

9 August 2010

TO CREDITORS

**TPFL LIMITED (FORMERLY TEYS PROPERTY FUNDS LIMITED)
A.C.N. 105 164 047
(IN LIQUIDATION) (“TPFL”)**

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1. BACKGROUND

TPFL was placed in administration on 5 March 2010; TPFL was placed into liquidation on 20 April 2010. At the time of my appointment TPFL held an Australian Financial Services Licence (AFS Number 234977) and was the responsible entity for a number of managed investment schemes including The Tey's Income Builder A.R.S.N. 110 052 429 (“TTIB”)

By letter dated 22 March 2010 the Australian Securities and Investments Commission (“ASIC”) served notice cancelling the AFS licence. Nevertheless, ASIC has advised that the Licence continues in effect as though the cancellation had not happened until 30 September 2010 to allow provision of services that are reasonably necessary for or incidental to the winding up of the Schemes.

I continue to liaise with ASIC in relation to the affairs of the Schemes.

The purpose of this report is to approve the liquidator entering into transactions affecting the schemes that TPFL in the responsible entity of.

2. UPDATE ON WINDING UP

At this stage I do not envisage a return to unsecured creditors of TPFL. Investors should refer to the individual updates available on www.settershepard.com in relation to the expected return from each managed investment scheme.

3. TPFL AS RESPONSIBLE ENTITY OF THE TEYS INCOME BUILDER

The purpose of this report is to seek creditor approval to allow myself as liquidator to effectuate a number of transactions and agreements to facilitate the winding up of one of the managed investment schemes that TPFL is the responsible entity for.

The Tey's Income Builder ("TTIB") is a mortgage trust established in 2004. It was originally known as "The Heritage National Mortgage Trust". The main asset of TTIB is a portfolio of loans. These are secured by mortgages over various secured properties. The loans are referred to as "Braidwood", "Lady Brand", "Windang", "Burleigh" and "Terranora".

Prior to my appointment as liquidator, TPFL as responsible entity of TTIB entered into a loan from Heritage National Limited ("Heritage") secured over property of the TTIB.

The details on the loan from Heritage follow:

Lender	Heritage National Limited
Amount of loan	\$565,000
Interest	12% per annum (14% penalty interest)
Repayment date	November 2008 as extended month to month by agreement.
Secured property	Unregistered mortgage over Mortgage AD206216, which is the mortgage that TTIB holds for the Braidwood loan.

Prior to my appointment the fund had been servicing the interest on the loan. My lawyers have reviewed the loan documentation. Demand has been made on behalf of Heritage for repayment. While the debt is acknowledged, it is secured by mortgage on a mortgage over the Braidwood property. It otherwise appears to be a valid claim as a creditor of TTIB, and I propose to deal with that claim accordingly in due course.

Heritage, RFA Management Pty Limited ("RFA") and a number of other associated entities and Kim Burton (collectively "the RFA Group") are involved in a number of transactions concerning TTIB, including the projects at Terranora and Braidwood.

3.1. Background on the Terranora loan

Borrower	<ul style="list-style-type: none">Creeksound Pty Ltd.
Secured Property	<ul style="list-style-type: none">93 Parkes Lane, Terranora, New South Wales.
Loan balance	<ul style="list-style-type: none">\$13.39M
Status of loan	<ul style="list-style-type: none">Borrower in default.The fund has advanced a total of \$11.6M to date.

Further notes	<ul style="list-style-type: none"> • Repayments of \$2.1M have been made to date • Heritage National Limited has a joint venture with the borrower for the development of the secured property. • Heritage National Limited is also a lender to Creeksound Pty Ltd. • Both TTIB and Heritage National Limited are co-mortgagees over the secured property. • The ranking of priority between TTIB and Heritage National Limited is set under a Deed of Priority with TTIB having first priority. • Consent from the co-mortgagee is likely required to enforce the security
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In July 2009 TPFL entered into a non-binding heads of agreement with various entities including Heritage National Limited and Creeksound. This heads of agreement provided for a restructure of the loan arrangements and for TTIB to extend its loan facility for a term of 18 months, reduce its principal debt, waive additional interest and provide some additional funding (some \$1.1million) to enable planning approvals to be sought. In exchange TTIB would be granted new securities with more certain enforcement rights, i.e. not needing the consent of Heritage National Limited to appoint a receiver to realise the asset if the debt is not paid back within the time frame.

These arrangements had not been settled as at the date of my appointment due to the lack of available funds to implement these restructure arrangements. Negotiations between the parties have also progressed since the heads of agreement was executed and it does not necessarily represent the current position of the parties.

