PPB ADVISORY

Provident Capital Limited (Receivers and Managers appointed) (In liquidation)

Meeting of Debentureholders and Information session

Thursday, 13 December 2012

Agenda

- Introduction
- Meeting of Debentureholders (including vote on the Proposed Resolution)
- Information Session for Debentureholders
- Questions

Business of the meeting

- The business of the meeting will be to consider if thought fit, pass the following resolution (**Resolution**):

*That clause 11.5 of the Debenture Trust Deed dated 11 December 1998 (as amended from time to time (**Trust Deed**) should be amended so as to insert the underlined text and delete the struck out text, as set out below:*

11.5.1 first, in payment of the Trustee's remuneration and other expenses under this deed:

11.5.2 second, in payment of the receiver's remuneration and expenses;

11.5.3 third, in payment to the Trustee for the account of debenture holders in respect of interest accrued but unpaid on current debentures up to (and including) 3 July 2012;

11.5.4 fourth, in payment to the Trustee for the account of debenture holders in respect of the face value of current debentures;

11.5.4A fifth, when the face value of current debentures has been repaid in full, in or towards payment to the Trustee for the account of debenture holders in respect of interest accrued but unpaid on current debentures after 3 July 2012 (such interest to accrue after 3 July 2012 at a flat rate of 10% per annum on each current debenture on the daily balance of the face value remaining unpaid of that debenture despite any provision to the contrary in this deed or in the Terms of Issue of any debenture); and

11.5.5 ~~fifth~~ sixth, when the amounts referred to in clause 11.5.4A have been paid in full, any balance to the Company.

Why amend?

- Clause 11.5 of the Trust Deed is presently inconsistent with other parts of the Deed which require that all debentures regardless of their time of issue, maturity or interest rate, rank equally in priority of security in proportion to their face value if not repaid in full.

- Provident is hopelessly insolvent. Debentures are unlikely to be repaid in full.

- The proposed amendment will facilitate the payment of interim distributions in an objectively fair and equal manner:
  - First, all unpaid interest as at 3 July 2012 on all debentures (whether interest was paid periodically or upon maturity) will be paid;
  - Second, capital (as in the face value of your debenture) will be returned; and
  - Finally in the unlikely event there is any surplus, interest at the rate of 10% per annum will be paid.

- If the proposed amendment is not passed, then the Receivers may be unable to make interim distributions in the short term. This may mean Debentureholders will have to wait several years (or longer) until all the assets are realised, the debentures matured and the final shortfall is known, before receiving any payment (in the form of a final distribution) under the current terms of the Trust Deed.

Benefits of proposed amendment

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- Allows for immediate interim and ongoing distributions as assets are realised.
- Certainty of fair and equal return on debentures of the same face value.
- Reduces administrative costs thereby allowing for a greater overall return.
- Greater component of your overall return will be considered principal/capital rather than interest and the return will reflect its source (i.e. – asset realisations rather than interest revenue).

Potential disadvantages

- Subject to your individual circumstances (and specialised tax advice) those Debentureholders with large capital gains but limited income tax liability, may generally prefer to receive payments of interests before principal (i.e. – capital).

- If you hold a debenture with a higher rate of interest and long dated maturity, the absolute size of your potential return on that debenture may be less, but you may need to wait longer for those returns.

- Please refer to the Explanatory Statement for greater detail.

Questions regarding the Proposed Resolution?

?

Proxies

- A summary of proxies received submitted to Link Market Services as at Tuesday, 11 December 2012 is presented below:

	For	Against	Abstain
Face Value ($)	$63,034,667	$1,588,853	$838,853
Number	2,427	49	38

- 10% of the face value of Debentureholders in person or proxy are required to constitute a quorum. With over 50% of all Debentureholders voting by proxy we consider that we have established a quorum.

- Of the proxies received to date, 96% in both number and value have voted in favour of the Proposed Resolution.

Resolution

- The Chairman moves a motion, that if thought fit, Debentureholders pass the following resolution (**Resolution**):

*That clause 11.5 of the Debenture Trust Deed dated 11 December 1998 (as amended from time to time (**Trust Deed**) should be amended so as to insert the underlined text and delete the struck out text, as set out below:*

11.5.1 first, in payment of the Trustee's remuneration and other expenses under this deed:

11.5.2 second, in payment of the receiver's remuneration and expenses;

11.5.3 third, in payment to the Trustee for the account of debenture holders in respect of interest accrued but unpaid on current debentures <u>up to (and including) 3 July 2012</u>;

11.5.4 fourth, in payment to the Trustee for the account of debenture holders in respect of the face value of current debentures;

11.5.4A <u>fifth, when the face value of current debentures has been repaid in full, in or towards payment to the Trustee for the account of debenture holders in respect of interest accrued but unpaid on current debentures after 3 July 2012 (such interest to accrue after 3 July 2012 at a flat rate of 10% per annum on each current debenture on the daily balance of the face value remaining unpaid of that debenture despite any provision to the contrary in this deed or in the Terms of Issue of any debenture); and</u>

11.5.5 ~~fifth~~ <u>sixth, when the amounts referred to in clause 11.5.4A have been paid in full,</u> any balance to the Company.

- For those Debentureholders whom are present, we will now open a poll on the Proposed Resolution.

Outcome of meeting

- The results of the meeting will be provided to the Federal Court of Australia to assist the Court in determining whether the amendment proposed in the Resolution should be implemented.
- Detailed information concerning the make-up of the votes that are in relation to the Resolution will be made available to the Court.
- The Court will then determine whether the Receivers would be justified in giving effect to the proposed amendment having regarding to that information.
- The Receivers are scheduled to appear before the Court on Monday, 17 December 2012.
- Formal part of the Meeting now concluded.

