

Premium Income Fund

NSX Release: 5 September 2012



Sale of Assets to Asset Resolution Limited

Wellington Capital Limited as responsible entity of the Premium Income Fund is pleased to announce that Asset Resolution Limited (**ARL**) has today acquired \$90.75 million in assets from the Premium Income Fund (**Fund**).

ARL is a well-credentialed special purpose company whose Board has both significant experience and connections in the optimal realisation of mortgage loans and leisure assets.

Transaction highlights

- Seven mortgage loans have been assigned to ARL together with the first ranking mortgages securing them and all incidental other securities;
- 60% of the debt relating to the security property known as The Forest Resort, and the whole of the first and second mortgage securities relating to The Forest Resort have been assigned to ARL (the Fund has retained the balance 40% of this loan, the guarantees and company charges as security for it);
- \$3.74 million has been transferred to ARL as a provision for outstanding rates, land tax, water charges and associated costs relating to the loans being assigned;
- all of the Fund's interest in the ASIC compensation claim, the Class Action claim, and proof of debt in the liquidation of Octaviar Limited (In Liquidation) and Octaviar Administration Limited (In Liquidation) have been assigned to ARL.

Consideration

In consideration for the above assignment and transfers, the Fund has received 830,532,768 shares in ARL (being 100% of the issued capital of ARL), which it has then transferred to the Unitholders in the Fund. Each Unitholder in the Premium Income Fund has consequentially received by way of transfer a share in ARL for each Unit they hold in the Fund. This means that each Unitholder in the Fund is now a shareholder in ARL.

Expertise and Experience

ARL brings:

- External capital:** ARL has the capacity to bring external capital to projects to maximise returns. In some circumstances, capital will enable the completion of and the obtaining of development approvals where it will maximise the value of underlying security assets.
- Previous experience with similar assets and relatively superior outcomes:** The Board of ARL have significant background in the key issues of workout situations. In addition, ARL's service providers FTI and KMQ have significant experience in managing and realising, in a value-maximising manner, assets similar to those underlying the commercial loans acquired.
- Global network:** FTI operates in 24 countries, has over 3,800 employees, and has built a vast and deep network in all areas of commerce. This network will be utilised to assist in the various steps in realising value. KMQ has 7 partners and over 60 staff operating in Queensland. Both FTI and KMQ have industry leading capabilities.
- A fresh approach:** ARL and its service providers bring a new approach to the task of realising the value of acquired assets for the benefit of stakeholders
- An expedient resolution:** ARL will expediently realise in a value-maximising manner, the acquired assets.

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Assets acquired by ARL

The mortgage loans and other assets that have been assigned to ARL are listed below, together with the market value of those assets, based on the carrying value of the Fund's assets as at 31 December 2011:

Mortgage loan with secured property at	Mortgage security over property described as	Mortgage Loan Value and agreed market value 31 December 2011 carrying values
1500 Midland Highway, Creswick, Victoria *	144 room hotel and 18 hole golf course and residential land	\$24.60m
Routley Drive, Kooralbyn, Queensland	100 room hotel, golf course, school and residential land	\$20m
22 View Avenue, Surfers Paradise, Gold Coast, Queensland	104 rooms in Holiday Inn	\$19.05m
20-22 Mort Street, Port Macquarie	12 apartments at Icon Port Macquarie	\$9.8m
Lot 2 Explorer Drive, Mission Beach, Queensland	Land with development approval for tourist facility	\$6.35m
Dry Dock Road, Tweed Heads, New South Wales	Land with development approval	\$6.25m
507 – 523 Dalrymple Road and 9 Thorn Street, Mt Louisa, Townsville, Queensland	Land with development approval lodged for residential subdivision	\$2.7m
11 Ridge Street, Nambucca Heads, New South Wales	Land with development approval for 11 apartments	\$2m
All interest in the: <ul style="list-style-type: none"> ▪ Class Action; ▪ ASIC compensation claim ▪ Proof of debt in Octaviar Limited (in liquidation) and Octaviar Administration Pty Ltd (in liquidation) 		
TOTAL AGREED MARKET VALUE (based on 31 December 2011 carrying values)		\$90.75 million
Cash (provision for land tax, rates and utilities charges associated with assets assigned)		\$3.74m

* 60% of this debt has been assigned to ARL. 40% has been retained by the Premium Income Fund.

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Implications for Unitholders

As a result of this transaction, the Premium Income Fund received 830,532,768 ordinary shares in ARL, a special purpose unlisted public company. These shares in ARL have been transferred to Unitholders based on their Unitholding in the Premium Income Fund as at 4 September 2012. Each Unitholder in the Fund now owns shares in ARL on the basis of one ARL share for each Unit they hold in the Premium Income Fund. They also continue to own Units in the Premium Income Fund. Holding statements will be sent to each Unitholder shortly.

ARL will bring to the assets acquired from the Premium Income Fund, its access to a global network through a management team which is experienced in the optimal realisation of mortgage loans and leisure assets. ARL will manage and realise the acquired assets in a value-maximising manner. As assets are realised, ARL will make returns to shareholders. Upon realisation of all acquired assets and the payment of available returns to shareholders, ARL will cease to trade.

Wellington Capital Limited will continue to manage the balance assets of the Premium Income Fund, with a view to actively realising those security assets, and returning the proceeds to Unitholders as soon as possible.

