

16/02/2006

**Re: Aikawa Ironworks offer**

Dear Trustees to the Fund and Board of Directors of AFT Inc

Baobab Global Fund is a unitholder of Advanced Fiber Technologies and was very disappointed to learn about the agreement with Aikawa Iron Works for the following reasons,

- The offer is inadequate
- The comments of our President and Chief Executive Officer, Mr Roch LeBlanc, and
- The break up fee

**Inadequate offer**

AFT is being sold for \$41m, yet its cash earnings were \$16m, \$17m, \$19m, \$11m, \$14m and \$5m from 1999 to 2004. At the offer price this translates to **after tax** cash returns ranging from 12% to 46%. This is a text book example of how to buy a company, not to sell it. The price is clearly inadequate and if it's not clear to you then you should not be holding the positions you are holding.

**Mr Leblanc's comments**

According to the following report

[http://ca.us.biz.yahoo.com/cnw/060214/a\\_aft\\_aikawa\\_merger.html?.v=1](http://ca.us.biz.yahoo.com/cnw/060214/a_aft_aikawa_merger.html?.v=1)

*"This offer represents a win-win scenario for all AFT stakeholders,"*

You don't create a "win-win" scenario by selling a hundred year old company that is the leader in its industry by a huge margin and which has produced \$82m of after tax cash earnings over the last 5 years for \$41m. Forgive me, but we don't get that "win-win" feeling just yet.

*"It is no secret that the pulp and paper industry is under intense pressure. This new arrangement reinforces our financial situation and allows us to focus on operations and on growing our global customer-base, which will now be served through a strengthened network of plants and distribution facilities. This provides important continuity for our employees and suppliers".* Its also no secret that management, under the direction of Mr LeBlanc, deemed it prudent to spend \$52m on dividends and acquisitions over a three year period in a difficult industry environment, instead of doing the obvious thing which was to conserve cash. The company is the market leader by a huge margin and its competitive position is not under threat.

*Unitholders also benefit as they will receive a substantial premium over the current unit price."* In case Mr Leblanc did not notice the share price dropped from almost \$15 two and a half years ago to 68 cents recently. So let me get this straight. To benefit your shareholders in the form of "a

CONTACT t: +267 319 1454  
f: +267 395 3306  
e: info@baobabglobalfund.com  
VISIT a: 4786 Moapare Rd, Gaborone,  
Republic of Botswana  
i: www.baobabglobalfund.com

LEGAL Management Company: Cherubim Ventures (Pty) Ltd Reg CO.2003/5941  
IFSC Registered  
Directors: R Carle, MP van Blerk  
Company Secretary: Corporate Services (Pty) Ltd  
**Baobab Global Fund is a hedge fund and may not do business with the public. It can only do business with institutions and wealthy individuals.**

*substantial premium*” it’s acceptable to first run your company’s share price into the ground? This reminds me of Sir Richard Branson’s answer when he was asked, ‘How does one become a millionaire’. He responded, ‘First you need to be a billionaire and then you buy an airline’. So if Mr Leblanc meant it in that sense, then we understand. We might feel unhappy because he ran our 100 year old, market leading, cash cow into the ground but hey, the guy does have a sense of humour.

**The break up fee**

The fee of \$2.75m as a ratio to market cap (6.5%) is probably a new record. Would you mind explaining to unitholders exactly how you arrived at \$2.75m?

In conclusion I guess this is just our long winded way of saying. We will be voting against the offer.

Regards,

A handwritten signature in black ink, appearing to read 'M. van Blerk', with a stylized flourish at the end.

Martin van Blerk