

Response to Provisional Liquidators report issued by Dye & Co on 27 August 2020

6 September 2020

The following information is provided in response to the Provisional Liquidators Report (“**Report**”) issued by Dye & Co dated 27 August relating to IPO Wealth Holdings No 2 Pty Ltd & Ors pursuant to the orders of the Honourable Justice Robson made 2 July 2020.

General Responses

1. The Report fails to reference the IPO Wealth Fund (“**Fund**”) Information Memorandum which is the key governing document for the Fund. All transactions reported on are compliant and within the scope of the Information Memorandum issued by Vasco Trustees Limited.
2. The Report misrepresents the solvency position of the Special-Purpose Companies (SPVs) for the following reasons:
 - a) The SPVs are investment holding companies only, not operating businesses;
 - b) The SPVs do not trade or incur liabilities to external parties;
 - c) The balance sheets of the SPVs contain no creditors; and
 - d) The balance sheet of the Borrower contains no loan receivables from the SPVs;
 - e) The Borrower is allocated shares in the SPV on incorporation equivalent to the amount advanced for investment purposes; and
 - f) Further advances are recorded as “unissued equity” which characterises the investment as equity.

The SPVs are therefore not insolvent. The mischaracterisation of these entities in the Report is false and misleading.

A copy of the financials can be provided to ASIC to confirm this position if required.

3. The Report makes unsubstantiated statements to bring into question Mr Mawhinney’s integrity with respect to the provision of books and records, without providing any detail, context or explanation. These statements are misleading.

Specific Responses

Page 5, paragraph 2	<p>“...Mr Mawhinney’s family trust...”</p> <p>This statement is false and misleading.</p>
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	<p>The trust is not Mr Mawhinney’s family trust.</p>
<p>Page 5, paragraph 4</p>	<p>“...members of the public have invested...”</p> <p>This statement is misleading.</p> <p>Section 1.0 of the Fund’s Information Memorandum specifies that the “Offer is only available to Qualifying investors”. Companies, trusts and self-managed superannuation funds are unitholders in the Fund. These entities do not constitute “members of the public”.</p>
<p>Page 5, paragraph 4</p>	<p>“...some of the investments have been redeemed” is incorrect and misleading.</p> <p>This statement is false and misleading.</p> <p>The Fund does not redeem investments. Unitholders redeem units as it is a unit trust.</p>
<p>Page 6, paragraph 1</p>	<p>“...funds were lent variously by the Borrower to the SPVs...”</p> <p>This statement is false and misleading.</p> <p>The balance sheets of all SPVs show no monies owing to the Borrower. The Borrower’s balance sheet contains no loan receivables from the SPVs. See ‘General Responses’ above.</p>
<p>Page 6, paragraph 1</p>	<p>“...the Borrower’s loans to the SPVs are unsecured”</p> <p>This statement is false and misleading.</p> <p>There are no loans to the SPVs from the Borrower. The SPVs are owned outright by the Borrower.</p>
<p>Page 6, paragraph 2</p>	<p>“...generally illiquid in nature”</p> <p>This statement is misleading.</p> <p>Section 5.0 of the Fund’s Information Memorandum discloses that “the Fund is an illiquid investment” which is reflective of the illiquid nature of the investment holdings of the Borrower.</p>
<p>Page 6, paragraph 2</p>	<p>“These investments...might not mature for a period of at least [grammatical error corrected] three (3) years”</p> <p>This statement is false, misleading and unsubstantiated.</p> <p>Many investments are capable of being realised within a 3 year period by way of trade sale, IPO, on-selling, internal realisation, or re-finance.</p>

