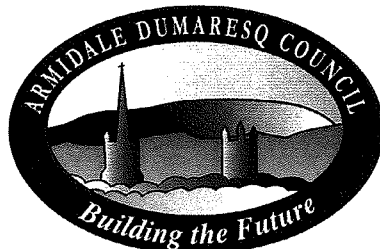


Civic Administration Building
135 Rusden Street
Armidale NSW 2350
Ph: 02 6770 3600
1300 136 833
Fax: 02 6772 9275
Email: council@armidale.nsw.gov.au
Website: www.armidale.nsw.gov.au
ABN 63 781 014 253



All Correspondence should
be addressed to
General Manager
Armidale Dumaresq Council
PO Box 75A
Armidale NSW 2350

Your Ref: SB:AJC A02/0127-4 O/2010/01700

Our Ref: 24 February 2010

Committee Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir

SUBMISSION TO INQUIRY INTO LIQUIDATORS AND ADMINISTRATORS

The Armidale Dumaresq Council is concerned about the lack of regulation of the Liquidation and Administration Industry in Australia. Its concerns arise from the Administration of the YCW Leagues Club in Armidale by the now disgraced Administrator, Stuart Ariff.

Mr Ariff took over Administration of YCW Leagues Club in 2005, after the Board of the Club took the decision to enter into Voluntary Administration, a decision taken without reference to the club members.

YCW Leagues Club was built by volunteers and had operated on a 17 acre site in Canambe Street, East Armidale, for approximately 25 years. The club consisted of a clubhouse with two separate areas (a lounge and sportsman's bar), a poker machine area with 14 poker machines, a dining room and kitchen, two dressing sheds for players, a sauna room, toilets, two playing fields, an outside canteen with a broadcasting room on top and car park. It had been the home of the YCW Blue Heelers (later Rangers) and was used by a range of community groups including the YCW Darts Club, YCW Cricket Club, the Line-Dancing Club, Easts Soccer Club and Narwan Rugby League Club (Aboriginal) as well as the weekly Bingo game. Many birthday parties, wakes, wedding receptions and anniversaries were held there over the years.

Under Mr Ariff's Administration, the following occurred:

- Members received only one financial statement, after approximately 8 months in Voluntary Administration. It showed the club operated at a loss of approximately \$107,000, approximately \$97,000 of that being Mr. Ariff's fee (Attachment 1).

- Mr Ariff stopped paying the largest YCW Creditor, the St George Bank. This occurred at a time when the club appeared to be doing extremely well. It was being well-patronised and healthy deposits (up to \$25,000 in a week) were being banked into the Administrator's account. The decision to stop paying the St George Bank was not notified to members or staff of the club. Eventually, the debt was sold to a Melbourne identity, Mr Tom Karas, who appointed a Mr Vertalas as Liquidator. Mr Vertalas then sold the fourteen poker machines, signalling the slow death of the club. Mr Vertalas has been struck off as a Liquidator following a court case in Melbourne.
- Council is concerned that these actions have had an adverse effect on the community.
- At least 12 jobs were lost in the community.
- Local creditors were not been paid, thereby adversely affecting their businesses eg. butchers, local tradesmen such as a plasterer, plumber, electrician.
- It is thought that in one issue, where an insurance claim was paid to Mr Ariff for roof and ceiling repairs following a storm, the contractor did not receive full payment.
- National creditors such as Tooheys Breweries were not paid.
- Mr Ariff stopped payment for the NSW TAB, when money had been banked into the Club's TAB account. Not only were deposits taken, but also the commission paid to the club for TAB takings. The TAB then cut the service, delivering a final blow to the club's viability.
- Staff have not received their entitlements including Holiday Pay, Long Service Leave, Superannuation and other entitlements. Mr Ariff provided financial advice in the only financial statement given to members that he paid the employer's contributions to Superannuation, but this is incorrect. The Club's Manager, Mr Darryl Foster estimates that this amounted in his case to \$18,435 in the period from February 2005 until July, 2008, with an estimated personal total shortfall of \$20,000 during the Ariff Administration of the YCW. Mr Foster is still fighting for his unpaid superannuation and other entitlements, estimated at over \$60,000.
- During his administration, Mr Ariff was almost uncontactable by persons in Armidale wishing to purchase the club and lease it back to a group interested in keeping the club going. Staff had great difficulty contacting him in the last few months of his Administration.
- Mr Ariff held at least two Creditors' meetings in Armidale, aimed at winding up the club. At the first meeting his motion to wind up the club and destroy the records was rejected by Creditors. At the second, he told creditors that the club was likely to be sold and he gave assurances that staff entitlements he was responsible for would be met. He also assured creditors that the electricity account (approximately \$7000) would be paid. These assurances were captured by the local media and reported upon. At the second meeting Mr Ariff had organised a person purporting to represent the Australian Tax Office online who stated that the ATO would waive the tax debt of the club. Mr. Ariff paid \$700 instead of \$7000 to meet the electricity account and told staff to make up the rest "over the bar." After the club was sold, Armidale Dumaresq Council and

Country Energy were paid for the arrears, but not other local creditors. Staff have not received their entitlements.

- The Armidale community lost an important social and sporting club in a disadvantaged area of the city. This club was a favourite meeting place for residents in East Armidale, Aboriginal and non-Aboriginal.
- Armidale Dumaresq Council is also critical of the Australian Securities and Investment Commission (ASIC) for a perceived lack of action in this matter. ASIC were notified several years ago about the administration of YCW, yet there has been no action taken to date to prosecute the Administrator.

The YCW saga was well publicised in both local and national media and some of the articles are attached.

Armidale Dumaresq Council believes that the Australian government must take steps to closely regulate the Insolvency and Administration Industries in order to protect businesses, clubs and individuals. It believes that the current system of self regulation has failed and calls on the Australian government to thoroughly investigate the industry and introduce stronger regulation to prevent such outcomes as the one which befell YCW. Council notes that Rosebuds in Newcastle is in a similar position as YCW Leagues Club, for it too has been Administered by Stuart Ariff.

Armidale Dumaresq Council, at its Extraordinary Council meeting held 3 August 2009 unanimously resolved to:

Moved Cr Maher

Seconded Cr Beyersdorf

That State and Federal Governments be urged to review and strengthen legislation covering appointed administrators and liquidators with a view to:

- (1) protecting businesses and other organisations, their members and creditors who find themselves under administration;**
- (2) providing for greater transparency and accountability in the industry; and**
- (3) removing the licence and registration of practitioners who fail to meet legislative and industry standards and where necessary, pursuing criminal activity.**

The Motion on being put to the Vote was CARRIED UNANIMOUSLY.

At the NSW Local Government Association Annual Conference held in Tamworth on 25-28 October 2009, the following motion was passed unanimously:

**48 -Armidale Dumaresq
Voluntary Administration System**

ADOPTED BY CONFERENCE

That State and Federal Governments be urged to review and strengthen legislation covering appointed administrators and liquidators with a view to:

- (1) protecting businesses and other organisations, their members and creditors who find themselves under administration;
- (2) providing for greater transparency and accountability in the industry; and
- (3) removing the licence and registration of practitioners who fail to meet legislative and industry standards and where necessary, pursuing criminal activity.

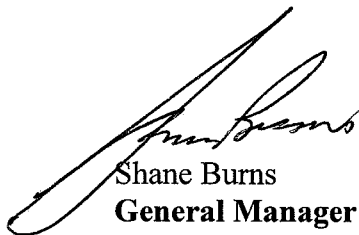
Our Deputy Mayor, Cr Jim Maher, is willing to appear before the Senate Committee to speak to this submission.

We would like to extend a thank you to you also for granting a two week extension for this submission.

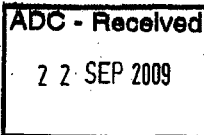
Yours sincerely



Peter Ducat
Mayor



Shane Burns
General Manager



17 September 2009

**Members & Creditors
As Addressed**

SYDNEY
Level 13, Grosvenor Place
225 George Street
Sydney NSW 2000 Australia
GPO Box 4114 Sydney NSW 2001
phone +61 2 9286 9999
fax +61 2 9286 9888
email fhsydney@fh.com.au
www.ferrierhodgson.com

Dear Sir/Madam

**The Armidale YCW Rugby League Football Club Limited (In Liquidation)
ACN 002 602 440**

Max Christopher Donnelly and I were appointed replacement Liquidators of The Armidale YCW Rugby League Football Club Limited ("the Company") on 18 August 2009 pursuant to an Order of the Supreme Court of New South Wales. I now provide the following information by way of update:-

Stuart Ariff

The Company was placed into Voluntary Administration on 14 February 2005, Deed of Company Arrangement on 3 June 2005 and Liquidation on 29 January 2009. As you may be aware, the previous Liquidator of the Company, Mr Stuart Ariff of Stuart Ariff Insolvency Administrators, has been banned from acting as a Liquidator due to misconduct and breach of his duties and as such, by Court Order on 18 August 2009, Max Donnelly and I were appointed as replacement Liquidators of the Company.

