



# Investor Briefing Session Summary

## Equititrust Income Fund (EIF, Fund)

### 23 September 2011

The meeting was opened by Mr David Tucker, Non-executive Director of the Equititrust Limited Board. The presentation was delivered by Mr David Kennedy, Chief Executive Officer.

#### Current Position of EIF

- \$181 million total value of Fund assets
- Approximately 40 loans outstanding

#### Operating Costs

- Only expenses directly related to the Fund are recoverable by Equititrust Limited
- Staff have been reduced from 45 to 18 full-time equivalents over the past 12 months
- A number of staff have reduced to part-time to reduce overheads
- Ongoing operating expenses reduced by 60% from previous corresponding period

#### Management Fee

- Equititrust Limited does not draw a management fee for ongoing management of EIF
- Equititrust Limited does not earn any profit for the management of EIF
- Equititrust Limited was entitled to a management fee of \$2.8 million for the 2011 financial year but this has not been drawn and will not be

#### Legal Fees

- As expected, with most loans now in default, legal fees have increased substantially from the 2010 financial year to the 2011 financial year
- We continue to use a range of legal firms depending on the nature and size of the claim
- Numerous judgements have been obtained to allow for reimbursement of our costs on an indemnity basis

#### Unit Price Calculation

Total Value of Fund Assets		\$195,476,421
Less Value of NAB Facility		<u>(\$25,000,000)</u>
		\$170,476,421
Less Creditors and Other Payables		<u>(\$10,814,762)</u>
Total Net Value of Fund Assets	A	\$159,661,659
Total Number of Ordinary Units Issued	B	203,634,856
<b>Current Value of an Ordinary Unit</b>	<b>A/B</b>	<b>\$0.78</b>
NB. Values used are those as at 30 April 2011		

*Simplified mechanics of the unit price calculation*

- Equititrust Limited holds 40 million subordinated units in the EIF and has taken the loss of the first \$40 million of impairments to asset value
- The subordinated investment now has a nil value and will not regain value unless the ordinary units return to \$1.00 per unit
- Creditors and other payables has a balance of \$4.2 million as at 30 June 2011, comprised of a loan from MM Holdings for \$2.6 million and an amount due to Equititrust Limited of \$1.5 million

#### NAB Facility

- Current balance \$12.5 million
- Continue to work closely with NAB

- Current facility expires 30 November 2011
- Pay out likely by October 2011 from the sale of secured properties
- \$8 – 9 million scheduled to be repaid to NAB by the end of next week
- Remaining \$3 – 4 million to be repaid by the end of October 2011 subject to contracts settling

#### **Audited Accounts**

- Accounts due to be finalised by 30 September 2011
- Aiming to meet 30 September deadline but extension requested out of an abundance of caution due to late arrival of third party documentation (primarily valuations)
- May be some differences in audited accounts compared to unit price calculation due to accounting standard treatment – primarily in relation to the recognition of the time value of money per accounting standards

#### **Capital Distributions**

- Once the NAB facility is repaid we will continue with the sale of secured properties to provide the liquidity to commence capital distributions
- The initial distribution will be an equalisation amount which may be payable to some investors, including those holding investments where distributions were paid on an annual basis and as such those investors have not had the same level of distribution for the 2010/11 financial year as investors who were receiving monthly distributions
- Pro rata capital distributions will commence after the equalisation payments

#### **Timeframes and Communications**

- Continue with regular website updates per Continuous Disclosure obligations
- Intend to commence quarterly investor updates on loan realisation progress, distribution timetable etc

#### **Equititrust Limited Board**

- John Goddard, Non-executive Chairman
- David Tucker, Non-executive Director
- Craig Treasure, Non-executive Director
- David Jackson QC, Non-executive Director

#### **Executive Team and Staff Changes**

- Mark McIvor has resigned as Managing Director
- David Kennedy is to end his role as CEO after the NAB is paid in full, however, David will remain as a consultant for litigation etc
- Matt Corkin will finalise his executive role with Equititrust Limited at the conclusion of the seminar
- Directors and executives continually review the position to ensure that their skill-set is commensurate with the skills Equititrust Limited requires, given cost pressures etc

#### **Piper Alderman Class Action**

- Equititrust Limited has given several invitations to Piper Alderman to address any concerns they may have, however, these have not been taken up
- Piper Alderman continue to speak to the media but not to us regarding the alleged claim
- Basis of the claim as outlined in the media is ill-conceived and factually incorrect

#### **Centrelink Exemption**

- Equititrust applied to the Minister for Families, Housing, Community Services and Indigenous Affairs for an exemption to the social security income test deeming rules for investors receiving assistance from Centrelink
- Received reply 21 September 2011 notifying us that our application was unsuccessful
- Equititrust intends to respond
- Any investors experiencing severe financial hardship are able to contact Centrelink to discuss their situation

#### **Activity and Focus**

- Continue with secured asset sales
- Pay down NAB facility
- Equalisation payment
- Pro rata capital distributions to all EIF investors

