

22 January 2014

Company Announcements Platform  
Australian Securities Exchange

<p><b>AGRICULTURAL LAND TRUST (AGJ)</b></p> <p><b>LETTER TO UNITHOLDERS</b></p>
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Please find attached a copy of a letter send to unit holders of the Agricultural Land Trust ("ALT") today, 22 January 2014.

The letter is in response to letters sent to unit holders by Ms Ann Cathcart on 17 December 2013 and 2 January 2014 in relation to the restructure of ALT to be considered at the meeting of unit holders on 31 January 2014. A copy of each of those letters is also attached.

***For further information contact:***

Tom Pascarella  
Chairman 0407 890 933

Alan Herald  
Acting General Manager (08) 8425 5022

Dear Unit Holder

The Directors of Agricultural Land Management Limited ("ALML") acknowledge that this is a challenging time as we work out the best possible solution for the restructure of Agricultural Land Trust ("ALT").

Over the last 9 months the Directors have been assessing alternatives and negotiating with the major stakeholders of ALT, being Elders Ltd and its associated companies, Mr. Allen Carrati and his associated companies and the banking syndicate which has lent funds to ALT.

As previously advised, the banking syndicate has informed us that they would not support the current status quo and have asked us to pay down debt. This is due to the downturn in the forestry industry and the implications this has on associated risk and asset values.

The objective of these negotiations was to develop a transaction that would be acceptable to all parties and, in the case of the banking syndicate, meeting their requirement to pay down debt within what has become a very short timeframe.

In developing any such transaction there needs to be compromises, however it is a transaction that, on balance, the Directors and Independent Expert believe is in the best interests of ALL unit holders.

On 21 November 2013, we forwarded to all unit holders a Notice of Meeting in which we set out the details of the restructure of ALT. On 7 January 2014, we forwarded to you a Supplementary Notice of Meeting following the adjournment of the original meeting to 31 January 2014.

## **Rationale for the restructure of ALT**

I re-emphasise the reasons for submitting this restructure to the unit holders for their consideration:

1. At the beginning of 2013, ALT had properties in Victoria, Western Australia and Queensland with a total value of approximately \$41.75m and had borrowings of approximately \$29.8m. The properties were owned by ALT and leased to two entities; the majority of the leases being with an Elders owned entity.
2. The Loan Facility with the banking syndicate had a 'repayment schedule' which required the properties to be sold by way of a number of tranches. Given perceived risks, we were not able to refinance with alternate funding providers.
3. Over the last 12 months we have tried to sell ALL the properties on an encumbered basis, that is, with the lease still in place.
4. ALT was successful in selling properties in Victoria and Western Australia in March 2013 for gross proceeds of \$28.15m (book value of \$28.7m at 31 Dec 2012).
5. No interest was shown in the purchase of the properties in Queensland on an encumbered basis. They were then offered to the market on an unencumbered basis as the banking syndicate still required ALT to further reduce debt. In offering these properties on an unencumbered basis, sale prices received were below book value. However, ALT negotiated with Elders Ltd to be compensated to cover the loss of the lease income.

We obtained independent valuations on each of these properties to ensure that the sale proceeds together with the compensation from the lessee were commensurate with the Net Present Value of the future lease payments.

ALT was successful in disposing of all properties in Queensland. We obtained independent confirmation that the proceeds from sale, together with compensation, were commensurate with the Net Present Value of lease payments.

The funds were used to repay debt.



6. Throughout this period we were continually looking for other financiers to take out the syndicated debt. Given perceived risks, we were not able to refinance with alternate funding providers.
7. At this point in time, we are still in a position where we are required to repay debt as we have been advised that the Loan Facility will not be renewed should the proposed restructure not go ahead as planned.
8. Following the sale of ALT's other properties, the iconic property in Western Australia known as Linkletters remains its only property.

## **Alternatives**

The Directors of ALML were left with a number of alternatives in relation to ALT, in particular ALT's remaining property, Linkletters:

1. Sell Linkletters on an unremediated basis in order to meet the debt repayment requirements of the banking syndicate.

Linkletters was for sale via a local and international marketing campaign on both an encumbered and unencumbered basis for a 3 month period prior to the issue of the Notice of Meeting to approve the restructure of ALT. No interest has been received for the sale of the property on an encumbered basis. One party showed some interest in acquiring the property on an unencumbered basis but the sale proceeds would have been low and most certainly would not have compensated ALT for the loss of lease income.