Subsequent to my appointment as liquidator of TPFL, a winding up order was lodged against the Borrower by the Queensland Office of State Revenue in relation to Land Tax arrears. Voluntary Administrators were appointed on 25 June 2010 to the Borrower. A Deed of Company Arrangement (“DOCA”) has been proposed and now approved by creditors of Creeksound. The Creeksound DOCA envisages TTIB funding \$50,500, which is intended to increase the prospects of recovery by TTIB of the loans, by enabling Creeksound and Heritage to proceed with the development of the Terranora Property, and so potentially increase the value of the security available to TTIB.

3.1.1. Proposed Workout Arrangement on Terranora

The current proposed workout arrangement for the Terranora loan is as follows:

- TTIB to Fund \$50,000 Deed Contribution for Creeksound to implement a Deed of Company Arrangement
- TTIB to advance \$500,000 (“the Advance”) for development costs to Creeksound
- TTIB to be given fresh first ranking security in the amount of \$12million and for any further advances that will not be subject to a co-mortgage with Heritage
- Creeksound will have 18 months from the date of receipt of the Advance to obtain planning approvals for the residential development (“planning approval”).

- Interest will begin accruing from the earliest date of either 18 months after the Advance or when planning approval is obtained
- If Creeksound fails to obtain planning approval within 18 months TTIB will have the right to take possession and sell the property
- Once Creeksound has obtained planning approval, TTIB will consent to releasing 1st mortgage security over a parcel of land (“the 1st parcel”) sufficient to allow Creeksound to develop a 24 housing lot subdivision. TTIB will retain second mortgage security over the 1st parcel and to be required to consent to any drawdowns from the first mortgagee. Consent will be subject to receiving a valuation on the balance of the Secured Property (less the 1st parcel) in excess of TTIB’s debt and documentation satisfactory to the liquidator in relation to the first mortgage.
- Creeksound will have 10 months complete the develop the 1st parcel of land and TTIB will be paid any profit on the development in reduction of its loan
- Should the development of the 1st parcel be successful, Creeksound will be 8 months to develop another 24 housing lots on another parcel of land (the 2nd parcel) on similar terms, including subject to the Secured Property (less the 1st and 2nd parcels of land) being valued in excess of TTIB’s debt.

Should the Creeksound DOCA not be executed, or if TTIB were not to fund the DOCA obligations, Creeksound would be wound up and the liquidator would likely disclaim any interest in the Secured Property. In those circumstances Heritage’s consent would be required to sell the property or the property would need to be transferred to a new entity (with Heritage’s consent) to allow the proposed work-out/development to continue. Transferring the land to a new entity would incur approximately \$620,000 of stamp duty and fees that would need to be funded. The DOCA is intended to obviate the need for that expense.

As the current loan balance will need to be compromised in order to facilitate the workout arrangements (from approx \$13.5 million to \$12 million), I will be seeking creditor approval of same. The compromised amount of \$12 million is consistent with the independent valuation I have received.

It is my opinion that the workout arrangements are in the interests of the investors in TTIB as they:

- Avoid litigation with the co-mortgagee – Heritage National Limited
- Maintains TTIB in a first mortgage position with significant control over the Property; and
- Provide TTIB with a clear enforcement strategy should the TTIB Loan not be repaid following expiry of the extended term.
- The reduction of loan balance from 13.5m to 12m would not affect recovery amount if the property was realised today.

3.2. Background on Right of Indemnification Claim – Distribution Deficiency

As the previous Mortgage Manager of TTIB, RFA Management Limited (“RFA”) agreed

that it would pay to TTIB any deficiency between the net income of TTIB and the distributions paid by TTIB in each financial year ("Distribution Deficiency"). This agreement also provides that RFA will be paid by TTIB an amount equal to any surplus of TTIB's net income in excess of its distributions in each financial year ("Distribution Surplus").

RFA's appointment as mortgage manager was terminated by mutual agreement with the Responsible Entity in September 2006 and this termination was subsequently ratified by RFA in October 2007. The termination and the executed documentation, provided that the underwriting arrangement (ie. Distribution Surplus and Distribution Deficiency) survived the termination of the service role as Mortgage Manager.

In the most recent set of audited accounts for TTIB (December 2008) the amount owing by RFA under the right for indemnification for Distribution Deficiency was \$2,992,280. The then director's of TPFL made a provision for the full amount of this debt in the accounts noting the "uncertainty regarding the financial ability or otherwise of RFA being able to meet the liability it owes to TTIB".

By Deed dated 14 October 2009, numerous claims were settled between TPFL and RFA (and arguably also TTIB). As part of my investigations into the affairs of TPFL and TTIB I have reviewed the alleged settlement and my preliminary legal advice is that the right for indemnification claim may have been released by this Deed. In any event, as will be seen below (eg section 3.4) to effect a global settlement with, inter alia, RFA, the alleged indemnification claim will need to be released.

