

PACIFIC CURRENT GROUP

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ASX ANNOUNCEMENT

21 December 2016

PROPOSED RESTRUCTURE AND SIMPLIFICATION

Pacific Current Group Limited (ASX:PAC, PAC, Pacific Current) a global multi-boutique asset management firm, is pleased to announce that following an extensive period of discussion and negotiation, the Board of Pacific Current has reached an in principle agreement with various stakeholders that will result in a simplified structure and a deleveraging of the balance sheet of the Aurora Trust. This is subject to PAC shareholder approval and approval from XRPUs holders and B-class unitholders. The intention is that a PAC general meeting (**General Meeting**) will be held in March 2017. PAC holds an approximately 65% ownership position in the Aurora Trust.

Exchange of B-class units in the Aurora Trust to PAC shares

Shareholders will be asked to approve an issue of 1 PAC share for each 1.1 B-class unit in the Aurora Trust (**Exchange**) which, if approved, will result in the Aurora Trust being 100% owned by PAC. The Exchange will result in approximately 13.7 million PAC shares issued to B-class unitholders in the Aurora Trust. In advance of the General Meeting, B-class unitholders have agreed for those PAC shares issued to be voluntarily escrowed for a period of 6 months. Prior to the Exchange, a reconstruction of the units in the Aurora Trust will occur to ensure that the number of A-class units equals the number of PAC shares on issue.

Resettlement of X redeemable preference units

In addition to approving the Exchange, shareholders will also be asked to approve the resettlement of the X redeemable preference units (**XRPU**s) (**Resettlement**). Under the status quo, full payment of the US\$42 million face value of the XRPU¹s is contingent on the performance of six previously held Northern Lights asset management firms, relative to two asset management firms previously owned by PAC before forming the Aurora Trust. The Resettlement will result in the new face value of this debt being a fixed amount of US\$21 million, to be repaid on or before 31 March 2018, and will bear interest at a rate beginning at 10% per annum if not repaid by that date.

The principal goal of the Exchange and Resettlement (**Simplification Steps**) is to create a simpler and more transparent structure for PAC. The goal of the Simplification Steps is to not materially shift the value of the respective stakeholders. Completion of the Simplification Steps is dependent on approval of PAC shareholders, B-class unit holders and XRPU holders.

¹ Net of certain expenses



The Board is strongly of the view that eliminating a layer of complexity and simplifying the balance sheet will be of significant benefit to all investors. The B-class unitholders have been represented by executives from the two largest beneficial holders of B-class units and XRPU's, namely Jeff Vincent (CEO of Laird Norton) and Gilles Guerin (Director of BNP Paribas Capital Partners, a subsidiary of BNP Paribas), both of whom are directors of PAC.

The benefit to the combined group of implementation of the Simplification Steps will be:

- a reduction in complexity and uncertainty;
- one level of ownership through a common security;
- an increase in the number of shares on issue; and
- a reduction in the overall gearing of the group.

It is expected that a Notice of Meeting and Explanatory Memorandum will be sent to shareholders in February 2017 that will include an Independent Expert's Report, for the purposes of ASX Listing Rule 10.1.

Mike Fitzpatrick, PAC Chairman, described the move as a positive step forward to regain the interest of investors in the company with what has been a difficult and complex arrangement.

"We undertook to our shareholders and others who have followed the company a commitment to review the structure. It has been a lengthy process given the number of issues that had to be considered, as well as the number of stakeholders involved. This does lay the foundation to move forward in a structure that will benefit all investors," he said.

PAC will announce its interim financial results for the period ended 31 December 2016 on 28 February, 2017.

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