

TO THE INVESTOR AS ADDRESSED

29 April 2016

**LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)  
ARSN 089 343 288 ('the Fund' or 'FMIF')**

## 1. Executive Summary

I refer to my appointment as the Receiver of the Fund's assets and the person responsible for ensuring the winding up of the Fund in accordance with the terms of its constitution by Order of the Supreme Court of Queensland on 8 August 2013.

I now provide my thirteenth update to investors, which provides details of the progress made in the winding up of the Fund since my last report to investors dated 28 January 2016. This report should be read in conjunction with my previous reports, which are available on the website [www.lmfimf.com](http://www.lmfimf.com).

A summary of the key issues covered in this report is as follows:

- There is one property asset plus two residential units remaining to be sold that are estimated to realise approximately \$2.3M. Further details are provided at Section 3 below;
- Cash at bank as at 31 March 2016 was \$70.95 million;
- The estimated return to investors is currently 13.6 to 14.6 cents per unit as detailed at Section 8.1 below and before taking into account future costs and recoveries from legal proceedings on foot;
- The MPF Trustee has issued third amended statements of claim in two proceedings against LM Investment Management Ltd (In Liquidation) (Receivers and Managers Appointed) (LMIM) and myself as second defendant (seeking equitable compensation against LMIM and other relief over assets of the Fund in the sum of about \$29.2M plus interest). Further details are provided in Section 2.1 below;
- I will not be in a position to make distributions to investors until the claims by Korda Mentha as trustee of the LM Managed Performance Fund (MPF Trustee) and other litigation matters involving a potential claim against the Fund have been resolved and the Receivers and Managers of the Fund (DB Receivers) appointed by the secured creditor have retired. Further details in relation to the status of the retirement of the DB Receivers are provided in Section 2.2 below;

- The proceedings against the MPF and others for in excess of \$20M is at discovery stage with mediation to take place by 31 July 2016 as detailed in Sections 2.3 and 4.2.1 below;
- A further amended statement of claim against the former auditors was filed and served on 14 April 2016. Further details are provided in Section 4.1 below;
- The Liquidator of Bellpac Pty Ltd (Bellpac Liquidator) has issued proceedings against Wollongong Coal Limited for failure to convert the \$8M Bonds into shares and is seeking redemption of those Bonds plus interest for cash or damages for the same amount. The decision awarded in favour of the Bellpac Liquidator that it is the true owner of the \$8M Bonds held in Wollongong Coal Limited is still subject to an appeal. Further details are provided in Section 4.2.2 below;
- Orders have now been made with judgement in my favour for \$2.39M inclusive of interest plus costs in relation to a claim against a quantity surveyor. The calculation and quantum of costs will now be considered and in the absence of reaching agreement on a commercial basis with the defendant, the costs will be assessed by the Court. Further details are provided in Section 4.4.1 below;
- I continue to pursue claims against guarantors where it is considered commercially viable to do so. Further details are provided in Section 4.4.2;
- An application has been submitted to the Australian Securities and Investments Commission (ASIC) for relief from the financial reporting obligations in Part 2M.3 and Chapter 5C of the *Corporations Act 2001 (Cth)*. