

# **GLOBAL INVESTOR COMMITTEE**

13 May 2020

Dear Investor,

## **RE GERMAN PROPERTY GROUP/RED ROCK**

This Committee has been set up by representatives from the major jurisdictions where investors reside. Our aim is to deal with GPG and secure the best outcome for investors in terms of recovering their monies invested. The membership includes investor representatives from the UK, Republic of Ireland, Singapore, South Korea, Asia and Mainland Europe.

### **Background**

You will be aware from the recent communication from GPG there were discussions with interested parties in purchasing the business as a whole but these have proved fruitless. We are now left with the possibility of either restructuring the business or procuring formal insolvency.

### **Insolvency**

We agree and reiterate the GPG and CFE view that formal insolvency proceedings would result in a near total loss for investors. This is primarily because the likely level of asset realisations through the court procedure would be far below that which may be achieved in other ways. The courts will not readily hold onto assets whilst planning consents and building permits are sought which might enhance the value of assets and the realisations achieved would suffer from an effective firesale scenario.

Furthermore, we would expect that the process would be expensive in terms of professional fees, there would be little control over the procedure to be exercised by creditors and it could take 7 or more years before any funds were returned to investors.

In Germany we understand that even secured creditors are unable to take control of secured assets, they must be realised by the court and then the net proceeds are passed to those secured.

It is not really possible to quantify the recovery for investors but it is likely to be 5-10% of

capital invested.

For these reasons, we are not aware of anyone who wishes to see this outcome.

## Reconstruction

You will recall that reconstruction has been advised to you by both GPG and CFE. The methodology and shaping of such a reconstruction has been carefully considered by GPG and the Committee and we believe that the only option available to us now is to take control of what assets exist and take on the development of those assets ourselves.

This would be achieved by transferring all SPVs with assets to a new company, wholly owned and controlled solely by the investors, completely separate from GPG, which would then take over dealing with the assets. A reputable legal firm will be assigned to develop the legal advice with the aim of securing the assets to be transferred to the new company .

Clearly, there is much work to be done on assessing what to actually do with the assets thereafter, but, whatever it is, it will likely be better than the alternative. In order for this task to be undertaken we need the consent of investors to transfer their secured assets to the new entity.

There will be a mass of questions that you will wish to ask, some of which we can answer now and some we cannot. Until the economic effects of Covid-19 are known, no one can possibly value any assets. However, there is a portfolio of projects that cost several hundred million euros to buy so the minimum return should be in excess of that from insolvency, even if the assets are simply enhanced and sold rather than developed. It is hoped that a return after developing all or most of the assets could be as much as 50% of the capital invested.

We do not, as yet, have full access to GPG accounts and records so we are unable to exactly quantify the level of indebtedness but it is understood to amount to just over a billion euros excluding interest.

We fully appreciate that it is difficult to ask investors to take a leap of faith in this way but it is almost certain that failure to take this necessary action could result in a near total loss, so we ask that investors do respond with a positive indication of their consent to this plan in principle by Friday 22 May 2020.

We have a dedicated voting form for you to record your response:-

<https://forms.gle/g64sgFnXTRattJgj7>

If you have any questions that are not covered by the FAQ page on the website please email [gpgcreditors@gmail.com](mailto:gpgcreditors@gmail.com) and we will endeavour to answer them. You are welcome to make contact with us at the email address, your jurisdictional representatives or the GPG helpline. Further information is also available on our website:-

<https://www.german-property-group-creditors.co.uk/>

Following the response to this letter, we will take steps to enable this process and it may be necessary to obtain your formal legal consent backed up by your individual proof of debt.

Yours faithfully

GLOBAL INVESTORS COMMITTEE