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Provident Capital Limited (Receivers and Managers appointed) (In liquidation)

Information session for Debentureholders

Thursday, 13 December 2012

Chronology of key events for Debentureholders (3 July 2012 to today)

Date	Issue
3 July	Carter, Sims and Ayres of PPB Advisory appointed as Receivers by the Federal Court of Australia.
10 July	Carter, Sims and Ayres appointed as Receivers and Managers by AET .
3 August	Receivers seek the Federal Court's directions on treatment of Debentureholder distributions. Court directs that a Meeting of Debentureholders would be necessary.
18 September	McGrath and Hayes of McGrathNicol appointed as Voluntary Administrators.
28 September	Application filed for an order from the Federal Court of Australia to: • Resolve what constitutes a quorum for a Meeting of Debentureholders. • Confirm that the Receivers would be justified in proposing an amendment to the Trust Deed which would allow us deal with claims from Debentureholders.
2 October	Department of Human Services ("DoHS") confirms that interest payable on the debentures will no longer be considered for social security means testing purposes with retrospective effect from 3 July 2012.
23 October	The Federal Court of Australia hears Receivers' Application from 28 September 2012.
24 October	McGrath and Hayes appointed as Liquidators.
12 November	The Federal Court of Australia passes orders facilitating a Meeting of Debentureholders to consider an amendment to the Trust Deed which would allow for interim distributions to commence.
5 December	The DoHS confirms that it would be amending the asset value of debentures held in Provident to 25 cents in the dollar for social security means testing purposes.

Summary of communications to Debentureholders (3 July 2012 to today)