ADELAIDE
BRISBANE
MELBOURNE
NEWCASTLE
PERTH
HONG KONG
JAKARTA
KUALA LUMPUR
MANILA
MUMBAI
SHANGHAI
SINGAPORE
TOKYO
affiliated through
Zolfo Cooper
and
Kroll Worldwide
UNITED STATES
UNITED KINGDOM

Receivership

Mr Paul Vartelas of B K Taylor & Co was appointed Receiver and Manager of the Company on 14 December 2007, ceasing to act on 24 August 2009. The role of the Receiver was to realise assets in the name of the Company in order to discharge the secured creditor claims. I advise that there has been a shortfall to the secured creditor, and as a result, there will be no funds available to unsecured creditors of the Company.

Receipts and Payments

The Deed of Company Arrangement was terminated on 29 January 2009. Mr Ariff has not lodged his accounts with the Australian Securities and Investments Commission ("ASIC") for the period 29 January 2009 to 28 July 2009. My enquiries to date indicate that there have been no receipts and payments in the period of the Liquidation. I attach for your reference the summary of receipts and payments for the receivership period, as provided by B K Taylor & Co marked as **Annexure "A"**.

There have been no Receipts and Payments for the period from the date of our appointment to finalisation.

Final Meeting Report
b9:57187

To Members & Creditors
17 September 2009



Final Meeting

The final meeting of Members and Creditors of the Company has been convened for 10.00 am on Friday 30 October 2009 at the offices of Ferrier Hodgson, Level 13, Grosvenor Place, 225 George Street, Sydney pursuant to the provisions of Section 509 of the Corporations Act 2001 ("the Act"). A formal notice of meeting and an appointment of proxy form are attached as **Annexure "B"** and **"C"** respectively.

This meeting of Members and Creditors is being held in accordance with statutory requirements. I confirm that it is anticipated that no information of significance will be provided to creditors and as such your attendance is not required. Should you wish to attend or have a representative attend in your place, please complete the proxy form attached. I advise that you will be able to attend the meeting by telephone conference should you desire. To enable attendance by telephone I require that you submit, to my office, a completed proxy form and your request to attend by telephone no later than 4pm Thursday 29 October 2009.

Other Matters

Should creditors have any matters that they wish the Liquidators to address, please provide written notification of same by close of business Friday 9 October 2009.

Finalisation

Once the final meeting has been finalised, we will cease to act as the Liquidators. The Company will be automatically deregistered by ASIC three months after the final meeting.

Should you have any further queries in relation to the above matter, please do not hesitate to contact David Kim of this office on (02) 9286 9999.

Yours faithfully
The Armidale YCW Rugby League Football Club Limited

A handwritten signature in black ink, appearing to read 'R L Duggan', is written over the printed name.

R L Duggan

Joint & Several Liquidator

**THE ARMIDALE YCW RUGBY LEAGUE FOOTBALL CLUB LIMITED
(RECEIVER & MANAGER APPOINTED) (IN LIQUIDATION)
ACN: 002 602 440**

Annexure "A "

**Receipts and Payments Summary
For the Period 14/12/2007 to 19/08/2009**

RECEIPTS	\$
Debtors	750.00
Sale of Property (including GST adjustments at settlement)	441,531.52
Sale of Licenses & Plant & Equipment	184,140.00
Sundry Receipts	20.00
Interest Income	2,165.85
GST Refunds	6,616.20
Total Receipts	635,223.57

PAYMENTS	\$
Bank Charges	164.00
Agent's Commission	2,200.00
Asset Realisation Costs (adjustments at settlement for sale of property including rates & land tax)	57,153.41
Receiver & Manager Remuneration (inclusive of GST)	90,929.72
Receiver & Manager Disbursements (inclusive of GST)	23,426.57
Dividend Distribution to Secured Creditor	351,059.34
Insurance	7,711.80
Legal Costs	47,260.36
Settlement with Deed Administrator	10,000.00
Wages	563.30
Sundry Costs	1,976.07
GST Paid	42,779.00
Total Payments	635,223.57

Cash at Bank Balance

Nil

CORPORATIONS ACT 2001

Section 509(1)

NOTICE OF FINAL MEETING OF MEMBERS & CREDITORS

**THE ARMIDALE YCW RUGBY LEAGUE FOOTBALL CLUB LIMITED
(IN LIQUIDATION) ("THE COMPANY")
ACN 002 602 440**

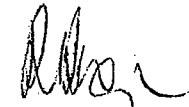
Notice is given pursuant to Section 509 of the Corporations Act 2001 that a final meeting of the members and creditors of the Company will be held at the offices of Ferrier Hodgson, Level 13, Grosvenor Place, 225 George Street, Sydney NSW 2000 on Friday 30 October 2009 at 10.00am.

Agenda

Have accounts laid before it showing the manner in which the liquidation has been conducted and to hear any explanation that may be given by the Liquidators.

Any other business that may be lawfully brought forward

DATED this 17th day of September 2009



R L Duggan
Joint & Several Liquidator

C/- Ferrier Hodgson
GPO Box 4114
Sydney NSW 2001

FORM 532

Regulation 5.6.29

CORPORATIONS ACT 2001

APPOINTMENT OF PROXY
CREDITORS MEETINGTHE ARMIDALE YCW RUGBY LEAGUE FOOTBALL CLUB LIMITED
(IN LIQUIDATION)
ACN 002 602 440

*I/*We¹
 of
 a creditor/member of The Armidale YCW Rugby League Football Club Limited, appoint²
 or in his absence
 as *my/our *(i) general OR *(ii) special proxy to vote at the meeting of creditors and members to be held on
Friday 30 October 2009 at 10:00am, or at any adjournment of that meeting³.

DATED this day of 2009

.....OR
 Signature⁵ of individual or person⁸
 authorised by corporate resolution to
 represent the corporation

The Common Seal of⁴
 was hereunto affixed in the
 presence of

.....
 Director

.....
 Secretary

CERTIFICATE OF WITNESS⁷

I,of
 certify that the above instrument appointing a proxy was completed by me in the presence of and at the
 request of the person appointing the proxy and read to him before he attached his signature or mark to the
 instrument.

DATED this day of 2009

.....
 Signature of Witness

.....
 Description

.....
 Place of Residence

* Strike out if inapplicable

¹ If a firm, strike out "I" and set out the full name of the firm.

² Insert the name, address and description of the person appointed.

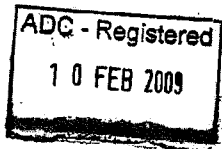
³ If a special proxy add the words "to vote for" or the words "to vote against" and specify the particular resolution.

⁴ The method of affixing the Common Seal is prescribed in Section 127(2) of the Corporations Act 2001 and, usually, the creditor corporation's constitution.

⁵ The signature of the creditor is not to be attested by the person nominated as proxy.

⁶ A corporation may only be represented by proxy or by an attorney appointed pursuant to Corporations Regulations 5.6.28 and 5.6.31A respectively or, by a representative appointed under Section 250D of the Corporations Act 2001. Copy of authority/power of attorney to be annexed.

⁷ This certificate is to be completed only where the person giving it is blind.



TO CREDITORS

**THE ARMIDALE YCW RUGBY LEAGUE FOOTBALL CLUB LIMITED
(IN LIQUIDATION)
(RECEIVER & MANAGER APPOINTED)
A.C.N. 002 602 440**

Further to the recent Notice to Creditors, I was appointed Liquidator of the above company on 29 January, 2009 as a result of the Deed of Company Arrangement dated 3 June 2005 being terminated under Section 445E of the Corporations Act 2001.

The business of the company ceased to trade on 4 January, 2009 prior to my appointment as Liquidator.

I will be conducting an investigation into the company's affairs and will forward a report to creditors detailing the outcome of my investigations shortly.

It should be noted that I expressly refrain from adopting any contracts or agreements of the company in existence at the date of my appointment.

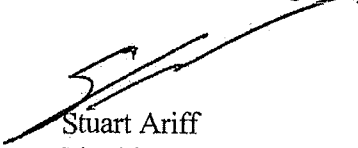
Enclosed for your information are the following:

1. Formal Proof of Debt or Claim Form (Form 535)
2. Information Sheet for Creditors (Companies in Liquidation) a publication of the Insolvency Practitioners Association of Australia and the Australian Securities and Investments Commission
3. Stuart Ariff Insolvency Administrators hourly rates of charge
4. Stuart Ariff Insolvency Administrators disbursement rates.

Should you have any queries or wish to discuss the above, please contact Mr Razman Razalee of this office.

Dated this 30th day of January, 2009

Yours faithfully
The Armidale YCW Rugby League Football Club Limited
(In Liquidation)
(Receiver & Manager Appointed)


Stuart Ariff
Liquidator

FORM 535

Sub regulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)
Corporations Act 2001

To the Liquidator of Armidale YCW Rugby League Football Club Limited (In Liquidation) A.C.N. 002 602 440

This is to state that the company was at 29 January, 2009 and still is justly and truly indebted to:

In the sum of dollars and.....cents.

