



Pipeclay Lawson Ltd  
ACN 163 013 732  
AFSL 437838

Chullora Land Trust  
ABN 79 474 174 077

## **Chullora Land Trust Investor Distribution Emails**

**07 November, 2014**

On November 6, 2014, we made our first monthly distribution of \$7.75 per Unit.

On October 14, 2014, the Trust entered into an interest rate swap, for the whole of its debt of \$11,025,000, for the period 31/10/14 to 3/07/17 at 2.99% p.a. which is 10 bps below the forecast rate used in Pipeclay's model and forecast in the IM. On October 17, 2014, the Trust entered into an interest rate swap for \$9,450,000, for the period 3/07/17 to 3/07/19 at 3.56% p.a., which is 50 bps below the forecast rate used in Pipeclay's model and forecast in the IM. The favourable interest rate outcome has enabled the Trust to make a full month's distribution for the month of October, notwithstanding that settlement took place on October 16th and the trust only received 15 days of rent.

Emil and I met the Financial Controller and the CEO of McWilliam's Wines Group Ltd on Friday (October 31st). This was an introductory meeting. We did however agree that the Trust will obtain a building condition report which will form the basis of the Lessee's maintenance and repair obligation. I expect the report to be available in early December.

You may have seen an article in the Australian Financial Review of October 21, concerning the Trust's acquisition of the property. In particular you may have wondered about the following statement "If there were no lease, the land would be ... more valuable than it is to-day – about \$21.5M by one estimate." I am unaware of a proper justification for the \$21.5M figure. JLL, the bank's valuer, assessed the property as having a theoretical (lease of the property rather than a ground lease) value of \$21.125M. JLL's assessment is based on the property's market rent being \$1,795,748 and the appropriate capitalisation rate being 8.5%. Pipeclay's model and IM forecasts were based on the property's market rent being \$1,691,106 and the appropriate capitalisation rate being 8.75%, which gave us a theoretical capital value of \$19.3M. Obviously we hope that the JLL view proves to be correct but see no reason to change our forecasts at this stage.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Ailie via email at [ailie@pipeclaylawson.com.au](mailto:ailie@pipeclaylawson.com.au).

If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Kind regards,  
David

**08 December, 2014**

On 2 December 2014 the Trust made a monthly distribution of \$7.75 per Unit.

We have been asked whether the whole of the benefit derived from the below-forecast interest swap has been spent on the distribution last month. Circa \$15k has been expended on above-estimate legal fees which were the result of last minute complications and difficulties prior to settlement. Finally, the cash benefits from the swap will emerge over the approximately 5 year period of the swaps and are presently earmarked for the Trust's working capital needs.

The legal due diligence report is available. Also, if you would like to see the monthly bank statements of the Trust, they are also available to Unitholders on a continuous basis. In either case, please write to Ailie at [ailie@pipeclaylawson.com.au](mailto:ailie@pipeclaylawson.com.au) and access will be arranged.

There has been some pushback from McWilliams in relation to our repair and maintenance requirements but we are confident that all required work will be carried out. We expect this to occupy the first half of next year. On the whole, everything is proceeding satisfactorily.

On behalf of Sandy, Ailie, Emil and myself, I wish you an enjoyable Festive Season and much success and laughter for 2015!

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If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Kind regards,  
David

**07 January, 2015**

On 6 January 2015 the Trust made a monthly distribution of \$7.75 per Unit.

There have been no material developments since I last wrote to you.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Ailie via email at [ailie@pipeclaylawson.com.au](mailto:ailie@pipeclaylawson.com.au).

If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Happy New Year!  
David

**05 February, 2015**

On 5 February 2015 the Trust made a monthly distribution of \$7.75 per Unit.

There have been no material developments since I last wrote to you.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Ailie via email at [ailie@pipeclaylawson.com.au](mailto:ailie@pipeclaylawson.com.au).

If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Best regards,  
David

**04 March, 2015**

On 3 March 2015 the Trust made a monthly distribution of \$7.75 per Unit.

There have been no material developments since I last wrote to you.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Ailie via email at [ailie@pipeclaylawson.com.au](mailto:ailie@pipeclaylawson.com.au).

If you have any questions or comments, please contact Ailie on 0415 126 046, Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Best regards,  
David

**07 April, 2015**

On 2 April 2015 the Trust made a monthly distribution of \$7.75 per Unit.

I am sorry to advise you that Ailie has resigned from Pipeclay effective on April 8. Sandy, Emil and I wish her extremely well for the future and are glad of this public opportunity to acknowledge her contribution to the Trust and the company.

As from April 1, Sheila Quarta will start employment with Pipeclay. Sheila will assume the administrative and accounting responsibilities which are presently Ailie's. We are seeking to employ a property manager. Until that role is filled, I have assumed additional responsibility for this function.

There have been no other material developments and everything is proceeding satisfactorily.

You may be interested to read a research piece published ([www.financialresearch.gov](http://www.financialresearch.gov)) by the Office of Financial Research of the US Treasury entitled Quicksilver Markets. Whilst the article is primarily concerned with valuations in the equity markets, I have departed from topic because I hope that you find it as interesting as I have.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Sheila via email at sheila@pipeclaylawson.com.au

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

**04 May, 2015**

On 29 April 2015 the Trust made a monthly distribution of \$7.75 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
DAVID F. LIBLING

**02 June, 2015**

On 2 June 2015 the Trust made a monthly distribution of \$7.75 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Sheila via email at sheila@pipeclaylawson.com.au

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
DAVID F. LIBLING

**06 July, 2015**

On 6 July 2015 the Trust made a monthly distribution of \$7.75 per Unit.

The Trust's accounts are up-to-date and I expect that they will be forwarded to the external accountant (MBP Advisory) by July 17. I expect that you will be advised in October concerning the break-up of the distributions you have received in the 2014/2015 financial year between taxable

and non-taxable distributions. I expect that financial statements for the Trust will be available at the same time.

If you would like a copy of the Bank statements for the year, please let Sheila know (sheila@pipeclaylawson.com.au).

We have been advised that the tenant has appointed Colliers as its agent for the purpose of sub-leasing the building. A meeting is planned for later this month in which the tenant will explain its intention in more detail and seek the Trust's consent to the proposed sub-leasing. This development may present an opportunity for additional value for the Trust.

There have been no material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
DAVID F. LIBLING

#### **04 August, 2015**

On 3 August 2015, the Trust made a monthly distribution of \$7.75 per Unit.

The trust accounts have been forwarded to our external accountants, MBP Advisory. We are hoping that the Trust's Financial Statements as well as your summary of distributions received and its break-up into assessable and non-assessable components will be available by early October.

We have agreed with McWilliam's Wines Group to jointly (but at McWilliam's cost) obtain a report as to the building condition, which will be a first step towards ascertaining building works which McWilliam's Wines Group is required to carry out. I expect the report to be available in approximately two months and, in the usual way, it will then be available to any Unitholder who wishes to see a copy.

Last month, I advised that McWilliam's Wines Group was planning to sub-lease the property. I have met with Jeff McWilliam, the Group's chairman and Roger Miller of Colliers. The Lease provides for a strictly limited use of the property and effectively prohibits sub-leasing. We have indicated that on appropriate commercial terms, we may be prepared to amend the lease to widen the permitted uses of the property. We have also indicated that we are favourably disposed to the tenant's desire to upgrade the property at its own cost. Further discussions will be held as the tenant develops its plans for the property and the agent identifies would be sub-tenants. We do not anticipate significant activity much prior to the end of the year.

You may recall from the IM that on the side of Trust's property there is a disused rail siding running from Anzac Street to just short of Muir Road. We are endeavouring to get engagement from State Rail in relation to that land, which is adjacent to the principal driveway on the Trust's property and would be of some utility to the Trust. We expect that this process will take a couple of years.

There have been no other material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

### **03 September, 2015**

On September 1, 2015, the Trust made a monthly distribution of \$7.75 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

### **01 October, 2015**

On October 1, 2015, the Trust made a monthly distribution of \$7.75 per Unit.

There have been no material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

### **03 November, 2015**

On November 2, 2015, the Trust made a monthly distribution of \$7.75 per Unit.

The tenant (McWilliams Wines) has advised that, subject to Pipeclay's consent, it has reached Heads of Agreement stage with a third party to sub-lease the property for the remainder of the term. The lease to McWilliams does not permit any change of use. We expect to shortly meet with McWilliams

in order to seek to negotiate the commercial terms which would lead to us consenting to a change of use. There have been no other material developments.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

#### **02 December, 2015**

On December 1, 2015, the Trust made a monthly distribution of \$7.75 per Unit.

Our negotiations with the tenant (McWilliams Wines) regarding the potential sub-lease of the property are proceeding satisfactorily. We hope to be in a position to advise of an outcome next month but given holiday disruptions, there could easily be delays. There have been no other material developments.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Compliments of the Season,

Regards,  
David

#### **12 January, 2016**

On January 7, 2016, the Trust made a monthly distribution of \$7.75 per Unit.

Our negotiations with the tenant (McWilliams Wines) regarding the potential sub-lease of the property have concluded. The solicitors are documenting the agreement apparently without difficulty. As the agreement is dependent on the sublease being executed and regulatory permissions to the proposed subtenant, I do not expect the transaction to be concluded until February/March. Our agreement with McWilliam's has three principal provisions -

- A. The Lease will be amended so as to permit the full gamut of industrial and commercial activities on the property;
- B. The Trust will consent to the proposed sublease; and

C. Without thereby affecting the Trust's entitlement to rent determination (on any June 1 chosen by the Trust but no more often than every 3 years) based on land value, the parties have agreed to minimum rents as follows-

- i. As from 1/12/17, \$1,237,805 p.a
- ii. As from 1/6/18, \$1,281,128 p.a
- iii. As from 1/6/19, \$1,325,967 p.a
- iv. As from 1/6/20, \$1,372,376 p.a
- v. As from 1/6/21, \$1,420,409 p.a
- vi. As from 1/6/22, \$1,470,124 p.a
- vii. As from 1/6/23, \$1,521,578 p.a

The current rent, is \$1,135,400 p.a. We see the proposed arrangement as underwriting and possibly accelerating rent increases.

We are also discussing with McWilliam's the possibility of simplifying the definition of land value and the process for its determination. The current provisions are highly complex and land value determinations have in the past been very expensive (for both sides). We will not know till February (when solicitors return from holidays) whether success is likely to this further (and independent) part of the negotiations.

We have not made a final decision but it is likely that the Trust will trigger a land valuation as at June 1, this year.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

**02 February, 2016**

On February 1, 2016, the Trust made a monthly distribution of \$7.75 per Unit.

The Holiday Season has brought a halt to legal activity in relation to the proposed sub-lease and proposed amendments to the Lease. I expect work to resume shortly and to have something to report in the next month or two.

We have received the annual valuation of the land from the Valuer-General. If you would like a copy, please advise Sheila on [sheila@pipeclaylawson.com.au](mailto:sheila@pipeclaylawson.com.au)

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

#### **01 March, 2016**

On March 1, 2016, the Trust made a monthly distribution of \$7.75 per Unit.

We have reached commercial agreement with McWilliams concerning the simplification of the market rent review mechanism. The same review process will be adopted as is common in industrial leases, namely, first, a Notice of rent increase from the Lessor, supported by a valuation, secondly a notice of dispute from the Lessee, also supported by a valuation, thirdly, a short period of negotiation and finally if needed, a determination by a valuer acting as an expert. There are two material changes. Both the rent increase notice and the notice of dispute must be supported by valuations, which will avoid out of the market range assertions. The other change is that the final determination is by a neutral valuer acting as an expert rather than an arbitration (which is a legal process), which in the past has proven to be expensive for both sides. The legal language to reflect these changes together with the previously reported changes to minimum rent and permitted use of the property has been agreed by the parties' solicitors. We expect documents to be executed within the next 10 days.

The Trustee has engaged a valuer with a view to triggering a market rent review as of June 1.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Sheila via email at [sheila@pipeclaylawson.com.au](mailto:sheila@pipeclaylawson.com.au).

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

#### **05 April, 2016**

On April 2, 2016, the Trust made a monthly distribution of \$7.75 per Unit.

The documents amending the lease and consenting to the sub-lease have been executed by the Trust and are with CBA for the endorsement of its consent (we have verbal advice of Bank endorsement). We expect exchange of documents to take place within a week.

Pipeclay has consulted with the Valuer-General's office, various agents and values and decided that the information to hand warrants expenditure on a formal valuation of the Trust's land, which will be commissioned this week. We anticipate that the valuation will lead to the Trust triggering a triennial rent review under the lease.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

**10 May, 2016**

On May 5, 2016, the Trust made a monthly distribution of \$7.75 per Unit.

The documents amending the lease, consenting to the sub-lease and the sub-lease have been executed by all relevant parties and are with the solicitors for registration.

Pipeclay has decided to trigger a triennial rent review under the lease. We expect this to take place later this month.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Sheila via email at sheila@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

**02 June, 2016**

On June 1, 2016, the Trust made a monthly distribution of \$7.75 per Unit.

The documents amending the lease and the sub-lease have been registered. If you would like a copy of the Variation of Lease, please advise Sheila via email at sheila@pipeclaylawson.com.au

The Trustee has sent a Rent Notice on the Lessee. The rent specified in the Notice is \$1,442,598.70 p.a. The Lessee has 30 days to dispute the rent specified in the Notice. If the Lessee serves a Dispute Notice, the Lessor and the Lessee are required to meet and seek to reach agreement within 7 days. If there is no agreement, the determination of Land Value (rent being fixed at 8.5% of Land Value) falls to a valuer acting as an expert. The rent specified in our Notice equates to Land Value being \$475 p.sq.m. The Trust has received an assessment of the Land Value from JLL (work was carried out by Mr. Leigh Bridges AAPI, Director, Valuations & Advisory), who assessed the Land Value as

being in the range of \$450-500 p.sq.m. If you would like to receive a copy of the Assessment, please advise Sheila via email at [sheila@pipeclaylawson.com.au](mailto:sheila@pipeclaylawson.com.au)

Irrespective of when the Land Value is agreed or determined, the rent change will take effect as of June 1, 2016. Until the rent is finally determined the Lessee will continue paying at the current rate (\$1,139,000 which represents land value of \$375.03 p.sq.m.) and distributions will not alter.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Sheila via email at [sheila@pipeclaylawson.com.au](mailto:sheila@pipeclaylawson.com.au).

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

**05 July, 2016**

On July 4, 2016, the Trust made a monthly distribution of \$7.75 per Unit.

On June 27, I met with Jeff McWilliam. Rental discussions are proceeding well but are not concluded. We have agreed that the final round of discussions will take place in the week beginning July 19. The amended lease is working as we had hoped it would. By requiring the parties to attach a valuer's assessment to their respective rent notices, the landlord's and lessee's contentions are based on evidence (of sales of land in Chullora and nearby areas) and the difference between the two positions is not as wide as had been experienced by our predecessor. The Trust is seeking a circa 26% increase in rent (based on a land value of \$475 p.sq.m.) and the tenant has offered a circa 20% increase in rent (based on a land value of \$450 p.sq.m). If you would like a copy of either or both of the valuer's assessments, please advise Sheila at [sheila@pipeclaylawson.com.au](mailto:sheila@pipeclaylawson.com.au)

Irrespective of when the Land Value is agreed or determined, the rent change will take effect as of June 1, 2016. Until the rent is finally determined the Lessee will continue paying at the current rate and distributions will not alter. However, once the rent is determined, distributions will be increased retrospectively to July 1.

We have also agreed with McWilliam's that in September Pipeclay will carry out a technical property inspection. Detailed inspection can be disruptive to tenant operations. McWilliam's is currently finding the warehouse to be small for its needs. If operational pressures do not wane by September, the next suitable date is likely to be February.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

## 02 August, 2016

On August 2, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

Agreement has been reached with McWilliams as to rent –

1. For the lease year beginning June 1, 2016 and ending on May 31, 2017, the rent shall be \$1,305,932 (based on land value of \$430 p.sq.m.);
2. For all subsequent lease years, until the next rent determination, the rent shall be \$1,442,599 p.a. (based on land value of \$475 p.sq.m.)