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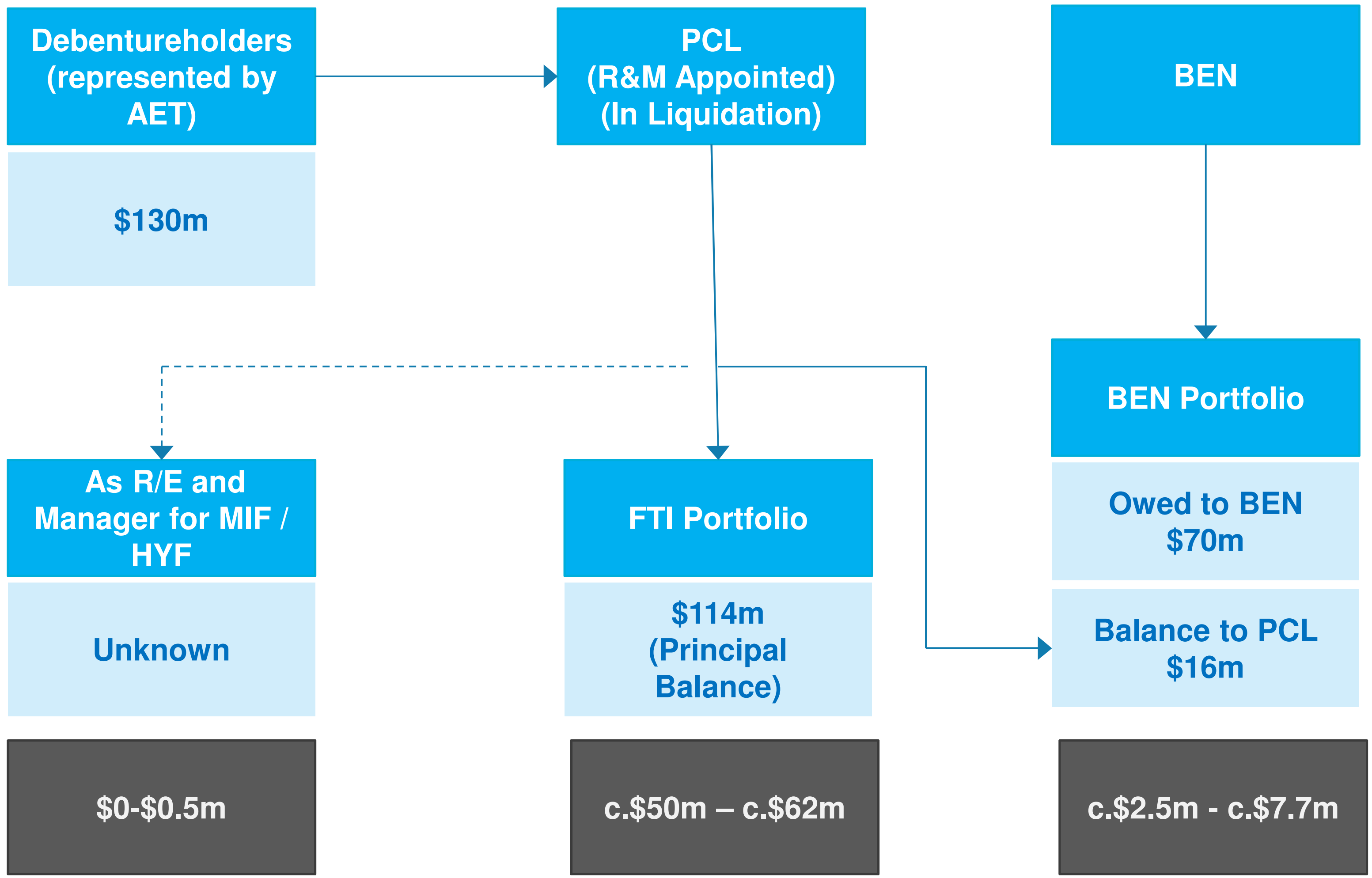
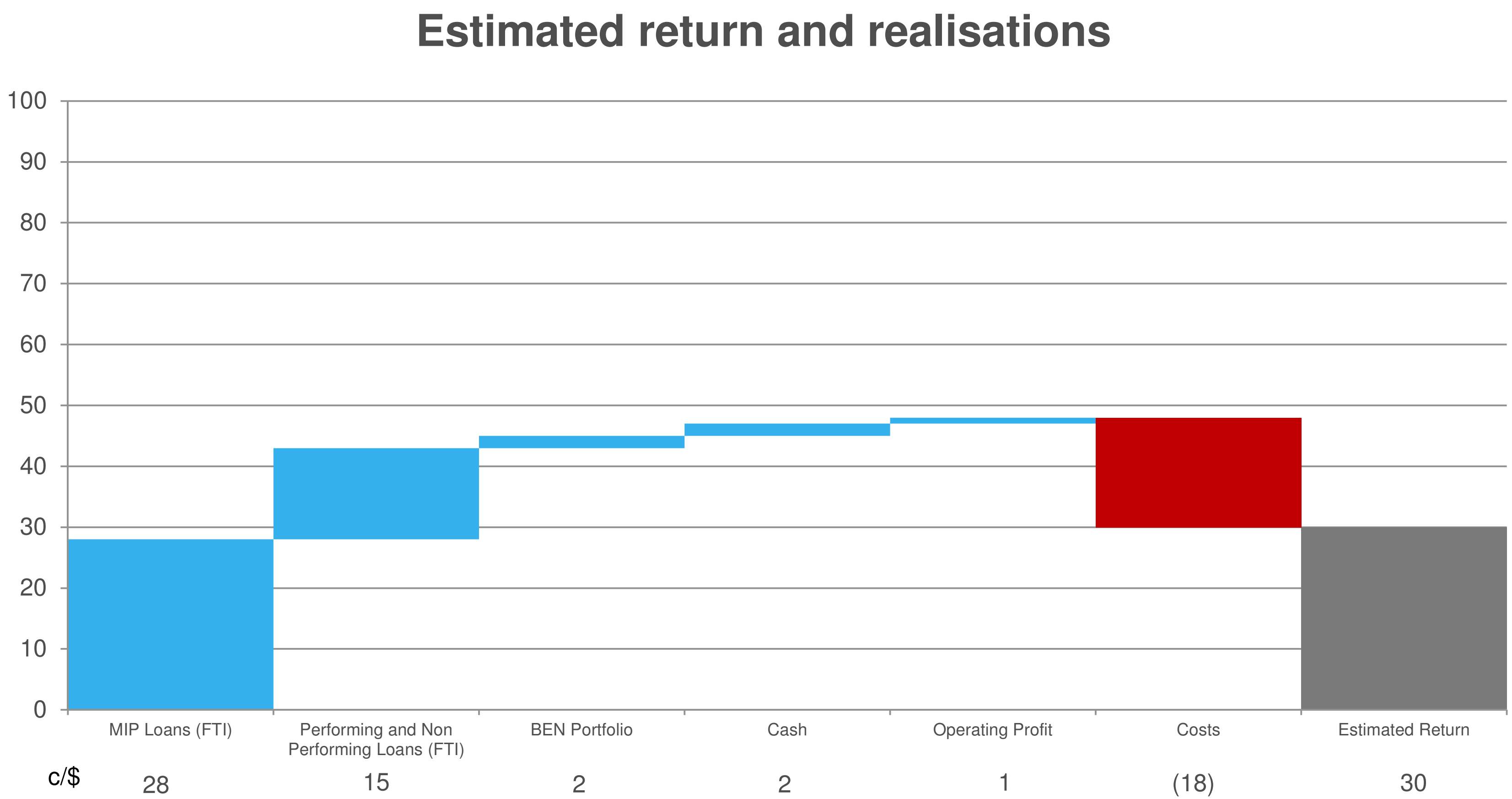
Date	Issue
4 July	Receivers send notice of appointment pursuant to an Order of the Federal Court of Australia.
2 August	Receivers and Managers send notice stating face value of debentures held in Provident.
13 August	Information Session held by Receivers and Managers for all Debentureholders.
13 September	Receiver and Managers send annual tax statements for period to 30 June 2012.
28 September	Receivers and Managers publish on website update on progress of Receivership and notification of the Court Application and the Voluntary Administration.
16 October	AET send notice to Debentureholders outlining its position on Deed of Company Arrangement proposed by Directors.
19 October	Receivers and Managers publish on website notice enclosing Voluntary Administrators' Report to Creditors dated 17 October 2012 which recommends that Provident be wound up and placed into Liquidation.
22 October	Receivers and Managers publish on website update on progress of Receivership.
15 November	Receivers and Managers send Notice of Meeting and Explanatory Statement.
3 December	Receivers and Managers send circular outlining estimated return to Debentureholders.
13 December	Meeting of Debentureholders and Information Session.

Key assets of Provident and estimated realisations



Estimated return and realisations

Our preliminary analysis indicates that the likely return to Debentureholders will be between 25 to 35 cents of every dollar owing to Debentureholders on 3 July 2012:



Estimated return

- The estimated recovery range is subject to the following qualifications:
  - No new defaults from borrowers within the existing loan portfolio.
  - Full recovery of certain loans from existing defaulting borrowers.
  - Provident staff continue to support the Receivers.
  - No further significant adverse changes to the Australian property market.

- The estimated recovery range excludes any provision for third party recoveries available to the Receivers (including but not limited actions against the Directors, professional advisors, etc.).

- The range is only an estimate and is likely to be subject to change.

- The estimated rage assumes that the Proposed Resolutions will be approved by Debentureholders and the Court (i.e. – returns to Debentureholders will be equal).

