

Premium Income Fund

NSX Release: 20 May 2011



Proposed Meeting

Wellington Capital Limited has received correspondence in relation to a proposed meeting of Unitholders to be held on 16 June 2011 in Sydney to consider seven resolutions proposed by a group of members in the Fund. The material, as received, is attached.

The proposed meeting raises a number of serious issues including:

- The proposed replacement responsible entity does not hold an Australian Financial Services Licence of a kind that would enable it to be the responsible entity the Premium Income Fund. The consequence would be, if the proposed resolutions were passed, and a licence was not held at the relevant time, that the Premium Income Fund would be immediately wound up;
- The material provided to us is incomplete and therefore does not satisfy the obligations of the Corporations Act.
- The notice and explanatory material is misleading and ambiguous.
- Yesterday our lawyers wrote to Ian Ferrier, Chairman of the proposed replacement responsible entity and, asked him to provide the proxy form which the attached material indicates will be sent to Unitholders. Yesterday afternoon he indicated to our lawyers he would arrange for that to be provided. By close of business he had resiled from that position and refused to provide the proxy form.

Wellington Capital as responsible entity has a positive obligation to act in the best interest of Unitholders and accepts that meetings that comply with the Corporations Act and the NSX Listing Rules can and should be held.

Jenny Hutson Managing Director said:

'The meeting material received does not in the opinion of our lawyers, satisfy the requirements of the Corporations Act and the constitution of the Fund.

Separately, the resolutions proposing to appoint a replacement responsible entity that does not currently hold an Australian Financial Services Licence, of a kind, that would enable it to be the responsible entity, raises serious legal issues as to the validity of that proposed resolution.

It also raises practical issues in that the resolution as proposed could result in the Premium Income Fund being wound up.

In addition, the proposal consequently puts at risk the \$31.25 million in contracts signed but not yet settled.'

For further information please contact:

Jenny Hutson
Managing Director
Wellington Capital Limited
as responsible entity of the Premium Income Fund
ACN 114 248 458 AFSL 291 562

Phone: 1300 854 885
Email: investorrelations@newpif.com.au



PIF Action Group Inc.
Working to Protect and Stabilise Your Investment
PO box 34 Cardiff NSW 2285
pifactiongroup@gmail.com

16 May 2011

Dear Members of the Premium Income Fund

RE: Replacement of Wellington Capital Limited as Responsible Entity and Manager of the Premium Income Fund

The PIF Action Group is a group of investors in the Premium Income Fund (**the Fund or PIF**) representing approximately 27% of the Fund's investors. We are concerned about the continuing poor financial performance of our Fund. We believe it is possible to achieve an improvement in our Fund's performance by the replacement of the current Responsible Entity, Wellington Capital Limited (**Wellington**), which is also the manager of our Fund.

To change the Responsible Entity, we have taken steps to convene a members' meeting to consider replacing the current Responsible Entity with Castlereagh Capital Limited (**Castlereagh**). The members' meeting will also deal with a range of other important issues.

PIFAG considers Castlereagh to have the necessary combination of experience, independence and skill to produce the best outcome for members of the Fund.

In the PIF Action Group's view the Fund's performance and value has deteriorated significantly since the appointment of Wellington in October 2008.

The Explanatory Memorandum dated 18 August 2008, issued in support of Wellington's appointment as Responsible Entity, said (at page 22) that our Fund, which had reported assets of \$966 million in December 2007, was estimated to be worth \$413 million in May 2008. By December 2010, its value had fallen to \$253 million (as reported in the 2010 half yearly financial statements). Units in the Fund are now trading on the NSX stock market at about 8.7 cents per unit representing a market capitalisation value of about \$66 million.

The core issues which lead us to believe Wellington is not suitable to continue to act as Responsible Entity of our Fund are:

| Promised Milestone or Inadequate Performance Explanations by Wellington | PIFAG Assessment / Explanations |
|---|------------------------------------|
| Promised 3 cent capital distribution to members by 24 December 2008. | FAIL |
| Promised quarterly distributions from March 2009. | FAIL |
| Helping members pursue Class Action claims for up to \$400 million (over 50 cents per unit) against our Fund's former auditors, former Responsible Entity and some of its directors. | FAIL |
| A pro rata buy-back at 45 cents per unit of up to 37.75 million units to occur by 18 September 2009. | FAIL AND UNEXPLAINED |
| Detailed and thorough disclosure of the performance of the Fund's assets. | INADEQUATE |
| Wellington sought to strike out the members Class Action claim against the former Responsible Entity, and has not actively assisted the pursuit of the claim. | UNEXPLAINED |
| 74% discount between the Fund's Unit trading price and their value reported in the Financial Statements | UNEXPLAINED |
| Recent amendments to the Fund's Constitution. | INSUFFICIENTLY EXPLAINED |
| On 30 March 2011, Wellington said it would take half of the Fund's assets to market this year, and that it would retain proceeds to complete projects retained. | INSUFFICIENTLY EXPLAINED |
| 11 April 2011, belated payment of member distribution of \$7.55 million ... followed by ... | DELAY UNEXPLAINED |
| 6 May 2011 announcement of proposed placement of 113 million units at 10 cents per unit when the Financial Statements record Net Assets equivalent to 33.5 cents per unit. The placement will raise up to \$11.3 million, less costs, which, essentially, will replace the funds distributed. | UNEXPLAINED "CHURN" OF CASH |
| In the 2010 Financial Statements of Wholesale Premium Income Fund, Wellington attributed a value of around 32 cents per unit to that fund's investment in our Fund, which is more than three times as much as the value of units issued under the placement. | UNEXPLAINED LOSS OF VALUE |
| The change of funding strategy adopted by Wellington has not been explained, but risks dilution of current members' interests and the transfer of value to third parties, including a stake in any proceeds recovered from litigation the Fund may bring. | WHY? |

The performance deficiencies outlined above are by no means exhaustive. There are many more examples of the failure of Wellington to act positively for the benefit of all members.

The PIF Action Group believe that appointing Castlereagh, our nominated replacement Responsible Entity, will bring a range of skills better suited to the development and implementation of strategies required to improve the Fund's financial strength and income.

We strongly recommend all members vote “FOR” all motions

Voting **“FOR”** all motions will ensure members' rights are upheld and represented appropriately, Wellington is not paid a removal fee of up to \$5 million and will see Castlereagh appointed as the new Responsible Entity of our Fund.

The PIF Action Group strongly urge you to read the attached Information Booklet and cast your vote, either in person **OR** by returning your **proxy form** which is attached to the Notice of Meeting and can be identified by a “Computershare logo” and “barcode” being on yellow paper and return as indicated or in the reply paid envelope.

We are not licensed financial advisors, lawyers or investment advisors. We are fellow PIF investors like yourself, who want to make a change for what we believe will be in our best interests. Any comments made by us are simply our personal opinions. If you are not sure of what you should do you should ask appropriate professionals for advice.

Please act now. The future of your investment is in your hands. So, please, vote **“FOR”** all of the proposed resolutions either by proxy, returning the forms as indicated **by 4.00 pm 13 June 2011** or attend the members' Meeting in person to be held at:

| | |
|--------------|--|
| TIME | 11.00 am (Eastern Standard Time) sign in commences at 10.00 am |
| DATE | 16 June 2011 |
| PLACE | SMC Conference & Function Centre 66 Goulburn Street, Sydney |

We have arranged for Castlereagh to conduct a number of information meetings (which you can attend) to discuss the contents of these documents. Meeting details will be posted shortly on Castlereagh's website www.cascap.com.au

PIFAG and Castlereagh are likely to issue email updates to members prior to the Meeting on 16 June 2011. To ensure you receive these email updates please register your email address at pifactiongroup@gmail.com or www.cascap.com.au

Attached are very important documents relating to the future of your investment which we encourage you to read.

PIF Action Group Inc.

Should you wish to join the PIF Action Group or speak to any of us please feel free to contact us on 1300 661 651 or email pifactiongroup@gmail.com

Yours faithfully
PIF Action Group




Peter Grenadier
President



Charles Hodges
Vice President

HOW TO VOTE – DIRECTIONS

For ease of reference and for those who may have difficulties in completing the proxy form for the Meeting, we have provided a step by step process for completing the proxy form:

1. **Identify Proxy Form** – Ensure you complete the “yellow” proxy form marked by a “Computershare logo” () and barcode.
2. **Proxy Appointments** – If you are unable to attend the meeting and agree with the PIFAG recommendations you should, put an “X” in the appointment of proxy box so that Peter Grenadier, President of the PIFAG can cast your vote for you. If you are attending the meeting you should complete your own name where indicated.
3. **Voting** – If you agree with PIFAG’s recommendation to remove Wellington and appoint Castlereagh as Responsible Entity you should “tick” the **“FOR”** box for each of the seven motions.
4. **Sign** – The proxy form should be signed and dated by the registered owner/(s) of the units.
5. **Contact Details** – Enter your current contact details as indicated so that if you have completed the proxy form incorrectly Computershare Investor Services Pty Limited (**Computershare**) can contact you directly to rectify any error.
6. **Return Proxy** – Once completed you should return the proxy form to Computershare, the independent third party proxy collector, by one of the following methods:
 - Post: Computershare Investor Services Pty Limited, GPO Box 2062, Melbourne VIC 3001
 - Facsimile: (03) 9473 2145
 - Email: quorum@computershare.com.au
7. **Return Date and Time** – Proxy forms should be returned to Computershare **by no later than 4.00 pm on 13 June 2011.**

16 May 2011

TO THE MEMBERS OF THE PREMIUM INCOME FUND AS ADDRESSED

**PREMIUM INCOME FUND
ARSN 090 687 577 ("the Fund")**

Castlereagh Capital Limited (**Castlereagh**) is delighted to have been approached by the PIF Action Group Inc. (**PIFAG**) to act as replacement Responsible Entity, with managerial responsibility, of the Fund if appointed by its Members at a Meeting to be held on 16 June 2011 at 11.00 am at SMC Conference & Function Centre, 66 Goulburn Street, Sydney.

We have been working with the PIFAG for a number of months to formulate a proposal to you which is outlined in the enclosed material.

About Castlereagh

Our Senior Executives have significant experience in managing both distressed and non-distressed property and mortgage funds.