It follows that over the next 3 years, the average land value on which the rent will be paid (at 8.5% p.a.) is \$460 p.sq.m. which is a little closer to the Lessee's position (\$450 p.sq.m.) than ours (\$475 p.sq.m). However, we are pleased with the structure which instead of having a constant rent for 3 years (or longer) provides for a stepped outcome. The Lease provides that the Lessor may trigger a rent review as at June 1, of any year, but no more often than every 3 years. If, for some reason, it is not advantageous to the Trust to trigger a rent review in 2019, rent will continue to be based on a value of \$475 p.sq.m. until a rent review is triggered.

The current distribution represents 11% p.a. on the subscription price of the Units. The forecast distribution for the current financial year, made in the IM, was 9.5% p.a.

We are considering whether and when it would be in the interest of the Unitholders to increase the Trust's borrowings and return capital to Unitholders. We are also considering whether to lengthen the period of the swap for the Trust's debt.

The Trust has agreed to delay detailed inspection of the premises until mid of next year. The current premises are small for McWilliams current needs and a detailed inspection and/or any consequent works would be disruptive to McWilliams operations. Further, it makes more sense to inspect compliance of the good condition obligation after McWilliams has carried out the substantial works it has planned for 2017.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

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If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Regards,  
David

**05 September, 2016**

On September 5, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

JLL has advised CBA a valuation of the property for mortgage purposes; if you would like a copy of the valuation report please advise Sheila by email at [sheila@pipeclaylawson.com.au](mailto:sheila@pipeclaylawson.com.au). The assessed value is \$22,200,000. This compares to the purchase price \$15,750,000 in October 2014 (a 41% increase). Ignoring cash at bank and the value of the swap, the Net Asset Backing per Unit is \$1,825.98, a 82.6% increase on the \$1,000 issue price.

One of the factors influencing yields on industrial properties is the 10 year bond rate. Since October 2014, the 10 year bond rate has trended downwards and property yields have tended to follow leading to price increases. A rising tide has lifted (almost) all boats. In addition to the trend increase in the value of this property, the underlying land value has increased from \$375 p.sq.m. (as per the valuation report on acquisition) to the current mid-point of \$475 p.sq.m.

We have considered whether it would be in the interest of the Unitholders to realise the gain by selling the property. The Trustee has resolved not to recommend an early sale of the property and liquidation of this Trust. Though the future remains as ever uncertain, we are of the opinion that further material capital growth will be experienced in relation to this property over the remaining period of the Trust.

We have decided to utilise the increase in the value of the Trust property to effect capital management. We have asked our bankers to make a formal proposal reflective of the discussions we have had with them. Our expectations are that in late September (however, our experience is that sometimes things take longer than the "firm" indication provided by the Banks)-

- a) The Trust's borrowings will increase so as to enable a capital return of circa \$330 per Unit;
- b) The swap maturity will be lengthened so as to secure the net cash flow of the Trust for a longer period; and
- c) The Trust's gearing will be 60% (this is a reduction from the 70% at the time of purchase, though, obviously, an increase from the current 50.1%). The 60% gearing will provide a safety buffer to the Trust's obligation to meet and maintain an LVR no greater than 65% as from December 31, 2016.

Assuming that there is no material change in long term swap rates between now and drawdown, we expect that, following the capital reduction, the Trust's distributions to be maintained at the current \$9.17 per Unit per month (16.4% on the remaining capital invested). We do not anticipate a change in the monthly distributions prior to 2019.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input. We appreciate that major changes are proposed to the Trust and hope that you, like us, view them as highly positive.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Sheila via email at [sheila@pipeclaylawson.com.au](mailto:sheila@pipeclaylawson.com.au).

Regards,  
David

#### **04 October, 2016**

On October 4, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

Last month I wrote to you concerning a proposed capital reduction. Our progress in finalising a suitable facility has been slower than we had hoped. This is not entirely due to the slowness of the banks. Pipeclay's endeavour to obtain from one bank a proposal that incorporates the attractive features of two proposals from separate banks has contributed to the delay. We have now chosen our bank (CBA) and expect to finalise the facility amendments in time to make a capital reduction this month.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Sheila via email at sheila@pipeclaylawson.com.au.

Regards,  
David

#### **07 November, 2016**

On November 3, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

Last two months I wrote to you concerning a proposed capital reduction. CBA's progress has been glacial but we have now reached a stage that leads me to be confident that the return of capital will take place in November.

I want to introduce two new team members to you –

- Oliver Schaffer (0425 247 313) has been appointed Property Executive and his focus will be on the physical management of the properties. Oliver has a BA (in Psychology) and a Masters in Business Management, both from the University of Sydney. He has experience in project management which he gained with Chartered Accountants Australia & New Zealand;
- Irene Cheung (0414 622 629) has been appointed Manager Finance & Compliance. Irene has a Bachelor of Commerce and is a CPA. She has 18 years of experience gained in BT Financial Group, Ironbark Asset Management, Deutsche Asset Management and CitiStreet;

Please do not hesitate to contact any team member if they can assist with any information. All email addresses are firstname@pipeclaylawson.com.au

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

Regards,  
David

#### **07 December, 2016**

On December 7, 2016, the Trust made a capital return of \$345.00 per Unit.

Notwithstanding, the capital return, we expect to maintain the current per Unit distribution of \$9.17 per month for the balance of this triennial cycle (the Trust has the right to reset the rent at any time after May 2019, which is the end of the current three year period). It follows that as from the December distribution (expected to be paid on or before January 6), the distributions will represent a 16.9% p.a. yield on the capital remaining subscribed (\$650.00 per Unit).

As previously advised, the capital return has been funded by additional borrowings from the Bank. Following the drawdown of the funds, the Trust's loan to valuation ratio is marginally below 60%. The LVR which the Trust is not allowed to exceed, under the terms of its arrangements with CBA, is 65%. Whilst we expect that the twin factors of rental growth in 2019 and growing proximity to the date at which the Trust will have the economic benefit of the circa 19,900 sq.m. of improvements on the property will more than compensate for a tightening valuation yield (whether due to the shortening period of the lease or general economic factors), we thought it prudent to introduce a safety buffer and not fully utilise the Trust's borrowing capacity.

The November distribution will be paid separately, in the usual way, on or before December 7.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

Regards,  
David

#### **07 December, 2016**

On December 5, 2016, the Trust made a monthly distribution of \$9.17 per Unit.

The facility from CBA to enable the capital reduction has been fully approved and documented. On November 30 when the reduction was to take place, CBA advised a delay as it had not

reviewed the security documents granted by Pipeclay Lawson to another bank (NAB) in relation to another trust. As this is the 5th facility with CBA since the transaction with NAB, we were somewhat surprised. I have been advised by CBA that the funds will be released this week but am not as confident as I would like to be.

Sheila has left Pipeclay with our best wishes. In relation to matters for which you would have contacted Sheila, please contact Irene Cheung on 0414 622 629 or by email [irene@pipeclaylawson.com.au](mailto:irene@pipeclaylawson.com.au)

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at [irene@pipeclaylawson.com.au](mailto:irene@pipeclaylawson.com.au).

Best regards,  
David

#### **06 January, 2017**

On January 6, 2017, the Trust made a monthly distribution of \$9.17 per Unit.

A number of Unitholders have been kind enough to write and express pleasure at the progress of the Trust. One or two, expressing, I fear, a wider view, have gently chided me for the infrequency of Pipeclay's purchases. In a low interest rate environment, there is a tendency for land values to appreciate at above the long term rate. We seek to guard against overpaying by always testing the current price against our guess of future value in a harsher environment – a dark and highly imprecise art. For as long as low interest rates prevail, good buying opportunities are likely to remain scarce, though as always, we are working on a few possible acquisitions.

Oliver has finished his two months assignment with us. We wish him well for the future.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at [irene@pipeclaylawson.com.au](mailto:irene@pipeclaylawson.com.au).

I hope you have a successful and happy 2017.



Best regards,  
David

**08 February, 2017**

On February 7, 2017, the Trust made a monthly distribution of \$9.17 per Unit.

You may recall that in May/June of 2016, sub-lease documents were finalised in anticipation of McWilliam's Wines vacating our property (though its lease will continue). McWilliam's is constructing a new storage and bottling plant. Ultimately, this will be beneficial to McWilliam's as it is on much cheaper land (which is owned by McWilliam's) and will obviate the need for third party bottling which is said to be expensive and to create quality issues. Construction is scheduled to be completed in Q3/2017 and the sub-tenant is scheduled to go into occupation in Q4/2017. McWilliam's Wines is in the process of refinancing its corporate facilities. It has been a few days late in paying the January and February rent. I have had a conversation with Jeff McWilliam, the CEO. It is possible that a similar delay may be experienced in relation to the March rent but by the end of March, the Group is expecting to have completed its refinancing and is not expecting any difficulties from then on. We are monitoring the situation but do not think that there is any cause for concern. You will recall that the McWilliam's rent is calculated by reference to land value and, until its lease expires, McWilliam's has the commercial benefit of the circa 19,900 sq.m. of GLA on the land.

Except as above, there have been no material developments.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at [irene@pipeclaylawson.com.au](mailto:irene@pipeclaylawson.com.au).

I hope you have a successful and happy 2017.

Best regards,  
David

**07 March, 2017**

On March 7, 2017, the Trust made a monthly distribution of \$9.17 per Unit.

A disused rail siding runs the southern length of the property. This land is currently owned by RailCorp and administered by Sydney Trains. We are making preliminary inquiries into the acquisition of this land, as, if acquired, it would provide vastly improved heavy vehicle access to the site. There is currently no indication that Sydney Trains is willing to relinquish this unutilized land, however we intend to pursue every possible avenue.

There have been no other significant developments over the past month. As expected, McWilliam's Wines were slightly late in paying this month's rent, however given their previously discussed circumstances matters are proceeding satisfactorily.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

Best regards,  
David

#### **06 April, 2017**

On April 6, 2017, the Trust made a monthly distribution of \$9.17 per Unit.

I am delighted to advise that Sandy has been unanimously elected as Chairman of Pipeclay Lawson Limited.

Sydney Trains has acknowledged our interest in acquiring the rail siding adjoining the property. We have been advised that our request is being investigated, and that we will be provided with a response shortly. It is difficult to determine how long this process will take, having regard to the fact that it has taken Lachlan two months to receive a response whilst Emil's and my score of communications over 10 months or so yielded no result.

McWilliam's continues to experience cash flow difficulties and rent was not received until April 6. We are told that McWilliam's refinancing should be completed by April 14. Brand Ventures P/L, McWilliam's sub-lessee, is due to commence rental payments to McWilliam's, as from May 1. In the meantime we are gently investigating other & higher uses for the building. We remain of the view that it would be to the Trust's benefit if the McWilliam's lease (and consequently both sub-tenancies) terminated and the Trust had the economic benefit of the building.

We expect to carry out a major review of the building's condition and McWilliam's outstanding maintenance obligations in May/June of this year.

Except as above, there have been no material developments.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, or me on 0407 631 255. We very much welcome your input.

Best regards,  
David

**03 May, 2017**

On May 2, 2017, the trust made a monthly distribution of \$9.17 per Unit.

Last month I reported that McWilliams expected its refinancing to be completed by April 14. We are now advised that the refinancing will be completed by May 15. In any case, the rent for May has been received (early) and some of the arrears of Outgoings have been remedied. We are advised that all Outgoings arrears will be brought up to date by May 8.

We have received further communications from Sydney Trains regarding the rail siding adjoining the property. It has been acknowledged that the rail siding is not currently in use, and we have been assured that approvals for the sale of the land are being sought. We have been further advised that many departments including the Transport and Infrastructure Minister's office will need to give their approval, and that this process will likely take six months. Should the land be approved for sale, this will be through a public process. I hope to write further on this matter before Christmas.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at [irene@pipeclaylawson.com.au](mailto:irene@pipeclaylawson.com.au).

Best regards,  
David

**01 June, 2017**

On June 1, 2017, the trust made a monthly distribution of \$9.17 per Unit.

The McWilliams refinancing is yet to be completed by April 14. Outgoings arrears continue but rent has been paid on time. We are actively chasing payments of Outgoings with small successes along the way.

Information flows have continued to improve, and we are now receiving all of the maintenance information that we require from the tenant. The tenant is undertaking all current repairs and maintenance. We expect to take up in August the issue of the work which the Lessee needs to undertake to bring the building to the condition required by the Lease.

Except as above, there have been no material developments.

Clause 22 of the Trust's Constitution requires that in the event of a meeting of unitholders, the appointment of a proxy be received between 24 and 48 hours before the meeting. A corresponding provision in another Pipeclay Trust has proved a significant inconvenience. The Trustee has resolved to amend the Constitution so that proxies will be able to be delivered and/or amended at any time after a meeting has been called, but no less than 24 hours before the

meeting takes place. If you would like to see the amending deed, please advise Lachlan Philips at lachlan@pipeclaylawson.com.au.

We are conscious that Unitholders who are superannuation funds will need to adopt a value for the Units they hold in the Trust as at June 30, 2017. In the July email I will advise the Investment Manager's view of Unit values. It is likely that in order to allow Unit value to be calculated (which requires a calculation of interest swap value and of net current assets), the July email is likely to be delayed; the monthly distribution should be made at the usual time.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

Best regards,  
David

**03 July, 2017**

On July 3, 2017, the trust made a monthly distribution of \$9.17 per Unit.

Last August David advised that a representation had been made to McWilliam's that Pipeclay would not conduct a detailed inspection or require any consequent works until FY18. This has allowed McWilliam's to relocate without disruption. As FY17 has ended, and a subtenant moved in, we intend to carry out a detailed inspection of the premises in July, and will increase the level of our enforcement of the tenant's compliance with building condition obligations under the lease moving forward.

McWilliam's has completed its refinancing. It has paid 90% of the Outgoings, past due. It has also paid the shortfall in last month's rent and this month rent, early. We believe that the remainder of the Outgoings will be paid within the next 30 days.

There are no other material developments this month and matters are proceeding satisfactorily.

We are conscious that Unitholders who are superannuation funds will need to adopt a value for the Units they hold in the Trust as at June 30, 2017. I expect that in mid-July we will advise the Investment Manager's view of Unit values.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

If you have any questions or comments, please contact Emil on 0427 929 358, Sandy on 0438 505 624, David on 0407 631 255, or me on 0431 377 678. We very much welcome your input.

Best regards,  
Lachlan

**03 August, 2017**

On August 3, 2017, the Trust made a monthly distribution of \$9.17 per Unit. This is the July distribution, that is the first of the 2017/2018 distributions. We expect distributions to continue at this rate for the remaining 11 months of the current financial year. The distribution has not changed from the previous year as rent reviews are triennial. The distribution represents a 16.8% yield on residual equity invested, as contrasted to the IM forecast for 2017/2018 of a distribution of \$8.30 per Unit p.c.m. or a 10.0% yield.

We have begun working with the tenant to ensure that the property will be in a compliant state, that is in good condition, by the expiry of the Lease (31 May 2024). The tenant has provided an outline of planned works which they have commenced, which are to take place over the next six years for a budgeted \$1.2 million. We are currently reviewing this plan to determine if any further works need to be undertaken.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at [irene@pipeclaylawson.com.au](mailto:irene@pipeclaylawson.com.au).

We welcome your input; Sandy can be contacted on 0438 505624 (but please bear in mind that she is in Europe), Emil on 0427 929 358, Lachlan on 0431 377 678 and I on 0407 631 255.

Best Regards,  
David

**05 September, 2017**

On September 4, 2017, the Trust made a monthly distribution of \$9.17 per Unit.

When Pipeclay bought the property, it was leased to McWilliams with a sub-lease over part of the property to Portavin. You will recall that last year, the Trust consented to McWilliams sub-leasing the whole of the property to Brand Ventures. Portavin, which is a bottling company, is vacating at the end of September. We have received a request from the tenant, McWilliams Wines, to consent to Brand Ventures sub-sub-leasing, to A-Tech Australia, a part of the section of the warehouse currently occupied by Portavin.

Whilst the various sub-leases on the property do not affect the Trust's income, we prefer to see the whole of the property occupied. David and I will be inspecting the site and will be briefed on the proposal and its associated works early this month, before Pipeclay determines if it will approve the proposal.