3.3. Background on other claims by RFA Group

By letter dated 3 May 2010 (attached as Annexure "A") RFA's Group's solicitor claimed and demanded payment from TPFL, as responsible entity for the TTIB, the following amounts

- "(a) the said amount of \$300,000.00 so applied by TPFL to partially repay a loan from TTIB to Queensland Projects Pty Limited;*
- (b) \$500,000.00 in respect of the said brokerage, commissions, promotional costs, responsible entity fees, consultancy fees, and professional indemnity insurance, in respect of the TTIB so assumed to be responsible for payment, and so paid, by RFAM; and*
- (c) \$110,000.00 in respect of the said management fee so improperly and excessively charged by TTIB to the Helidon Developer."*

I comment further in relation to each claim hereunder:

3.3.1. \$300,000 Energex Bond – Burleigh loan

I have reviewed the ledgers and banking records of TTIB and have confirmed the deposit of \$300,000 that was applied against the Burleigh loan. The funds appear to have been received from RFA and represent a returned Energex deposit that was funded to RFA. I have also sighted board minutes of RFA that resolve that the deposit should be applied to reduce the Burleigh loan. It should be noted that at this time, TPFL and RFA had common directors and/or, TPFL may have been managing RFA's books.

Whilst there may be an argument that the transaction creates a debt between the Burleigh Borrower (Queensland Projects Pty Limited) and RFA not TTIB, the circumstances likely give rise to RFA having a restitution or other claim directly against TTIB/TPFL.

3.3.2. \$500,000 brokerage commissions etc said to be paid by RFA

I have received little supporting documents in relation to this claim other than copies of ledgers produced by RFA. I have been unable to form a view as to whether these are valid debts owing to RFA from TTIB.

3.3.3. \$110,000 in respect of allegedly improper fee in relation to Helidon

I note that the fee in question was charged to DCB (QLD) Pty Limited, however RFA claims that it was funding that company at the time. It is possible that there is insufficient nexus for RFA to claim this amount from TPFL/TTIB

3.4. Settlement with RFA Group

Since my appointment I have liaised and negotiated with Kim Burton, a representative of RFA Group in relation to the various dealing and transactions between them and TPFL and TTIB.

In order for me to finalise these negotiations it is necessary for TTIB to enter into heads of agreement with the various interested parties as well as repay the amount of \$565,000 owed to Heritage secured against the Braidwood Property. Unfortunately, at present, TTIB does not have sufficient liquid assets to repay this debt in full. Accordingly, I have sought funding from an external party (Bayrac Investment Trust Fund) to substitute the position of Heritage.

I propose to enter into a loan agreement on behalf of TTIB (as liquidator of its responsible entity TPFL) with the Bayrac Investment Trust Fund on no better terms than Heritage is currently entitled to.

In summary the proposed terms are as follows:

- The Fund will borrow the principal of \$565,00 to be use solely for the purposes of repaying Heritage
- The Borrower will be entitled to be paid 12% per annum interest
- The interest will either be paid monthly or capitalised at the discretion of me as liquidator of TPFL depending on TTIB's current financial position
- Interest will not compound
- Repayment will be made to the borrower within 1 month of the earliest of the following occurring:
 - 3 years;
 - Recovery by TTIB of the Lady Brand Loan (see section3.6); and
 - TTIB holding in excess of \$2 million cash

In addition to repaying the \$565,000 I have negotiated a one off payment by TTIB in the amount of \$275,000 to RFA, Heritage and other associated entities in full settlement of any and all claims against TPFL and TTIB. The RFA Group must also relinquish any interests in the Braidwood and Burleigh developments. Subject to the workout on Terranora, this is proposed to be a complete and mutual release.

My lawyers have drafted a Deed of Settlement and Release that addresses the above issues and releases TPFL and TTIB from any further claim from the RFA Group in relation in exchange for:

- The repayment of the \$565,000 loan to Heritage
- The payment of \$275,000 to the RFA Group in respect of settlement of all other claims
- The payment of \$50,500 in relation to the Creeksound Deed of Company Arrangement
- The transfer of shares in RFA by TPFL to Mainstay Equity Investments Ltd (which were agreed to be transferred in 2009)
- Execution of the "Workout Deed: in relation to Terranora (see section 3.1)

3.5. Background on Braidwood

Borrower	<ul style="list-style-type: none"> • Habitat Homes Australia Pty Ltd as nominee for a joint venture between Wilrobec Consulting Services Pty Ltd ("Wilrobec") as trustee and RFA Management Pty Limited.
Secured Property	<ul style="list-style-type: none"> • 70 Little River Road, Braidwood, New South Wales.
Loan balance	<ul style="list-style-type: none"> • \$5.46M
Status of loan	<ul style="list-style-type: none"> • The loan was a \$10 m construction loan facility. • The Fund has advanced a total of \$4.1M to date.
Further notes	<ul style="list-style-type: none"> • Wilrobec Pty Limited has a mezzanine debt loan to the borrower secured by the property. • This loan is subordinated to TTIB

Construction of the retirement village on the security proceeded until TTIB stopped funding this development. Heritage National Limited continued to fund various costs for the development by advancing the amount of \$565,000 to TTIB and took a 2nd mortgage over the secured property to secure this loan.