Wellington Capital Limited believes that this transaction is in the best interests of Unitholders as:

- ✓ it will allow payment to be made to Unitholders by Wellington Capital Limited as responsible entity of the Fund in respect of the assets it manages
- ✓ it will allow payments to be made to shareholders by ARL as it realises and optimises the assets acquired
- ✓ ARL through FTI has access to FTI's global network, connections and experience for the benefit of shareholders
- ✓ ARL through KMQ has an experienced 'on the ground' team which has recent and significant experience in optimising leisure asset values

Investors now have ownership of two different securities:

- Shares in ARL and
- Units in the Premium Income Fund

Questions and correspondence in relation to the shareholding in ARL should be directed to:

Phone: 07 3225 4996
Email: info@arlimited.com.au
Postal: PO Box 2353 Brisbane Qld 4001
Website: www.arlimited.com.au

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Board of ARL

The Board of ARL comprises commercial leaders with significant legal, banking, business turnaround and corporate governance experience. The Directors are Chairman, the Honorable David Beddall, Wayne Jenvey and Lindsay Johnston.

The Honourable David Beddall - Chairman

David Beddall was a Federal member in the Australian Parliament from 1983 to 1998. In this period, he held the portfolios of Minister for Resources, Minister for Communications and Minister for Small Business, Constructions and Customs.

David has served as President of the Franchisee Association of Australia Incorporated, as a Member of the Australian Competition & Consumer Commission Franchising Consultative Committee, as a National Councillor of the Australian Industry Group, and as Councillor - Queensland Executive Member (Branch Secretary & Treasurer) of the Australian Industry Group (Qld).



Since 1998, David has operated in the private sector with a series of directorships with public and private companies as well as not-for-profit industry organisations. He has further served as chairman of an ASX200 listed company.

Wayne Jenvey

Wayne Jenvey has over 20 years experience in corporate litigation, regulatory compliance, asset recovery and dispute resolution. Wayne is a partner at a prominent law firm where he heads the Commercial Litigation practice group in Brisbane.

Wayne is frequently involved in representing public companies, major banks, foreign entities and joint ventures in various superior court jurisdictions in relation to contractual disputes, shareholders' rights, intellectual property claims, banking and finance recoveries and enforcement procedures.

Wayne has been commonly called upon to provide advice in the areas of corporations law, contractual disputes and directors' duties and dealings with corporate regulators such as the Australian Competition and Consumer Commission (ACCC), the Australian Taxation Office (ATO) and the Australian Securities and Investments Commission (ASIC).

Wayne holds a Bachelor of Laws and Master of Laws. He is also a member of the Australian Institute of Company Directors (AICD) and is a nationally accredited mediator.



Lindsay Johnston

Lindsay Johnston has had over 16 years experience with the Bank of Queensland, where he held the title of General Manager of Credit.

Lindsay's specialties include credit risk, risk assessment, market risk and asset management. Lindsay brings an extensive wealth of banking experience to the ARL Board of Directors.

Lindsay holds a Bachelor of Business (Accounting) and a Masters of Business Administration (International Business).



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ARL Resources and Implementation

ARL will utilise the advisory services of FTI Consulting (**FTI**) and KordaMentha Queensland (**KMQ**) to assist in managing and realising the assets acquired from the Premium Income Fund. Together, FTI and KMQ will be able to deliver access to a global network, broad regional coverage across Asia, strong local expertise and the ability to access additional skills within both networks as and when required.

FTI

FTI Consulting Inc. is a New York Stock Exchange listed company, headquartered in New York. FTI has a market capitalisation of approximately \$1.0 billion and annual turnover of approximately \$1.6 billion. As a global business advisory firm, FTI provides multi-disciplinary solutions to complex challenges and opportunities.

Among its diverse business segments, FTI has one of the world's leading restructuring and corporate turnaround services practice with specific expertise in real estate restructuring – ideally suited to maximising the realisation of the type of assets acquired from by the Premium Income Fund by ARL.

FTI has approximately 700 industry specialists in 80 different disciplines. In addition, FTI has 85 of the Fortune 100 corporations as clients, and was in Fortune's Top 10 Stocks of the Decade for 2010.

FTI operates in 24 countries, with over 3,800 employees and has built a vast and deep network in all areas of commerce. This network will be utilised to assist in the various steps in realising the value of acquired Premium Income Fund assets for ARL.

KMQ

KordaMentha Queensland has extensive experience in acting for secured creditors to complete, operate and sell in a value-maximising manner assets similar to those acquired by ARL for the benefit of stakeholders.

KMQ has 7 partners and over 60 staff located in its Brisbane and Gold Coast offices. Together, the 7 KMQ partners have a total of 110 years experience in working for secured (and unsecured) creditors in engagements with assets and operations throughout Australia and overseas, and are known for innovative workout solutions.

A summary of recent and notable property engagements by KMQ is as follows:

- ✿ Restructuring the former Hyatt Regency Coolum Golf, Resort and Spa;
- ✿ Development of specialised real estate products for realising value in distressed resort projects;
- ✿ Management of a group that held an internationally branded Hotel and multi-level residential accommodation, vacant development sites with and without Development Approvals, and dual-key units;
- ✿ Operation and sale of a resort located in New South Wales that included approximately 150 staff; a pub; restaurant; housekeeping; stables; and wedding & conference facilities;
- ✿ Completion and retail sell down of a 33-storey mixed-use tower in Southport, Queensland (Southport Central).

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Conclusion

Wellington Capital Limited believes that the advice and connections of FTI and KMQ, combined with the skills and experience of the directors of ARL, provide a secure platform for shareholders in ARL to best achieve timely and optimal returns on the assets acquired by ARL.

Together, FTI and KMQ will be engaged by ARL to provide services relating to minimising holding costs and restructuring the nature of real estate assets for the benefit of shareholders. FTI will leverage its access and exposure to international networks and international capital markets, whilst KMQ provides the strong fundamentals in local expertise necessary for ARL to manage and realise the proposed select assets in a value maximising manner for the benefit of all current Premium Income Fund Unitholders, so that timely and superior returns can be achieved.

For further information please contact:

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