This outcome would have been significantly less attractive to that which is currently being presented to unit holders; as such, that offer was declined.

2. Maintain the "status quo" whereby Elders continues to lease the property in accordance with the existing lease and ALT continues to own Linkletters and to pay the syndicated and other lenders interest. In the Notice of Meeting we have explained the risks involved in maintaining the "status quo" and we ask you to review the Notice of Meeting to understand our concerns. Particularly, I draw your attention to the requirements of the banking syndicate.



3. Restructure ALT in accordance with Notice of Meeting. This ensures that the iconic property of Linkletters remains in ALT, appropriate compensation is paid for the cancellation of the lease and the syndicated bank debt is re-negotiated to 31 July 2016.

Please review the Notice of Meeting and the Supplementary Notice of Meeting in order for you to make a considered decision.

### **Cathcart Letter**

On 17 December 2013, Ms Cathcart (a unit holder of ALT) forwarded a letter to the non-associated unit holders setting out concerns that she and her advisors have in respect of the Notice of Meeting and the proposal. We acknowledge Ms Cathcart's interest and insights into the restructure. We have taken the comments in the letter seriously.

As the unit holders' meeting to be held on 16 December 2013 was adjourned and a Supplementary Notice of Meeting was required to be sent to unit holders, the Directors of ALML took the opportunity to address some of the issues raised by Ms Cathcart in the Supplementary Notice of Meeting.

We also took the opportunity to ask the Independent Expert to update and review the Independent Expert's Report included in the Notice of Meeting in light of the concerns raised by Ms Cathcart.

The Independent Expert prepared a supplementary letter to the Independent Expert's Report which is included in the Supplementary Notice of Meeting and reiterates their original opinion that the restructure is fair and reasonable to the non-associated unit holders.

Given the rationale for the restructure and the steps taken to formulate and present a heavily negotiated proposal which is in the best interests of all unit holders, we do not accept the assertions in the letter from Ms Cathcart that there has been inadequate or misleading disclosure regarding the proposed restructure or that the proposal involves inadequate compensation. We also reject any suggestion that there has been a failure to exercise due care and diligence in developing and recommending the proposal. On the contrary (and as would be expected in the circumstances), the Directors of ALML have undertaken the process leading to the proposed restructure with great care and diligence.

Having reviewed the issues which have been raised, many of the statements in the letter from Ms Cathcart appear to be misconceived. There are also a number of comments in the letter that the Directors of ALML believe require clarification:

1. Ms Cathcart, together with her family superannuation fund, held 1,682,420 units (1.32% of the total number of units on issue) as at 13 December 2013. Ms Cathcart asserts that if the associated interests are not allowed to vote (as is the case in respect of Resolutions 2 & 3) that she will be the largest unit holder able to participate at the meeting. We have asked Ms Cathcart to justify this statement as, based on the Directors' review of the unit holder register, Ms Cathcart will not be the largest unit holder voting. In fact, Ms Cathcart will directly control only 5.99% of the eligible voting units.

We have not had a response from Ms Cathcart or her advisers.

2. Ms Cathcart asserts that errors were made in the preparation of the Independent Expert's Report. The Directors of ALML have looked into the "errors" purported to have been made by the Independent Expert and are satisfied that the documentation used by the Independent Expert and that apparently gave rise to the supposed errors, was the correct version of the documentation and that any "errors", if they could be called that, were of an assumption nature and immaterial.

We have given the Independent Expert details of the comments from Ms Cathcart and they have incorporated these comments into their supplementary letter. Their opinion that the transaction is fair and reasonable remains unchanged.

3. Ms Cathcart asserts that the unit holders of ALT are being "short-changed", to the benefit of Elders. Please review the net tangible asset value of the units as set out in the Notice of Meeting. By accepting the restructure the net tangible asset value will be considerably greater than the current net tangible asset value and the current market value of units.
4. Ms Cathcart and her advisors have provided an outline of what they call a "Superior Proposal". We have advised Ms Cathcart, through her advisors, that this does not constitute a "Superior Proposal" which can be considered by the



Directors or recommended to the unit holders. What Ms Cathcart and her advisors have proposed is no more than a renegotiation of the transaction entered into with Elders, on terms which would never be agreed to by Elders.

