



PrimeSpace Property Investment Limited (Administrators Appointed) ("PPIL")

Second meeting of creditors

28 May 2015



McGrathNicol



Agenda

- Formalities
- Purpose of meeting
- Report to creditors
- Resolutions
- Questions



Formalities

Second statutory meeting of creditors of:

- PrimeSpace Property Investment Limited (Administrators Appointed)

Administrator Chairperson

- Corporations Regulation 5.6.17 (1)

Introductions

- Chairperson
- Other

Quorum

- Corporations Regulation 5.6.16 (2)



Formalities (cont)

Attendance

- Attendance register
- When addressing the meeting, please state your name and the name of the creditor you are representing
- Teleconference participation

Time and place

- Convenient per Corporations Regulation 5.6.14

Proofs of debt and proxies

- Available for inspection
- Proxy must be completed in order to cast a vote

Formalities (cont)

Voting

- Voting on voices unless poll demanded: Corporations Regulation 5.6.19
- Poll can be demanded by:
 - > Chairperson; or
 - > 2 persons present and entitled to vote; or
 - > Creditors representing at least 10% of claims.
- When a poll is conducted, a resolution is passed if:
 - > more than half the creditors (**in number**) vote in favour of the resolution; and
 - > more than half the creditors (**in value**) vote in favor of the resolution.
- If there is a deadlock, the Chairperson may use their casting vote



Purpose of meeting

The statutory purpose of the meeting is to:

- report to creditors on the Company's business, property, affairs and financial circumstances;
- set out the Administrators' opinion on the courses of action available to the Company; and
- vote on the Company's future.

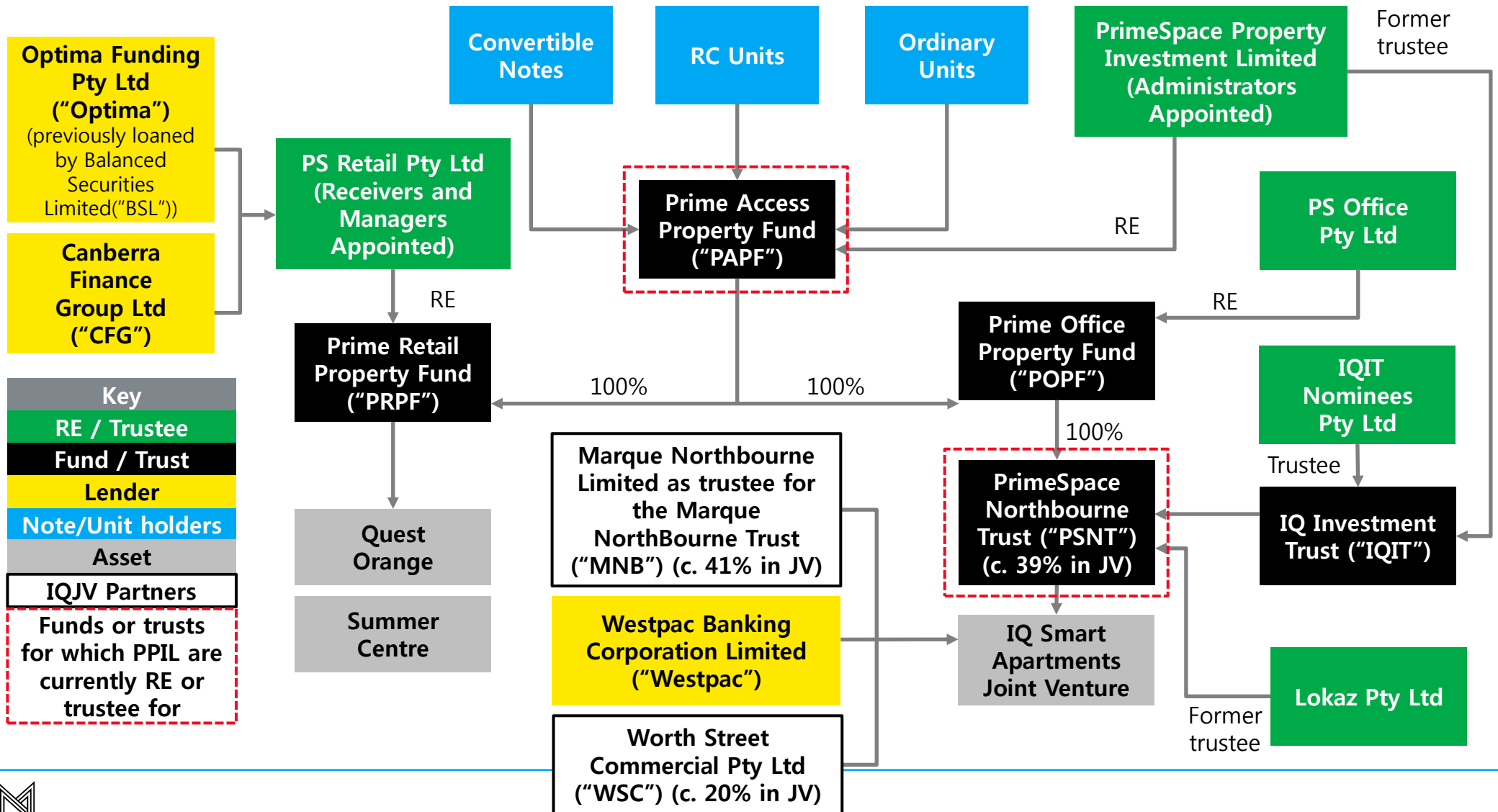
In addition:

- consider and (if thought fit) approve the Administrators' and if determined, Liquidators' remuneration;
- consider the appointment of a Committee of Inspection; and
- to discuss any other business.

Section 439B of the Corporations Act allows this meeting to be adjourned up to a maximum of 45 business days.

Report to creditors – Background

- Administrators appointed to PPIL on 23 April 2015 by the Directors, Mr Anthony McDonald, Ms Cassandra McDonald and Mr Ian McDonald.



Report to creditors – PPIL Report as to Affairs (“RATA”)

Directors' RATA

\$	Directors' net realisable value
Assets	
Cash at bank	582
Sundry debtors	165,601
Plant and equipment	2,000
Total assets	168,183
Liabilities	
Employee entitlements	15,630
Unsecured creditors	562,652
Total liabilities	578,282
Total net assets	(410,099)

Source: Directors' RATA

- The Directors RATA:
 - does not include the assets of the registered schemes or trusts; and
 - Unsecured creditors do not include liabilities incurred on behalf of the funds and trusts.
- Employee entitlements represents Anthony McDonald's unpaid annual leave.
- Unsecured creditors include trade creditors and accrued expenses.

Report to creditors – Prime Access Property Fund (“PAPF”)

PAPF - ERV

\$'000	High	Low	Comments
Total assets	8,047	3,135	Reflects the surplus from the IQ Smart Apartments JV to be distributed via POPF to PAPF.
Total liabilities	(27,142)	(25,545)	Includes payable to third parties, including convertible note holders and an estimate of the shortfall to financiers of the Summer Centre Orange development.
Net assets / (liabilities)	(19,094)	(22,410)	

Source: Administrators' analysis

- PAPF's core business is property investment.
- PAPF is the sole beneficiary of PRPF and POPF (discussed further later).
- Action to wind up PAPF under Section 601NC of the Act was commenced in 2014.
- PAPF had three classes of units and notes on issue:
 - Ordinary units (30m units at \$1) and RC units have purportedly been cancelled other than 100 un-cancelled units held by Mr McDonald; and
 - Convertible notes (total face value c.\$8m with 30 June 2014 maturity date and 25% coupon rate): funds raised were used to fund the IQ Smart Apartments development.
- Likely that funds will flow from the IQ Smart Apartments development which will be available to pay a dividend to unsecured creditors.

Report to creditors – Prime Retail Property Fund (“PRPF”)

PRPF - ERV

\$'000	Estimate	Comments
Total assets	19,000	As at 31 December 2013, the Company's books and records valued the Summer Centre Orange property as c.\$19m.
Total liabilities	(25,000)	Includes facilities owed to Optima (c.\$20m) and CFG (c.\$3.5m), and unsecured creditors.
Net assets / (liabilities)	(6,000)	

Source: Administrators' analysis

- PRPF is a 100% owner of the Summer Centre Orange, a regional shopping centre and apartment development located in Orange, NSW.
- The first ranking secured creditor appointed a Receiver to the property on 30 October 2014.
- We have received a report from the Receiver but it remains unclear as to whether there will be any surplus to the creditors of PRPF.
- PAPP has provided guarantees to certain creditors of this project and may become liable for any shortfall.

