Ferrier Hodgson

Rental Management Australia Pty Ltd (Administrators Appointed) ACN 160 167 108

Voluntary Administrators' Report

30 May 2019

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Glossary of terms

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Term	Description
ACN	Australian Company Number
Act	Corporations Act 2001
Acquest Group	Acquest Capital Pty Ltd, Acquest Property Pty Ltd and Rental Management Australia Pty Ltd
Administrators	Martin Jones and Wayne Rushton
AGE	The Agency Group Limited
APAAP	All present and after-acquired property – no exceptions
ARITA	Australian Restructuring, Insolvency & Turnaround Association
ASIC	Australian Securities & Investments Commission
ATO	Australian Taxation Office
Code	ARITA Code of Professional Practice
COI	Committee of Inspection
Company / RMA	Rental Management Australia Pty Ltd
Director	Paul Luzi
DIRRI	Declaration of Independence, Relevant Relationships and Indemnities, pursuant to s436DA of the Act and Code.
DOCA	Deed of Company Arrangement
ERV	Estimated Realisable Value
FEG	Fair Entitlements Guarantee
First Meeting	First meeting of creditors held on 15 May 2019
FST	Fifth Stop Pty Ltd
FY	Financial year
IPR	Insolvency Practice Rules (Corporations) 2016
PMSI	Purchase Money Security Interest
PPSA	Personal Property Securities Act 2009 (Cth)
PPSR	Personal Property Securities Register
ROCAP	Report on Company Activities and Property
Report	This report, prepared pursuant to IPR 75-225 and Section 438A of the Act
RE	Responsible entity
RMAD	Rental Management Australia Developments Pty Ltd
RMAQ	Rental Management Australia (Qld) Pty Ltd

Term	Description
RMAV	Rental Management Australia (Vic) Pty Ltd
ROT	Retention of Title
Second Meeting	Second meeting held pursuant to IPR 75-225 and Section 439A of the Act, where creditors determine the future of the Company.
SIT	Sterling Income Trust [Management Investment Scheme - ARSN 158 828 105]
Sterling First Group	Sterling First (Aust) Limited; Gage Management Ltd, Rental Management Australia Developments Pty Ltd, SHL Management Services Pty Ltd, Silver Link Investment Company Ltd, Silverlink Securities Pty Ltd, Sterling Corporate Services Pty Ltd, Sterling First Projects Pty Ltd and Sterling First Property Pty Ltd.
The Sterling Group	Acquest Capital Pty Ltd, Acquest Property Pty Ltd, Gage Management Ltd, Rental Management Australia Developments Pty Ltd, SHL Management Services Pty Ltd, Silver Link Investment Company Ltd, Silverlink Securities Pty Ltd, Sterling Corporate Services Pty Ltd, Sterling First (Aust) Limited, Sterling First Projects Pty Ltd and Sterling First Property Pty Ltd.
Theta	Theta Asset Services Pty Ltd (RE for the SIT)
YPG	Yolk Property Management Pty Ltd

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1. Executive summary

This section addresses frequently asked questions relating to the Administration of the Company including a summary of the estimated outcome for creditors. Full details are available throughout this Report.

Question	
What is the Company?	RMA is a rent roll aggregator which commenced operations in 2011 and currently has 3,600 properties under management across WA, VIC and QLD.
What is the purpose of this Report?	The purpose of this Report is to table the findings of our investigations of the Company's business, property, affairs and financial circumstances, as well as our opinion on the three options available to creditors in deciding the future of the Company at the Second Meeting.
What is the current status of the Company?	On 3 May 2019, Martin Jones and Wayne Rushton, were appointed as joint and several Administrators of the Company by the Director under Section 436A of the Act.
Who is in control of the Company?	On appointment, the Administrators assumed control of the Company's operations and notified employees, creditors and other stakeholders of their appointment. The Administrators then conducted an urgent financial and commercial review of the Company with the assistance of key personnel and communications with key stakeholders including customers and suppliers. The Administrators have also undertaken preliminary investigations into the affairs of the Company and the reasons for its failure.
What is the ownership structure of the Company?	The Company is 100% owned by Acquest Capital Pty Ltd. For further information on Acquest Capital we refer you to the Sterling Group Administrators' Report dated 30 May 2019.
How did the Company's business trade?	The Company's head office was located in South Perth. The Company also has offices in Joondalup, Port Kennedy and Bunbury with 2,300 residential and 123 commercial properties under management throughout WA. The majority of these managements were obtained by way of acquisition. The Company also had an arrangement with RMAD, which saw new business (organic growth) obtained by RMAD and acquired by RMA.
Why do the Directors believe the Company became insolvent?	The Director of the Company has provided us with the following reasons for its failure: - Severe decline in the value of residential properties held of more than 25% restricted the ability to sell those properties - Rental Income suffered a 20% decline across the portfolio - Cost of senior debt and the debt to the Development Units became an unsustainable cash flow burden on the Sterling First Group - Closure of the SNL business resulted in a reduction in revenue to the Sterling First Group - The inability to launch a new rental trust to replace the SIT added further cash flow pressure for the Sterling First Group and RMA.

Question	
What do the Administrators consider were the underlying causes of the Company's failure?	Our preliminary view is that, in addition to the reasons identified by the Directors, the Company failed as a result of: - the complexity of the organisational and operational structure which ultimately resulted in higher operational costs and a level of dysfunctionality; - uncommercial pricing structure under the Master Deed of Assignments which as a result of a reduction in rental income failed to reflect the cost to run RMA's business (putting it into a loss-making position); and - the reliance on capital raising to fund operations.
When do the Administrators consider the Company became insolvent?	Our preliminary view is that the companies were insolvent in/or around January 2019 when the inability to issue the ART PDS restricted the ability of RMA to sell organic growth and to acquire further rent rolls already under contract.
What is the purpose of the Second Meeting of Creditors?	To resolve the future of the Company. The options available include whether: - The Company execute a DOCA; - The Administration should end; or - The Company be wound up. In the event that creditors resolve that the Administration should end, control of the Company will revert to the Directors.
What was the outcome of the sale of business process?	High level overview: - In excess of 85 interested parties contacted my office. - 17 non-binding indicative offers received. - 14 parties shortlisted to access further information for due diligence. - Five offers for the national portfolio and six WA segmented offers received. - Three (3) parties have put forward DOCA proposals capable of acceptance. These are set out in further detail throughout this report.
What is the estimated return to creditors?	Creditors are expected to receive the following returns under each scenario:

Creditor class	DOCA			Liquidation (cents in the $)
	AGE (cents in the $)	FST (cents in the $)	YPG (cents in the $)	
Priority employees	100	100	100	100c through FEG (excl super)
Secured	100	100	100	35 -52
Unsecured	6.6 - 11.8	10.9 - 11.8	0 – 7.4	Nil
Intercompany loans				

The above dividend rates are estimates only. The final rate will be dependent on a number of factors. Please refer to **Section 10** for further information.

If the Company is placed into liquidation at the Second Meeting, priority creditors may be able to recover their outstanding entitlements (excluding unpaid superannuation) through FEG. Please refer to **Section 10** for further information.

Question

What do the Administrators recommend creditors should do?

In our opinion, a DOCA will provide a greater return to creditors and should be considered as the preferred approach to the winding up of the Company for the following reasons:

- Reduces the need for a retention or hold back as the parties acquire RMA, and therefore do not need to obtain an assignment with respect to each of the management authorities;
- Maintains the continuity of the employees and their entitlements are retained as liabilities of RMA as a recapitalised entity (except for YPG);
- Minimises to the extent possible, any business disruption and facilitates the sale of RMA's rent roll in a truncated timeframe.
- In the event that the Company were to enter into Liquidation it is likely that no funds would be available to unsecured creditors as the business would deteriorate rapidly and the realisable value of the RMA would likely be significantly impacted.
- The contemplated DOCA conforms to the policy objectives of Part 5.3A (see Section 435A) of the Act. That is, maximising the chances of the Company continuing in existence.

We have extensively negotiated the three (3) DOCA's set out in this report to extract and accrete as much value to creditors as available in the circumstances.

Based on our statement of position, FST and AGE provide for a greater return to creditors on a high and low case basis. However, our recommendation to creditors must also have regard to the timing and completion risk associated with the DOCA proposals.

Accordingly, we recommend that creditors approve RMA's entry into a DOCA with FST for the following reasons:

- The proposed DOCA provides for continued employment of the Company's employees.
- The Secured Creditor will be repaid in full upon effectuation.
- We have sighted two (2) letters of indicative finance approval with respect to the funding of the proposed consideration ($6M).
- The deferred consideration is received in a shorter window (60 days) as compared to the other DOCA proposals (being 12 to 13 months).
- The deferred consideration is secured pursuant to a GSA by the Creditors Trust over RMA and a first ranking mortgage over a real property asset (with sufficient equity) to secure the performance of the obligations, therefore mitigating the collection risk of these funds.
- AGE's DOCA is subject to a capital raising and therefore regulatory risk, notwithstanding the initial consideration is higher at $7.5M.
- YPG is subject to finance and the retention is at risk of materialising as compared to FST.

Accordingly, FST has the least completion risk out of the three (3) DOCA proposals and we therefore recommend this DOCA to creditors.

Creditors are however entitled to vote at the meeting as they consider appropriate. Our role is to enable creditors to make an informed decision having regard to the facts and circumstances surrounding the process.

Question	
What claims will a liquidator investigate?	Whilst the Administrators have considered the underlying causes of the Company's failure, our investigations into claims arising from those matters are at an early stage. Any future appointed liquidator would be required to conduct more comprehensive investigations and consideration regarding action in respect of recoveries (if any). From our preliminary investigations, we have concluded that: - the Company was likely insolvent from at least January 2019 - there are likely to be minimal recoveries (if any) relating to unfair preferences. The investigations undertaken to date in the Administrators are detailed at **Sections 8 and 9** of this report.
Where can I get more information?	If you require any further information, please see the Ferrier Hodgson website and/or contact the following: **Meeting queries** Phone:08 9214 1475 E-mail: bryce.nie@fh.com.au **Employee queries** Phone: 08 9214 1478 E-mail: belinda.devattimo@fh.com.au

2. Introduction

This section provides information on the entities subject to the Administration process, the objectives of the Administration, the purpose of this Report, details of meetings of creditors and a summary of the Administrators' remuneration.

Key takeaways		Ref.
1	The appointment of Martin Jones and Wayne Rushton was confirmed at the First Meeting of creditors.	2.6
2	The Second Meeting is convened for Monday 10 June 2019 at Level 28, 108 St Georges Terrace, Perth WA 6000 at 11am	2.7
3	At the Second Meeting, creditors will decide the Company's future by voting on one of the following options: That the administration should end (in this case control of the Company will revert to its directors); or That the Company should be wound up; or That the Company execute a DOCA. Creditors can also adjourn the Second Meeting for up to a period of 45 business days.	2.7

2.1. Appointment of Voluntary Administrators

On 3 May 2019, Martin Jones and Wayne Rushton, were appointed as joint and several Administrators of the Company by the Director under Section 436A of the Act.

On 3 May 2019 we were also appointed as joint and several Administrators by the Directors under Section 436A of the Act of the following companies within the Sterling Group.

Entity	ACN
Acquest Capital Pty Ltd	149 170 927
Acquest Property Pty Ltd[1]	167 584 572
Gage Management Ltd	625 343 697
Rental Management Australia Developments Pty Ltd	146 806 662
SHL Management Services Pty Ltd	616 583 281
Silver Link Investment Company Ltd	623 500 407
Silverlink Securities Pty Ltd[2]	622 598 823
Sterling Corporate Services Pty Ltd[3]	158 361 507
Sterling First (Aust) Limited	610 352 826
Sterling First Projects Pty Ltd	162 801 425
Sterling First Property Pty Ltd[4]	610 765 976

1. *And as trustee for the RPRT – Wholly Owned Sub Trust A and the RPIT Development Trust Nos. 2, 3, 4, 7, 8, 10 & 12*
2. *And as trustee for the Silverlink Property Trust No.1, Silverlink Growth Rights Trust and Silverlink Income Rights Trust*
3. *And as trustee for the Development Trust*
4. *And as trustee for the Residential Property Trust*

2.2. Objective of voluntary administration

In a voluntary administration, Administrators are empowered by the Act to assume control of an insolvent company, superseding the powers of the Directors and Officers, to manage the company's affairs and deal with its assets in the interests of its creditors.

The intention of a voluntary administration is to maximise the prospects of a company continuing in existence or, if that is not possible, to achieve better returns to creditors than would be achieved by its immediate liquidation. During a voluntary administration there is a moratorium over most pre-administration creditor claims.

Administrators are also required to investigate the Company's affairs and report to creditors on the Administrators' opinion as to which outcome of the voluntary administration process is in the creditors' best interest, informing the creditors prior to their voting at the Second Meeting (please see Section 11 for further details).

2.3. Purpose and basis of this report

IPR 75-225 requires a voluntary administrator to provide a report (the **Voluntary Administrator's Report** or this **Report**) to all creditors ahead of the Second Meeting, outlining:

Details regarding the business, property, affairs and financial circumstances of the entity under administration;
The Administrator's opinion and recommendation on each of the options available to creditors; and
If a DOCA is proposed, the details of the DOCA.

This Report also informs creditors about the preliminary investigations undertaken by the Administrators to date. Accordingly, the views formed in this Report are not final and may be subject to change. Any additional material issues that are identified after this Report may be subject to a further written report and/or tabled at the forthcoming Second Meeting.

This Report has been prepared primarily from information obtained from the Company's books and records and discussions with the Directors. Although the Administrators have conducted certain investigations of the affairs of the Company, there may be matters which we are unaware of as an audit of the Company has not been undertaken.

In order to complete our Report, we have utilised information from:

- The ASIC;
- The PPSR;
- The Company's book and records;
- Discussions with the Directors and former directors of the Company;
- Discussions with key employees of the Company;
- Discussions with creditors of the Company; and
- Other public databases.

2.4. Context of this Report

This Report is based on our preliminary investigations to date. Any additional material issues that are identified subsequent to the issue of this Report may be the subject of a further written report and/or tabled at the Second Meeting.

The statements and opinions given in this Report are given in good faith and in the belief that such statements and opinions are not false or misleading. We reserve the right to alter any conclusions reached based on any changed or additional information which may be provided to us between the date of this Report and the date of the Second Meeting (except where otherwise stated).

In considering the options available to creditors and formulating our opinion and recommendation, we have necessarily made forecasts of asset realisations and total creditors' claims based on our best assessment in the circumstances. These forecasts and estimates may change as asset realisations progress and we receive creditor claims and consequently the outcome for creditors might differ from the information provided in this Report.

Creditors should consider seeking their own independent legal advice as to their rights and the options available to them at the Second Meeting.

2.5. Declaration of independence, relevant relationships and indemnities

In accordance with Section 436DA of the Act and the Code, a DIRRI was enclosed with the Administrators' first communication to creditors (and tabled at the First Meetings of Creditors).

The DIRRI disclosed information regarding the Administrators' independence, prior personal or professional relationships with the Company or related parties and any indemnities received in relation to the appointment. This assessment identified no real or potential risks to the Administrators' independence.

There has been no change in the declaration since that time.

2.6. First Meeting of Creditors and Committee of Inspection

Section 436E of the Act requires the Administrators to convene the first meeting of creditors within eight business days of being appointed.

The First Meeting of Creditors of the Company was held concurrently with the Sterling Group on 15 May 2019, at which the Administrators appointment was confirmed.

Creditors resolved at the First Meeting of Creditors not to appoint a COI.

2.7. Meeting of eligible Employee Creditors

A separate meeting of Eligible Employee Creditors has been convened for 10 June 2019 at the office of Ferrier Hodgson, Level 28, 108 St Georges Terrace, PERTH WA 6000 at 10.00 am (AWST) pursuant to Section 444DA(2) of the Act.

The purpose of this meeting if for eligible employees to consider and whether they consent to the non-inclusion of a provision within the DOCA that provides that they will be entitled to a priority at least equal to what they would receive should sections 556, 560 and 561 of the Act be applied.

Eligible Employee Creditors have been written to separately in this regard. For completeness we note **this meeting only pertains to Employee Creditors of RMA, not RMAD or any other entities of The Sterling Group.**

2.8. Second Meeting of Creditors

Pursuant to Section 439A of the Act, the Second Meeting is convened for 10 June 2019 at Level 28, 108 St Georges Terrace at 11:00am (AWST). At the Second Meeting, creditors will decide the Company's future by voting on one of the following options:

- That the administration should end (in this case control of the Company will revert to its directors); or
- That the Company should be wound up; or
- That the Company execute a DOCA.

The Notice of Meeting of Creditors is attached (**Annexure B)** along with an appointment of proxy form (**Annexure C**) and a proof of debt or claim form (**Annexure D**).

Creditors have the opportunity to adjourn the Second Meeting for up to a period of 45 business days to enable further investigations to be undertaken.

All creditors are entitled to attend the Second Meeting. Creditors who wish to participate in the Second Meeting must complete and submit the following forms to this office by 4:00pm on Friday 7 June 2019.

Form	Comments
Appointment of proxy (form 532)	Corporate creditors must appoint an individual to act on its behalf. Individuals voting in person are not required to complete this form but must complete this form if a representative is appointed to vote on their behalf. Please note that proxy forms submitted for the First Meeting are not valid for the Second Meeting. A new proxy form must be submitted.
Proof of debt (form 535)	Creditors must submit documentation to support the amount they have claimed (i.e. unpaid invoices, payslips).

Form	Comments
	Creditors who have already submitted a proof of debt are not required to resubmit a proof of debt form unless the amount claimed has changed.

The Administrators intend to hold the Second Meeting of RMA separate to the remaining companies within the Sterling Group. In this regard if you are also a creditor of one of the entities in the Sterling Group the concurrent second meetings of creditors are convened for Monday, 10 June 2019 at The Palace Training Room, Ground Floor, 108 St Georges Terrace at 11:00am (AWST).

Creditors wishing to attend by electronic means are advised they can utilise the following facility:

Facility Number: 1800 672 949
Password: will provide upon request

Please contact Ferrier Hodgson by email at bryce.nie@fh.com.au or by telephone to 08 9214 1444 to be provided with a conference call password.

Creditors wishing to participate in the meeting by using electronic facilities must return to the external administrator not later than the second-last business day before the day of the meeting, a written statement setting out:

- The name of the person and or the proxy or attorney, (if any); and
- An address to which notices to the person, proxy or attorney may be sent; and
- The method by which the person, proxy or attorney may be contacted for the purposes of the meeting.

Please note that due to the number of creditors who may dial into the meeting, it will not be possible to consider those creditors as attendees of the meeting and they will not be able to vote or participate in the meeting. If you wish to vote or participate, you must attend in person or by proxy.

2.9. Remuneration

An Administrator's remuneration can only be fixed by resolution of a COI, the Company's creditors, or by application to the Court. In accordance with IPR 70-35 and the Code, an Initial Remuneration Notice was provided to creditors with our initial communication and tabled at the First Meeting of Creditors.

ARITA has issued an "Approving remuneration in external administrations" information sheet providing general information for creditors on the approval of an administrator's fees in a liquidation, a voluntary administration or a DOCA. This information sheet is available from the ARITA website (www.arita.com.au).

A summary of the remuneration we will be seeking approval for at the Second Meeting of Creditors is as follows:

Remuneration period	Amount ($ ex GST)
Remuneration to be approved at Second Meeting of Creditors	
Voluntary Administration 3 May 2019 to 24 May 2019	326,588.00
Voluntary Administration 25 May 2019 to completion	200,000.00
Estimated total remuneration – Voluntary Administration	**526,588.00**
DOCA (if applicable) - 50,000.00	50,000.00
Creditors' Trust (If applicable) - 75,000.00	75,000.00
Liquidation (if applicable) - 150,000.00	150,000.00
Estimated total remuneration – DOCA & Creditors' Trust	**125,000.00**
Estimated total remuneration – Liquidation	**150,000.00**

Please refer to our Remuneration Approval Request at **Annexure E** for details of the key tasks undertaken throughout the course of the administration to date.

2.10. Non-disclosure of certain information

There are sections of this Report where we have considered it inappropriate to disclose certain information to creditors. Such information includes details of offers received during the sale process.

We recognise the need, so far as is possible, to provide creditors with complete disclosure of all necessary information relating to the Companies. However, we believe this information is commercially sensitive and it is not in creditors' interests for us to disclose the information publicly at this stage.

Where necessary in this Report, we provide a combined figure for potential realisations of assets when comparing estimated dividends under the relevant options.

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3. Company information

This section provides creditors with information on the history of the Company and the circumstances leading up to the appointment of Administrators together with details of related entities including statutory information, and an overview of the operating businesses.

	Key takeaways	Ref.
1	The organisational and operational structure is extremely complex and has impacted on the Group's performance.	3.1
2	In recent times, the operating performance of the broader Sterling Group declined, despite an aggressive drive to acquire new property management agreements for RMA.	3.2
3	The Income Trust, Growth Trust, SIRT and Silverlink Growth Rights Trust failed to register any interest under the PPSA and therefore the operation of section 267(2) of the PPSA applies, meaning on appointment of Voluntary Administrators to RMA the unperfected security interests vested with RMA. At the date of this report the Income Trust disputes the assertion that registration of an interest under the PPSA was required.	3.5

3.1. Group organisation and operational structure

A summary of the corporate structure of the Sterling First Group and Acquest Group (including RMA) is shown on page 14.

The organisational and operational structure is extremely complex and while RMA is not part of the Sterling First Group, it is affiliated through various agreements and shareholder interests and therefore necessary to consider in context with the Sterling First Group. We refer you to the Sterling First Group Voluntary Administrators' Report for a more detailed analysis but tabled below is an overview.

Acquest Group

Business	Description
Rental Management Australia	Was established in WA in 2010 to be a leading aggregator of rent rolls in Australia. Since then the rent roll has grown to over 3,600 properties under management with operations in WA, Victoria and Queensland and employs c.75 employees. The income associated with the rental management agreements have been assigned to either the Income Trust or more recently the Silverlink Income Rights Trust. The current pricing structure was negatively impacting the RMA business' ability to make a profit and continue as a going concern.
Aquest Property	The RPIT though the RPIT sub-trusts was initially set up as a MIS to buy residential property either for deriving rental income or developing and selling. The intention was to rent these properties primarily to SNL tenants. The MIS although never eventuated. Although 20 residential properties are owned by the RPT sub-trusts. The viability of the RPT sub-trusts has been impacted by: the fall in the residential property market in particular, around the Peel region in which the majority of these properties are located. high interest rates of c.11-12% associated with the mortgages the decision to wind up the SIT and the necessity to repay the debt owed to the PDT

Sterling First Group

The Sterling First Group was established in 2010 principally to assist RMA achieve its goal through becoming an expert in sourcing rent rolls and property management agreements and created a mechanism to fund those acquisitions. It comprises of the following divisions:

Business	Description
Sterling First Projects	Managed the sale of the Sterling New Life product - no longer active apart from a property lease and the investment service agreements with the SNL investors
Sterling New Life (SNL)	The SNL product was launched in early 2016 directed at Australian seniors. Currently c.101 SNL residents in Western Australia and Victoria, of which c.62 have invested via the SIT and c.39 via one of the Silverlink companies. The SNL investor would invest capital (ultimately used as funding mechanism for the Sterling Group), the return on this investment was intended to cover the rent payable for a long-term residential property lease (initial 5 years plus a further 7, 5-year terms). SNL investors had 2 options: Investment in the SIT, distributions from the SIT were to pay rent with the surplus reinvested. Under this option the tenant generally had a lease directly with the landlord; or Investment in preference shares in SLIC or SLS. Under this option rent was paid directly by the Sterling First Group under a head lease with and the landlord and a sublease provided to the tenant for $1. This offering was established to enable a more tax-effective investment for SNL Investors.
Rental Management Consulting Service	RMAD was established to provided consultancy services to RMA by way of sourcing new property management agreements. A share of the fee income earned by RMAD from arranging property management agreements for RMA is assigned to either the Growth Trust or more recently the Silverlink Growth Rights Trust.
Sterling Corporate Services	SCS was the investment manager of the SIT. It was also responsible for managing the payment of rent on behalf of the SIT SNL investors, via a payment direction deed.
SilverLink	SilverLink was a dedicated investment company offered as an investment option for SNL tenants, it was established in 2018 in response to tax consequences for the SNL tenants arising from their investment in the SIT. A similar concept to the SIT, investors invest by way of preference shares in SLIC and SLS, in: Rental Income Rights (Silverlink Income Rights Trust); Rental Growth Rights (Silverlink Growth Rights Trust); Residential property (Silverlink Property Trust No.1).

The SIT

Administrators have <u>not</u> been appointed to the SIT, any of its subsidiaries or the responsible entity (Theta).

The SIT is a managed investment scheme established in 2011 initially as a wholesale fund to act as the primary funding mechanism to execute the overall strategy (to be a leading aggregator of rent rolls in Australia). New subscriptions in the SIT provided the capital to acquire further rent rolls and development of residential property.

In May 2018 Theta, the RE, closed the trust to new applications for units and withdrew the Product Disclosure Statement. Following a review, a decision was made to wind up the SIT. We also note that around this time ASIC was investigating the SIT and the SNL product.