<p>Page 6, paragraph 3</p>	<p>“...significant cash flow issues”</p> <p>This statement is false and misleading.</p> <p>The loan was current until 31 March 2020.</p>
<p>Page 6, paragraph 3</p>	<p>“...investments were somewhat speculative in nature”</p> <p>This statement is false and misleading.</p> <p>All investments are carefully selected and fit within the Group’s overall investment strategy. Due diligence is conducted on each investment prior to any investment being made.</p> <p>All investments are compliant and are within the scope of the Fund’s Information Memorandum issued by Vasco Trustees Limited.</p>
<p>Page 6, paragraph 5</p>	<p>“It is of particular concern that some SPV investments...have been transferred out of the IPO Wealth Group to other entities within the broader Mayfair 101 group”</p> <p>This statement is false and misleading.</p> <p>The transactions are compliant and are within the scope of the Fund’s Information Memorandum issued by Vasco Trustees Limited.</p>
<p>Page 6, paragraph 6</p>	<p>“We have encountered difficulties in our attempts to obtain copies of the books and records of the Borrower and the SPVs”.</p> <p>This statement is false and misleading.</p> <p>Access was promptly granted to the IPO Wealth Holdings group’s accounting package and cloud-based data storage.</p>
<p>Page 9, paragraph 4(i)</p>	<p>“a number of account holders of the G-Suite Cloud based storage system utilised by the Entities had recently been deleted from the system.”</p> <p>This statement is inaccurate, misleading and unsubstantiated.</p> <p>No source documents were deleted. The G-Suite accounts in question were not the property of the IPO Wealth Holdings group.</p>
<p>Page 9, paragraph 4(ii)</p>	<p>“a bulk deletion of documents had recently occurred on one of the laptop computers”</p> <p>This statement is inaccurate, misleading and unsubstantiated.</p>

	<p>No source documents were deleted. The IPO Wealth Holdings group owns no laptops, computer hardware or storage devices.</p>
<p>Page 10, paragraph 4</p>	<p>“...it has become clear that the Borrower and the SPVs...had significant dealings with other companies within the Mayfair 101 Group”</p> <p>This statement is misleading.</p> <p>The transactions are compliant and are within the scope of the Fund’s Information Memorandum issued by Vasco Trustees Limited.</p>
<p>Page 10, paragraph 4</p>	<p>“We have identified both a large number of cash movements between the Borrower and other companies in the Group as well as the disposal of assets to those companies.”</p> <p>This statement is misleading.</p> <p>The transactions are compliant and are within the scope of the Fund’s Information Memorandum issued by Vasco Trustees Limited.</p>
<p>Page 11, paragraph 4</p>	<p>“It appears that potentially both the income received and the assets held may have been overstated as at 30 June 2017”</p> <p>This statement is unsubstantiated.</p> <p>The Borrower had been operating for just two months.</p> <p>Accounting firm PKF undertook a review of assets as at 30 June 2019 and concluded there were “no material issues” with the existence and valuation of the assets held by the Borrower and SPVs.</p>
<p>Page 11, paragraph 6</p>	<p>“failed to produce any signed financial statements for the years ended 30 June 2018 and 30 June 2019”</p> <p>This statement is misleading and erroneous. No such failure exists.</p> <p>The 30 June 2018 accounts were lodged and filed with the Australian Taxation Office for the Borrower and all SPVs.</p> <p>No requirement existed to produce signed financial statements for 2019. The 30 June 2019 accounts were due to be filed by the deadline of 5 June 2020. Dye & Co were appointed as Receivers & Managers on 22 May 2020 and disconnected access to the IPO Wealth Holdings groups accounting system.</p>

<p>Page 11, paragraph 6</p>	<p>“...it has been difficult to come to a concluded view of any particular transaction recorded in the accounts as they are all effectively still in draft”</p> <p>This statement is conflicting and contradictory to the contents of the Report.</p> <p>The Report makes many assertions relying on financial information, however this particular statement acknowledges that the accounts are in draft (which they are) and should therefore not be relied upon to draw such conclusions.</p>
<p>Page 11, paragraph 8</p>	<p>“During his public examination...[Mr Mawhinney] acknowledged that he was the ultimate decision-maker in the group.”</p> <p>This statement is incomplete and misleading.</p> <p>In the public examination Mr Mawhinney referred to various external professional service advisers he relied on to provide accounting, taxation and legal advice. In particular, he referred to the advice received and relied on from Pinnacle Advisory Group, the Group’s former accounting, tax and legal advisers.</p>
<p>Page 12, paragraph 2</p>	<p>“...Mr Mawhinney had still not produced such evidence when his examination commenced on 19 August”</p> <p>This statement is misleading.</p> <p>The documents were prepared and uploaded to a Google Drive folder prior to 19 August 2020 and provided to the Group’s instructing solicitors. The due diligence folder failed to copy across, however was since provided promptly by the evening of 19 August 2020 after the discrepancy had been identified.</p>
<p>Page 12, bullet points</p>	<p>Each bullet point statement is either erroneous or unsubstantiated, and is therefore misleading.</p> <p>All statements are without justification or supporting documentation.</p>
<p>Page 13, paragraph 1</p>	<p>“...Mr Mawhinney contended that the IPO Wealth Group had an ‘internal valuation policy’ and ‘valuation metrics...’</p> <p>The inclusion of the transcript from the public examination is inconclusive and is therefore misleading.</p> <p>Dye & Co have failed to include the written description of the valuation methodology contained within a document they were provided.</p>
<p>Page 13, paragraph 6</p>	<p>“It had the effect of artificially inflating the value of the investments.”</p>

