
Rural Funds Group Stapling Deed

Version: 1

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Rural Funds Group Stapling Deed

Dated

Parties

RFF RE **Rural Funds Management Limited ACN 077 492 838 as responsible entity of Rural Funds Group ARSN 112 951 578**

of Level 2, 2 King Street Deakin, Australian Capital Territory 2600

RF Active RE **Rural Funds Management Limited ACN 077 492 838 as responsible entity of RF Active ARSN 168 740 805**

of Level 2, 2 King Street Deakin, Australian Capital Territory 2600

Background

- A RFF and RF Active are registered managed investment schemes. Rural Funds Management Limited ACN 077 492 838 is the responsible entity of both RF Active and RFF.
- B The Stapling involves the RFF Units and RF Active Units being Stapled so that:
- (i) RF Active Units and RFF Units become owned by the same persons in the same proportions;
 - (ii) RF Active Units are only able to be transferred or otherwise dealt with together, and at the same time as, RFF Units; and
 - (iii) RFF Units are only able to be transferred or otherwise dealt with together, and at the same time as, RF Active Units.
- C This document sets out certain arrangements between the RF Active and RFF in connection with the Stapling Proposal.

Agreed terms

1 Definitions and interpretation

1.1 Definitions

In this document:

Term	Definition
Approved Exchange	means any prescribed financial market and relevant market operator as prescribed by the law and determined by the parties for the purposes of listing the Stapled Securities.

Term	Definition
ASIC	means the Australian Securities and Investments Commission.
Business Day	means a day on which banks are open for business in Sydney excluding a Saturday, Sunday or public holiday.
Control	has the meaning ascribed to that term in section 50AA of the Corporations Act.
Controlled Entity	means an Entity that is, or may become, Controlled by RFF or RF Active, as the case may be.
Corporations Act	means the <i>Corporations Act 2001</i> (Commonwealth).
Encumbrance	means an interest or power: <ul style="list-style-type: none"> (a) reserved in or over an interest in any asset including any retention of title; or (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power, by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes any agreement to grant or create any of the above.
Entity	has the meaning ascribed to that term in section 64A of the Corporations Act.
Financial Indebtedness	means any debt or other monetary liability in respect of money borrowed or raised or any financial accommodation whatever and irrespective of whether the debt or liability: <ul style="list-style-type: none"> (a) is present or future; (b) is actual, prospective, contingent or otherwise; (c) is at any time ascertained or unascertained; (d) is owed or incurred alone or severally or jointly or both with any other person; or (e) comprises any combination of the above.
Guarantee	means: <ul style="list-style-type: none"> (a) any obligation to: <ul style="list-style-type: none"> (i) provide funds (whether by the advance or payment of money, the purchase of, or subscription for, shares or other securities, the purchase of assets or services, or otherwise); (ii) indemnify or compensate any person; or (iii) otherwise be responsible, for, or in relation to, the payment or discharge of any debt or monetary liability of another person or any default in the performance of any obligation; and (b) any obligation to assume, perform or otherwise

Term	Definition
	be responsible for any obligation of another person.
Meeting	means the meeting of members for RFF to be held on or around October 2014.
Member	means, in relation to Rural Funds Group, anyone of RFF, RF Active or any of their Controlled Entities.
Notice	means any notice, demand, request, certificate, approval, consent or other communication for the purposes of this document.
RF Active	means RF Active ARSN 168 740 805.
RF Active Unit	means a unit in RF Active.
RFF	means a Rural Funds Group ARSN 112 951 578 to be renamed Rural Funds Trust.
RFF Unit	means a unit in RFF.
Rural Funds Group	includes RFF, RF Active and their Controlled Entities.
Scheme Property	in respect of each RFF and RF Active and each of their respective Controlled Entities, has the meaning ascribed to that term in Section 9 of the Corporations Act.
Stapled	means, in the case of two or more securities, being dealt with together so that one such security may not be dealt with, without the other or others being dealt with in an identical manner and at the same time, and with such restriction on dealing being denoted on the register of each such stapled security.
Stapled Securities	means one RFF Unit stapled to one RF Active Unit in accordance with the constitutions of RFF and RF active.
Stapling Proposal	means the proposal to Staple the RF Active Units to the RFF Units to be effected in accordance with amendments to the RFF and RF Active constitutions as approved at the Meeting.
Stapling Register	means a register or holders of Stapled Securities.
Unstapling	in relation to a RFF Unit or RF Active Unit, no longer being Stapled.