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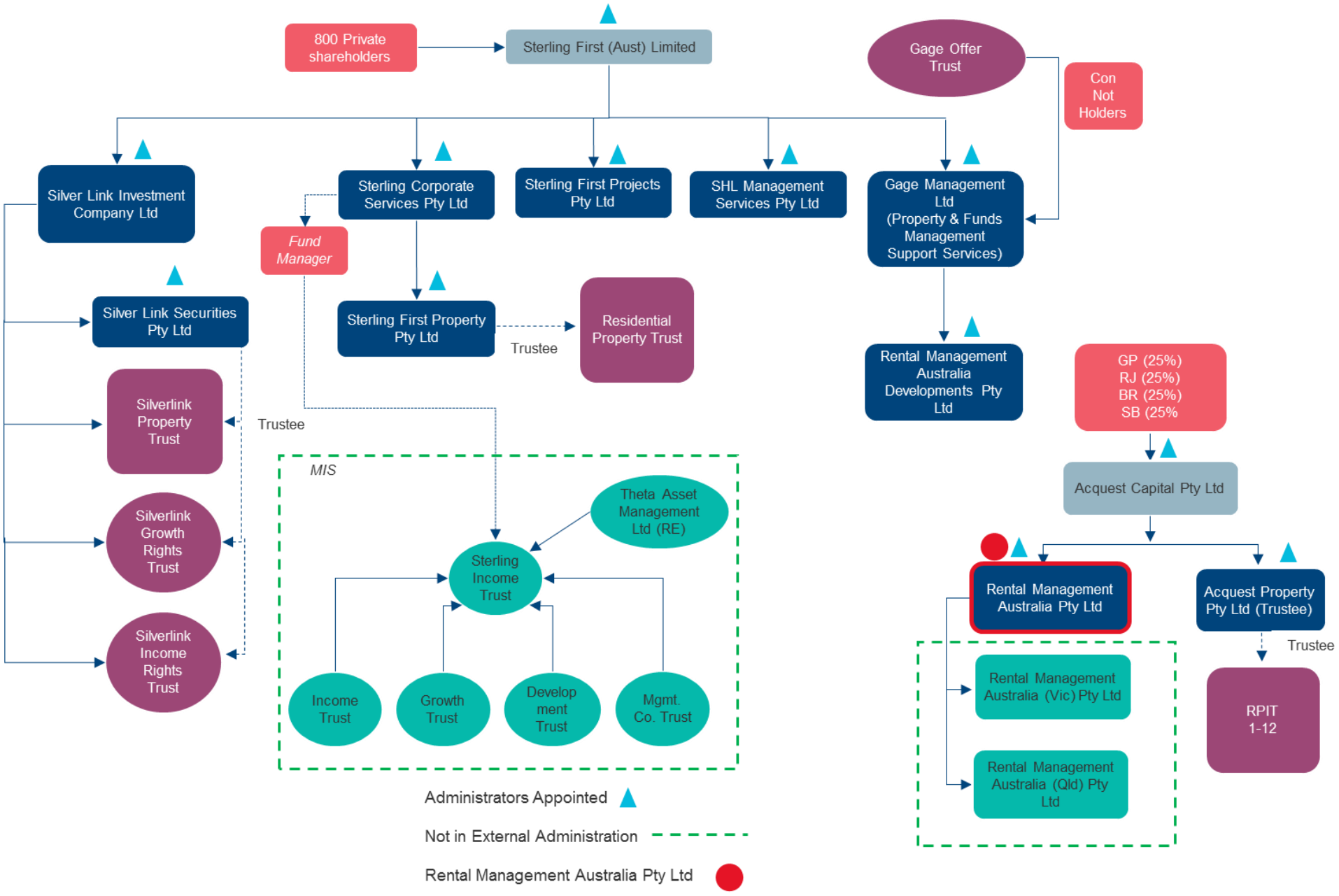
Corporate Structure – Sterling Group



3.2. RMA's operations

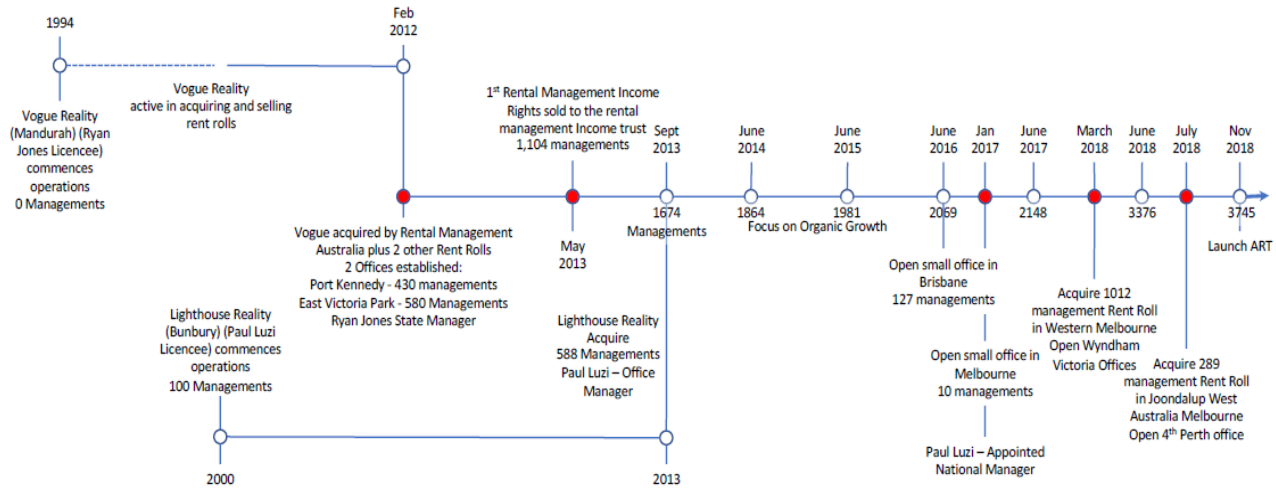
RMA is a provider of property management services.

Australia is unique in that a high percentage of residential rental property is managed by professional property managers for a fee. This has become one of the largest sectors within the property industry over a long period of time.

A summary of RMA's operations is as follows:

	WA	QLD	VIC	Total
# of properties under management	2,441	156	1,007	3,604
# of offices	4	1	1	6
# of employees	37	3	13	53

A timeline of the key events in RMA's history, including key acquisitions is detailed below:



More recently, the Sterling Group's primary source of income was derived from the operations of RMA, however the income associated with the rental management agreements has been assigned to either the Income Trust or more recently the Silverlink Income Rights Trust (SIRT).

This complicated structure requires all the commissions / income (income rights) earnt under each property management agreement to be paid to either the Income Trust or SIRT. In consideration for the assignment of the income rights the assignee agrees to:

- Fund the acquisition of new rent rolls and/or property management agreements;
- Pay RMA a percentage of the fees earnt under the property management agreement; and
- Pay the interest on the Macquarie facility (relevant to the Income Trust agreement).

The complexity of the current pricing structure under the Assignment Deeds has been negatively impacting RMA's ability to turn a profit and continue as a going concern.

The income rights revenue flow is outlined in the diagram below.

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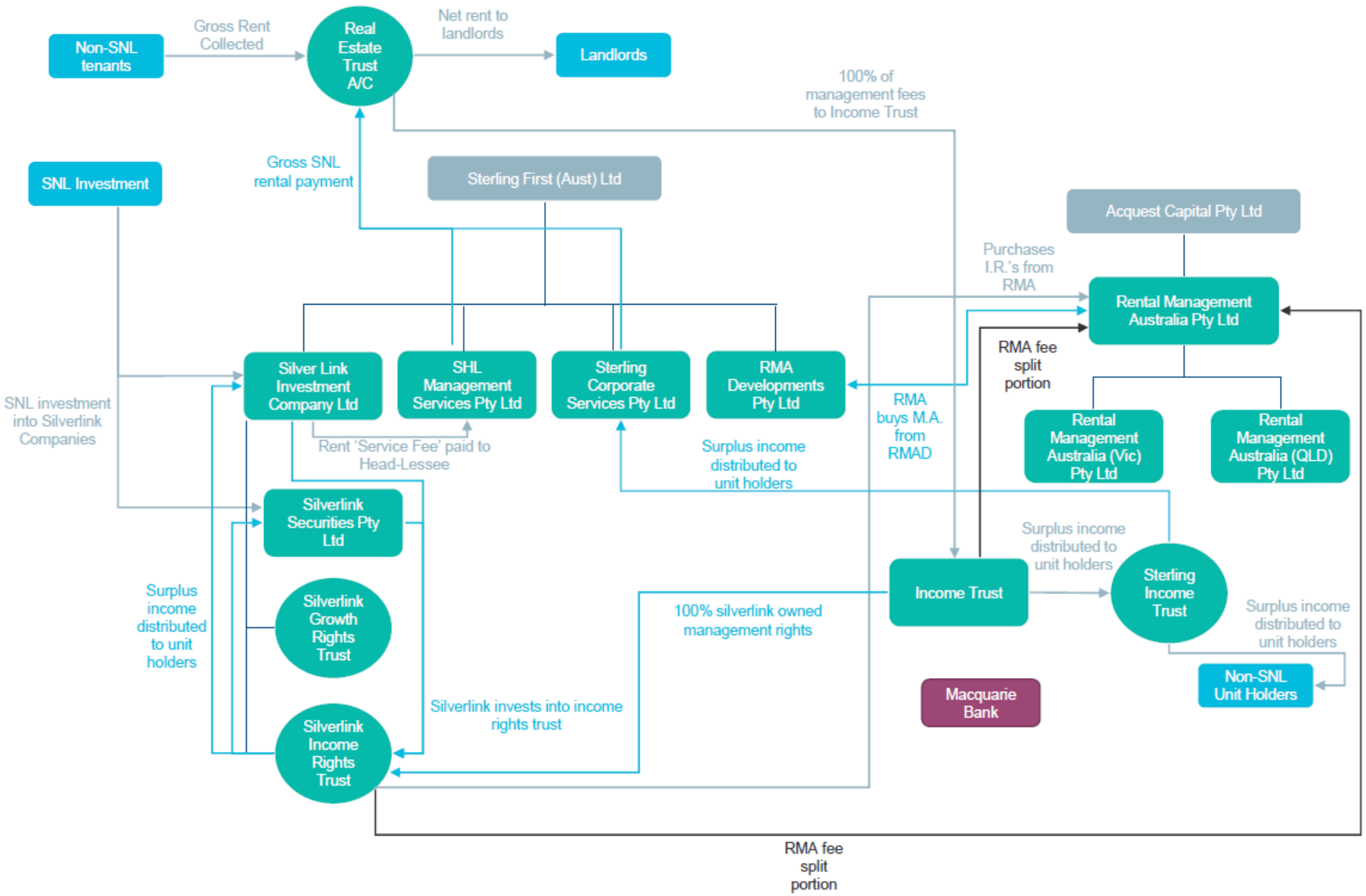
Income Rights Revenue Flows



3.3. Group history and events leading up to the administration

Overall the Sterling Group (which includes RMA) had a diverse portfolio of projects, businesses and services centered around property related assets with a very complex organisation and operational structure. The SIT and Silverlink acted as the primary funding mechanism to grow the RMA business.

In recent times, the operating performance of the Sterling Group declined, despite an aggressive drive to acquire new rental management agreements for RMA.

The capital invested via the SIT and Silverlink was used to invest in property related assets (with the return on the investment intended to cover the SNL rental commitments), however the value of these underlying assets deteriorated impacting the return on investment. As a result, there were significant cash flow pressures on the Group due to the requirement for entities within the Group to either pay or top up rental payments and mortgage interest repayments.

Our discussions with Management identified five central themes that have impacted performance:

- the complexity of the organisational and operational structure which ultimately resulted in higher operational costs and a level of dysfunctionality;
- the downturn in the property market, impacting both rental management income and the value of properties;
- high interest rates associated with the residential property loans to the RPITs and RPT;
- uncommercial pricing structure under the Master Deed of Assignments which as a result of a reduction in rental income failed to reflect the cost to run RMA's business (putting it into a loss-making position); and
- the reliance on capital raising to fund operations.

As a result of these factors, the directors sought Ferrier Hodgson's advice as to the Group's financial position over the period between March and April 2019. The directors resolved to appoint Administrators effective 3 May 2019

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A summary of events leading up to the Administrators' appointment is as follows:

Date	Event
June 2018	The Directors of Sterling First Group became aware that ASIC was investigating the SNL.
July 2018	After discussions with ASIC it was determined to cease offering any new SNL products, only completing on already committed SNL investors.
August 2018	SCS and Theta determined to wind up the SIT to enable Sterling First Group to explore options regarding moving the income unit assets into an independent MIS - the Australian Rental Trust (ART) and for the assets associated with the SNL to move into an alternative structure.
November 2018	Melbourne Securities (MSC) was selected to be the RE of the newly established ART, subject to a licence variation which had been in process since May 2018.
December 2018 to January 2019	ASIC issues various notices in relation to their investigations: Ryan Jones, Simon Bell and Andrew McBay receive a section 19 notice under the ASIC Act 2001 which required them to assist ASIC in their investigations by being examined (through questioning in a formal setting). Various companies within the Sterling First Group (along with MSC) receive section 33 notices to produce documents in their possession under the ASIC Act 2001.
January 2019	Tim Macnamara appointed. At this time the Directors believed ART could proceed, a PDS was prepared and non-SNL investors had committed.

Date	Event
March 2019	With no clear line on the ART, and various alternatives and recapitalisation being looked at, the Directors sought to engage an independent third party to undertake a financial review. The Sterling First Group approached Martin Jones of Ferrier Hodgson to conduct a review of the Group's solvency and working capital requirements.
April 2019	Directors and Management sought to obtain a potential investor who expressed an interest in recapitalising the business (however there was no written commitment).
3 Mary 2019	Board resolved to appoint Ferrier Hodgson as Administrators.

3.4. Statutory information

Statutory details for the Company extracted from ASIC's national database at the time of our appointment are summarised below.

Rental Management Australia	
ACN	160 167 108
Incorporation date	31 August 2012
Registered address / principal place of business	19 Lyall Street South Perth WA 6151

Source: ASIC

The Company's officers over the past 3 years were:

Name	Role	Appointment date	Resignation date
Paul Luzi	Director	01/03/2014	Current
Ryan Jones	Director	29/04/2013	10/04/2017

Source: ASIC and Annual Report

Further, in addition to the director recorded on the ASIC database our investigations revealed that Mr Simon Bell had been involved in the day to day running of the Company and may have been acting as a shadow director. From our discussions with various parties, in particular, financiers, former employees and investors it appears that all instructions and all transactions were approved and also effected by Mr Bell in one capacity or another.

A search of the National Personal Insolvency Index maintained by the Australian Financial Security Authority shows that the Company's current directors are not bankrupt or subject to a Personal Insolvency Agreement under Part X.

The ASIC database discloses the Company's shareholders to be:

Registered Owner	Shares held	Fully paid	% Issued Capital
Acquest Capital Pty Ltd	2	Yes	100%

Source: ASIC

3.5. Registered security interests

The PPSR discloses that 6 parties hold registered security interests on the PPSR. We understand that the majority of the security interests for which we have received information relate to rental/hire agreements and charges previously satisfied (which should be/have been removed). Details of the security interest holders are set out below:

Security interest holder	No. Reg	Date created	Type of security
Macquarie Bank Limited	1	18 Dec 2014	ALL PAAP
Fleet Partners Pty Limited	2	Various	Motor Vehicle - PMSI
Scope Rentals Pty Ltd	1	21 July 2017	Other Goods - PMSI

Security interest holder	No. Reg	Date created	Type of security
Hanes Australia Pty Ltd	1	12 Nov 2014	Other Goods - PMSI
JB Hi-Fi Group Pty Ltd	1	17 Aug 2017	Other Goods - PMSI
Berwick's (Gold Coast) Pty Ltd	1	12 Feb 2018	Other Goods - PMSI
De Lage Landen Pty Limited	3	Various	Other Goods - PMSI

Source: PPSR searches undertaken on 2 May 2019.

Macquarie hold a charge over the whole or substantially the whole of the property of the Company.

Immediately on appointment the Administrators wrote to all creditors registered on the PPSR requesting further information regarding their registration and the amounts due. To date the Administrators have received five (5) responses from PPSR holders, either providing details of their claims or confirming removal of their registrations.

Upon receipt of information regarding the balance of the registrations, the Administrators will complete an assessment of the validity of the registrations and deal with any claims in the ordinary course of the administration.

Further details of the registered security interests are available to creditors on request.

3.6. Unregistered security interests

RMA assigned its rights, title and interest in the fees and costs payable to RMA under certain rental management agreements (Assignment Deeds) to:

- The Income Trust by a Master Deed of Assignment dated 23 March 2013; and
- Silver Link Income Rights Trust by a Master Deed of Assignment dated 1 May 2018

The PPSA establishes a national system for the registration of security interests in personal property, together with new rules for the creation, priority and enforcement of such interests.

The Administrators have sought advice on whether the sale of the income rights which attached to the PMAs constituted a security interest under the PPSA and therefore required to be registered on the PPSR.

We are of the opinion that the income rights assigned by RMA to the Income Trust and SIRT are a security interest and therefore to ensure perfection (and enforcement) ought to have been registered on the PPSR.

It would therefore appear that Income Holdings Pty Ltd ATF the Income Trust and Silver Link Securities ATF SIRT failed to register any interest under the PPSA and therefore the operation of section 267(2) of the PPSA would apply, meaning on appointment of Voluntary Administrators to RMA the unperfected security interests vested with RMA.

The practical implications are, any claim to a right or title in the income rights is not enforceable and any claim against RMA would rank as an unsecured creditor.

At the date of this report the Income Trust disputes the assertion that registration of an interest under the PPSA was required.

Considering the significant ramifications, the Administrators along with Theta agree that it would therefore not be in any of the stakeholder's interests to delay a sale process while the abovementioned PPSA issues are resolved. It has therefore been agreed that the most appropriate course of action is to continue with and conclude a sale process, with any surplus proceeds (after payment of Macquarie) being held pending the resolution of PPSA issues which may require directions from the Court.

3.7. Winding up applications

At the date of our appointment, there was no outstanding winding up application against the Company.

4. Historical financial position

This section provides a summary of the financial performance of the Company during the period of FY17, FY18 and YTD FY19.

	Key takeaways	Ref.
1	The financial analysis has been undertaken using the Company's MYOB accounts which we understand for the most part are reconciled to 31 March 2019.	4.1
2	The Group has made consistent losses since at least June 2017, but likely earlier based on retained earnings.	4.2
3	The Company had a working capital deficiency, which was predominately funded through the use of intercompany loans and the deferral of statutory creditors.	4.3

4.1. Preparation of financial statements

We have been advised that since inception (except for the exception of special purpose financial reports for certain entities within the Group) the Group did not engage external auditors or accountants to assist with the preparation of any financial accounts. The accounting, business and general administrative services were undertaken by the Group's finance team.

The Company was not classified as reporting entities under the Australian Accounting Standards and therefore not required to lodged annual returns with ASIC nor have its financial statements audited.

The Group prepared the following consolidated financial statements (profit and loss statements and balance sheets) for RMA, RMAD, RMA (Qld) and RMA (Vic).

These consolidated accounts include entities RMA (Qld) and RMA (Vic), to which we have not been appointed and therefore we have not relied on as part of this analysis.

A consolidated short-term cash flow forecast was also prepared as part of the restructure plan.

For its day to day operations the Group maintained separate MYOB files for each entity and prepared the following management accounts:

- Monthly profit and loss statements and balance sheets by entity; and
- Yearly profit and loss statements and balance sheets.

Accordingly, the financial analysis provided herein for the Company are for illustrative purposes only and the Administrators are unable to make any substantiative comments in respect of them.

Assessments of the balance sheets are made as at 31 March 2019, being the latest accounts prepared by Management. We have not made adjustments for events past that date, however, note them in our commentary where relevant.

Most Group entities (including RMA) have significant intercompany receivables and payables, included in the accounts receivable, accounts payable or separate loan accounts, which may distort the overall net asset position. Management have also advised that intercompany accounts were treated as non-current, however given the appointment of Administrators arguably all amounts payable/receivable to/from the Sterling entities should be recorded as current.

The records obtained to date are MYOB files reconciled (for the most part) up until 31 March 2019 along with depreciation schedules, intercompany loan schedules and other management accounting information.

At **section 8.7** of this Report, we comment on the adequacy of the Companies' books and records.

4.2. Summary profit and loss

A summary of the Company's profit and loss statements are presented below

Rental Management Australia Pty Ltd $	30 June 2017	30 June 2018	31 Mar 2019
Ancillary fees	840,465	929,537	826,314
Management fees	1,491,732	1,510,772	1,356,857
Recharges and other income	121,299	213,358	99,672
Total Revenue	**2,453,496**	**2,653,667**	**2,282,843**
Less: cost of sales	15,610	8,110	5,534
Gross profit	**2,437,886**	**2,645,557**	**2,277,309**
Less: Expenses			
Administration costs	592,626	303,526	248,594
IT/Computers/Subscriptions	376,420	384,051	366,498
Salaries and wages	2,390,502	3,183,105	2,278,934
Occupancy	200,502	211,436	199,997
Recharges & other expenses	158,293	187,624	36,777
Total expenses	**3,718,342**	**4,269,742**	**3,130,800**
EBITDA	**(1,280,456)**	**(1,624,185)**	**(853,491)**
Less: depreciation	-	35,017	7,047
Less: Interest	-	9	1,209
Net profit/(loss)	**(1,280,456)**	**(1,659,211)**	**(861,748)**

Source: Company MYOB accounts

Key observations:

- We consider the Company's operating structure is unlikely to be commensurate with its revenue. The Company is obliged to pay 100% of management fees to the assignee of the income rights to then be reimbursed the portion owing to the Company to run its business (c.63%). Delayed payments from the assignee contributed to its working capital strain.
- RMA's cost of sales appears to exclude a number of expenses which are accounted for in overheads and we believe that the gross profit is therefore overstated. At this preliminary stage we have not sought to reconstruct these accounts.
- Ancillary fees relate to letting, inspection, lease renewal, storage, advertising, statement and tribunal fees.
- Recharges and other income predominately relate to reimbursements to RMA from tenants in respect of amounts paid
- Salary and wage costs were high as it was expected that the business would be expanding rapidly via the acquisition of additional rent rolls and through organic growth attained by RMAD.
- We note that whilst salaries and wages stayed relatively consistent between 30 June 2018 and 31 March 2019 (c. $265k p/m FY18, $253k p/m to Mar19) revenues increased from $221k p/m to $254k p/m. This increase of revenues as against wages indicates that the growth strategy was having some success, however even with the growth achieved revenues were insufficient to cover the overheads of the business.

4.3. Summary balance sheet

A summary of the Company's balance sheet is presented below

Rental Management Australia Pty Ltd $	30 June 2017	30 June 2018	31 March 2019
Current assets			
Cash and cash equivalents	12,472	40,516	595
Trade and other receivables	417,579	479,492	647,593
Prepayments	-	-	12,811
Total current assets	**430,051**	**520,008**	**660,999**
Non-Current Assets			
Property, plant and equipment	58,277	25,864	18,817
Financial assets/Group investments	1,307,522	1,312,522	1,302,522
Intercompany debit loans (Non current)	(1,812,029)	41,807	(1,680,348)
Total non-current assets	**(446,230)**	**1,380,193**	**(359,009)**
Current liabilities	**-**		
Trade and other payables	952,672	1,830,055	2,157,016
Employee entitlements	294,914	117,507	202,253
Borrowings	-	-	4,137
Current Provisions	-	239,189	185,659
Net assigned income rights	1	1	185,593
Taxation liabilities	30,047	132,800	427,534
Total current liabilities	**1,277,634**	**2,319,551**	**3,162,191**
Non Current Liabilities	**-**		
Non Current Provisions	-	63,109	58,230
Intercompany credit loans (non current)	2,147,607	4,618,172	3,043,946
Total non current liabilities	**2,147,607**	**4,681,281**	**3,102,176**
Net assets / (liabilities)	**(3,441,419)**	**(5,100,630)**	**(5,962,378)**
Equity			
Issued capital	2	2	2
Current Year earnings	(1,280,456)	(1,659,211)	(861,748)
Retained earnings	(2,160,965)	(3,441,421)	(5,100,632)
Total equity	**(3,441,419)**	**(5,100,630)**	**(5,962,378)**

Source: Company MYOB accounts

Key observations:

- The Company has ostensibly been operating with a deficient working capital since at least June 2017, but likely earlier.
- The deficiency was funded by intercompany loans and therefore analysing the net asset position and forming a conclusion regarding the Company individually is not conclusive as the Company is part of a wider group and certain assets and liabilities were held in individual entities and trusts for the benefit of the group as a whole.
- The trade and other payables account is predominately made up of intercompany loans, with actual trade creditors making up c. $372k.
- The Company have also listed the Income Trust as a debtor. At this time, we have not undertaken an assessment as to the recovery of these funds.
- The increase in current liabilities was predominately due to the increase in intercompany loans.
- Employee entitlements are comprised of outstanding leave entitlements and unpaid superannuation.
- Taxation liabilities were deferred by the Company to free up funds to use in working capital.

5. Report on company activities and property and Director's reasons for failure

This section provides a summary of the report on company activities and property submitted by the Directors, together with the Director's explanation for failure of the Company.

Key takeaways		Ref.
1	We have not identified any material omissions from the Directors' ROCAP.	5.1
2	Our preliminary view is that the Company failed as a result of: - The complexity of the organisational and operational structure; - The downturn in the property market, impacting rental management income; - Inappropriate pricing structure under the Master Deed relating to the Company, which fails to correctly reflect the cost to run the business (putting it into a loss-making position); - Investigations by ASIC in relation to the Sterling First Group and SNL product; and - The reliance on capital raising to fund operations.	5.3

5.1. Report on company activities and property

Section 438B of the Act requires the Directors to give an administrator a ROCAP about the Company's business, property, affairs and financial circumstances.

We received the Directors' ROCAP on 21 May 2019 following a request for extension of time, which was granted.

In the ROCAP, the Directors detailed the Company's assets and liabilities at ERV.

The Administrators have not audited the Company's records or the book values. The below schedule should not be used to determine the likely return to creditors as a number of realisable values are based on the Company's records and remain subject to the review of the Administrators and, in particular:

- The Administrators are not in a position to confirm (or otherwise) certain asset values as they are commercially sensitive and are not disclosed in this report.
- The value of creditor claims remains subject to change as further claims may be received and require adjudication.
- The table below does not provide for possible trading losses or professional costs associated with the administration process.

Further detail on the estimated return to creditors from the administration in contained in **Section 9**.

The following table summarises the assets and liabilities disclosed in the Directors' ROCAP:

	Ref	Director's ERV $	Administrators' ERV High $	Administrators' ERV Low $
Assets				
Cash at bank	5.1.1	140,233	113,448	113,448
Debtors	5.1.2	155,844	Unascertained	Unascertained
Rent Roll	5.1.3	9,000,000	TBA	TBA
Shares in subsidiaries (rent roll)	5.1.4	3,800,000	TBA	TBA
Plant and equipment	5.1.5	23,000	TBA	TBA
Total assets		**13,119,077**	**Unascertained**	**Unascertained**
Liabilities				
Secured creditors	5.1.6	-	-	-
Employees claims	5.1.7	(387,865)	Unascertained	(628,498)
PMSI claims	5.1.8	-	-	-
Unsecured creditors	5.1.9	(4,602,886)	Unascertained	Unascertained
Total liabilities		(4,990,751)	Unascertained	Unascertained
Estimated surplus / deficiency		**8,128,326**	**Unascertained**	**Unascertained**

Notes

5.1.1. Cash at bank

A summary of the bank account balances as at the date of the appointment of Administrators are as follows:

Bank	Balance at 3 May 2019 $	ERV $
CBA (Transaction Account)	82,846	85,570
CBA (Debit Account)	1,857	TBA
Macquarie	55,530	27,877
Total	**140,233**	**113,448**

Immediately upon our appointment, we issued instructions to all banks to freeze the bank accounts held in the Company's name. Based on the responses received from the banks, there are no other accounts maintained in the name of the Company other than the above accounts.

5.1.2. Debtors

The Director has recorded that the largest trade debtor, Income Holdings Pty Ltd atf Income Trust (**Income Holdings**) owed the Company c. $137k in ancillary fees as at the date of our appointment. We note that this debtor is also a trade creditor and as such, the quantum of debt will be subject to offsets. In view of this, the Administrators have omitted the receivables from Income Trust from their ERV for the trade debtors.

Further breakdown of the related entities are as follows:

	Amount $
Residential Property Trust (prev SCRT)	1,510
RPIT Dev Trust No. 1	672
RPIT Dev Trust No. 2	3,502
RPIT Dev Trust No. 3	1,085
RPIT Dev Trust No. 4	734
RPIT Dev Trust No. 7	193
RPIT Dev Trust No. 8	1,119
RPIT Dev Trust No. 9	2,805
RPIT Dev Trust No. 10	193
RPIT Dev Trust No. 11	292
RSST Sub Trust A	52
SIT Growth Trust	292
SFP	169,822
SF Property	141
SFSW	642
Sterling Multiple Property Syndicate	292
Westbold Investments Pty Ltd	40,807
SF Peel	500
SF Metro	880
Gage	15,000
SCS	131,999
Total	**372,532**

We note that the recoverability of the related party loans / debts is dependent on the net asset base of the particular entity or trust. In particular, related entities which are currently in administration are unlikely to have the capacity to make any payment. A detailed investigation will be undertaken on the related party loan accounts to determine whether there were any unreasonable director related transactions.

5.1.3. Rent roll

In the ROCAP, the Director has recorded that the rent roll is valued at $9.0M.

The rent roll is subject to the Administrators' sales campaign as discussed in Section 6 of this report.

5.1.4. Shares in subsidiaries

These are shares owned by the Company in its two (2) subsidiaries, namely RMA (VIC) and RMA (QLD) which own rent roll in Victoria. The Director has estimated the realisable value of the rent roll to be c. $3.8M.