	<p>This statement is erroneous and misleading.</p> <p>Expenses were not added to the value of the investment held by the SPV. Expenses were allocated to the SPV as an investment of capital into the SPV itself.</p>
Page 14, paragraph 4	<p>“We understand from our investigations that the Borrower provided these funds to 101 [Investments Limited] to invest in revenue stream agreements”</p> <p>This statement is misleading.</p> <p>101 Investments Limited has no borrowings from the IPO Wealth Holdings group.</p>
Page 14, paragraph 4	<p>“We note that there is no loan agreement between the entities”</p> <p>This statement contradicts the assertions made in the First Receiver’s Report, Second Receiver’s Report, and the Court submissions of Vasco which alleged a 15 year loan agreement existed between the Borrower and 101 Investments Limited.</p> <p>No such loan existed.</p>
Page 16, paragraph 4	<p>“In our view, the following loans ought to have been secured...”</p> <p>This statement is misleading.</p> <p>There was no requirement to secure debts. The transactions are compliant and are within the scope of the Fund’s Information Memorandum issued by Vasco Trustees Limited.</p>
Page 16, paragraph 4	<p>“...the Borrower should have taken security over this loan as 101 [Investments Limited] is an entity registered in the British Virgin Islands”</p> <p>This statement is misleading.</p> <p>There is no loan to 101 Investments Ltd from the IPO Wealth Holdings group.</p>
Page 16, paragraph 5	<p>“As far as we are aware, however, a floating charge is not held”</p> <p>This statement is misleading.</p> <p>A floating charge was registered over the company in question 3 years prior.</p>

<p>Page 17, paragraph 4</p>	<p>“We have seen no evidence to suggest that his investment had doubled in value”</p> <p>This statement is false and misleading.</p> <p>The investment agreement contains a 2x face value repayment obligation from the Borrower.</p>
<p>Page 17, paragraph 5</p>	<p>“...without any disclosure as to the basis of the increase.”</p> <p>This statement is misleading.</p> <p>No disclosure was required.</p>
<p>Page 18, paragraph 5</p>	<p>“...so as to artificially increase the carrying value of the M12 Global debt”</p> <p>This statement is misleading.</p> <p>The M12 Global business held significant value.</p>
<p>Page 18, paragraph 6</p>	<p>“All funds for the purchase of the capital were provided by IPOW#10, but Okto Holdings Limited received the shares.”</p> <p>This statement is incomplete and misleading.</p> <p>IPOW#10 received a loan receivable under a documented Loan Facility Agreement it entered into with Okto Holdings Limited.</p> <p>This transaction is compliant and within the scope of the Fund’s Information Memorandum issued by Vasco Trustees Limited.</p>
<p>Page 18, paragraph 7</p>	<p>“The investment was disclosed in the Quarterly Investment Portfolio Summary supplied by the Borrower to the Trustee as an equity investment by IPOW#10...”</p> <p>This statement is misleading.</p> <p>Section 8.6(e) of the Loan Agreement between the Borrower and the Fund required a “status report at least quarterly on all assets purchased with money lent under the Facility”.</p> <p>On 5 February 2018 the trustee requested “a listing of the underlying private equity investments made by any of the related party borrowers”.</p> <p>On 7 January 2019 the trustee sought a “description of all downstream investments”.</p> <p>The underlying investment is shares in two Italian companies that own real estate, hence why it is reported as Equity to comply with the trustee’s reporting requests.</p>