1.2 Interpretation

In this document:

- (a) a singular word includes the plural and vice versa;
- (b) a word which suggests one gender includes the other gender;
- (c) a reference to a clause, schedule, annexure or party is a reference to a clause of, and a schedule, annexure or party to, this document and references to this document include any schedules or annexures;

- (d) a reference to a party to this document or any other document or agreement includes the party's successors, permitted substitutes and permitted assigns;
- (e) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (f) a reference to a document or agreement (including a reference to this document) is to that document or agreement as amended, supplemented, varied or replaced;
- (g) a reference to this document includes the agreement recorded by this document;
- (h) a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
- (i) if any day on or by which a person must do something under this document is not a Business Day, then the person must do it on or by the next Business Day;
- (j) a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity; and
- (k) a reference to 'month' means calendar month.

2 Condition precedent

The parties agree the terms of this document only apply once the Unit holders of RFF have approved the Stapling Proposal at the Meeting.

3 Co-operation

3.1 Co-operation

- (a) Each party hereby covenants and agrees with the other party that, subject to applicable law and the proviso to this clause 3.1, if called upon by the other party, and on the terms and conditions proposed by that other party, it must (or, in the case of a Controlled Entity of it must, subject to the law and the proviso to this clause 3.1, procure that the Controlled Entity) enter into any agreement, arrangement or understanding, or do any act matter or, with or at the request or direction of, that party in respect of any of the following:
 - (i) lending money or providing financial accommodation to another party or another Member nominated by that other party, providing a Guarantee or granting an Encumbrance to, or for the benefit of, that other party;
 - (ii) entering into any covenant, undertaking, restraint or pledge at the request of any other party, including a negative pledge on the taking or making of any Financial Indebtedness, or on the provision of Guarantees or the granting of an Encumbrance;
 - (iii) buying or leasing or otherwise acquiring an asset (or beneficial interest in or possession of an asset) from, or licensing an asset from, or selling or leasing or otherwise disposing of an asset (or beneficial interest in or possession of an

asset) to, or licensing an asset to, the other party or any other Member nominated by that other party;

- (iv) acquiring services from, or supplying services (including but not limited to building, architectural, property management, real estate, registry accounting, valuation and financial services) to, the other party or any other Member nominated by that other party or entering into arrangements for the acquisition of services from a third party for the benefit of the other party or any other Member nominated by that other party;
- (v) issuing securities, or granting an option or other rights over securities, to the other party or any other Member nominated by that other party or varying the terms, rights or obligations attaching to such securities, options or other rights held by the other party or any other Member nominated by that other party;
- (vi) transferring money or real or other property to the other party or any other Member nominated by that other party;
- (vii) whereby the party may contribute resources including skills, intellectual property, human resources, money, land, rights or confidential information;
- (viii) procuring to the extent possible that employees or consultants of the party are terminated and engaged instead by the other party or any other Member nominated by that other party;
- (ix) ceasing to conduct a business or provide services which the other party or any other Member conducts, provides or proposes to conduct or provide;
- (x) acting as agent for, or appointing as agent, the other party or any other Member nominated by that party;
- (xi) providing the benefit of, transferring or providing any licence, authorisation, approval, or information held by the party to the other party or any other Member nominated by that party: or
- (xii) any such other act or thing as determined appropriate in the reasonable opinion of the parties;
- (xiii) guaranteeing the obligations or the other party or any other Member nominated by that other party,

including in the case of RFF and RF active (subject to their constitutions), out of, or in actual or possible diminution or endangerment of, its resources provided that:

- (xiv) in the opinion of the board of directors of the party called upon, such agreement, arrangement or understanding is in the best interest of the Rural Funds Group as a whole and is permitted by law; and
- (xv) a party is not obliged to, and must not, do anything under or in connection with this clause 3 if to do so would, if it did so, cause it to be in breach of, or default under, any contract, agreement or understanding with any person which is not a party to this document.