Report to creditors – Prime Office Property Fund (“POPF”)

POPF - ERV			
\$'000	High	Low	Comments
Total assets	7,924	3,267	POPF's sole asset is its 100% interest in PSNT.
Total liabilities	Unknown	Unknown	Value of liabilities, if any, are unknown.
Net assets	7,924	3,267	

Source: Administrators' analysis

- POPF's only asset is 22 million units in PSNT.
- Surplus funds from PSNT will flow through POPF to PAPP.

Report to creditors – PrimeSpace Northbourne Trust (“PSNT”)

PSNT - ERV

\$'000	High	Low	Comments
Total assets	14,714	13,670	PSNT's sole asset is its 38.74% interest in the IQ Smart Apartments JV.
Total liabilities	(6,790)	(10,403)	Includes the IQIT units, CFG and general unsecured creditors of PSNT.
Net assets	7,924	3,267	

Source: Administrators' analysis

- PSNT's primary purpose was to fund and manage the development of the IQ Smart Apartments.
- PPIL is the current trustee of PSNT. Shortly after the first creditors meeting Lokaz Pty Ltd agreed to resign and PPIL was re-appointed.
- We are working co-operatively with the Joint Venture Partners and making good progress towards the completion of the project.
- Remains on track to produce a surplus for unit holders.

Report to creditors – IQ Investment Trust (“IQIT”)

IQIT - ERV

\$'000	High	Low	Comments
Total assets	6,690	6,952	IQIT's sole asset is receivables from PSNT relating to the IQIT units.
Total liabilities	Unknown	Unknown	Value of liabilities, if any, are unknown.
Net assets	6,690	6,952	

Source: Administrators' analysis

- IQIT's only asset is the preference units issued by PSNT.
- IQIT unit holders are seeking to replace PPIL as trustee of IQIT.
- Surplus remains to pay IQIT preference unit holders in full.

Report to creditors – Other trusts

PrimeSpace Property Trust No.3 (“PSPT3”)

PSPT3 - ERV

\$'000	High	Low	Comments
Total assets	680	900	Includes cash at bank and estimated value of the 2 commercial units at The Hub.
Total liabilities	Unknown	Unknown	Value of liabilities are unknown but expected to be materially less than assets.
Net assets	Unknown	Unknown	

Source: PPIL director

- PSPT3’s primary purpose was to purchase and redevelop The Hub Shopping Centre, located in Burpengary, South East Queensland.
- We understand 2 commercial units of the shopping centre with an estimated value of \$600K to \$700K are yet to be realised in the development and the trust currently has cash at bank of c.\$80K.
- Appears there will be a surplus available to unit holders.

Report to creditors – Other trusts (cont)

Canberra House Trust (“CHT”)

- CHT is currently dormant.
- PPIL is the current trustee.
- The key asset was the Canberra House, which was realised in 2013. We understand the trust may now be wound up subject to finalisation of residual matters.

Mona Vale Development Trust (“MVDT”)

- MVDT is currently dormant.
- PPIL was the former trustee of MVDT but was replaced as trustee by Ivory Apartments Pty Ltd prior to our appointment.
- The key asset was the Ivory Apartments, a 20 luxury apartment development located in Sydney’s Northern Beaches. We have been advised by the directors that the final apartment was sold in September 2014.
- There are no unfunded liabilities and a surplus to unit holders is likely.

Report to creditors – IQ Smart Apartments update

Outline

- The anticipated timeline for settlement of sales from the IQ Smart Apartments is set out below:

Event	Commentary
April 2015	Practical completion of IQ Smart Apartments development.
Period to May 2015	Pre-sales of units underway. As at reporting date, 192 sales were in progress, including 177 exchanged contracts and 15 contracts and awaiting exchange.
May 2015	Unit plan executed by IQJV Partners, lodged and titles issued for apartments. Partitioning of units between the IQJV Partners.
June 2015	Settlements take place. Net settlement funds to be received into the Westpac facility account. Westpac to continue to receive net settlement funds until paid out in full.
June 2015 - September 2015	Subject to payment of Westpac facility in full, settlement funds to be received by joint venture parties. Surplus settlement funds, including return of equity to joint venture partners to be received by IQJV Partners. Estimated funds of circa \$14m to \$15m available to creditors of PSNT.
September 2015	Distribution to creditors of PSNT to be declared and paid subject to resolution of amounts outstanding to creditors and determining appropriateness of retaining hold back (if any) to fund claims.
November 2015	Distribution to creditors of PAPF to be declared and paid subject to the above and to resolution of amounts outstanding to creditors.

