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REPORT TO CREDITORS

BANKRUPT ESTATE OF PAUL JOSEPH O'CALLAGHAN NO VIC 5395 OF 2008

I advise that Paul Joseph O'Callaghan, born 10 October 1965 formerly of 9 Waverley Street, Essendon, Victoria 3040, became bankrupt by virtue of a Sequestration Order made in the Federal Magistrates Court of Australia on 9 August 2005 and I became Joint and Several Trustees of the bankrupt estate.

On 10 July 2007 a meeting was convened in accordance with Section 73(2) of the Act for the purpose of voting on a Composition proposal put forward by the bankrupt. On this date, creditors resolved by special resolution to accept the bankrupt's proposal for a Section 73 Composition. Accordingly, the bankruptcy was annulled.

The terms of the Composition arrangement accepted by creditors provided Mr O'Callaghan to pay the following:

- An amount of \$50,000 to be deposited in the account of the debtor's solicitor prior to the meeting of creditors;
- Instalments of \$12,000 per month to be paid for 12 months, commencing one month after acceptance of the Composition by creditors; and
- An amount to be paid on the twelve month anniversary of acceptance of the Composition, sufficient to pay 50% of the claims made by creditors who have been admitted to prove.

Creditors should note that Mr O'Callaghan deposited the amount of \$50,000 into his solicitor's account prior to the meeting of creditors convened for the purpose of considering his proposal for a Composition arrangement. These funds were transferred to me as Joint and Several Trustee of the Composition upon acceptance of the Composition proposal by creditors.

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Mr O'Callaghan subsequently paid additional instalments totalling \$36,000. Mr O'Callaghan failed to make any instalment payments subsequent to 20 November 2007.

In accordance with Section 76B of the Act, I engaged a solicitor to apply to the Federal Magistrate Court of Australia seeking the following orders:

- That the Composition arrangement be terminated on the grounds that the debtor has failed to comply with the terms of the Composition; and
- That a Sequestration Order be made against the debtor to make him bankrupt

On 10 October 2008, the Composition arrangement was successfully terminated and by virtue of a Sequestration Order made in the Federal Magistrates Court of Australia, Gess-Michael-Rambaldi and I were appointed Joint and Several Trustees of the bankrupt estate.

BACKGROUND INFORMATION

Investigations into the bankrupt's examinable affairs reveal the following:

- The bankrupt's last known address was 9 Waverley Street, Essendon. The bankrupt has not provided me with a current residential address;
- The bankrupt previously operated a food franchise which was unsuccessful;
- The bankrupt is the inventor of the 'Water-Leech', a portable unit that enables the collection and distribution of up to 90% of the grey water from the bath, shower and laundry. It is not yet known whether a working prototype has been developed;
- The bankrupt has advised that he is currently unemployed.

STATEMENT OF AFFAIRS

I note that at the date of this report I am yet to receive the bankrupt's Statement of Affairs (SOA). The initial bankruptcy package was sent via registered post to the bankrupt's last known address and by email transmission on 17 November 2008.

On 10 December 2008 the bankrupt attended a meeting at my office and provided me with an incomplete SOA. The bankrupt was reminded of his requirement pursuant to Section 54(1) of the Bankruptcy Act 1966 (the Act) to complete, sign and lodge his SOA with the Official Receiver within 14 days of being notified of the bankruptcy. The bankrupt was advised that this 14 day period expired on 31 October 2008 and that he had failed to comply with the requirements of the Act. The bankrupt was directed to complete the SOA and return the incomplete sections of the SOA to my office as a matter of urgency. As at the date of this report, the bankrupt has failed to provide me with a completed SOA.

Numerous attempts have subsequently been made to contact the bankrupt, however these have been unsuccessful.

A further Report to Creditors will be provided upon receipt of the bankrupt's SOA in accordance with Regulation 4.14(1) of the Act.

In the meantime, I am required to provide creditors with details of the results of my preliminary investigations to date, which are as follows:

PRELIMINARY INVESTIGATIONS

1. *The Water-Leech*

As stated above, the bankrupt is the inventor of the Water-Leech. An Innovation Patent Application was made to IP Australia which disclosed the bankrupt as the inventor and applicant.

Creditors should note that the rights, title, and interest under this application is an asset that vests in me pursuant to Section 58 of the Act. I have written to IP Australia and requested that the Innovation Patent Application be transferred to Mr Rambaldi and myself as Joint and Several Trustees of the bankrupt estate.

The bankrupt has failed to provide me with a working prototype of the Water-Leech or any books and records in respect to the product. Upon receipt of these books and records, an analysis will be conducted to determine the commercial value (if any) that can be realised for the Water-Leech.

2. *Bank Accounts*

Following a circular to the major banking institutions, I have located three bank accounts with ANZ Banking Group in the name of the bankrupt. Two of these accounts had a nil balance at the date of bankruptcy. The remaining account had a debit balance of \$4,977.49. Accordingly, no further action will be taken in relation to these accounts.

3. *Property*

The bankrupt has advised that he does not own any real property. A search of the land title office database has confirmed that there is no property registered in the name of the bankrupt.

4. *Motor Vehicles*

I have written to VicRoads and requested that a search of their database be conducted in the name of the bankrupt to determine whether the bankrupt is the registered owner of any motor vehicles.