Summary of FTI funded loan portfolio at 31 October 2012 ($110.1m)

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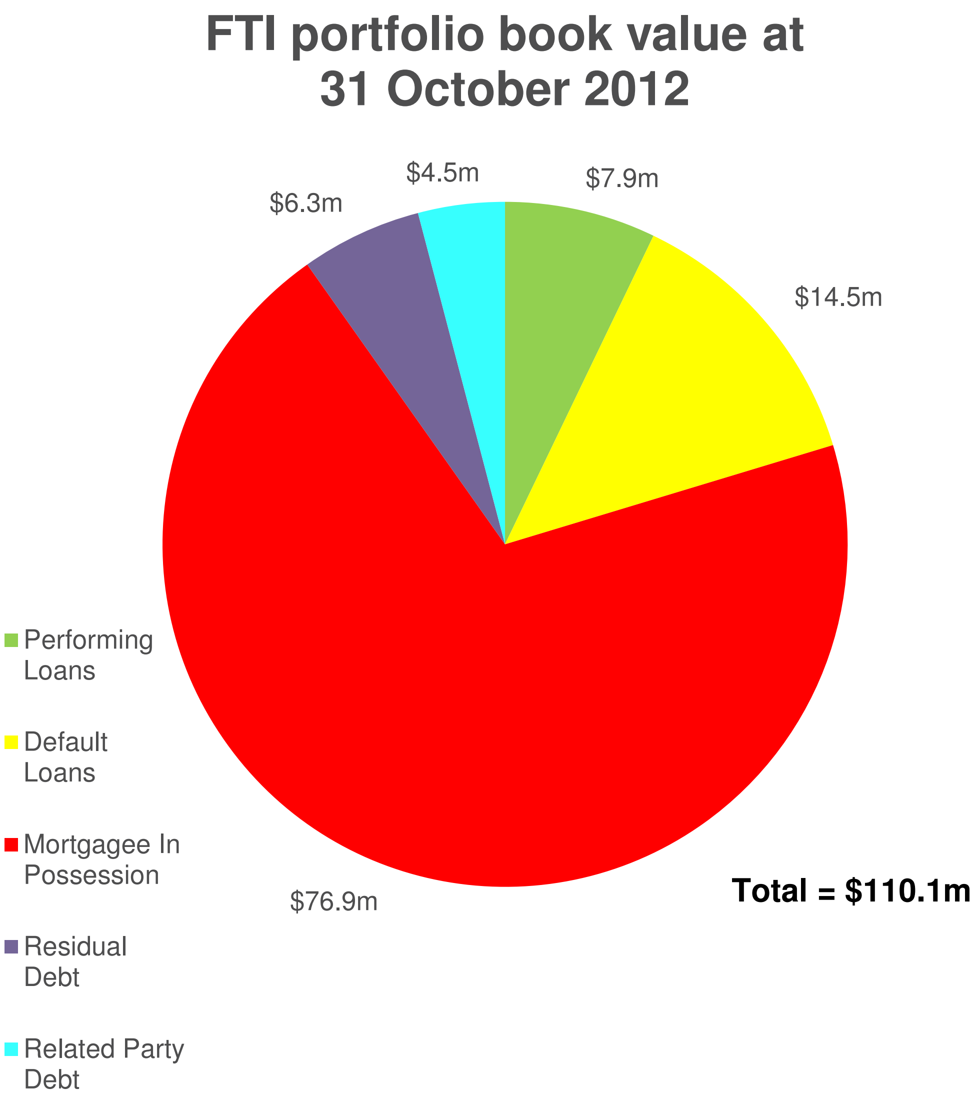
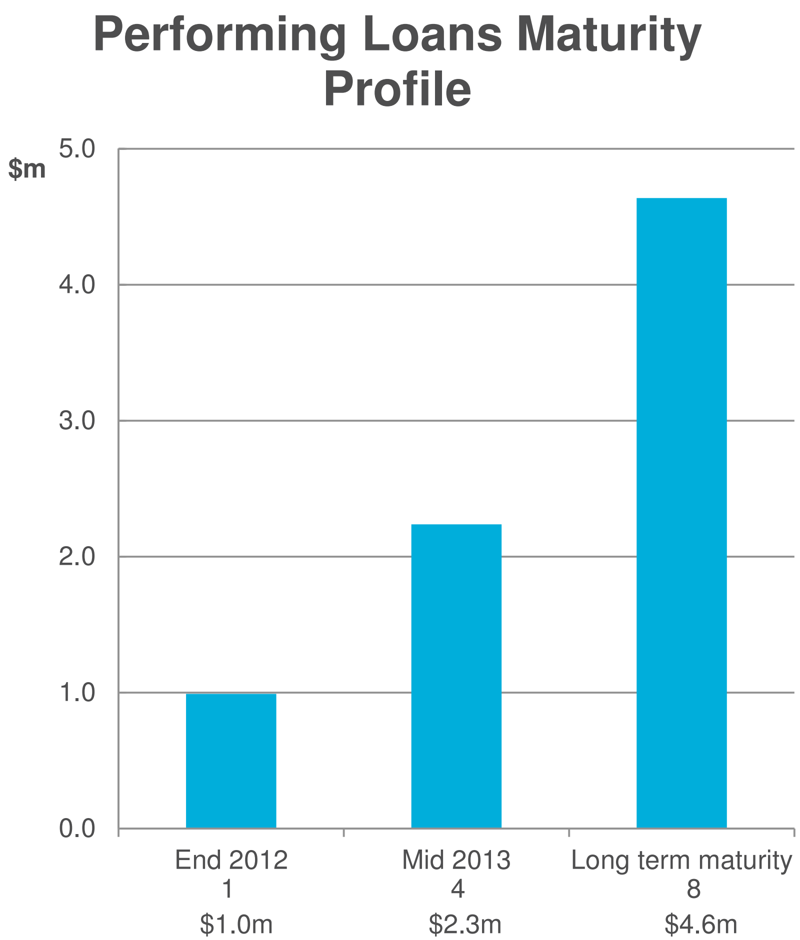
- The FTI portfolio's book value at 31 October 2012 was $110.1m.
- Only 7% ($7.9m) of these loans are 'performing loans' where borrowers are meeting their obligations.
- The remaining 93% ($102.2m) of loans are 'non performing'.
- The 'non performing' component of the portfolio is split between:
  - Loans that are mortgagee in possession (75%).
  - Default loans where the borrower maintains control of the property (14%).
  - Residual claims/related party loans (11%).