Report to creditors – Estimated return to creditors

Estimated return to creditors in a liquidation		
\$'000	High	Low
Funds available for distribution from PSNT	15,000	14,000
Administrators' / Liquidators' remuneration and expenses	(286)	(330)
Funds available for distribution from PSNT to creditors of PSNT	14,714	13,670
Distribution from PSNT		
IQIT units	(6,690)	(6,952)
CFG	-	(3,350)
Estimated other creditors of PSNT	(100)	(100)
Total disbursements from PSNT	(6,790)	(10,403)
Funds available for distribution to PAPF	7,924	3,267
Add: Potential Liquidator recoveries	250	-
Total funds available for distribution from PAPF	8,174	3,267
Administrators' / Liquidators' remuneration and expenses	(130)	(136)
Funds available for distribution from PAPF to creditors of PAPF and PPIL	8,044	3,132
Distribution from PAPF		
Priority payments		
Preferential creditors	(4)	(4)
Total priority payments	(4)	(4)
Funds available to unsecured creditors of PAPF and PPIL	8,047	3,135
Total unsecured creditors of PAPF and PPIL	27,142	25,545
Estimated return to unsecured creditors of PAPF and PPIL	29.65%	12.27%
Residual funds available to PAPF unit holders	Nil	Nil

Source: IQJV information, A McDonald, Administrators' analysis

Report to creditors – Investigations

Voidable transactions

- In our preliminary investigations into the affairs we have identified transactions that have hallmarks of transactions voidable as against a Liquidator.

Potential voidable transactions

Supplier	Estimated amount (\$'000)
Australian Taxation Office	60
Trade creditors of PPIL and other payments requiring further explanation	Exceeds 500
Granting of security to third parties	TBC

- PPIL may have been insolvent from 30 June 2014.
- We have also identified related party loans requiring further consideration.
- The transactions will only be open to review and challenge in a liquidation.

Claims against third parties

- We are investigating a claim against one of PPIL's legal advisors, in relation to advice provided and documents drafted on behalf of PPIL as trustee for PAPF.

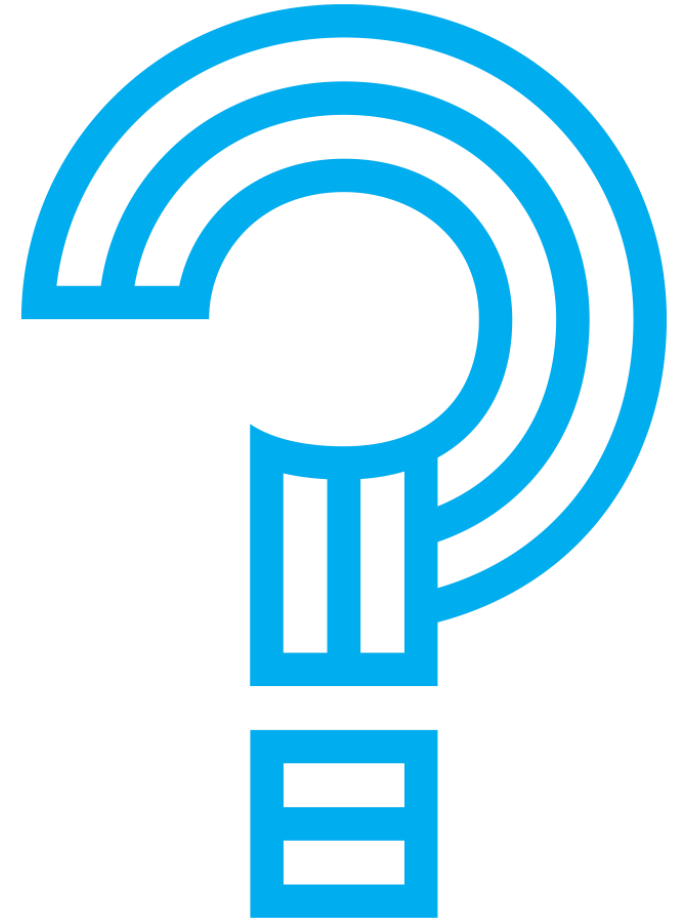
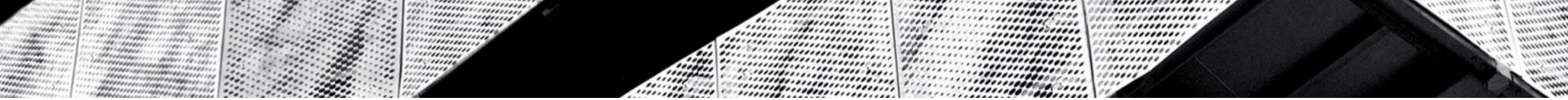