We also have considerable expertise in managing large scale litigation similar to the current Class Action, to which many of you are parties. More information about our directors and senior executives is included in the accompanying Information Booklet, highlights of which are set out below:

- Tony Pope, a director of Castlereagh, has extensive experience in funds management, property development and recovery. He was appointed by Global Funds Management in the early 1990's to lead the reconstruction and workout of the mortgage portfolios of the collapsed Estate Mortgage Trusts. Estate Mortgage Trusts had similar problems to your investment. Tony was able to stabilise and then turn around the Estate Mortgage Trusts, which became Meridian Property Trust. This successful reconstruction secured value of \$300 million for investors in the Trusts.
- Tony Pope and John Batiste (Head of Credit) have significant property experience in banking, credit, recovery, property development and funds management.
- Our board of directors and senior executives hold senior roles in both listed and unlisted Funds where assets under management exceed \$17 billion.

Aims for the Fund

Castlereagh aims to:

- Implement a strategy which addresses the 75% discount between the units trading price and their value as reported in Financial Statements.

- We intend to implement our strategy by:
 - Providing improved disclosure of information concerning the Fund's assets so the market value reflects the underlying value;
 - Assist the Class Action proceedings currently underway, which if successful could return up to 50 cents per unit in value to members; and
 - Align the members' interests with those of the Responsible Entity, by the removal of fee structures and constitutional provisions which restrict member rights.
- Provide a detailed review on the Fund within 60 business days (of being appointed as the replacement Responsible Entity) outlining workout strategies and timelines for asset turnarounds and give you a realistic time in which to restore market confidence which should improve the value of your investment.

Consultation

To enable members to discuss the contents of the Information Booklet with PIFAG and us we will be holding a number of information sessions for members around Australia. Meeting locations have been determined based on the location of the majority of Fund members; times and venues will soon be advised by email and posted on our website, www.cascap.com.au

Members of the PIFAG will also attend these meetings.

The same presentation will be made at each information session, and questions and answers will be accumulated from all the sessions so that you are not obliged to attend. A copy of the presentation and the questions and answers will be posted on our website at the completion of the first information session and updated as required.

We look forward to your support and hope you agree to vote "FOR" all the motions proposed which will see Castlereagh appointed as the new Responsible Entity of the Fund.

The PIFAG and Castlereagh are likely to issue email updates before the members' Meeting on 16 June 2011. To ensure you receive email updates please register your email address at pifactiongroup@gmail.com or www.cascap.com.au If you are already a member of PIF Action Group there is no need to register your email as you will automatically receive any updates issued.

Should you have any queries in relation to the Fund please feel free to contact us on 1300 661 651 or pif@cascap.com.au

Yours faithfully
Castlereagh Capital Limited



Ian Ferrier AM
Chairman

NOTICE OF MEETING
PREMIUM INCOME FUND
ARSN 090 687 577

Dated: 16 May 2011

NOTICE IS GIVEN pursuant to Section 252D and 601FM of the Corporations Act 2001 that a Meeting of the Unit Holders (Members) of the Premium Income Fund ARSN 090 687 577 (the **Fund**) will be held at the time, date and place detailed below, or at such later time and date as may be notified to Members as set out below, to consider and vote on the motions set out in this notice.

| | |
|--------------|--|
| Time | 11.00 am (Eastern Standard Time) sign in commences at 10.00 am |
| Date | 16 June 2011 |
| Place | SMC Conference & Function Centre 66 Goulburn Street, Sydney |

This Notice is given by Members of the Fund who together hold interests carrying more than 5% of the votes that may be cast at midnight before this Meeting, referred to as **Requisitioning Members**.

The Requisitioning Members have appointed Peter Grenadier and Charles Hodges as their attorneys to convene the Meeting and execute documentation enabling it to be convened and subsequently held.

The Requisitioning Members reserve the right to postpone the Meeting to a later time or date. If the Requisitioning Members make such a determination, they will notify all Members by placing an announcement on the following website:

www.cascap.com.au

The Requisitioning Members will endeavour to notify Members by post of any postponement before the original meeting date and time. However, any postponement of the Meeting will not be invalidated by a failure to do so.

BUSINESS

The first order of business will be the election of a Chairperson who will conduct the Meeting. The Chairperson shall be elected by the Members on a show of hands at the commencement of the Meeting pursuant to Section 252S(3) of the Act.

Notice of Motions

The business of the Meeting will be to consider the seven motions set out below. In considering the Motions please refer to all the enclosed material. Annexure "1" attached to this Notice reproduces the provisions of the Constitution which are relevant to the motions to be considered.

Motion 1 - Special Resolution to amend the Fund's Constitution relative to quorum requirements for Members Meetings

"That the Constitution of the Fund be amended by deleting clause 10.4 of the Constitution and that the Responsible Entity be authorised and instructed to do all things necessary to implement the Constitutional amendment prior to the changes proposed by this resolution before Resolution 5 takes effect."

Motion 2 - Special Resolution to amend the Constitution to remove the current quorum requirement for Members meetings to consider removal of the Responsible entity

"That the Constitution of the Fund be amended as follows and that the Responsible Entity be authorised and instructed to do all things necessary to implement the changes proposed by this resolution before Resolution 5 takes effect:

- *Clauses 10.2 and 10.3 of the Constitution be deleted.*
- *The following new clause 10.2 be inserted into the Constitution.*

Two Unit Holders present constitute a quorum for a general meeting. No business may be transacted at any meeting except the election of a Chairman and the adjournment of the meeting unless the requisite quorum is present at the commencement of the business."

Motion 3 - Special Resolution to remove exit fees payable upon removal of a Responsible Entity to be consistent with ASIC Policy Statements

"That the Constitution of the Fund be amended by deleting clauses 23.3, 23.4 and 23.5 of the Constitution and that the Responsible Entity be authorised and instructed to do all things necessary to implement the changes proposed by this resolution before Resolution 5 takes effect

Motion 4 - Special Resolution to reinstate management fees payable to the Responsible Entity

"That the Constitution of the Fund be amended as follows and that the Responsible Entity be authorised to do all things necessary to implement the changes proposed by this resolution before Resolution 5 takes effect:

- *Clauses 23.2 of the Constitution be deleted.*
- *The following new clause 23.2 be inserted into the Constitution.*

23.2 The fee payable to the responsible entity under clause 23.1 must be paid up to the date of completion of the final winding up of the Trust."

Motion 5 - Resolution to remove Wellington Capital Limited as Responsible Entity of the Premium Income Fund

"That, subject to the passage of Resolution 6, Wellington Capital Limited ACN 080 577 788 be removed as the Responsible Entity of Premium Income Fund ARSN 090 687 577."

Motion 6 - Resolution to appoint Castlereagh Capital Limited as the new Responsible Entity of the Premium Income Fund

"That, subject to the passage of Resolution 5, Castlereagh Capital Limited ACN 140 979 273 be appointed as the new Responsible Entity of Premium Income Fund ARSN 090 687577."

Motion 7 – Special Resolution to reinstate issue price provisions

"That the Constitution of the Fund be amended as follows and that the Responsible Entity be authorised to do all things necessary to implement the change proposed by this resolution:

- *Clause 3.2 of the Constitution as adopted by Deed Poll on 9 May 2011 be deleted and the clause hitherto applying be reinstated,:*
- *3.2 The Issue Price of a Unit under the PDS shall be:*

3.2.1 one dollar (\$1.00) for the first Quarter of the Scheme;

3.2.2 thereafter, the Issue Price shall be one dollar (\$1.00) per Unit unless the Responsible Entity considers that the total net value of all Scheme Property, divided by the number of issued Units in the Scheme (variable price) is less than one dollar and the Responsible Entity is unable to access further funds under the MFS Support Mechanism to increase the total net value of Scheme Property in which case the Issue Price of the Unit shall be the Variable Price."

Proxies

Each Member of the Premium Income Fund has a right to appoint a proxy. A proxy holder does not need to be a Member. If a Member appoints 2 proxies, the Member may specify the proportion or number of votes each proxy holder is entitled to exercise.

Where a Member is a corporation (such as a company), the appointment must be made in accordance with the corporation's rules for management; typically this will require execution by two directors or by a director and secretary in accordance with a resolution of the directors of the company.



Peter Grenadier
President
PIF Action Group



Charles Hodges
Vice President
PIF Action Group

As attorneys for the Requisitioning Members

EXTRACTS FROM THE CONSTITUTION OF THE PREMIUM INCOME FUND

Provided below is a reproduction of the clauses referred to in the Notice of Meeting for the Premium Income Fund.

Clause 10.4

The quorum for a meeting at which any resolution is proposed (regardless of the type of resolution) to amend clause 10.2 or clause 10.3 is at least four persons holding or representing in person, by proxy or attorney at least 51% of the Units by number.

Clause 10.2

Except as provided for at subclause 10.3 below, two Unit Holders present constitute a quorum for a general meeting. No business may be transacted at any meeting except the election of a Chairman and the adjournment of the meeting unless the requisite quorum is present at the commencement of the business.

Clause 10.3

The quorum for a meeting at which any resolution is proposed (whether ordinary or Extraordinary) to remove the Responsible Entity of the Scheme, is a minimum of four persons holding or representing in person, by proxy or attorney at least 51% of Units on issue in the Scheme by number.

Clause 23.3

In the event that Wellington Capital Limited is appointed as Responsible Entity to the Scheme and is subsequently removed without its consent for any reason other than negligence or fraud, Wellington Capital Limited will be entitled to receive payment of removal fee of 2% of the gross value of the Scheme (as determined in the most recent audited accounts) which fee is payable immediately prior to replacement of Wellington Capital Limited as Responsible Entity of the Scheme. This fee will only be payable on removal of Wellington Capital Limited as Responsible Entity of the Scheme and may not otherwise be claimed by Wellington Capital Limited in any other circumstances.

Clause 23.4

In the event that clause 23.3 is declared or determined to be invalid or unenforceable, or otherwise at the discretion of Wellington Capital Limited, where removed as Responsible Entity, may declare that the following provisions alternatively apply in the event of its removal as Responsible Entity of the Scheme:

- 23.4.1 If the Responsible Entity is removed (for any reasons other than for a breach of its duties or the Law) as the Responsible Entity of the Scheme, the replacement Responsible Entity will cause to be valued the assets of the Scheme as at the date of removal and within 60 days of removal cause the removed Responsible Entity to be paid out of the Scheme the fee referred to in clause 23.3
- 23.4.2 If Wellington Capital Limited becomes entitled to a payment pursuant to this clause then its successors as Responsible Entity are not entitled to any payment of the performance fee referred to in this clause 23.3

Clause 23.5

Subclauses 23.3 and 23.4 have effect on the basis that they consist of separate covenants. If subclause 23.3 becomes invalid or unenforceable for any reason, then the invalidity or unenforceability does not affect clause 23.4. Only one or either of subclauses 23.3 or 23.4 may apply at any one time.

