outstanding Debentures (as defined in the Trust Deed).

Approval threshold

The power to approve each of the Compromises reached in the Kangara Rights Proceeding and the Bella Vista Rights Proceeding is exercisable by Special Resolution only. A Special Resolution means a resolution voted for by a majority of Debenture Holders at a duly convened meeting who are entitled to vote (in person, by proxy or by corporate representative) and which together hold not less than 75% of the votes held by all Debenture Holders entitled to vote at the meeting (in person, by proxy or by corporate representative).

Eligibility to vote

The Trust Deed permits the Trustee to specify a time, not more than 48 hours before a meeting of Debenture Holders, by reference to which the entitlement of Debenture Holders to vote at that meeting is to be determined.

The Trustee has determined that the holdings of each Debenture Holder for the purposes of ascertaining voting entitlement at the meeting will be as it appears on the register at 3.00 pm (Melbourne time) on 26 February 2014 (Eligibility Date).

Voting in person

To vote in person, attend the meeting of Debenture Holders at the time and place set out above.

Voting by proxy or corporate representative

Alternatively, a Proxy Form accompanies this Notice of Meeting. To be valid, duly signed proxies (and an authority under which the proxy is signed or a certified copy of the authority) must be received at the Trustee's debenture registry, Computershare Investor Service Pty Ltd, at the address or facsimile provided on the Proxy Form, by no later than **3.00pm (Melbourne time) on 26 February 2014**.

A Debenture Holder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on their behalf. If a Debenture Holder is entitled to cast two or more votes, the Debenture Holder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no number or proportion of votes is specified, each proxy appointed will be taken to exercise half of that Debenture Holder's votes (disregarding fractions).

An appointed proxy need not be a Debenture Holder.

AUSTRALIA

NEW ZEALAND

SINGAPORE

BRISBANE

MELBOURNE

PERTH

SINGAPORE

SYDNEY

TOWNSVILLE

A Proxy Form must be signed by the Debenture Holder or the Debenture Holder's attorney. Proxies given by a body corporate must be signed in accordance with the Corporations Act, the body corporate's constitution or by attorney. In the case of debentures jointly held by two or more persons, all joint holders must sign the Proxy Form.

A Debenture Holder which is a body corporate and entitled to attend and vote at the meeting, or a proxy which is a body corporate and is appointed by a Debenture Holder to attend and vote at the meeting, may appoint an individual to act as its representative at the meeting by providing that person with a letter or certificate, executed in accordance with the Corporations Act, authorising the person as the representative; or a copy of the resolution, certified by the secretary or a director of the body corporate appointing the representative. A copy of the letter, certificate or resolution, or other evidence satisfactory to the Chairman of the meeting, must be produced prior to admission to the meeting.

Undirected proxies

The Chairman of the meeting of Debenture Holders will vote undirected proxies in favour of the proposed Special Resolutions.

Dated 6 February 2014



Rupert Smoker

Head of Corporate and Debt Capital Markets Trustee Services
The Trust Company (Nominees) Limited