Particulars of the debt are:

Date	Nature of Debt	Amount	Remarks
------	----------------	--------	---------

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

Date	Drawer	Acceptor	Amount	Due Date
------	--------	----------	--------	----------

* I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief remains unpaid and unsatisfied.

* I am the creditor's agent duly authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

*Strike out if not applicable.

Dated this day of 2009

Signature.....

Occupation.....

Name.....

Address.....



ASIC

Australian Securities & Investments Commission

Insolvency information for directors, employees, creditors and shareholders

ASIC has 11 insolvency information sheets to assist you if you're affected by a company's insolvency and have little or no knowledge of what's involved.

These plain language information sheets give directors, employees, creditors and shareholders a basic understanding of the three most common company insolvency procedures—liquidation, voluntary administration and receivership. There is an information sheet on the independence of external administrators and one that explains the process for approving the fees of external administrators. A glossary of commonly used insolvency terms is also provided.

The Insolvency Practitioners Association (IPA), the leading professional organisation in Australia for insolvency practitioners, endorses these publications and encourages its members to make their availability known to affected people.

List of information sheets

- INFO 41 *Insolvency: a glossary of terms*
- INFO 74 *Voluntary administration: a guide for creditors*
- INFO 75 *Voluntary administration: a guide for employees*
- INFO 45 *Liquidation: a guide for creditors*
- INFO 46 *Liquidation: a guide for employees*
- INFO 54 *Receivership: a guide for creditors*
- INFO 55 *Receivership: a guide for employees*
- INFO 43 *Insolvency: a guide for shareholders*
- INFO 42 *Insolvency: a guide for directors*
- INFO 84 *Independence of external administrators: a guide for creditors*
- INFO 85 *Approving fees: a guide for creditors*

Getting copies of the information sheets

To get copies of the information sheets, visit ASIC's website at www.asic.gov.au/insolvencyinfosheets. The information sheets are also available from the IPA website at www.ipaa.com.au. The IPA website also contains the IPA's Code of Professional Practice for Insolvency Professionals, which applies to IPA members.

Important note: The information sheets contain a summary of basic information on the topic. It is not a substitute for legal advice. Some provisions of the law referred to may have important exceptions or qualifications. These documents may not contain all of the information about the law or the exceptions and qualifications that are relevant to your circumstances. You will need a qualified professional adviser to take into account your particular circumstances and to tell you how the law applies to you.

STUART ARIFF INSOLVENCY ADMINISTRATORS
SCHEDULE OF HOURLY RATES
AS AT OCTOBER 2004 (GST Exclusive)

Position	Sydney \$	NSW Other \$	Description – guide only
Chairman/Senior Principal	500	500	Registered/Official Liquidator – Principal bringing specialist skills to the administration or insolvency task.
Principal	450	450	Registered Liquidator – Principal bringing specialist skills to the administration or insolvency task.
Associate	390	335	Extensive insolvency experience, at least five years at manager level, tertiary qualified and capable of controlling all aspects of an administration. May be appropriately qualified to take appointments in their own right.
Manager 1	300	275	More than 7 years insolvency experience, likely more than 3 years as a manager, tertiary qualified. Answerable to the appointee but otherwise responsible for all aspects of administration. Experienced at all levels and considered very competent. Controls staff and on the job training.
Manager 2	260	230	6-7 years insolvency experience, likely tertiary qualified, with well-developed technical and commercial skills. Answerable to the appointee but otherwise responsible for all aspects of the administration. Experienced at all levels and considered very competent. Controls staff and on the job training.
Supervisor	220	200	4/6 years. Likely tertiary qualified or significant experience. Will have had conduct of minor administrations and experience in control of staff. Assists planning and control of medium to larger administrations.
Senior 1	180	170	2-4 years. Likely tertiary qualified or nearing completion. Assists planning and control of small to medium jobs as well as performing some of the more difficult work on larger administrations.
Senior 2	160	150	1-2 years. Likely tertiary course underway or near complete. Required to control the fieldwork on small jobs and is responsible for assisting complete fieldwork on medium to large administrations.
Intermediate 1	130	120	0-2 years. Likely graduate with little or no professional experience. Required to assist in day-to-day fieldwork under supervision of more senior staff.
Intermediate 2	110	105	0-1 year. Trainee likely undertaking a degree with an accountancy major. Required to assist in day to day fieldwork under supervision of more senior staff.

Stuart Ariff Insolvency Administrators ("SAIA")
Disbursement Rate as at April 2007
(GST Exclusive)

<u>Description of Disbursement</u>	<u>Charge Method</u>
Accommodation Costs	At cost
Accounting Fees	At cost
Advertising	At cost
Bank Fees	At cost
Boardroom Hire – SAIA	\$150 (per hour)
Boardroom Hire – external	At cost
Consultants Fees	At cost
Debt Collection Fees	At cost
Fax	.50c per page
Folders / Dividers	At cost
Insurance	At cost
Legal Fees	At cost
Locksmith	At cost
Meal Costs	At cost
Paper	At cost
Parking	At cost
Phone	Mark up (Billback system) (chrg: min .50c)
Postage / Courier	At cost
Printing	Mark up (Billback system) (.65c per page)
Photocopying	Mark up (Billback system) (.65c per page)
Searches	At cost
Storage of books and records	At cost
Trade on Costs	At cost
Travel Costs	At cost and/or ATO rates
Valuation Costs	At cost

Notes:

Billback system is a computerised system which records certain disbursement costs via code entry of staff when undertaking a specific task.

Disbursements relate to expenses incurred by SAIA that are subsequently reimbursed when funds become available.

GST will apply to most disbursements and these costs will be on-charged at the GST exclusive cost plus GST, however GST will not be on-charged in respect to GST free costs.

ADC - Registered

15 AUG 2008

Corporate Insolvency & Reconstruction
Voluntary Administrations, Receiverships, Liquidation
Management Accounting & Asset Protection

13 August, 2008

REPORT TO CREDITORS

**THE ARMIDALE YCW RUGBY LEAGUE FOOTBALL CLUB LTD ("CLUB")
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(RECEIVER & MANAGER APPOINTED)
A.C.N. 002 602 440**

I refer to the Meeting of Creditors held on 21 July, 2008 whereat creditors passed a resolution adjourning the meeting for a period of not more than thirty (30) days from that date. This adjournment was to allow me to report to creditors on the previous and current financial status of the Club and to allow the community sufficient time to consider and submit to me any proposals that may enable to the Club to continue trading.

1. **SURVIVAL OF CLUB**
2. **FINANCIALS OF CLUB**
3. **SECURED CREDITOR POSITION**
4. **ADJOURNED MEETING OF CREDITORS**
5. **CONCLUSION**

1. SURVIVAL OF CLUB

Creditors at the meeting held on 21 July, 2008 requested that I adjourn the meeting to allow the community sufficient time to consider and submit to me any proposals that may enable the Club to continue to trade.

In this regard, I advised creditors at the meeting held on 21 July, 2008 that it was in the interest of all stakeholders that monies be raised by way of the sale of the land and buildings of the Club or other means to payout the secured creditor and Receiver and Manager.

Since the Meeting held on 21 July, 2008, I have had various discussions with numerous parties in relation to a possible purchase of the land and buildings.

To date an offer has been received however the same is less than what is required to payout the secured creditor and Receiver and Manager.

I am currently continuing to negotiate a higher amount.

In addition to the above, I requested the Armidale Dumaresq Council consider making an offer to purchase the land and buildings of the Club on a lease back arrangement, however, to date I have received no response from the Council.

In the event my further negotiations fail in relation to trying to obtain a higher figure for the purchase of the Club land and buildings, as advised in my circular to creditors dated 11 July 2008, it would be my recommendation to creditors at the forthcoming meeting that the Club be wound up.

I will continue with these negotiations during the next week leading up to the creditors meeting and will advise creditors of the outcome at the forthcoming meeting. Suffice to say the closure of the Club is imminent.

In the event any interested party would like to discuss the sale of the Club land and buildings with me prior to the creditors meeting, I will be available from 2.00pm at the creditors meeting venue and would be pleased to discuss the matter.

2. FINANCIALS OF THE CLUB

Management Accounts have been prepared for the years ended 30 June 2005, 30 June 2006, 30 June 2007 and 30 June 2008. I summarise the trading results as follows hereunder as extracted from the management accounts:-

Profit and Loss Comparisons

	1/02/2005 to 30/06/2005	30/06/2006	30/06/2007	30/06/2008
	\$	\$	\$	\$
INCOME				
Bar Income	81,621	293,293	344,811	372,487
Poker Machine Income	96,148	312,950	345,159	261,724
Bingo / Raffles Income	14,008	35,415	21,506	17,465
Keno Income	5,034	20,579	915*	40,807
TAB Income	18,254	107,805	10,738*	90,158
TOTAL INCOME	215,065	770,042	723,129	782,641
COST OF SALES	(52,951)	(212,668)	(200,716)	(360,265)
GROSS PROFIT	162,114	557,374	522,413	422,376
OTHER INCOME	3,043	10,691	126,295	27,582
EXPENSES	(132,030)	(562,527)	(647,461)	(516,754)
OPERATING PROFIT(LOSS)	33,127	5,538	1,247	(66,796)

* TAB and Keno income recorded in 2007 year is recorded net of associated costs which have been accounted for in expenses.