Clause 23.2

The fee payable after 15 October 2008 to the Responsible Entity under clause 23.1 will only be paid for a period of 2 years commencing on the date Unitholders are in receipt of cash payments totalling 3 cents per unit. After that period the Responsible Entity will no longer be entitled to the remuneration set out in clause 23.1

Clause 23.1

That the Responsible Entity is entitled to be paid out of Scheme Property a management fee equal to the sum of 0.7% per annum of the value of the total funds under management as determined with reference to the preceding month and the most recent audited accounts. This fee will be calculated and payable monthly in advance.

Clause 3.2 (as inserted by Deed Poll dated 9 May 2011)

The Issue Price of Units under the PDS shall be:

- (a) one dollar (\$1.00) for the first Quarter of the Scheme;
- (b) thereafter, the Issue Price shall be one dollar (\$1.00) per Unit unless the Responsible Entity considers that the total net value of all Scheme Property, divided by the number of issued Units in the Scheme is less than one dollar and the Responsible Entity is unable to access further funds under the MFS Support Mechanism to increase the total net value of Scheme Property in which case the Issue Price of the Unit shall no less (*sic*) than the 90 day volume weighted average price on the National Stock Exchange.

Premium Income Fund

ARSN 090 687 577

Notice of Meeting and Information Booklet

For the Meeting of Members
to be held on 16 June 2011

PIF Action Group Inc
Incorporation Number 9894759

If you are voting by proxy, proxies must be received by Computershare Investor Services Limited by
no later than 4.00 pm on 13 June 2011. Late proxies cannot be accepted.

THIS IS AN IMPORTANT DOCUMENT

PLEASE READ THE INFORMATION IN THIS DOCUMENT CAREFULLY. IF YOU ARE IN ANY DOUBT
CONCERNING THE MOTIONS PLEASE SEEK YOUR OWN PROFESSIONAL ADVICE WITHOUT DELAY.

TABLE OF CONTENTS

| | |
|------------------|---|
| SUMMARY | The reasons for the Meeting and the Motions |
| SECTION 1 | Explanatory Information and the Motions |
| SECTION 2 | Information about Castlereagh Capital |
| SECTION 3 | Definitions |
| SECTION 4 | Voting procedure and eligibility |

ATTACHMENTS

Attached to this Information Booklet are the following documents which should be read with it:

- Annexure "A" – Information about Castlereagh Capital Limited
- Annexure "B" – Letter from Class Action Legal Team
- Annexure "C" – Investor Advisory Committee Interest Form

DISCLAIMER

This Information Booklet is dated 16 May 2011.

While the PIF Action Group Inc (**PIFAG**) has endeavoured to provide a full explanation regarding the motions, it has had to rely on publicly available information concerning the affairs of the Premium Income Fund and its existing Responsible Entity, Wellington Capital Limited (**Wellington**).

None of the requisitioning members, PIFAG or Castlereagh Capital Limited (**Castlereagh**), the nominated replacement Responsible Entity, warrants or guarantees the accuracy or completeness of the information contained in this Information Booklet and to the extent permitted by law disclaims any liability for any loss, however arising, from reliance on it (including its Annexures).

To assist you in assessing the Motions, PIFAG and Castlereagh, through the Requisitioning Members, may ask the Responsible Entity to provide members with more information which may be relevant to the Motions before the Meeting. Further information will be made available to members at the following website: www.cascap.com.au. Should more information be provided to you, please read it carefully together with this Information Booklet.

SUMMARY

THE REASON FOR THE MEETING AND MOTIONS

Why have I received this Information Booklet?

The PIF Action Group Inc. (registration number 9894759, **PIFAG**), represents members of the Premium Income Fund ARSN 090 687 577 (**the Fund or PIF**) holding around 27% of issued units in the Fund. It includes some of the largest independent members of the Fund. The Requisitioning Members (members of PIFAG) have authorised their attorneys to convene a Meeting of the members of the Fund so that you can consider and vote on the motions set out in the Notice of Meeting.

The motions to be considered are intended to replace Wellington Capital Limited (**Wellington**) as the Responsible Entity of the Fund with Castlereagh Capital Limited (**Castlereagh**) and to make changes to the Fund's constitution. PIFAG has asked Castlereagh to become the new Responsible Entity of the Fund. Castlereagh has agreed to act as the new Responsible Entity if members appoint it at the Meeting.

PIFAG believes that it is in the best interests of members to remove Wellington and appoint Castlereagh as the Responsible Entity of the Fund.

Why does PIFAG want to replace Wellington?

The major reasons for replacing Wellington is that it has failed to achieve promised milestones and has also failed to adequately explain the Fund's lack of performance. A summary of this includes:

| Promised Milestone or Inadequate Performance Explanations by Wellington | PIFAG Assessment / Explanations |
|--|---------------------------------|
| Promised 3 cent capital distribution to members by 24 December 2008. | FAIL |
| Promised quarterly distributions from March 2009. | FAIL |
| Helping members pursue Class Action claims for up to \$400 million (over 50 cents per unit) against our Fund's former auditors, former Responsible Entity and some of its directors. | FAIL |
| A pro rata buy-back at 45 cents per unit of up to 37.75 million units to occur by 18 September 2009. | FAIL AND UNEXPLAINED |
| Detailed and thorough disclosure of the performance of the Fund's assets. | INADEQUATE |
| Wellington sought to strike out the members Class Action claim against the former Responsible Entity, and has not actively assisted the pursuit of the claim. | UNEXPLAINED |

| Promised Milestone or Inadequate Performance Explanations by Wellington | PIFAG Assessment / Explanations |
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| 74% discount between the Fund's Unit trading price and their value reported in the Financial Statements | UNEXPLAINED |
| Recent amendments to the Fund's Constitution. | INSUFFICIENTLY EXPLAINED |
| On 30 March 2011, Wellington said it would take half of the Fund's assets to market this year, and that it would retain proceeds to complete projects retained. | INSUFFICIENTLY EXPLAINED |
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| 6 May 2011 announcement of proposed placement of 113 million units at 10 cents per unit when the Financial Statements record Net Assets equivalent to 33.5 cents per unit. The placement will raise up to \$11.3 million, less costs, which, essentially, will replace the funds distributed. | UNEXPLAINED "CHURN" OF CASH |
| In the 2010 Financial Statements of Wholesale Premium Income Fund, Wellington attributed a value of around 32 cents per unit to that fund's investment in our Fund, which is more than three times as much as the value of units issued under the placement. | UNEXPLAINED LOSS OF VALUE |
| The change of funding strategy adopted by Wellington has not been explained, but risks dilution of current members' interests and the transfer of value to third parties, including a stake in any proceeds recovered from litigation the Fund may bring. | WHY? |

In summary:

- ✦ **Poor financial performance** of the Fund since Wellington's appointment in October 2008.
- ✦ Wellington's failure over the past two years to assist members who have commenced a Class Action against the Fund's former auditor, former Responsible Entity and some of its directors. Under this claim members could, if successful, recover up to \$400 million plus interest and costs less Class Action funding costs.
- ✦ A failure by Wellington to **provide members with clear, concise and effective information** concerning the Fund's performance and that of its assets.

Castlereagh's Approach

Castlereagh's aims are to:

- ✦ Ensure there is **no fire sale** of Fund assets.

- Prepare separate workout strategies for each of the Fund's mortgage loan assets to enhance member value.
- Prepare detailed cash flow projections for each asset to be monitored on a monthly basis.
- Implement workout strategies in a cost-effective and efficient manner, while avoiding duplicated professional charges.
- Within 60 business days of appointment, Castlereagh will report to members on:
 - The status of each of the Fund's assets.
 - The timeframes in which impaired asset turnaround strategies can best be implemented and achieved.
 - A timeframe for the alignment of the Units trading price to their value reported in Financial Statements.
- Castlereagh's yearly management fee will be 0.7% of total funds under management, in line with the Fund's constitution at 31 December 2010.

Meeting of Members

The Fund's Register of members shows you are a member of the Fund and are entitled to vote at the forthcoming members' Meeting, which will be held as follows:

| | |
|--------------|--|
| Time | 11.00 am (Eastern Standard Time) sign in commences at 10.00 am |
| Date | 16 June 2011 |
| Place | SMC Conference & Function Centre, 66 Goulburn Street, Sydney |

This document has not been issued by Wellington.

Why has the Meeting been convened?

The purpose of the Meeting is to change the Fund's constitution to:

- Vary the quorum requirement to bring it into line with the Corporations Act and industry practice.
- To reverse changes to the constitution made in the past month.
- Remove from the Fund's constitution the "removal fee" of 2% of the Fund's Asset Value, payable to Wellington if it is replaced without proved fraud or negligence. This fee was proposed by Wellington and accepted by members in 2008. The fee is unreasonable, not in members' interests and does not relate to duties performed by the Responsible Entity.
- Ensure that the Responsible Entity is able to be fairly remunerated for its services. This requires removing a recent amendment to the constitution by Wellington and reinstating the deleted clause, returning the constitution to industry practice.
- Replace Wellington as the Responsible Entity of the Fund and appoint Castlereagh in its place.

If the motions relating to the removal and replacement pass Castlereagh will become the new Responsible Entity of the Fund.

What is PIFAG's recommendation?

PIFAG currently represents members with around 27% of units in the Fund. We recommend members vote **IN FAVOUR OF** all the motions.

Who is paying to convene the Meeting?

The costs of convening and holding the Meeting are payable by the Requisitioning Members, and not from the Fund. Castlereagh has agreed to meet the cost of convening and holding this Meeting on behalf of the Requisitioning Members. Castlereagh will not charge the Fund, nor any of its members, any fees in relation to the Meeting.

Next steps for Members

Step 1:

Read this Information Booklet

Step 2:

If you have any questions about this Information Booklet or the Meeting you can contact the following parties:

- PIF Action Group
 - Email: pifactiongroup@gmail.com
- Castlereagh:
 - Phone: 1300 661 651
 - Email: pif@cascap.com.au
 - Post: GPO Box 7079, Sydney NSW 2001
 - Website: www.cascap.com.au

Step 3:

Vote on the Motions by attending the Meeting personally, or by filling out and returning the enclosed Proxy Form to Computershare Investor Services Pty Limited **by no later than 4.00 pm on 13 June 2011** by any of the following options:

- Post: Computershare Investor Services Pty Limited, GPO Box 2062, Melbourne VIC 3001 (reply paid envelope provided)
- Facsimile: (03) 9473 2145
- Email: quorum@computershare.com.au

What do I do now?

