



27 June 2012

Dear Investor,

We are writing to update you with respect to your investment in the Basis Yield Fund ("BYF"). Terms used in this letter have the same meaning as in the Constitution of BYF ("Constitution") unless stated otherwise.

BYF Liquidation Plan

Further to our letter dated 22 December 2012, Basis Capital Funds Management Limited ("BCFM") has now resolved to implement a liquidation plan for BYF ("BYF Liquidation Plan") to further reduce the costs associated with maintaining the fund structure, so as to preserve the value of BYF's assets and maximise the distributions available to Investors from the Master Fund's claims. If the Master Fund's claims continue for a further 2-3 years, which is possible, we expect the savings resulting from the BYF Liquidation Plan to be several hundred thousand dollars, which is a material amount given BYF's present financial position.

July 2007 Redeemers – in-kind distribution of Priority YA Units

We can now confirm that BCFM has paid the redemption amount owed to the July 2007 Redeemers: (i) partly by way of a cash payment; and (ii) partly by transferring Assets (in the form of 'priority' YA Units ("Priority YA Units")) issued by the YA Sub-Trust) to the July 2007 Redeemers.

In-kind distribution of Subordinated Units

After accounting for the costs of winding up BYF, BYF's sole remaining asset is subordinated units in the YA Sub-Trust which are entitled to share in the balance of any distributions from the YA Sub-Trust ("Subordinated Units"). On 19 June 2012, BCFM instructed BYF's custodian, Australian Executor Trustees Limited ("AET"), to transfer the Subordinated Units to Members, pro-rata in accordance with their unit holding in BYF, by way of capital distribution ("Transfer"). AET has now effected the Transfer by executing a Notice of Transfer dated 22 June 2012.



Subordinated Units in the YA Sub-Trust may be transferred by investors with the consent of the Trustees of the YA Sub Trust. If you wish to transfer your Subordinated Units, please forward, for approval by the trustees, a Standard Transfer form completed and executed by authorised signatories of both the Transferor and the Transferee with new contact details and banking details addressed to: The Trustees, YA Liquidating Trust, P.O. Box N115, Grosvenor Place, NSW 1220, Australia.

Notice of Termination of BYF

In accordance with the BYF Liquidation Plan and pursuant to paragraph 21.2 of the Constitution, BCFM hereby gives notice to Members that **29 June 2012** is the date of termination of BYF.

As BCFM's sole remaining asset, the Subordinated Units, has now been transferred to Members, after making allowance for all Liabilities of BYF (actual and anticipated) and meeting the expenses (including anticipated expenses) of the termination, BCFM has determined the Final Net Asset Value per unit of BYF is \$nil. BCFM will finalise the accounts of BYF and arrange for a final audit to be undertaken by Ernst & Young, following which, BYF will be deregistered as a managed investment scheme.

Any future distributions to BYF investors will be made from the YA Sub-Trust as and when sufficient monies are available. As BYF investors are aware, the Basis Yield Alpha Fund (Master) is currently pursuing certain litigation initiatives including a US\$67mm claim against Goldman Sachs in the New York Supreme Court.

For clarification of any of the matters set out in this letter please feel free to contact BCFM on (02) 8006 4469 or (02) 8667 3147 or refer to the website www.basiscap.com.au.

Yours faithfully,

Peter Dobson
Basis Capital Funds Management Limited