5.1.5. Plant and equipment

In respect of plant and equipment, the ROCAP disclosed:

- Office equipment with an ERV of $20k
- Computer equipment with an ERV of $3k

The above equipment is located at the following premises and is unlikely to have any significant realisable value:

- 19 Lyall Street, South Perth
- 149 Victoria Street, Bunbury
- Unit 4, 80 Grand Boulevard, Joondalup
- 397 Warnbro Sound Avenue, Port Kennedy.

5.1.6. Secured creditor

Macquarie Bank holds a registered AllPAAP over the Company in respect to finance facilities granted on or around December 2014.

5.1.7. Employee claims

A breakdown of outstanding employee entitlements as at 3 May 2019 is detailed below (RMA only):

	Director's ERV $	Administrators' ERV $
Superannuation	129,811	119,174
Annual leave	187,041	127,497
Long service leave	71,013	9,833
PILN	-	136,358
Redundancy	-	235,636
Total	**387,865**	**628,498**

The Director has not provided an estimate for the Pay in Lieu of Notice and redundancy amounts in the ROCAP.

Employee claims are afforded priority of repayment pursuant to Section 556 of the Act, ahead of any return to unsecured creditors.

The Act provides that excluded employees (including Company directors and their spouses) are each restricted to a total maximum priority claim of $2,000 for unpaid wages and superannuation entitlements and $1,500 for leave entitlements. Amounts owed to excluded employees that exceed the statutory limit, and all payments owing in respect of redundancy and payment in lieu of notice will rank as an ordinary unsecured claim.

Should a sale be achieved, it may result in the transfer of certain employees and their outstanding entitlements to the successful purchaser.

5.1.8. PMSI claims

A search on the PPSR disclosed eight (8) PMSI claims registered against the Company as follows:

Date	Secured Party	Registration number
02/02/2018	Berwick's (Gold Coast) Pty Limited	201802020042060
28/05/2018	De Lage Landen	201805280080530
03/07/2018	De Lage Landen	201807030068793
19/11/2018	De Lage Landen	201811190067067
07/11/2017	Fleet Partners Pty Ltd	201711070022883
17/08/2017	Clive Anthonys Pty Ltd / JB Hi-Fi Group Pty Ltd	201708170061893
21/07/2015	Scope Rentals Pty Ltd	201507210125504
12/11/2014	Hanes Australia Pty Ltd	201411120073999

The above security interests are in relation to:

- goods supplied to the Company
- office equipment, motor vehicles and other equipment leased to the Company.

5.1.9. Unsecured creditors

The Director has recorded unsecured creditor claims totalling $4,602,886 which is broken down as follows:

	Director's ERV $	Administrators' ERV $
Trade / other creditors	1,118,891	Unascertained
Related party creditors	3,483,995	Unascertained
Total	**4,602,886**	**Unascertained**

Income Holdings is listed as the largest trade creditor with an outstanding amount of c. $743k. As noted in item 5.1.2 above, given they are also a trade debtor of the Company, the quantum of debt owed to Income Holdings will be subject to offsets and adjudication of the proof of debt.

Further breakdown of the related entities are as follows:

	Amount $
Silverlink Income Rights Trust	98,591
AC	1,819,635
RPIT Sub Rental Trust	10,131
RMA (QLD)	82
SFAL	90,000
RMA (VIC)	307,616
RMA (PM for landlord of Bunbury Premises)	19,788
RMAD	1,137,052
RMA - storage unit rental	1,100
Total	**3,483,995**

Our preliminary view is that the Company is prima facie indebted to the abovementioned related entities. However, given the available time, we were not able to determine the quantum of debt as they are subject to offsets and adjudication of proofs of debt. Our enquiries are ongoing and further investigations will be required to prove up the debts.

We also note that the amounts above are subject to the receipt and adjudication of final proofs of debt from creditors.

5.2. Omissions from ROCAP

We have not identified any material omissions from the Directors' ROCAP.

5.3. Directors' opinions as to the reasons for failure

The Directors have provided their views on the affairs of the Company and attribute the following reasons to its failure:

WA property market

Property value drop: A severe decline in residential property prices, in particular in the Peel region where the majority of the properties acquired and developed for SNL tenants, has resulted in the properties held declining in value by more than 25% restricting the ability to sell those properties, and the cost of senior debt and the debt to the Development Units becoming an unsustainable cash flow burden on the business.

Rent drop: RMAPL has seen a 20% decline across the portfolio in the average weekly rent to $330 per week, from $404 2013. This directly translates of a 20% drop in income per management, impacting on the RMAPL business.

Sterling New Life

The SNL was a complex housing product navigating both state based Residential Tenancy ACTs, and the Corporations Act in respect of the investment in either the SIT or the later developed Silverlink Investment Company Limited (SLIC) (an alternative structure developed for a better tax treatment for the SNL Tenants and an improved redemption facility).

In early 2017, the WA the Department of Mines, Industry Regulation and Safety (DMIRS), the department that regulates the Real Estate Industry and the Residential Tenancy Act, queried if the SNL tenancy agreement breached section 27 of the Residential Tenancy Act. This is a section found only in the WA ACT and states that a Tenant shall not be required to make a payment to secure a lease, i.e. an agent could not ask a tenant to make a payment to secure a property over and above the rent amount. Our legal advisors, HLW Ebsworth did not believe that it did breach the act, and provided that advice to the DMIRS.

At around this time ASIC issued an Interim Stop Order on the SIT PDS. (We subsequently found out that the DMIRS had made an enquiry to ASIC regarding the SIT, which may have prompted this review and subsequent actions). As a result of the Interim Stop Order a new SIT PDS was drafted, with a new solicitor to the issue appointed (WLW Ebsworth) and a new PDS was issued October 2017. Subsequently ASIC issued various S33 and S912 notices on the SIT, for which full information was supplied to ASIC in December 2017 and April 2018.

In June 2018 the company became aware that ASIC had started cold calling or visiting SNL Tenants. This obviously created considerable concern with the tenants. Urgent meeting were held between the company, the Responsible Entity and ASIC, at which time it became clear that the SNL in the current from was going to become impossible to continue with and the decision was made to terminate the SNL business in August 2018, only completing on SNL tenancies already committed to prior to that date.

The last of the SNL tenancies settled into the SLIC structure in December 2018.

The closure of the SNL business resulted in a reduction in income to Sterling, and the requirement to source capital to expand the property management business from elsewhere.

Sterling Income Trust

At around this time several other issues arose around the sustainability of the SIT:

- Development Units interest was too high and not sustainable; and
- Income Units income split was imbalanced resulting in RMAPL being unprofitable due to the low share in income and the severe decline in rents over the previous four years. In addition as 100% of the fees were paid to the Income Trust weekly, and the Income Trust paid RMAPL monthly, there could be delays of a minimum of 6 weeks, and at times up to 3 or 4 months, where there were unresolved queries, before funds were released to RMAPL, placing severe cash flow issues on the group.

In August 2018 it was determined to wind up the SIT primarily so the non-continuing unit classes, Development Units and Growth Units could be realised, and the Income Units could be moved into a new and independent MIS, the Australian Rental Trust.

The Australian Rental Trust (ART) was developed with a new responsible entity, Melbourne Securities Corporation Limited (MSC), with the terms of the Income Rights adjusted to allow for a sustainable operation of RMAPL, and without the cash flow timing issues, whilst still providing an attractive return to unitholders.

In December 2018 the ART PDS was ready to be issued, and we had received several expressions of interest to invest. MSC however required a licence variation, which they had applied for in May 18, but had still not been issued.

By the end of January 2019, MSC still had not received the variation, at which time the inability to issue the PDS and therefor leaving the ART unable to acquire Income Rights, was starting to create cash flow issue for the group. In February 2019 MSC advised that they felt that the Sterling group and our interaction with ASIC were the cause of the licence variation delays. ASIC have advised us that was not the case, however MSC still do not have their variation.

In March 2019, when there did not appear to be any prospect of issuing the ART PDS and cash flow was becoming a severe problem, Ferrier Hodgson (FH) were engaged to review the business operations. At this time the company was pursuing a recapitalisation from a single large investor that it had been engaged with for about 10 months.

FH completed their review in April 2019. At that time one of the options was a Voluntary Administration.

In Late April 2019 the investor had not yet committed to proceeding, and at a meeting with ASIC they advised that they did not want the Directors controlling the recapitalisation process and that they would petition to appoint a liquidator to the group unless a Voluntary Administrator was appointed.

After further discussions with prospective investor the Voluntary Administration process was implemented, with FH appointed on 3 May 2019.

5.4. Administrator's opinions as to the reasons for failure

Our discussions with Management identified five central themes that have impacted performance:

— the complexity of the organisational and operational structure which ultimately resulted in higher operational costs and a level of dysfunctionality;
— the downturn in the property market, impacting both rental management income and the value of properties;
— high interest rates associated with the residential property loans to the RPITs and RPT;
— uncommercial pricing structure under the Master Deed of Assignments which as a result of a reduction in rental income failed to reflect the cost to run RMA's business (putting it into a loss-making position); and
— the reliance on capital raising to fund operations.

6. The Administration to date and sale of business process

This section provides an overview of the conduct of the Administration, including the trading of the business and the going concern sale process.

Key takeaways		Ref.
1	Took control of the Companies and continued to trade	6.1
2	Liaised with and attained funding from Macquarie Bank Limited as secured creditor	6.2
3	Marketing and sales campaign run for the RMA business, with final offers submitted on 24 May 2019	6.4
4	Received 12 formal offers 3 of which were deemed to be suitable for further engagement	6.4

6.1. The business at commencement of the Administration

On appointment, the Administrators assumed control of the Company's business. Appropriate controls and systems were put in place with respect to cash, banking, purchase orders and reporting.

Whilst conducting an urgent assessment of the business, we continued to trade in the ordinary course. In particular, we:

- Attended each premises of the Company and addressed staff;
- Opened new accounts with service providers, utilities and other non-stock suppliers;
- Reviewed major contracts and negotiated terms of trade with various suppliers;
- Rationalised internal processes to ensure functionality of core business;
- Continued employment of staff;
- Negotiated certain payments of necessity to ensure continued supply of business-critical services;
- Negotiated security interest settlements;
- Conducted meetings with Directors, senior management and staff;
- Preparation of an 'Administration' trading forecast;
- Reviewed the procedures for IT services and back up processes for information on site;
- Reviewed the adequacy of the insurances policies held by the Company;
- Conducted fortnightly wage runs; and
- Liaised with the Companies and regarding payments of funds from trust accounts.

6.2. Key trading issues

During the trade on of the business, the Administrators we have not encountered any major issues in respect to the trading of the business as all staff of the Company have been retained to ensure the business continuity and minimise interruptions, which was vital to preserving the value of the business. However, a few minor issues encountered are listed below:

- Given the limited working capital available to the Company over the Administration period, aspects of the Company's marketing and business development were restricted;
- To assist the ongoing trading of the Company during the Administration period, the Administrators have requested additional funding in the amount of $500k from Macquarie Bank Limited;
- Continued employment of all staff within offices, notwithstanding that some of these staff were employed under alternate Sterling Group entities;
- As the rent roll asset is intangible, the sales process had to be undertaken in as short a timeframe as possible to ensure its value was preserved;

- No new clients were signed up during the Administration period which restricted the business from growing in the short term; and
- The Company also operates a number of trust accounts which were unable to be taken over by the Administrators. Appropriate controls were put in place with banks that held these accounts to ensure that the trust funds were able to be used in accordance with the pre-appointment license and trust obligations, albeit the Administrators still have overarching control.

Full particulars of the Administrators' receipts and payments are outlined in **Annexure A**.

6.3. Sale process

As previously advised, RMA was established in WA in 2011 to be a leading aggregator of rent rolls in Australia. Since then the rent roll has grown to over 3,600 properties under management with operations in WA, Victoria and Queensland and employs c.53 employees.

To preserve the value of this asset, immediately following our appointment, we commenced a sales and marketing program seeking expressions of interest in the sale of the business.

The timetable for the sale process was as follows:

Date	Sale program
9 May 2019	Advertisements for the sale of RMA appeared in the Australian Financial Review
11 May 2019	Advertisements for the sale of RMA began appearing in the West Australian, The Courier Mail and the Age.
17 May 2019	Deadline for Non-Binding Indicative Offers
20 May 2019	Qualified parties given access to data room
24 May 2019	Deadline for final binding offers

Advertisements for offers to purchase RMA's business and assets appeared in the Financial Review on 9 May 2019 and The West Australian, The Courier Mail and The Age on 11 May 2019.

Over the course of the sales campaign, in excess of 85 parties contacted our office expressing an interest in the RMA business. The closing date for non-binding indicative offers was 17 May 2019, with 17 indicative offers received, 15 of which were shortlisted upon review of the offers presented.

The 17 NBIO's presented are summarised below with the names removed for confidentiality:

Summary of non-binding indicative offers received				
Asset	**Consideration**	**Completion**	**Conditions / Risks**	**Stage 2**
National	TBD	TBD	Limited information Existing management authorities	Yes
	$8M – $10M	30 Jun 2019	Retention of 30% of the purchase price Bank funded	Yes
	$7.5M – $9.5M	Jun 2019	Predicated on an acquisition of shares rather than assignment of authorities (DOCA) Bank funded	Yes
	$3.25M	N/A	No timing specified in proposal DOCA	Yes

Summary of non-binding indicative offers received				
Asset	**Consideration**	**Completion**	**Conditions / Risks**	**Stage 2**
	$9.4M	4 - 6 Weeks	Board approval Assignment of each authority	Yes
	$5.4M	4 - 6 weeks	Acquisition of shares Any uncompromised liabilities deducted from price 14 days diligence period 30% retention fund	Yes
WA only	$4.5M	14 days of approval	Subject to 4 weeks diligence By way of DOCA Proponent assist in monetising Vic / Qld management authorities Retain WA Employees	Yes
Leederville	1.6 x base fee	Jul - Sep 2019	Subject to finance 20% retention for 12 moths 5% deposit payable within 5 days Properties within 20km of Leederville	No
Bunbury	$750,000	Subject to due diligence	Subject to due diligence	No
	1.5 x base fee	30 Days	Assignment of 12-month agreements A Restriction of Trade No DOCA	Yes
	$1.675M	30 Days	Conditional on diligence Subject to 100% bank funding Employees to be terminated and re-hired on new terms	Yes
Bunbury (Commercial)	1.9 to 2.2 x base	Subject to finance	Subject to finance, due diligence and full disclosure of all rent roll details	Yes
South Perth	up to 2.5 x base	4 to 6 months	Conditional upon the approval of the Director Unwilling to provide indicative price range without conducting diligence	Yes
	$826k – South Perth or $1,100 per South Perth property	20 days from contract	Cash offer Excluding management authorities terminated prior to assignment date, vacant at assignment date and rent authorities with rent arrears of $500 and more Purchase price inclusive of GST if applicable	Yes
	2.25 x base	14 days	Cash offer 6-month retention Subject to due diligence	Yes
South Perth & Joondalup	1.5 x base fee	3 months	Further conditions and adj to price Subject to 10% retention	Yes
South Perth & Port Kennedy	$1.88M	Pending finance	Subject to finance Claw back on non-assigned management authorities Employee interviews	Yes

Shortlisted parties were given access to a data room on 20 May 2019 to conduct their due diligence enquiries and final offers were received on 24 May 2019. A total of five (5) offers for the national portfolio were received and reviewed. In addition to the national portfolio offers, six (6) post code segmented offers were received and reviewed.

The Administrators held discussions with a number of shortlisted parties to gain an understanding of the offer terms and each party's capacity to complete the transaction. This resulted in a total of 11 formal offers being presented, as summarised below:

Summary of formal offers received				
Asset	**Consideration**	**Timing**	**Conditions / Risks**	**DOCA capable of acceptance**
National	$8.5M	By 30 June 2019	Finance by Macquarie Bank Limited All necessary ASX and regulatory approvals	Yes
	$8.0M	By 30 June 2019	Retention of 20% - 30% of the purchase price Subject to board approval Funding of 60% LVR from Macquarie Bank Limited	Yes
	$8.5M	30 Jun 19	$2.5M deferred Subject to finance	Yes
	$3.25M	TBD	No timing specified in proposal	No
	$5.25M	TBD	Subject to: Payment of Administrators fees and costs subject to approval by proponent All necessary ASX and regulatory approvals No timing specified in proposal	No
Bunbury	$1.08M	30 Days	Assignment of 12 minimum month agreements Hire select employees A Restriction of Trade or Non-Compete agreement	No
	1.675M	45 Days	Conditional upon further Diligence Subject to 100% bank funding Employees to be terminated by RMA and re-hired on new terms	No
South Perth	$826k – South Perth or $1.1k per South Perth property	20 days from contract	Cash offer Excluding management authorities terminated prior to assignment date, vacant at assignment date and rent authorities with rent arrears of $500 and more Purchase price inclusive of GST if applicable	No
South Perth & Port Kennedy	$1.5M to $1.7M	N/A	Managing director approval Conditional on receiving landlord approvals Employee entitlements deducted from price Additional due diligence Employee contracts Review rent roll records to verify financial info Exclusion of certain properties deemed to be non-commercial terms	No
	$1.04M – South Perth $845k – Port Kennedy	N/A	Independent valuation and finance Claw back on non-assigned management authorities Employee interviews Majority directors' resolution to proceed with the acquisition	No
South Perth & Joondalup	$2.1M – South Perth $1.2M – Joondalup	3 months	Further conditions and adjustments to price. Employee interviews Term of not less than twenty-four months from the settlement date Subject to 10% retention	No

In our opinion, a DOCA is the preferred transaction for the following reasons:

- Reduces the need for a retention or hold back as the parties acquire RMA, and therefore do not need to obtain an assignment with respect to each of the management authorities;
- Maintains the continuity of the employees and their entitlements are retained as liabilities of RMA as a recapitalised entity; and
- Minimises to the extent possible, any business disruption and facilitates the sale of RMA's rent roll in a truncated timeframe.

Accordingly, to further qualify these interested parties and ascertain the DOCA proposal which ultimately provides for the greatest return to creditors with the least completion risk, we requested and obtained the following additional information:

- Confirmation of funding and a letter from the preferred financier; and
- A letter outlining Plan B if the preferred method of funding for the contemplated transaction does not materialise.

These additional considerations have assisted us in framing our recommendation.

The three DOCA proposals capable of acceptance were further negotiated. Please refer to Section 7 for further information.

7. Proposal for DOCA

We have received DOCA proposals capable of being accepted from three (3) parties. The terms of these proposals are outlined at section 7.2 and annexed in full.

7.1. DOCA Proposals

We have received a DOCA proposal from each of the following parties:

1. The Agency Group Limited or nominee **(AGE)**
   (attached in full at Annexure E)
2. Fifth Stop Pty Ltd or nominee **(FST)**
   (attached in full at Annexure F)
3. Yolk Property Management Pty Ltd
   (attached in full at Annexure G)

We consider the proposed DOCA's comply with section 25.6.6 of the Code and include the following key features:

DOCA Proponent	AGE	FST	YPG
Headline price	$8,500,000	$8,500,000	$8,015,000
Deferred consideration	$1,000,000 Subject to set EBITDA hurdles	$500,000 - deferred for 30 days from the date of effectuation $2,000,000 - deferred for 60 days from the date of effectuation	$1,202,250 15% retention for lost management authorities
Deposit	$250,000	$100,000	$400,000
Critical conditions precedent to effectuation	Subject to ASX, ASIC and board approval.	Subject to finance, albeit we've sighted two letters of funding commitment.	Subject to board approval. Subject to bank funding albeit we have sighted and indicative commitment letter.
Retention of employees	Yes	Yes	In part
Return to secured creditors	100c	100c	100c
Return to employee creditors	100c or retention	100c or retention	100c or retention in part
Return to unsecured creditors	6.58c/$ - 11.79c/$	10.87c/$ - 11.79c/$	0.00- 7.36c/$
Intercompany loans	Compromised under DOCA and transferred to the creditors trust. Inclusion of intercompany loans may allow for distributions to be made to creditors of other entities in the Sterling Group.	Compromised under DOCA and transferred to the creditors trust. Inclusion of intercompany loans may allow for distributions to be made to creditors of other entities in the Sterling Group.	Compromised under DOCA and transferred to the creditors trust. Inclusion of intercompany loans may allow for distributions to be made to creditors of other entities in the Sterling Group.
Monitoring and reporting	Effectuation to occur shortly after execution once conditions precedent are met. Quantum of deferred consideration to be reconciled against set EBITDA hurdles in 13 months.	Effectuation to occur shortly after execution once conditions precedent are met. Quantum of deferred consideration to be reconciled against set EBITDA hurdles in 13 months.	Effectuation to occur shortly after execution once conditions precedent are met. Quantum of deferred consideration to be reconciled against set EBITDA hurdles in 13 months.

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7.2. Administrators Comments as to key terms of DOCA

The DOCA proposals provides for the creation of a creditors' trust to be named the 'Rental Management Australia Creditors Trust'. The key features of the Creditors' Trust are as follows:

Item	AGE	FST	YPG
Reason	— The purpose of the Creditors' Trust will be to enable certain tasks ordinarily undertaken by Deed Administrators (including but not limited to, the calling for and adjudication upon the claims of unsecured creditors) to be performed by the Trustees of the Creditors' Trust. Doing so will facilitate the early termination of the DOCA, so that the Company avoids having to trade 'subject to DOCA', which may adversely impact upon its ability to acquire goods and services, sign on new management agreements and obtain credit. The funds available for distribution to creditors of the Company out of the Creditors' Trust are set out in the Statement of Position shown at Section 10.	— Same as AGE	— Same as AGE
Return	The anticipated return to creditors by creditor class is tabled below:		
Timing	We anticipate that the Deed will be wholly effectuated by 30 June 2019, at which point the shares of RMA will have transferred to AGE for consideration of $8M. AGE will retain up to a $500k, which will be released to the creditors trust in 12 months on a proportional basis depending on the performance of the RMA business over that period.	We anticipate that the Deed will be wholly effectuated by 30 June 2019, at which point the shares of RMA will have transferred FST for consideration of $6M. FST will make additional contributions of: - $500k within 30 days of settlement - $2M within 60 days of settlement	We anticipate that the Deed will be wholly effectuated by 30 June 2019, at which point the shares of RMA will have transferred to YPG for consideration of $8.015M. Up to 15% of the consideration will be retained by YPG and will be proportionally released to the Creditors Trust based on the number of management authorities that remain with RMA after 12 months.

Creditor class	AGE	FST	YPG
Priority employee creditors	The DOCA proposed by AGE contemplates the retention of all staff.	The DOCA proposed by FST contemplates the retention of all staff.	The DOCA proposal allows for the YPG to either retain employees with entitlements up to $350k and pay out the balance of terminated employees, or terminate all employees and pay 100c/$
Secured creditor	100c/$	100c/$	100c/$
Unsecured creditors	6.58c/$ - 11.79c/$	10.87c/$ - 11.79c/$	0.00- 7.36c/$

Item	AGE	FST		YPG	
Trustee particulars	The Trustees of the Creditors' Trust are proposed to be Martin Jones and Wayne Rushton of Ferrier Hodgson. Details of their skills and experience are available on the Ferrier Hodgson website. Ferrier Hodgson has in place appropriate insurance coverage for the proposed work to be performed.	—	Same as AGE	—	Same as AGE
Remuneration	The Trustees' costs and expenses are estimated at $75,000, unless there is a challenge in Court in respect of the Trustees' administration of the Creditors' Trust, and subject to approval by creditors.	—	Same as AGE	—	Same as AGE
Indemnities	The Trustees of the Creditors' Trust will be entitled to be indemnified out of and will have a lien over the funds in the Creditors' Trust for their remuneration, costs and expenses incurred in adjudicating upon proofs of debt of creditors and distributing the funds in the Creditors' Trust.	—	Same as AGE	—	Same as AGE
Powers	The powers of a deed administrator are as set out in the DOCA and also sections of the Act, to the extent that they are applicable. Trusts are not governed by the Act and therefore the powers of trustees are also outside of the Act. Their powers are provided by the Trustees Act of WA and the terms of a Creditors' Trust Deed.	—	Same as AGE	—	Same as AGE
Claims	The Creditors' Trust fund will be distributed from time to time by the Trustees as soon as reasonably practicable after the receipt of funds. The priorities set out in section 556 of the Act shall apply as if references to 'liquidator' were references to the 'Trustees', references to 'winding up' were references to the 'Creditors' Trust' and with such other modifications as are necessary to give effect to the terms of the DOCA, except to the extent approved by eligible employee creditors pursuant to Section 444DA of the Act. Creditors will be beneficiaries of the Creditors Trust to the extent of their claims against the Company, subject to the adjudication of those claims by the Trustees and the terms of the DOCA proposal.	—	Same as AGE	—	Same as AGE

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Item	AGE	FST	YPG
Other creditor/ beneficiary differences	Creditors rights in an external administration are provided under the Act. Should creditors vote in favour of the DOCA proposal and the Creditors' Trust is formed, the Participating Creditors will transition to becoming beneficiaries under the trust. As such, their rights will not be specified under the Act but rather their rights as beneficiaries will arise under the terms of the Creditors' Trust Deed and the WA Trustee's Act.	— Same as AGE	— Same as AGE
FEG	To the extent that there are any arrears due to employees with respect to wages and other employee entitlements, those debts due to employees will not be compromised under the proposed DOCA and will remain a liability of the Company post effectuation of the DOCA. Therefore, there will be no amounts claimed under the FEG scheme.	— Same as AGE	— Same as AGE
Claims against directors	Any claims against the Directors will be transferred to the Creditors Trust.	— Same as AGE	— Same as AGE
Compliance opinion	We are of the opinion that AGE, is capable of complying with obligations to the Trustees.	We are of the opinion that FST, is capable of complying with obligations to the trustees.	We are of the opinion that YPG, is capable of complying with obligations to the trustees.
Solvency statement	We are of the opinion that the Company will be solvent at the date of effectuation of the DOCA for the following reasons: - Participating Creditor claims will be transferred to the Creditors' Trust, therefore providing the Company with a strong balance sheet position during the post-administration period. - Over the course of the negotiations with AGE the Administrators have formed the opinion that they are sophisticated and informed investors operating within the rental management industry, who will have taken into consideration the operational and working capital requirements of the businesses once acquired.	We are of the opinion that the Company will be solvent at the date of effectuation of the DOCA for the following reasons: - Participating Creditor claims will be transferred to the Creditors' Trust, therefore providing the Company with a strong balance sheet position during the post-administration period. - Over the course of the negotiations with FST the Administrators have formed the opinion that they are sophisticated and informed investors operating within the rental management industry, who will have taken into consideration the operational and working capital requirements of the businesses once acquired.	We are of the opinion that the Company will be solvent at the date of effectuation of the DOCA for the following reasons: - Participating Creditor claims will be transferred to the Creditors' Trust, therefore providing the Company with a strong balance sheet position during the post-administration period. - Over the course of the negotiations with YPG, the Administrators have formed the opinion that they are sophisticated and informed investors operating within the rental management industry, who will have taken into consideration the operational and working capital requirements of the businesses once acquired.
Tax (creditor/ beneficiary)	Creditors who are proposed to become beneficiaries of the Creditors' Trust should seek their own independent legal advice.	— Same as AGE	— Same as AGE

7.3. Deferred payments

Each of the DOCA's contemplates deferred components, as tabled below:

DOCA Proponent	Amount Deferred / retained	Condition	VA Comment
AGE	$1.0M	Subject to pre-determined and set EBITDA hurdle	Quantum at risk in circumstances where EBITDA does not materialise. The rate is still yet to be agreed
FST	$2.5M	$500k deferred for 30 days $2M deferred for 60 days	Secured pursuant to Second Ranking GSA over RMA and a first ranking mortgage over real property asset. This presents the least risk of completion of any of the proposals.
YPG	$1.2M	Retention or hold back to account for the potential of lost management authorities	If a large number of authorities are incorrectly executed OR are lost, then the retained funds may not be available to creditors

7.4. Further information for creditors

Creditors should seek their own legal advice as to their rights and the effects of their position in entering into the DOCA.