Members are strongly encouraged to attend the Meeting in person. Only members personally present or corporate members who have an authorised representative present at the Meeting are entitled to elect the Chairperson of the Meeting. The elected Chairperson has the power to determine how the Meeting is conducted.

If you cannot attend the Meeting it is important that you vote by proxy.

As your vote is important we encourage you to attend and vote at the Meeting personally. If you propose to attend the Meeting, please arrive at the venue up to an hour before the start time (10.00am AEST) to register.

If you cannot attend the Meeting in person, you should appoint a proxy to represent you by completing the enclosed proxy form (this is a yellow form marked with the Computershare logo), which must be delivered to Computershare Investors Services Pty Limited (**Computershare**) **before 4.00pm on 13 June 2011** by one of the following methods:

- Post: Computershare Investor Services Pty Limited, GPO Box 2062, Melbourne VIC 3001
- Facsimile: (03) 9473 2145
- Email: quorum@computershare.com.au

Instructions about how to complete the proxy form are attached to our (PIFAG) covering letter. For ease of return a reply paid envelope has also been included.

SECTION 1

EXPLANATORY INFORMATION AND THE MOTIONS

1 INTRODUCTION

1.1 OVERVIEW

PIFAG has approached Castlereagh to replace Wellington as the new Responsible Entity and Manager of the Fund because of:

- The **poor financial performance** of our Fund since Wellington was appointed as Responsible Entity in October 2008.
- **Discount to reported Net Asset Value.** The value of the Fund in the most recent Financial Statements provided to members is \$253 million¹, or 33.5 cents per unit. This is not reflected in the price of our units when sold on the National Stock Exchange (**NSX**). The NSX price for our units only represents a fund value of \$66 million². This means our units are selling at a 74% discount to their value reported in the Financial Statements.
- Wellington's **failure to help in litigation.** Wellington has not pursued any claim against the former auditors, former Responsible Entity and the directors of that Responsible Entity. It has not, over the past two years, assisted members in their separate Class Action. This claim seeks to recover in excess of \$400 million plus interest and costs. Wellington even sought to strike out the Class Action claim³.
- Wellington has failed to **provide members with clear, concise and effective information** concerning the Fund's performance and that of its assets. In our view this contributes to the discount at which units are currently trading on the NSX.
- Recent changes to the constitution, which have removed the protection Members had against the sale of more units in the Fund at less than the reported value of the Fund's net assets; and a proposal to issue units at a discount of over 70% to reported net asset value.

¹ December 2010 Financial Statements

² NSX closing price 4 May 2011 – 8.7 cents per Unit

³ Proceedings NSD 324 of 2009

1.2 AREAS OF CONCERN IDENTIFIED BY PIFAG

PIFAG is concerned with the management of the Fund by Wellington as it relates to:

1.2.1 Financial Performance

- ✧ When promoting Wellington's appointment as Responsible Entity in 2008, Wellington Investment Management Limited (**Wellington Investment**), the former Responsible Entity, which since May 2008 has been and remains a subsidiary of Wellington and was then "resourced" by Wellington⁴ said:
 - **"Cash payments totalling 3 cents per Unit will be made to Unitholders (i.e. members) by 24 December 2008 and quarterly thereafter, with the first payment to be made in October 2008⁵". This did not happen.**
 - Only a 2 cent capital distribution has been paid in 2010 and 2011.
 - A pro rata buy-back at 45 cents per unit of up to 37.75 million units was to occur by 18 September 2009⁶. **This did not happen.**
- ✧ Members invested \$755,195,542⁷ in the Fund in units initially valued at \$1 each. There is a significant difference between the value of our Fund as reported in its Financial Statements issued by Wellington (used as the basis on which to calculate the annual management fee payable to the Responsible Entity) and the current NSX market price of units in the Fund. This is represented by:
 - Financial Statements at 31 December 2010 valued the net assets at \$253 million or 33.5 cents per unit. This represented a loss or deterioration in value of the Fund of \$502 million or 66.5 cents per unit since its establishment.
 - The market price of our units on the NSX at close of trade on 4 May 2011 valued our units at \$66 million or 8.7 cents per unit. This represents a loss or deterioration in value of the Fund of \$689 million or 91.3 cents per unit.
 - Of the total loss or deterioration in value, only \$15 million or two, 1 cent per unit distributions relates to returns to members since October 2008.
 - As members of the Fund we are concerned to know why there is a difference in the net value of our Fund from that disclosed in the latest audited accounts of \$253 million or 33.5 cents per unit and the market value of \$66 million or 8.7 cents. Wellington has not provided members or the market generally with an adequate explanation of why the discount exists or its strategy to address the discount.

⁴ Refer page 16 of Explanatory Memorandum dated 18 August 2008

⁵ Refer page 3 of Explanatory Memorandum dated 18 August 2008

⁶ Refer page 3 of Explanatory Memorandum dated 18 August 2008

⁷ Refer page 11 of Explanatory Memorandum dated 18 August 2008

- Wellington owns the former Responsible Entity, Wellington Investment. The current directors of Wellington became directors of Wellington Investment before it was replaced as Responsible Entity of the Fund in October 2008. The current directors of Wellington remain directors of Wellington Investment.
- Wellington Investment, with the support of Wellington and to support the proposed appointment of Wellington as Responsible Entity, issued an Information Memorandum to members on 18 August 2008 promising **“cash payments totalling 3 cents per Unit will be made to Unitholders by 24 December 2008.”** So far, only two cents has been paid and that occurred in 2010 and 2011, and not 2008. Distribution of the remaining one cent per unit is now almost two and a half years overdue. Wellington Investment also said that quarterly distributions would be made after the appointment of Wellington. No quarterly distributions have been made.
- On 30 March 2011 Wellington advised members and the market it had recently **“engaged a nationally respected corporate recovery expert and an independent law firm to undertake a further review of all of the assets held by the Fund.”**⁸ PIFAG notes these appointments followed its personal contact with around 37% of members, as measured by holding, concerning the Fund’s performance. This action, in our view, was reactive and not reflective of pro-active management. To date the identity of the professionals retained has not been disclosed.

1.2.2 Members Class Action

PIFAG and its legal team believe the current Responsible Entity Wellington has failed to assist members pursuing their Class Action claim for over \$400 million plus interest and costs against the Fund’s former auditors, Responsible Entity and certain of its directors (refer to Annexure “B”).

The four main concerns relative to the proceedings are:

- Wellington has not agreed to be an applicant in the proceedings despite being offered to do so by the funder of those proceedings, IMF (Australia) Limited (**IMF**). IMF has offered its usual terms i.e. meeting all legal costs and providing an indemnity against any adverse costs order relating to the proceedings. PIFAG believes that if Wellington is as an applicant in the proceedings on this basis, there would be minimal risk to Wellington or the Fund and prospects of success of certain claims the subject of the proceedings would be improved.

⁸ Refer NSX Release: 30 March 2011 page 1

- Wellington advised the Class Action participants on 30 March 2011 that it “does not have and has never had documents in its possession that are necessary for the lawyers to argue the case.”⁹ This suggests Wellington does not have in its possession a range of important, standard documents and contradicts the statement by Wellington Investment in July 2008, then under the control of the current directors of Wellington, that it had “**secured all IT and Fund records.**”¹⁰ PIFAG is concerned that the extent of the records provided by Wellington and Wellington Investment to the Class Action solicitors was limited to five lever arch files of documents. We understand Wellington has suggested the relevant records are in the possession of the MFS liquidators. If this is the situation, PIFAG is concerned that the extent of the assistance provided by Wellington in accessing these records from the liquidators has been inadequate.
- Wellington Investment, and later Wellington, relevantly both under the control of the current directors of Wellington, sought an order from the court for the Class Action to be discontinued as against Wellington Investment. That application was unsuccessful and cost orders were made against Wellington. PIFAG is concerned that the interests of Wellington Investment and its parent Wellington are different from the interests of the class members in the proceedings, and it is difficult to see how those differing interests can be adequately reconciled.
- Wellington now proposes to issue 113 million units to third parties, who would stand to gain from any claim pursued by the Responsible Entity in respect of the Fund unless the court excluded the new third parties from any claims. This may dilute the potential return to current members from litigation and could provide for a windfall to these undisclosed third parties.

1.2.3 Reporting to Members

- PIFAG believes Wellington has not reported clearly and concisely to members concerning the Fund’s affairs.
- This concern is supported by the significant difference in the Net Assets per Unit reported in the Financial Statements and the price at which units can be sold on the NSX, a difference which has not been explained by Wellington. The discount, which PIFAG estimates at 24.8 cents per unit, or \$187 million in Fund value, reflects a market price of 8.7 cents at close of trade on 4 May 2011 (Fund value of \$66 million) when compared to the audited Net Asset value of the Fund of \$253 million or 33.5 cents at 31 December 2010.
- It is PIFAG’s view that if clearer and more effective reporting were provided to members and the market it is likely that this significant discount between the trading market value and net asset value would not exist or would, at least, be significantly less.

⁹ Refer NSX Release: 30 March 2011

¹⁰ Refer Investor Update of July 2008

1.2.4 Recent changes to the Constitution and the proposed rights issue and share placement.

- ✦ Wellington is also the Responsible Entity for the “Wholesale Premium Income Fund” (Wholesale), a Fund which holds 44,114,196 units in our Fund. At 30 June 2010, Wellington valued that investment by Wholesale at approximately \$14 million, or 32 cents per unit. Wellington is now proposing to issue units in our Fund to undisclosed third parties for 10 cents per unit, a 69% discount. Wellington has not explained the fall in value.
- ✦ As recently as 30 March 2011, Wellington told NSX that its strategy was to release half the assets of the Fund to the market this year, and to retain funds from their sale to fund projects retained. Without any announcement to members or the NSX, Wellington has now changed the Fund’s strategy.
- ✦ On 11 April 2011, Wellington made a distribution of \$7.55 million to members: this is the second 1 cent instalment on the 3 cents promised in 2008. On 6 May 2011, Wellington announced that it was going to raise \$33.9 million, \$11.3 million by a private placement (to parties yet to be disclosed) and \$22.6 million by a “rights issue” to current members, only 25 days after making the last distribution to members. The latest developments are “dilutive” of the value of current members’ investment in the Fund, and will inevitably involve otherwise unnecessary costs of fundraising payable such as underwriting and legal fees.
- ✦ On 9 May 2011 Wellington unilaterally amended the Fund’s constitution to allow it to issue units at any price exceeding the 90-day “volume-weighted average price” of the units listed on the NSX share market. This allows the Fund to issue units for as little as 9 cents, and if the market price falls, less. Until these changes, units could only be issued at a price determined by the net value of Fund property (or more), currently 33.5 cents. This change allows Wellington to dilute the value of current Members’ holdings by issuing new units. Wellington does not now need to offer units pro rata to current Members, and has indicated nothing to them regarding the preservation of the extent of their collective current ownership of the Fund.
- ✦ The proposed issue of units at a discount to reported net assets leaves unanswered this vital question:

Why is our Fund trading at a discount to reported value?