We have received a detailed proposal from McWilliams for a multi-year program of works of maintenance, replacement and redecoration. Pipeclay is commissioning technical advice on whether the McWilliam's proposal fully complies with its obligations under the Lease. If you would like a copy of the Lease, the McWilliams proposal and, when it is to hand, our Consultant's report, please let me know.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input; David can be contacted on 0407 631 255, Emil on 0427 929 358, or I on 0431 377 678.

Best Regards,  
LACHLAN C. PHILIPS

#### **04 October, 2017**

On October 4, 2017, the Trust made a monthly distribution of \$9.17 per Unit.

I wrote to you last month that David and I would be inspecting the property early in the month. We completed the inspection, paying close attention to the tenant's proposal for a sub-sublease as outlined in last month's email. We noted that the following principal items require attention:

- There are many now redundant pieces of piping, as well as some fermentation tanks throughout the area being vacated which need to be removed
- The walls and ceiling of the basement area at the rear of the property have a fungus growing on them, which is unsurprising given the high moisture levels resulting from the former subtenant's activities
- There is some minor damage to some of the concrete slabs in the warehouse

We have also taken the view that substantial external concrete works need to be carried out at this stage. Pentavin, the sub-tenant had blocked roller door access on the Northern side of the property. This was done in order to create an air-lock, which was a regulatory requirement for a bottling plant. The roller door can now be restored and with properly maintained concrete, the utility of the property will increase. Truck access and traffic flows on-site will greatly improve. The changes will also enable trucks to load and unload inside of the main warehouse; a significant improvement.

The cost of the foregoing works is to the tenant's/sub-tenant's accounts.

The inspection confirmed a number of other items of required work, which will be attended to during the remainder of the term.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

Earlier this month, we issued the Annual Tax Statement for the Chullora Land Trust for the 2017 financial year. You should have received this in the mail. If you have not received this document, please let me know by replying to this email and I will ensure that a replacement reaches you as soon as possible.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,  
LACHLAN C. PHILIPS

### **03 November, 2017**

On November 1, 2017, the Trust made a monthly distribution of \$9.17 per Unit.

Last month I wrote to you about a number of required works to be carried out in a section of the warehouse, prior to the commencement of a new sub sublease. Based on several subsequent conversations it appears that McWilliams accepts our views on what is required, and is working through the required works with their former subtenant Portavin. McWilliams is determined to receive the income that a new tenant would provide, and I anticipate that they will therefore be cooperative throughout this process, that the new sub-sublease be approved. If you would like to see the letter to McWilliam's setting out the required works, please let me know and I shall email you a copy.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,  
LACHLAN C. PHILIPS

### **06 December, 2017**

On December 4, 2017, the Trust made a monthly distribution of \$9.17 per Unit.

We are continuing to work through the required works with McWilliams in the area vacated by their former subtenant Portavin. Further updates will be provided as these works progress.

Under the Lease, McWilliams is responsible for maintaining the insurance of the building. We have received evidence of renewed insurance policies this month which meet the required levels of cover.

Except as above, there have been no material developments and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,  
LACHLAN C. PHILIPS

#### **09 January, 2018**

On January 5, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

There have been no material developments and everything is proceeding satisfactorily. Given the season, it is unlikely that anything substantive to report will arise over the next month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624. Please be aware however, that David, Emil and Sandy are currently overseas and will be returning later in January.

With compliments of the season,  
LACHLAN C. PHILIPS

#### **06 February, 2018**

On February 2, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

Late last year, I wrote to you about works which we are requiring of the tenant before the approval of a new sublease. I inspected the progress of these works two weeks ago, and can report that works in one of the two sections of warehouse in which they are required have now been completed. Works in the other section have also commenced.

I will provide an update on these works next month, at which time I will also provide further information on the proposed new subtenant, should the sublease be approved. Our position remains unchanged that in principle we prefer seeing the whole of the property occupied, as this promotes higher tenant maintenance standards.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.



We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,  
LACHLAN C. PHILIPS

#### **05 March, 2018**

On March 5, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

Last month I wrote to you about the proposed sublease on the property. This is to be finalised after the completion of make-good works in the warehouse. McWilliams advises that the make good will be completed shortly, after which we will inspect and advise you next month.

I have also received advice this month that a tree is encroaching on some of the property's fire safety equipment and that the tenant has been advised by the fire brigade that it should be removed. I am currently in the process of lodging this application with Council.

There were no other material developments this month, and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at [irene@pipeclaylawson.com.au](mailto:irene@pipeclaylawson.com.au).

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,  
LACHLAN C. PHILIPS

#### **06 April, 2018**

On April 4, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

I visited the property again last month and am pleased to report that the tenant has made major progress towards completing required interior works. There are several further works which we are requiring a commitment from McWilliams to complete within the next six to twelve months as a condition of consent to sublease. We are close to finalising the consent documents both with our lawyers and the tenant, and look forward to seeing 100% of warehouse space occupied.

There were no other material developments this month, and everything is proceeding satisfactorily.

David has completed a piece of work on values of industrial land in Sydney, including in Chullora. There has been a highly material appreciation in the value of the Chullora land but unfortunately rent (which is set at 8.5% of land value) cannot be reviewed until 2019 and will be based on the value then prevailing.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at [irene@pipeclaylawson.com.au](mailto:irene@pipeclaylawson.com.au).

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,  
LACHLAN C. PHILIPS

### **03 May, 2018**

On May 2, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

McWilliam's has made further progress in relation to the internal works. We are currently in the final stages of approving fit-out works and having all legal documents settled in relation to the new sub-subtenant which I have been writing to you about in recent months. I expect the matter will be resolved within the month. I will report further.

There were no other material developments this month, and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to Irene via email at irene@pipeclaylawson.com.au.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505624.

Best Regards,  
LACHLAN C. PHILIPS

### **06 June, 2018**

On June 5, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

In recent months I have written to you about preparation works and legal documents relating to a new sub-subtenant. Pipeclay has been consistent in requiring that the area to be occupied by the new sub-subtenant be brought up to the standard required by the Lease before these documents are finalised. Whilst our primary tenant McWilliam's Wines has agreed to this, they remain in negotiations with their subtenant and prospective sub-subtenant about how the last of these items is to be handled. I will report further.

Following heavy restructuring, McWilliam's have been financially stretched in recent years. As such, the Australian Financial Review reported this month that McWilliam's are in the process of raising \$15 million in equity to improve their balance sheet. We have been aware of McWilliam's financial difficulties for some time. McWilliam's also had the minor success this month of becoming the distribution partner of Yarra Valley winery, Coombe Farm Wines, effective 1 June 2018.

David has advised that his family's interest in a 5.3H property in Weeroona Rd Strathfield has been valued by Savill's at \$775 p.sq.m. As the Trust's Anzac Street property is better located than the Weeroona Rd property, in the absence of material changes in land values in the next 12 months, that valuation augurs well for the rent review (which is based on land value) due in the middle of next year.

There were no other material developments this month.

Irene Cheung will be finishing her employment with Pipeclay on Friday, June 8. Camilla Cable has been appointed General Manager Finance & Company Secretary. Camilla's mobile number is 0412 520 121 and her email address is [camilla@pipeclaylawson.com.au](mailto:camilla@pipeclaylawson.com.au)

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358; Sandy is presently overseas.

Best Regards,  
LACHLAN C. PHILIPS

### **06 July, 2018**

On July 4, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

Distributions for 2018/2019 will remain unchanged, as rent reviews are triennial, next due in 2019. This distribution represents a 16.8% yield on residual equity invested. The IM forecast for 2018/2019 was for a 10.0% yield.

Agreement has finally been reached by all parties as to the proposed sub-sublease to Norco Co-operative Limited, an agricultural enterprise with reported revenue of over \$500M p.a. and in excess of 200 dairy farm members. We expect document execution this month. Norco will use Warehouse C (the lower warehouse) to distribute a range of packaged dairy products. Whilst Norco is a desirable tenant, the proposed installation of fridges, chillers and cool rooms is likely to introduce additional moisture to the warehouse and could represent OHS issues, in particular by promoting mould. Norco has accepted an obligation in relation to this matter.

All outstanding payments from McWilliam's have now been received by the Trust.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358; Sandy is away until September.

Best Regards,  
LACHLAN C. PHILIPS

### **03 August, 2018**

On August 1, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

I wrote to you last month that agreement had been reached on the proposed sub-sublease on the property. Document execution to this end has taken place, and we expect Norco to commence their move-in shortly.

Our focus now turns to the enforcement of the repair and maintenance obligations of McWilliams under the Head Lease. As part of the process of consenting to the new sub-sublease, we reached agreement with McWilliams on how to approach this:

1. Twelve specific maintenance items were identified by our own inspection as being required, which McWilliams has agreed to undertake as soon as possible. Some of the minor items on this list have already been attended to.
2. We have agreed that an independent building condition report will be commissioned to determine what further works may be required such that the building is in the good condition which the Lease requires. I will commission this building condition report shortly.

If you would like a copy of any of the executed lease documents, or the building condition report when it becomes available, I will provide them upon request.

There were no other material developments this month, and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358; Sandy is away until September.

Best Regards,  
LACHLAN C. PHILIPS

#### **05 September, 2018**

On September 3, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

I wrote to you last month that our main focus on the Property has become enforcing the tenant's repair and maintenance obligations under the Lease. I am pleased to report that the tenant has completed the minor components of these obligations. We will have a condition report on the property prepared soon, and will endeavour to expedite the more major required maintenance works.

August was also the first month under new McWilliam's CEO David Pitt. The company is renewing its focus on marketing and sales, having undergone significant restructuring in recent years (including moving its offices and production out of Chullora). The new CEO, David Pitt, has extensive experience in both management and sales, having worked at Campbell Arnott's, Red Bull and Parmalat Australia. We view this as a strengthening of the management team.

There were no other material developments this month, and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,  
LACHLAN C. PHILIPS

**04 October, 2018**

On October 2, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

I wrote to you last month about the tenant's progress on maintenance works required under the Lease. We expect to have the condition report which will inform what further works are required finalised this month, after which I will provide a further update.

The DA to facilitate the Norco sub-lease has been lodged; we do not anticipate any issues.

We continue to pursue Sydney Trains concerning the disused siding we would like to acquire. We are now advised that the relevant review will be completed by April 2019.

There were no other material developments this month, and everything is proceeding satisfactorily.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,  
LACHLAN C. PHILIPS

**08 November, 2018**

On November 5, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

The nature of the Lease is that the building and all associated insurances are the responsibility of McWilliams. This includes public liability insurance, however there is no requirement for this policy to name the Landlord. As McWilliams have full responsibility for the building and all activities onsite, this has not previously been an issue. McWilliams have vacated the Property and subtenants occupy its entirety. We have therefore determined that the Trust should now take out its own public liability insurance policy, as it is not clear that the Trust would be free of risk should a public liability claim arise from one of the subtenant's, or a third party's, actions, without McWilliams' direct involvement. This will cost the Trust \$3,457.80 including GST and Stamp Duty, providing \$20,000,000 in cover. The Trust has sufficient working capital to cover this expense.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,  
LACHLAN C. PHILIPS

**04 December, 2018**

On December 4, 2018, the Trust made a monthly distribution of \$9.17 per Unit.

In October I wrote to you about us working through a range of maintenance works with the tenant. We have now received a draft copy of a commissioned report on the full range of maintenance works required for the tenant to be in compliance with the Lease. We have yet to fully consider this report, however while a significant number of maintenance items are required there were no major surprises identified. I will report further.

The Trust's bank facility has been extended by 3 months on the existing terms. It will likely be extended by a further 3 months. After this period, the property will undergo a major rent review, and we wish for a full refinancing to take place thereafter, to reflect the new rent.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,  
LACHLAN C. PHILIPS

**03 January, 2019**

On January 2, 2019, the Trust made a monthly distribution of \$9.17 per Unit.

Brand Ventures, the subtenant which currently occupies most of the property has determined that an area of the warehouse is not required for its operations, have identified a potential sub-tenant, and are currently seeking permission to sub-sublet this area. Brand Ventures first requires the approval of the head-tenant (McWilliams) which they have applied for, and then our own approval. We are yet to receive substantial details of this sublease proposal but will keep you informed as the matter progresses. As this is a sub-sublease it has no bearing on our head-tenant's or the Trust's cashflow.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. My details are below; David can be contacted on 0407 631 255, Emil on 0427 929 358, and Sandy on 0438 505 624.

Best Regards,  
LACHLAN C. PHILIPS

**04 February, 2019**

On February 1, 2019, the Trust made a monthly distribution of \$9.17 per Unit.

An area of the warehouse, known as Warehouse B, at the rear of the property is subject to slab-loading limits as there is another area of warehousing, known as Warehouse C, directly beneath it. Original building specifications are not available and consequently there is uncertainty as to the extent of the limits. We have therefore commissioned an engineer to investigate, and certify the slab, such that the best use of the warehouse can be determined. The area has previously housed a wine bottling facility operated by Portavin; an activity which was not impacted by the limits. I will report further.

The financial position of the tenant has been strengthened by the issue of convertible notes. The issue required the Trust's consent which was given on condition that a strict timetable be adhered to for various works (at the expense of the tenant) to improve the condition of the property. If you would like to see a copy of the relevant correspondence, please let me know.

The Trust has extended its Bank facility for 3 months. There is a rent review due as from June 1, which we anticipate will result in a substantial increase in rent. We want to defer a long term refinance until the rent has been determined.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

**06 March, 2019**

On March 4, 2019, the Trust made a monthly distribution of \$9.17 per Unit.

There were no material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

### 03 April, 2019

On April 1, 2019, the Trust made a monthly distribution of \$9.17 per Unit.

David, Emil and I visited the property last week to inspect progress made by McWilliams in completing the rectification works required under the Lease as I last described to you in December's email. The Lease requires the property to be kept in good condition, and we had agreed with McWilliams that the identified works from the condition report mentioned in December's email were to be completed by March. Whilst some minor works have been completed, the most significant work, being the resurfacing of damaged driveways with concrete, has not been carried out. Consequently, we have decided to undertake these works ourselves and invoice McWilliams for the cost. I will report further on the matter.

Our inspection also revealed that the subtenant onsite, Brand Ventures, has sublet an area of the warehouse without our prior knowledge or consent. This is a breach of the Brand Ventures' sub-lease and the McWilliams' lease and we will address the matter.

The triennial rent review is at June 1. The rent for the next 3 years is to be set at 8.5% of land value. We commissioned a valuer to assess the land value and believe that his assessment will be circa \$700 p.sq.m. If you would like a copy of the valuation when it has been received (it is due), please let me know and I will email it to you.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

### 04 May, 2019

On May 3, 2019, the Trust made a monthly distribution of \$9.17 per Unit.

Last month I wrote to you that we have decided to undertake works at McWilliams cost, which they have failed to complete by the March deadline. To that end, David and I visited the property again last month accompanied by concreters from whom we have obtained quotes for the resurfacing of significant areas of the hardstand. The works will cover circa 3,500sqm at a cost of approximately \$500,000. We hope to commence these works this month. Whilst the cost of the work is ultimately to McWilliam's account, the Trust is likely to need to pay the concreter before it collects from McWilliams. The Trust has sought a working capital facility of \$500k from CBA and we expect the facility to be available in the next 2 weeks.

Our inspection also gave us the opportunity to speak with the manager of the primary subtenant onsite, Brand Ventures. This alerted us to two issues on the premises which we will address after the completion of the concrete works:

1. The Airconditioning system is obsolete, and in need of replacement



2. The drainage on the roof is inadequate, with some downpipes being overcapacity during exceptionally heavy rain, leading to leaks

The rectification of such issues is McWilliams responsibility under the Lease. We aim to resolve both matters before summer.

We have also noticed a general failure of McWilliams to control their subtenant (Brand Ventures). This has manifested in the appearance of another unauthorised occupant building generator containers. Whilst this occupant is a low-impact user, their operations require prior consent under the lease.

Given the lack of control McWilliams has over their subtenant and their inaction on the maintenance front, we will continue to regularly inspect the premises, notify McWilliams of all required works, and carry them out should McWilliams fail to do so.

