



15 March 2011

Dear Investor

Westpoint Update – March 2011

The Australian Securities and Investments Commission (ASIC) has recently settled several of the legal actions it had commenced to obtain compensation for the benefit of Westpoint investors. I would like to take this opportunity to update you on our progress since the last update, and on the current status of the legal actions that are continuing.

ASIC Settles Westpoint Compensation Litigation

On 1 February 2011 ASIC settled the Federal Court actions it had been conducting on behalf of nine Westpoint Group companies against KPMG, the former auditor of certain Westpoint companies and four individuals who were appointed as, or are alleged to have been, directors of those companies. Proceedings against another former director were resolved on 9 March 2010.

The nine Westpoint Group company plaintiffs with whom KPMG and the five Westpoint directors have settled are:

- Ann Street Mezzanine Pty Ltd
- Bayshore Mezzanine Pty Ltd
- Bayview Heritage Mezzanine Pty Ltd
- Market Street Mezzanine Ltd
- Market Street Mezzanine No. 2 Pty Ltd
- Mount Street Mezzanine Pty Ltd
- North Sydney Finance Limited
- York Street Mezzanine Pty Ltd
- Cinema City Mezzanine Pty Ltd

The settlements have also brought to an end claims against Ms Anna Harris, the wife of Mr Beck and certain companies associated with Mr Beck.

The settlement of these actions will result in an additional recovery for the benefit of investors through the liquidation process of up to an additional \$67.45 million. The settlement will involve an amount of \$57 million becoming available by the end of March 2011, with the balance becoming available subject to a number of conditions which are confidential.

Summary of the Westpoint Collapse and ASIC's Actions

The investors in Westpoint-related financial products had a total capital invested of \$388 million outstanding as at January 2006 when the Group collapsed.

ASIC commenced a number of actions to claim compensation. ASIC's actions against State Trustees Limited and a number of financial planners have produced settlements in excess of \$25.5 million. The settlement of the proceedings against KPMG and the Westpoint directors means the total amount recovered as a result of ASIC's compensation litigation will be up to \$92.95 million.

Another \$49.2 million obtained through the liquidation process has also been distributed, a figure that is expected to reach \$56 million. Returns from Westpoint companies not in liquidation are expected to reach \$22.5 million.

In all, investors are expected to see a return of around \$160 to \$170 million of the \$388 million in losses.

ASIC Compensation Action Settlements

Date	Action Settled	Settlement Amount
November 2008	Masu Financial Management Pty Ltd	The terms of this settlement remain confidential between the parties.
September 2009	Professional Investment Services Pty Ltd	\$5.9 million.
November 2009	Bongiorno Financial Advisors Pty Ltd and Bongiorno Financial Advisors (Aust) Ltd	\$2.6 million
December 2009	State Trustees Limited	\$13.5 million
May 2010	Glenhurst Corporation Pty Ltd, and its insurer, QBE Insurance (Australia) Ltd	\$2.5 million
September 2010	Barzen Pty Ltd (formerly Dukes Financial Services Pty Ltd) and Mr Joseph Dukes	\$1 million
February 2011	Directors' and Auditor's actions	Up to \$67.45 million
		Up to \$92.95 million

Summary

Total losses	\$388 million
Estimated recoveries from the liquidation process and Westpoint companies not in liquidation	\$78.5 million
Compensation from ASIC's actions	up to \$92.95 million
Total estimated return	between \$160 and \$170 million

Distribution of Settlement Funds

The settlement funds will be paid to the liquidators of the plaintiff mezzanine companies and will be apportioned amongst those companies. The liquidators will apply to the Court for directions as to the manner in which the settlement funds are to be apportioned between the plaintiff companies. The settlement funds will be held by ASIC in the meantime. ASIC is actively working with the liquidators on the application for directions. It is anticipated that the application will be made within the next two weeks. It is unclear at this stage when the Court will hear this application but it is possible that it could be several months before there is a hearing.