A Heads of agreement was been signed between the joint venture partners and TTIB. This heads of agreement provided for TTIB to transfer the title of the secured property and repay loan facility advanced by Wilrobec.

These arrangements had not been settled as at the date of my appointment due to the lack of available funds to implement these restructure arrangements including the repayment of the Wilrobec.

3.5.1. Proposed Workout arrangements on Braidwood

The current proposed workout arrangement for the Braidwood loan is as follows:

- TTIB to relinquish 1st ranking security over the Secured Property (but maintain a second registered mortgage)
- The second mortgage will be freshly documented and the TTIB debt will be written down to \$4 million

- The Borrower will obtain additional financing from a new financier to further fund the development
- TTIB will repay the amount of \$300,000 to Wilrobec
- Heritage will release its mortgage over the Secured Property
- All parties release TTIB from liability in relation to the TTIB Loan;
- TTIB retains control over aspects of the Development through the establishment of a Project Control Group;
- TTIB has a deed of priority with the incoming development financier which provides it with step in rights in the event of a default by the developer;
- TTIB is paid an agreed amount from all surplus net proceeds and this amount will be fully paid in priority to any monies being paid to the developer; and
- RFA will relinquish any interest in the Braidwood development as outlined above
- The developer agrees to pay out TTIB by a sunset date.

As the current loan balance will need to be compromised in order to facilitate the workout arrangements (from approx \$5.5 million to \$4 million), I will be seeking creditor approval of same. The compromised amount of \$4 million is consistent with the most recent independent valuation obtained by TTIB.

It is my opinion that the workout arrangements are in the interests of the investors in TTIB as:

- It is unlikely the Borrower will be able to refinance the TTIB Loan or any significant part of it;
- It is unlikely that any enforcement action will be successful;
- The subordination of the TTIB is a lower risk strategy to the conversion of the debt to equity because TTIB will maintain a sunset date for TTIB to be repaid an agreed and substantial amount of the TTIB Loan.

3.6. Background on Lady Brand

Borrower	• Dalesun Holdings Pty Ltd.
Secured Property	• Parts of the Lady brand Retirement Village including Lot 400 and various strata lots, Murdoch Drive, Greenfields, WA.
Loan balance	• \$10M
Status of loan	• Borrower in default.

The Lady Brand loan has been in default since February 2010. Prior to the loan going into default and since that date the Borrower has seeking to refinance the loan. The Borrower was unsuccessful in finding alternate financing and eventually marketed the entire development of the Lady Brand Retirement Village for sale. Three offers were received by the Borrower in relation to the village and forwarded to me for review.

The offer most favourable to TTIB is from the Arcadia Group and offers repayment of TTIB's loan in the amount of \$9.5 million. This is a reduction of \$500,000 of the

principal owing to TTIB. Interest has also not been paid on the loan since June 2010, and arrears of interest currently total \$233,972. The offer from Arcadia is subject to a number of conditions precedent including acceptance by a large number of freeholders and TTIB agreeing to compromise its debt to \$9.5 million. I have indicated that it is likely that TTIB will agree to the compromise however I continue to negotiate in relation to the outstanding interest arrears. Should the conditions precedent be met in relation to the Arcadia offer, repayment of the TTIB loan should be made by the end of September 2010.

I have instructed valuers to provide me with a valuation of the TTIB's interest in the Secured Property of Lady Brand and note that TTIB does not hold security over the entire village. It is my opinion that the Arcadia offer should be accepted by TTIB as:

- It avoids the costs and risks of appointing an Agent for the Mortgagee over the Secured Property
- Interest is not currently being met by the Borrower due to a lack of liquidity
- The proposed settlement timeframe is likely to be both quicker and overall less expensive, than if a Mortgagee in Possession was appointed and a forced sale ensued
- It will provide funding to allow a number of the workout arrangements to commence in relation to the other loans and repay TTIB's liabilities

The Lady Brand loan is held on behalf of the investors in TTIB by the Custodian Sandhurst Trustees Ltd, accordingly it could be argued that creditor approval is not required to compromise this debt. However, for good order I am seeking approval of same from creditors, as Sandhurst will be seeking instructions from me in relation to the loan. As Custodian, Sandhurst acts as agent of TPFL. The approval to be sought is to compromise recovery of the Lady Brand loan, to an amount of not less than \$9.5m, and to compromise interest, as may be required to effect overall recovery.