Wellington has not informed members or the NSX why it thinks our units trade at such a massive discount to the latest Financial Statements issued by it.

1.3 HOW CAN CASTLEREAGH ASSIST MEMBERS' INVESTMENT

Castlereagh was chosen to be the replacement Responsible Entity of our Fund by PIFAG because of the experience and expertise of its senior executives described below.

1.3.1 Fund Performance Potential

- The senior executives of Castlereagh have significant experience in “turning around” and / or managing the value of both distressed and non-distressed mortgage and property portfolios including:
 - The workout and turnaround of Estate Mortgage Trusts, subsequently Meridian Property Trust which saw members in that Trust recover in excess of \$300 million once new management was put in place.
 - Significant experience in managing both listed and unlisted property funds where Castlereagh’s senior executives currently participate at Board management level or by direct management of assets valued at more than \$18 billion.

1.3.2 Members' Class Action

- Castlereagh has undertaken to PIFAG to assist the plaintiffs in their class action claim. Castlereagh’s senior executives have previously successfully managed litigious claims against auditors, managers and other defendants including:
 - Settling an action against an auditor for over \$30 million in relation to the Estate Mortgage Trusts.
 - Commencing and subsequently settling a professional negligence claim against a former Receiver & Manager for over \$10 million.
 - Serving as an expert in a professional negligence claim relating to the Third Runway at Sydney Airport. The expert evidence provided resulted in \$140 million of the claim not being pressed.

1.3.3 Reporting to Members

- Castlereagh will report regularly, effectively and clearly to members and the market concerning our Fund’s performance. Castlereagh’s Board members have significant public company governance and reporting experience.
- On appointment, Castlereagh will immediately review all of the Fund’s assets and provide a detailed report to members within 60 business days. Regular member reporting on a quarterly basis will follow.

1.4 VOTING ON MOTIONS / RECOMMENDATIONS

PIFAG believes that the replacement of Wellington as Responsible Entity of the Fund will be of significant benefit to all members for the reasons as outlined in this Information Booklet.

PIFAG encourages all members to vote "FOR" all of the motions and return their proxy forms as indicated **by no later than 4.00pm on 13 June 2011**, which is the "cut-off date" for receipt of proxies. If the motions relating to the removal and replacement are passed by members at the forthcoming Meeting, Castlereagh will become the new Responsible Entity and will manage the Fund.

2 BACKGROUND TO MOTIONS

2.1 MOTIONS 1 AND 2 – PROVISIONS OF THE CONSTITUTION RELATING TO QUORUMS

The current constitution contains quorum provisions (clauses 10.2, 10.3 and 10.4) which require that at least four persons holding or representing by proxy at least 51% of units on issue be present at a Meeting at which any motion is proposed to remove the Responsible Entity or to amend the quorum provisions.

PIFAG considers the quorum provisions are oppressive to the interests of members and an unreasonable impediment to a majority of them being able to choose a Responsible Entity who can best act in the interest of members. The current quorum provisions make it very difficult to remove Wellington as the Responsible Entity of the Fund. The constitution quorum requirements thwart the policy of the *Corporations Act 2001 (Cth)* which provides that 5% of units held by members can convene a Meeting to consider and vote on the removal of a Responsible Entity and that the support of at least 50% of members voting on a resolution (not 50% of all members) is required to remove a Responsible Entity.

Motions 1 and 2 seek to replace the current unreasonable quorum requirements with the default requirement of the Act, where a quorum is constituted by two members.

Motions 1 and 2 are what the Corporations Act calls "Special Resolutions" (called in the constitution "Extraordinary Resolutions") which means that to pass at least 75% of valid votes cast by members voting on the resolution, whether present in person or by proxy, must vote in favour of them.

2.2 MOTION 3 – DELETION OF REMOVAL FEE

The Fund's constitution was amended when Wellington was appointed as Responsible Entity to include a "removal" or "exit" fee which is payable to Wellington if members remove it as Responsible Entity for reasons other than proved negligence or fraud.

The removal penalty fee payable is 2% of the gross asset value of the Fund and is payable at removal. PIFAG considers the fee a penalty designed to deter removal. Based on the most recent audited accounts the removal fee payable to Wellington would be equal to around \$5 million¹¹.

PIFAG considers the removal fee to be unreasonable and not in the best interests of members.

Motion 3 proposes to remove references to the removal fee from the constitution. The proposed motion is “worded” to ensure Wellington as the current Responsible Entity does everything necessary to implement it (assuming it is passed) before Motion 5 takes effect (should it be passed) and Wellington is removed as Responsible Entity. The effect of the “wording” of Motion 3 is that Wellington will not be entitled to the removal fee if it is passed. If Castlereagh is appointed as replacement Responsible Entity it will not be entitled to a penalty removal fee if it is in turn removed as Responsible Entity.

Motion 3 is a Special Resolution which means that to pass at least 75% of valid votes cast by members, voting on it, whether present in person or by proxy, must vote in favour of it.

2.3 MOTION 4 – REINSTATEMENT OF REMUNERATION PROVISIONS

Motion 4 seeks to change the remuneration provisions of the constitution to ensure it provides a fair remuneration system for the Responsible Entity, reflecting the services provided in the management of the Fund.

By Deed Poll dated 30 March 2011, Wellington deleted the then clause 23.2 of the constitution and replaced it with a new clause 23.2 which prevents the Responsible Entity from receiving any further remuneration after “two years from the date Unitholders are in receipt of cash payments totalling 3 cents per unit”.

PIFAG considers this amendment, whilst notionally attractive, to be a “poison pill”, implemented to deter any other Responsible Entity accepting appointment. As such, PIFAG considers the amendment counterproductive and unlikely to provide the appropriate incentive to a Responsible Entity of the Fund.

Motion 4 proposes to reinstate the original clause 23.2, which was in keeping with the usual market practice for ongoing payment of management fees to the Responsible Entity of a Fund.

Motion 4 is a Special Resolution which means that to pass at least 75% of valid votes cast by members, voting on it, whether present in person or by proxy, must vote in favour of it.

2.4 MOTIONS 5 AND 6 – REPLACEMENT OF RESPONSIBLE ENTITY

Motion 5 seeks to remove Wellington as the Responsible Entity. Motion 6 seeks to appoint Castlereagh as the replacement Responsible Entity.

¹¹ 2% removal fee payable on gross value of the Fund

Motions 5 and 6 are linked. Unless both motions pass neither of them operate. This means that if the motion to remove Wellington is passed and the motion to appoint Castlereagh as the replacement Responsible Entity fails then the earlier motion will have no effect. This ensures the Fund has a Responsible Entity acting at all times because if it does not have one it is at risk of being wound up.

Motions 5 and 6 are Ordinary Resolutions which means that to pass at least 50% of the votes cast by members, whether present in person or by proxy, must be in favour for them.

If Wellington is removed as Responsible Entity and replaced by Castlereagh, Wellington is required to lodge notice of its removal and Castlereagh's appointment with ASIC in accordance with Section 601FM(2) of the Act. This will register Castlereagh as the Responsible Entity of the Fund. If Wellington does not lodge the notice, Castlereagh is entitled to lodge it.

2.5 MOTION 7 – REINSTATEMENT OF PROTECTION FROM DILUTION

Motion 7 seeks to reverse Wellington's unilateral changes to clause 3.2 of the constitution made on 9 May 2011. These changes allow the Responsible Entity to issue new units in the Fund at a price equal to the "90 day volume weighted average price on the National Stock Exchange". It therefore exposes existing members to the risk their share of ownership of the Fund will be "diluted" by the issue of units to third parties who have not previously invested. Purchasers of units on this basis may obtain value at the expense of existing members.

Motion 7 is a Special Resolution which means that to pass at least 75% of valid votes cast by members, voting on it, whether present in person or by proxy, must vote in favour of it.

3 PERFORMANCE OF THE FUND

3.1 OVERVIEW

The Fund has historically invested in high yielding, higher risk mortgage loans. Most of the remaining loans appear to be in default with the Responsible Entity having either taken control of underlying security assets (properties) or having appointed Receivers & Managers.

The current lack of liquidity in mortgage securities has been the result of past lending practices undertaken by the previous Responsible Entity, Wellington Investment, and as a result of unfavourable economic conditions in the property market. Critically, the residual value of the Fund is taking a long time to realise and most of it is probably distressed.

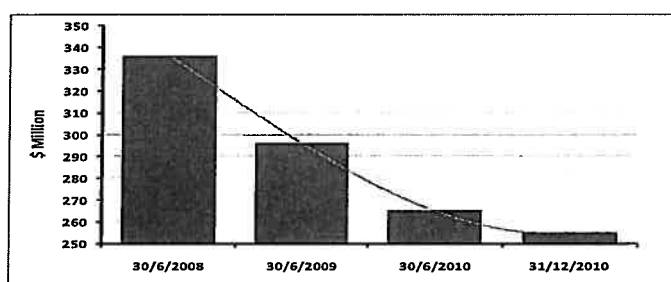
PIFAG is of the view, based on the information available to it, that any distressed asset realisation strategies currently in place are ineffective where the Fund continues to perform poorly. PIFAG considers this view is supported by the discount at which units sell in the open market compared to the reported Asset Value detailed in the Fund's Financial Statements.

The current Class Action alleges that the Fund has lost over \$400 million in “related party” transactions, that is, in transactions entered into by Wellington Investment with persons associated or related to it, where it is believed the Fund’s then constitution and compliance plan prohibited such transactions.