We have advised Ms Cathcart that we would of course be willing to consider any proposal that is properly constituted. That is, if Ms Cathcart or another third party wish to put forward an alternative transaction to that agreed with Elders, the Directors of ALML would consider their proposal and, if in the best interests of the non-associated unit holders, would recommend that superior proposal instead of the restructure currently proposed.

No such proposal has been forthcoming.

### **Voting and Proxies**

The proposed restructure has been presented to unit holders with a unanimous recommendation from the Directors of ALML that it be supported. It is now for the unit holders to decide whether to approve that proposal.

Ms Cathcart has asked you to complete a proxy form to give her greater voting power and you are perfectly entitled to do so.

However, as set out in the Supplementary Notice of Meeting, ALML will treat valid proxy appointments received in respect of the original meeting as valid for the resumed meeting. There is no need to submit another proxy form if you submitted a proxy for the original meeting and you do not wish to change your vote.

If you did not appoint a proxy for the original meeting, or you did appoint a proxy for the original meeting but you wish to change that appointment or your voting directions, you may appoint a proxy to attend and vote on your behalf at the resumed meeting by returning a proxy form by 2.00pm (Melbourne time) on 29 January 2014.

Before making any decisions regarding your vote, I ask you to consider the merits of the restructure against what would happen should the proposal be defeated.

Again I would ask that you please carefully consider the transaction set out in the Notice of Meeting and Supplementary Notice of Meeting.



The Directors of ALML continue to support the restructure and ask you to vote in favour of the restructure.

Yours sincerely,



Tom Pascarella

Chairman of Agricultural Land Management Limited  
(Responsible Entity of the Agricultural Land Trust)

22 January 2014

17 December 2013

A letter from Ann Cathcart  
ALT Unitholder  
Director, Esperance Cattle Company Pty Ltd  
School Teacher

### **Agricultural Land Trust – Proposed Restructure**

Dear Non-Associated Unitholders of Agricultural Land Trust (ALT)

With my family superannuation fund, I am the largest Unitholder of ALT that is not associated with those in control or proposed to be in control of ALT under the Proposed Restructure.

I made contact with Mr Tom Pascarella, Chairman of Agricultural Land Management Limited (ALML) as responsible entity for ALT on 29 October 2013 because I was concerned about the proposal and the outcome for Unitholders. My agricultural adviser, Mr Stephen Blair, has also discussed my concerns with Mr Pascarella. At all times, Mr Pascarella has been available for discussion.

It became evident last week that the issues I raised were not going to be addressed by ALML. At this juncture, of my own volition and utilising my own money, I engaged solicitors to assist me.

My fundamental concern is that ALT (and its Unitholders) is being shortchanged, to the benefit of Elders. If ALT is properly compensated, ALT would have no residual debt.

Yesterday, the meeting was adjourned until the 31 January 2014. I am the Unitholder mentioned in the ASX announcement.

Attached to this letter is:

1. A summary of my ongoing concerns, including errors in the Expert Report which should lead to an opinion that the Proposed Restructure is not fair to Unitholders; and
2. An outline of a proposal which I believe is far superior to the Proposed Restructure and should be pursued by ALML as our responsible entity. All my information has come from publically sourced documents.
3. A proxy form in my name if you wish to appoint me as a proxy at the meeting. If you have already lodged a proxy form, a new proxy form would override it.

I am working with my agricultural adviser and other interested parties on an approach to implementing this superior proposal in the event ALML does not pursue it.

What you do of course is your own decision, however **if you would like further information on developments of the proposal, please send your email and/or phone number to my email below.**

Yours Faithfully,

Ann Cathcart  
[anncathcart@hotmail.com](mailto:anncathcart@hotmail.com)  
0417280709

Note: As reported in the The West Australian, on 16 December 2013, the company of which I am a Director, Esperance Cattle Company Pty Ltd, is in litigation concerning Young River Station. While Mr Caratti is a defendant, he was joined by another party to the proceedings.

I purchased the majority of my units in the Trust prior to and independent of these proceedings.



## Proposed Restructure of Agricultural Land Trust

### Summary of Concerns

This document summarises the key concerns about the proposed restructure of ALT following dialogue with Agricultural Land Management Limited (ALML) over the last week.