Creditors can obtain further information from the ASIC website at www.asic.gov.au under Regulatory Resources – Insolvency – Insolvency for Creditors.

8. Statutory investigations

This section provides creditors with information on the preliminary investigations undertaken by the Administrators to date, and whether there have been any potential actions identified that may be pursued by a liquidator, if appointed.

	Key takeaways	Ref.
1	RMA had "sold its rights and interest" in its main asset being the property management agreements.	8.4.2
2	The Company was not successful in its recapitalisation attempts.	8.4.7
3	The Company may have been insolvent or were likely to become insolvent from on or around January 2019.	8.5

8.1. Nature and scope of review

The Act requires an administrator to carry out preliminary investigations into a company's business, property, affairs and financial circumstances.

Investigations centre on transactions entered into by the Company that a liquidator might seek to have declared void (together with orders for repayment or compensation) if the Company is wound up. Investigations allow an administrator to advise creditors what funds might become available to a liquidator such that creditors can properly assess whether to accept a DOCA proposal or resolve to wind up the Company. We investigated matters to the extent possible in the time available.

We have been provided with access to the electronic accounting system, management accounts and other related information. However, we reiterate that the investigations are preliminary and have been limited, to date, as a result of the relatively short time available for us to complete our investigations, given the complication of the administration, report to creditors and still allow creditor adequate time to consider the issues raised prior to the Second Concurrent Meeting.

A liquidator may recover funds from certain voidable transactions or though other avenues; for example, through action seeking compensation for insolvent trading or breach of director duties. Funds recovered would be available to the general body of unsecured creditors including secured creditors but only to the extent of any shortfall incurred after realising their security.

An Administrator is not obliged to carry out investigations to the same extent as a liquidator. A liquidator may require many months of investigations and conduct public examinations before forming a concluded view on recovery action. A deed administrator does not have recourse in relation to voidable transactions.

The Administrators' knowledge of the Company's affairs comes principally from the following sources:

- Discussions with the Directors, their advisors and key staff members.
- The Directors' ROCAP.
- Management accounts, books and records, board reports and financial statements.
- The Company's internal accounting system.
- Correspondence and discussions with the Company's creditors.
- Searches obtained from relevant statutory authorities.
- Records maintained by the ATO.
- Publicly available information.

8.2. Directors' and officers' responsibilities

Sections 180 to 184 of the Act set out the duties, obligations and responsibilities imposed on Directors which are designed to promote good governance and ensure that Directors act in the interests of the Company. These duties include:

- Duty of care and diligence;
- Duty of good faith;
- Duty not to make improper use of position; and
- Duty not to make improper use of information.

Based on investigations to date, we have not identified any offences the director may have committed under the provisions of the Act. We note however breaches of this position are primarily a regulatory matter and not one that would form the basis for recovery by creditors.

Notwithstanding the above, our investigations with respect of any breaches committed by the directors are continuing.

Any future appointed liquidator would likely seek legal advice on these issues and conduct more investigations, possibly including a public examination to be able to determine the potential recoveries for the Company and if any of the above potential breaches warrant a report to the ASIC.

8.3. The Company's solvency

Some actions available to a liquidator to recover funds through the voiding of certain transactions or through other legal action, such as seeking compensation from directors for insolvent trading, require the Company's insolvency to be established at the relevant time.

There are two primary tests used in determining a company's solvency, at a particular date, namely:

- Balance sheet test; and
- Cash flow or commercial test.

The Courts have widely used the cash flow or commercial test in determining a company's solvency at a particular date along with several other indicators.

Section 95A of the Act also contains a definition of solvency. That definition reflects the commercial test in stating that a person is solvent if '*the person is able to pay all the person's debts as and when they become due and payable*.'

However, the commercial test is not the sole determinant of solvency. Determining solvency derives from a proper consideration of a company's financial position in its entirety and in the context of commercial reality. Relevant issues include, but are not limited to the following:

- The degree of illiquidity. A temporary lack of liquidity is not conclusive
- Regard should be had to:
    - Cash resources
    - Monies available thought realisations, borrowings against security of assets or equity/capital raising.
- All of a company's assets might not be relevant when considering solvency. For example, when a company proposes selling assets which are essential to its business operations, the proceeds of those assets should not be taken into account;
- The voluntary and temporary forbearance by creditors not to enforce payment terms; and
- It is not appropriate to base an assessment of whether a company can meet its liabilities as and when they fall due on the prospect that a company might trade profitably in the future.

In summary, it is a company's inability using such resources available to it through the use of its assets, or otherwise, to meet its debts as they fall due, which indicates insolvency.

We have summarised below the insolvency indicators adopted by the Courts and the ASIC together with our high- level comments in relation to the Company:

Insolvency Indicator	Present	Date relevant to insolvency	Reference	Administrators' comments
Endemic shortage of working capital – balance sheet				
Working capital deficiency	Yes	Indicators present from at least July 2018	8.4.1	The Company recorded a working capital deficiency, it's clear it did not have sufficient current assets to discharge its current liabilities. RMA has significant intercompany receivables and payables. Management have advised intercompany accounts were treated as non-current, however given the appointment of Administrators arguably all amounts payable/receivable to/from Sterling entities should be treated as current.
Net asset deficiency	No	Indicators present from July 2017	8.4.2	The Company recorded net asset deficiency. However, analysing the net asset position and forming a conclusion regarding the entities individually is difficult as they formed part of a group whereby certain assets and liabilities were held in individual entities and trusts for the benefit of the group as a whole. Further, RMA had "sold its rights and interest" in its main asset being the property management agreements and intercompany assets and liabilities distort the net asset position presented.
Ageing of creditors	Yes	Inconclusive	8.4.3	The aged payables analysis does not present any clear indications of insolvency.
Inability to extend finance facilities and breaches of covenants	No	N/A	8.4.4	The Macquarie facility (to which RMA and Acquest Capital were guarantors) had only recently been extended in 2018 and the facility was at its limit. The facility was established with the intention to fund the acquisition of new rent rolls and/or PMAs not to fund working capital. Our discussions with Management and Macquarie do not indicate there had been any breach of covenants leading up to our appointment.
Inability to meet other financial commitments/ default on finance agreements	No	N/A	N/A	The Company did not have any other significant financial commitment/finance agreements apart from being a guarantor under the Macquarie facility.

Insolvency Indicator	Present	Date relevant to insolvency	Reference	Administrators' comments
Availability of other cash resources – cash flow test				
Profitability/trading losses	Yes	Indicators present from July 2018	8.4.5	The Company recorded continued losses. Income associated with the PMA's was assigned to either the Income Trust or SIRT, with the current pricing structure negatively impacting the RMA business' ability to make a profit and continue as a going concern.
Cash flow difficulties	Yes	January 2019	8.4.6	The Company prepared a short-term cash flow forecast for the period to 14 June 2019. The Company recorded a negative net cash balance of c.$155k. However, this was forecast to be offset on a consolidated basis with other entities within the Sterling Group. The cashflow however relied on funds from the sale of income rights and payment arrangements with creditors, ultimately in the absence of the sale of income rights the Company had limited cash resources available and an apparent inability to generate sufficient profits to meet current or future liabilities.
Access to alternative sources of finance (including equity capital)	Yes	January 2019	8.4.7	The only source of alternative finance or equity available was the sale of income associated with its property management agreements or the recapitalisation of the business. Ultimately the Company was not successful in its recapitalisation attempts.
Inability to dispose non-core assets	Yes	N/A	8.4.8	The Company did not have any non-core assets to dispose.
Dishonoured payments	No	N/A	8.4.9	Based on our preliminary review of the Company's records and bank statements, we have not identified any dishonoured payments.
Overdue Commonwealth and State taxes	Yes	May 2019	8.4.10	The Company had entered into payment plans to address the outstanding statutory obligations in March 2019 and complied with the repayments up until the Administration of the Company.
No forbearance from creditors / legal action threatened or commenced by creditors	No	N/A	8.4.11	Our review of relevant searches conducted revealed that there were no legal action(s), including issuance of writs or judgements by creditors of the Company. Management were informally negotiating payment arrangements with its trade creditors as required.

8.4. Preliminary conclusion as to solvency

Set out below is a summary of the Administrators preliminary investigations and preliminary determination as to the Company's solvency.

Our investigations are ongoing.

8.4.1. Working Capital Deficiency

The table below summarises the Company's working capital position as at 30 June 2017, 2018 and YTD 2019:

$	FY17	FY18	YTD Mar 19
Current assets	430,051	520,008	660,999
Current liabilities	1,277,633	2,319,551	3,162,191
Net current liabilities	**(847,583)**	**(1,799,543)**	**(2,501,192)**
Add back: Net related party balances	2,646,298	1,050,483	1,006,304
Working capital surplus/deficiency	**1,798,715**	**(749,060)**	**(1,494,889)**

The Company did not have audited accounts and the Company's' management accounts were prepared using MYOB.

The Administrators make the following comments in respect of the above high-level analysis:

- Between June 2017 and March 2019, the Company had been operating with a deteriorating working capital position leading up to the Administration of the Company.
- The increase in current liability was due to the increase in trade creditors and employee entitlements.
- We consider the Company's operating structure is unlikely to align with its revenue. The Company is obliged to pay 100% of management fees to the assignee of the income rights to then be reimbursed the portion owing to the Company to run its business (c.63%). Delayed payments from the assignee contributed to its working capital strain.
- Analysing the working capital position and forming a conclusion regarding the Company individually is difficult as the Company is part of a group whereby certain assets and liabilities were held in individual entities and trusts for the benefit of the group as a whole.
- Further, the intercompany assets and liabilities within each entity may distort the net working capital position.
- For the purposes of this exercise, we looked at the working capital surplus/deficiency after removing intercompany balances on the basis that the entities to which they related were unlikely to have sufficient funds to repay them.

8.4.2. Net Asset Deficiency

The table below summarises the Company's net asset position as at 30 June 2017, 2018 and YTD 2019:

$	FY17	FY18	YTD Mar 19
Total assets	(16,179)	1,900,202	301,990
Total liabilities	3,425,240	7,000,832	6,264,367
Net assets	**(3,441,419)**	**(5,100,630)**	**(5,962,378)**

Further commentary in relation to the Company's net assets are presented in Section 4 of this Report.

The Administrators make the following comments in respect of the above high-level analysis:

- The Company's net asset position worsened in the YTD March 2019 due to an increase in an intercompany loan liability.
- Analysing the net asset position and forming a conclusion regarding the Company individually is not conclusive as the Company is part of a group and certain assets and liabilities were held in individual entities and trusts for the benefit of the group as a whole.
- The intercompany assets and liabilities within each entity may distort the net asset position presented.

8.4.3. Ageing of Creditors

The Company is the primary operating entity with over 3,600 properties and has expanded into Victoria and Queensland. However, the income sharing structure of the Master Deeds of Assignment (Income Rights) are negatively impacting the Company's ability to meet the payments of its creditors.

The table below sets out an analysis of the aged payables for the Company for the period June 2018 and YTD FY19.

	Current ($)	30+ days ($)	60 + days ($)	90 + days ($)	Total ($)
FY17	902,568	6,967	260,277	2,309,126	**3,478,939**
Percentage of total %	*25.94%*	*0.20%*	*7.48%*	*66.37%*	***100%***
FY 18	Nil	504	178,788	3,461,255	**3,640,547**
Percentage of total %	*Nil*	*0.01%*	*4.91%*	*95.08%*	***100%***
YTD Mar 19	48,129	125,032	200,291	1,559,393	**1,932,845**
Percentage of total %	*2.49%*	*6.47%*	*10.36%*	*80.68%*	***100%***

The Company's aged payables above indicate that the aged creditor balance beyond ninety (90) days peaked in FY 17, FY18 and FY YTD19. However, the aging analysis above includes trade creditors and intercompany balances and as such a majority of the payables which remain outstanding for 90+ days are intercompany balances.

As such, we have conducted a further analysis to the aged creditors by removing the intercompany balances, as follows:

	Current ($)	30+ days ($)	60 + days ($)	90 + days ($)	Total ($)
FY17	44,638	Nil	3,025	5,613	**53,276**
Percentage of total %	*83.79%*	*Nil%*	*5.68%*	*10.54%*	***100%***
FY 18	Nil	504	2,728	73,184	**76,416**
Percentage of total %	*Nil*	*0.66%*	*3.57%*	*95.77%*	***100%***
YTD Mar 19	136,456	107,030	36,637	32,138	**312,261**
Percentage of total %	*43.70%*	*34.28%*	*11.73%*	*10.29%*	***100%***

We note that the aged creditors (excluding intercompany balances) had increased from FY17 and YTD FY19. Whilst most of the creditor balances were current for FY17 and YTD FY19, there are creditors balances during the three (3) financial years which are beyond 90+ days, evidencing that the Company has fallen behind in its payments to creditors since FY2018.

8.4.4. Inability to extend finance and breaches of covenants

The Company's banking facilities are with the Macquarie Group. The Macquarie facility (to which RMA was a guarantor) had only recently been extended in 2018 and the facility was at its limit.

The facility was established by the Income Trust with the intention to fund the acquisition of new rent rolls and/or PMAs for RMA and not for the purpose of funding working capital.

Our discussions with Management and Macquarie do not indicate there had been any breach of covenants leading up to our appointment.

8.4.5. Profitability/Trading losses

A summary of the Company's trading position is presented in Section 4 of this Report.

The Company recorded trading losses during the FY18 and YTD FY19. We consider the Company's operating structure is unlikely to align with its revenue. The core asset of the Company is the 3,600 PMAs, which based on the materials we have reviewed, generate reasonable cashflow. However, given complexity of the corporate structure and the sale of the Income Rights to the Income Trust/SIRT the core business has been put into a loss-making position.

A decline in revenue is consistent with the downturn in the property market, impacting rental management income. This coupled with an inappropriate pricing structure under the Master Deeds of Assignment, which fails to correctly reflect the cost to run the RMA business, has caused significant losses.

8.4.6. Cash flow difficulties

We have reviewed the Company's short-term cashflow forecast to 14 June 2019. As at the date of Administration, the underpinning assumptions such as the sale of income rights and the execution of forbearance agreements with creditors had not materialised and as such the Company had insufficient funds to pay its debts when it fell due.

Ultimately in the absence of the sale of income rights the Company had limited cash resources available and an apparent inability to generate sufficient profits to meet current or future liabilities.

A number of steps were taken over time to attempt to rectify the deteriorating performance including:

- Engaging an independent consultant to complete a business review.
- Entering into forbearance arrangements with creditors up until the Administrators appointment.
- Attempts to stabilise the cash flow including strategies to reduce costs.
- Considered renegotiating payment terms and cost rationalisations in relation to the Master Deeds of Assignment.
- Investigating options to sell income rights to a suitable vehicle.
- Explored restructuring transactions / alternatives for RMA.

8.4.7. Access to alternative sources of finance (including equity capital)

The Sterling Group was unable to raise further equity capital from investors and the only source of alternative finance or equity was the sale of non-securitised income associated with RMA's PMAs and ultimately the recapitalisation of RMA's business.

A key to this was providing interim breathing space in relation to the cash flow which would have freed up Management's time to engage with the appropriate parties and stakeholders to further consider a restructure of RMA.

Ultimately the Company was not successful in its recapitalisation attempts prior to our appointment.

8.4.8. Inability to dispose non-core assets

A review of the Company's records does not indicate any non-core assets of value which could have been sold.

8.4.9. Dishonoured payments

A review of the Company's historical banking records did not indicate any dishonoured payments by the Company.

8.4.10. Overdue Commonwealth and State Taxes

Our enquiries with the ATO revealed the following debts owed to them:

Entity	Outstanding Lodgement	Amount ($)
Rental Management Australia	SGC for the period from 1 Oct 18 to 31 Dec 18 SG Shortfall for the period from 1 Oct 18 to 31 Dec 18 SG Nominal Interest for the period 1 Oct 18 to 31 Dec 18	35,051.54
Total		**35,051.54**

This is an indication that the Company was starting to fall behind in payments which are due and payable.

However, based on the records of the Company, we note the following:

- That the Company has been making weekly payments to the ATO for outstanding GST of $20,000 between January 2019 and February 2019.

- The Company entered into another payment plan with the ATO in March for payments commencing 19 April 2019 and had complied with the payments up until the date of the Administration.
- Based on the above, it can be noted that whilst the Company has been having difficulties in meeting its payment obligations it had entered into payment plans to try and address the issue.

8.4.11. No forbearance from creditors/legal action threatened or commenced by creditors

Based on the relevant searches conducted, we note that there were no legal action(s) initiated by creditors of the Company, for payment of outstanding amount owing. This includes any kind of application for writs or judgements against the Company.

8.5. Preliminary conclusion as to solvency

The Administrators make the following comments in respect of our high-level analysis:

- The Company is the main trading entity of the Sterling Group, which has a very complex organisational and operational structure.

Analysing the net asst position and forming a conclusion on the Company in isolation to the Group is difficult:

- as the companies and trusts which form the Group operate in a way whereby certain assets and liabilities were held in individual entities for the benefit of the wider group as a whole;
- RMA had “sold its rights and interest” in its main asset being the property management agreements; and
- The intercompany assets and liabilities within each entity in the Group may distort the net working capital and net asset position of the Company.

The more pertinent indicators in our analysis are:

- Income associated with the PMA’s was for the most part assigned to either the Income Trust or SIRT, with the current pricing structure negatively impacting the RMA business’ ability to make a profit and continue as a going concern.
- The illiquid assets of the Company which mainly comprises of group investments and intercompany loans, is a contributing factor to lack of cash available to meet the Group’s financial obligations.
- The downturn in the property market, impacting rental management income.
- RMA through its rent roll funded the Sterling Group through intercompany loans and other funding. The Sterling Group was in turn reliant on funding from RMA to remain solvent.

In light of the insolvency indicators discussed above our preliminary view is that the Company was insolvent on or around January 2019 when the inability to issue the ART PDS restricted the ability of RMA to sell organic growth and to acquire further rent rolls already under contract.

8.6. Potential liquidator recoveries – insolvent trading

8.6.1. Directors’ liability

Section 588G of the Act imposes a positive duty upon company directors to prevent insolvent trading. If a director is found to have committed an offence under Section 588G, the Court may order him or her to pay compensation to the company equal to the amount of loss or damage suffered by its creditors.

The Court may also impose upon the directors one of two types of civil penalty orders, the first can include a fine or an order prohibiting the directors from participating in the management of a company. The second, where there is criminal intent and conviction, exposes a director to imprisonment for up to five years and/or a fine.

This action is not a right that is available to an administrator or a deed administrator. Applications for compensation payable to the company are usually made by a liquidator, or in specified circumstances, a creditor.

The substantive elements of Section 588G are:

- A person must be a director of a company at a time when the company incurs a debt;

- The company must be insolvent at the time or becomes insolvent by incurring the debt; and
- The director must have reasonable grounds for suspecting that the company is insolvent or would become insolvent.

8.6.2. Directors' defences

The defences available to directors contained in Section 588H are:

- The directors had reasonable grounds at the time the debt was incurred to expect the company to be solvent and would remain solvent even after the debt was incurred;
- The directors relied on another competent and reliable person to provide information about whether or not the company was insolvent;
- The directors were ill or for some other good reason did not take part in the management of the company;
- The directors took reasonable steps to prevent the incurring of the debt.

8.6.3. Pursuing an insolvent trading claim

A liquidator must form an opinion as to the date of insolvency and determine the debts incurred from that date; thereby quantifying the loss to the company.

The costs of proceeding with an insolvent trading action, which are usually considerable, particularly given the need for expert evidence as to insolvency, must be considered.

Any decision to commence an action against the Director or Former Director for insolvent trading must have regard to the following:

- The costs of litigation and the uncertainty of success inherent in any complex litigation; and
- The Director's/Former Director's capacity to meet a claim for compensation.

Our preliminary view is that the Company was insolvent on or around January 2019 when the inability to issue the ART PDS restricted the ability of RMA to sell organic growth and to acquire further rent rolls already under contract. The move of the rent roll from the SIT to the ART had been endorsed in principle by Macquarie Bank.

In determining a course of action, a liquidator would consider the costs and risks of any proceedings and the ability to fund any proceedings, including whether creditors are prepared to forgo any scheduled dividends and/or the cost of litigation funding as an alternative.

Further, in addition to the director recorded on the ASIC database our investigations revealed that Mr Simon Bell had been involved in the day-to-day running of the Company and may have been acting as a shadow director. From our discussions with various parties, in particular, financiers, former employees and investors it appears that all instructions and all transactions were approved and also effected by Mr Bell in one capacity or another

The Sterling First Group and Acquest Group were experiencing financial difficulties from around June 2018. Accordingly, in March 2019 the Directors of the Sterling First Group engaged the services of Ferrier Hodgson to provide advice regarding solvency and restructuring options for RMA. We believe that Mr Luzi was not aware of our engagement at this stage.

Acting sensibly the Sterling First Group's Directors needed to ensure stabilisation of RMA's business to allow sufficient headway to potentially develop and explore alternative options.

In this situation, stabilisation was predicated on quantifying the short and medium-term cash needs of the Sterling Group to: (i) remain solvent; and (ii) provide the Group with sufficient breathing space in order to assess what restructuring options were feasible, develop a plan capable of implementation, and execute on that plan.

Following pressure from ASIC regarding insufficient details regarding a plan capable of being executed and a clear way forward, the directors resolved to place the majority of the companies into voluntary administration. This was the first time Mr Luzi had been made aware of the financial difficulties facing RMA.

Mr Luzi may able to defend a claim for insolvent trading if he can prove:

- at the time the relevant debt was incurred he took all reasonable steps to prevent the company from incurring the debt; and/or
- had reasonable grounds to believe and did believe that a competent and reliable person was providing adequate information that the company was solvent.

Our review of the records also indicate that the Company had made various payments in relation to the trading of its business with a majority of payments being related to employees' wages and payments to the ATO. The analysis of an insolvent trading claim is complex and would require a detailed calculation by a liquidator and legal advice.

Presently, given the nature of the payments incurred during the relation back period, and unless further investigation is conducted and more information is obtained on the Director's and/or Shadow Director's personal capacity, we are of the view that any claim for insolvent trading would be difficult to determine, and accordingly whether its commercially viable to pursue such claims given there would be no significant recoveries available to creditors.

8.6.4. Holding company liability

Section 588V of the Act provides that a holding company may be held liable for the debts of a subsidiary in certain circumstances.

The substantive elements of Section 588V are:

- The corporation is the holding company at the time when the company incurs a debt;
- The subsidiary is insolvent at that time, or becomes insolvent by incurring that debt;
- The holding company, or one or more of its directors, is aware at that time that there are grounds for suspecting the subsidiary is insolvent; or
- Having regard to the nature and extent of the holding company's control of the subsidiary's affairs, then it would be reasonable to expect that:
  - The holding company would be aware of the subsidiary's financial position; or
  - The holding company's directors would also be aware of the subsidiary's financial position.

The defences the holding company may rely upon are set out in Section 588X and are essentially the same as those a director may rely upon under Section 588H.

Furthermore, the Courts have held that, as a defence to such proceedings, a holding company can off-set any claim by a liquidator under Section 588W against monies owing under an intercompany loan account.

There are a number of entities within the Group, some of which act as holding companies for subsidiary companies. Given our finding in relation to there not being a likely claim for insolvent trading, the Administrators do not believe that there is a claim against the holding company for any subsidiary company debts.

8.7. Adequacy of books and records

Section 286 of the Act requires a company to keep written financial records that correctly record and explain the company's transactions, financial position and performance and would enable true and fair financial statements to be prepared. The financial records must be retained for a period of seven years after the transactions covered by the records are completed.

The failure to maintain books and records in accordance with Section 286 provides a rebuttable presumption of insolvency which might be relied upon by a liquidator in an application for compensation for insolvent trading.

Based on our review of the books and records received, while there are some missing and/or incomplete information we are of the opinion that the Company's books and records were maintained in accordance with Section 286 of the Act to the date of the appointment of the Administrators on 3 May 2019.

8.8. Other matters arising from investigations

8.8.1. Falsification of books

Pursuant to Section 1307(1) of the Act, it is an offence for a person to engage in conduct that results in the concealment, destruction, mutilation or falsification of any securities of or belonging to the company or any books affecting or relating to affairs of the company.

If an offence is proven, there are criminal penalties only. However, similar or related conduct also could give rise to a contravention of Section 1307(2) of the Act and that contravention could give rise to a claim for damages. Further, conduct falling within either Section 1307(1) or Section 1307(2) may amount to breaches of directors' statutory and/or general law duties and/or provisions proscribing misleading conduct which could give rise to a recovery of funds.

The Administrators' preliminary investigations do not reveal any evidence of falsification of books.

8.8.2. False or misleading statements

Pursuant to Section 1308 of the Act, a company must not advertise or publish a misleading statement regarding the amount of its capital. It is an offence for a person to make or authorise a statement that, to the person's knowledge is false or misleading in a material particular.

The Administrators' preliminary investigations do not reveal any evidence of any false or misleading statements.

8.8.3. False information

Pursuant to Section 1309 of the Act, it is an offence for an officer or employee to make available or give information to a director, auditor, member, debenture holder, or trustee for debenture holders of the company that is to the knowledge of the officer or employee:

- False or misleading in a particular matter; or
- Has omitted from it a matter the omission of which renders the information misleading in a material respect.

The Administrators' preliminary investigations do not reveal any evidence of any false information.

9. Voidable transactions

This section informs creditors about potential voidable transactions that occurred prior to the appointment of the Administrators, and where the property of the Company was disposed of or dealt with, may be recovered by a liquidator.

Key takeaways		Ref.
1	We have identified potential voidable transactions in the amount of c.$128k	9.2
2	These transactions had the effect of conferring a benefit on a particular creditor over other trade creditors.	

A liquidator has the power to take steps to have declared void certain transactions which are either not beneficial, or are detrimental, to a company. An administrator must identify any transactions that appear to be voidable by a liquidator. Apart from seeking to have a voidable transaction declared void, a liquidator may seek related orders, including the payment of compensation.

Enclosed at **Annexure F** is a creditor information sheet published by ARITA. This information sheet details the types of transactions which a liquidator can seek to have declared void, which include:

- Unfair preference payments;
- Uncommercial transactions;
- Unfair loans;
- Unreasonable director-related transactions;
- Inappropriate related party transactions
- Creation of circulating security interests within 6 months of commencement of Administration; and
- Transactions for the purpose of defeating creditors.

For the purposes of examining voidable transactions, the Liquidator would review transactions that occurred during the relevant time period (as prescribed under the Act), taking into consideration the "relation back day". The relation back day for the Company is January 2019.

9.1. Summary of potential antecedent transactions

Set out below is a summary of transactions that a liquidator would be very likely to investigate further if the Company is placed into liquidation.

Potential recovery item	
Unfair preferences	Possible transactions
Uncommercial transactions	None identified
Unfair loans	None identified
Unreasonable director-related transactions	None identified

Due to the requirement for further investigations into the substance and reasonableness of these transactions, we are unable to provide a quantum or an estimate range at this stage. Any future appointed liquidator would likely seek legal advice on these issues and conduct further investigations into the matter which may possibly include a public examination of the Directors and the parties involved to determine if there is any likely realisation from voiding those transactions.