As can be seen from the above, the Club has made a small operating profit in every year except the most recent. This should not come as a surprise, as this is the first financial year the Club has been forced to trade without poker machines. In this regard it is estimated based on historical information approximately \$83,922 in poker machine revenue was lost in the 2008 year as a result of the sale of the poker machine entitlements by the Receiver and Manager.

3. SECURED CREDITOR POSITION

The Receiver and Manager, Mr Paul Vartelas acting for the secured creditor, State Securities Pty Ltd, has advised that the secured creditor is owed some \$517,026.00 including interest.

I have attached the receipts and payments of the Receiver and Manager in the format as lodged by Mr Vartelas with the Australian Securities and Investments Commission ("ASIC") as annexure "A". As can be seen from the receipts and payments Mr Vartelas has received \$38,500.00 including GST in remuneration to date. Further to this I have been advised Mr Vartelas is owed \$24,239.00 plus GST in time costs to date and that it will cost him an additional \$10,000 to finalise the matter. I have written to Mr Vartelas requesting a summary of his remuneration and disbursements to date.

4. ADJOURNED MEETING OF CREDITORS

Attached hereto is formal Notice of the adjourned Meeting of Creditors convened to be held on 21 August, 2008 at Quality Hotel Powerhouse, 31 Marsh Street, Armidale, NSW at 3.00pm.

The purpose of the meeting is to consider and vote on the following resolutions:-

- a) That the Deed of Company Arrangement dated 3 June, 2005 be terminated under Section 445E of the Corporations Act 2001 and the Club be wound up;
- b) Should the Club proceed to Liquidation:-

Authorise the Liquidator to destroy the books and records of the Club after the Club's deregistration, subject to consent from the Australian Securities and Investments Commission.

Enclosed for your information are the following:

- 1. Notice of adjourned Meeting of Creditors of Company;
- 2. Appointment of Proxy Form (Form 532); and
- 3. Formal Proof of Debt or Claim Form (Form 535).

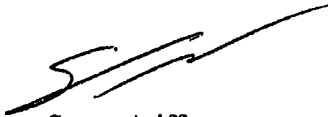
In accordance with Regulation 5.6.23 of the Corporations Regulations, creditors are entitled to vote at this meeting who previously lodged particulars of their claim against the company with the Administrator. If you intend to appoint another person to act on your behalf at the meeting, or you are a corporate creditor, you are required to complete, the Proxy Form, Form 532 appointing your representative.

For administrative purposes I request the Appointment of Proxy Form and Formal Proof of Debt or Claim Form be lodged at my office by 4.00pm on 20 August, 2008.

Creditors are not required to re-submit a Form 532 – *Appointment of Proxy* or a Form 535 – *Formal Proof of Debt* if they have previously submitted the same for the purpose of the meeting that was held on 21 July, 2008. However, if creditors have submitted a Special Proxy and/or made a change in terms of voting on their Form 532, please submit a revised form.

5. CONCLUSION

Should you have any queries in respect to this report or any other matters please do not hesitate to contact Mr Daniel Hawtin of this office.



Stuart Ariff
Deed Administrator

Annexure “A”

Account of receipts and payments for the period

RECEIPTS

Date	Received From	Nature/Explanation	Amount	Trans ID
23/01/08	B K Taylor & Co	Sundry Receipts	20.00	16328
09/04/08	CMP Lawler	Plant and Equipment	158,400.00	17635
11/04/08	Lakes Gaming	Plant and Equipment	1,540.00	17674
05/05/08	CMP Lawler	Plant and Equipment	24,200.00	17954
30/05/08	Westpac	Interest Income	78.24	18766
Total Receipts			184,238.24	

PAYMENTS

Date	Paid To	Nature/Explanation	Amount	Trans ID
03/03/08	Westpac	Bank Charges	(6.50)	17568
01/04/08	Westpac	Bank Charges	(6.50)	18071
09/04/08	CMP Lawler	Asset Realisation Costs	(13,200.00)	17635
14/04/08	B.K. Taylor & Co	Appointee Costs	(12,208.85)	17677
14/04/08	B.K. Taylor & Co	Appointee Fees	(27,500.00)	17677
16/04/08	Aristocrat Technologies Australia Pty Ltd	Asset Realisation Costs	(5,533.00)	17713
30/04/08	Irlicht & Broberg	Legal Fees	(8,435.60)	17871
01/05/08	Westpac	Bank Charges	(6.50)	18564
05/05/08	CMP Lawler	Agent's Fees	(2,200.00)	17954
09/05/08	B.K. Taylor & Co	Appointee Costs	(7,026.80)	18108
09/05/08	B.K. Taylor & Co	Appointee Fees	(11,000.00)	18108
19/05/08	A.J. Dever Pty Ltd	Legal Fees	(1,650.00)	18197
02/06/08	Westpac	Bank Charges	(6.50)	18765
02/06/08	Westpac	Bank Charges	(2.50)	18767
11/06/08	Knight Davidson Property Advisory	Appointee Costs: Sundry Costs	(3,080.00)	18625
13/06/08	Irlicht & Broberg	Legal Fees	(4,455.25)	18668
Total Payments			(96,318.00)	

FORM 529

Subregulation 5.6.12(2)

Corporations Act 2001

NOTICE OF ADJOURNED MEETING OF CREDITORS

**THE ARMIDALE YCW RUGBY LEAGUE FOOTBALL CLUB LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(RECEIVER & MANAGER APPOINTED)
A.C.N. 002 602 440**

1. On 3 June 2005 the company under Section 436A appointed Stuart Ariff as the Deed Administrator of the company.
2. Notice is now given that an adjourned meeting of the creditors of the company will be held on 21 August, 2008 at Quality Hotel Powerhouse, 31 Marsh Street, Armidale, NSW at 3.00pm.
3. The purpose of the adjourned meeting is to:-
 - (a) that the Deed of Company Arrangement dated 3 June, 2005 be terminated under Section 445E of the Corporations Act 2001 and the Club be wound up;
 - (b) Should the Club proceed to Liquidation: -

Authorise the Liquidator to destroy the books and records of the Club after the Club's deregistration, subject to consent from the Australian Securities and Investments Commission.

Attached hereto are the following:

- a) Appointment of Proxy Form (Form 532)
- b) Formal Proof of Debt or Claim Form (Form 535)

For administrative purposes, the appointment of a Proxy Form and Formal Proof of Debt or Claim Form should be lodged at my office no later than 4.00pm on 20 August, 2008.

Dated the 13th day of August, 2008



Stuart Ariff
Deed Administrator

FORM 532

Regulation 5.6.29

APPOINTMENT OF PROXY
Corporations Act 2001

THE ARMIDALE YCW RUGBY LEAGUE FOOTBALL CLUB LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)
(RECEIVER & MANAGER APPOINTED)
A.C.N. 002 602 440

I/We*.....
(NAME OF CREDITOR)

of.....
(ADDRESS)

appoint.....
(NAME OF PROXY HOLDER)

or in his absence
(NAME OF ALTERNATIVE PROXY HOLDER)

to be *my/*our general/*special proxy to vote at the adjourned meeting of creditors to be held at on 21 August, 2008 at Quality Hotel Powerhouse, 31 Marsh Street, Armidale, NSW at 3.00pm or at any adjournment of that meeting, and to vote:

*(i) generally as he/she determines on my/our behalf (including the appointment of the proxy holder as a member of any Committee of Creditors/Inspection).

OR

*(ii) specifically in accordance with the following special instructions

1. That the Deed of Company Arrangement dated 3 June, 2005 be terminated under Section 445E of the Corporations Act 2001 and the Club be wound up.

In favour/against (please circle)

2. Should a Liquidator be appointed, that the Liquidator be authorised to destroy the books and records of the Club after the Club's deregistration subject to consent from the Australian Securities and Investments Commission.

In favour/against (please circle)

* Strike out whichever is inapplicable.

DATED this day of 2008

SIGNATURE

NAME

(if proxy form is to be executed under Common Seal)

THE COMMON SEAL OF

.....

was hereunto affixed by the authority of)
the Board of Directors in the presence of:)

.....
Director

.....
Secretary

CERTIFICATE OF WITNESS

(This certificate is to be completed only if the person giving the proxy is blind or incapable of writing. The signature of the creditor, contributory, debenture holder or member must not be witnessed by the person nominated as proxy)

I.....of.....
(Name) (Address)

.....
certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him or her before he or she signed or marked the instrument.