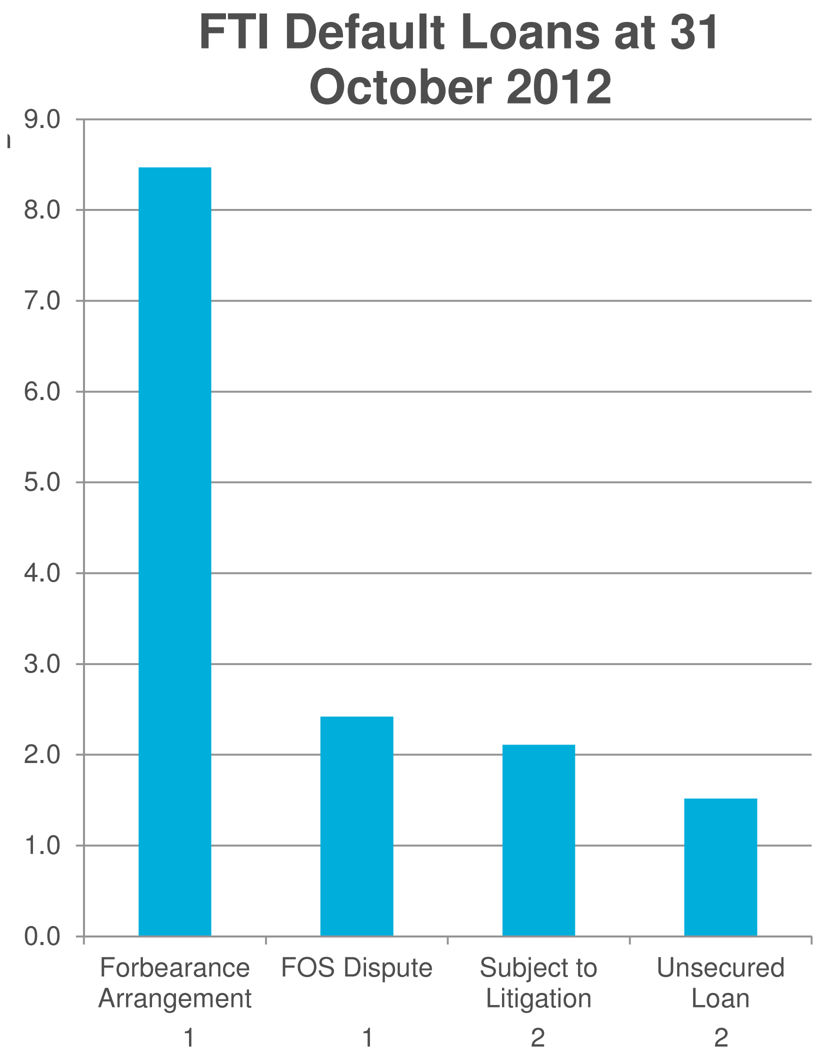
FTI performing loans

- At appointment,14 loans were performing.
- One loan has matured and been repaid in full ($600k).
- Of the remaining 13 loans ($7.9m):
  - Eight ($4.6m) do not mature until after 2026.
  - Four ($2.3m) maturing in mid 2013.
  - One ($1m) is due for repayment now - expected discharge in full in early 2013.
- We are not able to demand early repayment of these loans.
- We are attempting to sell these performing loans – negotiations are continuing.