3.7. Background on Burleigh

Borrower	<ul style="list-style-type: none"> • Queensland Projects Pty Ltd.
Secured Property	<ul style="list-style-type: none"> • Lot 721 Sky Royal Terrace & Reabay Street, Burleigh Heads, Queensland. • In addition to the Secured Property I have the personal guarantee of a director of the borrowing entity.
Loan balance	<ul style="list-style-type: none"> • \$4.87 as at 31 March 2010
Status of loan	<ul style="list-style-type: none"> • Borrower in default. • TTIB has advanced a total of \$5.3M • There have been repayments of \$2.05M to date • TTIB has commenced foreclosure proceedings.
Further notes	<ul style="list-style-type: none"> • Caveat on title
Guarantors	<ul style="list-style-type: none"> • The director of the borrower, William Morris has guaranteed the loan to the extent of \$5 million plus up to three years interest and other costs.

As liquidator of TPFL, and as agent for the mortgagee (Sandhurst) I am attempting to resolve litigation in Queensland concerning the development at Burleigh Heads.

Most likely this will involve a settlement of existing litigation.

It may also require, however, the assistance of the borrower's director, Mr Morris, who has guaranteed the debt to Sandhurst.

The existing litigation and direct sale of the secured property are matters within my discretion and control.

To the extent that Mr Morris' assistance is required, and in consideration for that assistance his guarantee is to be released, I will seek approval in advance for the release of the guarantee.

4. CREDITOR APPROVAL SOUGHT IN RELATION TO EXECUTION OF DOCUMENTS AND COMPROMISING DEBTS

4.1. s477(2B) Approval to enter into agreement longer than 3 months

Where a liquidator or a company in liquidation (such as TPFL) intends to enter into an agreement that is likely to exceed three (3) months duration, the liquidator is required to seek approval of either the court or creditors to enter into the loan on behalf of TTIB as liquidator of its responsible entity pursuant to section 477(2B) of the Corporations Act:

(2B) Except with the approval of the Court, of the committee of inspection or of a resolution of the creditors, a liquidator of a company must not enter into an agreement on the company's behalf (for example, but without limitation, a lease or a charge) if:

- (a) without limiting paragraph (b), the term of the agreement may end; or*
- (b) obligations of a party to the agreement may, according to the terms of the agreement, be discharged by performance; more than 3 months after the agreement is entered into, even if the term may end, or the obligations may be discharged, within those 3 months.*

It is apparent that:

- refinancing the Heritage loan;
- entering into the Terranora Workout documentation, including the RFA Group settlement documentation; and
- entering into the Braidwood workout documentation

will all likely exceed three (3) months duration.

Whilst new Heads of Agreement and/or "Work Out" Deeds in relation to the Terranora and Braidwood loans do not directly affect the affairs of TPFL (as opposed to TTIB) I will be entering into them in my capacity as liquidator of TPFL. Therefore, I believe it to

be prudent to seek approval from creditors pursuant to section 477(2B) prior to executing the agreements.

I also note that prior to my appointment as liquidator an external party – Registries Limited, maintained TTIB's investor registry. I intend to continue these services and as liquidator of TPFL will be required to execute from time to time service agreements with Registries Limited. The cost of the registry service is \$1,100 per month. I expect the service will need to be provided for at least 2-3 years pending finalisation of all of TTIB's loans and repayment of capital to investors.

In summary the documents I am seeking creditor approval of to enter into are:

- a. Loan documentation to refinance the Heritage debt of \$565,000
- b. RFA Group Settlement Deed encompassing the above mentioned claims
- c. Terranora Work Out Deed and other ancillary documentation
- d. Braidwood Work Out Deed and other ancillary documentation
- e. Registries Limited registry services agreement for TTIB

4.2. s477(2A) – Approval to compromise a debt

Pursuant to section 477(2A) of the Corporations Act –

(2A) Except with the approval of the Court, of the committee of inspection or of a resolution of the creditors, a liquidator of a company must not compromise a debt to the company if the amount claimed by the company is more than ...\$100,000"

In relation to the Right of Indemnification Claim, it could be argued that if the debt is valid, then in order to complete the settlement with RFA Group, the debt needs to be compromised.

As the debt is higher than the statutory limit that a liquidator can compromise, I will for good order seek approval from creditors that I be authorised to compromise this debt.

I will also be seeking approval of the compromise of the Lady Brand, Terranora and Braidwood loans as the total debt in each case exceeds \$100,000.

As noted above, for good order I will seek approval to compromise, by release, the guarantee by Mr Morris of the loan to Queensland Projects Pty Ltd, as may be required.