9.2. Unfair preferences – section 588FA

An unfair preference payment is a transaction, generally occurring in the six months prior to the relation back day, between the company and a creditor, resulting in the creditor receiving from the company, in relation to an unsecured debt owed to the creditor, a greater amount than it would have received in relation to the debt in a winding up of the company. This period is extended up to four years for transactions entered into with a related entity.

A transaction can only be considered an unfair preference if the company was insolvent at the time the transaction took place, or the company became insolvent as a result of the transaction.

Should a liquidator establish any such unfair preference payments, these amounts may be recouped thereby increasing the funds available to ordinary unsecured creditors.

If a creditor disgorges an unfair preference payment to a liquidator, the creditor is entitled to prove for dividend. Therefore, whilst recovering an unfair preference increases the pool of funds available to creditors, it also increases total creditor claims.

We understand from the management that there are no formal written payment plans in place with trade creditors (other than the ATO) prior to our appointment and our preliminary investigations to date have not located any evidence of preferences. That said, our investigations revealed that the following payments c.128k were made to the ATO during the relation back period (January 2019 to 3 May 2019), which may constitute an unfair preference under the Act and require further investigations:

Date	Amount ($)
7 January 2019	20,000
11 January 2019	20,000
18 January 2019	20,000
25 January 2019	20,000
4 February 2019	20,000
8 February 2019	20,000
23 April 2019	4,000
26 April 2019	4,000
Total	**128,000**

Other than the above, our preliminary review revealed that the Company made trade on payments, which largely includes payment of wages and very modest payments to trade creditors.

Unfair preference payments are voidable against a liquidator, and further investigations will be undertaken in the liquidation to determine the likelihood of action for the recovery of unfair preference payments being successful. We note that successful action for unfair preference payments includes establishing the date of insolvency, and the costs of pursuing an unfair preference payment can sometimes outweigh the potential returns.

There are various defences under the Act that may be available to a party that may have received the benefit of a voidable transaction.

9.3. Uncommercial transactions – section 588FB

An uncommercial transaction is a transaction which a reasonable person in the place of the company would not have entered into, taking into account the benefits and the detriment to the company, the respective benefits to the other parties involved and any other related matters.

Among transactions which may be challenged successfully include those where the company:

- makes gifts;
- agrees to perform tasks for no consideration;
- purchases property which has a market value less than the price paid;
- leases an asset over its rental value;
- disposes of property for a price less than its market value;
- agrees to pay for services a sum which exceeds their value;
- agrees to provide for services for a sum less than their value;
- provides a guarantee for no benefit or a benefit less than the value of the benefit conferred by the guarantee; and
- provides security for a previously unsecured loan.

A liquidator must investigate transactions deemed to be uncommercial, in the period two years prior to the date of administration.

During the course of our investigations, we identified a number of transactions processed through the MYOB accounting software relating to the intercompany/related party loan accounts. These transactions give rise to either a reduction in the intercompany/related party's debtor balance or creditor balance as a result of payments/offsets on the relevant company's behalf and in some circumstances include a number of related parties. Further investigations are required to determine the appropriateness and/or validity of these transactions.

The value of any claims that a liquidator may have must be measured against the capacity of the related party to meet such claims and given a number of the related parties are either dormant or in external administration any recoveries are likely to be minimal.

9.4. Unfair loans – section 588FD

A liquidator will investigate any loans to the company which may be considered unfair due to extortionate interest rates or charges.

Based on the books and records in our possession we have not identified any transactions which would constitute unfair loans to the Company.

9.5. Unreasonable director-related transactions – section 588FDA

Section 588FDA of the Act refers to "unreasonable director-related transactions" and requires the liquidator to investigate such transactions, having regard to the detriment to the Company (if any) suffered as a consequence of the transaction.

The transaction must have been unreasonable and entered into during the four years prior to the relation back day, regardless of the solvency at the time the transaction occurred. These can include remuneration, bonuses, loans, loan forgiveness and asset transfers to company officers with the four-year period ending on the relation-back date.

Based on the books and records in our possession, we have not identified any transactions which would constitute unreasonable director-related transactions.

A liquidator, if appointed, would need to conduct further investigations in relation to the transactions and make an assessment as to:

- Whether there are defences available; and
- Whether the costs likely to be incurred in voiding the transactions will outweigh the return.

10. Voidable charges

A circulating security interest is voidable if the security interest was created during the six months ending on the relation back day, and the security interest was created to secure borrowings that were advanced prior to the creation of the security interest.

The Administrators have not identified any voidable charges against the Companies.

10.1. Arrangements to avoid employee entitlements

Part 5.8A of the Act aims to protect the entitlements of a company's employees from agreements that deliberately defeat the recovery of those entitlements upon insolvency.

Under Section 596AB(1) of the Act, it is an offence for a person to enter into a transaction or relevant agreement with the intention of, or with intentions that include:

- Preventing recovery of employee entitlements; or
- Significantly reducing the amount of employee entitlements recoverable.

The Administrators have not identified any instances in which the Company acted to deliberately defeat the recovery of employee entitlements.

10.2. Directors' ability to pay a liquidator's claims

The value of the claims a liquidator may have must be measured against the capacity of the Directors to meet such claims.

At this stage, the Administrators have not made any assessment as to the financial capacity of the Directors to meet any potential actions that we may identify.

Any future appointed liquidator would likely seek legal advice on these issues and conduct further investigations into this matter and possibly including a public examination of the Directors in a liquidation scenario.

10.3. Reports to the ASIC

Section 438D of the Act requires us to lodge a report with the ASIC should we become aware of:

- Any offences committed by a past or present officer of the Company;
- Evidence that money or property has been misapplied or retained;
- Evidence that a party is guilty of negligence, default, breach of duty or breach of trust in relation to the Company.

We have not identified any offences that require reporting to the ASIC pursuant to Section 438D of the Act. We further note that in the event the Company is wound up, it is a requirement under Section 533 of the Act that a liquidator lodge an investigative report with the ASIC.

Creditors should be aware that any report lodged pursuant to Section 438D (or an investigative report lodged by a liquidator pursuant to Section 533 of the Act) is not available to the public.

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11. Return to creditors

This section provides creditors with information on the estimated financial outcome to creditors together with the anticipated timing of any dividend.

11.1. Return to creditors

The table below outlines an estimated Low and High return for each class of creditor in both a Liquidation and a DOCA scenario.

Rental Management Australia Pty Ltd (Administrators Appointed)		DOCA						Asset Sale	
		AGE		FST		YPG		Liquidation	
($000's)	Notes	Low	High	Low	Low	Low	High	Low	High
Circulating assets									
- Cash at bank	1	-	-	-	-	-	-	-	-
- Voidable transactions		-	-	-	-	-	-	-	128,000
- Debtors	2	Nil	TBD	Nil	TBD	Nil	TBD	Nil	TBD
Circulating assets available to priority creditors		**Nil**	**TBD**	**Nil**	**TBD**	**Nil**	**TBD**	**Nil**	**TBD**
Non-Circulating assets									
Consideration for sale of rent roll and/or business	3	8,500	8,500	6,000	6,000	8,015	8,015	4,201	5,859
Retention consideration withheld	4	(1,000)	(1,000)	-	-	(1,202)	(1,202)	-	-
Retention/deferred consideration paid		-	1,000	2,500	2,500	-	1,202	-	-
Total		**7,500**	**8,500**	**8,500**	**8,500**	**6,813**	**8,015**	**4,201**	**5,859**
Multiple of national base fees		*1.62x*	*1.84x*	*1.84x*	*1.84x*	*1.47x*	*1.73x*	*1.22x**	*1.70x**
Less:									
- Administrators' Loan	5	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
- Trading costs to settlement date		(250)	(250)	(250)	(250)	(250)	(250)	(250)	(250)
- Administrators' fees relating to sale	6	(214)	(110)	(214)	(110)	(214)	(110)	(214)	(110)
- Sales costs	7					(401)	(401)		
Funds available to secured creditor		**6,536**	**7,640**	**7,536**	**7,640**	**5,448**	**6,754**	**3,237**	**4,999**
Less: Macquarie indebtedness		(4,810)	(4,810)	(4,810)	(4,810)	(4,810)	(4,810)	(4,810)	(4,810)
Funds claimed from SIT	8	480	480	480	480	480	480	480	480
Net Macquarie indebtedness		**(4,330)**	**(4,330)**	**(4,330)**	**(4,330)**	**(4,330)**	**(4,330)**	**(4,330)**	**(4,330)**
Funds available after secured creditor		**2,206**	**3,310**	**3,206**	**3,310**	**1,118**	**2,424**	**(1,093)**	**669**
- Remaining Administrators fees and disbursements	9	(360)	(250)	(360)	(250)	(360)	(250)	(360)	(250)

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Rental Management Australia Pty Ltd (Administrators Appointed)		DOCA						Asset Sale	
		AGE		FST		YPG		Liquidation	
($000's)	Notes	Low	High	Low	Low	Low	High	Low	High
- Deductions for Administration costs of other entities		(150)	(150)	(150)	(150)	(150)	(150)		
Funds available to priority creditors		**1,696**	**2,910**	**2,696**	**2,910**	**608**	**2,024**	**Nil**	**419**
Wages and Superannuation		161	161	161	161	Paid or up to	Paid or up to	161	161
Accrued Leave Entitlements	10	Staff	Staff	Staff	Staff	$350k liability	$350k liability	192	192
Redundancy and Pay in Lieu of Notice.		Retained	Retained	Retained	Retained	assumed	assumed	520	520
Funds available to unsecured creditors		**1,534**	**2,748**	**2,534**	**2,748**	**Nil**	**1,716**	**Nil**	**Nil**
- Trade Creditors	11	364	364	364	364	364	364	364	364
- Statutory creditors	12	550	550	550	550	550	550	550	550
- Intercompany loans	13	4,759	4,759	4,759	4,759	4,759	4,759	4,759	4,759
- SIT	14	16,030	16,030	16,030	16,030	16,030	16,030	16,030	16,030
- SIRT		1,608	1,608	1,608	1,608	1,608	1,608	1,608	1,608
Total Unsecured Creditors		**23,310**	**23,310**	**23,310**	**23,310**	**23,310**	**23,310**	**23,310**	**23,310**
Dividend		**6.58%**	**11.79%**	**10.87%**	**11.79%**	**Nil**	**7.36%**	**Nil**	**Nil**

[This space is left blank intentionally]

In respect of the above, we make the following high-level comments:

1. Cash at bank has been utilised in the ongoing trade of the business and therefore is not available for distribution to creditors.

2. To the extent that voidable transactions are recoverable these funds may be available to meet employee entitlements in the event of the winding up of the Company.

3. Debtors predominately relate to intercompany loans and amounts owed by the Income Trust which may be subject to dispute and set-off. Accordingly, we are unable to determine the recoverability of the pre-appointment debtors.

4. Represents the total consideration offered by the respective DOCA proponents, prior to the deduction of any retention or deferments save for our liquidation estimate which is a multiple on long term property management authorities.

5. Both AGE and YPG have retention clauses contained in the respective DOCA's as follows:

   AGE - the Deferred Consideration is premised on the operational performance of RMA for the 12 months post Effectuation. That is, for every $1 over a set hurdle EBITDA that RMA achieves, it is obligated to pay between $0.25 to $0.50 to the Creditors Trust (subject to the Proponent quantifying the internal cost synergies within the aggregated businesses, which is to be set out in the DOCA) and reconciled after conclusion of the period. The Deferred Consideration is capped at $1,000,000.

   YPG - The administrator will establish a retention fund to the value of 15% of the acquisition price. These funds will be held in trust and reconciled at the completion of twelve months after settlement to any lost managements which will be valued at the agreed multiple and refunded to the proponent.

   In the event that the retention is not capable of being returned, YPG have offered an additional $350k to ensure that employee creditors will not be any worse off than if the Company were to proceed into liquidation.

   For both of these proposals, our **low return** contemplates that these retention monies **will not** be recovered for the benefit of Creditors.

   FST - do not have a retention clause in its proposal, however there are deferments totalling $2.5M with $500k to be paid within 30 days of effectuation, and the balance of $2M to be paid within 60 days of effectuation, both of which are secured pursuant to a second ranking GSA over RMA together with a first ranking real property management.

6. The Secured Creditor has committed to providing the Administrators with a loan facility to cover trading costs up to the end of May 2019 in the amount of $500k. The end of May was considered an inflection point at which time the Administrators could consider offers for the RMA business and decide on whether to ultimately sell the business as a going concern or cease trading.

   The Administrators will request additional funding from Macquarie (estimated at $250k) to cover trading costs for June 2019 to DOCA effectuation.

   As a cost of the Administration, these loans are required to be repaid in full prior to the pre-appointment Macquarie secured debt and other unsecured creditors of RMA.

7. The Administrators have a statutory lien over the proceeds of the sale of the business, for costs directly incurred in its realisation. These costs relate to:

   - the marketing and sale campaign undertaken
   - discussions with interested parties
   - review of NBIO offers
   - setting up of the data room
   - fielding information requests

- discussions with the secured creditor regarding offers
- review of formal offers
- discussion and negotiation with interested parties

8. Sales costs relates to a 5% fee incurred by the broker acting for YPG.

9. As at our appointment Macquarie were owed $4.8M. RMA is a guarantor on the facility and Income Trust is the principal obligor. The Bank exercised their right of set-off in connection with funds held in the Income Trust thereby reducing their indebtedness to $4.33M.

10. The Administrators of the Sterling Group have incurred additional costs which do not directly relate to the sale of RMA, however were still necessarily incurred in the preservation of the Sterling Group and in turn RMA. Each DOCA provides funds which allow for the Administrators of the Sterling Group to recover costs to these entities.

11. Employee entitlements receive a statutory priority over other unsecured creditors pursuant to s556 of the Corporations Act. Should the Company proceed into liquidation, employees would be able to access the Fair Entitlement Guarantee Scheme **(FEG)** which provides funding in respect of their outstanding entitlements, excluding Superannuation. Any proposed DOCA would therefore need to accommodate for employee entitlements to ensure that employee entitlements are not prejudiced, through either monetary consideration for the entitlements or otherwise assuming those entitlements whilst providing for continued employment.

12. Trade creditors are based on the books and records of the Company and are subject to change depending on the ultimate review and adjudication on proof of debts by either the Administrators or the Trustees of the Creditors Trust.

13. Statutory creditors relate to the Australian Taxation Office and Office of State Revenue in respect of outstanding taxation obligations.

14. RMA were heavily reliant on unsecured intercompany loans to fund its working capital deficiencies. These balances are preliminary and are subject to change once the Administrators or the Trustees of the Creditors Trust undertake an adjudication process. These amounts are compromised under the DOCA and transferred to the Creditors Trust.

15. RMA assigned its rights, title and interest in the fees and costs payable to RMA under Assignment Deeds to:

    - The Income Trust by a Master Deed of Assignment dated 23 March 2013; and
    - Silver Link Income Rights Trust by a Master Deed of Assignment dated 1 May 2018.

    We refer to our comments at section 3.6 regarding our views on the security position of these Assignments.

    For the purpose of the statement of position and absent of any better information at the time of drafting, we have adopted the face value of the initial consideration paid to RMA for the assignment of those rights.

In our opinion, a DOCA provides a greater prospect of a return to creditors as opposed to the winding up of RMA and in a shorter timeframe. The asset is likely to diminish in value in a liquidation and therefore transacting by way of DOCA is the preferred transactional structure.

If the Company is placed into liquidation, employees may be eligible for payment of their outstanding employee entitlements (excluding unpaid superannuation) under FEG, a scheme operated by the Department of Employment.

Employees can obtain further information on the eligibility requirements of FEG at:
https://docs.jobs.gov.au/documents/eligibility-feg-assistance-fact-sheet.

11.2. Timing of dividend

A dividend is likely to be payable from the Creditors Trust in the 4th calendar quarter of 2019.

12. Statement by Administrators

We recommend that the Companies execute the DOCA proposal put forward by FST.

Pursuant to IPR 75-225(3)(b), we are required to provide creditors with a statement setting out our opinion on whether it is in creditors' interests for the:

- Administration to end;
- Company to be wound up; and
- Company to execute a DOCA.

Each of these options is considered below. In forming our opinion, it is necessary to consider an estimate of the dividend creditors might expect and the likely costs under each option.

12.1. Administration to end

The Company is insolvent and unable to pay its debts as and when they fall due. Accordingly, returning control of the Company to its Directors would be inappropriate and is not recommended.

12.2. DOCA

In our opinion, a DOCA will provide a greater return to creditors and should be considered as the preferred approach to the winding up of the Company for the following reasons:

- Reduces the need for a retention or hold back as the parties acquire RMA, and therefore do not need to obtain an assignment with respect to each of the management authorities;
- Maintains the continuity of the employees and their entitlements are retained as liabilities of RMA as a recapitalised entity (except for YPG); and
- Minimises to the extent possible, any business disruption and facilitates the sale of RMA's rent roll in a truncated timeframe.
- In the event that the Company were to enter into Liquidation it is likely that no funds would be available to unsecured creditors as the business would deteriorate rapidly and the realisable value of the RMA would likely be significantly impacted.
- The contemplated DOCA conforms to the policy objectives of Part 5.3A (see Section 435A) of the Act. That is, maximising the chances of the Company continuing in existence.

We have extensively negotiated the three (3) DOCA's set out in this report to extract and accrete as much value to creditors as available in the circumstances.
Based on our statement of position, FST and AGE provide for a greater return to creditors on a high and low case basis. However, our recommendation to creditors must also have regard to the timing and completion risk associated with the DOCA proposals.

Accordingly, we recommend that creditors approve RMA's entry into a DOCA with FST for the following reasons:

- The proposed DOCA provides for continued employment of the Company's employees.
- The Secured Creditor will be repaid in full upon effectuation.
- We have sighted two (2) letters of indicative finance approval with respect to the funding of the proposed consideration ($6M).
- The deferred consideration is received in a shorter window (60 days) as compared to the other DOCA proposals (being 12 to 13 months).
- The deferred consideration is secured pursuant to a GSA by the Creditors Trust over RMA and a first ranking mortgage over a real property asset (with sufficient equity) to secure the performance of the obligations, therefore mitigating the collection risk of these funds.
- The AGE DOCA is subject to a capital raising and therefore regulatory risk, notwithstanding the initial consideration is higher at $7.5M.
- YPG is subject to finance and the retention is at risk of materialising as compared to FST.

Accordingly, FST has the least completion risk out of the three (3) DOCA proposals and we therefore recommend this DOCA to creditors.

Creditors are however entitled to vote at the meeting as they consider appropriate. Our role is to enable creditors to make an informed decision having regard to the facts and circumstances surrounding the process.

12.3. Winding up of the Company

It is not in creditors interest to wind up the company and therefore creditors should vote in favour of one of the DOCA proposals.

A liquidator would be in a position to conduct detailed investigations into the conduct of directors and the financial affairs of the Company. A liquidator will also be empowered to:

- Complete the sale of assets in an orderly manner.
- Assist employees in applying for FEG for the payment of certain employee entitlements. that cannot otherwise be funded by the Company.
- Pursue various potential recoveries under the Act.
- Distribute recoveries made in accordance with the priority provisions of the Act.
- Report to the ASIC on the results of investigations into the Company's affairs.

Ferrier Hodgson

13. Further information and enquiries

The ASIC has released several insolvency information sheets to assist creditors, employees and shareholders with their understanding of the insolvency process. You can access the relevant ASIC information sheets at www.asic.gov.au.

We will advise creditors in writing of any additional matter that comes to our attention after the release of this Report, which in our view is material to creditors' consideration.

Should you have any enquiries, please contact Mr Bryce Nie on 08 9214 1475or by email Bryce.Nie@fh.cm.au.

Dated this 30th day of May 2019

Martin Jones
Joint and Several Administrator
Rental Management Australia Pty Ltd

Annexures

A – Receipts & Payments

A summary of receipts and payments for the period 3 May 2018 to 29 May 2018 is set out in the tables below:

	Total ($)
Receipts	
Transfer from pre-appointment account	113,448
Advance from Rental Management Australia VIC	8,793
Management Fees received	154,946
Total receipts	**277,187**
Payments	
Wages	146,098
Advance to Rental Management Australia Development Pty Ltd	24,084
Advance to Sterling First (Aust.) Limited	44,352
Advance to Gage Management Pty Ltd	12,916
Sundry Expenses	9,988
Total payments	**237,437**
Cash at bank at 29 May 2019	**39,750**

B – Notice of meeting of creditors

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Notice of meeting of creditors

*Insolvency Practice Rules (Corporations) 2016 (**IPR**), Section 75-225*

Rental Management Australia Pty Ltd (Administrators Appointed) (the Company)
ACN 160 167 108

NOTICE is given that a meeting of creditors of the Company will be held on 10 June 2019 at 11:00am (AWST) at Level 28, 108 St Georges Terrace, Perth WA 6000.

Agenda

1. To consider a statement by the Directors about the Company's business, property, affairs and financial circumstances.
2. To consider the circumstances leading to the appointment of the Administrators to the Company, details of the proposed Deed of Company Arrangement (if any) and the various options available to creditors.
3. To consider the report of the Administrators.
4. To resolve that:
    a. the Company execute a Deed of Company Arrangement; or
    b. the Administration should end; or
    c. the Company be wound up.
5. If it is resolved that the Company be wound up, and an alternate Liquidator is proposed, consider whether creditors wish to appoint the alternate Liquidator.
6. If it is resolved that the Company be wound up, consider whether a Committee of Inspection is to be appointed, and if so, the members of that Committee.
7. If it is resolved that the Company be wound up, consider whether, pursuant to Section 477(2A) of the Corporations Act 2001 (**the Act**), creditors authorise the Liquidators to compromise a debt owed to the Company up to a maximum limit of $100,000.
8. If it is resolved that the Company be wound up, consider whether, subject to obtaining the approval of the Australian Securities & Investments Commission (**ASIC**) pursuant to Section 70-35 of Schedule 2 to the Act, the books and records of the Company and of the Liquidators may be disposed of by the Liquidators 12 months after the dissolution of the Company or earlier at the discretion of ASIC.
9. To fix the remuneration of the Administrators.
10. If it is resolved that the Company execute a Deed of Company Arrangement, to fix the remuneration of the Deed Administrators.
11. If it is resolved that the Company be wound up, to fix the remuneration of the Liquidators.
12. Any other business that may be lawfully brought forward.

For a person to be eligible to attend and vote at the meeting on your behalf, a Form 532, Appointment of Proxy, is to be completed and submitted by no later than 4:00pm (AWST) on Friday, 7 June 2019, to:

Rental Management Australia Pty Ltd (Administrators Appointed)
c/- Ferrier Hodgson

Tel: 08 9214 1444
Fax: 08 9214 1400
Email: bryce.nie@fh.com.au

Note:

A company may only be represented by proxy or by an attorney appointed pursuant to IPR Sections 75-25 and 75-150 or, by a representative appointed under Section 250D of the Act.

Creditors wishing to attend by electronic means are advised they can utilise the following facility:

Facility Number: 1800 672 949
Password: will provide upon request

Please contact Ferrier Hodgson by email at bryce.nie@fh.com.au or by telephone to 08 9214 1444 to be provided with a conference call password.

Creditors wishing to participate in the meeting by using electronic facilities must return to the external administrator not later than the second-last business day before the day of the meeting, a written statement setting out:

i. The name of the person and or the proxy or attorney, (if any); and
ii. An address to which notices to the person, proxy or attorney may be sent; and
iii. The method by which the person, proxy or attorney may be contacted for the purposes of the meeting.

Please note that due to the number of creditors who may dial into the meeting, it will not be possible to consider those creditors as attendees of the meeting and they will not be able to vote or participate in the meeting. If you wish to vote or participate, you must attend in person or by proxy.

Dated this 30th day of May 2019

Martin Jones

Administrator

Note: In accordance with IPR Section 75-15(1)(c) please see effect of IPR Section 75-85 Entitlement to vote at meetings of creditors on the following page.

Ferrier Hodgson

C – Appointment of proxy

Form 532 - Appointment of Proxy
Insolvency Practice Rules (Corporations) 2016, Section 75-25

Return no later than 4:00pm (AWST), Friday 7 June 2019 to:
Ferrier Hodgson
Tel: 08 9214 1444
Fax: 08 9214 1400
Email: bryce.nie@fh.com.au

Indebted Company: Rental Management Australia Pty Ltd (Administrators Appointed) ACN 160 167 108
Date of Appointment: 3/05/2019

A. Name and Contact Details of Person or Entity Entitled to Attend Meeting

1

(if entitled in a personal capacity, given name and surname; if a corporate entity, full name of company, etc)

2 of

(address)

3 Tel: 4 Email:

B. Appointment of Person to Act as Proxy

Note: You may nominate "the Chairperson of the meeting" as your proxy (or your alternate proxy in the event that the first-named proxy is not in attendance).

1 I/We, as named in Section A above, a creditor/employee/contributory/member of the indebted Company, appoint

2

(name of person appointed as proxy)

3 4 or in his / her absence

(address of person appointed as proxy)

5

(name of person appointed as alternate proxy)

6 7 as *my / *our proxy

(address of person appointed as alternate proxy)

to vote at the meeting of creditors to be held on Monday, 10 June 2019 at The Palace Training Room, Ground Floor, 108 St Georges Terrace, PERTH WA 6000 at 11:00am AWST, or at any adjournment of that meeting in accordance with the instructions in Section C below.