The Trust has received separate valuations of the land from Savills and JLL. If you would like a copy, of either or both valuations, please let me know. The valuations are very close. We have served a triennial rent review notice on McWilliam's; if you would like a copy of the rent notice, please advise me. McWilliam's has until May 17 to object to the rental notice. I will advise next month as to the progress of rent determination, which, once completed, will be effective for the period 1/6/19 to 31/5/22.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

**03 June, 2019**

On June 3, 2019, the Trust made a monthly distribution of \$9.17 per Unit.

The Trust has reached agreement with McWilliam's as to rent as from June 1 of this year. The Lease provides that rent will be 8.5% of land value. The Trust commissioned 2 valuation of the Trust's land (that is land without the improvements); one valuer assessed the value at \$775 p.sq.m. and the other at \$750 p.sq.m. In response, McWilliams commissioned a valuation which assessed the land value at \$700 p.sq.m. If you would like a copy of any of the 3 valuations, please let me know. The Agreement reached is that land value is \$737.50 p.sq.m. Under the lease, a land value determination can be triggered at any time by the Lessor but no more often than triennially. It follows that the rent paid as from June 1, 2019 until at least May 31, 2022 will be \$2,239,824.38 + GST p.a.

Pipeclay believes that the 54% increase in rent (from the rent payable in the period 1/6/2016 – 31/5/2019) has resulted in a substantial lift in the value of the property. The Trustee has commissioned a valuation of the property by Knight Frank. Valuation is expected in June; if you would like a copy when available please advise me by email.

Pipeclay believes that the increase in value has created a substantial borrowing capacity in the Trust. The Trust could utilize this capacity to return substantially the entire remaining equity investment (\$665 per Unit) and the resulting LVR (loan to valuation ratio) is likely to be circa 50%. The LVR is on current debt 60% of the latest valuation.

The alternative would be for the Trust to use the available borrowing power not to return capital to Unitholders but to acquire another property in Sydney for the Trust. The alternative approach runs counter to Pipeclay's normal approach of having each property in a separate trust which delivers advantages of choice, clarity and transparency to investors. On the other hand, over the last few years, the premium paid for scale (that is one or a number of properties offered jointly for sale and having an aggregate value of over \$50M) has grown. At present the premium for scale is circa 25 bps of yield. However, there is no way of forecasting with confidence whether any premium for scale will be available on or about 1/5/2024 (under the Constitution the Trust is to terminate within a year of that date).

If you have a preference for either course or would like to discuss the matter, David and Emil would welcome an email or a phone call.

On the assumption that the reduced LVR and capital return route is followed, Pipeclay currently expects that distributions for each of the FY years 2020, 2021 & 2022 will be circa \$200 p.a. per Unit.

On May 25, David and Emil met with McWilliam's CEO and CFO and reached agreement concerning concrete works, air conditioning, the roof, breaches of the lease and other works. (If you would like details of these works and issues, please email me and I will send you a summary which is too long for this email). Unfortunately, within a couple of days, McWilliams has evinced an intention not to observe the agreed timetable and procedures. The Trust has briefed its solicitors to enforce the Lease. Pipeclay currently believes that litigation will not be needed.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted [firstname@pipeclaylawson.com.au](mailto:firstname@pipeclaylawson.com.au) as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

**05 July, 2019**

On July 2, 2019, the Trust made a monthly distribution of \$9.17 per Unit.

This is the June distribution, and the last for FY19.

Last month I wrote to you about the 54% increase in rent for the property, subsequent lift in its market value, and that we were having a market valuation prepared by Knight Frank. We have received this report, which adopts a market value of \$35,000,000. If you would like a copy of the

valuation, please let me know. In 2016 a market valuation from JLL adopted a value of \$22,000,000 and the property was purchased in 2014 for \$15,750,000.

The Trust Intends to refinance the property so as to bring down the LVR to circa 50%, which will lead to a decrease in the line fee charged to the Trust. The Trust has approached 3 banks, 2 of which have replied with competitive proposals; we expect the 3rd bank to reply shortly. The increased borrowing capacity will enable the Trust to undertake capital management. Pipeclay expects that the Trust will return substantially the entire remaining equity investment (\$665 per Unit). We expect that the capital return will take place in August.

The distributions for FY 20 will be finalized once the terms of the bank facility are finalized. We expect distributions to be circa \$200 per Unit per year for each of FY 20-22.

A number of the Trusts' Unitholders have asked Pipeclay to provide them with its estimate of the value of the units in the Trust at 30 June. Pipeclay does not have any valuation expertise and there is no active market against which to measure Unit values.

In order to advise the Unitholders as to Pipeclay's perception of Unit values, a dual process is undertaken. First, from the latest[1] valuation[2] for[3] mortgagee[4] purposes[5] the following are deducted: interest swap break-costs as advised by the Bank as at June 30, the current bank debt and the outperformance fee that would be payable if the Trust was terminated (working capital and selling costs are ignored). The resultant number is then divided by the number of Units on issue. Secondly, Pipeclay considers what it would regard as an appropriate yield for the Units and the consequently implied Unit value. The lower of these two numbers is then adopted by Pipeclay as its perception of Unit values. Pipeclay's perception is that the current value of Units in the Trust is \$2,980 per Unit.

Last month I also informed you that the Trust had briefed solicitors to enforce the Lease, following a failure of McWilliams to carry out agreed maintenance and structural repairs in the agreed timeframe. This approach has proved effective, and we have received confirmation that McWilliams has commissioned circa \$400,000 in concrete repairs. An unauthorized occupant of a warehouse currently subleased to Brand Ventures has also been evicted. We are yet to reach agreement with McWilliams on several further matters, but expect resolution without litigation. If you would like to receive a summary of all works and lease issues addressed during this process and their current status (which is too long for this email) please let me know and I will provide it to you. In summary we are satisfied with the outcomes achieved to date, will be entitled to recover the Trust's legal expenses from the tenant, and expect to resume management without the aid of solicitors within a month or two.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

**06 August, 2019**

On August 2, 2019, the Trust made a monthly distribution of \$16.67 per Unit.

This is the first distribution of FY20. We expect that distributions will be unchanged for the balance of FY 20.

Following the rent review, monthly distributions have increased by 82%. Distributions now represent a 30% yield on residual equity invested. As rent reviews are triennial, we do not anticipate changes in distributions prior to FY22. We do not anticipate the refinancing and the consequent capital return to result in a material change to distributions.

Last month I wrote to you that we were refinancing and that a capital return would likely follow in August. The negotiation of this refinancing has been slower than we anticipated, and the capital return will therefore not take place before September.

We have continued to receive assistance from the Trust's solicitors (JWS) to enforce the Lease. McWilliams have let a contract for circa \$400k for concrete works which are currently in progress. McWilliams have also agreed to do some further concrete works (circa \$18K) this month. Finally, McWilliams have agreed to commission a report this month from Napier & Blakeley concerning air conditioning, repairs to downpipes, and works (it is not clear whether replacement or repairs are required) to the central internal gutter over warehouse B. Unfortunately, outcomes are only achieved when our requirements are supported by correspondence from JWS and we expect this process to continue for the balance of the calendar year.

McWilliams has failed to reimburse the Trust for the legal costs incurred to-date. The Trust has issued a Statutory Demand; if you would like to see a copy please let me know.

If you would like to see a copy of the voluminous correspondence between JWS and McWilliam's solicitors, please let me know and I will email it to you.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted [firstname@pipeclaylawson.com.au](mailto:firstname@pipeclaylawson.com.au) as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

**05 September, 2019**

On September 5, 2019, the Trust made a monthly distribution of \$16.67 per Unit.

We have progressed the negotiations with CBA to refinance the existing bank facility and a term sheet has been agreed. Unfortunately, the procedures applicable to us have changed and the Bank now requires a facility agreement, in addition to a terms sheet. We expect that this will take another 2-3 weeks and cost the Trust \$8K. We anticipate that a capital return of the entire remaining equity

investment (\$655 per Unit) will be made later this month. The key terms of the refinancing are as follows:

- The amount of the bank loan will increase from \$13.32 million to \$17.50 million (as the Bank's valuer assessed the value of the property at \$35M, the LVR will be 50%)
- The new facility will expire in September 2022.
- The bank's margin on the loan will reduce to 1.65% p.a.
- The Trust intends to enter into an additional interest rate swap to cover interest on the additional debt. The existing swap will be extended by approximately 6 months
- The terms of the Facility will include requirements that the Loan to Value Ratio cannot exceed 55% and that the interest coverage cannot fall below 1.85. Interest coverage for the next two years is currently forecast to be no less than 2.5.

Following the capital return, distributions will continue at the current rate of \$16.67 per Unit per month. Our expectation is that the per Unit distributions will increase next financial year. We will be in a better position to determine the quantum of the increase once the interest swaps have been finalised and there has been further considerable progress on the maintenance and repair of the premises.

I have written to you in recent months about various works which, with the help of solicitors, we have had the tenant carry out in order to satisfy their obligations under the Lease. I inspected the property last month and confirmed that nearly all required concrete works have been completed (approximately \$400k in works). Further, we understand that the unauthorised subtenant has been evicted. Roof repairs and a condition report on the air-conditioning systems (which are original), and a further circa \$20k of concrete works are being completed and we expect to meet with the tenant next week to establish a timetable for everything outstanding as per the Napier & Blakeley report.

In July and August, I have written to you that we have required the assistance of solicitors to enforce the Lease. Whilst the cost ought to lie with the tenant, initiating proceedings to recover the full amount would cost more than we would recover. We have therefore agreed to settle all legal expenses claimed by the Trust to date (\$33,371.03 incl. GST) with the tenant for \$25,000; which has been paid by the tenant. \$8,371.03 has been borne by the Trust. We expect additional legal expenses of circa \$50K with similar recovery outcomes before the matter is finalised.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted [firstname@pipeclaylawson.com.au](mailto:firstname@pipeclaylawson.com.au) as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

### 03 October, 2019

On October 2, 2019, the Trust made a monthly distribution of \$16.67 per Unit.

Early in September we met with the CEO and Transformation Officer of McWilliam's Wines concerning the outstanding repairs and works required to the property under the Lease. The solicitors for McWilliams and the Trust were also present. Agreement was reached as to progress on several issues. This is recorded in a timetable issued by JWS, the Trusts solicitors, and a consequent email from David. If you would like to see these please let me know. Unfortunately, we do not anticipate a smooth path from here.

One positive outcome of the meeting with McWilliams is that we have secured access to Warehouse B and will be able to arrange for engineers to this month examine and report on a section of flooring in relation to which the load capacity is uncertain.

Progress on the facility agreement with CBA is slow. We are awaiting a response from CBA's solicitors to our comments which we supplied 2 weeks ago. We expect that the facility agreement will be finalised and the capital return effected this month.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

### 01 November, 2019

The Trust has recently completed the refinancing of its bank loan facility with the CBA. The key terms of the revised facility are largely as previously advised:

- The amount of the bank loan will increase from \$13.32 million to \$17.50 million (as the Bank's valuer assessed the value of the property at \$35M, the LVR will be 50%).
- The new facility will expire in October 2021.
- The bank's margin on the loan will reduce to 1.65% p.a.
- The Trust currently intends to enter into an additional interest rate swap to cover interest on the additional debt. The existing swap is intended to be extended by approximately 6 months.
- The terms of the Facility will include requirements that the Loan to Value Ratio cannot exceed 55% and that the interest coverage cannot fall below 1.85. Interest coverage for the next two years is currently forecast to be no less than 2.5 times.

On November 1, 2019 the Trust made an extraordinary capital distribution of \$655 per Unit.

Unitholders have now received extraordinary capital distributions of \$1,000 per Unit, which is the entire equity initially contributed to the Trust to complete the acquisition of the property.

Distributions will continue at the current rate of \$16.62 per Unit per month for the remainder of this financial year.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted [firstname@pipeclaylawson.com.au](mailto:firstname@pipeclaylawson.com.au) as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

#### **05 November, 2019**

On November 4, 2019, the Trust made a monthly distribution of \$16.67 per Unit.

On Friday the Trust issued an extraordinary capital return of \$655 per Unit. This, and the new bank facility were dealt with in a separate email sent on Friday afternoon. This email stated that distributions would continue at \$16.62 per Unit this year. They will actually continue at \$16.67 per Unit.

Last month I wrote to you that we were having engineers examine a section of flooring to determine its uncertain load capacity. The engineers have completed their inspection and a report will be available this month. I will discuss the outcome next month.

I will be attending the site later this week to determine whether McWilliams is honouring its agreements to progress outstanding repairs and maintenance works required under the Lease, as agreed in a meeting in late September. I will report further.

There were no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted [firstname@pipeclaylawson.com.au](mailto:firstname@pipeclaylawson.com.au) as per my own details below.

Best Regards,  
LACHLAN C. PHILIPS

#### **03 December, 2019**

On December 2, 2019, the Trust made a monthly distribution of \$16.67 per Unit.

Last month I wrote to you about an engineering report on the slab load-bearing limits. Due to an error on the engineer's part, this report has been delayed and should be produced this month.

I have inspected the property twice last month to monitor McWilliams progress on outstanding repairs and maintenance works which are required under the Lease. The results of these inspections have been mixed. On the one hand, McWilliams have been making considerable efforts onsite to work through the required works. On the other hand, where they require the assistance of external

contractors, they have tended to opt for the cheapest possible options, often leading to maintenance being carried out but to an inadequate standard or frequency.

We are hoping that with close supervision and management McWilliams will improve its standards while continuing to work through required maintenance works. A full summary of works completed and in progress to date is too long for this email. If you would like a copy of the report which forms the basis for required works, please let me know. The biggest (by cost) outstanding items are office air conditioning and removal of no longer used steel vats. McWilliams are hoping to find a second-hand user for the vats. As the cost of removal and disposal of the vats is high, we are inclined to give McWilliams ample time to find a user for the vats. The air conditioning may be able to be nursed for another two years or so, but whether that is an economic procedure is doubtful.

Some of the items in relation to which the standard of work or the documentation is inadequate relates to OHS issues. We have advised McWilliams that unless these are rectified by the end of this week, Pipeclay will take over these works to McWilliam's cost. We have also grown concerned that the mould removal works may not have been carried out to an appropriate standard. We have engaged Hibbs & Associates to inspect and report early in the new year.

There were no other material developments this month.

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Best Regards,  
LACHLAN C. PHILIPS

**08 January, 2020**

On January 7, 2020, the Trust made a monthly distribution of \$16.67 per Unit.

The distribution has been paid using cash reserves as McWilliam's is yet to pay January rent. They report that this is due to a staffing issue over the Christmas period, rather than a financial issue. We will continue to monitor the situation and work to receive the rental income as soon as possible.

We have received an engineering report concerning the load bearing capacity of Warehouse B. The whole floor has a load bearing capacity of circa 560kg p.sq.m. It is not floor but the mezzanine which has a section with a different (and lower) load bearing capacity. We do not believe that any work is currently needed to alter the Load bearing capacity of the floor or the mezzanine. If you would like a copy of the report please advise Hannah.

With constant supervision and encouragement, McWilliams are making progress on maintenance works. Last month our primary focus was on fire safety equipment maintenance and testing. We are currently focusing on electrical repairs, roller door maintenance and airconditioning maintenance.

#### **Changes to the Property Management Team**

Sadly, for Pipeclay, Lachlan has resigned in order to pursue further studies. He was already studying (actually aceing) part-time the Property Economics/Management degree at UTS but he has decided



to switch to a full-time Masters in Economics. We are appreciative of his intelligent contribution over the last three years and wish him very well for the future.

We have made three very exciting part-time appointments: -

Daniel Shafferman has a wealth of experience in industrial property management. He has managed his family's property portfolio and provided management services to major agencies and private owners in Queensland. He will be our man on the ground in Queensland.

Daryl Knighton is a mechanical engineer by training. He has decades of project management experience in industrial property. We think he will bring particular value in organizing tenders and supervising works, particularly in Sydney. We look forward to his contribution to the Chullora property, particularly as office air-conditioning will likely require replacement later this year.