Dated.....

.....
(Signature of Witness)

Description
.....

Place of residence
.....
.....

NOTES TO PROXY

- (1) The Person(s) appointed proxy may be the Chairman or such other person as the creditor may approve, and the proxy form, when signed, must be lodged by the time and at the address named for that purpose in the notice convening the adjourned meeting at which it is to be used.
- (2) If a firm, sign the firm's trading title, and add "By (name) a partner in the said firm." If the appointer is a corporation, then the form of proxy must be under the Common Seal, or under the hand of some officer duly authorised in that behalf, and the fact that the officer is so authorised must be stated thus:

For the Company
(Duly authorised under
the seal of the company.)

FORM 535

Sub regulation 5.6.49(2)

FORMAL PROOF OF DEBT OR CLAIM (GENERAL FORM)
Corporations Act 2001

A.C.N. 002 602 440

To the Administrator of The Armidale YCW Rugby League Football Club Limited (Subject to Deed of Company Arrangement) (Receiver & Manager Appointed)

1. This is to state that the company was at 14 February, 2005 and still is justly and truly indebted to

.....

in the sum of dollars andcents.

Particulars of the debt are

Date	Nature of Debt	Amount	Remarks

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

Date	Drawer	Acceptor	Amount	Due Date

* I am employed by the creditor and authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief remains unpaid and unsatisfied.

* I am the creditor's agent duly authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

*Strike out if not applicable.

Dated this day of 2008

Signature.....

Occupation

Name.....

Address.....

Underworld adviser guts footy club

- Adele Ferguson and Gary Hughes
- From: *The Australian*
- October 04, 2008 12:00AM

THE NSW country town of Armidale is battling to save its rugby league club after Melbourne underworld financial adviser and alleged money launderer Tom Karas snatched control of it and sold off its lucrative poker machine licences.

Jim Maher, Deputy Mayor of Armidale, in the state's northeast, said the sale of 14 pokie licences was the "kiss of death" for the community-owned club, which has been a vital hub for local residents for the past 30 years.

Locals have been told the club's buildings and seven hectares of playing fields in east Armidale are expected to be sold to a mystery buyer at an as-yet-undisclosed price.

Mr Maher said the closure of YCW Rugby League Football Club would rob the local community of one of the few places where the local indigenous population could mix with white residents. It would also deprive junior sporting teams of their flood-lit sporting grounds.

About 12 full- and part-time employees would lose their jobs at the club, which had been turning over about \$1million a year until the poker machines were sold off and revenue dropped sharply.

"It's a valuable facility for all the community," said Mr Maher, who has organised protest rallies to try to save the club. "It will be devastating if we lose it."

The club's 14 poker machines, which were essential for its financial viability, were suddenly removed in April and the valuable gaming licences sold off to other clubs for about \$180,000, without staff or the local community being consulted.

The sale was ordered by a Victorian insolvency practitioner appointed by Mr Karas.

The telephone has also been cut off because of unpaid bills, making the ATM useless, and the electricity remains connected only because of the generosity of a local power company.

The club's problems began in June 2005 when its management committee brought in controversial financial administrator Stuart Ariff, from Newcastle in NSW, to help sort out its financial problems, including a \$400,000 loan from St George Bank.

But Mr Maher said everyone was stunned when, at the first creditors' meeting, Mr Ariff, who is being taken to court by the Australian Securities and Investments Commissions over a number of other administrations, announced he had sold the \$400,000 debt to State Securities, a Melbourne company run by Mr Karas.

Victoria Police's Purana gangland taskforce alleged in court last year that Mr Karas was involved in a "large-scale money laundering operation" intended to hide drug-trafficking profits made by a notorious Melbourne crime family.

Mr Karas has admitted providing loans to the same Melbourne crime family and underworld identity Mick Gatto, and has business connections with one of Mr Gatto's associates, casino high-roller John Khoury. Mr Karas has denied any involvement in money laundering.

Mr Karas confirmed to The Weekend Australian that Mr Ariff had suggested he buy out the Armidale club's \$400,000 debt, saying it was a good deal that would provide a healthy return of about \$1000 a week.

He said the \$400,000 he used to buy out the debt came from a \$400,000 payment he received from a Melbourne tip and quarry company, to which he had earlier appointed Mr Ariff as administrator. Questions have been raised about the legality of the \$400,000 payment in a report prepared by liquidator Ferrier Hodgson, which was appointed by ASIC to investigate Mr Ariff's handling of the finances of Bulla Tip and Quarry.

As revealed last month by The Weekend Australian, Bulla was sold by Mr Ariff to a company owned by millionaire day share trader Leo "The Gun" Khouri and interests associated with NSW bikies Adrian and Lionel Pamplin.

Mr Ariff has denied wrongdoing in relation to the matters raised by ASIC.

In December last year, Mr Karas appointed Melbourne-based liquidator Paul Vartelas to take over management of the Armidale league club from Mr Ariff on the basis it had defaulted on the \$400,000 loan.

Mr Vartelas sold off the club's pokies about the same time he lodged a report with ASIC saying its financial situation had "greatly deteriorated" since Mr Ariff's appointment. He put the club's total debts at \$1.3 million.

Since then, secrecy and confusion have surrounded the financial dealings of the club, with Mr Ariff telling a meeting of creditors in August that an offer to buy it had been made and was being considered. He refused to tell locals the identity of the buyer or whether it was planned to keep the club going.

Mr Karas denied to The Weekend Australian the club had been sold. He said Mr Vartelas was now the receiver and was responsible for the club, including handling any potential sale. Mr Vartelas did not return calls from The Weekend Australian.

Confusion also surrounds the value of the club.

Documents lodged with ASIC show an initial valuation of the club building and land, some of which is zoned residential, put their worth at \$600,000.

Mr Ariff later told creditors that an offer of \$375,000 for the club had been rejected.

But in May, Mr Vartelas said an independent valuation had estimated the building and land would be worth only \$225,000 in a forced sale.

Documents show Mr Ariff has so far paid himself \$122,223 in fees and \$230,821 in expenses. He is claiming to be owed a further \$505,246 in fees and charges and \$231,052 in payments he says he made on behalf of the club.

In his first six months after replacing Mr Ariff, Mr Vartelas has been paid \$57,735 in fees and expenses.

The total in fees and expenses claimed by Mr Ariff and Mr Vartelas is \$916,025 -- almost double the club's original debt of \$540,000. Daryl Foster, general manager of YCW, said he had worked at the club for 18 years and that it was doing well until Easter, when the receiver pulled the poker machines out of the club without notice.

"From that point on the club has struggled," he said.

"The community is suffering because we can't guarantee sports a secure future. If the club closes it will have a profound impact on the community."

Mr Foster said the club had been forced to borrow or buy alcohol from other clubs and businesses. "Trying to run a club like that, running around town relying on the goodwill of other licensed outlets, has been absolutely frustrating," he said.

Mr Maher said locals now hoped the club, the only one in east Armidale, could be leased back from any new owner and kept open. "There is a lot of scope for further development of the sporting grounds," he said.

"The club should be thriving and facing a bright future, not fighting for survival."

Australia: Underbelly Inc: gangs muscle in on markets

By

Sep 15, 2008 - 5:00:38 AM

EXCLUSIVE: Gary Hughes and Adele Ferguson | September 13, 2008

UNDERWORLD criminal networks and outlawed motorcycle gangs are exploiting weaknesses in corporate laws and poor regulation of financial markets, reaping multi-million-dollar profits from suspected share market manipulation, asset stripping and the snatching of control of companies they force into administration.

Five state and federal agencies - Victoria Police Purana gangland taskforce, the Australian Federal Police, the Australian Crime Commission, the Australian Securities and Investments Commission and the Australian Tax Office - are investigating financial deals and share transactions worth at least \$100 million.

Legitimate business owners have alleged that standover tactics, including physical threats and intimidation, have been used in some cases to try to force through deals or stop people going to the authorities.

Detective Inspector Bernie Edwards, head of the Purana taskforce, told The Weekend Australian the business and finance sectors were rapidly becoming the new "powerbase" of organised crime.

Key figures in some of the investigations include the head of Melbourne's Carlton Crew, Mick Gatto, and his business associate John Khoury, financial adviser and loan provider Tom Karas, high-profile share trader Leo "The Gun" Khouri, who lost tens of millions of dollars in the collapse of stockbroker Opes Prime earlier this year, members of a notorious Melbourne crime family, outlaw motorcycle gangs in a number of states, including NSW and Victoria, and official administrator Stuart Ariff, who is being taken to court by ASIC over his involvement in a string of insolvencies. All have denied any wrongdoing.

In a number of cases uncovered by The Weekend Australian, so-called low-doc loans were used as a financial Trojan horse to force companies into receivership before they were allegedly legally plundered through the payment of excessive fees, had assets stripped out or were sold off to buyers with underworld links. Criminals and their business associates are known to have purchased shares in a number of small resources and biotech companies. The stock prices later jumped sharply after the shares were heavily traded through Opus Prime or off the back of favourable analyst reports, takeovers or rumours fuelled through the internet.