The concerns fall into three categories: inadequate and misleading disclosure; inadequate compensation for Unitholders; and apparent failure by ALML and its directors to exercise due care and diligence in developing and recommending the proposal:

1. The imminent failure of Elders and its debt facilities are a fundamental premise for the Proposed Restructure and a justification for releasing Elders from its full obligations. This premise is highly questionable in light of the recently reported announcement by Elders' chairman that it is intending to raise \$80 million to \$120 million next year after exiting its forestry business.
2. ALML appears to have relied on information and advice from Elders and does not appear to have conducted adequate due diligence nor any verification process in preparing the Booklet or on the capacity of the new controllers to operate ALML as a responsible entity and Australian financial services licensee. The reported intentions of the new controllers demonstrate a poor understanding of the requirements of a responsible entity. If ALML were to have its licence revoked or suspended, it would put ALT at serious risk.
3. The Independent Expert's conclusion that the Proposed Restructure is fair and reasonable for the non-associated Unitholders is unreliable because it makes a false assumption and ignores a material matter arising out of the Linkletter's lease:
  - (a) The Expert assumes that rent is being paid annually in arrears when in fact it is paid quarterly in arrears. This error results in a \$944,000 bias towards Elders in the calculation of the net present value of Elders' rental obligation. While ALML reports that the Expert would not change its overall recommendation based on this error, it raises the question as to whether the proposal was negotiated on inaccurate assumptions that were unfavourable to Unitholders. It also undermines the integrity of the Expert's briefing by ALML.
  - (b) The Proposed Restructure shifts the cost of remediation from Elders to ALT. This cost is estimated to be \$4 million. The Expert excludes from its calculations the full cost of remediation but appears to concede that, if included, it would make the Proposal not fair to Unitholders.
4. It is a condition precedent of the Proposed Restructure that the Remediation Condition be either satisfied or waived. This condition only requires that ALML use "all reasonable endeavours to enter into an agreement with Mr Caratti for the remediation of Linkletters on terms acceptable to ALML" (section 6.2). It is concerning that:
  - (a) This condition is uncertain, and as a consequence, there is a risk that the Proposed Restructure is implemented but the Remediation Condition is waived or not met.
  - (b) The arrangement for remediation with Mammoth Construction, as understood, is not for complete remediation but only for the removal of the trees and that a further \$3 million will be required to complete the remediation of the land.
5. Given the controlling role Mr Caratti would play following the restructure, detailed information regarding Mr Caratti's background in numerous failed companies and criminal convictions should be provided to Unitholders so that they can make a decision regarding he and his entities controlling ALML and ALT.
6. On preliminary estimates, there is a shortfall of approximately \$6.9 million in compensation for the Queensland properties (Fishtail and Caravan Hill). The proposed cash payment and forgiveness of Elders debt should be applied to this shortfall rather than compensation for Linkletter's.



## A Superior Proposal

This deal should provide the ALT unit holders for compensation for:

1. early termination of the Linkletters lease by Elders;
2. failure to remediate the land at the end of the lease; and
3. the shortfall in compensation paid on the sale of ALT's Queensland properties.

We think the compensation payable should be as follows.

### Compensation for Linkletters lease

1. Compensation from Elders for early termination of the Linkletters lease should use a discount rate of 9% until 2018 with that compensation being discounted to 31 December 2013.

The comparison figures are:			
	\$m IER - low	\$m IER - High	\$m This proposal
Discount rate	14%	13%	9%
Rent escalation used?	Yes	No	Yes
<b>NPV</b>	<b>\$10.948</b>	<b>\$11,417</b>	<b>\$13.577</b>

### Remediation of Linkletters

2. Remediation of the Linkletters land Elders' responsibility under the lease. We estimate that the remediation will cost \$500/hectare for approximately 8,000 hectares (\$4m) at the end of the lease in 5 years' time. NPV at 9% is \$2.715m. Under the current proposal, ALT will pay \$1.110m in compensation towards Mammoth Constructions Pty Ltd who will undertake only to fell and burn the trees. The cost of fencing, seeding, fertilising and otherwise returning the land to grazing capability will be borne by ALT. Elders are offering a \$1m merchandise debt facility @ 15% interest rate to provide for the expense of this but this becomes a liability on the ALT balance sheet. Under the proposed Transaction, ALT was required to pay Mammoth as well as the interest on the account (a negative impact). We propose that Elders should pay the full NPV of the cost of remediation of \$2.715m to ALT.

