

The TEYS Income Builder

A.R.S.N. 110 052 429 ("TTIB")

Investor Update No. 13, 17 August 2015

Issuer of this Document

TPFL Limited (In Liquidation) ACN 105 164 047 ("TPFL") is the Responsible Entity of The TEYS Income Builder and the issuer of this report. The contact details for the Liquidator's office are can be found in this report. This report should be read in conjunction with previous reports.

Ongoing disclosure to investors

This report forms part of my ongoing disclosure to investors. This report will be placed on my website (www.dwsrecovery.com.au) and paper copies will be sent to investors. Additional updates may also be placed on my website from time to time.

Purpose of this Document

I have prepared this information without taking into account your particular objectives, financial situation and needs. This information is purely an update on TTIB and is not investment advice.

You should consider the appropriateness of this information before making any decisions based on it and consult your independent advisors.

Disclaimer

The comments and statements contained in this report and any annexures hereto have been prepared and conducted from the responsible entity and Scheme's books and records and/or from information provided by the company's director, other representatives and third parties.

My opinions and recommendations are based on the information provided to us. I have not completed an audit nor conducted a comprehensive investigation of the scheme's financial affairs. I cannot therefore warrant the accuracy, reliability or completeness of the underlying information and my comments and opinions should be considered subject to this limitation.

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1. Assets – Loan portfolio

Further to my previous report to investors, I summarise the status of TTIB's remaining assets:

1.1 Terranora

As noted in my previous report, contract for Terranora was exchanged on 2 October 2014 for \$3.6million and was due to settle on 31 May 2015. The contract was subsequently extended to 31 July 2015.

Unfortunately, the contract for Terranora property has been terminated as purchaser failed to complete the settlement on 31 July 2015. I note that the Purchaser has forfeited its ten (10%) percent deposit.

I am currently organising updated valuation and I am hopeful that the land valuation has improved with the overall increase in property prices across the eastern seaboard.

I will advise investors of TTIB's next course of action as soon I receive the updated valuation.

1.2 Braidwood

As noted in my previous report, I executed an Option Agreement ("Option") with Wilrobec Consulting Services Pty Ltd ("Wilrobec") to acquire the mortgage over Braidwood, held by Sandhurst for TTIB ("Sandhurst Mortgage") for \$1.4million.

The Option has presently been extended to 15 October 2015. I do not believe that the Option will be exercised and there will be two (2) options available for TTIB,

- **First:** TTIB takes possession of Braidwood and enforces Sandhurst Mortgage; or
- **Second:** TTIB accepts/negotiates an offer from Summerfield Developments Pty Limited.

Both options are discussed below.

1. TTIB takes possession of Braidwood

In the event TTIB takes possession of Braidwood property and sell same, TTIB would receive the following amount:

	Going Concern High Return (\$)	Forced Sale Low Return (\$)
Valuation dated 21 July 2015 (ex-GST)*	1,600,000	1,200,000
<i>Less Costs & Expenses:</i>		
Auction and marketing costs	(30,000)	(50,000)
Mortgagee in possession fees	(30,000)	(40,000)
Care and maintenance costs	(25,000)	(25,000)
Legal Fees	(20,000)	(20,000)
Net Realisation	1,495,000	1,065,000
<i>Less Liability:</i>		
Debt to Wallace (capped amount) ^	(485,000)	(485,000)
Funds available to TTIB	1,010,000	580,000

* Updated valuation conducted on 21 July 2015.

^ If TTIB takes possession, it is agreed that Wilrobec will receive capped amount of \$485K only.

Whilst the 'valuation' and above schedule suggests that TTIB may receive approximately \$1.01million on optimistic scenario, the practical reality is that if TPFL as RE of TTIB has to enforce the Sandhurst Mortgage, that there is unlikely to be a prospect of a sale at a "going concern". The price that could be achievable will be less, most likely approaching the 'forced sale' price.

Furthermore, despite the extended period over which we have been dealing with Braidwood, and over which the proprietors have been endeavouring to realise it, both scenarios on both the 'optimistic' and 'pessimistic' scenario, ignore the obvious time value of a marketing campaign and expected extended settlement.

2. Summerfield Developments Pty Limited ("SDPL") Proposal:

Alternatively, Wilrobec in their attempt to find a funder have found SDPL. Subject to SDPL final due diligence, SDPL has put the following offer / proposal to me:

The proposal involves a 'sale' price of \$1.7million, understood to be for the discharge of the Sandhurst Mortgage, with payment in two (2) tranches:

- **First Payment:** Upfront of \$900K (ex-GST) to be paid at settlement, proposed settlement date is 30 September 2015; and
- **Second payment:** Second mortgage (ranked behind the construction funder) securing the balance of \$800K attracting an interest of 10% p.a. SDPL believes the mortgage would be for a year from settlement date (i.e. 30 September 2016).