Once the Court has determined how the settlement funds are to be allocated, the liquidators will distribute the funds as part of the usual liquidation process. ASIC anticipates that the distribution of compensation to investors will take place more quickly where the liquidators have already called for proofs of debt. Where proofs of debt have not been called the liquidators will have to complete this process before distributions can be made. Accordingly, it might be some months before the settlement funds are distributed.

The settlement sum is a gross sum and some costs, primarily liquidators' costs, will need to be deducted.

Not all investors in Westpoint financial products will benefit from this settlement. The entitlement of an investor to participate in the settlement will depend on the specific investments and circumstances of that investor. However, it is anticipated that up to 80 percent of Westpoint investors stand to benefit from this settlement.

As we have previously advised, the settlement sum is unlikely to be distributed equally among the investors. The manner in which the settlement sum is to be apportioned between the plaintiff companies will be determined by the Court.

The distribution to investors will be made by the liquidators of the relevant companies. Accordingly, investors should ensure that the liquidators, in addition to ASIC, have their contact details on file.

Ongoing Legal Actions

The following class actions against two Australian financial services licensees are continuing:

- Strategic Joint Partners Pty Ltd; and
- Brighton Hall Securities Pty Ltd (in Liquidation).

Brighton Hall Securities Pty Ltd (in Liquidation)

ASIC continues to negotiate with the liquidator of Brighton Hall regarding possible settlement of the legal action brought by ASIC against the company. Due to the limited assets available in the company for distribution by the liquidator, ASIC currently remains of the view that it is commercially prudent to seek to reach an agreed outcome rather than have the matter determined by the Courts.

On 20 May 2010 the Federal Court ordered that ASIC send opt out notices to Group Members in the class action commenced by ASIC against Brighton Hall Securities. ASIC have now done so and the investors have been given the option to opt-out of this litigation if they so choose.

If you believe you should be included in this action and have not received an opt-out notice from ASIC, please contact the Westpoint Liaison Officer on the number or email address provided below.

Strategic Joint Partners Pty Ltd

ASIC continues to negotiate with Strategic Joint Partners Pty Ltd regarding a possible settlement of the legal action brought by ASIC against the company. ASIC currently remains of the view that it is commercially prudent to reach an agreed outcome rather than have the matter determined by the Courts.

The proceeding against Strategic Joint Partners relates to some 51 Group Members who invested approx \$5.17M in Westpoint Products relevant to the Proceeding.

Other Westpoint Milestones

- March 2010 – Queensland unlicensed adviser convicted and sentenced to six months imprisonment, with an order that he be released after entering a \$1,000 good behavior bond for three years after pleading guilty to an ASIC charge.
- August 2010 – Mr Graeme Rundle, the former Chief Financial Controller of the Westpoint Group of companies, was committed to stand trial in the Sydney District Court in relation to two criminal charges brought by ASIC. It is alleged that in May 2004, Mr Rundle made false statements to a financial institution in support of an application for a \$71 million credit facility to fund a Westpoint building project known as the Scots Church Development on York Street in Sydney. Each offence carries a maximum penalty of five years' imprisonment. The trial is listed to commence on 9 May 2011.
- November 2010- Adelaide financial planner jailed for six months after being found guilty of an ASIC charge. On release, the person charged will enter a \$1,000 good behavior bond for three years.

For those investors who have elected to receive information from ASIC by post, we **enclose** a copy of your updated personalised graphs. **Please note that these graphs do not show expected returns from the recent settlement with some of the Westpoint directors and KPMG, as this has not yet been determined.** Additionally, although some investors may have now received payments from the Dukes settlement, these amounts are not shown as actual returns from ASIC litigation. Your expected recovery from the Dukes settlement (if you are a Group Member) is included in the table below the graphs under "Example Returns" in the "ASIC's actions regarding Trustee and Financial Planners" column.

Further information on Westpoint related matters can be found at ASIC's Westpoint website at www.asic.gov.au/westpoint. Additionally, should you require other assistance please contact our Westpoint Investor Liaison Officer via ASIC's Infoline on 1300 300 630 or westpointinvestorliaison@asic.gov.au

ASIC will continue to keep investors informed of developments and when there is a resolution to any of the legal proceedings we have commenced.

Yours sincerely



Tony D'Aloisio

Chairman