The comparison figures are:			
	\$m IER - low	\$m IER - High	\$m This proposal
Cost of remediation	\$1.110	\$1.110	\$2.715
Elders debt facility (\$1m @ 15%)	\$1.000	\$1.000	-
<b>TOTAL</b>	<b>-\$2.110</b>	<b>-\$2.110</b>	<b>\$2.715</b>

### Compensation for the sale of Queensland properties

3. Compensation for the sale of the Queensland properties of Fishtail and Caravan Hill should be increased. These properties were purchased by Elders for ALT and were originally accounted for in the books of ALT at approximately \$8m each, based on the value of the rent being paid by Elders. They were sold for approximately \$1m and \$1.7m respectively. Taking into account the writing off of Elders subordinated debt and the cash said to be paid to ALT by Elders at the completion of the Transaction, we estimate a shortfall of \$6.45m.

The comparison figures are:			
	\$m Fishtail	\$m Caravan Hill	\$m This proposal
Book value prior to 2012 (pp + cap ex)	\$8	\$8	
Sold (unremediated and unencumbered)	\$1	\$1.7	
Difference	\$7	\$6.3	
Compensation paid by Elders under the Transaction:			
- Write off of subordinated debt	\$2.718	\$1.549	
- Cash	\$1.5	\$1.08	
<b>Total</b>	<b>\$5.22</b>	<b>\$4.33</b>	
<b>Shortfall</b>	<b>\$2.78</b>	<b>\$3.67</b>	<b>+\$6.450</b>
<b>TOTAL OWED TO ALT BY ELDERS</b>			<b>\$22.742</b>

## A Superior Proposal

We think Elders should make up this compensation like this:

4. **Elders Debt Transfer**

The banking syndicate is a common lender of both Elders and ALT. We say that ALT's residual debt of \$12m should be transferred to Elders now. Alternatively, ALT can keep the debt on condition that, once Elders raises the capital it proposes (see earlier reference to Elders Chairman's announcement of intention to raise \$80m - \$120m in 2014), it pays off that residual debt.

Value  
\$m

\$12

5. **Cancellation of Elders' ALT shares**

The IER assumes the unit price for Elders cancelling its shares should be the NTA. We say it should be the market price of the units. We use the 3 month VWAP price of \$0.0926 (as stated in the IER). We also say that Elders should cancel all their ALT shares. This calculation (66,056,628 shares) gives a value of \$6.117m.

\$6.117

6. **Balance of amount to be paid in cash**

We propose that the balance of the total owed as calculated above should be paid to ALT in cash by Elders.

\$4.625

**TOTAL COMPENSATION FROM ELDERS**

**\$22.742**



2<sup>nd</sup> January 2014

Dear Fellow ALT Unitholder,

Firstly, a happy and Prosperous New Year.

Since my previous communication with you, I and my advisors have been busy.

By way of an update:

1. I sent the enclosed letter to the Chairman of Elders, Mark Allison, on 20<sup>th</sup> December, 2013. It succinctly summarises what we believe is the outcome achievable. We have not received a response from him, but it appears that he has informed ALML that he rejects it.
2. We have requested key scheme documents from ALML, not publically available, including the actual secured and subordinated loan documents, so that we can submit a timely "superior proposal", as the Board of ALML have previously invited. Unfortunately, and as predicted, they have refused to provide any of these documents.
3. I have been overwhelmed by the level of support from my previous letter, even over the Christmas New Year break. Proxies for the forthcoming meeting are increasing daily. If you have not returned your proxy, or at least provided contact details, email, and mobile phone, please do so as a matter of priority. Please note your vote is critical. Of the 127 million units on issue, Elders and its associates, owning approximately 67 million (to be cancelled in accordance with their proposal and ours) and Allen Caratti (and associated entities) with 33 million units approximately, cannot vote (depending on the resolution). That leaves only 27 million that can vote. Of those, approximately 5.6 million are controlled by Emerald Securities PL, or Hossean Pourzand, whom we believe is a long term associate of Allen Caratti and his various entities.
4. A suitably qualified replacement Responsible Entity (RE) has been identified for ALML. ALML has extensive and irreconcilable conflicts that prevents them acting in your, and my best interests. Primary Securities Ltd, a Perth based Agribusiness, Property and Investment RE, has agreed to undertake the role, subject to due diligence. Should it be necessary, we propose to apply to the Court to appoint Primary as a temporary responsible entity. Allen Caratti on behalf of his various entities, has agreed in principle to the appointment of Primary, rather than Allen and his entities taking over ALML. We applaud Allen for this sensible move, and now encourage him to complete what he has said he would do.

