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**PrimeSpace Property Investment Ltd (In Liquidation)
ACN 104 345 317 ("PPIL")
as trustee for the Prime Access Property Fund ("PAPF")**

Circular to creditors and noteholders

24 March 2017

I refer to my appointment with Tony McGrath as voluntary administrators of PPIL on 23 April 2015 and to our subsequent appointment as liquidators on 28 May 2015. This circular provides a further update on the status of our investigations into the potential claim against PPIL's former lawyers in relation to the liability which has been incurred by PPIL in its personal capacity, for a convertible note issuance by the PAPF.

Background

In early 2011, PPIL as the Responsible Entity for the PAPF raised approximately \$7.9 million through an issue of convertible notes. The issue was governed by a Convertible Note Subscription Agreement ("the Subscription Agreement").

In proceedings commenced by noteholders prior to my appointment, the Court held that PPIL was liable in its personal capacity for moneys owing under the Subscription Agreement. In our view, the Subscription Agreement failed to limit the liability of the trustee to the value of trust assets, as is usual for these types of transactions. This failure was inconsistent with PAPF's constitution and the intentions of PPIL's directors.

My investigations, which have included examinations of the directors of PPIL and the lawyers who acted for PPIL, support the view that PPIL has a basis for a claim against its former lawyers in respect of losses suffered, due to deficiencies in the drafting of the Subscription Agreement. At the time of my appointment, the noteholder claim amounted to circa \$7.9 million in principal plus \$9.5 million in interest (circa \$17.4 million total).

Current status

Our view is that there is a reasonable basis for the liquidators to pursue a claim against PPIL's former lawyers and if successful, that claim could materially improve the return to creditors of PPIL.

Requests for funding

Subject to further Court orders, the Liquidators may seek to prosecute the claim on the basis that it could improve the return to creditors of PPIL. However, pursuing a claim of this nature will most likely require court action and involve considerable cost. As an alternative to potentially funding this action from the trust assets of PAPF, I am investigating the option of funding from either creditors of PPIL or alternatively a litigation funder.

D18-170322-PRIMPRO02-Circular to Creditors-(with JWS mark up 24.3.17)

In association
with



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Creditors who agree to fund litigation may, subject to a court order pursuant to section 564 of the Corporations Act 2001 (Cth) ("the Act"), be entitled to a priority in respect of any realisations from the litigation funded. Any funding arrangement would require the approval of creditors and/or the Court pursuant to section 477(2B) of the Act.

If you are interested and capable of funding litigation of this nature, I request that you contact me as soon as possible. We expect to be in a position very shortly to provide a more detailed briefing to parties who express interest (provision of which would be subject to strict confidentiality terms). We propose to file the claim by 10 April 2017, so would appreciate your efforts to promptly finalise any agreement before then.

I am also investigating litigation funding as an alternative to creditor funding. Litigation funders charge substantial fees for funding successful litigation. Although this reduces the potential upside for creditors, it can be an attractive means for achieving better returns for creditors without the need for creditors to take any funding risk. As is the case for funding by creditors, any funding arrangement with a litigation funder would be subject to the approval of creditors and/or the Court pursuant to section 477(2B) of the Act.

Next steps

I intend to approach the Court for further directions about pursuing the claim against PPIL's former lawyers. Any agreement that has been secured for funding the claim will be relevant to that application.

In the meantime, if you are prepared to consider funding the above action, please contact either Chris Johnson of my staff on (02) 9248 9903 or Jessie Maguire of my staff on (02) 9338 2604.

Yours faithfully

PrimeSpace Property Investment Limited (In Liquidation)

A handwritten signature in blue ink, appearing to read 'Shaun Fraser'.

Shaun Fraser

Joint and Several Liquidator