(b) Each party hereby covenants and agrees that:

- (i) it will not allot or issue or attempt to allot or issue any unit, option or other form of security, unless and until each other party agrees that that unit, option or other security is and will remain, on and from the date of its allotment and issue, Stapled to a security from the issued capital of each other party;
 - (ii) until each unit, option or other security is Stapled in the manner referred to in sub-paragraph 3.1(b)(i), it will not carry or provide to its holder or purported holder, any dividend, distribution or voting rights in accordance with either the RFF constitution or the RF Active constitution.
- (c) Each party hereby covenants and agrees that:
- (i) it will notify the other party in writing within 21 Business Days or such shorter time that is reasonable of any matter requiring contemporaneous action under the constitutions of RFF and RF Active and clause (d) by the directors of RFF RE and RF Active RE; and
 - (ii) consult with, co-ordinate its actions with and co-operate fully with the other parties to the best of its endeavours to ensure that matters requiring contemporaneous action are undertaken contemporaneously; and
 - (iii) notify all the other parties immediately if a matter requiring contemporaneous action cannot be achieved contemporaneously.
- (d) The parties agree that they will use their best endeavours to deal with each of the following matters as a matter requiring contemporaneous action under clause 3.1(b):
- (i) the preparation and distribution of the annual financial report, annual financial statements and annual auditor's report of RFF and RF Active;
 - (ii) the provision to ASIC of any statement about the Rural Funds Group;
 - (iii) the distribution of notices for a general meeting and the holding of a general meetings of RFF and RF Active; and
 - (iv) the payment of distributions on RF Active Units or RFF Units.
- (e) A party will not be required to do any act or matter under clauses 3.1(b) or 3.1(d) if it would not be consistent with the proviso to clause 3.1.

3.2 Maintenance of Stapling Register

- (a) The parties agree to assist the others to establish and maintain the Stapling Register.
- (b) At all times, the parties agree to use their best endeavours to procure that a person registered as holding RFF Units on the RFF register of members holds an identical number of RF Active Units on the RF Active register of members and visa versa.

3.3 Stapling of further securities

If at any time further securities are stapled to the Stapled Securities the parties must enter into, and must procure that the issuer of such further securities enters into, a stapling agreement on substantially the same terms as this document with such changes as are necessary to reflect that Stapled Securities will include such further securities.

3.4 Obligations under this document

To the extent permitted by law, the parties must co-operate with each other on all matters relating to the Stapled Securities and must do all things necessary to give effect to this document, including acting with a view to ensuring that they respectively:

- (a) where RFF Active and RFF are listed, comply with their obligations under the listing rules of the Approved Exchange;
- (b) co-ordinate their disclosure to ASIC, the Approved Exchange (if applicable), any other applicable stock market or regulatory authority and Stapled Security holders;
- (c) maintain the same auditor from time to time and agree on any change of auditor so that any change of auditor is implemented contemporaneously for RFF and RF Active;
- (d) where appropriate, adopt consistent accounting policies;
- (e) where appropriate, adopt consistent valuation policies;
- (f) take a consistent approach on proposed investments, and keep each other properly informed of their investment policies and any changes to those policies;
- (g) hold Stapled Security holder meetings concurrently or, where necessary, consecutively;
- (h) agree on the terms and timing of all new issues, bonus and rights issues, placements and redemptions and buy-backs;
- (i) consult before taking any action (or omitting any action) which may materially affect the value of the Stapled Securities;
- (j) co-ordinate the announcement and payment of dividends and distributions;
- (k) co-ordinate any re-investment plan of distributions or dividends; and
- (l) agree on terms of loans to each other.

3.5 Buy-back, cancellation, redemption, transfer and issue

A party to this document is not obliged to effect a buy-back, cancellation, redemption, transfer or issue in a manner inconsistent with any constitutional, contractual or fiduciary obligation or law by which it is bound, or if it does not have any necessary consent or approval.

3.6 Forfeiture

If either an RFF Active Unit of an RFF Unit is to be sold pursuant to forfeiture as a consequence of non-payment of a call or as a result of an enforcement of a lien or similar right, the parties will, to the maximum extent permitted by law and the listing rules of an Approved Exchange (if applicable), ensure that any RFF Unit or RF Active Unit to which it is Stapled is also sold so that the RFF Unit or RF Active Unit is sold as part of a Stapled Security.

4 Joint Financial Statements

Without limitation to the provisions of clause 3 of this document, each party agrees that it will provide and fully co-operate with and assist the other party and any officer, employee, consultant or adviser of the other party in the course of the provision of joint abridged financial statements

about Rural Funds Group or any Member in a manner and on or before each date or dates that any such statement is required to be provided to or by ASIC or to the holder of its securities.