I am currently awaiting a response from VicRoads.

5. *Involvement in Companies*

A search of the Australian Securities and Investments Commission (the ASIC) database in the name of the bankrupt revealed that the bankrupt is the sole director of the following companies, having been appointed on 18 March 2008:

- Greywater Recycler International Pty Ltd (ACN 130 212 529)
- Lelumenic Pty Ltd (ACN 130 212 485)

The bankrupt does not hold any shares in these companies. I am advised by the bankrupt that the shareholder in the above companies is a non-related party.

I am currently waiting for the books and records of these companies in order to determine the nature and extent of the bankrupt's involvement.

6. *Income Contribution Assessment*

Pursuant to Section 139W(1) of the Act I am required make an assessment of the income the bankrupt is likely to derive during each Contribution Assessment Period (CAP) of the bankruptcy.

A bankrupt may be liable to make compulsory contributions to the bankrupt estate where the Trustee determines that the bankrupt's income exceeds the applicable actual income threshold amount. The current threshold amount is \$41,250.30.

Based on an income questionnaire completed by the bankrupt, I have determined the bankrupt's income for CAP 1 (10 November 2008 to 11 November 2009) to be nil. Subject to further investigation, the bankrupt is not currently liable to make compulsory income contribution during CAP 1.

7. *Voidable Transactions and Preferences*

I am unable to confirm whether there have been any transfers of property which would be recoverable under Sections 120, 121 and 122 of the Act as I am yet to receive the relevant books and records.

DIVIDEND LIKELIHOOD

Pursuant to Section 19(1)(c) of the Act, I am required to advise creditors of the likelihood of receiving a dividend.

Based on my investigations to date, it appears unlikely a dividend will be paid to unsecured creditors due to a lack of divisible assets. Should this situation change, I will advise creditors accordingly.

I have attached a Proof of Debt form for those creditors wishing to lodge a claim. For creditors' ease of reference, an electronic version of this form (Form 8) is available on the Insolvency and Trustee Service Australia (ITSA) website at www.itsa.gov.au, under the heading 'Trustees' and 'Forms'.

TRUSTEES REMUNERATION

I have incurred professional costs of \$9,995.50 (plus GST) for the period 10 November 2008 to 11 January 2009. I am seeking creditors' approval to draw these fees, plus the applicable Goods and Services Tax.

Further, I am seeking approval for my future remuneration from 12 January 2009 to the finalisation of the bankruptcy. I have capped my future remuneration at a maximum of \$20,000.00 (plus GST). However, should my remuneration exceed the capped amount, I will require further approval from creditors. This amount takes into consideration, but is not limited to, the following:

- Review of books and records if/when received.
- Investigating and considering whether the bankrupt's interest in the Water-Leech can be commercially realised.
- Review of future Income Contribution Assessment Periods for the bankrupt.
- Ongoing investigations into the examinable affairs of the bankrupt.
- Investigations into possible preference payments.
- Preparation and lodgement of Interest and Realisations Charge returns with ITSA and attending to payment of same, where applicable.
- Ongoing investigations into the examinable affairs of the bankrupt;
- Ongoing administration of the bankrupt estate for the period of the bankruptcy, usually three years.
- Attending to the finalisation of the bankrupt estate.

Pursuant to Section 64ZBA of the Act, it is possible for creditors to pass a resolution without the need to call a creditors' meeting. In accordance with that Section, I enclose a Notice of Remuneration of Joint and Several Trustees that addresses the approval of Joint and Several Trustee's remuneration by way of a postal ballot. I request you please read the attached resolution, select your preferred option, sign and return same to my office by **Thursday, 12 February 2009**. Alternatively, you may return this document to me by facsimile on 03 8610 5826.

Should any creditor object to the proposal being resolved without a meeting of creditors, I will be required to call a meeting.

Pursuant to Regulation 8.12 of the Act, creditors or the bankrupt have a right to request that our claim for remuneration be taxed, provided that such a request is made within 28 days of receiving notice of our claim. However, should a request for taxation result in a reduction of less than 15% of our claim, the creditor or bankrupt, as the case may be, must meet the costs of taxation pursuant to Regulation 8.11A of the Act.

Creditors should note that the extent of my remuneration would be limited to the funds available.

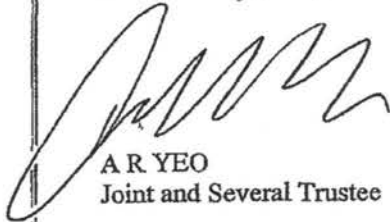
BANKRUPTCY REGULATION

Should creditors have any concerns with the conduct of this administration, they may wish to contact Bankruptcy Regulation, which is responsible for the supervision of Registered Trustees. Bankruptcy Regulation may be contacted care of the Insolvency and Trustee Service Australia, Level 16, 300 La Trobe Street, Melbourne.

Prior to contacting Bankruptcy Regulation, I would appreciate creditors first discussing any concerns with my office.

Should you have any queries in relation to the matters raised above, please do not hesitate to contact Ms Rima Mouchaileh of this office on 03 8610 5593.

Dated this 20th day of January 2009



A R YEO
Joint and Several Trustee