Hannah Butt will take on the additional role of Property Management Co-ordinator. A year ago, Luke automated a reminder system of all lease obligations for each property. After 10 months of testing, we are confident that the system will, in Hannah's hands, ensure that all recurrent obligations, rent reviews and end of lease activities will be timely and well directed. The next month's newsletter will come from Hannah. Hannah's email is [Hannah@pipeclaylawson.com.au](mailto:Hannah@pipeclaylawson.com.au) and her mobile is 0414 932 034.

There have been no other material developments this month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted [firstname@pipeclaylawson.com.au](mailto:firstname@pipeclaylawson.com.au) as per my own details below.

Best Regards,  
David

#### **04 February, 2020**

Distributions are now suspended while McWilliam's are under administration and rental payments have ceased.

An Administrator of McWilliams Wines Ltd was appointed on January 8, 2020. The Administrator advised by email dated 15 January that "it will be relinquishing occupancy of the premises effective from 15 January 2020". At the same time the Administrator gave notice that it does "not propose to exercise rights in relation to the Property". If you would like a copy of the email and/or the Notice, please let Hannah know.

With assistance from JWS, on January 28, the Trust obtained the Administrator's consent to exercise rights as "owner and lessor of the Property". If you would like a copy of the Consent, please let Hannah know.

The obtaining of the Administrator's consent was a necessary legal step before the Trust can terminate the McWilliam's lease.

At present, the Property is insured under a global policy taken out by McWilliam's with the Trust's interest as owner of the Property noted. If the Trust was to terminate the McWilliam's lease that would terminate the insurance policy in relation to the Property. In order to obtain insurance, the Trust needed access to the Property to attend to housekeeping issues. On January 30, the Trust received a copy of a hydrant flow test (if you would like a copy, please advise Hannah) and forwarded it to our insurance broker. The broker has advised that he expects the insurance of the Property to be in place before the end of this week.

Once the new insurance of the Property is in place, the Trust will be in a position to terminate the McWilliam's lease. The termination of the McWilliam's lease will automatically terminate the Brand Ventures sub-lease and the Norco sub-sub-lease. We have been in contact with both sub-tenants –

- v Norco has expressed a desire to be granted a fresh lease of warehouse C. The Trust has made a proposal to Norco and after initial discussions with Norco's Warehouse & Logistics Manager, I am meeting the General Manager on February 12.

- v Brand Ventures are expected to move and are rumoured to have already signed a HOA for a lease starting on March 1 in relation to other premises. The Trust will be under a legal obligation to give Brand Ventures a reasonable amount of time on reasonable terms in which to move out its very considerable quantity of stock from Warehouses A & B. If true, then Warehouses A & B could be vacant within 2 months.

The Trust will appoint JLL as its marketing agent for the purpose of leasing Warehouses A & B. If you would like to see a copy of the JLL presentation, please let Hannah know. I expect the agency agreement to be finalised this week. There is no material vacancy of large premises in the Central West. I would anticipate good interest in our property. So far, there have been 3 inspections and two of them are showing real interest.

The financial consequences of these developments are uncertain: -

- v Currently the Trust is receiving no income. Emil and I have had conversation with CBA, the Trust's banker, and believe that as long as interest and outgoings are paid, the Bank has been asked to not take steps in consequence of unavoidable covenant breaches (e.g. interest cover ratio being unmet) until the end of the financial year in order to allow the Trust a reasonable time to develop and execute a strategy for the Property. We expect a favourable response over the next week or so.

- v We are hopeful that we will shortly secure long-term income from leasing Warehouse C. Whilst we expect a rent increase (on a p.sq.m. equivalent basis) for Warehouse C, Warehouse C rent alone will be insufficient to meet interest costs. We also anticipate that the Trust will shortly derive income from Brand Venture's occupation of Warehouses A & B but we expect that income to be of short duration.

- v The Trustee will accrue but not pay the asset management fee until a revised strategy for the Property has been determined.

- v The Trust clearly requires recapitalisation to be able to meet its obligations for the balance of the financial year. We will shortly be calling a Meeting of Unitholders to authorise the issue of additional units in the Trust. Unitholders will have a pro rata entitlement to subscribe for units.

v I have had a conversation with the Bank's external valuer (Knight Frank). The uncertainties created by the current situation are somewhat offset by the value accretion from the early reversion. On balance, presently they don't believe that there has been a material decrease from the last valuation of the property at \$35M.

v The advice we have received from JLL leads us to believe that in the medium term the rental income of the Trust will increase from what the trust had been receiving from McWilliam's. If and when that comes to pass, we expect the value of the property could increase materially. In order to achieve that outcome some works may need to be undertaken on the Property, but the value increase is likely to be materially more than the cost of the works.

v We do not expect distributions to Unitholders to resume prior to a new lease being signed with respect to Warehouses A & B.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,  
David

**03 March, 2020**

Distributions are currently suspended while rental payments from McWilliam's have ceased.

#### **Potential sale**

On the 21st February, a Heads of Agreement was signed with Charter Hall for the sale of the property for \$45 million subject to a 5-week exclusive due diligence period. The HOA imposes confidentiality obligations and prevents Pipeclay from discussing a sale with any other party during the DD period. The HOA specifically permits the Trust to continue its leasing campaign. The HOA does not bind either party to proceed with the sale. To-date, the DD appears to be going well; we expect technical inspections to take place early next week.

#### **Leasing Update**

The McWilliam's lease was terminated on Tuesday 18th February, following the approval of a new insurance policy on the property.

On termination of the McWilliam's lease the subleases to Norco and Brand Ventures were consequently also terminated. Ongoing talks with both Norco and Brand Ventures in the wake of the McWilliams administration notice in January has resulted in the following:

- Norco have since signed at short term licence to occupy building C until the 30 June 2020; if you would like a copy of the licence agreement, please let me know. Norco have indicated their intention to remain as a tenant long term and negotiations for 5 – 10 year lease term are ongoing. The Trust has made proposals to Norco for commercial terms depending on the length of the lease; if you would like a copy, please let me know.
- Brand Ventures have proven difficult to engage with and agree occupancy terms. To date they have not signed a licence to occupy the premises and have not vacated the premises.

As a result, court proceedings are underway for possession and damages. The court hearing is set for Thursday 5th March. We will provide further update next month.

JLL have been appointed as the leasing agent for the property. JLL have identified one potential tenant who might be prepared to conclude leasing arrangements prior to the expiry of the Charter Hall DD period. It is highly unlikely that JLL will identify another potential tenant who is able to proceed sufficiently quickly to be of interest to the Trust.

#### **Trust Update**

A meeting of the unit holders was held on Monday 24th February. Meeting minutes are available please let me know if you would like a copy.

At the meeting all four resolutions presented to unit holders were passed.

The short-term loan to the Trust by interests associated with the Trustee and Manger (Libling and Pahljina families) has been arranged to provide cash flow to pay statutory outgoings, insurance and interest charges. As a requirement from CBA of the short term loan, \$210,000 will be retained in a cash reserve account for the payment of interest only and any rental income received from Norco or Brand Ventures during the term of the loan must be directed to the payment of interest costs only.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted [firstname@pipeclaylawson.com.au](mailto:firstname@pipeclaylawson.com.au) as per my own details below.

Best regards,  
Hannah

#### **25 March, 2020**

Unfortunately, I have bad news. We were today advised, through Colliers, that Charter Hall will not proceed with the purchase of the property at Anzac Street. This decision is unrelated to DD; I was told that Charter Hall's Investment Committee met this morning and resolved to pull out of all transactions to which Charter Hall was a party.

This is particularly disappointing as on the 19th of March we received an email saying -

- (a) Charter Hall has "valuation support for the acquisition"; and
- (b) "We want to reaffirm our commitment to completing this transaction and are not requesting any price adjustment".

The absence of request for a price adjustment is a reference to two (2) issues Charter Hall had identified in DD: subsidence in the NW corner of the warehouse and lead dust in the roof space. Charter Hall had on the 20th provided us with some preliminary expert advice it had received on these issues. We have requested and expect to receive any subsequent reports Charter Hall may have received.

Following Charter Hall's withdrawal, through Colliers, we made contact with Fife Capital but in the current economic and market disruption, Fife Capital is not interested in pursuing its prior proposal.

In the circumstances, the Trust requires funding and it is inevitable that an equity raising will take place. We are evaluating the forecast cash flow and will communicate the position shortly.

Personally, I hope you and all yours are free of illness!

Best regards  
David

**02 April, 2020**

It is only 6 days since I last wrote to you but there is some news.

### **Leasing Activity**

Our property is in the heart of Central West. On the other hand, it is not in the condition we would like it to be.

A major grocery company inspected on March 26. The initial feedback is that the property is in a perfect location but there are issues with access on the site. As this potential tenant is looking for a long term lease, our property and two others are being assessed further and a response is expected in about three weeks.

A transport/logistics company is looking for short term (12 months) overflow space on an urgent basis. We provided Chullora information on Wednesday and expect quick resolution (either way).

Norco's licence has been amended slightly; instead of June 30 being the termination date of the licence, the licence will now terminate on the giving of 30 days' notice by either party. No notice may be given prior to June 1. Norco's focus is on maintaining its operations, which are challenging, but, as soon as it is able, it intends to respond to the longer-term lease proposal. The current arrangement provides the Trust with flexibility without apparent risk to income.

### **Physical property**

Brand Ventures handed over the property on April 1. Napier & Blakely attended the property at hand-over (as did John) and are preparing a report of any non-compliance with end of tenancy obligations by BV. Pipeclay's perception is that rent/licence fees, outgoings and condition compensation are due to the Trust.

Charter Hall have provided copies of Hazmat and Engineering reports which CH obtained as part of its due diligence. If you would like copies, please let John know. We have contacted the consultants and are obtaining quotes for some necessary works. We will also be engaging the engineers to carry out some further investigations. We do not yet have data to assess the costs, but our preliminary guesstimate is for aggregate costs to be less than \$300k.

Norco have instructed a contractor to install sprinklers inside the cool rooms in Warehouse C. We are awaiting written confirmation of the order. Once that work is done (this month, Covid-19 allowing), Warehouse C will be brought into compliance with City Council and insurance requirements and will be further adapted to Norco's operational requirements.

### **Finance**

The Trust has circa \$390K cash at Bank. We have arranged with the Office of State Revenue to defer, interest free, payment of \$209K of land tax. The obligation will be paid in equal installments from

June, otherwise due in March and April instalments. Discussions with CBA (not yet formalised) lead us to believe that the Bank will capitalise circa \$250K of interest costs over the next 6 months. The \$400k advanced by the Pahljina and Libling families is due for repayment on June 30. The Trust's current income is circa \$30k p.c.m. being licence fees from Norco.

The Trust needs to raise equity capital. On February 24, the Unitholders authorised a rights issue of Units if the sale to Charter Hall did not proceed. Unfortunately, the price at which the issue was authorised is too high to be realistic in the current environment. We expect to call a further meeting of Unitholders for later this month; the meeting will need to be held electronically or by proxies. A final decision has not been made but an underwritten issue at \$1,850 per Unit on a 1 for 6 basis is offered as guidance. The decision, on the terms of the Units Issue, in this changing environment, will be made as close as possible to the despatch of the Meeting IM.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

I hope you and all yours are well,

Best regards  
David

**05 May, 2020**

#### **Leasing Update**

There is limited good news this month. As from April 24, Australia Post has licensed the non-office component of Warehouse A (circa 9,600 sq.m.). The 23 days vacancy period since Brand Ventures vacated Warehouses A & B is a tribute to the property's location and the energy with which it has been marketed and physically improved. I do not generally mention individual members of the Pipeclay team, but John Commisso deserves one.

Australia Post (AP) occupies Warehouse A under a Licence Agreement which allows either party to terminate the Licence on 1 months' notice; we expect that AP will wish to remain for the balance of the calendar year. AP is paying a monthly net licence fee of \$103K until November (and \$107K as from November 1) and making an outgoings contribution of \$32K. AP has free occupation of Warehouse B until the repair of the NW corner of warehouse A has been completed (anticipated before the end of June). If you would like a copy of the Licence Agreement, please let Hannah know.

Deriving this temporary income is a positive outcome for the Trust. However, our focus remains on finding a long-term tenant who would use (and pay for) at least a substantial part of the 1,950 sq.m. of office which forms part of Warehouse A.

#### **Property Update**

Following the exit of Brand Ventures, several maintenance and repair items have been completed along with three capital works projects as detailed below:

1. A roller door was installed in the Northern wall of Warehouse A. Both, warehouse A & B now have drive-through access between the southern driveway and the northern hardstand.
2. The bitumen areas in front of the loading docks have been concreted (40 mpa).

3. The lighting in Warehouses A & B has been modernised (all LED now) and improved (Warehouse A is now 200 lux).

The capital works have improved the functionality and consequently lease-ability of the warehouses and, we believe, added value.

The repair of the sunken slab in the NW corner is a priority. We have received an engineering report and a scope of works on a worst-case basis. Until the existing concrete has been removed and the substratum examined, we do not know whether the full extent of the specified works is needed. We are aiming to have the works completed by the end of June, though in order to minimise disruption to AP, it may be necessary to stage the works in two sections in which case August is more likely.

Charter Hall has provided to the Trust a copy of its DD Hazmat report. The Trust has commissioned consequential reports from Ramboll Environmental. More on this topic next month. If you would like a copy of the Charter Hall DD Hazmat Report or the Ramboll scope, please let Hannah know.

The Trust is obtaining two reports from Napier & Blakeley identifying the make-good works that should have been but were not carried out by Brand Ventures and McWilliam's under their respective leases. The indications are that the cost of these works (which are not cumulative but duplicative) is estimated by N&B to be in excess of \$1M in the case of Brand Ventures and \$2M in the case of McWilliam's. A proof of debt has been lodged with the McWilliam's Administrator; if you would like a copy please let Hannah know. Legal proceedings are on foot against Brand Ventures.

We have considered the required works and divided them into 2 categories: those that are needed in order to significantly improve the leasing marketability of the property (circa \$800k) and those which a potential tenant would be able to visualise and therefore can be deferred till after agreement to lease has been reached but before occupation by a new tenant. If you would like a copy of our list of works and their estimated costs, please let Hannah know.

### **Finance**

The position of the Trust is subject to significant uncertainties –

- a. Norco's occupancy is on a monthly licence and consequently there is uncertainty as to the continuity of the income and outgoings contribution being derived therefrom. Norco has advised that it would like a longer-term arrangement, but we are not pressing for a resolution. The Trust may have an opportunity to enter a 30-year lease of the whole property with an excellent tenant. Unfortunately, the tenant's UK parent company is unlikely to decide before November.
- b. Australia Post's occupancy is on a monthly licence and consequently there is uncertainty as to the continuity of the income and outgoings contribution being derived from AP.
- c. Warehouse B and the office component of Warehouse A are currently vacant, and we do not know when these spaces will generate income
- d. Recovery of moneys owing to the Trust by Brand Ventures and McWilliam's is uncertain as to quantity and timing
- e. Not all works that are needed on the property have been fully costed

Despite the current positive cash flow, the Trust needs to raise equity to proceed with the capital works thought essential for a successful leasing outcome. Delaying these works would in our opinion delay the long-term leasing of the property. The Trustee's current intention is to have 1 for 8 issue at \$1,850 per Unit. Given the large number of uncertainties, the Trustee's estimate of the

Trust's equity needs is likely to be wrong. Earlier recovery of moneys owed to the Trust, earlier positive leasing outcome or simply longer occupation by Australia Post will make the issue seem too large not to say in retrospect precipitate and unnecessary. An increase in costs, a negative leasing outcome and/or early termination of the Norco or Australia Post licences will in the absence of a countervailing positive make the issue inadequate and require a second raising.

#### **Value & Sale**

Our perception of the market is that well-leased, well located properties are holding their values. However, properties which lack a secure prospect of medium-term income have suffered significant diminution in value. There is no current intent to market the property for sale. Our focus is to lease the property and restore value.

#### **Contact**

A lot of new information has been summarised in this email. I would (as I know would other members of the Team) welcome your call or email.