5 Unstapling

- (a) Upon an Unstapling, each party must promptly:
 - (i) repay any outstanding amounts under any loans given to the other party prior to Unstapling unless the other party otherwise agrees;
 - (ii) repay any outstanding amounts which the parties have agreed in accordance with clause 3.1 is the responsibility of such party to repay unless the parties otherwise agree; and
 - (iii) obtain a release of the other party from any guarantee given by that party to any person in respect of any liability of the party on whose behalf the guarantee has been given.
- (b) This clause survives the termination of this document.

6 Allocation

- (a) The parties must agree what part of the amount payable for the issue, redemption or buy-back of a Stapled Security is to represent the issue, redemption or buy-back price of each of the RFF Units and RF Active Units.
- (b) The allocation of this amount must be determined on the basis of fair value by agreement between the parties prior to the issue, redemption or buy-back of the Stapled Security. However, where the Stapled Security is being issued pursuant to the exercise of one or more options issued on or before the Stapling, the issue price of the RFF Unit and the RF Active Unit shall be determined in accordance with any relevant provisions of the terms of the option or options and as parties have agreed.
- (c) Where an option to acquire a Stapled Security is issued after the Stapling, the allocation of the issue price of the Stapled Security must be determined on the basis of fair value by agreement between the parties either prior to the issue of the option or, if not agreed at that time, at the time of exercise of the option.
- (d) The proportion determined under clause 6(a) must be consistent for each RF Active Unit and RFF Unit issued, redeemed or bought-back to or from each Stapled Security holder at the same time.
- (e) If the parties are unable to reach agreement under clause (a) within five Business Days after any of them notifies the others that an agreement must be reached, a suitably experienced independent accountant nominated by one of the parties and reasonably approved by the other must be instructed.
- (f) The accountant must be instructed within 14 days to determine what part of the amount payable is to represent the price of each of the RF Active Unit and RFF Unit based on fair value as determined by the accountant having regard to the respective net tangible asset backing of each of the RF Active Unit and RFF Unit immediately prior to the issue, redemption or buy-back of the Stapled Security and any other factors which the

accountant believes should be taken into account. The accountant's decision is, in the absence of manifest error, binding on the parties.

7 Commencement of this document

Notwithstanding anything to the contrary in this document, no provision of this document is or will become of any force, effect, validity or enforceability unless and until the Stapling Proposal is implemented.

8 Period of this document

This document shall operate for so long as the constitutions of RFF and RF Active provide for and the RF Active Units and RFF Units are Stapled to each other so that no RF Active Unit or RFF Unit can be dealt with except as a Stapled Security consisting of an RF Active Unit and an RFF Unit.

9 Subordination

- (a) Nothing in this document shall be taken to amend the RFF or RF Active constitutions.
- (b) If there is any inconsistency between the obligations of a party under this document and the relevant scheme constitution, the provisions of the constitution apply to the extent of the inconsistency.
- (c) Nothing in this document shall be taken to amend or alter the constitution.

10 Confidentiality

The parties must maintain absolute confidentiality concerning the existence and terms of this document and no public announcement or communication relating to the negotiations of the parties or the existence, subject matter or terms of this document may be made or authorised by or on behalf of a party without the prior written approval of the other parties except that a party may make such disclosures in relation to this document as it may in its absolute discretion think necessary:

- (a) to its professional advisers, bankers, financial advisers and financiers upon those persons undertaking to keep confidential any information so disclosed; or
- (b) to comply with any applicable law or the requirements of any regulatory body (including if applicable any Approved Exchange).

11 Costs and Stamp Duty

The parties agree to bear their own legal and other costs and expenses (including stamp duty) in connection with the preparation and execution of this document and any transactions effected pursuant to this document.

12 Notices

- (a) A Notice:

- (i) may be given by an authorised officer of the relevant party;
 - (ii) must be in writing; and
 - (iii) must be left at the address of the addressee or sent by prepaid ordinary post to the registered office of the relevant party.
- (b) Unless a later time is specified in it a Notice takes effect from the time it is received by the person to whom it is addressed as noted thereon.
- (c) A letter or facsimile is taken to be received:
- (i) in the case of a letter on the third day after posting;
 - (ii) and in the case of a facsimile on production of a transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety and in legible form to the facsimile number of the addressee notified for the purposes of this clause.
- (d) Any Notice received by one party bearing a facsimile of the signature of an authorised officer of any other party shall be conclusive evidence for all purposes of the authenticity of the Notice and the receiving party shall be entitled to rely upon that Notice.
- (e) In the event that a party changes its address or other relevant particulars in respect of its facsimile facilities it must prior to the date of such change notify each other party in writing. Thereafter such new address or particulars shall be the address or particulars as the case may be of that party for the purposes of this document.