Your support, by proxy return, or by attending, will be critical in this endeavour being successful. Note I am being portrayed as a simple school teacher in Melbourne, and of late, as a flower seller. I can assure you I am receiving top line advisory and legal services. Paid for by me.

I have enclosed another proxy form for your immediate return, and a contact detail form, also for immediate return.

Again, I appreciate your support.

Kind Regards

Ann Cathcart

([anncathcart@hotmail.com](mailto:anncathcart@hotmail.com) 0417280709)

Enclosures:

1. Pale yellow Proxy forms to Ann Cathcart. Note special proxy required for companies (these docs are a resend)
2. Copy Letter sent to Mark Allison, Chairman Elders, 20<sup>th</sup> December, 2013
3. Copy of initial Superior proposal (resend)
4. ALT Unit holder Contact Detail Form (new)
5. Stamped Addressed envelope to Ann Cathcart (address:3/11a Ormond Esplanade, Elwood, 3184)

To be returned immediately:

1. Proxy forms to Ann Cathcart (signed by Unit Holder) in envelope, voting resolutions left blank
2. ALT Unit Holder Contact Detail Form



## Proposed Restructure of Agricultural Land Trust

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2. ALML appears to have relied on information and advice from Elders and does not appear to have conducted adequate due diligence nor any verification process in preparing the Booklet or on the capacity of the new controllers to operate ALML as a responsible entity and Australian financial services licensee. The reported intentions of the new controllers demonstrate a poor understanding of the requirements of a responsible entity. If ALML were to have its licence revoked or suspended, it would put ALT at serious risk.
3. The Independent Expert's conclusion that the Proposed Restructure is fair and reasonable for the non-associated Unitholders is unreliable because it makes a false assumption and ignores a material matter arising out of the Linkletter's lease:
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5. Given the controlling role Mr Caratti would play following the restructure, detailed information regarding Mr Caratti's background in numerous failed companies and criminal convictions should be provided to Unitholders so that they can make a decision regarding he and his entities controlling ALML and ALT.
6. On preliminary estimates, there is a shortfall of approximately \$6.45 million in compensation for the Queensland properties (Fishtail and Caravan Hill) from that currently outlined and announced to the ASX and reiterated in the Booklet. The proposed cash payment and forgiveness of the residual Elders subordinated debt of \$4.23 million should be attributed and applied to this shortfall rather than as apparent and actual compensation for Linkletter's. The statement on page 3 of the Booklet that as part of this Transaction, Elders will forgive \$8.5 million of debt, is misleading because it includes the \$4.27 million already forgiven in the sale of the Queensland properties. It gives the impression that Elders is providing \$4.27 million more in compensation for Linkletter's than it actually is giving.



### A Superior Proposal

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## A Superior Proposal

We think Elders should make up this compensation like this:

	Value \$m
<p>4. <b>Elders Debt Transfer</b>  The banking syndicate is a common lender of both Elders and ALT. We say that ALT's residual debt of \$12m should be transferred to Elders now. Alternatively, ALT can keep the debt on condition that, once Elders raises the capital it proposes (see earlier reference to Elders Chairman's announcement of intention to raise \$80m - \$120m in 2014), it pays off that residual debt.</p>	\$12
<p>5. <b>Cancellation of Elders' ALT shares</b>  The IER assumes the unit price for Elders cancelling its shares should be the NTA. We say it should be the market price of the units. We use the 3 month VWAP price of \$0.0926 (as stated in the IER). We also say that Elders should cancel all their ALT shares. This calculation (66,056,628 shares) gives a value of \$6.117m.</p>	\$6.117
<p>6. <b>Balance of amount to be paid in cash</b>  We propose that the balance of the total owed as calculated above should be paid to ALT in cash by Elders.</p>	\$4.625
<b>TOTAL COMPENSATION FROM ELDERS</b>	<b>\$22.742</b>



20 December 2013

Mills Oakley Lawyers  
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Your ref:  
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Dear Mr Allison

**Agricultural Land Trust (ALT) – Proposal for restructure**

We act for Ann Cathcart and Ann Cathcart Pty Ltd aff The Ann Cathcart Executive Superannuation Fund as unitholders of ALT.