Report to creditors – Administrators' recommendations

- **Administration to end**
 - As PPIL is insolvent, control of the company should not be returned to the Directors.

- **DOCA**
 - The DOCA that has been proposed contains no material benefit to creditors.
 - For the reasons outlined, in the Administrators' opinion it is not in the best interests of the creditors to vote to enter into a DOCA as proposed.

- **Company be wound up**
 - Given that PPIL is insolvent and that the DOCA contains no material benefit to creditors in comparison to a liquidation outcome, the Administrators recommend that PPIL be wound up.



Resolution – Liquidation

Liquidation

- I now put the following resolution to the meeting:

“That PrimeSpace Property Investment Limited (Administrators Appointed) be wound up at the close of this meeting and Shaun Fraser and Tony McGrath be appointed Joint and Several Liquidators.”

Administrators' remuneration

- Remuneration to be fixed:
 - Committee of Creditors;
 - Creditors; or
 - The Court.
- Schedule was provided in initial communication
- Summary of actual and estimated fees:

Summary of Administrators' remuneration

\$	Actual ⁽¹⁾	Estimate ⁽²⁾	Approval sought
Total remuneration (excl GST)	137,321	123,294	260,615

(1) Amounts incurred for the period from 23 April 2015 to 15 May 2015.

(2) Estimated remuneration from 16 May 2015 to 28 May 2015.



Resolutions – Administrators' remuneration resolutions

Resolution – remuneration incurred from 23 April 2015 to 15 May 2015

"That the remuneration of the Administrators, their partners and staff, for the period from 23 April 2015 to 15 May 2015, calculated on hours spent at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$137,321.20 (exclusive of GST), is hereby approved for payment."

Resolution – remuneration incurred from 16 May 2015 to 28 May 2015

"That the estimated remuneration of the Administrators, for the period from 16 May 2015 to 28 May 2015, is approved at a sum equal to the time costs spent by the Administrators, their partners and their staff, calculated at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$123,293.80 (exclusive of GST), is hereby approved for payment to be drawn as and when it is incurred from funds under their control."



Future Liquidators' remuneration

- Future costs for the liquidation requested for approval up to \$154,992.00 (exclusive of GST).
- Work to be completed by a liquidator was outlined in our report.
- Propose seeking limited approval for future fees of Liquidators.
- Further fees to be approved by Committee of Inspection, Creditors or the Court.

Resolution – Future Liquidators' Remuneration

- I now put the following resolution to the meeting:

"That the future remuneration of the Liquidators, is approved at a sum equal to the time costs spent by the Liquidators, their partners and their staff, calculated at the rates detailed in the Schedule of Remuneration Methods and Hourly Rates provided to creditors, in the amount of \$154,922.00 (exclusive of GST), is hereby approved for payment to be drawn as and when it is incurred from funds under their control."

Resolutions – Committee of Inspection

- VA Committee of Creditors dissolves upon the appointment of a liquidator.
- Committee of Inspection can be formed by creditors, in a liquidation.
- Committee of Inspection for PPIL is recommended.

Resolution – that a committee of inspection be formed for PrimeSpace Property Investment Limited (if required)

“That:

Anthony McDonald representing himself

Gamini Colless representing Canberra Finance Group Pty Ltd

Gerard Boundy representing Vienne Pty Limited

Jure Domazet representing Doma Investment (ACT) Pty Ltd ATF Ivan Homes Pty Ltd Superannuation Benefits Fund No 2 and Doma Superannuation (ACT) Pty Limited ATF Ivan Homes Pty Ltd Superannuation Benefits Fund

be appointed to the Committee of Inspection of PrimeSpace Property Investment Limited.”