13 Limitation of liability

13.1 Limitation of liability

Each party enters into this document only in its capacity as the responsible entity of their respective registered managed investment scheme and in no other capacity. References to a party in this document are references to each only in that capacity. Subject to clause 13.2 and to the extent permitted by law:

- (a) a liability to any person arising under or in connection with this document is limited to and can be enforced against the party only to the extent to which it can be satisfied out of the property of their respective Scheme Property, out of which the party is actually indemnified for the liability; and
- (b) the party is not liable in contract, tort or otherwise for any loss suffered in any way relating to their registered managed investment scheme except to the extent that the Corporations Act imposes such liability.

13.2 Exceptions to the limitation of liability

Clause 13.1 does not apply to any obligation or liability of the party to the extent that it is not satisfied because, under their scheme constitution or by operation of law, there is a reduction in the extent, or elimination, of the party's indemnification out of the assets of their scheme as a result of the party's fraud, negligence or breach of trust.

14 Dispute Resolution

14.1 No proceedings

A party must not start court proceedings about a dispute arising out of this document unless it first complies with this part, except:

- (a) where a party seeks urgent injunctive relief; or
- (b) where the dispute relates to compliance with this clause.

14.2 Notice

A party claiming that a dispute has arisen must notify the other party giving details of the dispute.

14.3 Best efforts to resolve

Each party to the dispute must use its best endeavours to resolve the dispute within ten Business Days of receiving notice of the dispute or a longer period agreed by the parties to the dispute.

14.4 Negotiate in good faith

If the parties do not resolve the dispute under clause 14.3, the chief executive officer or other senior employee of each party must negotiate in good faith to resolve the dispute for a period of up to ten Business Days after the end of the period referred to in clause 14.3.

15 General

15.1 Amendments

This document may only be amended by written agreement between all parties.

15.2 Assignment

A party may only assign this document or a right under this document with the written consent of each other party.

15.3 Counterparts

This document may be executed in any number of counterparts. All counterparts together make one instrument.

15.4 No merger

The rights and obligations of the parties under this document do not merge on completion of any transaction contemplated by this document.

15.5 Entire agreement

- (a) This document supersedes all previous agreements about its subject matter and embodies the entire agreement between the parties.

- (b) To the extent permitted by law, any statement, representation or promise made in any negotiation or discussion, has no effect except to the extent expressly set out or incorporated by reference in this document.

15.6 Further assurances

Each party must do all things reasonably necessary to give effect to this document and the transactions contemplated by it.

15.7 No waiver

- (a) The failure of a party to require full or partial performance of a provision of this document does not affect the right of that party to require performance subsequently.
- (b) A single or partial exercise of or waiver of the exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy.
- (c) A right under this document may only be waived in writing signed by the party granting the waiver, and is effective only to the extent specifically set out in that waiver.

15.8 Governing law and jurisdiction

- (a) New South Wales law governs this document.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the New South Wales courts and courts competent to hear appeals from those courts.

15.9 Severability

A clause or part of a clause of this document that is illegal or unenforceable may be severed from this document and the remaining clauses or parts of the clause of this document continue in force.

Execution

EXECUTED as a deed

Signed sealed and delivered

By Rural Funds Management Limited ACN 077 492
838 in its capacity as responsible entity of Rural
Funds Group ARSN 112 951 578

by:

▲  _____
Director

▲ DAVID BRYANT
Full name of Director

▲  _____
Director/Secretary

▲ ANDREA JOAN LEMMON
Full name of Director/Secretary

Signed sealed and delivered

By Rural Funds Management Limited ACN 077 492
838 in its capacity as responsible entity of RF
Active ARSN 168 740 805

by:

▲  _____
Director

▲ DAVID BRYANT
Full name of Director

▲  _____
Director/Secretary

▲ ANDREA JOAN LEMMON
Full name of Director/Secretary