**Dealings with ALML re ALT**

As a consequence of the **attached** letter our client sent to unitholders on 17 December 2013, our client has the support of a growing number of other unitholders in relation to the proposed restructure of ALT arising out of the Implementation Agreement of which Elders Limited is a party. Our client's letter included an outline of our client's concerns about the Proposed Restructure and an outline of an alternative proposal that it is seeking to develop further and implement.

Our client listened with interest to the Annual General Meeting of Elders Ltd yesterday and has reviewed the Annual Reports. Clearly, you and the other directors of Elders believe that you can recapitalise Elders in 2014. You referred again to Elders' intention to undertake capital raising and our client understands that the adjournment of the meeting of ALT's unit holders is delaying this process, or at least the preparations for your proposed recapitalisation.

It appears from correspondence from the solicitors for Agricultural Land Management Limited (ALML) that ALML's hands are tied in relation to the nature of the Restructure Proposal because an Independent Expert has expressed a view that the proposed restructure is fair and reasonable, principally due to the parlous financial position of Elders. Accordingly, our client has formed the view that it is futile to negotiate further with ALML. Notwithstanding this, our client is continuing to develop its proposal with a view to either:

1. Putting the proposal to unitholders, at the forthcoming meeting, or a separate meeting prior to that meeting; or
2. Applying to the Court for the appointment of either:
  - (a) a temporary responsible entity(temp RE) to address the concerns about the conduct of ALML in putting and recommending the proposal to unitholders; or
  - (b) a special purpose liquidator over the Linkletter's asset.

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## Proposal to Elders

It appears to our client that Elders Limited is in a position to reconsider the ALT Proposed Restructure and accordingly our client has instructed us to outline the following proposal on the basis of our client's estimate that an amount of \$22.742 million is owing by Elders, and its subsidiaries, to ALT, as compensation for the early termination of its lease over Linkletter's, and under payment for compensation in relation to the early termination of leases and sale of land in relation to the Queensland properties.

Our client's proposed terms are:

1. Elders takes over the \$12 million syndicated bank debt onto its balance sheet and writes off the \$4.23 million residual subordinated debt<sup>1</sup> after the sale of ALT's Queensland properties.
2. Elders and its associates cancel all of their units in ALT, approximately 67million units at \$.09, being \$6 million).
3. Elders provides ALT with a \$4 million merchandising facility for seed, fertiliser, fencing and other costs associated with remediating the Linkletter's property land.
4. Elders requests ALML to call a meeting of unitholders to retire as responsible entity with a resolution to appoint Primary Securities Limited as responsible entity of ALT.
5. Our clients would support a unitholder meeting motion approving a release and indemnity for Elders, ALML and its officers.

This offer remains open to be accepted until **4pm AEDT on Wednesday 2 January 2014**, during which time our client will withhold further written communication to ALT unit holders about its proposal, any communications through the media and social media, and will not call a unitholders meeting or commence legal proceedings.

## Ongoing contact

You may be aware that ALML has issued a 'Concerns Notice' to our client and her adviser Mr Stephen Blair in relation to alleged defamatory statements made by Mr Blair. We have sought further particulars of ALML's concerns. In order to facilitate communication between the parties, our client has appointed Mr. Brian Ellerbeck to respond to any queries you may have and engage in negotiations in relation to the proposal.

Mr Ellerbeck's contact details are:

brian\_ellerbeck@ebcapital.net

0412 155426

Level 4, Scottish House

90 William St

Melbourne Vic 3000

We are instructed that Mr Ellerbeck is available over the Christmas period to discuss this offer.

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<sup>1</sup> This is accounted for in the Queensland properties shortfall, however we note that there is a question as to its enforceability. There also appears to be a question as to the enforceability of the syndicated debt against Linkletters.



**Other matters**

It is our client's understanding that, in accordance with the Explanatory Booklet, the settlement with the Allen Caratti and Guce entities concerning leases over the properties Beef Machine, Rancho -X, Koolena, Cottondale and Bagshaws for what our client understands to be a \$10 - \$12 million compensation package for the lease cancellation, cannot proceed until the resolutions for the Transaction or this alternative proposal is agreed.

It is our client's further understanding that the Caratti and Guce entities would support the proposal outlined above, as a preferable alternative to that currently before the unitholders.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Mark Bland', written over a horizontal line.

**MARK BLAND**  
**PARTNER**