

**John  
Murphy/CORPAU/WBCAU/  
WBG**

15/10/2008 08:38 AM

To Stewart Meager/CORPAU/WBCAU/WBG@WBG

cc

bcc

Subject Re: Fw: Westpac Banking Corporation v Knight Property  
Investments Pty Ltd & Ors

As discussed and based on my review of company operations pre LMU and since trf to LMU it appears the company is a small business classification and would employ less than 20 staff if in fact they have any staff.

Please proceed against Girardo towards bankruptcy ASAP as it is obvious the bank has been subjected to some type of fraud in the original lend and loss will be significant.

Thanks

John Murphy | Senior Relationship Manager, Queensland Credit Centre | Westpac Banking Corporation  
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Stewart Meager/CORPAU/WBCAU/WBG

**Stewart  
Meager/CORPAU/WBCA  
U/WBG**

15/10/2008 07:18 AM

To John Murphy/CORPAU/WBCAU/WBG@WBG

cc Genevieve Stafford/CORPAU/WBCAU/WBG@WBG

Subject Fw: Westpac Banking Corporation v Knight Property  
Investments Pty Ltd & Ors

John, is there any information you are aware of which may assist? If not, may I please have your instructions.

**Stewart**

Stewart A Meager | Manager Legal | Dispute Resolution Group (AMG) Qld | Westpac Banking Corporation | **Level 21, 260 Queen Street Brisbane Qld 4000**

Ph 07 3227 2285 | Fax 07 3227 2179 | [smeager@westpac.com.au](mailto:smeager@westpac.com.au)

----- Forwarded by Stewart Meager/CORPAU/WBCAU/WBG on 15/10/2008 07:17 AM -----



**"Vanmali, Leesa"**  
<[Leesa.Vanmali@aar.com.au](mailto:Leesa.Vanmali@aar.com.au)>

Sent by: "Holme, Krystle"  
<[Krystle.Holme@aar.com.au](mailto:Krystle.Holme@aar.com.au)>

To <[smeager@westpac.com.au](mailto:smeager@westpac.com.au)>

cc

Subject Westpac Banking Corporation v Knight Property Investments  
Pty Ltd & Ors

09/10/2008 04:56 PM

Dear Stewart,

Please see attached.

Regards,

Leesa Vanmali  
Law Graduate  
Allens Arthur Robinson  
Phone: 61 7 3334 3263

to market the property with advertising commencing 17/10 towards auction on 14/11.

We have received an updated valuation from HTW Gold Coast, which has valued the beach house at \$4M. This is a significant reduction from the valuation on file (\$8.5M 09/06). We have asked our Property Risk Manager, Shayne Kirstenfeldt to review the valuation and he considers that the valuation of \$4M falls within the market range and contains relevant market data to supports this value.

The original valuation of \$8.5M was based on the sale of the property at that time for the same price. Shayne refers to industry sources who have suggested that this price was inflated so that the purchaser (Knight Property) could obtain finance and that the actual sale price was around \$5M. He also notes that the valuer adopted a market value of \$15,400/sqm which was significantly higher than the sales evidence quoted (\$8,026-\$15,286 / sqm) and did not take into account that the sales evidence used was for superior properties. Based on this and other factors, Shayne is of the opinion that the original valuation cannot be substantiated and that the correct value at that time (September 2006) was in the range of \$5M-\$6M.

Based on the market data above and the comparative sales in the valuation, it would seem prudent to adopt the \$4,000 MV with NMV of \$3,600.

Revised IFRS Cashflow attached with provision \$3913 (+2615).

Due to the problems encountered with obtaining possession and completing receivership matters the bank has commenced recovery action against the principal surety and director being Mario Girardo. A judgment has now been obtained and has been sent to him requesting payment within seven days. If this payment is not forthcoming, we will proceed to apply to wind up KPI, and then towards bankrupting Mr Girardo (this may take some time because of Code of Banking Practice issues).

**RD**

As above and previously approved the bank has appointed Receivers and managers to the company to take control of the vacant industrial site at Yatala. The site has been re-valued by HTW for bank and R&M at MV \$11,620. The site is a particular large vacant Industrial site with flooding issues and would only suit a small group of buyers / developers and as such we have adopted NMV of 80%, \$9300.

The property has been marketed by the appointed agents being Jones Lang LaSalle and Knight Frank leading to closing of tenders by 22/5/08. A contract has now been signed by Cleary Bros (Parramatta) Pty Ltd for \$11,300 with a 14 day finance clause (approximately 24 October) and 30 day settlement thereafter (approximately 24 November). This is a positive outcome and if the contract completes, the whole principal and most of the uncollected interest will be cleared.

Revised IFRS Cashflow attached with provision \$1686 (-199). If the contract becomes unconditional, we can complete a new cashflow if required.

**Recommendation/Decision:**

- 1. CRG H2, SQI UN
- 2. KPI - R&M to market unit without delay; legal action against the surety Girardo towards his bankruptcy.
- 3. FRD - R&M pursue completion of sale contract as soon as possible.
- 4. IFRS provision: KPI \$3913 (+2615), FRD \$1686 (-199)

**Next Report to Higher Authority due** ~~15/04/09~~ 5/12/08

GS245

<b>Outcome</b>	
<b>Pass</b> - if the answer is 'Yes' to all questions	<b>Pass</b> <input type="checkbox"/>
<b>Fail</b> - if the answer is 'No' to any question	<b>Fail</b> <input checked="" type="checkbox"/>
<ul style="list-style-type: none"> <li>▪ If the customer passes both assessments then the Review is complete - Credit Officer is to confirm</li> <li>▪ If customer has failed any assessment, ensure you have satisfactory mitigated via commentary &amp;/or financial analysis.</li> </ul>	

<b>Attachments</b>	
These documents are to be attached to the Periodic Risk Review as required	
Run of Account & MRS Deposit/ Withdrawal flow for each trading account	N/A
Covenant/ Compliance Certificate	N/A