Regards  
David

**02 June, 2020**

#### **Leasing Update**

JLL inspected the property with a national transport company on May 28. Interest was shown in leasing Warehouse A and B. The feedback received was that the property is in a superior location however the building layout was not suitable for their operations, as the company has a higher level of daily movements than our property can easily accommodate. Also, the company already has a satisfactory head office and could not use the quantum of office accommodation afforded by our property.

A food distribution company inspected the property via CBRE on May 26. Interest was shown in the whole property. Feedback was positive with the main attraction being the location and the building insulation that offers a consistent ambient temperature. The company has a preference to buy rather than lease; the agent has advised the company that an offer close to \$50M may be entertained. Arrangements are in train for an inspection by the directors of the company. More on this next month, should there be progress.

#### **Property Update**

To give the property a more attractive marketing appeal, the office partitions and flooring in the office area of Warehouse A are required to be removed. This will offer potential lessees the vision of a clean office floor plate. The strip out works have been tendered out. A contract will be let shortly.

The remedial concrete works in the NW corner of Warehouse A were able to commence earlier than anticipated. The contract for the works was awarded to Soligo Concrete. Upon removal of the sunken slab it was confirmed by the Engineer that minimal subterranean material would be required to be replaced. Consequently, the project is ahead of schedule. Works are expected to be completed by June 5. Once the works are completed, Australia Post will cease being entitled to use Warehouse B free of charge. Australia Post has told our leasing agent that they would like a meeting in the first half of June.



Ramboll Environmental have carried out an analysis of the property. The Hazmat Register is expected to be completed by mid-June; if you would like a copy please let me know. Ramboll have advised that no works in relation to dust containing lead particles is currently required. Prior to any works being undertaken in the ceiling office spaces or the 2nd floor plant room, these areas will need to be vacuumed and the collected dust appropriately disposed.

At the Eastern end of the property, on the northern side, opposite (i.e. east of) Warehouse C there is a deep gully. If the driveway to Warehouse C was to be widened and/or the property further developed with additional improvements, the gully would need to be filled. The driveway to Warehouse C is sufficiently wide for its use and the Trust has no plans to fill the gully. We believe that Charter Hall's plans for the property included the considerable expense of filling the gully. Another Pipeclay trust – the Ingleburn Property Trust - has recently widened a driveway and has circa 600 tons of soil which it would like to dispose. The soil has been tested and has been certified as clean. It has been screened and rubble etc has been removed. It is proposed that the Chullora Land Trust (CLT) allows the Ingleburn Property Trust (IPT) to place that soil into the gully. It is proposed that the IPT pay the CLT a fee of \$10,000. This is a saving for the IPT which otherwise would have tipping costs of \$42k but also a benefit for CLT as any future prospective purchaser will have 600T of soil less to buy and transport to the site. It is proposed that the material removed from below the concrete in the NW corner of Warehouse A also be placed into the gully. This material has been tested and certified clean.

#### **Finance**

Conversations are continuing with the CBA and a finance proposal has been received from NAB. The Rights Issue will take place in June as per David's earlier email. In the meantime, the cost of the concrete works and office strip-out in Warehouse A will be met by drawing on the related party sub-ordinated debt. The concrete works were perceived by us as urgently required in relation to Australia Post and the office strip out as part of the leasing effort.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards  
John

**01 July, 2020**

#### **Leasing Update**

There has been considerable activity but nothing conclusive: -

- i. Australia Post has requested that its Licence cease being month to month but have a fixed period to 31.1.2021.
- ii. Norco has requested the grant of a 3-year Lease over Warehouse C.
- iii. We have reached the proposal stage with one prospective tenant for the whole of Warehouse B and a substantial part of Warehouse A.
- iv. Several inspections have been carried out and/or are planned for later this week.

If you would like a copy of JLL's email summarising their current efforts and/or Norco's email requesting the grant of a Lease, please advise me.

**Property Update**

The office strip out is now completed.

Removal of the seven alcohol storage tanks/silos and associated infrastructure have now been undertaken, giving the affected area more appeal to potential tenants.

The remedial concrete works in NW corner of Warehouse A have now been completed. Subsequently Australia Post has ceased occupying Warehouse B. The subterranean material that was removed from below the concrete has been placed in the rear gully on the north eastern side of the property adjacent to Warehouse C.

Ramboll Environmental have completed the Hazmat Register. No immediate actions are required except for lead paint maintenance which needs to be undertaken.

The repositioning of the soil from the Ingleburn property was unable to be undertaken due to Council requirements.

Given the extensive building works and upgrades that have taken place over the last 8 weeks, new professional photographs have been taken for marketing purposes. If you would like copies, please let me know. Some of the photographs have been posted on the website.

**Finance**

On June 16, the Administrator of McWilliam's advised –

“As a further update to our letter dated 12 June 2020, we advise that a sale and/or recapitalisation of the business and assets of the Group has not yet been completed.

Accordingly, we advise that we have re-opened the sale or recapitalisation process to 30 June 2020, during which there are no preferred buyers or exclusivity arrangements. Interested purchasers have been invited to submit to us final binding offers for the business and assets and/or a recapitalisation via a Deed of Company Arrangement (DOCA) proposal by no later than 5:00 PM (AEST) on 30 June 2020.”

The vicissitudes and uncertainty concerning the Administration of McWilliam's and the Trust's prospects of financial recovery in the Administration and of the leasing efforts have led the Trustee to delay in the Trust's raising of funds. The entitlement issue Explanatory Memorandum is now expected to issue later this week.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted [firstname@pipeclaylawson.com.au](mailto:firstname@pipeclaylawson.com.au) as per my own details below.

Regards,  
John

28 July, 2020

The Trust continues to market the property for lease. If you would like to see a copy of the latest marketing report by JLL (the Trust's appointed agents) please let Hannah know and she will email a copy to you. We are also facilitating inspections by potential purchasers. Apart from a proposal from Norco to convert its licence into a 3+3 year lease on substantially the same terms, the Trust has not received any formal written proposal.

At the meeting of creditors on Friday 24/7/20, which I attended as the Trust's proxy, the Administrator –

- I. Advised that she expects distributions to creditors to be in the range of 94-100 cents in the dollar (previous advice was about 92 cents in the dollar)
- II. Having made appropriate enquiries, she believes that Prcstnt, the acquiror of McWilliam's, has the requisite means and intention to proceed with the transaction
- III. Set out her intended timetable –
  - a. Assuming no legal challenge to the execution of the Scheme of Company Arrangement – execution of the appropriate Deed of Company Arrangement ("DOCA") and the contract with Prcstnt by August 13;
  - b. Stocktake of McWilliam's trading stock – June
  - c. If all of the current shareholders in McWilliam's have not transferred their shares in accordance with the DOCA, commencement of legal proceedings to compel the transfer - September
  - d. October – final transfers of shares, satisfaction of all condition's precedent, payment of money by Prcstnt, termination of the Administration, establishment of the trust in favour of the creditors ("Creditors' Trust")
  - e. Assuming that none of the creditors' claim requires Judicial review, finalisation of all proofs of debt by November 30
  - f. Payment to creditors "before Christmas"

If you would like a copy of any or all of The Administrator's Report to Creditors, the Administrator's presentation slides from the Creditor's Meeting and Minutes of the Creditors Meeting, please advise Hannah, who will email it to you.

As from the date on which the DOCA is executed, a new committee of creditors was constituted. Emil will continue as a member of the creditors' committee.

As previously advised, the Administrator of McWilliam's has made a preliminary assessment of our Trust's proof of debt at \$7,280,000 (including GST); if you would like a copy of that assessment, please advise Hannah. That assessment was for the purpose of voting rights at the meeting of creditors. A final determination remains to be made. We are in communication with the Administrator and providing further information and submissions to assist the Administrator to reach a more accurate assessment. (If you would like a copy of the letter sent on July 27 by the Trust's solicitors to the Administrator's solicitors, please advise Hannah and she will email it to you). As the great majority of the Trust's claim is based on rent and outgoings foregone, the assessment of the Trust's loss depends on the circumstances at the time the assessment is made. If prior to the final assessment, the Trust was to be successful in leasing the property then, depending on the terms of the lease, the Trust's loss of rent and outgoings would clearly be reduced. If prior to the final assessment, the Trust was to sell the property then, on one legal view, the Trust would not suffer any loss of future rent or outgoings. There are thus great uncertainties as to what funds if any and when will be received from the Creditors' Trust –

- i. The claim is yet to be assessed
- ii. We do not know the circumstances that will prevail at the time of the assessment
- iii. There is absence of certainty whether the acquisition by Prcstnt will be completed
- iv. Timing is subject to contingencies.

Two family groups have contacted Pipeclay and expressed their dissatisfaction with the Manager's decision not to accept Ben Fife's proposal for a sale of the property at \$40M (we also received a number of emails supportive of the decision). In accordance with Pipeclay's stated policy of, whilst not being obliged to do so, wishing to facilitate liquidity when requested to do so by a Unitholder, interests associated with the Principals are willing to purchase the Units owned by these Groups at \$2,834 each. This price is equivalent to valuing the property at \$40M, valuing the proof of debt at \$0, valuing the claim against Brand Ventures at \$0, taking into account interest swap break costs as at 30/6/20, the subordinated debt as at July 24 and the outperformance fee that would be payable if the property was sold. If any Unitholder would like to acquire further Units for \$2,834 please advise Emil or me.

Best regards  
David

#### **10 August, 2020**

The Trust has executed the loan Amendment documents with the CBA. The Trust has issued the Convertible Notes. In accordance with its application and payment, 33 Notes have been issued to Assumo (Nominees) Pty Ltd ATF The Assumo Superannuation Fund.

1,450 Units in the Trust (circa 25% of the issued Units) have traded at \$2,834 each. 885 Units were acquired by interests related to the Principals. There is a Unitholder who wishes to sell 100 Units at a price of \$2,900; if any Unitholder wishes to purchase Units at this price, please advise Emil or David.

There are 42 Convertible Notes available for purchase at par from former Unitholders. If any Unitholder wishes to purchase these Convertible Notes, please advise Emil.

On July 31, Ben Fife re-inspected the property. David expects to meet with Ben later this week.

The Administrator has advised that it is considering materials provided to it by the Trust and that it will deliver a "response" no later than August 14.

Structures which were perceived by us as detrimental to the appearance and operation of Warehouse B were removed from the South-western corner of Warehouse B. If you would like to see a photograph of Warehouse B post removal, please advise Hannah.

Regards  
Camilla

#### **03 September, 2020**

JLL, the coordinating leasing agent, continues to market the property. If you would like a copy of the recent marketing report, please let me know.

Pursuant to a request by Australia Post, to provide it certainty of operations to January 31, 2021, an email proposal has been made to it (if you would like a copy, please let me know).

Norco have agreed to take a lease of 4 years over Warehouse C. The lease is in the process of being prepared (if you would like a copy of the draft or final document, please let me know).

Knight Frank, valuers, have assessed the loss suffered by the Trust from loss of rent and outgoings at \$7.9M; if you would like a copy of the Assessment, please let me know. This Assessment is in addition to (and does not consider) the cost of physical works which McWilliam's was obliged to bear in accordance with the Lease (which has been assessed by Napier & Blakeley). The Administrator has appointed Savills, valuers, to assess the loss suffered by the Trust from loss of rent and outgoings. Savills have inspected the Property and the Administrator has advised that its Assessment is due by September 4.

We have asked Ramboll to reissue the Hazardous Materials Register to take into account the rectification carried out by the Trust (Warehouse B, plant room in Warehouse A, fire doors).

100 units in the trust have recently traded at \$2860 each (1 vendor, 2 purchasers).

Luke Libling has joined Pipeclay as an Analyst. Luke studied computer programming at Melbourne University. Prior to joining Pipeclay, Luke has worked as an Analyst for MBP Advisory.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise by writing to Camilla.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards,  
John

#### **01 October, 2020**

As from October 1, Australia Post has extended its Licence to cover Warehouse B. The rent for Warehouse B is \$125 p.sq.m. + GST + proportionate outgoings, repairs, maintenance & insurance.

We have discussed with Australia Post ("AP") its intentions in relation to the property. The property's location is highly convenient to AP being a little over 1 Km from its main parcel sorting facility. AP has not installed in our property the automation that is to be found in its permanent parcel sorting facilities. AP has advised that, since Covid's emergence, it has experienced a material increase in its parcel business and that, for parcel post, the Christmas peak begins in October and ends in January. The Trustee is working on the assumption that Australia Post will not be a long term tenant. JLL, the coordinating leasing agent, continues to market the property. If you would like a copy of the latest marketing report, please let me know.

Since July 22, there has been a sporadic conversation with Fife Capital (you will recall that back then Fife Capital made a proposal to purchase the property for \$40M). The position now reached is that Fife Capital would like an Option to purchase the property for \$43.5M. The non-refundable option fee would be \$2,175,000, but, if the option was exercised, the option fee would be applied to the purchase price. The Trust has agreed to give Fife Capital an exclusive DD period, ending at about the end of October, in order for it to determine whether it wishes to acquire the Option. If Fife

Capital determines that it would like to acquire the Option, the Trustee will call a meeting of Unitholders and make a recommendation of what it regards to be in the interest of the Unitholders at that time. If you would like to see a copy of the Heads of Agreement concerning the DD period and the Option, please advise me.

In the light of these developments, the capital expenditure program has been placed in abeyance. The surplus cash being generated by the Licences is being accumulated; the anticipated income period is too short to warrant asking the Noteholders and the CBA for permission to recommence distributions.

The Administrator has not made its Assessment of the Trust's claim by September 4 (as it had advised it would). The Trust amended its Proof of Debt on September 7; if you would like a copy please advise me. The proof of Debt is \$11,197,947 (including GST) and is now entirely externally validated (principally by Napier & Blakeley concerning the physical condition of the property and Knight Frank, valuers, concerning loss of rent and outgoings). The Administrator has agreed to provide Pipeclay with a copy of the report it has commissioned from Savills, the valuers, but has as yet not done so. As at September 21, we were advised that both the Assessment and the Savills report would be provided "shortly" and we are hopeful, but not confident, that the position with the Administrator will be resolved in October. Before the formal process of debt adjudication can take place, the DOCA must be completed and the operation of the Creditors' Trust must commence, though work in anticipation is, we expect, being carried out.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise us at any time by writing to me.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards  
John

**03 November, 2020**

JLL, the coordinating leasing agent, continues to market the property. If you would like a copy of the recent marketing report, please let me know.

The Norco lease over Warehouse C is in the process of being finalised. Legal representatives are currently working through various amendments. We hope to have the Lease executed this month.

Ramboll Environmental have reissued an updated Hazardous Materials Register with consideration taken to recent works. If you would like copy of the update report, please let me know.

There was a delay in providing Fife Capital with a draft contract. An extension of the DD period to 6 November has been granted; it would not be unreasonable for Fife to request another week

The Administrator has obtained Court Orders to transfer all shares in McWilliam's to the proponents of the DOCA. The Administrator confirmed its prior advice that it expects to finalise all proofs of debt in November and make payments to creditors before the end of December. The Administrator has advised that it will respond to the Trust's proof of debt on November 11.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise by writing to Camilla.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards,  
JOHN COMMISSO

**04 December, 2020**

JLL, the coordinating leasing agent, continue to market the property. If you would like a copy of the recent marketing minutes please let me know.

The Trust has received a letter from the Administrator's solicitors ("HLW") suggesting the appropriate level of the Trust's debt. The Trust has also received a copy of the Savill's report, which is not significantly different from the KF Report obtained by the Trust. If you would like a copy of either or both of these, please, let me know. Unfortunately, HLW chose to depart from the Savill's report. If you would like to see a copy of the Trust's reply, initially from David, and subsequently, from the Trust's solicitors (G+T), please let me know. To summarise-

- i. The Administrator was prepared to admit the Trust's claim in the sum of \$5,481,002.94 + GST
- ii. If the Administrator had accepted its own expert, Savills, the debt to the Trust would be increased by \$2,327,735 + GST
- iii. If the Administrator had regard to actual Outgoings rather than its estimate of Outgoings, the debt to the Trust is increased by \$323,493 + GST
- iv. There is a difference between Savills and KF (the Trust's expert) of \$1,088,763 + GST. This difference between experts needs to be resolved.
- v. The Administrator has rejected \$942,307 + GST of the claim for needed physical works as assessed by Napier & Blakely. As N&B were contractually agreed to be the arbiter and as the Administrator has not engaged an expert in this field, this part of its position is difficult to understand.

