

Max Trust ARSN 115 268 660
ASX Announcement –Market Update – Appointment of debt advisor

Key Points

- **Restructure of debt and appointment of new RE in June 2009 put Max in a stable position allowing for orderly realisation of assets**
- **Orderly realisation of assets has enabled substantial debt reduction since 2009 (down from \$652m to approx. \$140m including deferred interest of \$40m)**
- **Opportunity now to look at options to further improve debt structure and allow earlier realisation of value for all parties**
- **Appointment of debt advisor**

In June 2009, The Trust Company (RE Services) Limited (**The Trust Company**) was appointed the replacement responsible entity for the Max Trust (**Max**) and the debt arrangements for Max were restructured at that time to put it in a more stable position.

The Trust Company in its capacity as responsible entity for Max, advises that, after considering a number of competitive proposals, it has reached an agreement to appoint Aquasia Pty Limited (**Aquasia**) to assist The Trust Company consider alternatives to restructure Max's existing debt arrangements. This decision follows previous announcements made on 15 November 2011 and 21 December 2011.

Background to Max's current debt arrangements

The key changes to the Max debt arrangements in June 2009 were as follows:

- The then existing debt facilities were restructured into two classes of Pass-Through Notes (**PT Notes**). The former Warehouse Facility was converted into A1 PT Notes, while the two series of MTN's issued were aggregated into a single class of A2 PT Notes.
- At that time the principal outstanding under the two tranches of PT Notes were:
 - A1 PT Notes \$166.3 million
 - A2 PT Notes \$485.7 million
 - Total \$652.0 million
- The principal outstanding on the PT Notes, including the coupon interest must be repaid quarterly on a pro-rata basis to the extent that Max has excess cashflow.
- The table below presents a summary of the interest rates applicable to the PT Notes

Class	Rating (S&P)	Coupon Interest	Deferred margin	Maturity	Ranking
A1	A	BBSW + 2.15%	6%	20/12/2039	Pari Passu
A2	A	BBSW + 0.75%	2%	20/12/2039	Pari Passu

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- The deferred margin is only payable following the repayment in full of the principal amount of the PT Notes and then only to the extent Max has excess cash flow or at the legal final maturity date or after an event of default has occurred. This additional amount is subordinated to all other secured amounts owed by Max (including other interest owing on the notes) but will be paid ahead of distributions to unitholders.
- At the time of the PT Notes restructure, Max unitholders also approved the implementation of a revised strategy for Max under which Max's existing portfolio could be realised, subject to certain asset sale restrictions attached to the PT Notes, and upon maturity of the investments themselves.
- The terms of the PT Notes provide certain restrictions on the sale of assets unless approved by an extraordinary resolution of PT Noteholders. These include:
 1. From June 2011 to June 2013, an asset may not be sold for an amount less than 95% of par value of the asset.
 2. From June 2013, an asset may be sold by tender for the purpose of redeeming the PT Notes in full (including the payment of the deferred margin amount) for an amount not less than 90% of par value of the assets.
 3. After June 2014, an asset of Max may be sold as necessary for the purpose of redeeming the PT Notes in full (including the deferred margin amount).
 4. Assets can only be sold without the prior approval of Noteholders if they satisfy the price test and also result in either an improvement in the Rated Loss Cover ("RLC"), or at least the RLC being maintained. This restriction is a requirement for the credit rating on the PT Notes. For a further explanation of the RLC test, please refer to the "Max Trust Unitholder Update – Issue 6".
- The terms of the PT Notes require Max to maintain \$9 million of cash in a Liquidity Reserve and a further \$1 million in an Unscheduled Expense Reserve.
- The terms also restrict Max's ability to pay cash distributions to unitholders.

Current amount outstanding under PT Notes

Since 2009, as a result of asset sales and maturities, the amounts outstanding under the PT Notes as of 31 December 2011 has reduced to:

\$m	A1 PT Notes	A2 PT Notes	Total
PT Notes Principal	\$25.4	\$74.2	\$99.6
Deferred margin (face value)	\$20.6	\$19.1	\$39.7
Total	\$46.0	\$93.3	\$139.3

Note: figures have not been subject to audit

The decision to appoint a debt advisor

As announced to the market on 15 November 2011, The Trust Company received a request from a unitholder group, requesting that a unitholder meeting be convened to consider the appointment of a nominee of the requesting group to be appointed as a debt advisor to Max. The requested meeting was not convened as the request was deemed invalid.

However, at that time directors of The Trust Company were considering a number of strategies to unlock greater value for unitholders so that the gap between reported NTA and the price at which units traded on ASX could be reduced.



The Trust Company determined that it was an opportune time to explore options in relation to the existing structure of Max's debt and to assist The Trust Company in determining whether it was in the interests of unitholders to restructure the debt arrangements, the appointment of a debt advisor was considered appropriate. One of the considerations behind this was that given the substantial reduction in debt since 2009, the return on the PT Notes and associated deferred margin is reducing.

The appointment process

As announced to the market on 1 December 2011, The Trust Company sought expressions of interest from parties willing to be considered for the appointment of debt advisor. After careful consideration of the expressions of interest received, The Trust Company has decided to appoint **Aquasia Pty Ltd** as debt advisor.

About Aquasia

Aquasia is an independent corporate advisory partnership with a deep understanding of equity and debt markets, treasury and other financial risk and derivative products. Aquasia's philosophy of "knowledge through experience" is demonstrated through the seniority of the Aquasia team and its extensive background in providing clients with bespoke solutions to meet their strategic plans and financing requirements. Further information about Aquasia is available on their website www.aquasia.com.au.

Next steps

Aquasia has been appointed for an initial period of up to five months to assess the various options that may be pursued in relation to Max's debt and make a recommendation to The Trust Company. At that point the directors of The Trust Company will assess these options and decide whether to proceed with a restructure of the PT Notes.

Whether approval from holders of PT Notes and/or unitholders is required will depend on the terms of any proposed restructure.

Further information

For further information please contact Rupert Smoker on 02 8295 8100.

Ends