<p>Page 19, paragraph 1</p>	<p>“The substitution of the purchaser put the IPO Wealth Group at a significant disadvantage...”</p> <p>This statement is false and misleading.</p> <p>The transaction is compliant and within the scope of the Fund’s Information Memorandum issued by Vasco Trustees Limited.</p>
<p>Page 19, paragraph 1</p>	<p>“...the IPO Wealth Group will not have the benefit of any increase in the value of the property”</p> <p>This statement is misleading.</p> <p>The transaction is compliant and is within the scope of the Fund’s Information Memorandum issued by Vasco Trustees Limited.</p>
<p>Page 19, paragraph 2</p>	<p>“Okto Holdings Ltd is a member of the Mawhinney Retirement Group”</p> <p>This statement and diagram are false and misleading.</p> <p>Okto Holdings Ltd is not owned by the Mawhinney Retirement Group. A Companies House search in the United Kingdom confirms this.</p> <p>Dye & Co were not appointed to any of the entities referenced in this diagram, and therefore it has no place in the Report.</p>
<p>Page 19, paragraph 3</p>	<p>“We note that 101 [Investments Limited] is also shown in this table as forming part of the Mawhinney Retirement Group”</p> <p>This statement is misleading.</p> <p>The Group’s structure is compliant and is within the scope of the Fund’s Information Memorandum issued by Vasco Trustees Limited.</p>
<p>Page 19, paragraph 5</p>	<p>“The debts owed by 101 [Investments Limited]...are the largest debt investments by value.”</p> <p>This statement is erroneous and misleading.</p> <p>101 Investments Ltd has no debts owing to the IPO Wealth Holdings group.</p>
<p>Page 20, paragraph 3</p>	<p>“...there do not appear to be active markets for most of these shareholdings”</p> <p>This statement is misleading.</p>

	<p>The statement implies there are no potential buyers for these investments now or in the future, which is not the case.</p>
<p>Page 20, paragraph 7</p>	<p>“...difficult to determine the liabilities of the IPO Wealth Group...”</p> <p>This statement is false and misleading.</p> <p>The liabilities are easily understood from the balance sheets of the 17 companies. There are no external creditors apart from the Fund and bank fees of under \$100. The companies are investment holding companies, not active businesses, hence they do not attract creditors.</p>
<p>Page 21, table</p>	<p>The figures provided were based on draft, unfinalized accounts. An updated set of accounts is available.</p>
<p>Page 21, paragraph 4</p>	<p>“...creditor for \$5,100,000...”</p> <p>This is incorrect and misleading.</p> <p>An updated reconciliation of the IPO Wealth Holdings group accounts with the Mayfair 101 Group shows that this amount is not owing.</p>
<p>Page 21, paragraph 6</p>	<p>“The above comment is very concerning as it appears to contemplate the use of funds to effectively acquire two assets for the price of one.”</p> <p>This statement is misinformed and misleading.</p> <p>The statement demonstrates a lack of understanding of the proposed transaction, and therefore should have been omitted. The transaction contemplated did not proceed.</p>
<p>Page 22, point 2</p>	<p>“the advances were documented in loan agreements”</p> <p>This statement is false and misleading.</p> <p>No advances were recorded as loans on the balance sheets of the Borrower or the 16 SPVs. The loan agreements did not document any specific transactions or contain drawdown notices of any kind.</p>
<p>Page 22, point 3</p>	<p>“shares were not in fact issued”</p> <p>This statement is false and misleading.</p> <p>The number of shares issued in many of the SPVs equates to the initial investment amount advanced from the Borrower.</p>
<p>Page 22, point 5</p>	<p>“the additional shares in the borrower had no commercial value”</p>