FTI default loans

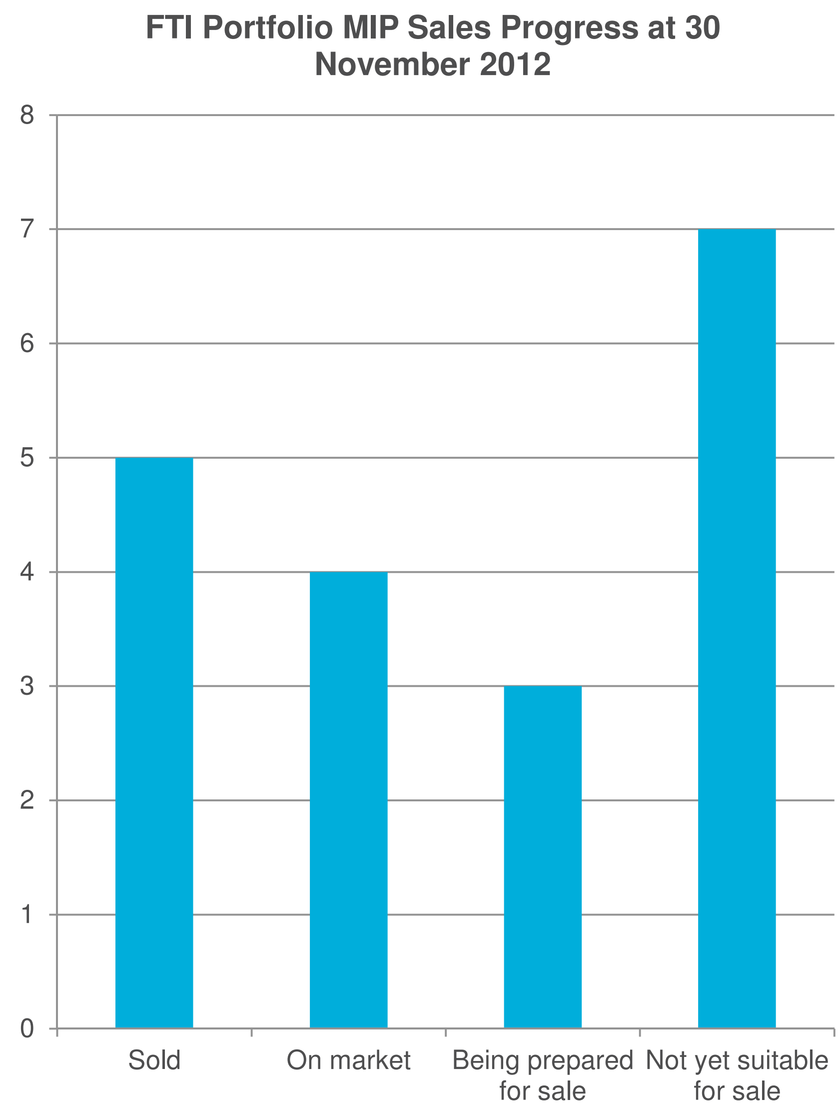
- At appointment, 9 FTI loans were in default. We have enforced MIP on 3.
- Of the remaining 6 loans ($14.5m):
  - We are negotiating forbearance arrangements on the largest loan ($8.5m). We have not taken possession due to the risk that this action would significantly impact the property’s realisable value.
  - We are presently unable to take control of the underlying security for the remaining 5 loans and note:
    - 2 loans, carried at $1.5m, are unsecured.
    - 2 loans, carried at $2.1m are subject to litigation.
    - 1 loan, carried at $2.4m, is subject to a dispute with the Financial Ombudsman Service.



FTI mortgagee in possession ("MIP") loans

- At appointment, 16 FTI loans were under MIP. We have since enforced on a further 3 and now control the security properties as MIP.

- Status of the 19 MIP properties is as follows:
  - 5 ($9.7m) have sold with 1 settled.
  - 4($2.1m) are currently on the market with the Receivers' agents.
  - 3 ($3.1m) are being prepared for sale to be released to the market by the end January 2013.
  - 7 ($17.9m) have ongoing issues including planning issues and outstanding works required to bring the property to a saleable state.



Residual and related party loans

Residual loans

- At appointment Provident's books recorded 9 loans carried at c.$5.5m which lacked any real property security. At 31 October 2012 the carrying value of these claims had increased to $6.2m.
- A number of these loans are subject to litigation. It is possible there will be little or no return on these loans.

Related party loan

- Provident had been supporting a related entity post the cessation of its day to day business in 2008. In return for this financial support Provident was granted security over this related entity.
- This entity's predominant asset is a liquidated damages claim which is subject to litigation. It holds no real property or any other significant assets of value.
- The carrying value of this loan at appointment was $3.6m however we estimate as much as $8m could be owing from this related entity.
- The Receivers agreed to fund the legal expenses of the related entity to attempt to realise the liquidated damages claim for the benefit of Debentureholders. An in principle settlement arrangement has now been reached and we expect a net return to Debentureholders.

Reasons for shortfall

- Provident was a “lender of last resort” to borrowers who may not have been able to borrow from banks.
- The loans made accepted more risk in exchange for higher reward – the interest rate charged to the FTI portfolio borrowers.
- Provident was heavily reliant upon the value of the underlying security property for its loan exposures. As a result, it became vulnerable to adverse movements in the property market.
- Provident appears to have lent on poor or unsuitable security in a large number of cases. Provident also appears to have lent on a partly unsecured basis in some instances.
- Provident appears to have avoided taking active steps towards realising loans in some cases where large losses were expected.
- In many instances, Provident failed to issue legal notices enacting its power of sale and/or notify ASIC and comply with other obligations under the *Corporations Act 2001 (Cth)*.
- Provident failed to maintain assets that it took control of in its capacity as MIP. As a result, many security properties which Provident has been in control of for a substantial period are damaged, run down or have allowed planning approvals to lapse. Many will be difficult to realise or are in some cases of minimal or nil value.

MIF and HYF businesses

- Provident in its capacity as responsible entity ("RE") manages two external funds being Provident Capital Monthly Income Fund ("MIF") and the Provident Capital High Yield Fund ("HYF").
- MIF has 513 investors and $31.5m of funds under management.
- HYF has 11 investors and $0.7m of funds under management.
- A tender process was undertaken but did did not result in a suitable change of RE proposal being identified.
- The Receivers and Managers have decided to **wind up** the MIF and HYF. A Notice dated 12 December 2012 has been posted to unitholders together with a portfolio update.
- MIF: Interim distribution of 30 cents per unit to be made today.
- HYF: Interim distribution of 50 cents per unit to be made today.
- Further interim distributions expected but dependent on future loan realisations.

Mortgage Manager Program ("MMP")

- Provident originated loans through broker relationships for BEN under the MMP.
- Our appointment as Receivers to Provident was an event of default under the MMP which entitled BEN to terminate the arrangement with no value to the Debentureholders.
- BEN and the Receivers have worked together to identify parties who have the experience and ability buy the portfolio.
- Whilst novation of the agreement is subject to BEN's consent, we expect to finalise the novation with the successful bidder soon, generating sale proceeds of c$235k.