Accordingly, I have convened a meeting of creditors to seek approval of these matters and documentation, prior to TPFL entering into them.

5. MEETING OF CREDITORS

A meeting of creditors of TPFL has been convened for Tuesday 24 August 2010 at 10 am. Formal notice and proxy forms are **attached**. Teleconference facilities are available; please contact Ivy Michael of this office to coordinate same.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Adam Shepard', is written over a horizontal line. The signature is stylized and somewhat cursive.

Adam Shepard
Liquidator

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3 May 2010

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URGENT

Dear Sirs

In the matter of TPFL Limited (formerly trading as "Teys Property Funds Limited") ACN 105 164 047 (In Liquidation) ("TPFL") and R.F.A. Management Limited ACN 101 233 023 ("RFAM")

We have been retained by R.F.A. Management Limited ACN 101 233 023 ("RFAM") to act for RFAM in relation to the above matter.

We confirm our instructions as follows:

1. During the period from or about September 2006 until 27 March 2008 (the "**TPFL Management Period**"), TPFL, whilst holding Australian Financial Services Licence number 234977 (the "**AFS Licence**") trading as Teys Property Investment Managers, managed the affairs of, amongst other parties, RFAM.
2. During the TPFL Management Period, the RFAM was party to, amongst other things, the following actions:
 - (a) in or about September 2006, the transfer of mortgage management rights for The Teys Income Builder ARSN 110 052 429 formerly called the Heritage Mortgage Fund ("**TTIB**") from RFAM to TPFL, in circumstances where, amongst other things:

- (i) the said mortgage management rights were historically a core business of RFAM, providing to RFAM a flow of income by way of mortgage advance establishment fees, servicing fees, success fees, release fees, and interest margins, in respect of the funds under management with TTIB;
 - (ii) RFAM received no valuable consideration from TPFL for the said transfer; and
 - (iii) the said transfer occurred at a time when funds under management with TTIB had then approached approximately \$50,000,000.00 in size;
- (b) in or about November 2006, the improper assumption by RFAM of liability to TTIB to indemnify TPFL in respect of any future TPFL determined shortfalls between net income of TTIB and TPFL determined benchmark distributions to be received by unit holders in TTIB, in circumstances where, amongst other things:
- (i) RFAM receive no or wholly inadequate consideration from TPFL for RFAM's said assumption of liability;
 - (ii) RFAM could not control the said TPFL determined shortfalls once the said transfer of mortgage management rights for TTIB occurred; and
 - (iii) the assumption of liability was documented in a Deed of Variation and Confirmation, approximately 11 months after RFAM's said assumption of liability, and at which time the majority of loans made by TTIB and established by TPFL as mortgage manager were either in default or likely to go in to default;
- (c) following the said transfer of mortgage management rights from the First Plaintiff to TPFL in or about September 2006, RFAM's continuing assumption of responsibility for payment, and RFAM's payment, of all brokerage commissions, promotional costs, responsible entity fees, consultancy fees and professional indemnity insurance in respect of TTIB in the amount of \$500,000.00 or thereabouts;
- (d) in or about August 2007, the application of principal amount \$300,000.00, received by RFAM by way of realisation of a bond issued by Energex, for TTIB's own benefit as partial repayment of a loan from TTIB to Queensland Projects Pty Limited, in circumstances where, amongst other things, shortly thereafter, in October 2007, RFAM resolved to the following effect:
- (i) to increase the provision against recoverability of RFAM's own advance to Queensland Projects Pty Limited to \$1,750,000.00; and
 - (ii) that RFAM's cashflow did not support a further investment of

\$600,000.00 in Queensland Projects Pty Limited required by Queensland Projects Pty Limited to complete a land subdivision, in turn required in order for RFAM to recoup its investment in the land subdivision project,

and at which time the land subdivision project was then in a precarious financial position; and

