

Premium Income Fund

NSX Release: 7 April 2011



Borrower litigation – The Forest Resort, Creswick

Wellington Capital Limited as responsible entity of the Premium Income Fund remains mortgagee in possession of a number of commercial loans where the borrower has defaulted and the Fund has exercised its right to take control of the underlying security property. These properties include The Forest Resort located in Creswick, Victoria.

The Fund from time to time is involved in litigation involving the exercise of its power under its first ranking mortgage to take control of an underlying security property or the borrower itself. It is not unusual for a defaulting borrower or guarantor to seek to stop the Fund taking control of a security property by instigating legal proceedings or counterclaiming.

Managing Director, Jenny Hutson said, *'Any number of allegations can and are made by a borrower seeking to stop the Fund enforcing its security position. The Fund takes its obligation to act in the best interests of its Unitholders seriously and ensures that appropriate representations are made to the Court in each case where a borrower is attempting to hinder the Fund's rights under the terms of its security arrangements.'*

It is the view of Wellington Capital Limited as responsible entity of the Premium Income Fund and its legal advisers that that there has been no substantive or determinative progress in the litigation in relation to the Fund's security over The Forest Resort to enable the Fund to provide an clear update to investors. The Fund is confident of its security over the property and continues to operate the Resort in order to benefit all unitholders.'

Further updates will be provided as the matter progresses.

For further information please contact:

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