The Administrator had previously advised that the sunset date for the DOCA is November 30. The Administrator has not updated its advice to the creditors, generally. In response to the Trust's solicitor's enquiry, the Administrator's solicitors have advised –

We confirm that all of the conditions precedent to the Deed of Company Arrangement (DOCA) have been satisfied or otherwise waived. Accordingly, our clients continue to work towards completion of the DOCA as soon as possible. Our clients will provide an update in due course.

Conversations with Fife Capital are continuing.

We expect progress before Christmas and will report again when there is significant data.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise by writing to Camilla.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards,  
John

#### **10 December, 2020**

Late last week we received confirmation from the Administrators appointed to McWilliams that the proposed purchaser of the McWilliams Group had failed pay the purchase price as required under the Deed of Company Arrangement (DOCA). After consultation with the Creditors Committee of Inspection (of which Emil is a member), the Administrators gave the purchaser a 48 hour extension to make the necessary payment. That deadline was also not met.

Last night the Administrator advised that it intends to call a meeting of Creditors to discuss next steps, most probably termination of the DOCA and a new sale process for the business.

We have been monitoring these developments and the implications for the Trust.

Also last week, Australia Post has expressed interest in extending its tenure of Warehouses A & B and has requested some physical works to the property. We expect to be in a position to give Unitholders a more complete picture of the Trust early next week.

In the interim if you would like to discuss any of the issues outlined please call myself or Emil.

Regards  
David

#### **14 December, 2020**

We met with Australia Post to-day. Australia Post have asked for an extension of its tenure. We have made a proposal to Australia Post for a 3 year lease. The proposal will be internally discussed by the responsible management of Australia Post on Thursday December 24 and we hope a decision will be made at that meeting. If you would like a copy of our proposal please advise Camilla.

We have spoken to CBA and are led to believe that if agreement is concluded with Australia Post the CBA will lift the restriction on payment of distributions. We also anticipate that CBA will grant permission to repay the Convertible Notes. However, CBA's consent to the repayment of the Convertible Notes will be subject to the provision of a fresh valuation of the property.

The last valuation of the property was \$35M. Depending on the level of the new valuation, the Trust may increase its bank debt (presently, \$17.5M) and make a capital distribution.

Our recent experience with the CBA is that everything takes much longer than a pessimistic timing estimate. We therefore have resisted predicting when the Trust will be able to –

- i. Resume monthly distributions;
- ii. Repay the Convertible Notes;
- iii. Make an extraordinary capital distribution.



The first and essential step is to receive a response from Australia Post and we will advise promptly once the Trust is in receipt.

Progress of lease negotiations with Norco has also been slow. Only 2-3 issues remain outstanding and the Trust hopes that the 4 year Lease will be finalised and executed shortly.

KPMG, the McWilliam's Administrator, has advised that Bidco has not paid the purchase price for McWilliam's due under the DOCA. If you would like a copy of correspondence received from the Administrator, please advise Camilla. We are awaiting advice as to the proposed course of administration from here on. The Administrator has to-day called a meeting for Wednesday of the Creditors' Committee of Inspection on which Emil sits. If any material clarity is provided at that meeting we will report further. It seems inevitable that, without payment from Bidco, a delay of circa 6 months will result before the Trust receives any money from the Administration. Also, given the adverse news concerning Australian wines, it seems likely that the realisation from the sale of McWilliam's will be materially less than had been advised by the Administrator.

We are investigating what financial and probity DD the Administrator undertook prior to choosing Bidco's bid in preference to others that were available to the Administrator. If you would like to receive copies of the 3 documents originating from the Administrator and a quick guide referring you to the pertinent parts, please advise Camilla. Whether there has been a breach of duty by the Administrator and whether that sounds in damages to the Trust is a matter to be considered once the Administration has come to an end.

The Trust's conversations with Fife Capital are continuing. We have extended Fife Capital's exclusivity period to COB on January 27, 2021. The Trust has received advice from its solicitors that if the Trust was to sell the property, the Trust's ability to claim as a creditor of McWilliam's may be made somewhat more difficult. If you would like a copy of that advice, please advise Camilla.

Given all of these developments, it is clear that the character of the Trust has changed. A number of courses are open to the Trust including –

- a. Holding the property in its current form;
- b. An upgrade of the property, in particular in relation to its office content;
- c. A development of the spare land at the rear of the property; and
- d. Sale of the property

We intend to call a Meeting of Unitholders for late January/early February to consider the most advantageous way forward.

With Compliments of the Season  
David

**04 February, 2021**

JLL, the coordinating leasing agent, continue to market the property. If you would like a copy of the recent marketing minutes, please let me know.

Australia Post has responded to our proposal with a desire for a 2 +1 years' lease. There is also interest from other potential tenants. We are progressing negotiations with a number of parties and balancing competing considerations (length of term, quality of tenant, level of rent, nature of use and likelihood of a successful conclusion to discussions)

Following the failure of the DOCA with Prcstnt,, the Administrator conducted a second marketing campaign which concluded on January 28. The Administrator advises that a number of offers were received. A meeting of creditors has been called for February 16 at which time the Administrator hopes to recommend a proposal. The Administrator anticipates that the ultimate distribution to creditors will be circa 80c in the dollar. We have no ability to independently assess the information being supplied by the Administrator.

Conversations with Fife Capital are continuing. The property has considerable "vacant" land at the back (the eastern end). The land presents topographical and drainage challenges. We have held preliminary meetings with an engineer and architect as well as preliminary investigations with the Council. Early indications are that a development at the back may be an attractive proposal.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise by writing to Camilla.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards,  
John

#### **04 March, 2021**

JLL, the coordinating leasing agent, continue to market the property. If you would like a copy of the recent marketing minutes, please let me know.

Talks with Australia Post regarding their lease of Warehouses A & B have been concluded. Documenting the commercial agreement will take some time. In the interim, it has been agreed for the rent on Warehouse A to be increased from \$130p/m to \$140p/m as of 1 April 2021.

Norco have been issued with updated lease documents. With border restrictions now eased, a site meeting with senior management from QLD is scheduled to take place on 10 March 2021.

The insurances have been renewed this month following a recent site assessment. A saving in premiums of circa \$13K has been obtained and passed onto the tenants.

Site investigations regarding the possible redevelopment of the vacant land at the back (the eastern end) continue. We expect to call a Meeting of Unitholders in April to consider that opportunity and the alternative being the sale proposal from Fife Capital.

KPMG have advised that they are negotiating with a number of parties to achieve a sale of McWilliam's business or assets. Federal Court of Australia orders require a meeting of creditors no later than 30 April 2021. Consequently, negotiations could continue until then though KPMG are hoping for a sooner resolution.

The trust is currently holding circa \$1,385,000 in cash. Funds continue to accumulate from license rents. CBA does not permit distributions to Unitholders and/or repayment of the Convertible Note. We hope to achieve a change in the Bank's approach by May.

Pipeclay has carried out an analysis of its investment performance to date. A Unitholder who invested in a 100 Units (or any other consistent number) in every Pipeclay Trust would as at 30/6/2020 have an IRR of 23.09% based on the Directors estimate of unit values as at that date. A Unitholder who took up a consistent percentage of the equity in each Pipeclay Unit Trust would have done slightly better (23.68%) over the same period. If you would like to see or discuss the analysis, please contact Luke (0433 446 643).

Pipeclay will recalculate the IRR as at 1/7/21 and will advise the updated outcomes when it advises Unit values as at July 1.

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We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Regards,  
John

**06 April, 2021**

The Trust's solicitors have issued a draft lease to Australia Post. If you would like to see a copy of the draft lease please let John know.

There has been no news from the Administrator. We are disturbed by the Administrator's performance. The Trust's solicitor has written to the Administrator posing a number of questions. If you would like to see a copy of the letter please let John know.

During the recent heavy rains, the roof had no leaks. However, 3 downpipes and long sections of flashing developed problems; they are being attended to.

Site investigations regarding the possible redevelopment of the vacant land at the back (the eastern end) continue. The topography is challenging but we believe that the land represents a valuable opportunity to the Trust.

We continue to work with the CBA and still hope to resume distributions next month.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise by writing to Camilla.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards  
David

**05 May, 2021**

In order to resume distributions, the Trust needs CBA's consent and to repay the Convertible Notes. Contrary to many assurances, CBA has not as yet reached a determination which would enable the Trust to resume distributions. We have taken steps to obtain a fresh valuation of the property,

which we expect will enable the Trust to repay the Convertible Notes and resume distributions. Unfortunately, the timetable is not in our control. The aim is to have the valuation by the end of this month and an outcome from the Bank before the end of the financial year. We are conscious of the fact that the Trust has and continues to accumulate income which is assessable in the hands of the Unitholders and will be seeking permission from the Bank to make a catch-up distribution.

The Administrator has executed contracts for the sale of the McWilliam's business and assets. On April 23, it made available to Pipeclay its report to creditors (if you would like electronic access to the report, please advise Camilla). On April 30 at a meeting of creditors, the sale was approved. The Administrator has advised that it believes that the sale will settle on May 10. The Administrator's guidance as to the likely outcome to creditors is extremely wide ranging between 50 & 90c in the dollar of admitted proof of debt. On the 28th of April, the Administrator wrote to the Trust setting out its calculations of the debt to the Trust, but for voting purposes only; if you would like to see a copy of the letter please advise Camilla. The Administrator has not been willing to engage with the Trust concerning the proof of debt whilst it is focused on the sale process (which has been the case for the last 6 months or so). One can hope that after May 10, the Administrator will focus on the proofs of debt. The Administrator is not anticipating making payments to creditors this financial year.

Site investigations are progressing; we aim to have a report to the Unitholders in June/July

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise by writing to Camilla.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards  
David

**04 June, 2021**

The Administrator has advised that both contracts for the sale of the McWilliam's assets have settled.

Site investigations are progressing; we aim to have a report to the Unitholders in July. Conversations with Australia Post are ongoing. We have been following up the Bank.

If you do not wish to receive the monthly email, and/or new Information Memorandums issued by Pipeclay Lawson Ltd, please advise by writing to Camilla.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards  
David

**05 July, 2021**

Knight Frank has valued the property at \$43.5M (if you would like a copy of the valuation, please advise Hannah). Notwithstanding that the current LVR is 40.2%, CBA has not yet reached a decision

allowing the Trust to resume distributions. A meeting with more senior officers was postponed due to Covid; we expect it to take place later this month.

In the last 6 weeks, we have had a series of advice from Australia Post (AP). Initially, AP advised that it wishes to continue with a 2 year lease of Warehouse A but wishes to give up occupancy of Warehouse B immediately, then we were advised that AP wishes to give up the occupancy of the property altogether, then that it wishes to retain Warehouse A till February. Finally, as of Friday, AP would like to remain in both Warehouses "until February". AP has offered the Trust 3 months gross rent as compensation for renegeing on the arrangement to lease.

In June, the Trust has recommenced marketing the property for lease through JLL.

The Administrator has asked for a report from JLL on the Trust's leasing activities which we expect to have early next week (if you would like a copy please advise Hannah).

A Unitholder is looking to increase its holding. If you are interested in selling any Units please advise Emil or me the quantum and price.

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards  
David

### 03 August, 2021

Covid and the associated lock-downs have brought all activity to a stand-still:

- # inspections have ceased;
- # only off-site assessments of costs of any potential improvements to the site can be undertaken; and
- # the Trust is in a meaningful conversation with one potential lessee of Warehouse A (after it is vacated by Australia Post) but there is a wide gap to be bridged in our respective expectations on rent and other terms.

CBA continues to advise that it will permit distributions to resume and that it will provide additional financial assistance to enable the repayment of Convertible Notes but the required formal advice and documentation continues to be absent. The Trustee has made it clear to CBA that delay beyond this month will lead to a refinancing with another Bank.

To assist Unitholders which are Superannuation trusts, the Trustee annually assesses Unit value by applying the Valuation Policy. As at 1 July 2021 the Unit Value was assessed at \$3,300. The Valuation Policy requires the Trustee to assume that the value of the property is as stated in the latest written external valuation by the bank appointed valuer except as modified by any communication from that valuer. Consequently, the Trustee assumed the value of the property owned by the Trust is \$43.5M. In assessing the Unit Value, the Trustee made no allowance for any receipt from the Administrative of McWilliam's as there was insufficient data for an estimate.

Last week, Emil and I had a discussion with the two of the Administrators and one of their employees. The discussion sought to resolve the dispute as to the quantum of the Trust's proof of debt in a commercial manner. No resolution was reached but progress was made. A further

discussion is expected this month. The Administrator advised that its pay-out to creditors is likely to be somewhere between 60 and 70c in the dollar of claim admitted.

The Trustee also annually calculates the performance of each of the Pipeclay Trusts.

On the basis of the Unit value as at 1 July 2021, each of the Unitholders who acquired the Units on the establishment of the Trust on 26/9/2014 by paying \$1,000 per Unit, has had a compound return of 35.75% p.a. over the last six-and-three-quarters years.

An investor who had taken up the same percentage of Units in each of Pipeclay's trusts would have on the basis of the July 1, 2021 valuations, achieved an IRR of 25.48% since September 24, 2013.

If you would like to see or discuss the model, please contact Luke

We welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards,  
David

**01 September, 2021**

The Trust has, subject to the execution of a formal agreement, reached an understanding with the Administrator of McWilliam's. The Administrator will admit the Trust's Proof of Debt in the sum of \$8.25M and will allow the Trust to keep any recovery the Trust may make from Brand Ventures. The latest advice from the Administrator is that the pay-out will be in the range of 57-63c in the dollar. The Administrator expects to make the first and final payment on October 1. All going well, the Trust will receive between \$4.7M and \$5.2M. The Trust's proceedings against Brand Ventures have been truncated into two parts. In relation to Pipeclay's claim for the condition of the property, on August 19, Judgement has been entered in favour of the Trust for \$283,106.54; if you would like a copy of the Judgement, please advise Hannah. The Hearing for the occupancy charges incurred by Brand Ventures is expected to be listed shortly. The Trust has no visibility on BV's resources.

As you know, the Trust is receiving rents of circa \$143 p.sq.m. for Warehouses A, B & C. This is below prevailing Chullora rents of circa \$165 p.sq.m. and reflects the condition of the property. The Trust has the following options –

- i. To sell the property as is;
- ii. To lease the property (after Australia Post vacates) in an as is condition;
- iii. To upgrade the property and then lease it;
- iv. To upgrade the property and carry out a development at the rear.

Co-incidentally, the Trust has received an unsolicited assessment of the value of the Property from CBRE. In CBRE's view the current market value of the property is between \$60.15M and \$63.8M. If you would like a copy, please advise Luke.

Leasing the property in an as is condition poses two major problems:-

- a. The offices are not able to be leased until refurbished;
- b. Warehouse B has a mezzanine and an insufficiently strong floor slab. Australia Post is using the warehouse in this condition and there may be others who could find it useful. However,

Savills valuation have assessed Warehouse B (for the Administrator) as almost unleaseable and Knight Frank have assessed it as having a market rent of \$80 p.sq.m. and requiring a 27.5% incentive. If you would like a copy of either or both assessments, please advise Luke.

To upgrade the property to be able to command rents of \$165 p.sq.m. the following works would need to be undertaken –

1. Refurbishment of the offices;
2. New landscaping;
3. New Western façade for the building;
4. New Southern façade for the building;
5. Reconcreting of the Southern driveway;
6. Removal of the mezzanine in Warehouse B;
7. Strengthening of the concrete floor in Warehouse B;
8. Construction of additional roller doors; and
9. Sundry smaller items.