- (e) the improper charging by TTIB to DCB (QLD) Pty Limited as trustee for the S&G Property Trust No.2, the developer of the subdivision of 31 land blocks at Helidon, near Toowoomba, Queensland (the "**Helidon Developer**"), and taking by TPFL as responsible entity for TTIB from the Helidon Developer, of a management fee of \$110,000.00, at a time when, amongst other things:
 - (i) the Helidon Developer was then being funded by, and was indebted to, RFAM; and
 - (ii) TPFL were managing the affairs of RFAM.
3. RFAM hereby claims and demands payment from TPFL, as responsible entity for the TTIB, and hence as creditor of TTIB, the following amounts within 7 days of the date of this letter:
 - (a) the said amount of \$300,000.00 so applied by TPFL to partially repay a loan from TTIB to Queensland Projects Pty Limited;
 - (b) \$500,000.00 in respect of the said brokerage, commissions, promotional costs, responsible entity fees, consultancy fees, and professional indemnity insurance, in respect of the TTIB so assumed to be responsible for payment, and so paid, by RFAM; and
 - (c) \$110,000.00 in respect of the said management fee so improperly and excessively charged by TTIB to the Helidon Developer.
 4. Should, notwithstanding this letter, TPFL fail to pay to RFAM the said amounts referred to in paragraph 3. above, within 7 days of the date of this letter, RFAM reserves its right to exercise all or any of its security and other enforcement rights and remedies, including without limitation litigious rights and remedies, in respect of the said payment claims, as RFAM determines fit, and without further notice to TPFL as responsible entity for TTIB, Sandhurst Trustee Limited ACN 004 030 737 as custodian for the TTIB ("**Sandhurst**"), or TTIB itself.
 5. For the avoidance of doubt, the exercise by RFAM of any of its said security and other enforcement rights and remedies in respect of the said payment claims of RFAM above, are not restrained by the current liquidation of TPFL, except as expressly so restrained by applicable statute or statutory regulation.
 6. In the above circumstances, could you please urgently advise us or the principal of our client, Kim Burton directly, as your intentions concerning

payment to RFAM of the above payment claims within the next 7 days of the date of this letter.


7. We and our client urgently await hearing from you concerning the above.

8. Also, for the avoidance of doubt, our client, RFAM:
 - (a) reserves all its rights and remedies concerning the conduct of TPFL in relation to the aforesaid matters, including without limitation the said transfer of mortgage management rights from TTIB to TPFL, and the assumption by RFAM of liability to TTIB to indemnify TPFL in respect of any future shortfalls between the net income of TTIB and distributions to be received by unit holders in TTIB; and
 - (b) further will resist in the strongest lawful manner possible any claim made by TPFL or TTIB against RFAM in relation to the TTIB; and
 - (c) further will seek an order for costs against the relevant of TPFL and TTIB on the higher indemnity basis, if any such claim is litigiously pursued by TPFL or TTIB against RFAM as the case may be.

9. Please do not hesitate to telephone or otherwise contact Stephen Velik of this office should you have any queries concerning this letter.

10. At the request of Mr Adam Shepard to Kim Burton of our client, we are copying this letter to Kemp Strang marked for the attention of Mr Glen Cussen, Partner.

Yours faithfully



SV LAW

Copy: Kemp Strang
Attention: Mr Glen Cussen, Partner
By Fax: (02) 9225 2599
By E-mail: cusseng@kempstrang.com.au

Paragraph 5.6.12(2)
FORM 529
Corporations Act 2001

**NOTICE OF MEETING OF
CREDITORS OF COMPANY**

TPFL LIMITED
(FORMERLY TEYS PROPERTY FUNDS LIMITED)
A.C.N. 105 164 047
(IN LIQUIDATION)

Notice is hereby given that a meeting of the creditors of the company will be held at Ground Floor, 83 York Street, Sydney, NSW on Tuesday, 24 August 2010 at 10:00 am

The purpose of the meeting is for creditors to resolve:

1. To approve the liquidator of TPFL entering into the following agreements that exceed 3 months pursuant to section 477(2B) of the Corporations Act:
 - a. Loan documentation to refinance the Heritage debt of \$565,000
 - b. RFA Group Settlement Deed encompassing, inter alia, the claims and matters referred to in the report of 9 August 2010
 - c. Terranora Work Out Deed and other ancillary documentation
 - d. Braidwood Work Out Deed and other ancillary documentation
 - e. Registries Limited registry services agreement for TTIB

2. To approve the liquidator compromising the following debts in excess of the statutory limit pursuant to section 477(2A) of the Corporations Act:
 - a. The RFA Management Limited Right of Indemnification Claim
 - b. The Lady Brand/Dalesun loan compromise
 - c. Terranora/Creeksound loan compromise
 - d. Braidwood/Habitat loan compromise
 - e. Release of guarantee of William Morris in respect of Burleigh loan (if required)

Telephone conference facilities are available.

- (a) The telephone number is (02) 9262 2277

- (b) A creditor, or the proxy or attorney of a creditor who wishes to participate in the meeting by telephone must give to the Administrator, not later than the second-last working day before the day on which the meeting is to be held, a written statement setting out:
 - (i) the name of the creditor and of the proxy or attorney (if any);
 - (ii) an address to which notices to the creditor, proxy or attorney may be sent;
 - (iii) a telephone number at which the creditor, proxy or attorney may be contacted; and
 - (iv) any facsimile transmission number to which notices to the creditor, proxy or attorney may be sent.