BEN Portfolio overview as at 3 July 2012

- BEN provided a senior debt wholesale facility to Provident to fund a separate loan portfolio- the BEN Portfolio.
- Upon appointment, Provident owed BEN $74.2m under this facility which was secured by 75 individual loans as follows

Status	Number	Book value ($m)
Performing	49	39.0
Default	19	29.7
MIP	7	5.5
Total	**75**	**74.2**

- The BEN Facility is additionally secured by a $10m cash collateral account provided by Provident which can be accessed by BEN should the facility not be repaid in full.
- Provident has been in default of its obligations to BEN since 31 March 2012 when the facility expired. As a result, while BEN has not enforced its facility, c. $5.5m in interest and other amounts owing to Provident has accrued since 1 April 2012, and is withheld by BEN pending its full repayment.

Return to Provident from BEN portfolio

	Best case $m	Likely case $m
Amount owed to BEN as at 3-Jul-12	**(74.2)**	**(74.2)**
Current Receivership loan recoveries to 31-Oct-12	10.9	10.9
Estimated future loan recoveries	55.5	50.3
Cash collateral account	10.0	10.0
Net interest spread and other amounts owed to Provident	5.5	5.5
Total Receivership recoveries	**81.9**	**76.7**
Net return to Provident	**7.7**	**2.5**

The reduction in BEN equity since our preliminary review is due to:

- Further deterioration in the portfolio since appointment;
- We have identified 3 related party loans, which were recorded as performing as at 3 July, as being significantly impaired, with a substantial loss expected on realisation; and
- Our preliminary investigations have identified inappropriate activities on some loan accounts which appears to have masked their true arrears position.

BEN Portfolio overview as at 31 October 2012

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- A summary of the BEN Portfolio as at 31 October 2012 is prepared below:

Status	Number	Book value ($m)
Performing	34	25.1
Default	19	31.2
MIP	10	10.1
Total	**63**	**66.4**

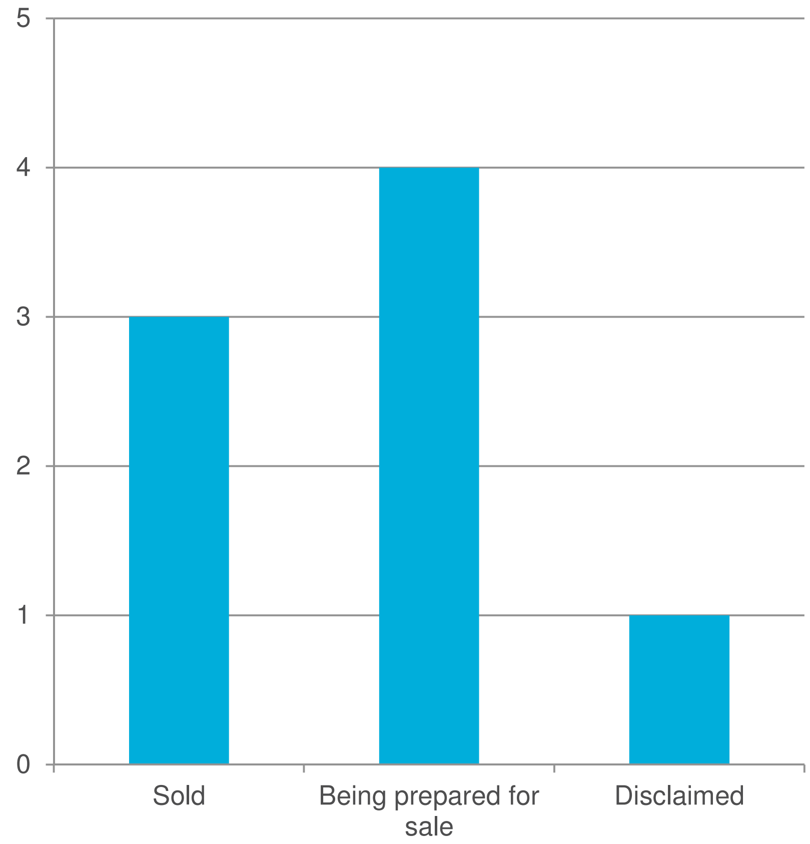
- We have recovered c. $10.9m since our appointment. This includes the discharge of 12 loans including one MIP loan. These recoveries have been paid to BEN as the senior secured lender.
- Performing loans represent 38% of the portfolio. Borrowers who are approaching maturity have been advised in writing that no further extension or rollover will be provided.
- Loans in default are being monitored and enforced where appropriate. Some of these loans are subject to litigation or complaints with the financial services ombudsman preventing us from taking control of the security.

BEN Mortgagee in possession ("MIP") realisations

- At appointment, 7 BEN loans were under MIP. We have since enforced 3 loans secured by one property and now control the security property as MIP.

- Status of the 8 MIP properties is as follows:
  - 3 ($1.7m) have sold, one has settled.
  - 4 ($3.4m) are currently on the market with the Receivers' agents.
  - 1 ($0.6m) has been disclaimed due to environmental risks.

BEN portfolio sales progress at 30 November 2012



Summary of litigation on hand

- On appointment, Provident had 15 cases of litigation on foot relating to sales contract breaches, pursuit of guarantors, enforcement of security and negligence claims against its valuers.
- Face value of the litigation claims is in excess of $10m.
- Our estimated realisable value is considerably less but cannot be disclosed whilst litigation and negotiations are on hand.
- Legal costs in excess of $1.25m were incurred prior to our appointment on these matters. We feel these costs are not commensurate with the prospective assets.
- Common themes discovered:
  - No prospects advice from Counsel ever obtained.
  - Instances of Provident not complying to Court timetables.
  - Substandard legal work, leading to a decision to instruct new lawyers on a large number of these matters.

