

**Comparison Schedule between
Rural Funds Management Restructuring and BlackTree Manager Replacement Proposals**

	Rural Funds Management	BlackTree
Background of Bidders	RFM is a rural funds management company. It has specialised in non tax driven investments. No direct timber experience.	BlackTree is an SPV established by various WA backers to assume management of the failed forestry companies. It presently controls a number of managed investment Schemes.
Known Equity Backers	Domestic and international superannuation and pension funds.	Details not known.
Equity Proposed	Injection \$85 million, being \$70 million from institutional investors and \$15 million from retail investors.	No new Equity, BlackTree is proposing to replace FEAP as the manager of the 1999 to 2008 Schemes.
Capacity to Replace Banks	Will repay the current banks debt with a combination funds from equity and debt. \$100 million to be raised in new bank debt.	No proposal to replace the banks debt at the current stage.
Company Structure	Land and Trees will be placed into one entity and harvesting conducted by a second entity with Growers owning 49% of both entities.	Replace FEAP as the Manager of the 1999 to 2008 Schemes with the intention of replacing FEAP as the Responsible Entity in the future. All other structures remain as they currently are.
Value Allocation to Growers	\$140 Million – Net Present Value	BRI Ferrier forecast estimate of the NPV of the Schemes is \$77.5 million Manager to manage trees and Scheme costs to be funded by Growers until harvest.
Value Allocation to unsecured Creditors	\$5 million	Nil

Annexure 1

<p>Grower Right to Participate in New Equity</p>	<p>Grower voluntary contributions during the Administration period will be converted to New Equity.</p> <p>Growers to have the right to subscribe to New Equity</p> <p>No ongoing grower contributions required post restructuring.</p>	<p>Growers are required to make ongoing contributions totalling approximately \$132 million to maintain the Schemes.</p> <p>Growers who do not pay are defaulted out of Schemes.</p>
<p>Grower Risks</p>	<p>There are several steps to implementation including confirmation of equity and debt, tax arrangements and final due diligence.</p>	<p>No solution to the Receivers litigation, no ability to “offload” unprofitable internal leases, and no solution to other legal disputes. Additionally ongoing Grower contributions are required or they will default.</p>
<p>Bank Support</p>	<p>Banks have given support by agreeing to a Forbearance Deed.</p>	<p>Banks opposed to the replacement RE proposal</p>
<p>Risks in Due Diligence</p>	<p>RFM are advanced with Due Diligence however, independent verification required for equity to commit including expert forest audit and valuations.</p>	<p>BlackTree propose to be appointed replacement managers then undertake due diligence. This introduces additional risks for Growers.</p>
<p>Tax Issues</p>	<p>Should the issue of the new equity allocated to Growers constitute income there could be an interim tax liability for Growers. Work is being undertaken by RFM to structure the transaction to address this issue and minimise adverse tax consequences</p>	<p>As the Schemes stay in place there are no interim tax consequence for Growers.</p>
<p>Other Comments</p>	<p>RFM has been unable to date to offer unconditionally committed equity and bank loans. They advise they can achieve this objective following execution of the Implementation Deed, however, it remains a risk</p>	<p>BlackTree Proposal face significant hurdles to be successful. The projected overall return to Growers is lower than in the RFM proposal.</p>
<p>Ranking Of Proposals</p>	<p>Provides the highest return to Growers and Creditors with the lowest execution risk. No further contributions required from Growers after implementation.</p>	<p>High, ongoing legal problems and further contributions required by Growers to maintain Schemes.</p>