The current lock-down has restricted our ability to receive professional services and quotations. We have, however, received detailed engineering assessment of the slab in Warehouse B; if you would like a copy please advise Luke. We have also received architectural concept plans for the facades; if you would like a copy please advise Luke. The Manager's assessment of the cost of the refurbishment/upgrade is \$6.5M. With Covid related restrictions easing, we are expecting to have an externally validated cost of refurbishment works by the end of October. If the refurbishment would result in a \$20 p.sq.m. increase in the market rent for Warehouses A & B and a \$165 p.sq.m. increase in the market rent for the offices, the increase in the market rent for the property is \$594,750 p.a. Of course, if one was to take Knight Frank's or Savill's view of the current market rent of Warehouse B, the benefit of the refurbishment would be significantly greater. There is also the prospect that the refurbishment would lift the market rent for Warehouse C.

There is underutilized land to the rear of the existing building. If you would like a copy of the survey of the property which shows the spare land please advise Luke. We believe that the land can support a development of circa 8,000 sq.m. We have received preliminary architectural and engineering designs. If you would like a copy of either or both, please advise Luke. Back of the envelope numbers indicate that such a development could be highly profitable. There is however, topography issue which could lead to material changes in cost. Also, what is proposed is a 2 storey development, which is rare in Sydney. We have completed our preliminary feasibility study but it has highlighted the need for detailed engineering and construction drawings before we can get a reliable estimate of the associated constructions costs. The total cost this exercise is expected to be \$200,000. We expect to have it completed by Xmas.

The Trustee is conscious of the fact that the original concept for the Trust was to be a passive holder of land until 2025 (when the McWilliam's lease was set to expire). The original plan had become impossible once McWilliam's went into administration in January of last year. The Trustee is weighing the four options outlined and expects to make a decision this month and if appropriate to call a Meeting of Unitholders.

We are yet to hear from the CBA. The Trustee has had a positive preliminary conversation with NAB, who are considering our proposal for them to refinance the CBA and the CNotes and to provide additional funding for the refurbishment works. We would also like to be able to distribute some of the dividend received from the Administrator to Unitholders. The Trust has applied for a \$23.925M (i.e. 55% of the latest valuation of \$43.5M) facility with NAB,

We expect an answer from NAB by the end of September.

As always, we welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted `firstname@pipeclaylawson.com.au` as per my own details below.

Best Regards  
David

### **30 September, 2021**

The Trust has received \$4.95M (plus GST) being the interim distribution from the Administrator of McWilliam's. The Trustee will, in mid-October, apply \$1,887,000 to the redemption of the Convertible Notes. The Trustee intends to retain the balance of the funds until it and the Unitholders have made a determination whether to sell or redevelop the Anzac Street property.

With Covid restrictions ameliorating, the Trustee has decided to test the market and see what price is achievable for the Anzac Street property. Depending on the price that is available, it may be (or not) that selling rather than redeveloping the property would be in the interest of the Unitholders.

The Trustee is of the opinion that selling the Anzac Street property as a part of a portfolio, with three other properties, is likely to result in more interest from more substantial parties and ultimately in a higher price being achieved than if the property was marketed by itself. Consequently, the property is being offered for sale together with –

- a. A property known as 128 Russell Street, Emu Plains, Sydney, owned by the Steelmakers Trust;
- b. A property known as 13 Ferndell Street, South Granville, Sydney, also owned by the Steelmakers Trust; and
- c. A property known as 55 Brownlee Street, Pinkenba, Brisbane owned by the Brownlee Property Trust.

Whilst the Anzac Street property is being offered as part of a portfolio, it is also being marketed for individual sale and interested parties will be asked to ascribe individual values to each property for which they bid. If you would like a copy of the IM and/or the Supplementary Information (prepared for institutional bidders) please advise Luke.

The Trust has reached agreement with Australia Post ("AP"). AP's occupation of Warehouses A & B will terminate on January 31, 2022. AP will pay the Trust an additional 3 months of rent and outgoings, effectively providing continued income to the end of April 2022.

The termination of the AP licence and the resolution of claims with the Administrator, clear the path for the redevelopment of the property (should that be thought the more attractive option) and the leasing of the Anzac Street property based, not on an as is condition, but, on the proposed improvements and GLA enlargement. There is some interest in the existing improvements but nothing that warrants excitement. If you would like a copy of the latest JLL Leasing Report, please advise Hannah.

Brand Ventures has requested that it be permitted to pay the Judgement Debt in instalments. The Trustee inclines to agree, on terms, to the proposed arrangement.



There have been no other significant developments.

As always, we welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards  
David

**02 November, 2021**

The Trust has entered into Heads of Agreement (HOA) with Umall Australia Pty Ltd. Pursuant to the HOA, Umall will lease circa 7,123 sq.m. being Warehouse B, the balance of Warehouse A (the rest being leased to Lawrence Dry Cleaners) and 500 sq.m. of office. The lease will run for 10 years from 1.8.2022. The starting rent is \$165 p.sq.m. The Trustee is required to carry out various building works, largely, but not entirely, as anticipated and planned. If you would like to see a copy of the HOA, please advise Hannah.

A draft lease has been issued to Lawrence Dry Cleaners and is the subject of communications between solicitors, which is progressing well.

Assuming that both the Lawrence and the Umall HOAs are converted into leases, Warehouses A & B + 800 sq.m. of office will be leased for 10 years. Warehouse C remains under licence to Norco and 800 sq.m. of office remains vacant. The "spare" land at the Eastern end of the property remains the subject of a development feasibility. Potentially this is an attractive package to hold long term. However, the Trustee has considered the risks of construction/development, possible interest rate changes and changes in property yields, the potential difficulty of leasing the remaining office and newly built space a year or more hence and concluded that it is in the interest of the Unitholders to sell the property. The Trustee will shortly issue a Notice of Meeting seeking Unitholders' approval to sell the property.

The Trustee has in consequence of the Expressions of Interest campaign received proposals to sell the property at a price and on terms which it regards as in the interests of the Unitholders. The Trustee is expecting to shortly conclude an HOA for the sale of the property. The HOA will be conditional on DD by the purchaser, execution of contract by both parties and Unitholder approval. Once the HOA is concluded, the Trustee expects to call a meeting of Unitholders and be in a position to provide the Unitholders with details of the proposed transaction.

The Trustee has reached agreement with Brand Ventures to allow it to pay its Judgment Debt in monthly instalments. The unpaid portion carries interest at Court rates of interest. The Trustee is endeavouring to settle the outstanding portion of its claim against BV without the need of a further Hearing which is listed for December 9.

There have been no other significant developments.

As always, we welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards  
David

**02 December, 2021**

The Trust has entered into Heads of Agreement (HOA) with Hines (Aus) Investment Services Pty Ltd (Hines) for the sale of the Anzac Street property (and the other properties which were concurrently marketed by Pipeclay). Pursuant to the HOA-

- # Hines has been granted an exclusive dealing period until December 15;
- # there are milestones for Hines' DD and progress towards contract execution.

A key milestone of confirmation of valuation support has been met for the Anzac Street property (and the other properties which were concurrently marketed by Pipeclay).

Inspections by environmental, physical due diligence and geotechnical consultants have been completed in due time for the Anzac Street property (and the other Sydney properties). Geotechnical inspection and a survey were delayed in relation to the Brisbane property. It looks likely that Technical DD Assessment will not be completed in relation to the Brisbane property by the milestone date of December 7. We do not know what effect, if any, the delay in obtaining geotechnical advice and the survey for the Brisbane property will have on our Trust's sale timetable. To-date, the only issue arising out of DD that has been raised by the Purchaser does not relate to our Trust and does not appear significant. The Purchasers' Requests for Information (RFI) continue to be received though the milestone date is well passed and are unusually many and thorough. However, except for timing, they do not present an issue.

Hines has met its FIRB application milestone of November 18, ten days early. Hines' ultimate parent is an American company but Pipeclay does not have visibility on Hines' source of funds for this acquisition. Hines has expressed confidence that FIRB approval will be granted but the Trustee has no visibility on the progress of the application and the likely timing of its resolution.

There has been a few days delay in the Trust's solicitors receiving responses to the draft contract but we believe that the December 7 milestone for the final form of contract to be agreed will be met.

Final Purchaser Investment Committee and Board Approval are scheduled to be considered at a meeting scheduled for 10 December.

Once the Trustee has been advised that final investment committee approval has been granted, the Trustee intends to call a Meeting of Unitholders to consider and, if thought appropriate, approve the sale. In order not to have to schedule a Meeting of Unitholders during early January, the Trustee is seeking Unitholders' consent to the Notice for Meeting being abridged from 14 days to 2 days. The Trustee intends to issue the Notice of Meeting and the Explanatory Memorandum on December 11 and hold the Meeting on December 16; we are asking for a shorter notice period as insurance. Under the Constitution, for consent to short notice to be valid it must be received from every Unitholder. If you agree to the proposed short notice, please advise us by email.

Assuming that the Purchaser's Investment Committee gives final approval and the Unitholders resolve to sell the property, exchange of contracts is targeted for December 15 and settlement for the latter of FIRB approval and 20 business days after exchange.

In the meantime, the Trustee continues to manage the property and the Trust as if a sale was not going to take place –

- # The lease with Lawrence Dry Cleaners has been agreed and execution is expected shortly;
- # The property has insufficient power (electricity) to accommodate both Lawrence and Umall. The Trust has hired an electrical consultant with a view to increasing the power delivery to the site.
- # We have discussed the power issue with Umall and the likely solution is a delay in Umall's lease start date. Following the discussions, a draft lease has been issued to Umall;
- # The Trust has given notice to Norco of a rental increase to \$165 p.sq.m. as from February 1;
- # Alternate designs for strengthening the floor in Warehouse B have been developed and are being costed
- # The remaining portion of litigation with Brand Ventures has been settled on the basis that a further \$88,500 is to be paid to the Trust on 21 December

However, there has been little progress on the potential development at the rear of the site. The Trustee concluded that the substantial cost of further progress was not warranted unless a decision not to sell the property was made. There has been no further news from the Administrator concerning the mooted further distribution to creditors.

There have been no other significant developments.

As always, we welcome your input. Each member of the team can be contacted by email. Our email addresses are formatted firstname@pipeclaylawson.com.au as per my own details below.

Best Regards  
David

#### **21 December, 2021**

The Trustee has today exchanged executed contracts for the sale of the Trust property in accordance with the resolution approved by Unitholders on 16 December 2021. Overnight the purchaser will deposit 5% of the purchase price with the Trust's solicitors. Settlement of the sale is subject to FIRB approval. There is no change to the expected timetable for completion of the sale.

Regards  
Emil

#### **02 February, 2022**

The Lease with Lawrence Dry Cleaning has been executed; if you would like a copy please advise Camilla. We expect the lease with Umall to be executed this month. The rent increase to \$165 p.sq.m. for Warehouse C (Norco) has taken effect as from 1 February. The Australia Post tenancy has terminated. AP and Pipeclay has agreed a list of make-good items but there is disagreement as to the cost of the required works. Negotiations are likely to conclude this month. If you would like further details please contact John who has carriage of this issue.

On January 31, there was a meeting on site attended by Lawrence, Hines, Pipeclay and various consultants to discuss 10 items of works which are required pursuant to the Lawrence lease. No immediate problems are apparent, except in relation to power. There has been good progress on the design of a sub-station to deliver additional power. Lawrence have recently advised a significant increase in their power requirement (to more than 250% of the landlord's obligations under the lease), which is likely to require a restart to the design process and may lead to disproportionate costs from the energy provider (if the sale proceeds, these would not be to the Trust's account). If

you would like further details in relation to the works, please contact Luke who has carriage of the matter.

Our current insurers have expressed two concerns First, commercial laundries are seen as a fire risk, principally due to high generation of lint. Secondly, the roof of our building is insulated with stramit, a material which provides superior heat insulation but is more readily combustible than other insulating materials. Various solutions ranging from changing insurers to removal of the stramit are being considered; a decision based on cost and long term utility is yet to be made.

FIRB has a statutory obligation to respond by 14 February 2022 to the application to sell the property to Hines. Nevertheless, we expect FIRB's response to be delayed. We understand that an unusually large number of applications are currently before FIRB. There are also staffing issues due to Covid and work from home arrangements. We have no visibility on the likely period of delay.

There is no other material news.

Best regards  
David

**02 March, 2022**

FIRB had a statutory obligation to respond by 14 February 2022 to the application to sell the property to Hines. FIRB requested Hines' consent to extend the statutory period by 1 month. After consulting with Pipeclay and taking advice from its solicitors, Hines agreed to the response date being no later than 5 March 2022. Pipeclay is unaware of any further communications with FIRB. Hines have advised that "they have received FIRB approval to purchase assets in alternate sectors (Commercial) with no concerns re their eligibility".

Pipeclay and Usmall have agreed a draft lease suitable for execution. The draft is presently being reviewed by Hines.

The insurance concerns are continuing. Work on sub-station design is ongoing.

Australia Post has vacated the premises and paid in full the agreed early vacation fee \$616,910.58 and an agreed sum for make-good (\$125k). If, as we expect, the sale proceeds the make-good amount will be credited to Hines but the early termination fee will be retained by the Trust

I hope to write to you more fully next week.

Best regards  
David

**04 March, 2022**

Hines have advised that a further extension of time has been granted to FIRB to the 21st of March. Hines have advised that "The consultation phase (Hines responding to RFI's from FIRB) is complete and so it is now just administrative processing from FIRB's perspective. They have a new "quality assurance" process prior to signing off approvals and this is the apparent cause for the delay."

If FIRB, as is our expectation, approves the sale, settlement will be due 20 Business Days after FIRB approval.

Under the Contract of Sale, 31st of March is the drop-dead date in the event that FIRB has not given its approval by that date. Discussions have commenced with Hines concerning a possible extension of the drop-dead date to mid-April.

Best regards  
David

**10 March, 2022**

We have been advised by Hines to-day that it has received FIRB approval. Consequently, the contract of sale of our property in Anzac Street Chullora is now unconditional. We expect settlement to take place on or about April 7.

There will be no monthly email early in April; you can expect an interim capital distribution on or about April 11 and an email shortly thereafter.

Best regards  
David

**08 April, 2022**

The sale of our Anzac Street property settled late yesterday. Also yesterday, the Trust repaid its debt to the Bank and terminated its interest rate swaps. If you would like a copy of the Sale settlement statement or the Swap termination statement, please advise Camilla.

You will recall that the Trust bought the property in late 2014. The subscription price per Unit was \$1,000 which was returned as to \$345 in December 2016 and \$665 in November 2019. I am delighted to advise that the Manager estimates a further per Unit capital return of \$9,011, made up of 2 payments:-

- # to-day a payment of \$8,590 per Unit is being made;
- # the 2nd payment will be made in circa 4 months. It awaits the release of the Warranty security (\$1.95M) which is due on July 7, the finalisation of the Trust's accounts for FY22 and the processing of the final GST return in July. The current estimate is \$421 per Unit. There is a number of relatively small items which cumulatively may lead to a change in either direction. Also, the \$421 per Unit assumes that Trust will not receive a further distribution from the Administrator of McWilliams.

In the EM issued for the December 2021 Unitholders Meeting, the estimated proceeds from sale were \$9,084 per Unit or \$73 per Unit more than the current estimate. The principal difference stems from the fact that the Trustee has lost confidence that the final payment from the Administrator of McWilliams will be made. There are also differences in actual (as against estimated) costs, principal of which being the leasing costs for Lawrence Laundry.

This outcome materially exceeds the forecasts which we made in the IM issued in December 2013 and Camilla will be inviting you shortly to a celebration on May 7. Sandy, Emil and the rest of the Team (including me) look forward to seeing you. Apart from that, unless there is a material change as to the likely timing or quantum of the 2nd payment, there will be no further email concerning the Trust until the final payment is made.

Best regards  
David

**15 May, 2023**

On 28 April Pipeclay Lawson received an unexpected final dividend from the McWilliams Wines Administrator of \$186,037.50, representing \$0.0205 cents in the dollar in respect of the Chullora Land Trust's admitted claim. Receipt of the dividend means that the Chullora Land Trust will need to submit an FY2023 tax return and further performance fees are payable to the trustee.

As a result, a distribution of \$22.45 per unit was paid to Chullora Land Trust unitholders on 13 May.

Annual tax statements will be prepared and sent to you no later than the beginning of September.

Receipt of the dividend increased the IRR on the investment to 45.85%.

Regards  
Camilla