3.2 CURRENT AND HISTORICAL FINANCIAL PERFORMANCE OF THE FUND

The financial performance of the Fund can be best summarised as:

- ✦ Up to \$689 million in member’s contributed value has been lost if the NSX unit price of 8.7 cents per unit is a proper reflection of the underlying value of the Fund.
- ✦ Members’ distributions or return of capital have totalled 2 cents since Wellington took control almost two and a half years ago.
- ✦ Many of the Fund’s loans appear to continue in default.
- ✦ The relevant Responsible Entities have continued each year to write down the Fund’s value. Presumably this is because part of the perceived value of the Fund is considered not likely to be recovered. These write downs may be summarised as follows:
 - Write down of approximately \$423 million ¹² in the June 2008 Financial Year.
 - Write down of approximately \$36 million ¹³ in the June 2009 Financial Year.
 - Write down of approximately \$45 million ¹⁴ in the June 2010 Financial Year.
- ✦ The reported Net Assets of the Fund have continued to decline as follows:
 - \$336 million at 30 June 2008.
 - \$296 million at 30 June 2009.
 - \$265 million at 30 June 2010.
 - \$253 million at 31 December 2010



¹² Refer PIF 2008 Financial Statement

¹³ Refer PIF 2009 Financial Statement

¹⁴ Refer PIF 2010 Financial Statement

PIFAG is concerned there is a continuing decline in the reported Net Asset value of the Fund in financial years 2009 and 2010, even though \$423 million was written down in the 2008 financial year. PIFAG fears that Wellington may not have the experience or resources to manage a distressed property / mortgage fund.

3.3 RISKS

It is important that members read this Information Booklet carefully as there are ongoing risks associated with managed investment schemes and risks associated with the appointment of a new Responsible Entity.

The ongoing risks are of a similar nature to those disclosed in the Product Disclosure Statement under which members purchased their units in the Fund. These risks are similar to those of any managed investment scheme with investments such as those of the Fund.

In addition to these general ongoing risks, the following specific risks relate to the removal of Wellington and the appointment of a new Responsible Entity:

- The risk that the appointment of a new Responsible Entity may trigger change of control events under documents to which the outgoing Responsible Entity Fund is party.
- If motions 5 and 6 are passed by the members but motion 3 is not passed, Wellington may claim an entitlement to the removal fee of 2% of the gross Asset Value of the Fund.
- If motions 5 and 6 are passed by the members but ASIC does not grant Castlereagh's application to vary its AFS Licence, Castlereagh cannot be appointed as the responsible entity of the Fund (for further information regarding the application for variation to Castlereagh's AFS licence see Section Two below). This carries the risk that the Fund may be wound up if no replacement responsible entity is appointed.

3.4 WHY YOU MIGHT VOTE AGAINST THE RESOLUTIONS

- You may disagree with the conclusions of the PIFAG and conclude that the constitutional changes are not in the best interests of members.
- You may consider that a party other than Castlereagh is better placed to manage the Fund or that the removal of Wellington is not in the best interests of members.
- The changes proposed by motion 4, if approved, will result in the responsible entity of the Fund being entitled to the management fees for the life of the Fund rather than the current entitlement which is only for two years from the date members are in receipt of cash payments totalling 3 cents per unit.
- Wellington may use Fund resources to commence or defend any legal action relating to the motions proposed in this meeting material which may result in a decrease in Fund assets.

4 RECOMMENDATION

PIFAG recommends Members vote “FOR” all the proposed motions which if passed will appoint Castlereagh as the Responsible Entity of the Fund.

4.1 YOUR VOTE IS IMPORTANT

The motions are important as they will determine who will be responsible for the future management of your Fund. We encourage you to exercise your vote on all the motions by attending the Meeting in person or by returning the proxy form as indicated.

As noted earlier in the Summary section of this Information Booklet, it is important that, if you can, you attend the Meeting personally. Personal attendance (which includes attendance by the authorised representative of a corporate member) is the only way in which you can participate in the election of the Chairperson, whose rulings will be important for the conduct of the Meeting.

However, if you cannot or would prefer not to attend the Meeting personally, you are entitled to appoint another person or persons to attend and vote for you as your “proxy”. A proxy does not need to be a unit holder, but should be an adult person capable of attending. To appoint a proxy, please complete the enclosed form headed “Proxy Form”. The Proxy Form must be signed by the member or his/her duly authorised attorney. The Proxy Form (and the power of attorney or other authority, if any, under which the Proxy Form is signed) must be completed and returned to Computershare by the cut-off for receipt of proxies, **4.00pm on 13 June 2011** by any of the following methods:

- ▲ Post: Computershare Investor Services Pty Limited, GPO Box 2062, Melbourne VIC 3001
- ▲ Facsimile: (03) 9473 2145
- ▲ Email: quorum@computershare.com.au

If you appoint the Requisitioning Members’ Attorney as your proxy and you do not direct how the Requisitioning Members’ Attorney is to vote, then you will be taken to have directed that the Requisitioning Members’ Attorney vote in favour of the motions where the Requisitioning Members’ Attorney intends to vote accordingly.

4.2 WHY MEMBER APPROVAL IS REQUIRED

The Act places responsibility for the terms of the constitution and the choice of Responsible Entity on members. Member approval is therefore required to change the Responsible Entity and to improve the constitution.

4.3 WHAT HAPPENS IF THE MOTIONS ARE NOT PASSED?

If the motions relating to removal and replacement are not passed, Wellington will remain the Responsible Entity and therefore also the manager of the Fund.

Further, our Fund’s constitution will continue with irregular provisions relating to quorum requirements, Responsible Entity remuneration and removal fees.

4.4 CURRENT TAKEOVER OFFER

A takeover offer was made by ALF PIF Finance Pty Limited for your units in the Fund in June 2010. The offer remains open until June 2011. Wellington recommended rejection of the offer and we agree with Wellington's recommendation.

Neither PIFAG nor Castlereagh is associated or connected with ALF PIF Finance Pty Limited.

4.5 REFERENCED DOCUMENTS

All reference material is available on request.

5 QUESTIONS

If you have any questions you can contact:

- Castlereagh on 1300 661 651 or by email to pif@cascap.com.au
- PIFAG on pifactiongroup@gmail.com

SECTION 2

INFORMATION ABOUT CASTLEREAGH

PIFAG has chosen to recommend Castlereagh as replacement Responsible Entity because of the significant experience possessed by its Board of Directors and senior executives in both Funds Management and property based recoveries.

Castlereagh holds an Australian Financial Services Licence (**AFS Licence**) (No 356926) which authorises it to act as the Responsible Entity of any fund named on that AFS Licence. Castlereagh's AFS Licence cannot include the name of the Fund while Wellington remains as the responsible entity of the Fund. Castlereagh has therefore applied to ASIC to vary its AFS Licence to include the Premium Income Fund as a named fund, with the variation taking effect only after Castlereagh is appointed as the new Responsible Entity of the Fund.

Castlereagh is awaiting the issue of varied draft AFS Licence conditions and confirmation from ASIC that ASIC will be minded to grant the variation to Castlereagh's AFS Licence, provided that Castlereagh is appointed as the replacement Responsible Entity of the Fund. Prior to the Meeting, Castlereagh will provide confirmation of receipt of the relevant advice from ASIC on its website. Following the Meeting, if motions 4 and 5 are passed, Castlereagh will submit a copy of the notice of its appointment as the Responsible Entity of the Fund to the relevant ASIC licensing officer as soon as practicable in order to ensure the amended AFS Licence is issued.

Castlereagh has provided a summary of their proposed future strategy for the Fund with detail of their key executives in Annexure "A". Further information can be found at Castlereagh's website: www.cascap.com.au

SECTION 3

DEFINITIONS

| | |
|--|--|
| Castlereagh | Castlereagh Capital Limited, ACN 140 979 273 |
| Class Action | A claim brought by Mercedes Holdings Pty Limited and Ors against Waters and Ors, in the Federal Court of Australia, funded by IMF (Australia) Limited |
| Computershare | Computershare Investor Services Pty Limited, ACN 078 279 277 |
| Corporations Act | Corporations Act 2001, the Act of Commonwealth Parliament that governs the operation of Managed Investment Schemes |
| Explanatory Memorandum | Document issued by Wellington Investment on 18 August 2008 with resources provided by Wellington at date of issue |
| Fund | Premium Income Fund, ARSN 090 687 577 |
| IMF | IMF (Australia) Limited ACN 067 298 088, the Class Action funder |
| Meeting | To be held at 11.00am on 16 June 2011 at the SMC Conference & Function Centre , 66 Goulburn Street, Sydney |
| Members | The registered holders of units in the Fund |
| Motions | The motions set out in the Notice of Meeting dated 12 May 2011 |
| National Stock Exchange / NSX | The National Stock Exchange Limited, ACN 000 902 063, formerly Newcastle Stock Exchange. |
| Notice of Meeting | The Notice of Meeting set out in this document |
| Requisitioning Members | The members, who together hold interests carrying greater than 5% of the votes that may be cast at a Meeting, who have appointed Peter Grenadier and Charles Hodges as their attorneys to call the Meeting to consider the motions |
| Requisitioning Members' Attorneys | Messrs Peter Grenadier and Charles Hodges the attorneys appointed under Powers of Attorney to call the members Meeting |
| Responsible Entity | The Responsible Entity, a role established by the Corporations Act. The Responsible Entity undertakes and manages Managed Investment Schemes as a form of statutory trustee. |
| Wellington | Wellington Capital Limited, ACN 114 248 458, the current Responsible Entity of the Fund |
| Wellington Investment | Wellington Investment Management Limited, ACN 101 634 146, the former Responsible Entity of the Fund formerly known as Octaviar Investment Management Limited and MFS Investment Management, now known as Investment Managements Pty Limited |

SECTION 4

VOTING PROCEDURES AND ELIGIBILITY

6 INFORMATION FOR MEMBERS FOR VOTING AT THE MEETING

6.1 VOTING

On a show of hands, each member has one vote on each motion. The number of votes each member has on a poll will be calculated in accordance with the constitution and the Act on the business day before the Meeting.

6.2 APPROVAL REQUIRED

Motions 1, 2, 3, 4 and 7 are “Special Resolutions” which means that to pass, at least 75% of valid votes cast by Members, whether present in person or by proxy, must be in favour of them.

As required by the Corporations Act, Motions 1, 2, 3, 4 and 7 being special resolutions will be decided on a poll.

Motions 5 and 6 are ordinary resolutions. An ordinary resolution is passed if at least 50% of the votes cast by eligible Members present in person or by proxy are in favour of them.

Under Section 253E of the Act, Wellington (the Responsible Entity of the Fund) and its associates are not entitled to vote on a resolution at the Meeting if they have an interest in the motion or its subject matter other than as a member. Our view is that this prevents them from voting on Motion 1, 2, 3, 4 and 7. However, as the Fund is listed on NSX, Wellington and its associates are entitled to vote their interests on Motions 5 and 6, the removal and replacement motions.

6.3 CORPORATIONS

A member that is a corporation (including a company and a trustee company) may appoint an individual to act as its representative at the Meeting in accordance with Section 253B of the Corporations Act.

The corporate representative must bring to the Meeting evidence of his or her appointment, including any authority under which the appointment is signed.