For the purposes of the estimated outcome statement, these cases have been valued as having no realisable value to reflect the contingent nature of these assets.

Investigations

- Areas being investigated:
  - Breaches of the *Corporations Act 2001 (Cth).*
  - Related party transactions.
  - Provident's record keeping practices.
  - Potential negligence by Provident's advisors and auditors.
  - The quality of Provident's disclosure to investors.
  - Payments in excess of $5m in dividends to Provident's shareholder since 2008.

- In order to progress our investigations, the Receivers were granted Eligible Applicant Status by ASIC on 30 November 2012. This authorises the Receivers to conduct Public Examinations. We anticipate that (subject to Court availability) these Public Examinations will take place early in 2013.

- After concluding our investigations, we will make an assessment of what legal recoveries may be available for the benefit of Debentureholders, and will communicate our views on the costs, likely prospects and potential recoveries at that time.

Cost rationalisation

Prior to our appointment, Provident was incurring operating costs of $600k per month ($7.2m p.a.)

Since our appointment we have reduced operating costs by $3.3m p.a focusing on four key areas:

- Payroll
  - Reduced headcount from 27 to 12 of which only nine are full time.
  - Retained key personnel integral to ongoing operations and loan recovery activities.
  - Staff redundancies have provided an annual saving in payroll costs in excess of $1.74m p.a.
- Marketing
  - Cessation of marketing activities has generated cost savings of c.$900k p.a.
- Rent
  - Vacated premises at Goldfields House, Circular Quay in November 2012.
  - Estimated savings of $600k p.a.
- General corporate overhead
  - Cessation of utility providers and other IT services estimated at $30k p.a.

Summary of Receivership Receipts and Payments to 31 October 2012

Provident Capital Limited (Receivers and Managers Appointed) (In Liquidation)
Receipts and Payments Summary - 3 July to 31 October 2012

	Amount ($m)
Cash inflows	
BEN discharges/interest repayments	11.0
FTI - MIP Loan realisation	4.3
FTI - Performing Loan realisation	0.6
MIF/HYF management fees	0.4
Cash at bank	2.1
Interest	0.4
Other income	0.1
Total cash inflows	**18.8**
Cash outflows	
Distribution to BEN	(11.0)
Funding of legal actions	(0.7)
Security trustee's legal and professional fees	(0.7)
Property management costs	(0.4)
Wages and superannuation	(0.4)
Employee dividends	(0.2)
Rent	(0.2)
Debentureholders registry and meeting costs	(0.1)
Insurance	(0.1)
Other outflows	(0.2)
Total cash outflows	**(14.0)**
Closing Cash at 31 October 2012	**4.8**

- An amount of $11m has been recovered from the BEN funded loan portfolio and returned to BEN.
- Only two loans within the FTI funded loan portfolio have discharged – one MIP loan and one performing loan – realising $4.9m in total.
- Priority dividends to terminated staff in the amount of $212k have been paid in full.

Total Receivership fees to 31 October 2012

- PPB Advisory fees for 3 July to 31 October 2012 total $2.7m as follows:

Work Stream	($m)
Running the Business	0.7
Asset Management	0.9
Creditor Reporting/Meetings	0.3
Loan Portfolio & Fund Management	0.5
Litigation	0.1
Investigations	0.2
Total	**2.7**

- Our fees are calculated with respect to the hourly rates charged by PPB Advisory for general insolvency matters. These rates have been approved by the Federal Court.
- The Receivers and our principal legal advisors, Henry Davis York, have offered not to draw fees relating to work conducted during the Receivership until distributions to Debentureholders commence – expected to be January 2013 if the Proposed Resolution is approved by the Federal Court.
- Our professional fee invoices are being revieweded by AET and ASIC. The Federal Court will also review the conduct of the Receivership as we are Court Appointed Receivers.

Access to Centrelink benefits

- The Department of Human Services (**DoHS**) on 2 October 2012 confirmed that debentures will no longer be classified as a financial investment and interest payable on the debentures will no longer be considered for social security means testing purposes with retrospective effect from 3 July 2012.

- The DoHS on 5 December 2012 confirmed that it would be amending the asset value of debentures held in Provident to 25 cents in the dollar for social security means testing purposes.

- Debentureholders who are affected by the above changes and/or consider they are eligible (or could be eligible) for assistance should visit their local Centrelink offices.

- An Information Sheet issued by the DoHS on 5 December 2012 is available on our website at www.ppbadvisory.com. Alternatively, a copy of this can be requested directly from the Debentureholder registry service being maintained by Link Market Services.

Future communication with Debentureholders

- Confirmation as to the outcome of appearance before the Federal Court of Australia on 17 December 2012 to be published on the PPB Advisory website (www.ppbadvisory.com) under 'Provident Capital Limited' in the Creditors Information Section.
- Distribution of accrued and unpaid interest owing to Debentureholders as at 3 July 2012 scheduled to occur in January 2013 (assuming Debentureholder and Court approval).
- Periodic reporting on portfolio and cash movements to continue to be published on the PPB Advisory website. Debentureholders should contact Link Market Services if they require copies of any of these (or our previous) communications.
- Link Market Services will continue to operate the 'Provident Capital Limited' hotline for Debentureholders.
- The Receivers will otherwise continue regular dialogue with AET and their advisers.

Frequently asked questions ("FAQ")

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- What is the expected rate of return?
- When will distributions commence?
- Why not categorise distributions as principal only?
- Why was Provident allowed to make bad investments?
- What action is being taken against the Directors?
- How much are the Receivers and Managers getting paid?
- When will the Receivership be finalised?

Refer to FAQ published on our website or to the Debentureholder registry service being maintained by Link Market Services for further information.