

IN THE SUPREME COURT OF VICTORIA
AT MELBOURNE
COMMERCIAL COURT
CORPORATIONS LIST

S CI 2015

IN THE MATTER OF BANKSIA SECURITIES LIMITED (IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED) ABN 45 004 736 458

BETWEEN

ANTHONY GREGORY MCGRATH, JOSEPH DAVID HAYES, MATTHEW WAYNE CADDY AND ROBERT MICHAEL KIRMAN AS RECEIVERS AND MANAGERS OF BANKSIA SECURITIES LIMITED (IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED) ABN 45 004 736 458

First Plaintiffs

BANKSIA SECURITIES LIMITED (IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED) ABN 45 004 736 458

Second Plaintiff

AFFIDAVIT OF JOSEPH DAVID HAYES "JH-46"

Date sworn: 16 December 2015
Filed on behalf of: The Plaintiffs
Prepared by:
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This is the exhibit marked "**JH-46**" now produced and shown to Joseph David Hayes at the time of swearing his affidavit on 16 December 2015.

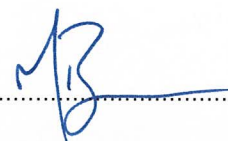


Exhibit "JH-46"

Email from Joseph Hayes to Debenture Committee

dated 5 March 2014

Sent: Wednesday, 5 March 2014 12:53 PM

To: 'c_m_hayes@bigpond.com'; 'cesymon@westvic.com.au'; 'lcogger@coggergurry.com.au';
'bandhlloyd@bigpond.com'; 'goodidea@anson.com.au'; 'ramsdn1@inet.net.au';
'donandlzmckenzie@bigpond.com'; 'susanpitman@ymail.com'; 'robjlea@bigpond.com'; 'robjlea789@gmail.com';
'elliott@eastmelbourne.net'

Cc: Rupert SMOKER; dgrbin@thetrustcompany.com.au; Tony McGrath; Kathy Sozou; Matthew Caddy; McClymont,
Ross 3025

Subject: Banksia: Update following Committee Meeting

Dear Committee Members

I refer to the meeting held on 27 February 2014, where we presented our Strategy Update Report. We note the following key action points from the meeting:

Impaired Loans

We presented further material on Impaired Loans, including:

- A forecast of loan receipts and costs, in respect of those loans where there is remaining security; and
- Further details of our debt recovery process, in respect of those loans where there is no further security and so where we are reliant upon guarantees or litigation for further recoveries.

As Committee Members will appreciate, our Impaired Loan work is focussed on a small number of difficult remaining loans, all of which are in a legal process focussing on realising the underlying security, as well as debt recovery measures for residual loan balances. The Committee asked that we provide an assessment of the options open to the Receivers to recover the remaining balances, that might result in an accelerated recovery of loan funds at a lower cost, such as outsourcing certain loan management arrangements or a loan book sale transaction. We will prepare a short report addressing these issues, for further discussion.

Operations and Intercompany Arrangements

We discussed the issues associated with moving the receivership towards a practical conclusion, such as staff redundancy and operational transition. The Receivers noted we had been reporting the operational costs of the receivership within the context of the Memorandum of Understanding ('MOU') arrangements implemented with Banksia Group entities, as those costs had largely been legally incurred by other Group entities but funded by BSL. The Committee requested a more detailed breakdown of the costs associated with the MOU, split between staff costs, operational costs, costs incurred that were solely attributable to the group structure, and costs associated with the sale of the BMF loan book. We will provide that assessment and a report addressing these issues.

Litigation and Mediation

updated the Committee on litigation and mediation, including recent developments concerning the Class Action process, along with our conclusion that, until such time as a claim is successfully made by the Class Action Plaintiffs, there is no merit in actively progressing an all-parties mediation dialogue. We consider it beneficial that Peter Collinson QC complete the work he is doing, in reviewing the Claims and the Receivers' strategy. He will meet shortly with our solicitors and Counsel, and subsequently with Mark Elliot and Counsel for the Class Action. Following those meetings, we will arrange for Mr Collinson to verbally address a Committee meeting, to cover the issues set out on page 24 of our Report.

Trustee Fees

We provided a report on the Trustee's remuneration as set out on page 25 of our Report. The Trustee representatives excused themselves from this part of the meeting. We advised that following the last response from the Committee, the Trustee has indicated that in the absence of any other agreement, it would support the Receivers in making an application to the Court to resolve this matter. We indicated the next likely series of steps was:

- The Trustee resubmits a final fee request to the Receivers. We are presently uncertain the quantum of that request, but expect it will be based on the original submission of 9 December 2013;
- The Receivers review the fee request and determine whether they are able to recommend it;
- The Receivers discuss with the Trustee whether or not the proposal should be put to the Committee (again) or a Court approval process is followed; and
- If a Court approval process is followed, then the Receivers will need to manage that application and identify appropriate contradictors etc.

Once we have a final fee submission we will let the Committee know our next steps.

Next meeting

We will respond on each of these matters as the relevant information comes to hand. In that regard, it may be convenient to convene a teleconference meeting should we be in a position to respond on some of these issues in the near term.

Please contact one of us should any of this require clarification.

Kind regards - Joe

Joe Hayes
Partner

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