6.4 ATTORNEYS

Attorneys are required to bring to the Meeting the original or a certified copy of the power of attorney under which they are appointed.

6.5 VOTING IN PERSON OR BY PROXY

A member who is a “natural person”, that is, not a company, may vote in person at the Meeting or appoint a proxy to attend and vote for them.

Each Member has a right to appoint one or two proxies. A proxy need not be a member. If a member appoints two proxies, the member may specify the proportion or number of votes that each proxy is appointed to exercise. If a member appoints two proxies and the appointment does not specify the proportion or number of the member’s votes each proxy may exercise, each proxy may exercise half of the votes.

You can direct your proxy how to vote.

In the case of Members who are individuals, the Proxy Form must be signed:

- If the units are held by one individual, by that member.
- If the units are held in joint names, by any one of them.

In the case of Members who are companies, the Proxy Form must be signed:

- If the Company has a sole director who is also sole company secretary, by that director (and stating that fact next to, or under, the signature on the Proxy Form).
- In the case of any other company, by either 2 directors or a director and company secretary.

6.6 APPOINTMENT OF COMPUTERSHARE AS PROXY COLLECTOR

To ensure the integrity of the proxy voting process, the Requisitioning Members have engaged an independent, professional registrar, Computershare. Computershare will collect and collate Proxy Forms returned by Members. Computershare is strictly obliged under its appointment to handle the Proxy Forms with due care and skill and to safeguard the Proxy Forms against tampering, filtering or other inappropriate handling.

The Requisitioning Members have made a Deed Poll in favour of members pursuant to which they undertake to ensure that the Proxy Forms are handled appropriately and to take all steps necessary to ensure Computershare complies with its obligations regarding the Proxy Forms and voting.

Please note that in order for your proxy to be effective, Computershare will need to forward your Proxy Form to Wellington so it is received by Wellington soon after the cut-off time for proxies, 4.00pm AEST on 13 June 2011.

In order for it to do so, please return your Proxy Form as soon as possible as indicated on it.

1 WHAT WILL CASTLEREAGH DO FOR THE FUND

1.1 REPORTING TO UNIT HOLDERS

If appointed it is the intention of Castlereagh Capital Limited (**Castlereagh**) to complete a detailed review of the portfolio of assets held by the Premium Income Fund (the **Fund**) and to report on our review to Unit Holders (**Members**) within 60 business days. Our report will include:

- Individual asset reviews and development of individual workout strategies (in most instances more than one strategy is likely to be developed).
- The review will be supported by either market appraisal and / or valuations where individual project cash flows will be developed with project completion and security realisation expectations.
- Review and oversee current litigation where we note there are currently more than three legal proceedings in which the Fund is involved.
- Review of the conduct of the former Responsible Entities to determine any breach of duties.

In addition to providing Members with information on the Fund's asset portfolios we will also conduct a preliminary review to determine whether:

- The Fund should be restructured and resume lending / holding property assets for the benefit of Unit Holders; or
- The Fund should be wound down in a controlled manner (i.e. realise the Fund's assets and return proceeds to Unit Holders).

Castlereagh will provide a further report to Members at a later date on the long term prospects for the Fund. A long term strategy for the Fund will be determined by Castlereagh in consultation with an Investor Advisory Committee.

1.2 MEMBERS' MEETINGS / REPORTING

After our first report, we will convene an informal consultative Member meeting to provide Members with an opportunity to discuss the report with Castlereagh's senior executives. Castlereagh will hold a series of meetings in convenient locations so that the majority of all Members can participate. Details of these meetings will be posted on our website shortly.

Castlereagh intends to provide Members with open and transparent information regarding the Fund's assets and the development of individual asset workout strategies. Castlereagh will report quarterly through a detailed quarterly newsletter, commenting on each of the Fund's assets.

Further Member meetings will be held when required in consultation with the Investor Advisor Committee.

1.3 INVESTOR ADVISORY COMMITTEE

Castlereagh proposes to form an Investor Advisory Committee to comprise nine members. The membership will be made up of four nominees from Castlereagh, four Members of the Fund and an Independent Chairman to be jointly determined. The Independent Chairman's remuneration will be borne by Castlereagh and not the Fund.

It is proposed the Investor Advisory Committee initially meet monthly with future meeting needs to be reviewed once the committee is established.

If Members are interested in joining the Investor Advisory Committee, please complete Annexure "C" and return it to Castlereagh by 4.00pm on 13 June 2011 to:

- Mail – Premium Income Fund, GPO Box 7079, Sydney NSW 2001
- Facsimile – 02 8263 2379
- Email – pif@cascap.com.au

At the conclusion of the Members meeting a subsequent informal Members Meeting will be held to determine the four Member nominees on the Committee.

1.4 CASTLEREAGH'S APPROACH

Castlereagh's aims are to:

- Ensure there is **no fire sale** of Fund assets.
- Prepare separate workout strategies for each of the Fund's mortgage loan assets to enhance member value.
- Prepare detailed cash flow projections for each asset to be monitored on a monthly basis.
- Implement workout strategies in a cost-effective and efficient manner, while avoiding duplicated professional charges.
- Within 60 business days of appointment, Castlereagh will report to members on:
 - The status of each of the Fund's assets.
 - The timeframes in which impaired asset turn-around strategies can best be implemented and achieved.
 - A timeframe for the alignment of the Units trading price to their value reported in Financial Statements.

1.5 CASTLEREAGH'S REMUNERATION

The remuneration charged by Castlereagh will be 0.7% per annum of the value of total funds under management in accordance with the Fund's Constitution as at 31 December 2010, that is, as it was before amendment by Wellington Capital Limited. Castlereagh will not vary this fee without the consent of Members.

Castlereagh has agreed with the PIF Action Group that it will review its remuneration position within two years of its appointment to ensure that its remuneration is linked to both performance and returns received by Members.

2 INFORMATION ABOUT CASTLEREAGH CAPITAL

2.1 BACKGROUND INFORMATION

Castlereagh was established to act as Responsible Entity of distressed managed investment schemes. Castlereagh has consented to act as the replacement Responsible Entity of the Fund if the proposed resolutions are passed. Castlereagh holds an Australian Financial Services Responsible Entity Licence (No 356926) which authorises it to act as the Responsible Entity of any fund named on that licence. Castlereagh has applied to ASIC to vary its licence to include the Premium Income Fund as a named fund. It is anticipated that ASIC will grant the variation to the licence to coincide with Castlereagh's appointment as the replacement Responsible Entity of the Fund.

2.2 CASTLEREAGH'S SENIOR EXECUTIVE'S EXPERTISE

The Senior Executives of Castlereagh have significant experience in managing managed investment schemes, mortgage and property funds for both distressed and non-distressed investments. This experience includes:

- Being Fund Manager / Investment Manager involved in the restructure of the \$600 million Estate Mortgage Trust where the successful reconstruction secured value of \$300 million for investors.
- Highly contentious litigation against auditors for breaches of duties.
- Significant experience in managing both listed and unlisted property funds. Current roles of Castlereagh's board of directors or senior executives see them overseeing more than \$17 billion in funds under management.
- Acquisition of US\$750 million in distressed debt throughout Asia.
- Advising on over \$31 billion in distressed company asset restructurings throughout Australia and Asia.
- Being appointed as External Administrators to property and mortgage assets of in excess of \$5 billion and developing successful realisation strategies.
- Significant property development expertise.

- Significant credit and lending expertise.
- Significant property repositioning expertise including amending development applications.

2.3 BOARD OF DIRECTORS

The Board of directors of Castlereagh is made up of:



Ian Ferrier AM CA – Executive Chairman
Member Credit and Investment Committee

Ian has over thirty five years' commercial experience in dealing with both distressed and non-distressed corporations. He is recognised as one of Australia's and Asia's leading turnaround specialists. He founded Ferrier Hodgson and is foundation Australian Chairman of BRI Ferrier.

Ian's substantial experience extends to the property and development, tourism, manufacturing, retail, hospitality and aviation sectors. Ian was Chairman of Federal Airports Corporation when Australia's major airports were sold for \$5 billion and Deputy Chairman of Sydney Airport when it sold for \$4.6 billion.

Ian's current public company directorships include:

- Chairman Goodman International Limited
- Chairman Australian Vintage Limited
- Chairman InvoCare Limited
- Co-Chairman National Centre of Indigenous Excellence



Brian Silvia CA AICD – Executive Director
Chair Audit Committee
Member Credit and Investment Committee

Brian has over thirty years' commercial property expertise and is recognised within Australia as a leading property recovery specialist. Brian is regularly retained by some of Australia's leading property developers, fund managers, financiers, banks and lawyers. He has significant property recovery expertise acting in both formal and informal workouts of distressed property funds including: Fincorp Investments \$550 million, Bridgecorp Finance \$150 million and LKM Capital \$85 million in assets.

Brian led the restructure of Raptis Group, a \$900 million property developer, through a debt for

equity swap and the run-off of Austcorp Property Group, a \$550 million property developer and manager. In the recent past he was a member of the Project Control Group for Camden Valley Country Club, a major residential/employment land redevelopment. Brian is currently a Senior Partner in BRI Ferrier's Sydney office and it's National Property Partner.



Tony Pope CPA – Executive Director

Chairman Credit and Investment Committee

Member Occupational Health and Safety and Environment Committee

Tony has over thirty years' property, finance and funds management experience where he has been involved in senior management positions of finance and investment banking companies in roles including lending, credit, treasury, equipment leasing and structured finance.

Tony was the Fund and Investment Manager who co-led the restructure and recapitalisation of Estate Mortgage Trust which developed into a leading property trust that was recently acquired by Mirvac in 2010. Tony is recognised throughout the property and finance and funds management industries for his commonsense, sound and conservative advice and significant expertise in restructuring of property assets and funds.

Tony is currently a director of Lifestyle Retirement Villages Pty Limited and acts as a property consultant.



Robert Bruce LLB – Independent Non-Executive Director

Chairman Occupational Health and Safety and Environment Committee

Member Audit Committee

Robert is a widely recognised senior legal practitioner with significant commercial legal experience. He has mainly been involved in commercial and insurance law where he has acted in disputes before all levels of Court in Australia including the Privy Council. Robert was admitted as a solicitor of the Supreme Court of New South Wales in 1965, a solicitor of the High Court of Australia in 1968, a solicitor of the Northern Territory in 1980, became as a Notary Public in 1994.

Robert has significant expertise in corporate governance and reporting. Robert is currently a director of McWilliam's Wine Group Limited and a Consultant to Bruce Stewart Dimarco Lawyers the law firm he co-founded.