Trading in some of the companies later contributed to the collapse of Opes Prime, initially set up by the accountant who once worked for the head of a Melbourne crime family.

Inspector Edwards said Purana, which is also working with the ACC, was using financial experts to track the dealings of suspected criminal identities and their business associates, although such investigations were "complex and lengthy" and could take years to complete. "Finance forms a powerbase for many organised criminal enterprises and is seen as a growing area of crime," Inspector Edwards said.

"We are unable to comment on any specific case. However, the Purana task force is aware of suspected financial crime and its links with underworld figures."

The head of the NSW fraud squad, Detective Superintendent Colin Dyson, told The Weekend Australian that organised crime was increasing its targeting of businesses and the financial

sector, in some cases recruiting existing staff or infiltrating gang members to help on the inside.

"A business, particularly an incorporated company, is an entity, like a person," Superintendent Dyson said. "Accordingly it is possible for criminals to commit the same types of offences as they do against members of the community."

Bill Doherty, a company director who lost his business, Independent Power Coating, after it was placed into administration, said the lack of regulation in the insolvency industry had attracted a serious criminal element.

"The three bodies, the Insolvency Practitioners Association of Australia, the Institute of Chartered Accountants of Australia and the CPA Australia, resemble a dysfunctional hybrid of the three blind mice and three wise monkeys," said Mr Doherty, who has been interviewed by police about the possible role of organised crime figures in the loss of his business.

"They see no evil, hear no evil and do nothing. ASIC is critically under resourced and is known to ignore companies with turnover of less than \$10million, which effectively excludes 95 per cent of companies from protection."

Another company director who almost lost his business said a royal commission was urgently needed to investigate how the lack of adequate corporate protection created the "near-perfect" environment for organised crime to legally infiltrate the private sector through the insolvency industry.

Documents seen by The Weekend Australian show that in one case involving Melbourne's Bulla Tip & Quarry Pty Ltd, Mr Ariff paid out more than \$500,000 in suspicious transactions, including \$400,000 that went to Mr Karas, before the company was sold the day before the Australian Securities and Investments Commission moved in and appointed accountants Ferrier Hodgson to investigate.

ASIC records show the successful tip and quarry, which was forced into administration by Mr Karas, was bought for \$2.2 million by a company jointly owned by Mr Khouri, a business linked to Sydney bikie Adrian Pamplin, who has been named in court as an associate of former crime boss Karl "The Godfather" Bonnette, and another company run by a man once charged but not convicted over a \$500,000 cocaine haul.

A creditors' note released by Ferrier Hodgson and obtained by The Weekend Australian says no legal basis could be found for the \$400,000 payment made to Mr Karas as supposed part-payment of a \$800,000 loan, which appeared to have never been provided.

The creditors' note also shows a company owned by the Pamplin family received payments and other financial benefits totalling almost \$600,000 while Bulla Tip & Quarry was under administration. Mr Ariff received \$257,000 in fees while he was the company's administrator and is claiming a further \$97,000.

The ASIC case against Mr Ariff, which is due to be heard in the NSW Supreme Court next month, includes the legitimacy of payments to Mr Karas and the Pamplin family and the fees he charged.

Mr Karas strenuously denied there was anything improper in the \$400,000 payment or his decision to force the company into administration.

He told The Weekend Australian he has provided loans to Mr Gatto, members of a Melbourne crime family and Mr Khouri, who worked out of his Melbourne office. But these were legitimate transactions and not linked to money laundering or crime.

Mr Ariff, who is facing court action by ASIC over his role in 10 administrations, has also denied suggestions he was involved in organised crime.

"They are allegations and I totally refute them," he said.

Confirming he put up the \$2.2 million to purchase Bulla Tip & Quarry, Mr Khouri denied there was anything improper in the deal.

"It was a real transaction," he said.

"There was nothing underhanded going on."

Mr Karas and Mr Ariff were also involved in the temporary administration of Melbourne's popular Chasers nightclub last year after Mr Karas called in a \$1 million loan organised through his business State Securities Group and tried to transfer the club's liquor licence into a relative's name.

Purana taskforce detectives have been investigating the source of the \$1 million, which reportedly originated in Greece, and what happened to the weekly interest payments of \$4000 collected in cash personally by Mr Karas from the nightclub.

Mr Karas was accused by police in court in October last year of being behind a "large-scale, money-laundering operation" involving the purchase of a racehorse linked to a member of the Melbourne crime family.

A company owned by Mr Khoury was also named by police in court as being involved in the alleged money-laundering scheme that also included a number of suspicious loans.

Purana and the ATO are also looking at a series of transactions involving \$550,000 that passed through bank accounts belonging to a series of companies linked to Mr Karas and his associates.

Investigators are examining the close connections between Findlay & Co Stockbroking and Opes Prime, which together played a role in the rising fortunes of several small mining and biotechnology companies that listed some underworld identities or their business associates on their share registers.

In some cases Findlay's, which has since undergone a restructure and change of directors, issued positive analyst reports and did the underwriting for the companies as part of takeovers and floats that saw share prices rise.

It is believed that large turnovers of shares belonging to some of the companies, including Range Resources, Boss Energy and Fairstar Resources, came from trading borrowed stock through Opes Prime. Findlay's previously operated in Melbourne out of Mr Karas's LaTrobe Street office and he remains a significant shareholder.

Mr Karas was also a substantial shareholder in Boss Energy along with Leo Khouri, Mr Pamplin, convicted heroin trafficker Amad Malkoun and John Khoury, who flew to Singapore earlier this year with Mr Gatto chasing the missing Opes millions.

Mr Khoury jointly owns a Melbourne property business with Boss Energy director and shareholder Joseph Obeid, a former Victorian policeman who has been involved with Mr Khouri in Range Resources, which has mining interests in Somalia.

In a separate investigation, the Australian Federal Police is looking at whether information was allegedly given to Mr Gatto and his business partner Matt Thomas about a planned takeover of Golden West Resources by Fairstar Resources.

The AFP raided the Sydney offices in January of Findlay, which was underwriting a capital raising by Fairstar to fund the Golden West takeover.

The Australian revealed earlier this year that Mr Thomas flew to Dubai to meet representatives of the Falak Group, which owns 7.5 million Golden West shares, after confusion over whether the group would vote in favour of the Fairstar takeover. Mr Gatto has denied he or Mr Thomas were given information on the Fairstar deal.

Earlier this year, Purana took court action to seize under proceeds of crime laws \$15 million of shares in the clean-coal technology company Linc Energy, allegedly owned by the member of a Melbourne crime family.

Brent Potts, the founder of Southern Cross Equities and before that Potts West Trumbull, said the speculative end of the share market was particularly susceptible to systematic rumour-spreading, both positive and negative, through the internet. "It's pretty hard to pump and dump in this market, but people are still trying," he said.

Source: The Australian

Going for broke on a fee spree

- Adele Ferguson
- From: *The Australian*
- June 22, 2009 12:00AM

LANDMARK decisions in Victorian and NSW courts against the fee-gouging antics of two insolvency practitioners should be a call to arms for the corporate watchdog and the federal government to toughen insolvency regulations in Australia.

The brutal reality is that as the economy moves towards a recession, more companies will be put into voluntary administration, receivership or liquidation.

The big winners are the so-called corporate undertakers -- the administrators, liquidators and lawyers who are called in to manage failed companies. Most fees fly under the radar because they are too complex to fully understand or there is a lack of transparency, but two recent legal cases will give the industry food for thought.

In the first case, S&D International and Geoffrey Handberg, in his capacity as liquidator of S&D, called for the removal of the receiver of S&D and an inquiry into the receiver's conduct.

In a stinging judgment in the Victorian Supreme Court, judge Ross Robson found that the receiver, Paul Vartelas, failed to perform his duties. Justice Robson said: "His failures were significant. He failed to ascertain what his appointer was owed. He failed to take proper care to ensure he was not improperly prolonging the receivership. He did not obtain advice from Mr (Gerald John) Parncutt (his legal counsel) until February 21, 2008, some four months after he should have terminated the receivership. He took inadequate steps to account to those for whom he held the surplus moneys on trust."

Besides removing him as receiver of S&D, Justice Robson ordered an inquiry into Vartelas's conduct. He went a step further and said he would conduct the inquiry. "Further, I will order and direct that the inquiry into Mr Vartelas's conduct as receiver and manager be conducted by me. I direct that the inquiry be conducted jointly with the inquiry into Mr Vartelas's performance as receiver and manager. I direct that the inquiry should be held into the amounts and sums that should have been included in the account that Mr Vartelas, as agent in possession, should have rendered to the liquidator on the sale of the Footscray property on October 19, 2007. I direct the

liquidator to submit to the court draft short minutes for orders as to the inquiry. I will reserve the question of the costs of the inquiry."