- (c) A creditor, or the proxy or attorney of a creditor, who participates in the meeting by telephone must pay any costs incurred by the creditor, proxy or attorney in participating and is not entitled to be reimbursed for those costs from the assets of the company.
- (d) Please contact Ivy Michael of this office on tel: (02) 9262 2277 to arrange conference facilities.

A creditor wishing to participate in the meeting by telephone must advise the Administrator of the details requested above by no later than 5:00 pm on Friday, 20 August 2010.

A form of proxy and a proof of debt for the purposes of voting at the meeting are enclosed. Please lodge documents to be used at the meeting prior to the commencement of the meeting.

DATED this 9th day of August



.....
TPFL LIMITED (FORMERLY TEYS PROPERTY FUNDS LIMITED)
(IN LIQUIDATION)
Adam Shepard
Liquidator

FORM 532
Corporations Act 2001

Regulation 5.6.29

TPFL LIMITED (FORMERLY TEYS PROPERTY FUNDS LIMITED)
A.C.N. 105 164 047
(AIN LIQUIDATION)

APPOINTMENT OF PROXY

I/We

.....

of

.....

a creditor of the abovenamed company hereby appoint

.....

or, in his or her absence

.....

as my/our *general/*special proxy to vote at the meeting of creditors to be held on Tuesday, 24 August 2010 at 10:00 am or at any adjournment of that meeting.

*(i) This proxy is to be used as a **general proxy** to vote on all matters arising at the meeting

OR

*(ii) This proxy is to be used as a **special proxy** to vote on the following resolutions as specified.

1. That the liquidator be authorised to enter into an agreement that exceeds 3 months pursuant to section 477(2B) as outlined in his report dated 9 August 2010.

1(a). for*
against* Loan documentation to refinance the Heritage debt of \$565,000

1(b). for*
against* RFA Group Settlement Deed encompassing the above mentioned claims

1(c). for*
against* Terranora Work Out Deed and other ancillary documentation

1(d). for*
against* Braidwood Work Out Deed and other ancillary documentation

1(e). for*
against* Registries Limited registry services agreement for TTIB

2. That the liquidator be authorised to compromise the following debts in excess of \$100,000 pursuant to section 477(2A) as outlined in his report dated 9 August 2010:
- 2(a). $\frac{\textit{for}^*}{\textit{against}^*}$ The RFA Management Limited Right of Indemnification Claim
- 2(b). $\frac{\textit{for}^*}{\textit{against}^*}$ The Lady Brand loan in the amount of \$9.5 million
- 2(c). $\frac{\textit{for}^*}{\textit{against}^*}$ The Terranora loan in the amount of \$12 million
- 2(d). $\frac{\textit{for}^*}{\textit{against}^*}$ The Braidwood loan in the amount of \$4 million
- 2(e). $\frac{\textit{for}^*}{\textit{against}^*}$ To release William Morris from the Burleigh/Queensland Projects Pty Limited guarantee

***IMPORTANT: CROSS OUT WHICHEVER IS INAPPLICABLE. -**

DATED this day of 2010.

.....
(name of creditor)

.....
(signature)

.....
(capacity of person signing)

NOTES TO PROXY

- (1) The person(s) appointed proxy may be the Chairperson or such other person as the creditor may approve, and the proxy form, when signed, must be lodged by the time and at the address named for that purpose in the notice convening the meeting at which it is to be used.
- (2) Note that any person signing on behalf of a company must be duly authorised by the company.

CERTIFICATE OF WITNESS

(This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy)

I of
(Name) (Address)

.....
.....

certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated.....

.....
(Signature of Witness)

Description
.....

Place of residence
.....
.....

IN THE MATTER OF
TPFL LIMITED (FORMERLY TEYS PROPERTY FUNDS LIMITED)
A.C.N. 105 164 047
(IN LIQUIDATION)

PROOF OF DEBT FOR THE PURPOSE OF
VOTING AT THE MEETING OF CREDITORS

NAME OF CREDITOR

AMOUNT OF DEBT CLAIMED
(see note 1)

CONSIDERATION FOR DEBT
(eg. what you supplied/what
services you rendered)

WHETHER SECURED OR UNSECURED
(if secured, give details of
security including date of
security)

.....
Signature of Creditor (see note 2)

NOTES

1. A creditor must not vote in respect of an unliquidated debt or a contingent debt or an unliquidated or contingent claim, or a debt the value of which is not established, unless a just estimate of its value has been made.
2. The Proof of Debt should be signed by a creditor, or a person duly authorised by that creditor
3. The Chairperson of the meeting may admit or reject a Proof of Debt for the purpose of voting at the meeting.
4. Please return this document prior to the commencement of the meeting to -

Setter Shepard
Ground Floor, 83 York Street
SYDNEY NSW 2000
Facsimile: (02) 8079 0789