C. Voting Instructions

1 *My / *Our proxy, as named in Section B above, is entitled to act as *my / *our :

☐ 2 **general proxy**, to vote on *my / *our behalf **and / or**

☐ 3 **special proxy,** to vote on *my / *our behalf specifically as follows:

Resolution		For	Against	Abstain
1a	That Rental Management Australia Pty Ltd enters into a Deed of Company Arrangement with the Agency Group Limited as detailed in the Voluntary Administrators' Report dated 30 May 2019.	☐	☐	☐
1b	That Rental Management Australia Pty Ltd enters into a Deed of Company Arrangement with Fifth Stop Pty Ltd as detailed in the Voluntary Administrators' Report dated 30 May 2019.			
1c	That Rental Management Australia Pty Ltd enters into a Deed of Company Arrangement with Yolk Property Management Pty Ltd as detailed in the Voluntary Administrators' Report dated 30 May 2019.			
2.	That the Administration should end.	☐	☐	☐
3.	That Rental Management Australia Pty Ltd be wound up.	☐	☐	☐
4.	That in the event that Rental Management Australia Pty Ltd is wound up and an alternate Liquidator is proposed, that the existing Liquidators be replaced and (*Alternative Appointee)* be appointed in their stead.	☐	☐	☐

Resolution		For	Against	Abstain
5.	That a Committee of Inspection be appointed, the members of which are to be determined by the meeting.	☐	☐	☐
6.	That, pursuant to Section 477(2A) of the Corporations Act 2001, creditors authorise the Liquidators to compromise a debt owed to Rental Management Australia Pty Ltd up to a maximum limit of $50,000.00	☐	☐	☐
7.	That, subject to obtaining the approval of the Australian Securities & Investments Commission (**ASIC**) pursuant to Section 70-35 of Schedule 2 to the Act, the books and records of Rental Management Australia Pty Ltd and of the Liquidators be disposed of by the Liquidators 12 months after the dissolution of Rental Management Australia Pty Ltd or earlier at the discretion of ASIC.	☐	☐	☐
Voluntary Administration Remuneration Resolutions				
8.	That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 3 May 2019 to 24 May 2019 be fixed in the amount of $326,588.00, plus GST, and may be paid.	☐	☐	☐
9.	That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 25 May 2019 to completion be fixed up to a maximum amount of $200,000.00, plus GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	☐	☐	☐
Deed of Company Arrangement and Creditors' Trust Remuneration Resolutions				
10.	That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from execution of the DOCA to completion be fixed up to a maximum amount of $50,000.00, plus GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	☐	☐	☐
11.	That the remuneration of the Trustees of the Creditors' Trust, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from execution of the Creditors' Trust Deed to completion be fixed up to a maximum amount of $75,000.00, plus GST, but subject to upward revision by resolution of creditors, and that the Trustees of the Creditors' Trust be authorised to make periodic payments on account of such accruing remuneration as incurred."	☐	☐	☐
Liquidation Remuneration Resolutions				
12.	That the remuneration of the Liquidators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 10 June 2019 to completion be fixed up to a maximum amount of $150,000.00, plus GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred.	☐	☐	☐
Voluntary Administration Disbursement Resolutions				
13.	That the internal disbursements of the Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 3 May 2019 to 24 May 2019 be fixed in the amount of $2,560.50, plus GST, and may be paid.	☐	☐	☐

Resolution		For	Against	Abstain
14.	That the internal disbursements of the Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 25 May 2019 to completion be fixed up to a maximum amount of $2,810.00, plus GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing disbursements as incurred.	☐	☐	☐
Deed of Company Arrangement and Creditors' Trust Disbursement Resolutions				
15.	That the internal disbursements of the Deed Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from execution of the DOCA to completion be fixed up to a maximum amount of $7,885.00, plus GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred.	☐	☐	☐
16.	That the internal disbursements of the Trustees of Creditors' Trust, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from execution of the Creditors' Trust Deed to completion be fixed up to a maximum amount of $6,935.00, plus GST, but subject to upward revision by resolution of creditors, and that the Trustees of the Creditor's Trust be authorised to make periodic payments on account of such accruing remuneration as incurred.	☐	☐	☐
Liquidation Disbursement Resolutions				
17.	That the internal disbursements of the Liquidators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 10 June 2019 to completion be fixed up to a maximum amount of $14,345.00, plus GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred.	☐	☐	☐

D. Signature

[1] Dated:

[2] Signature:

[3] Name / Capacity:

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Creditor Assistance Sheet: Completing a Proxy Form

Section A – Name and Contact Details of Person or Entity Entitled to Attend Meeting

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Appointment of Person to Act as Proxy

1. Cross out any wording that is **not** applicable. For example, if the employee/individual/sole trader/partnership/company is a creditor, cross out '*eligible employee creditor', '*contributory', '*debenture holder' and '*member'.
2. Insert the name of the person who will be exercising the creditor's vote at the meeting. If someone is attending the meeting in person, that person's name should be inserted. Alternatively, if someone is unable to attend, but you still want to cast a vote at the meeting, then you can appoint the Chairperson of the meeting to vote on your behalf by inserting the words 'the Chairperson' here.
3. Insert the address of the person nominated at (2) that will be attending the meeting as proxy. If you have elected 'the Chairperson' because no one is attending in person, leave this row blank.
4. Cross out any wording that is **not** applicable.
5. If the person you have elected to attend is unavailable on the day, you may nominate a second person to attend in their absence. Alternatively, you can appoint the Chairperson of the meeting to vote on your behalf by inserting 'the Chairperson'.
6. Insert the address of the second person here. If you have elected 'the Chairperson', leave this row blank.
7. Cross out any wording that is not applicable.

Section C – Voting Instructions

1. Cross out any wording that is not applicable.
2. Insert an 'X' in this box if you want the person who is attending the meeting to vote as they see fit on each of the resolutions in the 'Resolution' table. If you select this option, proceed to Section D, **unless** you wish to vote specifically on certain resolutions, in which case you also insert an 'X' in the special proxy box and select 'For', 'Against' or 'Abstain' on the resolutions. The person voting at the meeting will have discretion to vote as they see fit on any resolutions where you have **not** selected 'For', 'Against' or 'Abstain'.
3. Insert an 'X' in this box if you want the person who is attending the meeting, to vote exactly in accordance with your instructions. If you select this option, you must select 'For', 'Against' or 'Abstain' for each of the resolutions in the 'Resolution' table. Do not tick more than one box for each resolution.

Section D – Signature Instructions

1. Insert the date that the proxy form is being signed.
2. The form should be signed by **one** of the following persons:
   - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
   - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
   - If the debt is owed to a partnership, then one of the partners of the partnership; or
   - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
   - If the debt is owed to a sole trader, note their capacity as proprietor, eg: "[Full name], proprietor"; or
   - If the debt is owed to a partnership, note their capacity as partner, eg: "[Full name], partner of the firm named in Section A above"; or
   - If the debt is owed to a company, note their capacity as director or secretary, eg: "[Full name], director/secretary of the company named in Section A above"]

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Effect of IPR Section 75-85 – Entitlement to vote at meetings of creditors

1. A person other than a creditor (or the creditor's proxy or attorney) is not entitled to vote at a meeting of creditors.

2. Subject to subsections (3), (4) and (5), each creditor is entitled to vote and has one vote.

3. A person is not entitled to vote as a creditor at a meeting of creditors unless:
   (a) his or her debt or claim has been admitted wholly or in part by the external administrator; or
   (b) he or she has lodged, with the person presiding at the meeting, or with the person named in the notice convening the meeting as the person who may receive particulars of the debt or claim:
      (i) those particulars; or
      (ii) if required—a formal proof of the debt or claim.

4. A creditor must not vote in respect of:
   (a) an unliquidated debt; or
   (b) a contingent debt; or
   (c) an unliquidated or a contingent claim; or
   (d) a debt the value of which is not established;
   unless a just estimate of its value has been made.

5. A creditor must not vote in respect of a debt or a claim on or secured by a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor unless he or she is willing to do the following:
   (a) treat the liability to him or her on the instrument or security of a person covered by subsection (6) as a security in his or her hands;
   (b) estimate its value;
   (c) for the purposes of voting (but not for the purposes of dividend), to deduct it from his or her debt or claim.

6. A person is covered by this subsection if:
   (a) the person's liability is a debt or a claim on, or secured by, a bill of exchange, a promissory note or any other negotiable instrument or security held by the creditor; and
   (b) the person is either liable to the company directly, or may be liable to the company on the default of another person with respect to the liability; and
   (c) the person is not an insolvent under administration or a person against whom a winding up order is in force.

D – Proof of debt

Ferrier Hodgson

Form 535 Formal Proof of Debt or Claim Form
Corporations Act 2001, Regulation 5.6.49(2)

Return to:
Ferrier Hodgson
Tel: 08 9214 1444
Fax: 08 9214 1400
Email: bryce.nie@fh.com.au

Indebted Company: Rental Management Australia Pty Ltd (Administrators Appointed) ACN 160 167 108
Date of Appointment: 3/05/2019

A. Name and Contact Details of Creditor

[1] (**the Creditor**)

(if in a personal capacity, given name and surname; if a corporate entity, full name of company, etc)

[2] of

(insert address)

[3] Tel: [4] Email:

☐ Tick this box to elect to receive electronic notification of notices or documents, in accordance with Section 600G of the Corporations Act 2001, at the email address specified above.

B. Details of Debt or Claim

[1] Amount owing:

(insert dollars and cents, inclusive of GST if applicable)

[2] Nature of Debt or Claim:

(insert description of debt and/or reference any supporting documentation)

[3] Select one of the following options:

☐ The Creditor is an unsecured creditor of the indebted Company

☐ The Creditor is a secured creditor of the indebted Company

☐ The Creditor is an employee / former employee of the indebted Company

☐ The Creditor is a related party (please indicate: secured / unsecured)

For all claims:

☐ [4] I have attached supporting documentation to substantiate the Creditor's claim *(secured creditors must attach evidence of security)*

☐ [5] To my knowledge or belief the creditor has not, nor has any person by the creditor's order had or received any satisfaction or security for the sum or any part of it except for the following:

(insert details and value of security where relevant)

C. Signature

[1] Dated:

[2] Signature:

[3] Name / Capacity

Ferrier Hodgson

Creditor Assistance Sheet: Completing a Proof of Debt Form

Section A – Name and Contact Details of Creditor

1. Insert the full name of the employee, individual, sole trader, partnership or company that the debt is owed to.
2. Insert the address of the employee, individual, sole trader, partnership or company that the debt is owed to.
3. Insert the telephone number of the employee, individual, sole trader, partnership or company that the debt is owed to.
4. Insert the email address of the employee, individual, sole trader, partnership or company that the debt is owed to.

Section B – Details of Debt or Claim

1. The amount owing should only include debts or claims which arose prior to the date of appointment.
2. Insert the currency if not Australian dollars.
3. Type of creditor: tick one of the options only.
4. For all claims, ensure supporting documentation is attached, such as invoices, statements, agreements.
5. For secured creditors, insert particulars of all securities held. If the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, indicate "refer attached" above and show them in a schedule in the following form:

Date	Drawer	Acceptor	Amount ($)	Due Date

Section C – Signature Instructions

1. Insert the date that the proof of debt form is being signed.
2. The form should be signed by **one** of the following persons:
   - If the debt is owed to an employee/individual, then the individual that the debt is owed to; or
   - If the debt is owed to a sole trader, then the sole trader that the debt is owed to; or
   - If the debt is owed to a partnership, then one of the partners of the partnership; or
   - If the debt is owed to a company, then a duly authorised office of the company (normally a director or secretary of the company).
3. Insert the name of the person signing the form, and note their capacity (that is, their role):
   - If the debt is owed to a sole trader, note their capacity as proprietor, eg: "[Full name], proprietor"; or
   - If the debt is owed to a partnership, note their capacity as partner, eg: "[Full name], partner of the firm named in Section A above"; or
   - If the debt is owed to a company, note their capacity as director or secretary, eg: "[Full name], director/secretary of the company named in Section A above"]

E – AGE DOCA Proposal

Date	- 29 May 2019
Company	- Rental Management Australia Pty Ltd (Administrators Appointed) (**RMA or the Company**) - Rental Management Australia (Vic) Pty Ltd - Rental Management Australia (QLD) Pty Ltd (Collectively referred to as **the Companies**)
Proponent	- The Agency Group Limited (or nominee)(**the Proponent**)
Purpose and Rationale for Proposal	- The purpose of this term sheet is to record the key terms that will be set out in a Deed of Company Arrangement (**DOCA**) proposed by the Proponent for RMA which will have the effect of: ▪ Orderly realisation of RMA's rent roll business without the risk to the purchaser of assigning each individual management authority. ▪ Ensuring uninterrupted continuation of property management operations. ▪ Continued employment of RMA's employees as required and nominated by the Proponent. ▪ Acquest Capital Pty Ltd to transfer the shares of RMA to the Proponent in exchange for $1.00 ▪ DOCA contribution of $7,500,000 as consideration for the enterprise value of RMA (**Consideration**) plus a deferred payment of up to $1,000,000 if RMA achieves a pre-defined EBITDA (**Deferred Consideration**). ▪ Enabling creditors of RMA receive a better return than in liquidation. ▪ Establishing a Creditors' Trust whereby creditors become beneficiaries of the Creditors' Trust in accordance with their allocation as defined within this document. - This term sheet is conditional on all necessary ASX and/or other regulatory approvals as appropriately required and approval from the Proponent's secured creditor and financier Macquarie Bank Limited.
Background	- RMA is a subsidiary of Acquest Capital Pty Ltd (Administrators Appointed), which forms part of the broader affiliated Sterling First (Aust) Limited group (Administrators Appointed). - RMAV and RMAQ are subsidiaries of RMA. - Martin Jones and Wayne Rushton were appointed as Joint and Several Voluntary Administrators of the Companies, and the broader Sterling Group on 3 May 2019 pursuant to Section 436A of the Corporations Act 2001 (Cth) (**the Act**). - RMA is a specialist provider of property management services across Australia, and has approximately 3,600 properties under management (**Management Authorities**). - RMA have six (6) corporate offices in WA, Vic and Qld with approximately 75 staff. - RMA sold the income rights associated with the Management Authorities to the Sterling Income Trust. Theta Asset Management Limited are the Responsible Entity (RE) of this Managed Investment Scheme. - The Administrators commenced a marketing and sale process with respect to the Management Authorities. The critical timeline for the process: ▪ Non-Binding Indicative Offers by 17 May 2019

	▪ Final Binding Offers by 24 May 2019 - The RE is aware of the proposed transaction and will provide the necessary consents to ensure that the Proponent has free and clear title to the management authorities within RMA upon effectuation of the DOCA. - Nothing in this document impacts the rights of the Managed Investment Scheme or the RE.
Proposal	- The Proponent has put forward this DOCA term sheet to the Administrators', which contemplates the following: 1. The Administrators become the Deed Administrators. 2. The Proponent will contribute $250,000 as a fully refundable deposit within 5 days of approval of Creditors (**Deposit**). 3. Creditors' Trust for RMA is established, and creditors of RMA will be entitled to participate as beneficiaries of the Creditors Trust subject to the Trustees' adjudication of those creditors' claims. 4. The Proponent pays the Consideration to the Deed Administrators, less the amount owed to the Secured Creditor, which is to be paid to the Secured Creditor into their nominated account in exchange for a release of security. 5. The shares in RMA are transferred to the Proponent upon Effectuation of the DOCA. 6. Once the Secured Creditor is repaid, the Consideration is applied in the following manner by the Deed Administrators: ▪ First, to the Deed Administrators for satisfaction of the Administrators' remuneration and disbursements incurred in the conduct of realising the assets of the Companies (**Administrators' Fees and Costs**). ▪ Second, $25,000 to RMAD ▪ Third, $25,000 to Sterling First (Aust) Ltd ▪ Fourth, $25,000 to Sterling Corporate Services Pty ltd ▪ Fifth, $25,000 to Sterling First Projects Pty Ltd ▪ Sixth, $25,000 to SHL Management Services Pty Ltd ▪ Seventh, $25,000 to Silverlink Investment Company Ltd ▪ Eight, balance of the Consideration (**Net Consideration**) is paid by the Deed Administrators the Creditors Trust. The basis for the above transfers (second through to seventh) is to cover the costs associated with the Voluntary Administration process whilst possible recapitalisation opportunities were explored in relation RMA and the broader Sterling group. These transfers, including the Net Consideration, are collectively referred to as "**Settlement Splits**". ▪ Ninth, Net Consideration distributed in accordance with the terms of the trust deeds. 7. The Deed Administrators become the Trustees of the Creditors Trust. 8. The Proponent upon Effectuation of the DOCA obtains control of RMA and the Companies. 9. The Claims of all creditors (with the exception of the Retained Employees) will be released to the fullest extent possible.

	10. The Deferred Consideration is premised on the operational performance of RMA for the 12 months post Effectuation. That is, for every $1 over a set hurdle EBITDA that RMA achieves, it is obligated to pay between [*$0.25 to $0.50*] to the Creditors Trust (subject to the Proponent quantifying the internal cost synergies within the aggregated businesses, which is to be set out in the DOCA) and reconciled after conclusion of the period. The Deferred Consideration is capped at $1,000,000. 11. The Proponent will report to and pay the Deferred Consideration to the Trustee of the Creditors Trust on or before the 13th month anniversary of effectuation.
Conditions Precedent to Effectuation of the DOCA	- The DOCA will effectuate (**Effectuation**) on the date which is 2 business days after the satisfaction of the following Conditions Precedent: ▪ The creditors of RMA approve the DOCA. ▪ The Secured Creditor is repaid in full. ▪ The Settlement Splits are paid. ▪ Payment of the Deposit. ▪ If required, Deed of Termination between RMA, Sterling Income Trust, the Income Trust and the RE with respect to the income rights deed(s) of assignment, which includes (at a minimum): i. Consent from the RE (on behalf of the Sterling Income Trust and the Income Trust) that the Administrator may proceed with the contemplated DOCA. ii. Mutual releases between RMA and the RE (on behalf of the Sterling Income Trust and the Income Trust) with respect to the DOCA, and the repayment of the Secured Creditor, such that both parties are bared from agitating claims against the other post Effectuation. ▪ The payment of the Administrators' Fees and Costs. ▪ Execution of the DOCA by the Companies and the Administrators. ▪ The creation of the Creditors Trust. - Upon Effectuation occurring: ▪ The shares in RMA will be transferred to the Proponent. ▪ The Proponent will have control of RMA. ▪ The claims of all creditors except for Retained Employees will become, in accordance with the terms of the Trust Deed, beneficiaries of the Creditors' Trust with respect to their outstanding indebtedness. ▪ The Deed Administrators will become the Trustees. ▪ The DOCA will then terminate.
Moratorium	- During, and after Execution of the DOCA, a moratorium exists such that no creditor with a pre-appointment unsecured claim against the Company may take any action to enforce any security or recover its claim including to wind up the Company, recover any part of their claim against the Company or its property, being or take any step in any arbitration against the Company, or exercise any right of set off, defence, cross claim or counter claim.
Secured Creditor	- Macquarie Bank Limited (**MBL**) holds a General Security Agreement (**GSA**) over RMA as a guarantor with respect to funds advanced to the Income Trust (**IT**), as a sub-trust to the Managed Investment Scheme.

	- MBL's indebtedness is approximately $5M (including initial principal and funding advanced to the Administrators to conduct the appointment). - MBL are repaid their total indebtedness plus interest and costs out of the Consideration.
Participation in Creditor Trust	- All creditors with current, future or contingent claims against the Companies that arose on or before the appointment of the Administrators, with the exception of any employees of RMA whose employment has not been terminated by the Administrators as of the date of execution of the DOCA (**Retained Employees**).
Creditors' Trust	- A creditors' trust will be established for the purposes of the DOCA and named Rental Management Australia Creditors Trust (**Creditors' Trust**) - The purpose of the Creditors' Trust will be to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the call for and adjudication upon the claims of unsecured creditors) to be performed by the Trustees of the Creditors' Trust. - The trust funds will be distributed in accordance with the priorities of creditors as established under 556 of the Act or by application for directions to the Court having regard to the uncertainty surrounding the position of the Managed Investment Scheme. - The Deed Administrators and the Trustees of the Creditors' Trust will be entitled to their fees and costs out of the funds available to the trust, subject to approval of creditors.
Deed Administrators / Trustees of the Creditors Trust	- Martin Jones and Wayne Rushton (**Administrators**) will be the Deed Administrators and will have all the necessary powers to administer the DOCA. - The Deed Administrators will become the trustees of the Creditors' Trust.
Distribution of Trust Fund	- The funds held in the Creditors' Trust will be distributed from time to time by the Trustees as soon as reasonably practicable after receipt of funds. - The terms of Section 556, 560 and 561 of the Corporations Act 2001 (**the Act**) shall apply as if the references to Liquidator were references to the Trustee, references to winding up were references to the Creditors Trust and with such other modifications as necessary to give the effect to the terms in this Term Sheet. - Sections 444DA and 444DB of the Act will apply to the DOCA.
Deed Administrators / Trustees Lien and Remuneration	- The Deed Administrators are entitled to be indemnified out of, and will have a lien over, the assets of the Companies during the conduct of the DOCA Administration for their remuneration, costs, fees and expenses for work undertaken in their capacity as Deed Administrators under the DOCA. - The Trustees of the Creditors' Trust will be entitled to be indemnified out of and will have a lien over the funds in the Creditors' Trust for their remuneration, costs, fees and expenses incurred in the adjudication upon proofs of debt of creditors and distributing the funds in the Creditors Trust.
Claims	- Any claim or cause of action identified by the Administrators, being a claim against the Companies, any third parties, or the directors and offices of the Companies, will be converted and assigned to the Creditors Trust and form part of the trust fund. Such causes of action are exclusively available to the Creditors Trust and are not an asset of the Companies post Effectuation. - The Companies, post Effectuation, shall at the request of the Administrator shall execute documents or be joined to proceedings to assist the Creditors Trust in pursuing a cause of action.

	- The Creditors Trust will indemnify the Companies for the cost of pursuing the cause of action. - This clause extends to the benefit of any causes of action which pre-appointment insurances may respond to.
Termination of the DOCA	- The DOCA will terminate upon the following events: ▪ Resolution of Creditors ▪ Court Order ▪ Effectuation
Other Terms	- Except for regulations 3(c), 10 and 11, and except to the extent inconsistent with the terms of this Term Sheet, the terms and conditions in Schedule 8A of the Corporations Regulations will be incorporated into the DOCA.
Governing Law	- Western Australia

F – FST DOCA Proposal

Date	- 29 *May 2019*
Company	- Rental Management Australia Pty Ltd (Administrators Appointed) (**RMA or the Company**) - Rental Management Australia (Vic) Pty Ltd - Rental Management Australia (QLD) Pty Ltd (Collectively referred to as **the Companies**)
Proponent	- Fifth Stop Pty Ltd or nominee (ACN 631 790 399) (**the Proponent**)
Purpose and Rationale for Proposal	- The purpose of this term sheet is to record the key terms that will be set out in a Deed of Company Arrangement (**DOCA**) proposed by the Proponent for RMA which will have the effect of: ▪ Orderly realisation of RMA's rent roll business without the risk to the purchaser of assigning each individual management authority. ▪ Ensuring uninterrupted continuation of property management operations. ▪ Continued employment of RMA's employees as required and nominated by the Proponent. ▪ Acquest Capital Pty Ltd to transfer the shares of RMA to the Proponent in exchange for $1.00 ▪ DOCA contribution of *$8,500,000* as consideration for the enterprise value of RMA (**Consideration**) payable as follows: (a) $100,000 refundable deposit due within 7 days of approval of the DOCA at the Second Creditors Meeting; (b) $6,000,000 payable upon Effectuation; (c) $500,000 payable within thirty (30) days of Effectuation; and (d) the balance payable within sixty (60) days of Effectuation (payments (c) and (d) collectively referred to as the **Deferred Consideration**). ▪ Enabling creditors of RMA receive a better return than in liquidation. ▪ Establishing a Creditors' Trust whereby creditors become beneficiaries of the Creditors' Trust in accordance with their allocation as defined within this document.
Background	- RMA is a subsidiary of Acquest Capital Pty Ltd (Administrators Appointed), which forms part of the broader affiliated Sterling First (Aust) Limited group (Administrators Appointed). - RMAV and RMAQ are subsidiaries of RMA. - Martin Jones and Wayne Rushton were appointed as Joint and Several Voluntary Administrators of the Companies, and the broader Sterling Group on 3 May 2019 pursuant to Section 436A of the Corporations Act 2001 (Cth) (**the Act**). - RMA is a specialist provider of property management services across Australia, and has approximately 3,600 properties under management (**Management Authorities**). - RMA have six (6) corporate offices in WA, Vic and Qld with approximately 75 staff. - RMA sold the income rights associated with the Management Authorities to the Sterling Income Trust. Theta Asset Management Limited are the Responsible Entity (RE) of this Managed Investment Scheme.

	- The Administrators commenced a marketing and sale process with respect to the Management Authorities. The critical timeline for the process: ▪ Non-Binding Indicative Offers by 17 May 2019 ▪ Final Binding Offers by 24 May 2019 - The RE is aware of the proposed transaction and will provide the necessary consents to ensure that the Proponent has free and clear title to the management authorities within RMA upon effectuation of the DOCA. - Nothing in this document impacts the rights of the Managed Investment Scheme or the RE.
Proposal	- The Proponent has put forward this DOCA term sheet to the Administrators', which contemplates the following: 1. The Administrators become the Deed Administrators. 2. Creditors' Trust for RMA is established, and creditors of RMA will be entitled to participate as beneficiaries of the Creditors Trust subject to the Trustees' adjudication of those creditors' claims. 3. The Proponent pays the Consideration to the Deed Administrators, less the amount owed to the Secured Creditor, which is to be paid to the Secured Creditor into their nominated account in exchange for a release of security. 4. The Proponent may continue the employment of Company employees, at its absolute discretion and as nominated by the Proponent. 5. The shares in RMA are transferred to the Proponent upon Effectuation of the DOCA. 6. Once the Secured Creditor is repaid, the Consideration is applied in the following manner by the Deed Administrators: ▪ First, to the Deed Administrators for satisfaction of the Administrators' remuneration and disbursements incurred in the conduct of realising the assets of the Companies (**Administrators' Fees and Costs**). ▪ Second, $25,000 to RMAD ▪ Third, $25,000 to Sterling First (Aust) Ltd ▪ Fourth, $25,000 to Sterling Corporate Services Pty ltd ▪ Fifth, $25,000 to Sterling First Projects Pty Ltd ▪ Sixth, $25,000 to SHL Management Services Pty Ltd ▪ Seventh, $25,000 to Silverlink Investment Company Ltd ▪ Eight, balance of the Consideration (**Net Consideration**) is paid by the Deed Administrators the Creditors Trust. The basis for the above transfers (second through to seventh) is to cover the costs associated with the Voluntary Administration process whilst possible recapitalisation opportunities were explored in relation RMA and the broader Sterling group. These transfers, including the Net Consideration, are collectively referred to as "**Settlement Splits**". ▪ Ninth, Net Consideration distributed in accordance with the terms of the trust deeds. 7. The Deed Administrators become the Trustees of the Creditors Trust. 8. The Proponent upon Effectuation of the DOCA obtains control of RMA and the Companies.