Two weeks later, on June 18, in a separate case in the NSW Supreme Court, insolvency practitioner Stuart Ariff lost his battle with CarLovers Australia over fees and costs.

Ariff contended that CarLovers owed him \$4.4 million in fees. But judge Reg Barrett, in the NSW Supreme Court's equity division, rejected Ariff's claim and ordered him to pay legal costs. These could be as much as \$400,000. As Ian Fong, an executive of CarLovers' major shareholder, Berjaya, said: "This was a great win for us. It means we don't owe him any more money. The issue is, how much money does he owe us?"

The Malaysian Berjaya Group put CarLovers into voluntary administration in 2003. Since 2005 it has been fighting Ariff in the courts over administration expense claims of \$10m over four years, which is more than double the company's original deficiency of \$4.5m declared by Ariff on July 17, 2003, just after his appointment.

Ariff is accused of claiming hundreds of thousands of dollars spent on limousines, travel for the family to Malaysia before his appointment as the administrator, expensive entertainment including lavish restaurant bills, and hairdressing bills.

Berjaya commissioned a forensic accounting report by de Vries Tayeh in July 2007, which had access to limited documents provided by Ariff. It tallied up \$893,958 in travel, accommodation and meals and claimed that Stuart Ariff Insolvency Association used limousines wherever possible and for no benefit to the companies and creditors.

Berjaya took Ariff to court last year over his expenses, but the case was deferred after the Australian Securities & Investments Commission launched its own legal action into Ariff's actions as an insolvency practitioner.

ASIC's case, to be heard in the NSW Supreme Court, begins in August and is expected to run for six weeks. Based on an affidavit obtained by The Australian, ASIC is concerned that Ariff failed to discharge his duties as an administrator with the standard of care expected of an insolvency practitioner. Ariff strenuously denies all allegations of wrongdoing and will defend his actions in court.

ASIC has built its case on more than six companies, including CarLovers, Independent Powder Coating, MDC Entertainment (which owns Melbourne nightclubs Chasers and Inflations), bus company Sid Fogg & Sons, Singleton Earthmoving and Bulla Tip.

In the case of Singleton Earthmoving, ASIC's affidavit says it is concerned that Ariff may have "engaged in conduct that amounted to a malfeasance, neglect and/or omission as the liquidator".

In the case of garbage disposal group Bulla Tip, which was forced into administration in December 2006 by Tom Karas, who appointed Ariff as the administrator, ASIC's affidavit states that it is concerned about Ariff's conduct in respect of the payment of

\$400,000 to Karas's finance company State Securities in January 2007 and the failure to investigate and accept the offer of Austral Waste Group to purchase the Bulla Companies.

In an interesting twist, Paul Vartelas also has a business relationship with Karas, who is an associate of underworld identity Mick Gatto.

In 2007, Karas appointed Vartelas to take over management of the Armidale YCW Rugby League Football from Ariff. The total in fees and expenses claimed by Ariff and Vartelas was \$916,025 -- almost double the club's original debt of \$540,000.

Fees, expenses, over-servicing, protracted settlements and conflicts of interest are the main criticisms that have been levelled against the insolvency industry over the years. It is no surprise, then, that the industry has been the focus of at least six inquiries in the past 20 years.

As insolvencies start to rise, the industry is growing at a rate of knots. Between January and April this year, the number of insolvency appointments jumped 45 per cent to 1227 and the number entering external administration rose 56 per cent to 810.

There are growing calls for greater regulation and monitoring of the massive fees charged by the insolvency industry.

Earlier this month, ASIC launched a new online insolvency portal to provide information to companies in financial trouble. In an effort to beef up its expertise in this area, it recently appointed insolvency expert Michael Dwyer as a commissioner.

But more needs to be done by the regulator and the federal government. The corporate insolvency provisions of the Corporations Act are some of the most important provisions and arguably the most important set of laws governing the corporate sector.

Effective insolvency laws and processes are an indispensable part of any well-functioning economy and one of the primary means for maintaining financial discipline and ensuring efficient resource allocation.

Tuesday 23rd Feb 2010
Newcastle Herald

Push for answers

Ariff may face inquiry

By IAN KIRKWOOD

PRESSURE is mounting for the Australian Securities and Investments Commission (ASIC) to launch an inquiry into the discredited insolvency practitioner Stuart Ariff to be summoned to appear in Newcastle before a Senate inquiry into liquidators and administrators.

Committee member and National Party Senator John Williams said yesterday the committee had confirmed hearings in Canberra, Newcastle and Adelaide.

The Canberra hearing was set down for March 12 and Senator Williams said that while dates for Newcastle and Adelaide were yet to be formalised, they would definitely take place.

He said an initial step would be to invite Mr Ariff to appear before the committee, but he confirmed it had the power to summons Mr Ariff and to subpoena documents.

He declined to speculate on whether this would happen.

The Senate economics committee is looking at the fees and practices of insolvency practitioners, and the role

that the federal regulator the Australian Securities and Investments Commission plays prior to and following the collapse of a business.

It has received more than 50 submissions of which more than 10 refer to Mr Ariff.

Mr Ariff, who was barred for life and ordered to repay \$4.9 million in a Supreme Court decision last year, ran his business out of Newcastle but has apparently since moved to Melbourne.

One of Mr Ariff's victims, businessman Bill Doherty, said yesterday the committee should use its powers to summons Mr Ariff to the hearing and to subpoena documents.

"To start with, they could get hold of his practice documents, which he is yet to produce to either the liquidator of his business or his bankruptcy trustee," Mr Doherty said.

"The committee is looking at the industry in general but Ariff is the perfect example of what is wrong with the industry and its lack of regulation," Mr Doherty said.

Small fry abandoned in hunt for big fish

If you want a concise carve-up of how the Australian Securities and Investments Commission failed businesses and organisations - many in the Hunter - in the Stuart Ariff scandal, read Newcastle University economics professor Scott Holmes's submission to a current Senate inquiry into liquidators and administrators.

Professor Holmes puts in the boot, and a very well-aimed boot it is, congratulations to him.

He outlines how ASIC's largely failed current strategy of targeting big fish is doubly failing Australia's small business operators, who make up the bulk of employers and an "overwhelming majority" of those seeking the services of administrators and liquidators.

Professor Holmes argues small businesses are "abandoned" by the regulator when it comes to rogue operators like Newcastle's Ariff,



Joanne McCarthy

who fleeced millions of dollars from the companies he was supposed to be controlling as an administrator, despite numerous complaints to ASIC from 2005.

ASIC fails in many ways, writes Professor Holmes, starting with advertising on its website that: "Generally we do not act for individual complaints and we will seek to take action only on those reports of misconduct or breaches of the corporations law that will result in a greater impact in the market and benefit the general public more broadly."

Such a message to a rogue operator like Ariff - that the corporate regulator doesn't act "for

individual complaints" - must have been "enticing encouragement", he drily notes.

ASIC failed to respond to complaints about Ariff, including Hunter MP Joel Fitzgibbon's strong speech to Federal Parliament in 2005, in which he said: "I suspect that our Mr Ariff is a bit of a cowboy," until media pressure and the body of evidence put on the record during various civil actions against Ariff, forced it to.

And when the regulator finally did act, it took a "show trial" option of accepting consent orders, which effectively allowed Ariff to "claim in error" rather than stand trial for misconduct and fraud.

"The benefit of pursuing this case would have demonstrated that ASIC has a mandate to vigorously pursue the type of egregious behaviour exposed in the Ariff case," Professor Holmes said.

Instead Ariff was ordered to pay \$4.9 million compensation, to which he responded by going bankrupt.

"Did ASIC, in agreeing to the consent order, really consider that Ariff would make these payments and, given his track record, wouldn't seek relief under the Bankruptcy Act?" Professor Holmes asked.

He carves up ASIC's main argument supporting its current strategy - limited resources.

In 2008-09 ASIC generated \$552 million in fees and charges and spent \$295 million on its regulatory role. The \$257 million turned over consolidated revenue would be better spent pursuing the Ariffs of this world and responding to complaints.

And it might go some way to restoring public confidence.

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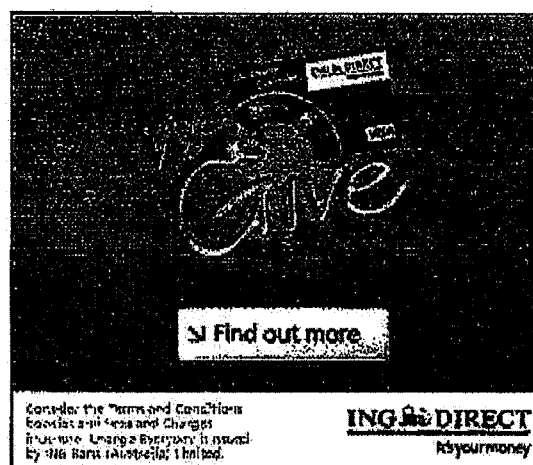
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Who pays the price

Author: Joanne McCarthy
Date: 23/01/2010
Words: 1695
Source: NCH

Publication: Newcastle Herald
Section: H2
Page: 6



ADAMSTOWN Rosebud Sport and Recreation Club president Ron Williams walked into a doctor's surgery a couple of weeks ago, sat down and cried after five years of fighting for his club and five months of bureaucratic indifference.