Christine Hicks B Bus (Prop) FAPI SA Fin – Independent Non-Executive Director
Member Credit and Investment Committee
Member Occupational Health and Safety and Environment Committee

Christine has over twenty five years experience in the property industry in both Australia and the United Kingdom covering investment management and recovery; property and mortgage trust portfolio management; strategic asset planning; investment analysis and research; project development, acquisitions and divestments.

Her experience has been gained with organisations such as the NSW Government, Australia Post, Global Funds Management, National Mutual (now AXA), Commonwealth Bank of Australia, Brick Securities Limited, Permanent Trustee Company Limited and the former State Bank of Victoria. Christine is also a member of the Australian Property Institute and the Financial Services Institute of Australasia.

Christine is currently an independent non-executive director of Austpac Funds Management Limited.

2.4 MANAGEMENT TEAM

The management team consists of:

Philip Armstrong CA – Head of Funds Management

Philip has twenty years' experience in insolvency and distressed debt industries. He was formerly Managing Director of the Principal Investment Management Division of Standard Bank in Asia focussing on distressed debt and high yield investments with a focus on real estate. His team had in excess of US\$500 million of assets under management. Philip has also advised on the restructuring of companies throughout Australia and Asia with debts in excess of \$21 billion.

He has significant experience in analysing, structuring and investing in single credits and non performing loan portfolios where Standard Bank (Asia) Limited acted as the principal investor and acquired in excess of US\$750 million in assets over his four years as Managing Director of the division with positive returns for the Bank.

Andrew Meakin MBA – Head of Operations and Strategy

Andrew has over 20 years experience in retail and wholesale funds management, private banking including advisory stockbroking and financial planning. He has held positions as chief executive officer plus senior distribution and investment roles for a number of financial service providers, including the Commonwealth Bank of Australia.

He has significant experience in funds management formation, compliance and development of fund management businesses. Andrew has overseen the raising of in excess of \$1 billion for fund management operations. Currently Andrew is a partner of corporate advisory and turn around firm Promontor. He is an independent director of property valuation firm LandMark White Limited.

John Batiste UDIA PCA – Head of Credit

John has in excess of twenty five years property and finance experience having been involved throughout all stages of property transactions. John is a former banker where he held the position of Head of Property Finance for NSW at Suncorp Metway Limited. During this time John was instrumental in increasing the Bank's loan book in NSW from \$280 million to \$3 billion.

For the past five years John has primarily been involved in managing property development sites for a private Sydney developer with a project pipeline of in excess of \$200 million on completion. He has also advised a number of developers in relation to their defaults and acted as an "overseer" for both developers and financiers.

Andrew Chappell BCom – Property Development Manager

Andrew has in excess of fifteen years experience in the Property Sector focusing on property development, investment, project management and construction in Australia, United Kingdom and Ireland. He has been involved in all forms of development ranging from residential, retail, commercial and industrial. Andrew has particular expertise in delivering desired planning outcomes by steering a team of professionals through the planning process and consulting with the local government to achieve maximum yield.

As a Development Manager, Andrew has been involved in the completion of in excess of \$1 billion in development projects. This has involved sourcing new projects, negotiating with Councils in relation to contentious development approvals, working with lead contractors such as Laing O'Rourke at Heathrow Airport's new Terminal 5 and managing marketing strategies to exceed targeted sales.

Trevan Robinson A Fin – Fund Manager and Property Development Manager

Trevan has in excess of ten years property and funds management experience having been employed as both a fund manager, development manager and a financial modeller. He has experience dealing with large scale projects for both boutique and corporate developers in addition to having worked for the Sydney Harbour Foreshore Authority across The Rocks and Darling Harbour precincts.

His former roles saw him managing assets in excess of \$200 million over four separate managed investment schemes. His role included asset management of rental properties, development and execution of property fund models targeting retail and industrial investors both locally and overseas and unit trust administration including pricing.

Peter Sheppard BEc (Hons), LLB, BCom, GCLP CA – Regulatory Affairs Manager and Company Secretary

Peter has 15 years' experience as an accountant and in-house lawyer in the field of corporate recovery. His roles have included large scale litigation involving auditors, directors and financiers; the assessment of solvency and economic loss, and the reconstruction of distressed corporate

groups. His recent work has involved significant exposure to distressed managed investment schemes.

Peter is admitted in South Australia and enrolled in the High Court of Australia. He is currently a Workshop Leader for the Insolvency Professionals Association and has tutored in economics and commercial law at several universities. He now provides national technical and training advice to his colleagues at BRI Ferrier.

2.5 COMPLIANCE COMMITTEE

In accordance with Castlereagh's Australian Financial Services Licence it is required to hold quarterly Compliance Committee meetings and the compliance committee is required to be independent of Castlereagh. Castlereagh's compliance committee consists of two experienced independent professionals with funds management and compliance experience.

Statutory Declaration

I am a Sydney based Chartered Accountant with considerable tax experience.

My family has for the past 15 years used the services of our tax agent, Ms Ruth Buchanan to assist in our tax affairs and to lodge tax returns. Ms Buchanan has therefore included the following files on her lodgement list-

David Diamond TFN

Helga Diamond TFN

Joust Pty Limited TFN

Diamond Financial Consulting Pty Limited TFN

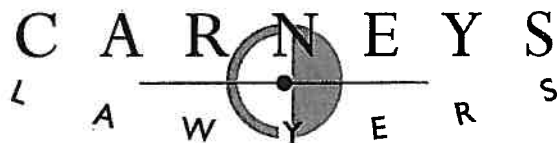
Ms Buchanan's service throughout the years has been good, but I understand she has had health problems combined with financial difficulties over the past 2 years and has not been able to perform correctly over that period and has on occasions not been available

I completed the 2009 accounts and draft tax returns of the above files some months ago with Ms Buchanan, but she was not in a position to sign the returns. Accordingly I have lodged the returns for the above without a signature from Ms Buchanan. I received the 2009 tax returns for me, David Diamond, and my wife, Helga Diamond, by return from the Taxation Office requesting that a tax agent's signature be affixed. I have not been able to contact Ms Buchanan over the past month despite numerous attempts and I fear she may be sick.

I have prepared the paperwork for the 2010 tax returns and wish to lodge them once Ms Buchanan becomes available.

Accordingly I request your indulgence and that penalties and fines not be imposed in respect of the above files for the 2009 and 2010 years and that consideration is given to the predicament. Any fines levied to date I ask be remitted given the situation.

I return the 2009 tax returns to you and ask that they be assessed as if Ms Buchanan had signed.



Annexure "B"

10 May 2011

OUR REF
AAC:GH:KP:2095753

LAWYER RESPONSIBLE
Arthur Carney
P: (02) 8226 5533
E: acarney@carneys.com.au

PIF Action Group
P.O. Box 34
CARDIFF NSW 2285

Dear Sir,

**MERCEDES HOLDINGS PTY LIMITED & ORS V. ANDREA JANE WATERS, MICHAEL
JOHN ANDREW T/AS KPMG & ORS
FEDERAL COURT PROCEEDINGS NSD. 324 OF 2009**

I was the solicitor on the record in this matter from March 2009 until December 2010 when HWL Ebsworth were appointed solicitors for the Applicants.

I have been requested to provide this letter dealing with some of the difficulties of obtaining scheme documents from Wellington Capital Limited during the period that I was the Applicants' solicitor.

One of the fundamental difficulties facing the Applicants was the fact that they did not have access to the scheme documents including the files relating to the audits carried out by KPMG.

On 23 June 2009 I attended a meeting with Ms Jenny Hutson, the Managing Director of Wellington Capital Limited, at which it was agreed that Wellington Capital Limited would provide the Applicants' legal advisers reasonable access to scheme documents. Ms Hutson advised that these documents comprising thousands of binders were located in two places:-

1. An electronic system image held by the administrator of Octaviar; and
2. Hard copy files available to Wellington Capital Limited.

Ms Hutson offered to assist in the inspection process of the hard copy files by taking the Applicants' legal advisers straight to the most relevant documents and also to provide a copy of an internal audit report prepared by Mr Nigel Fitzgerald who had conducted a review of the scheme's operations.

The arrangement for access to documents entered into by the Applicants' legal advisers and Ms Hutson was confirmed in a letter dated 24 June 2009 in which Wellington Capital

{00110705.}

Carneys Lawyers Pty Limited
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SYDNEY NSW 2000
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ABN 48 066 703 044



Limited confirmed that it would permit, facilitate and co-operate in good faith to make available to the Applicants' scheme documents in its custody, possession and control, in consideration for which the Applicants' agreed to discontinue against the Third Respondent, Wellington Investment Management Limited.

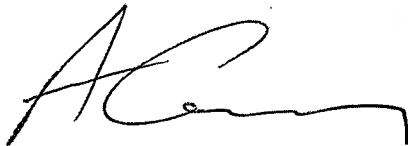
On 16 July 2009 Wellington Capital Limited provided 5 lever arch folders of documents. We were provided with no further documents notwithstanding that on 23 July 2009 Counsel for the Applicants had been informed that the Applicants' legal team would be granted access to archives comprising about 6,000 boxes of documents. This never occurred despite further correspondence between the Applicants legal advisers and Wellington Capital Limited throughout July and August 2009.

On 28 August 2009 Ms Hutson advised that Wellington Capital Limited was not prepared to commit any further resources towards providing scheme documents to the Applicants' lawyers.

On 2 December 2009 Wellington Investments Management Limited and Wellington Capital Limited filed an Amended Notice of Motion in the proceedings seeking the Court's approval for the discontinuance of the Applicants' proceedings against them. This Application was heard by the Federal Court on 22 February 2010 following which it was dismissed with costs.

Yours faithfully

CARNEYS LAWYERS

A handwritten signature in black ink, appearing to read 'A Carney', with a long horizontal flourish extending to the right.

ARTHUR CARNEY

Partner, Acc. Spec. (Comm Lit)

INVESTOR ADVISORY COMMITTEE – INTERESTED PARTY FORM

| | |
|---|--|
| Name | |
| Name Investment is held in | |
| Contact Number | |
| Mobile Phone Number | |
| Email Address | |
| Mailing Address | |
| Reasons why I should be a member of the Investor Advisory Committee | |
| Education / Experience | |
| Other Comments | |

Please return this form by 4.00pm 13 June 2010 by any of the following methods:

- Mail – Investor Advisory Committee – Premium Income Fund, GPO Box 7079, Sydney NSW 2001
- Facsimile – 02 8263 2379
- Email – pif@cascap.com.au