	<p>This statement is false and misleading.</p> <p>There is significant commercial value in having more shares issued to reflect the true cost base of the investment in the SPV.</p>
Page 22, paragraph 2	<p>“...the decision to eliminate intercompany loans and record them as equity investments was made at a time when the liquidity and solvency of the IPO Wealth Group was a concern.”</p> <p>This statement is false and misleading.</p> <p>Solvency was not a concern. The loan was current until 31 March 2020.</p>
Page 22, paragraph 2	<p>“We are concerned that the loans are now being characterised by Mr Mawhinney as equity investments with a view to obscuring the insolvency of the SPVs”.</p> <p>This statement is false and misleading.</p> <p>Dye & Co has mischaracterised the relationship between the Borrower and the SPVs.</p> <p>The balance sheets of all SPVs show no creditors and the Borrower’s shows no loan receivables. The Second Receivers & Managers Report confirmed this.</p> <p>A copy of the IPO Wealth Holdings group financials will gladly be provided to ASIC to substantiate this.</p>
Page 23, paragraph 3	<p>“We consider the SPVs are also insolvent as the advances by the Borrower recorded as ‘unissued capital’ are properly treated as liabilities of the SPVs”</p> <p>This statement is false and misleading.</p> <p>The SPVs are investment holding companies with no creditors. See ‘General Responses’ above.</p>
Page 24, paragraph 2	<p>“...interest would be paid quarterly...”</p> <p>This statement is false.</p> <p>Interest is paid monthly.</p>
Page 24, paragraph 2	<p>“The investments made by the Group were largely speculative, long-term in nature...”</p> <p>This statement is false and misleading.</p>

	<p>Each investment was carefully selected, executed and in line with the investment strategy.</p> <p>The investments are compliant and are within the scope of the Fund's Information Memorandum issued by Vasco Trustees Limited.</p>
Page 24, paragraph 3	<p>“The first payment of a redemption to the Trustee by the Borrower was made on 3 October 2019”</p> <p>This statement is false and misleading.</p> <p>Investors have been subscribing and redeeming from the IPO Wealth Fund since 2017.</p> <p>The Borrower does not pay redemptions to the trustee.</p>
Page 24, paragraph 3	<p>“Within 4 months thereafter, the Borrower was in default of its loan obligations...”</p> <p>This statement is false and misleading.</p> <p>The first and only default notice was issued on 31 March 2020. There is no correlation to the earlier date mentioned.</p>
Page 24, paragraph 3	<p>“...were funded from director-related entities paying back funds...”</p> <p>This statement is false and misleading.</p> <p>Monies advanced to the IPO Wealth Holdings group from the Mayfair 101 Group were done so in accordance with a Share Purchase Agreement.</p>
Page 24, paragraph 4	<p>“This is a structural issue and pre-dated any effect of COVID-19”</p> <p>This statement is false and misleading.</p> <p>The loan was current until 31 March 2020.</p>
Page 24, paragraph 5	<p>“We are also extremely concerned that Mr Mawhinney...”</p> <p>This statement is misleading.</p> <p>All transactions are entered into by companies, not by Mr Mawhinney in his personal capacity.</p>
Page 24, paragraph 5	<p>“We are also extremely concerned that Mr Mawhinney has...advanced monies to entities which he was associated...”</p> <p>This statement is false and misleading.</p>

	<p>The transactions are compliant and are within the scope of the Fund's Information Memorandum issued by Vasco Trustees Limited.</p>
Page 24, paragraph 5	<p>"...attempted to sell shares in Accloud PLC out of the IPO Wealth Group without proper care and diligence."</p> <p>This statement is false and misleading.</p> <p>Proper care and diligence was taken with this transaction.</p>
Page 24, paragraph 5	<p>"...altered the intended investment in the shares in the companies that owned Isola San Sprito"</p> <p>This statement is false and misleading.</p> <p>The transactions is compliant and within the scope of the Fund's Information Memorandum issued by Vasco Trustees Limited.</p>
Page 24, paragraph 5	<p>"...caused the Borrower to advance significant funds to 101 Investments Ltd and M101 Holdings Pty Ltd..."</p> <p>This statement is false and misleading.</p> <p>The transactions are compliant and within the scope of the Fund's Information Memorandum issued by Vasco Trustees Limited.</p>
Page 24, paragraph 6	<p>"...the first redemption from the Fund was made on 3 October 2019, only a day prior to IPOW#3 entering into an agreement to sell the Accloud PLC shares..."</p> <p>This statement is false and misleading.</p> <p>This has no relevance to the share sale.</p>
Page 24, paragraph 7	<p>"We have received more than one explanation as to how the consideration for the disposal of the Accloud PLC shares was paid."</p> <p>This statement is correct.</p> <p>On closer inspection the first explanation which was provided by the Group's former accountants, was inaccurate. This was subsequently corrected.</p>
Page 25, paragraph 4	<p>"AUD20.8m of funding provided to IPO Wealth Holdings came from investors in our other financial products..."</p> <p>This statement is correct.</p> <p>Dye & Co have no entitlement to these shares.</p>