He nearly lost it again this week.

It's one thing to be the victim of a shyster whose name appears in stories alongside "colourful" underworld identities like Mick Gatto, and get a bitter laugh out of it.

It's another altogether to realise you're the only thing standing between the club and oblivion, because few in authority really give a bugger.

Williams can almost cop being caught out by disgraced liquidator Stuart Ariff. There are bad apples in every industry. But he's struggling to grasp how Ariff did what he did to the club without regulators like the Australian Securities and Investments Commission (ASIC) catching on.

And Williams is angry that when he raised the alarm back in 2008, ASIC gave him the brush-off. He's even angrier to find that others had been complaining to ASIC about Ariff for years.

Rosebuds appointed Ariff as its voluntary administrator in 2005 after the club got into financial trouble.

For more than four years Williams and club secretary manager Caralyn Birt fought hard to repay \$200,000 the club owed creditors.

Under a deed of arrangement organised by Ariff, the club paid \$4000 a month to Ariff from August 2005 to September 2009.

The club had two monthly payments to go to be free of debt when Williams read in The Herald last August that Ariff had been banned for life from working as a liquidator.

ASIC hadn't said a word. When Williams and Birt rang ASIC to find out what the club should do, given its legal arrangement with a disbarred liquidator, ASIC said the matter wasn't its problem because the club was a cooperative. It advised that the club contact the NSW Office of Fair Trading.

So the club did, but Fair Trading said the club would probably have to go back to first base, get a new administrator, and start all over again, and advised them not to bother driving to Fair Trading's Bathurst headquarters for a sit-down meeting because there was no point.

The club was basically on its own.

The police took an informal complaint from the club and said they'd get back to the club about the possibility of investigating Ariff. They haven't rung back.

And that's when Williams and Birt first cried.

"I'm getting too old for this crap," Williams said this week.

"We were going to have a party on Australia Day for the members who've stuck with us through all this. We were counting down that we had only two payments to go to clear the debt and next week we were going to celebrate. Then we found out we'd been making the payments to Ariff, but he hadn't been passing on the money to the creditors," he said.

The debt remains the club's problem because the deed of arrangement said the club is cleared "if" the liquidator passes the money on.

Ariff did not pay creditors, although he received \$90,000 from the club as his fee.

Creditors include the Department of Lands, which is owed \$45,000.

Even though the club paid \$192,000 of the \$200,000 owed until Ariff was disbarred, and the Department of Lands should have been paid, the club still owes the department because the money wasn't passed on.

The department and the club met this week. Williams said the department was sympathetic and supportive.

Because Ariff failed to meet his indemnity insurance payments, the club is not protected. Ariff closed the door completely on any action against him when he told a creditors' meeting in December that he was bankrupt and his company was in liquidation.

"I went to the police and said as far as we were concerned our money had been stolen and we wanted charges to be laid, but they haven't got back to us," Williams said.

"It's hard to understand how something like this can happen."

NATIONALS Senator John Williams (no relation) had heard too many stories from people like Ron Williams. He decided a formal inquiry into the insolvency industry was needed.

The Senate is taking submissions. The inquiry starts in March.

The fact that it will be the sixth such inquiry in 20 years doesn't faze Senator Williams. This time the inquiry will be calling on regulators such as ASIC to give evidence about why it takes so many complaints about the insolvency industry, but does little about it.

"ASIC simply will not act, and the public has a right to know why. From my own experiences, it appears that ASIC jumps on an issue only when the media pushes it," he said. "What I want out of this inquiry is an insolvency industry that the Australian public can have confidence in, and a regulatory system that they can also have confidence in. The problem is we can't say those things at the moment."

Senator Williams said he hoped one of the committee's public hearing sessions would be held at Newcastle because of the Ariff case and other issues where the public could have lost faith in ASIC.

"I can't pre-empt the committee's recommendations, but going on what I've seen so far, I think the committee is going to be quite shocked when they hear some of the evidence," he said.

ASIC estimates insolvency practitioner complaints represent less than 2 per cent of total complaints and breach notifications each year. But the reality of the problem is apparent when you consider there are only 576 insolvency practitioners in Australia and ASIC monitors more than 1 million companies and an untold number of directors.

Complaints range from overservicing and overcharging through to conflicts of interest, abuse of power and gross misconduct.

In the past 18 months the Companies Auditors and Liquidators Disciplinary Board has taken action against nine insolvency practitioners.

This includes a two-year ban against former Hall Chadwick partner Geoffrey McDonald after an investigation into his work for an engineering company.

In 2006 McDonald was administrator or liquidator for three companies under rogue Chinese construction group Hightrade Reica Construction, Show and Exhibition and Auschintle/Auxon. The companies worked at Pokolbin's Hunter Valley Resort and Newcastle's Azura apartments.

In the past few years he has also worked on the voluntary administration of Tim Johnston's Firepower Operations and acted as trustee of an arrangement between the colourful Sydney entrepreneur Jim Byrnes and his creditors.

McDonald works in Sydney as a barrister. The insolvency work and his work as a barrister were "not related", he said.

"I find it horribly frustrating that for many years ASIC has done nothing about directors who cost creditors millions of dollars yet in my case, I allegedly breached the spirit of the ethics of chartered accountants and had my licence suspended for two years," he said.

"I find that out of balance."

STUART Ariff's ban for life came after NSW Supreme Court action in August outlined excessive charges and practices relating to a large number of companies. Justice Patricia Bergin described Ariff's behaviour as "appalling".

The court was told while civil action against Ariff was over, ASIC investigations were continuing.

The court heard Ariff had a business relationship with Tom Karas, an associate of underworld identity Mick Gatto, which led to Ariff acting as manager of Armidale YCW Rugby League Football Club.

In 2007 Karas replaced Ariff with a receiver called Paul Vartelas, who also had a business relationship with Tom Karas, and between them Ariff and Vartelas charged the football club \$916,000 in fees. The club's original debt was \$540,000.

Adamstown club president Ron Williams has a letter from Stuart Ariff asking Rosebuds if it wanted to purchase a number of poker machines from the Armidale club while it was under administration.

As he read the letter this week Williams shook his head in sympathy for fellow victims.

Details of Ariff's other victims like liquidated car-wash company CarLovers, which paid \$13 million in disbursements and fees to Ariff, including \$208,300 to Ariff's father for services unrelated to CarLovers, and \$1450 to rebuild his sister's laptop appalled long-time Rosebuds members like Don Dyer when they read about them.

Like Ron Williams, he is angry at Ariff, but even more angered by ASIC.

"It is unbelievable, really," Dyer said.

"You look at us, this little old bowling club at Adamstown suddenly being linked with the underworld in Sydney and Melbourne, but it makes you wonder what ASIC was doing all this time.

"We've been let down so badly by our regulatory bodies."

Dyer and wife Pat are retired and play bowls at the club.

While Ariff has cost companies and individuals millions of dollars, at Rosebuds the emotional cost is almost more significant, he said.

Ron Williams and Birt agree.

"It's devastating for people like us, at our time of life, to be told the place where we meet our friends and stay active and social could close because people have let us down," Dyer said.

"It's easy for people to say we can just go to another bowling club, but when something like this happens, you wonder if you can start again. It is rather a big thing.

"You do wonder about the rightness of the world. The people here are all decent people. We do the right thing. Someone's done the wrong thing and no one seems to care. It is rather a big thing.

"You do lose a bit of faith."

When club officials Williams and Birt have cried, it has been about the pressure of fighting for people like Dyer and coming up against bureaucratic brick walls.

"They're relying on us," Ron Williams said.

ASIC simply will

not act, and the

public has a right

to know why.

□ Senator John Williams

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Underbelly Inc: gangs muscle in on markets

Gary Hughes
Adele Ferguson

UNDERWORLD criminal networks and outlaws motorcycle gangs are exploiting weaknesses in corporate laws and poor regulation of financial markets, reaping multi-million-dollar profits from suspected share market manipulation, asset stripping and the snatching of control of companies they force into administration.

The state and federal agencies — Victoria Police, Pura gangland taskforce, the Australian Federal Police, the Australian Crime Commission, the Australian Securities and Investments Commission and the Australian Taxation Office — are investigating financial deals and share transactions worth at least \$100 million.

Legitimate business owners have alleged that takeover tactics, including physical threats and intimidation, have been used in some cases to try to force through deals or stop people going to the authorities.

Detective Inspector Bernie Edwards, head of the Pura taskforce, told *The Weekend Australian* the business and finance sectors were rapidly becoming the new "powerhouse" of organised crime.



Investigation Carlton Crew boss Mick Gatto

Pictures: John Kingma