	9. The Claims of all creditors (with the exception of the Retained Employees) will be released to the fullest extent possible. 10. The Creditors Trust will be provided with a General Security Agreement (second ranking to the primary financier) over all assets and undertakings as well as a first ranking mortgage over a real property asset with respect to the Deferred Consideration 11. RE must terminate the income rights agreement, such that all income rights associated with the Management Authorities must be returned to the Companies. 12. The proposal is subject to and conditional upon the Proponent obtaining finance or before 26 June 2019.
Conditions Precedent to Effectuation of the DOCA	- The DOCA will effectuate (**Effectuation**) on the date which is 2 business days after the satisfaction of the following Conditions Precedent: ▪ The creditors of RMA approve the DOCA. ▪ The Secured Creditor is repaid in full. ▪ The Settlement Splits are paid. ▪ The payment of the Administrators' Fees and Costs. ▪ Execution of the DOCA by the Companies and the Administrators. ▪ The creation of the Creditors Trust. ▪ If required, Deed of Termination between RMA, Sterling Income Trust, the Income Trust and the RE with respect to the income rights deed(s) of assignment, which includes (at a minimum): i. Consent from the RE (on behalf of the Sterling Income Trust and the Income Trust) that the Administrator may proceed with the contemplated DOCA. ii. Mutual releases between RMA and the RE (on behalf of the Sterling Income Trust and the Income Trust) with respect to the DOCA, and the repayment of the Secured Creditor, such that both parties are bared from agitating claims against the other post Effectuation. - Effectuation is to be on or before 28 June 2019. - Upon Effectuation occurring: ▪ The shares in RMA will be transferred to the Proponent. ▪ The Proponent will have control of RMA. ▪ The claims of all creditors except for Retained Employees will become, in accordance with the terms of the Trust Deed, beneficiaries of the Creditors' Trust with respect to their outstanding indebtedness. ▪ The Deed Administrators will become the Trustees. ▪ The DOCA will then terminate.
Moratorium	- During, and after Execution of the DOCA, a moratorium exists such that no creditor with a pre-appointment unsecured claim against the Company may take any action to enforce any security or recover its claim including to wind up the Company, recover any part of their claim against the Company or its property, being or take any step in any arbitration against the Company, or exercise any right of set off, defence, cross claim or counter claim.
Secured Creditor	

	- Macquarie Bank Limited (**MBL**) holds a General Security Agreement (**GSA**) over RMA as a guarantor with respect to funds advanced to the Income Trust (**IT**), as a sub-trust to the Managed Investment Scheme. - MBL's indebtedness is approximately $5M (including initial principal and funding advanced to the Administrators to conduct the appointment). - MBL are repaid their total indebtedness plus interest and costs out of the Consideration.
Participation in Creditor Trust	- All creditors with current, future or contingent claims against the Companies that arose on or before the appointment of the Administrators, with the exception of any employees of RMA whose employment has not been terminated by the Administrators as of the date of execution of the DOCA (**Retained Employees**).
Creditors' Trust	- A creditors' trust will be established for the purposes of the DOCA and named Rental Management Australia Creditors Trust (**Creditors' Trust**) - The purpose of the Creditors' Trust will be to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the call for and adjudication upon the claims of unsecured creditors) to be performed by the Trustees of the Creditors' Trust. - The trust funds will be distributed in accordance with the priorities of creditors as established under 556 of the Act or by application for directions to the Court having regard to the uncertainty surrounding the position of the Managed Investment Scheme. - The Deed Administrators and the Trustees of the Creditors' Trust will be entitled to their fees and costs out of the funds available to the trust, subject to approval of creditors.
Deed Administrators / Trustees of the Creditors Trust	- Martin Jones and Wayne Rushton (**Administrators**) will be the Deed Administrators and will have all the necessary powers to administer the DOCA. - The Deed Administrators will become the trustees of the Creditors' Trust.
Distribution of Trust Fund	- The funds held in the Creditors' Trust will be distributed from time to time by the Trustees as soon as reasonably practicable after receipt of funds. - The terms of Section 556, 560 and 561 of the Corporations Act 2001 (**the Act**) shall apply as if the references to Liquidator were references to the Trustee, references to winding up were references to the Creditors Trust and with such other modifications as necessary to give the effect to the terms in this Term Sheet. - Sections 444DA and 444DB of the Act will apply to the DOCA.
Deed Administrators / Trustees Lien and Remuneration	- The Deed Administrators are entitled to be indemnified out of, and will have a lien over, the assets of the Companies during the conduct of the DOCA Administration for their remuneration, costs, fees and expenses for work undertaken in their capacity as Deed Administrators under the DOCA. - The Trustees of the Creditors' Trust will be entitled to be indemnified out of and will have a lien over the funds in the Creditors' Trust for their remuneration, costs, fees and expenses incurred in the adjudication upon proofs of debt of creditors and distributing the funds in the Creditors Trust.
Claims	- Any claim or cause of action identified by the Administrators, being a claim against the Companies, any third parties, or the directors and offices of the Companies, will be converted and assigned to the Creditors Trust and form part of the trust fund. Such causes of action are exclusively available to the Creditors Trust and are not an asset of the Companies post Effectuation.

	- The Companies, post Effectuation, shall at the request of the Administrator shall execute documents or be joined to proceedings to assist the Creditors Trust in pursuing a cause of action. - The Creditors Trust will indemnify the Companies for the cost of pursuing the cause of action. - This clause extends to the benefit of any causes of action which pre-appointment insurances may respond to.
Termination of the DOCA	- The DOCA will terminate upon the following events: ▪ Resolution of Creditors ▪ Court Order ▪ Effectuation
Other Terms	- Except for regulations 3(c), 10 and 11, and except to the extent inconsistent with the terms of this Term Sheet, the terms and conditions in Schedule 8A of the Corporations Regulations will be incorporated into the DOCA.
Governing Law	- Western Australia

G – YPG DOCA Proposal

Date	- *29 May 2019*
Company	- Rental Management Australia Pty Ltd (Administrators Appointed) (**RMA or the Company**) - Rental Management Australia (Vic) Pty Ltd - Rental Management Australia (QLD) Pty Ltd - [other affiliated entities as required] (Collectively referred to as **the Companies**)
Proponent	- *Yolk Property Management Pty Ltd* (**the Proponent**)
Purpose and Rationale for Proposal	- The purpose of this term sheet is to record the key terms that will be set out in a Deed of Company Arrangement (**DOCA**) proposed by the Proponent for RMA which will have the effect of: ▪ Orderly realisation of RMA's rent roll business without the risk to the purchaser of assigning each individual management authority. ▪ Ensuring uninterrupted continuation of property management operations. ▪ Settlement of up to $500,000 of outstanding employee entitlements by the administrator to ensure that the proponent assumes a liability in relation to employees of not more than $350,000. The proponent will look to engage employees post effectuation of the DOCA. ▪ Acquest Capital Pty Ltd to transfer the shares of RMA to the Proponent in exchange for $1.00 ▪ DOCA contribution of $ *8,015,000 plus GST* as consideration for the enterprise value of RMA (**Consideration**). Includes retention clause ▪ Enabling creditors of RMA receive a better return than in liquidation. ▪ Establishing a Creditors' Trust whereby creditors become beneficiaries of the Creditors' Trust in accordance with their allocation as defined within this document.
Background	- RMA is a subsidiary of Acquest Capital Pty Ltd (Administrators Appointed), which forms part of the broader affiliated Sterling First (Aust) Limited group (Administrators Appointed). - RMAV and RMAQ are subsidiaries of RMA. - Martin Jones and Wayne Rushton were appointed as Joint and Several Voluntary Administrators of the Companies, and the broader Sterling Group on 3 May 2019 pursuant to Section 436A of the - Corporations Act 2001 (Cth) (**the Act**). - RMA is a specialist provider of property management services across Australia and has approximately 3,600 properties under management (**Management Authorities**). - RMA have six (6) corporate offices in WA, Vic and Qld with approximately 75 staff. - RMA sold the income rights associated with the Management Authorities to the Sterling Income Trust. Theta Asset Management Limited are the Responsible Entity (RE) of this Managed Investment Scheme. - The Administrators commenced a marketing and sale process with respect to the Management Authorities. The critical timeline for the process:

	▪ Non-Binding Indicative Offers by 17 May 2019 ▪ Final Binding Offers by 24 May 2019 - The RE is aware of the proposed transaction and will provide the necessary consents to ensure that the Proponent has free and clear title to the management authorities within RMA upon effectuation of the DOCA. - Nothing in this document impacts the rights of the Managed Investment Scheme or the RE.
Proposal	- The Proponent has put forward this DOCA term sheet to the Administrators', which contemplates the following: 1. The Administrators become the Deed Administrators. 2. The Proponent will contribute $400,000 as a fully refundable deposit within 5 days of approval of Creditors. A further $400,000 will be paid prior to Effectuation (**Deposits**). 3. Once the DOCA term sheet is approved by creditors the Proponent will meet all staff members as nominated by the Proponent. 4. Proponent will receive access and ability to utilise all processes and procedures necessary to conduct the RMA business, including but not limited to hard copy and soft copy documentation and all platform software. 5. Creditors' Trust for RMA is established, and creditors of RMA will be entitled to participate as beneficiaries of the Creditors Trust subject to the Trustees' adjudication of those creditors' claims. 6. The Proponent pays the Consideration to the Deed Administrators, less the amount owed to the Secured Creditor, which is to be paid to the Secured Creditor into their nominated account in exchange for a release of security. 7. The shares in RMA are transferred to the Proponent upon Effectuation of the DOCA. 8. The Administrator will facilitate the engagement of an auditor to conduct an interim audit of the trust account before Effectuation. 9. Retention Clause: The administrator will establish a retention fund to the value of 15% of the acquisition price. These funds will be held in trust and reconciled at the completion of twelve months after settlement to any lost managements which will be valued at the agreed multiple and refunded to the proponent. 10. Effectuation to occur on or before 30th June 2019. 11. The agreed retention multiple will be reflective of the total purchase price divided by the base revenue as provided to each sub portfolio distributed in line with an agreed market value. 12. Once the Secured Creditor is repaid, the Consideration is applied in the following manner by the Deed Administrators: ▪ First, to the Deed Administrators for satisfaction of the Administrators' remuneration and disbursements incurred in the conduct of realising the assets of the Companies (**Administrators' Fees and Costs**). ▪ Second, $25,000 to Rental Management Australia Developments Pty Ltd ▪ Third, $25,000 to Sterling First (Aust) Ltd ▪ Fourth, $25,000 to Sterling Corporate Services Pty ltd ▪ Fifth, $25,000 to Sterling First Projects Pty Ltd ▪ Sixth, $25,000 to SHL Management Services Pty Ltd

	▪ Seventh, $25,000 to Silverlink Investment Company Ltd ▪ Eighth, balance of the Consideration (**Net Consideration**) is paid by the Deed Administrators the Creditors Trust. The basis for the above transfers (second through to seventh) is to cover the costs associated with the Voluntary Administration process whilst possible recapitalisation opportunities were explored in relation RMA and the broader Sterling group. These transfers, including the Net Consideration, are collectively referred to as "**Settlement Splits**". ▪ Ninth, Net Consideration distributed in accordance with the terms of the trust deeds. 13. The Deed Administrators become the Trustees of the Creditors Trust. 14. The Proponent upon Effectuation of the DOCA obtains control of RMA and the Companies. 15. The Claims of all creditors (with the exception of the Retained Employees) will be released to the fullest extent possible.
Conditions Precedent to Effectuation of the DOCA	- The DOCA will effectuate (**Effectuation**) on the date which is 2 business days after the satisfaction of the following Conditions Precedent: ▪ The creditors of RMA approve the DOCA. ▪ The Secured Creditor is repaid in full. ▪ The Settlement Splits are paid. ▪ The payment of the Administrators' Fees and Costs. ▪ Execution of the DOCA by the Companies and the Administrators. ▪ The creation of the Creditors Trust. ▪ Payment of the Deposits. ▪ The DOCA is subject to and conditional upon the proponent receiving Board Approval on or before 14 days from the receipt of the following: i. All signed Management Authorities ii. All signed Residential Tenancy Agreements iii. All signed Employment Contracts ▪ The Proponent receives credit approval for debt funding from Macquarie Bank to an LVR of not less than 60% of the acquisition price. ▪ If required, Deed of Termination between RMA, Sterling Income Trust, the Income Trust and the RE with respect to the income rights deed(s) of assignment, which includes (at a minimum): i. Consent from the RE (on behalf of the Sterling Income Trust and the Income Trust) that the Administrator may proceed with the contemplated DOCA. ii. Mutual releases between RMA and the RE (on behalf of the Sterling Income Trust and the Income Trust) with respect to the DOCA, and the repayment of the Secured Creditor, such that both parties are bared from agitating claims against the other post Effectuation. - Upon Effectuation occurring:

	▪ The shares in RMA will be transferred to the Proponent. ▪ The Proponent will have control of RMA. ▪ The claims of all creditors except for Retained Employees will become, in accordance with the terms of the Trust Deed, beneficiaries of the Creditors' Trust with respect to their outstanding indebtedness. ▪ The Deed Administrators will become the Trustees. ▪ The DOCA will then terminate.
Moratorium	- During, and after Execution of the DOCA, a moratorium exists such that no creditor with a pre-appointment unsecured claim against the Company may take any action to enforce any security or recover its claim including to wind up the Company, recover any part of their claim against the Company or its property, being or take any step in any arbitration against the Company, or exercise any right of set off, defence, cross claim or counter claim.
Secured Creditor	- Macquarie Bank Limited (**MBL**) holds a General Security Agreement (**GSA**) over RMA as a guarantor with respect to funds advanced to the Income Trust (**IT**), as a sub-trust to the Managed Investment Scheme. - MBL's indebtedness is approximately $5M (including initial principal and funding advanced to the Administrators to conduct the appointment). - MBL are repaid their total indebtedness plus interest and costs out of the Consideration.
Participation in Creditor Trust	- All creditors with current, future or contingent claims against the Companies that arose on or before the appointment of the Administrators, with the exception of any employees of RMA whose employment has not been terminated by the Administrators as of the date of execution of the DOCA (**Retained Employees**).
Creditors' Trust	- A creditors' trust will be established for the purposes of the DOCA and named Rental Management Australia Creditors Trust (**Creditors' Trust**) - The purpose of the Creditors' Trust will be to enable certain tasks ordinarily undertaken by the Deed Administrators (including but not limited to, the call for and adjudication upon the claims of unsecured creditors) to be performed by the Trustees of the Creditors' Trust. - The trust funds will be distributed in accordance with the priorities of creditors as established under 556 of the Act or by application for directions to the Court having regard to the uncertainty surrounding the position of the Managed Investment Scheme. - The Deed Administrators and the Trustees of the Creditors' Trust will be entitled to their fees and costs out of the funds available to the trust, subject to approval of creditors.
Deed Administrators / Trustees of the Creditors Trust	- Martin Jones and Wayne Rushton (**Administrators**) will be the Deed Administrators and will have all the necessary powers to administer the DOCA. - The Deed Administrators will become the trustees of the Creditors' Trust.
Distribution of Trust Fund	- The funds held in the Creditors' Trust will be distributed from time to time by the Trustees as soon as reasonably practicable after receipt of funds. - The terms of Section 556, 560 and 561 of the Corporations Act 2001 (**the Act**) shall apply as if the references to Liquidator were references to the Trustee, references to winding up were references to the Creditors Trust and with such other modifications as necessary to give the effect to the terms in this Term Sheet. - Sections 444DA and 444DB of the Act will apply to the DOCA.

Deed Administrators / Trustees Lien and Remuneration	- The Deed Administrators are entitled to be indemnified out of, and will have a lien over, the assets of the Companies during the conduct of the DOCA Administration for their remuneration, costs, fees and expenses for work undertaken in their capacity as Deed Administrators under the DOCA. - The Trustees of the Creditors' Trust will be entitled to be indemnified out of and will have a lien over the funds in the Creditors' Trust for their remuneration, costs, fees and expenses incurred in the adjudication upon proofs of debt of creditors and distributing the funds in the Creditors Trust.
Claims	- Any claim or cause of action identified by the Administrators, being a claim against the Companies, any third parties, or the directors and offices of the Companies, will be converted and assigned to the Creditors Trust and form part of the trust fund. Such causes of action are exclusively available to the Creditors Trust and are not an asset of the Companies post Effectuation. - The Companies, post Effectuation, shall at the request of the Administrator shall execute documents or be joined to proceedings to assist the Creditors Trust in pursuing a cause of action. - The Creditors Trust will indemnify the Companies for the cost of pursuing the cause of action. - This clause extends to the benefit of any causes of action which pre-appointment insurances may respond to.
Termination of the DOCA	- The DOCA will terminate upon the following events: ▪ Resolution of Creditors ▪ Court Order ▪ Effectuation
Other Terms	- Except for regulations 3(c), 10 and 11, and except to the extent inconsistent with the terms of this Term Sheet, the terms and conditions in Schedule 8A of the Corporations Regulations will be incorporated into the DOCA.
Governing Law	- Western Australia

H – Remuneration approval request

Schedule 2 to the Corporations Act 2001, Section 70-50
Insolvency Practice Rules (Corporations) 2016, Section 70-45

Rental Management Australia Pty Ltd (Administrators Appointed) (the Company)
ACN 160 167 108

Remuneration Approval Request

This report contains the following information:

- Part 1: Declaration
- Part 2: Executive summary
- Part 3: Remuneration
- Part 4: Disbursements
- Part 5: Report on progress of the administration
- Part 6: Summary of receipts and payments
- Part 7: Approval of remuneration and internal disbursements
- Part 8: Questions
- Schedule A: Resolution 8 details
- Schedule B: Resolution 9 details
- Schedule C: Resolution 10 details
- Schedule D: Resolution 11 details
- Schedule E: Resolution 12 details

Next steps for creditors:

- Please review the contents of this report, which sets out the resolutions to be approved by creditors at the meeting of creditors on Monday, 10 June 2019.
- Refer to section 2.8 of the Voluntary Administrators' Report dated 30 May 2019 for details as to how you can attend the meeting of creditors in person or by proxy to vote on the resolutions contained in this report.

1 Declaration

We, Martin Jones and Wayne Rushton of Ferrier Hodgson, have undertaken a proper assessment of this remuneration claim for our appointment as Administrators of the Company in accordance with the Corporations Act 2001 (Cth) (**the Act**), the Australian Restructuring Insolvency & Turnaround Association (**ARITA**) Code of Professional Practice (**the Code**) and applicable professional standards.

We are satisfied that the remuneration claimed is in respect of necessary work, properly performed, or to be properly performed, in the conduct of the administration.

2 Executive summary

2.1 Summary of remuneration approval sought for the Company

To date, no remuneration has been approved or paid in the administration of the Company.

This report details approval sought for the following remuneration:

Period	Amount (ex GST) $
Current remuneration approval sought:	
Voluntary administration	
Resolution 8: 3 May 2019 to 24 May 2019	326,588.00
Resolution 9: 25 May 2019 to completion	200,000.00
Total approval sought – voluntary administration*	**526,588.00**
Deed of company arrangement (DOCA) (if applicable)	
Resolution 10: Execution of DOCA to completion	50,000.00
Resolution 11: Execution of Creditors' Trust Deed to Completion	75,000.00
Total approval sought – deed of company arrangement (if applicable)*	**125,000.00**
Liquidation (if applicable)	
Resolution 12: 10 June 2019 to completion	150,000.00
Total approval sought – liquidation (if applicable)*	**150,000.00**
** Approval for the future remuneration sought is based on an estimate of the work necessary to the completion of the administration. Should additional work be necessary beyond what is contemplated, further approval may be sought from creditors.*	

Please refer to Part 3 for full details of the calculation and composition of the remuneration approval being sought.

2.2 Summary of internal disbursements approval sought for the Company

To date, no internal disbursements have been approved and paid in the administration of the Company. This report details approval sought for the following internal disbursements:

Period	Amount (ex GST) $
Current internal disbursements approval sought:	
Voluntary Administration	
Resolution 13: 3 May 2019 to 24 May 2019	2,560.50
Resolution 14: 25 May 2019 to completion	2,810.00
Total Voluntary Administration current internal disbursements approval sought	**5,370.50**
Deed of company arrangement (DOCA) (if applicable) *	
Resolution 15: Execution of DOCA to completion	7,885.00
Resolution 16: Execution of Creditors' Trust Deed to completion	6,935.00
Total approval sought – DOCA and Creditors' Trust (if applicable)*	**14,820.00**
Liquidation (if applicable)	
Resolution 17: 10 June 2019 to completion	14,345.00
Total approval sought – liquidation (if applicable) *	**14,345.00**
** Approval for the future internal disbursements sought is based on an estimate of the internal disbursements necessary to the completion of the administration. Should additional internal disbursements be necessary beyond what is contemplated, further approval may be sought from creditors.*	

Please refer to Part 4 for full details of the calculation and composition of the internal disbursements approval being sought.

2.3 Comparison to estimate of costs provided to creditors in the Initial Remuneration Notice

The remuneration approval sought is greater than the estimate of costs provided to creditors in the Initial Remuneration Notice included in our circular dated 6 May 2019, which estimated a cost to completion of the administration of the Company's affairs of up to $250,000 (excluding GST). Please refer to section 3.3 for a detailed comparison of the remuneration estimate to approvals requested.

3 Remuneration

3.1 Remuneration claim resolutions

We will be seeking approval of the following resolutions with respect to remuneration. Details to support these resolutions are included in Part 3.2.

Voluntary Administration

Resolution 8:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 3 May 2019 to 24 May 2019 be fixed in the amount of $326,588.00, plus GST, and may be paid."

Resolution 9:

"That the remuneration of the Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 25 May 2019 to completion be fixed up to a maximum amount of $200,000.00, plus GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

DOCA (if applicable)

Resolution 10:

"That the remuneration of the Deed Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from execution of the DOCA to completion be fixed up to a maximum amount of $50,000.00, plus GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Creditors' Trust (if applicable)

Resolution 11:

"That the remuneration of the Trustees of the Creditors' Trust, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from execution of the Creditors' Trust Deed to completion be fixed up to a maximum amount of $75,000.00, plus GST, but subject to upward revision by resolution of creditors, and that the Trustees of the Creditors' Trust be authorised to make periodic payments on account of such accruing remuneration as incurred."

Liquidation (if applicable)

Resolution 12:

"That the remuneration of the Liquidators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 10 June 2019 to completion be fixed up to a maximum amount of $150,000.00, plus GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred."

3.2 Details of remuneration

The basis of calculating the remuneration claims are set out below, including the details of the major tasks performed and the costs associated with each of those major tasks.

3.2.1 Resolution 8: 3 May 2019 to 24 May 2019

The below table sets out time charged to each major task area performed by the Administrators and their staff for the period 3 May 2019 to 24 May 2019, which is the basis of the Resolution 8 claim. Please refer to Schedule A for further details with respect to the tasks performed.

Employee	Position	Rate (ex GST)	Total		Task Area											
					Assets		Creditors		Employees		Trade On		Investigation		Administration	
		($/Hour)	(Hrs)	($)	(Hrs)	($)	(Hrs)	($)	(Hrs)	($)	(Hrs)	($)	(Hrs)	($)	(Hrs)	($)
Jones, Martin	Partner	650	56.0	36,400.00	6.10	3,965.00	12.30	7,995.00	-	-	-	-	1.70	1,105.00	35.90	23,335.00
Baily, Clare	Director	575	64.3	36,972.50	7.20	4,140.00	4.00	2,300.00	4.00	2,300.00	30.50	17,537.50	1.40	805.00	17.20	9,890.00
Holmes, Sean	Director	575	169.8	97,635.00	81.80	47,035.00	36.60	21,045.00	2.10	1,207.50	36.40	20,930.00	0.50	287.50	12.40	7,130.00
Khoo, Melanie	Senior Manager	525	0.6	315.00	-	-	0.20	105.00	0.40	210.00	-	-	-	-	-	-
Liew, Yvonne	Manager	475	3.3	1,567.50	-	-	1.60	760.00	-	-	-	-	-	-	1.70	807.50
Flower, Michael	Assistant Manager	425	1.8	765.00	1.80	765.00	-	-	-	-	-	-	-	-	-	-
Hulmes, William	Assistant Manager	425	157.3	66,852.50	54.60	23,205.00	28.80	12,240.00	2.70	1,147.50	62.60	26,605.00	-	-	8.60	3,655.00
Sivarajasingam, Deepa	Assistant Manager	425	7.0	2,975.00	-	-	3.30	1,402.50	-	-	-	-	3.70	1,572.50	-	-
Stephens, Miranda	Practice Manager	425	0.2	85.00	-	-	-	-	-	-	0.20	85.00	-	-	-	-
Cohen-Cooke, Samuel	Senior Analyst	385	1.5	577.50	0.70	269.50	0.50	192.50	0.30	115.50	-	-	-	-	-	-
Collins, Bradley	Senior Analyst	385	1.0	385.00	-	-	-	-	0.70	269.50	-	-	-	-	0.30	115.50
Krachler, Robert	Senior Analyst	385	45.5	17,517.50	2.60	1,001.00	20.40	7,854.00	12.50	4,812.50	6.00	2,310.00	-	-	4.00	1,540.00
Liew, Yvonne	Senior Analyst	385	0.2	77.00	-	-	0.20	77.00	-	-	-	-	-	-	-	-
Rassoul, Omeed	Analyst	385	19.4	7,469.00	-	-	15.50	5,967.50	-	-	-	-	-	-	3.90	1,501.50
De Vattimo, Belinda	Analyst	340	96.1	32,674.00	7.80	2,652.00	40.50	13,770.00	26.90	9,146.00	3.60	1,224.00	-	-	17.30	5,882.00
Kast, Corina	Accountant	340	44.2	15,028.00	38.70	13,158.00	3.50	1,190.00	-	-	-	-	-	-	2.00	680.00
Nie, Bryce	Accountant	290	25.0	7,250.00	-	-	7.40	2,146.00	5.50	1,595.00	4.20	1,218.00	-	-	7.90	2,291.00
Rompotis, Alexander	Accountant	290	6.2	1,798.00	-	-	4.90	1,421.00	-	-	0.50	145.00	-	-	0.80	232.00
Wong, Rebecca	Accountant	290	0.3	87.00	-	-	-	-	-	-	-	-	-	-	0.30	87.00
Daniel, Jacqui	Team Assistant	205	0.7	143.50	-	-	-	-	-	-	-	-	-	-	0.70	143.50
Robinson, Keith	Filing Clerk	140	0.1	14.00	-	-	-	-	-	-	-	-	-	-	0.10	14.00
Total (excluding GST)			**700.50**	**326,588.00**	**201.30**	**96,190.50**	**179.70**	**78,465.50**	**55.10**	**20,803.50**	**144.00**	**70,054.50**	**7.30**	**3,770.00**	**113.10**	**57,304.00**
GST				32,658.80												
Total (including GST)				**359,246.80**												
Average Hourly Rate				466.22		477.85		436.65		377.56		486.49		516.44		506.67

3.2.2 Resolution 9: 25 May 2019 to completion

The below table sets out the expected costs for the major tasks likely to be performed by the Administrators and their staff for the period 25 May 2019 to completion, which is the basis of the Resolution 9 claim. Please refer to Schedule B for further details with respect to the tasks likely to be performed.

Task	Hours	Amount ($)
Assets	141.0	60,000.00
Creditors	94.0	40,000.00
Employees	47.0	20,000.00
Trade On	94.0	40,000.00
Investigation	24.0	10,000.00
Administration	71.0	30,000.00
Total	**472.0**	**200,000.00**

3.2.3 Resolution 10: execution of DOCA to completion (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Deed Administrators and their staff for the period from the date of execution of the DOCA to completion, which is the basis of the Resolution 10 claim. Please refer to Schedule C for further details with respect to the tasks likely to be performed.

Task	Hours	Amount ($)
Assets	40.0	20,000.00
Creditors	13.0	5,000.00
Employees	12.0	5,000.00
Trade On	21.0	10,000.00
Administration	25.0	10,000.00
Total	**111.0**	**50,000.00**

3.2.4 Resolution 11: execution of Creditors' Trust Deed to completion (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Trustees and their staff for the period from the date of execution of the Creditors' Trust Deed to completion, which is the basis of the Resolution 11 claim. Please refer to Schedule D for further details with respect to the tasks likely to be performed.

Task	Hours	Amount ($)
Assets	20.0	7,500.00
Creditors	86.0	41,500.00
Dividend	45.0	15,000.00
Administration	28.0	11,000.00
Total	**179.0**	**75,000.00**

3.2.5 Resolution 12: Liquidation to completion (if applicable)

The below table sets out the expected costs for the major tasks likely to be performed by the Liquidators and their staff for the period 10 June 2019 to completion, which is the basis of the Resolution 12 claim. Please refer to Schedule E for further details with respect to the tasks likely to be performed.

Task	Hours	Amount ($)
Assets	33.0	15,000.00
Creditors	66.0	30,000.00
Employees	40.0	15,000.00
Trade On	42.0	15,000.00
Investigation	65.0	30,000.00
Dividend	77.0	30,000.00
Administration	38.0	15,000.00
Total	**361.0**	**150,000.00**

3.3 Total remuneration reconciliation

3.3.1 Comparison between current total and previous estimates

At this point in time we estimate that the total remuneration for this administration will be $526,588.00, which is also the current approval amount being sought.

The remuneration approval sought is differs with the estimate of costs provided to creditors in the Initial Remuneration Notice included in our circular dated 6 May 2019 due to additional time costs associated with

- understanding the complexity of the Companies' group structure;
- responding to large volume of creditor, tenants and landlord queries;
- higher than anticipated interest in the rent roll business; and
- meetings and discussions with a large number of interested parties.