The above assumes that all existing security over Braidwood is discharged, the First Payment made, and TTIB sits with a Second Mortgage, pending payment of the Second Payment. This is to be clarified upon receipt, review and potential negotiation of agreements.

As stated in my previous report, per the Option Agreement, if TTIB takes possession, TTIB will have to pay Wallace out of any sale proceeds.

However, on the basis of the above proposal from SDPL, which amounts to a hybrid between the Option being exercised and a mortgagee sale, I have had preliminary discussion with Wallace with respect to the following apportionment of payment of \$1.7million between TTIB and Wallace:

SUMMARY OF SDPL	Total	APPORTIONMENT	
		TTIB	Wallace
First Payment: <i>to be paid at settlement</i>	900,000	800,000	100,000
Second Payment: <i>2nd Mortgage*</i>	800,000	700,000	100,000
TOTAL	1,700,000	1,500,000	200,000

**Not inclusive of 10% interest on \$800K (apportionment of interest: 90% TTIB and 10% Wallace)*

I note that the sale and security documents are currently being finalised by SDPL's solicitors and will advise investors on same in due course. However, based on the above proposal, I note TTIB would have no further liability to Wallace of \$485K and TTIB would receive \$800K on a totally pessimistic basis and \$1.5million plus interest on an optimistic basis.

Comparison of the above 2 options:

In summary, based on the above 2 scenarios, I note the following comparison of potential return to TTIB:

Options	Optimistic High Return (\$)	Pessimistic Low Return (\$)
TTIB takes possession	1,010,000*	580,000
SDPL proposal	1,500,000**	800,000

* Optimistic/High return in possession scenario is unlikely

**Not inclusive of 10% interest on \$800K (apportionment of interest: 90% TTIB and 10% Wallace)

Although, at this stage, the particulars of the above sale and security documents relating to the second mortgage is still being finalised by SDPL's solicitors, I note based on the above proposal, I am in favour of accepting SDPL's proposal (subject to my due diligence and review of the legal contracts) as TTIB is more likely to receive a higher return and there is a level of certainty with the First Payment (being \$800,000) based on SDPL proposal, at least.

1.3 LadyBrand Retirement Village

As you are aware, the balance of \$4million is to be paid by the borrower, Dalesun Holdings Pty Limited ("Dalesun") by 13 June 2016. The \$4million (i.e. \$80,000 every time an ILU is sold/ leased) is to be paid from the construction and sale/leasing of 50 Independent Living Units (ILUs).

I confirm that Dalesun has sold the following ILUs and payment was received on:

Lot No.	\$80K/ILU received on
1 219	29 November 2012
2 241	30 January 2013
3 187	10 May 2013
4 245	12 August 2013
5 246	4 October 2013
6 242	19 December 2013
7 248	16 January 2014
8 240	29 January 2014

Lot No.	\$80K/ILU received on
9 238	29 January 2014
10 261	22 December 2014
11 236	22 December 2014
12 235	24 December 2014
13 234	24 December 2014
14 239	30 January 2015
15 225	17 February 2015
16 262	17 February 2015

In addition, Dalesun has confirmed the following:

- Additional ten (10) ILUs are currently being constructed (*estimated to complete by mid-June 2016*) and Dalesun has received interest to purchase four (4) of the ten (10) ILUs.

I note that as at the date of this report, total amount outstanding is \$2.72million.

2. Liabilities

As investors are aware, TTIB has one (1) liability to Bayjac with regard to the re-financing of Heritage National Limited's debt for \$500,000. I am pleased to advise that the following payments were made to Bayjac previously:

- (i) Principal payment of \$250,000
- (ii) Interest up to 28 February 2015 of \$261,456.

Therefore, as at the date of this report, the outstanding liability to Bayjac is \$250,000 plus interest.

As noted in Section 1.2 above, should Wilrobec fail to exercise the Option or no sale agreement entered into by 15 October 2015, TTIB is liable to pay Wallace the capped amount of \$485,000. However, on the basis of the final acceptance of SDPL proposal (*subject to my satisfaction on sale and security documents*) as noted above, TTIB will not be liable for the capped debt to Wallace of \$485K.

3. Audit Report

I advise TTIB has finalised its audited reports for year ending 2010, 2011, 2012 and 2013. Please contact Ivy Michael of this office to obtain copy of same.

The remaining outstanding audited report (i.e. for year ended 2014 and 2015) will be finalised by October 2015.

4. Estimated Further Return of Capital

I note that the previously estimated overall return of capital will vary as same is highly dependent on sale receivables from selling of Terranora and Braidwood as discussed in Section 1.1 and 1.2 above.

I will provide updated overall estimated return to investors in due course.

Please do not hesitate to contact myself or Ivy Michael of this office, should you have any other questions with respect to the above.

Yours faithfully,
TPFL Limited
(In Liquidation)


Adam Shepard
Liquidator