

17 February 2009

## Investor Relations Update

Dear Sir/Madam

**Westpoint Management Ltd (In Liquidation) (Receivers and Managers Appointed)**  
**ACN 074 148 431**  
**("WML")**  
**As Responsible Entity for the Paragon Commercial Syndicate ("PCS")**

I refer to my previous update concerning PCS of 6 June 2008. Copies of this and other updates are available at [www.mcgrathnicol.com](http://www.mcgrathnicol.com), in the Administrations section.

I provide an update on the outstanding issues below.

### 1 Settlement with Receivers and Managers

The Deed of Release requested by the Receivers and Managers was executed and \$4 million is now under my control. The majority of these funds are being held in an interest-bearing term deposit.

### 2 Centreways Refurbishment Syndicate Trust's ("CRST") claim

I have received legal advice on this claim. After considering all relevant matters (and reserving all rights in respect of legal professional privilege), I have determined that the claim should be rejected.

An appeal has lodged by CRST's trustee, which will be defended. I will also seek determination of the question as to whether there would be an entitlement to access the scheme assets (through the responsible entity's right of indemnity) even if the proofs of debt should have been admitted,

I am mindful of the costs involved in legal processes and I will be striving to ensure that all parties work to keep their costs to a minimum.

This process should be concluded within the next 12 months but this is dependent upon a number of factors outside of my control.

I will be monitoring this situation closely and will update members as appropriate.

### 3 Unit holder Register

I have a positive duty to ensure that the surplus is paid to unitholders who have been properly registered as members of the scheme.

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It has come to my attention that there appears to have been a number of unitholders (being around 12 unitholders holding 1,105,000 units or approximately 7% of the issued units) that were not credited or paid most of their income distributions before my appointment and do not appear to have been treated by WML as genuine unitholders.

I have instructed my solicitors to obtain production of documents that would substantiate ownership of the units noted on the unit holder register. If these substantiating documents cannot be produced or those that are produced are considered unsatisfactory or incomplete, it is my intention to have the members orally examined.

#### **4 ASIC claim against KPMG**

As unitholders may be aware, the Australian Securities and Investment Commission (“ASIC”) have exercised their rights under section 50 of the ASIC act and made a claim, on behalf of the mezzanine finance companies, against KPMG, the former auditors of Westpoint Corporation Pty Ltd and the mezzanine finance companies.

This action seeks to recover losses suffered by those companies allegedly caused by the auditor’s alleged negligence in the performance of the 2002, 2003 and 2004 audits.

The Chairman of the PUHC believes strongly that PCS should be joined to this action. The argument centres around the argument that if Westpoint Corporation had collapsed earlier, the syndicate could have replaced the RE, refinanced the property and thereby avoided the receivership sale of the property.

I met with the ASIC to discuss whether the PCS could be joined to this action and have written to the ASIC to that end. When I have received their decision, I will discuss the impact of that decision and the options available to members with the PUHC.

Unitholders need to be aware that I have not obtained legal advice on the merits of PCS’s claim because I am mindful of the limited funds available to me. The matters raised in a claim like this are complex and the likely costs involved in researching and preparing such a claim are large in relation to the funds under my control.

#### **5 Other unsecured creditors**

Amounts due to the ASIC and Freehills as at my appointment have been paid.

#### **6 Distribution to unitholders**

The quantum and timing of any distribution to unitholders is dependent upon a number of matters:

- + the determination of any appeal lodged by CRST
- + the assessment of any claim against KPMG and resolution thereof.

Until these issues are resolved, it is not possible to speculate on a range of estimated returns to unitholders. If the claim by CRST, including interest, is held to be an amount properly payable from the funds under my control, then the return to unitholders will be negligible.

#### **7 ASIC’s new website**


You will have received a letter from ASIC concerning a new website and information service that ASIC has created for investors to help keep you informed of developments in actions ASIC are taking on behalf of investors.

I encourage you to use this website to obtain a personalised summary of your Westpoint investments based on the information available to ASIC.

If you have any queries, please contact Melinda Kubank on (08) 6363 7636.

Yours faithfully

*Westpoint Management Ltd (In Liquidation) (Receivers and Managers Appointed)*

A handwritten signature in black ink, appearing to be 'Simon Read', with a long horizontal stroke extending to the right.

Simon Read  
*Liquidator*