<p>Page 25, paragraph 6</p>	<p>“...insolvency of the IPO Wealth Group...”</p> <p>This statement is false and misleading.</p> <p>The SPVs were never insolvent.</p>
<p>Page 25, paragraph 6</p>	<p>“...a structural liquidity issue...”</p> <p>This statement is false and misleading.</p> <p>The loan was current until 31 March 2020. The premature calling in of the loan in the midst of a global pandemic, instead of resetting investor expectations to allow time for investments to mature, is the primary cause of the liquidity issue.</p>
<p>Page 26, paragraph 2</p>	<p>“...a full return to creditors is unlikely”</p> <p>This statement is fair should the companies be liquidated.</p> <p>It highlights the importance of a structured work-out plan instead of liquidation.</p>
<p>Page 26, paragraph 5</p>	<p>“...we hold the view there will be a substantial shortfall to the Trustee”</p> <p>This statement is fair should the companies be liquidated.</p> <p>It highlights the importance of a structured work-out plan instead of liquidation.</p>
<p>Page 26, paragraph 7</p>	<p>“...cooperation was not forthcoming from Mr Mawhinney”</p> <p>This statement is false and misleading.</p> <p>Mr Mawhinney provided the relevant information.</p>
<p>Page 27, paragraph 1</p>	<p>“...is a high-transaction group of companies”</p> <p>This statement is false and misleading.</p> <p>The Group is a low transaction volume group of companies</p>
<p>Page 27, paragraph 2</p>	<p>“Mr Mawhinney is now claiming that a number of journal entries were made by his former accountants, Pinnacle, without instruction, and queries as to the accuracy of the records have been raised.”</p> <p>This statement is correct.</p> <p>Formal complaints have been lodged against the principles of Pinnacle Advisory Group.</p>

<p>Page 27, paragraph 3</p>	<p>“What is also of concern is whether monies advanced...were applied to entities outside of the group for the benefit of other entities controlled by Mr Mawhinney”</p> <p>This statement is false and misleading.</p> <p>The transactions are compliant and are within the scope of the Fund’s Information Memorandum issued by Vasco Trustees Limited.</p>
<p>Page 27, paragraph 1</p>	<p>“Recovery action...”</p> <p>This statement is false and misleading.</p> <p>No recovery action is required.</p>
<p>Page 27, paragraph 2</p>	<p>“A claim to any sale proceeds arising out of the island in Venice”</p> <p>This statement is false and misleading.</p> <p>No entitlement exists to sale proceeds. The entitlement is the repayment of a loan.</p>
<p>Page 27, paragraph 3</p>	<p>“Claims against Mr Mawhinney...in relation to...transfer of Accloud shares to 101 Investments”</p> <p>This claim is rejected.</p> <p>The Accloud shares sale is a commercial transaction.</p> <p>“...Poveglia and Reta share transfers to Okto Holdings...”</p> <p>This claim is rejected.</p> <p>A Loan Facility Agreement is in place which entitles IPOWH#10 to repayment of the monies advanced to Okto Holdings Ltd.</p> <p>“Insolvent trading (in relation to the Borrower and each of the SPVs”</p> <p>This claim is rejected.</p> <p>The SPVs do not have creditors, and therefore cannot be insolvent.</p>
<p>Page 28, paragraph 4</p>	<p>“Capitalising expenses across the SPVs and inaccurately increasing their value...”</p> <p>This claim is rejected.</p> <p>Expenses were capitalised within the SPV itself and were not added to the value of the investment held by the SPV.</p>



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