

# Premium Income Fund

24 May 2011



## IMPORTANT INFORMATION REGARDING YOUR INVESTMENT

Dear Investor

### VOTE 'AGAINST' ALL RESOLUTIONS AT THE MEETING ON 16 JUNE 2011

You will have received correspondence in relation to two different proposals by outside parties to take over control of your investment in the Fund. The correspondence from both parties makes misleading and ambiguous statements about your Fund and your manager.

To **reject ALF's offer** for your units, **ignore all correspondence** from ALF.

To retain Wellington as your responsible entity under the current arrangements, reject the proposal from the BRI Ferrier owned responsible entity seeking to replace Wellington by **voting 'against' all resolutions proposed.**

**A pink proxy is enclosed. To ensure Wellington remains your Fund's responsible entity and manager, please vote against all resolutions and return the pink proxy in the enclosed reply paid envelope.**

Wellington has been diligent and professional in its management of your Fund. Each decision has been made with the aim of maximising the return to you, its Unitholders.



Jenny Hutson,  
Managing Director  
Wellington Capital Limited

### No Fund debt



Wellington has through asset sales repaid the \$100 million in Fund debt to Royal Bank of Scotland. Wellington is committed to ensuring that the Fund does not have debt again.

### Professional sales campaigns



Wellington has signed and settled 99 contracts with gross realisations of \$114 million and net proceeds to the Fund of \$82.5 million.

Active campaigns to sell the completed assets have been ongoing, and have involved specialised property agents including Colliers, Jones Lang LaSalle and Ray White.

### Wellington expert commercial team



Wellington has a team of property professionals involved in driving the strategy on each asset. Wellington has facilitated the completion of a 168 room hotel and 84 apartment complex at Wollongong and 26 apartments at Icon Port Macquarie. The largest, most complex projects have already been completed.

### Cash payments



Wellington has made cash payments of \$15 million to Unitholders.

Wellington has committed to returning cash to Unitholders as assets are sold and continues to position the Fund's security assets for sale.

### Capital raising



Wellington has raised capital to enable it to improve assets prior to sale.

### Negotiating with HWL Ebsworth – current class action lawyers



Wellington are negotiating with HWL Ebsworth, the current class action lawyers in relation to how Wellington can assist investors to optimise the result.

### \$211 million proof of debt



Wellington has ensured that your Fund is represented at the creditors committee of MFS and lodged a proof of debt for \$211 million due to the Fund.

### No fees to date



Wellington has not charged management fees to your Fund. Once management fees do commence, they will be paid for a period of 2 years only.



## **VOTE AGAINST BRI FERRIER'S PROPOSAL FOR CASTLEREAGH CAPITAL TO BE THE RESPONSIBLE ENTITY**



**Ian Ferrier, Chair of the proposed Responsible Entity**

### **Insolvency practitioners**

- ✗ If the proposed resolutions are passed, the people managing your Fund will be primarily insolvency practitioners, i.e. liquidators, receivers and managers.

### **Fees for an unlimited time**

- ✗ The proposed changes to the Constitution will allow management fees to be charged for an unlimited time.

### **No licence to manage your Fund**

- ✗ The proposed replacement responsible entity does not currently hold an Australian Financial Services Licence of 'a kind' that would enable it to be the responsible entity of your Fund.

### **Liquidation/Winding Up**

- ✗ If the proposed resolutions were passed, and a licence was not held at the relevant time, the Premium Income Fund would immediately be wound up.

### **\$31.25 million in contracts at risk**

- ✗ The appointment of the proposed responsible entity would put at risk \$31.25 million in contracts signed by purchasers with the Fund, but not yet settled.

### **Director with BRI Ferriers as Liquidators**

- ✗ Ian Ferrier has been a director where BRI Ferriers have previously been appointed liquidators. For example, Port Douglas Reef Resorts returned only ½ of one cent in the dollar to shareholders when according to the liquidators report for the Company lodged by BRI Ferriers in September 2010. Ian Ferrier was a director of BRI Ferriers at the time.

## **REJECT ALF'S OFFER**



**Jim Byrnes, Consultant to ALF**

### **\$120 million value shift**

- ✗ The ALF proposal shifts over \$120 million of the current net tangible asset value in the Premium Income Fund away from you, the Unitholders, to the Bidder's current shareholders.

### **Only 19% of shares to be held**

- ✗ 81% of the ordinary shares in the Bidder will be owned by the Bidder's current shareholders, not by you the Unitholders.
- ✗ The offer does not reflect the value of your current unitholding in the Fund.

### **Debt again**

- ✗ The Bidder's future proposal for your Fund involves debt again.

### **33% of litigation proceeds**

- ✗ ALF proposes related party litigation funding which would see the Bidder and its associates benefit from 33% of any proceeds, and you the Unitholders receiving 67% only.



**To ensure your investment remains managed by Wellington,  
please complete the attached pink proxy form  
and vote “AGAINST” all resolutions.**

**If you would like to discuss your investment or need assistance with  
your proxy form please contact the Wellington Hotline on  
1300 854 885 (+617 3231 0000) or by  
email at [investorrelations@newpif.com.au](mailto:investorrelations@newpif.com.au).**



## How to fill in your proxy form to vote 'AGAINST' all resolutions:

### Step 2: Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

#### Resolutions

**Motion 1:** Special Resolution to amend the Constitution in respect of quorum requirements for Members Meetings

☐ ☒ ☐

**Motion 2:** Special Resolution to amend the Constitution to remove the current quorum requirement for Members meetings to consider removal of the Responsible Entity

☐ ☒ ☐

**Motion 3:** Special Resolution to remove exit fees payable upon removal of a Responsible Entity

☐ ☒ ☐

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

☐ ☒ ☐

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

☐ ☒ ☐

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

☐ ☒ ☐

**Motion 7:** Special Resolution to amend the Constitution to reinstate issue price provisions

☐ ☒ ☐

If your vote on any resolution is undirected, then by returning the Proxy Form with an undirected vote, you are directing your proxy, including the Chairman of the Meeting (if applicable), to vote against that resolution.

**SIGN** Signature of Unitholder(s) *This section must be completed.*

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

Individual or Unitholder 1

Unitholder 2 (if joint holding)

Unitholder 3 (if joint holding)

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact  
Name

Contact Daytime Telephone

Insert  
your  
contact  
details



Wellington

**Unitholders can vote by proxy or in person. Your Proxies should be:**

**POSTED TO:**

**Armstrong Registry Services Limited  
Reply Paid 897  
BRISBANE QLD 4001**

**OR FAXED TO:**

**+617 3231 0099**

**OR DELIVERED TO:**

**Level 22, 307 Queen Street  
BRISBANE QLD 4001**

**OR EMAILED TO**

**pif@armstrongregistries.com.au**