Below is a breakdown of the remuneration estimate for the Company for the Voluntary Administration period:

Company	3 May 2019 to 24 May 2019	25 May to completion	Total ($ excl GST)
Rental Management Australia Pty Ltd	326,588.00	200,000.00	526,588.00
Total ($ excl GST)	**326,588.00**	**$200,000.00**	**$526,588.00**
Initial Estimate			**Up to $250,000.00**
Variance			**$276,588.00**

3.3.2 Future remuneration requests

In preparing this report, we have made our best estimate at what we believe the administration will cost to complete and we do not anticipate that we will have to ask creditors to approve any further remuneration. However, should the administration not proceed as expected, we will advise creditors and we may seek approval of further remuneration and provide details on why the remuneration has changed. Matters that may affect the progress and the cost of the administration, include:

– Outcome of the second creditor's meeting
– Volume of creditor queries

- Volume of landlord and tenant queries
- Sale of assets (if any)
- Delays associated with seeking funding from the Secured Creditor.

3.4 Likely impact on dividends

The Administrators' remuneration and disbursements are a priority expense that rank ahead of creditors of the Company as the expenses are incurred are necessary to undertake the external administration of the Company. We note that any available dividend will ultimately be impacted by:

- The Administrators' time costs in progressing the conduct of the administration;
- The level of complexity in achieving realisations of assets and other recoveries; and
- The ultimate value of creditor claims admitted to participate in the dividend.

4 Disbursements

4.1 Types of disbursements

Disbursements are divided into three types:

- Externally provided professional services. These are recovered at cost. An example is legal fees.
- Externally provided non-professional costs such as travel, accommodation and search fees. These disbursements are recovered at cost.
- Internal disbursements such as photocopying, printing and postage. These disbursements, if charged to the administration, would generally be charged at cost; although if a data room is utilised, the fee will comprise an initial setup fee and then a fee based on the duration and size of the data room or the number of users per month. Certain services provided by Ferrier Hodgson may require the processing of electronically stored information into specialist review platforms. Where these specialist resources are utilised, the fee will be based on units (e.g. number of computers), size (e.g. per gigabyte) and/or period of time (e.g. period of hosting). The relevant rates for internal disbursements are set out below:

Disbursement type	Charges (excl GST)
Advertising	At cost
ASIC industry funding model levy – metric events	At prescribed ASIC rates
Couriers	At cost
Data room set-up	$450.00
Data room hosting – Option A	Variable – see separate table below
Data room hosting – Option B (incl 100GB of data)	$84.95 per user per month
eDiscovery services	Variable
Photocopying / printing (colour)	$0.50 per page
Photocopying / printing (mono)	$0.20 per page
Photocopying / printing (outsourced)	At cost
Postage	At cost
Searches	At cost
Staff travel reimbursement	Up to $100/day
Staff vehicle use	At prescribed ATO rates
Storage and storage transit	At cost
Telephone calls	At cost

Note: Above rates are applicable for the financial year ending 30 June 2019. Disbursements charged at cost do not require creditor approval.

Data room hosting fees by size (MB)	Charges per month (excl GST)
0-300	$950
300-1000	$950 + $2.50/MB
1000-5000	$2,500 + $1.25/MB
5000+	$7,500 + $0.60/MB

4.2 Disbursements paid from the administration to Ferrier Hodgson to date

There have been no disbursements paid from the administration to Ferrier Hodgson to date. Future disbursements provided by Ferrier Hodgson will be charged to the administration on the same basis as the table in Part 4.1.

4.3 Disbursement claim resolutions

We will be seeking approval of the following resolutions with respect to disbursements. Details to support these resolutions are included in Part 4.4.

Resolution 13:

"That the internal disbursements of the Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 3 May 2019 to 24 May 2019 be fixed in the amount of $2,560.50, plus GST, and may be paid."

Resolution 14:

"That the internal disbursements of the Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 25 May 2019 to completion be fixed up to a maximum amount of $2,810.00, plus GST, but subject to upward revision by resolution of creditors, and that the Administrators be authorised to make periodic payments on account of such accruing disbursements as incurred."

DOCA (if applicable)

Resolution 15:

"That the internal disbursements of the Deed Administrators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from execution of the DOCA to completion be fixed up to a maximum amount of $7,885.00, plus GST, but subject to upward revision by resolution of creditors, and that the Deed Administrators be authorised to make periodic payments on account of such accruing remuneration as incurred."

Creditors' Trust (if applicable)

Resolution 16:

"That the internal disbursements of the Trustees of Creditors' Trust, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from execution of the Creditors' Trust Deed to completion be fixed up to a maximum amount of $6,935.00, plus GST, but subject to upward revision by resolution of creditors, and that the Trustees of the Creditor's Trust be authorised to make periodic payments on account of such accruing remuneration as incurred."

Liquidation (if applicable)

Resolution 17:

"That the internal disbursements of the Liquidators, as set out in the Remuneration Approval Request dated 30 May 2019, for the period from 10 June 2019 to completion be fixed up to a maximum amount of $14,345.00, plus GST, but subject to upward revision by resolution of creditors or the Committee of Inspection, and that the Liquidators be authorised to make periodic payments on account of such accruing remuneration as incurred."

4.4 Details of disbursements

4.4.1 Retrospective internal disbursement claim

The following internal disbursements have been claimed by our firm, Ferrier Hodgson, for the period 3 May 2019 to 24 May 2019 which is the basis of the Resolution 8 claim.

Disbursements claimed	Basis	Total (excl GST) $
Data room hosting	Based on an average monthly rate $950.00 plus an initial setup fee of $450 for 2 months.	2,350.00
Photocopying / printing	Miscellaneous	210.50
Total		**$2,560.50**

4.4.2 Prospective internal disbursement claim

Future disbursements provided by our firm, Ferrier Hodgson, will be charged to the administration on the same basis as set out in Part 4.1. Approval of the payment of these disbursements at those rates to a capped amount of $2,810.00 for the period from 25 May 2019 to completion of the Administration, $7,885.00 for the period from execution of the DOCA to completion (if applicable), $6,935.00 for the period from execution of the Creditors' Trust Deed to completion (if applicable), and $14,345.00 for the period from 10 June 2019 to completion of the Liquidation (if applicable) is being sought from creditors at the meeting of creditors.

Period from 25 May 2019 to completion:

Prospective internal disbursements	Basis	Total (excl GST) $
Data room hosting	Based on an average monthly rate $950.00 for 1 month.	950.00
ASIC industry funding model levy- metric events	10 events at $81 per event	810.00
Photocopying/ Printing (mono)	4,000 pages @ $0.20 per page	800.00
Photocopying/ Printing (colour)	500 pages at $0.50 per page	250.00
Total		**$2,810.00**

Note: Above rates are applicable for the financial year ending 30 June 2019

Period from execution of the DOCA to completion:

Prospective internal disbursements	Basis	Total (excl GST) $
Data room hosting	Based on an average monthly rate $950.00 for 6 months.	5,700.00
ASIC industry funding model levy- metric events	10 events at $81 per event	810.00
Photocopying/ Printing (mono)	5,000 pages @ 0.20 per page	1,000.00
Photocopying/ Printing (colour)	750 pages @ 0.50 per page	375.00
Total		**$7,885.00**

Period from execution of the Creditors' Trust Deed to completion:

Prospective internal disbursements	Basis	Total (excl GST) $
Data room hosting	Based on an average monthly rate $950.00 for 6 months.	5,700.00
ASIC industry funding model levy- metric events	10 events at $81 per event	810.00
Photocopying/ Printing (mono)	5,000 pages @ 0.20 per page	1,000.00
Photocopying/ Printing (colour)	750 pages @ 0.50 per page	375.00
Total		**$6,935.00**

Period from 10 June 2019 to completion of the Liquidation:

Prospective internal disbursements	Basis	Total (excl GST) $
Data room hosting	Based on an average monthly rate $950.00 for 12 months	11,400.00
ASIC Industry funding model levy	3 years @ $146.00 per event	435.00
ASIC industry funding model levy- metric events	10 events at $81 per event	810.00
Photocopying/ Printing (mono)	6000 pages @ 0.20 per page	1,200.00
Photocopying/ Printing (colour)	1000 pages @ 0.50 per page	500.00
Total		**$14,345.00**

5 Report on progress of the administration

The Remuneration Approval Request must be read in conjunction with the Voluntary Administrators' Report to creditors dated 30 May 2019 which outlines the progress of the administration.

6 Summary of receipts and payments

Please refer to Annexure A of the Administrators' Report for a summary of receipts and payments.

7 Approval of remuneration and internal disbursements

For information about how approval of the resolutions for remuneration and internal disbursements will be sought, refer to Section 2.8 of the Voluntary Administrators' Report to creditors dated 30 May 2019.

8 Questions

If you require further information in respect of the above, or have other questions, please contact Bryce Nie of this office on 08 9214 1475.

The partners of Ferrier Hodgson are members of ARITA. Ferrier Hodgson follows the Code. A copy of the Code may be found on the ARITA website at www.arita.com.au.

An information sheet concerning approval of remuneration in external administrations can also be obtained from the Australian Securities & Investments Commission website at www.asic.gov.au.

Dated this 30th day of May 2019

Martin Jones
Administrator

Schedule A – Resolution 8

The below table contains more detailed descriptions of the tasks performed within each task area performed by the Administrators and their staff for the period 3 May 2019 to 24 May 2019, which is the basis of the Resolution 8 claim in section 3.2.1.

Task area	General description	Includes
Assets **201.30** **$96,190.50** **(excl GST)**	Sale of business as a going concern	• Preparing an information memorandum • Liaising with interested parties • Liaising with potential purchasers • Internal meetings to discuss / review offers received • Maintenance of interested parties schedule.
	Sale of real property	• Liaising with valuers and agents
	Other assets	• Tasks associated with realising other assets • Cashflow analysis
	Leasing	• Reviewing leasing documents • Liaising with owners / lessors • Tasks associated with disclaiming leases
Creditors **179.70** **$78,465.50** **(excl GST)**	Creditor enquiries, requests and directions	• Receive and respond to creditor enquiries • Review and prepare initial correspondence to creditors and their representatives • Documenting creditor requests • Compiling information requested by creditors
	Retention of title claims	• Search of the PPSR register • Notify PMSI creditors identified from PPSR register • Receive initial notification of creditors' intention to claim • Provision of retention of title claim form to creditor • Receive completed retention of title claim form • Maintain retention of title file • Meeting claimant on site to identify goods • Adjudicate retention of title claim • Forward correspondence to claimant notifying outcome of adjudication • Preparation of payment vouchers to satisfy valid claim • Preparation of correspondence to claimant to accompany payment of claim (if valid)
	Secured creditor reporting	• Notifying PPSR registered creditors of appointment • Preparing reports to secured creditor • Responding to secured creditor's queries
	Creditor reports	• Preparing circulars to creditors

Task area	General description	Includes
		• Preparation of Voluntary Administrators' Report
	Dealing with proofs of debt	• Receipting and filing proofs of debt when not related to a dividend
	Meeting of creditors	• Preparation of meeting notices, proxies and advertisements • Forward notice of meeting to all known creditors • Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, advertisement of meeting and draft minutes of meeting. • Preparation of minutes of meeting with ASIC
Employees **55.10 hours** **$20,803.50** **(excl GST)**	Employee enquiries	• Receive and respond to employee enquiries • Review and prepare correspondence to creditors
	Calculation of entitlements	• Calculating employee entitlements • Reviewing employee files and Company's books and records
	Employee wages	• Payment of wages • Reviewing wage calculations
	Other employee issues	• Correspondence with Child Support
Trade on **144.00 hours** **$70,054.50** **(excl GST)**	Trade-on management	• Attendance on site • Liaising with suppliers • Liaising with management and staff • Authorising purchase orders • Maintaining purchase order registry • Preparing and authorising receipt vouchers • Preparing and authorising payment vouchers
	Processing receipts and payments	• Entering receipts and payments into accounting system
Investigation **7.30 hours** **$3,770.00** **(excl GST)**	Conducting investigation	• Reviewing Company's books and records • Preparation of high-level statement of position • Review of specific transactions and liaising with directors regarding certain transactions • Preparation of investigation file
	ASIC reporting	• Attending to ASIC queries
	Correspondence	• General correspondence
	Document maintenance / file review / checklist	• Filing of documents

Task area	General description	Includes
Administration **113.10 hours** **$57,304.00** **(excl GST)**		• File reviews • Updating checklists
	Insurance	• Correspondence with insurer regarding initial and ongoing insurance requirements • Reviewing insurance policies • Correspondence with previous brokers
	Bank account administration	• Correspondence with banks regarding specific transfers • Bank account reconciliations • Preparing correspondence opening and closing accounts
	ASIC forms	• Preparing and lodging ASIC forms
	ATO and other statutory reporting	• Notification of appointment
	Planning / review	• Discussions regarding status / strategy of administration

Schedule B – Resolution 9

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period 25 May 2019 to completion of the administration, which is the basis of the Resolution 9 claim in section 3.2.2:

Task area	General description	Includes
Assets **141.0 hours** **$60,000.00** **(excl GST)**	Sale of business as a going concern	• Preparing an information memorandum • Liaising with interested parties • Liaising with potential purchasers • Internal meetings to discuss / review offers received
	Sale of real property	• Liaising with valuers and agents
	Other assets	• Tasks associated with realising other assets • Cashflow analysis
	Leasing	• Reviewing leasing documents • Liaising with owners / lessors • Tasks associated with disclaiming leases
Creditors **94.0 hours** **$40,000.00** **(excl GST)**	Creditor enquiries, requests and directions Retention of title claims	• Receive and respond to creditor enquiries. • Review and prepare initial correspondence to creditors and their representatives. • Documenting creditor requests. • Compiling information requested by creditors.
	Secured creditor reporting	• Responding to secured creditor's queries.
	Dealing with proofs of debt	• Receipting and filing proofs of debt when not related to a dividend.
	Meeting of creditors	• Preparation of meeting notices, proxies and advertisements. • Forward notice of meeting to all known creditors • Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to creditors, and advertisements.
	Shareholder enquiries	• Receive and respond to shareholder enquiries
Employees **47.0 hours** **$20,000.00** **(excl GST)**	Employee enquiries	• Review and prepare correspondence to creditors. • Receive and respond to employee queries.
	Calculation of entitlements	• Calculating employee entitlements • Reviewing employee files and books and records
	Employee wages	• Payment of wages
	Other employee issues	• Correspondence with Child Support
Trade on **94.0 hours** **$40,000.00** **(excl GST)**	Trade-on management	• Liaising with suppliers. • Liaising with management and staff. • Attendance on site. • Authorising purchase orders.

Task area	General description	Includes
		• Maintaining purchase order registry. • Preparing and authorising receipt vouchers. • Preparing and authorising payment vouchers.
	Processing receipts and payments	• Entering receipts and payments into accounting system.
Investigation **24.0 hours** **$10,000.00** **(excl GST)**	Conducting investigation	• Reviewing Company's books and records. • Review and preparation of Company nature and history. • Conducting and summarising statutory searches. • Preparation of comparative financial statements. • Preparation of deficiency statement. • Review of specific transactions and liaising with directors regarding certain transactions.
	ASIC reporting	• Reporting offences to ASIC.
Administration **71.0 hours** **$30,000.00** **(excl GST)**	Correspondence	• General correspondence.
	Document maintenance / file review / checklist	• Administration reviews. • Filing of documents. • File reviews. • Updating checklists.
	Insurance	• Identification of potential issues requiring attention of insurance specialists. • Correspondence with insurer regarding ongoing insurance requirements. • Reviewing insurance policies. • Correspondence with previous brokers.
	Bank account administration	• Requesting bank statements. • Bank account reconciliations.
	ASIC forms	• Preparing and lodging ASIC forms. • Correspondence with ASIC regarding statutory forms.
	ATO and other statutory reporting	• Preparation and lodgement of business activity statements.
	Planning / review	• Discussions regarding status / strategy of administration.

Schedule C – Resolution 10

The below table contains more detailed descriptions of the tasks performed within each task area performed by the Deed Administrators and their staff for the period from the date of execution of the DOCA to completion, which is the basis of the Resolution 10 claim in section 3.2.3.

Task area	General description	Includes
Assets **40.0 hours** **$20,000.00** **(excl GST)**	Sale of real property	• Liaising with valuers and agents and interested parties • Seeking agent's submissions regarding proposals for the sale of the residential properties • Review historical valuations and determined current estimated realisable value • Reviewing offers submitted by interested parties • Dealing with settlement of residential properties • Meeting with interested parties • Negotiating terms of offers • Providing updates on sale of assets to the CBA
	Debtors	• Reviewing and assessing debtors' ledgers • Investigations into debtors currently recorded in the management accounts and assessment of the collectability
Creditors **13.0 hours** **$5,000.00** **(excl GST)**	Creditor enquiries, requests and directions	• Receive and respond to creditor enquiries • Maintaining creditor request log • Compiling information requested by creditors
	Creditor reports	• General reports to creditors
	Dealing with proofs of debt	• Receipting and filing proofs of debt when not related to a dividend
Employees **12.0 hours** **$5,000.00** **(excl GST)**	Employee enquiries	• Review and prepare correspondence to creditors • Receive and respond to employee queries
	Calculation of entitlements	• Reviewing employee files and Company's books and records • Calculating employee entitlements
	Employee wages	• Payment of wages
	Other employee issues	• Correspondence with Child Support
Trade on **21.0 hours** **$10,000.00** **(excl GST)**	Trade-on management	• Liaising with suppliers • Liaising with management and staff • Authorising purchase orders • Maintaining purchase order registry • Preparing and authorising receipt vouchers • Preparing and authorising payment vouchers

Task area	General description	Includes
		• Liaising with superannuation funds regarding contributions, termination of employees
	Processing receipts and payments	• Entering receipts and payments into accounting system
	Budgeting and financial reporting	• Reviewing Company's budgets and financial statements • Preparing budgets • Finalising trading profit or loss • Meetings to discuss trading position
Administration **25.0 hours** **$10,000.00** **(excl GST)**	Correspondence	• General correspondence.
	Document maintenance / file review / checklist	• Administration reviews. • Filing of documents. • File reviews. • Updating checklists.
	Bank account administration	• Preparing correspondence opening and closing accounts. • Requesting bank statements. • Bank account reconciliations.
	ASIC forms	• Preparing and lodging ASIC forms. • Correspondence with ASIC regarding statutory forms.
	ATO and other statutory reporting	• Notification of appointment.
	Planning / review	• Discussions regarding status / strategy of administration.

Schedule D – Resolution 11

The below table contains more detailed descriptions of the tasks performed within each task area likely to be performed by the Administrators and their staff for the period from the date of execution of the Creditors' Trust Deed to the completion, which is the basis of the Resolution 11 claim in section 3.2.4:

Task area	General description	Includes
Assets **20.0 hours** **$7,500.00** **(excl GST)**	Maintaining Creditors Trust	• Liaising with DOCA proponent • Internal meetings to discuss receipting DOCA funds • Announcements to the ASX
	Creditors Trust Assets	• Receipt trust funds from Deed Administrators
Creditors **86.0 hours** **$41,500.00** **(excl GST)**	Creditor enquiries, requests and directions	• Receive and respond to creditor enquiries • Maintaining creditor request log • Review and prepare initial correspondence to creditors and their representatives • Documenting creditor requests • Considering reasonableness of creditor requests • Obtaining legal advice on requests • Documenting reasons for complying or not complying with requests or directions • Compiling information requested by creditors
Dividend **45.0 hours** **$15,000.00** **(excl GST)**	Dividend procedures	• Preparation of correspondence to beneficiaries advising of intention to declare dividend • Advertisement of intention to declare dividend • Preparation of dividend calculations • Preparation of correspondence to beneficiaries announcing declaration of dividend • Advertise announcement of dividend • Preparation of distribution • Preparation of dividend file • Preparation of payment vouchers to pay dividend • Preparation of correspondence to beneficiaries enclosing payment of dividend
Administration **28.0 hours** **$11,000.00** **(excl GST)**	Correspondence	• General correspondence
	Document maintenance / file review / checklist	• First month, then six monthly administration review • Filing of documents • File reviews • Updating checklists
	Bank account administration	• Requesting bank statements

Task area	General description	Includes
		• Bank account reconciliations • Correspondence with bank regarding specific transfers
	ASIC Forms	• Preparing and lodging ASIC forms • Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	• Notification of appointment • Preparing BASs

Schedule E – Resolution 12

The below table contains more detailed descriptions of the tasks performed within each task area performed by the Liquidators and their staff for the period 10 June 2019 to completion of the liquidation, which is the basis of the Resolution 12 claim in section 3.2.5.

Task area	General description	Includes
Assets **33.0 hours** **$15,000.00** **(excl GST)**	Sale of business as a going concern	• Preparing an information memorandum • Liaising with valuers, auctioneers and interested parties • Liaising with potential purchasers • Internal meetings to discuss / review offers received
	Sale of real property	• Liaising with valuers, auctioneers and interested parties • Reviewing asset listings
	Assets subject to specific charges	• All tasks associated with realising a charged asset
	Other assets	• Tasks associated with realising other assets
	Leasing	• Reviewing leasing documents • Liaising with owners / lessors • Tasks associated with disclaiming leases
Creditors **66.0 hours** **$30,000.00** **(excl GST)**	Creditor enquiries, requests and directions	• Receive and respond to creditor enquiries • Maintaining creditor request log • Review and prepare initial correspondence to creditors and their representatives • Documenting creditor requests • Considering reasonableness of creditor requests • Obtaining legal advice on requests • Documenting reasons for complying or not complying with requests or directions • Compiling information requested by creditors
	Secured creditor reporting	• Preparing reports to secured creditor • Responding to secured creditor's queries
	Creditor reports	• Preparing reports on results of investigation (including statutory reports) and convening meetings • General reports to creditors
	Dealing with proofs of debt	• Receipting and filing proofs of debt when not related to a dividend
	Meeting of creditors	• Preparation of meeting notices, proxies and advertisements • Forward notice of meeting to all known creditors • Preparation of meeting file, including agenda, certificate of postage, attendance register, list of creditors, reports to

Task area	General description	Includes
		creditors, advertisement of meeting and draft minutes of meeting. • Preparation and lodgement of minutes of meetings with ASIC • Respond to stakeholder queries and questions immediately following meeting
	Proposals to creditors	• Preparing proposal notices and voting forms
	Shareholder enquiries	• Initial day one letters • ITAA Section 104-145(1) declarations • Responding to any shareholder legal action
Employees **40.0 hours** **$15,000.00** **(excl GST)**	Employee enquiries	• Review and prepare correspondence to creditors • Receive to respond to employee queries
	Calculation of entitlements	• Reviewing employee files and Company's books and records • Calculating employee entitlements
	Employee wages	• Payment of wages
	Other employee issues	• Correspondence with Child Support
Investigation **65.0 hours** **$30,000.00** **(excl GST)**	Conducting investigation	• Reviewing Company's books and records • Lodgement of investigation with ASIC • Preparation and lodgement of supplementary report if required
	Examinations	• Preparing brief to solicitor • Liaising with solicitor(s) regarding examinations • Attendance at examination • Reviewing examination transcripts • Liaising with solicitor(s) regarding outcome of examinations and further actions available
	Litigation / recoveries	• Internal meetings to discuss status of litigation • Preparing brief to solicitors • Liaising with solicitors regarding recovery actions • Attending to negotiations • Attending to settlement matters
	ASIC reporting	• Preparing statutory investigation reports • Preparing affidavits seeking non-lodgement assistance • Liaising with ASIC

Task area	General description	Includes
	Processing proofs of debt	• Receipt of proofs of debt • Maintain proof of debt register • Adjudicating proofs of debt • Request further information from claimants regarding proofs of debt • Preparation of correspondence to claimant advising outcome of adjudication
Dividend **77.0 hours** **$30,000.00** **(excl GST)**	Dividend procedures	• Preparation of correspondence to creditors advising of intention to declare dividend • Advertisement of intention to declare dividend • Obtain clearance from ATO to allow distribution of Company's assets • Preparation of dividend calculations • Preparation of correspondence to creditors announcing declaration of dividend • Advertise announcement of dividend • Preparation of distribution • Preparation of dividend file • Preparation of payment vouchers to pay dividend • Preparation of correspondence to creditors enclosing payment of dividend
	Members meeting	• Correspondence and other actions incidental to the calling and holding of the members meeting
	Correspondence	• General correspondence
	Document maintenance / file review / checklist	• Administration reviews • Filing of documents • File reviews • Updating checklists
Administration **38.0 hours** **$15,000.00** **(excl GST)**	Insurance	• Identification of potential issues requiring attention of insurance specialists • Correspondence with insurer regarding initial and ongoing insurance requirements • Reviewing insurance policies • Correspondence with previous brokers
	Bank account administration	• Preparing correspondence opening and closing accounts • Requesting bank statements • Bank account reconciliations • Correspondence with bank regarding specific transfers

Task area	General description	Includes
	ASIC forms	• Preparing and lodging ASIC forms • Correspondence with ASIC regarding statutory forms
	ATO and other statutory reporting	• Notification of appointment • Preparing BASs • Completing group certificates
	Finalisation	• Notifying ATO of finalisation • Cancelling ABN / GST / PAYG registration • Completing checklists • Finalising WIP
	Planning / review	• Discussions regarding status / strategy of administration
	Books and records / storage	• Dealing with records in storage • Sending job files to storage

Creditor Information Sheet

Offences, Recoverable transactions and Insolvent Trading

ARITA

Offences

A summary of offences that may be identified by the administrator:

Section	Offence
180	Failure by officer to exercise a reasonable degree of care and diligence in the exercise of his powers and the discharge of his duties.
181	Failure to act in good faith.
182	Making improper use of position as an officer or employee, to gain, directly or indirectly, an advantage.
183	Making improper use of information acquired by virtue of his position.
184	Reckless or intentional dishonesty in failing to exercise duties in good faith for proper purpose. Use of position or information dishonestly to gain advantage or cause detriment.
206A	Contravening an order against taking part in management of a corporation.
206A, B	Taking part in management of corporation while being an insolvent under an administration.
206A, B	Acting as a director or promoter or taking part in the management of a company within five years after conviction or imprisonment for various offences.
209(3)	Dishonest failure to observe requirements on making loans to directors or related companies.
254T	Paying dividends except out of profits.
286	Failure to keep proper accounting records.
312	Obstruction of auditor.
314-7	Failure to comply with requirements for financial statement preparation.
437C	Performing or exercising a function or power as officer while a company is under administration.
437D(5)	Unauthorised dealing with company's property during administration.
438B(4)	Failure by directors to assist administrator, deliver records and provide information.
438C(5)	Failure to deliver up books and records to administrator.
590	Failure to disclose property, concealed or removed property, concealed a debt due to the company, altered books of the company, fraudulently obtained credit on behalf of the company, material omission from Report as to Affairs or false representation to creditors.

Voidable Transactions

Preferences

A preference is a transaction such as a payment between the company and one or more of its creditors, in which the creditor receiving the payment is preferred over the general body of creditors. The relevant time period is six months before the commencement of the liquidation. The company must have been insolvent at the time of the transaction, or become insolvent as a result of the transaction.

Where a creditor receives a preferred payment, the payment is voidable as against a liquidator and is liable to be paid back to the liquidator subject to the creditor being able to successfully maintain any of the defences available to the creditor under either the Corporations Act.

Uncommercial Transaction

An uncommercial transaction is one that it may be expected that a reasonable person in the company's circumstances would not have entered into having regard to:

- the benefit or detriment to the company;
- the respective benefits to other parties; and
- any other relevant matter.

To be voidable, an uncommercial transaction must have occurred during the two years before the liquidation.

However, if a related entity is a party to the transaction, the time period is four years and if the intention of the transaction is to defeat creditors, the time period is ten years.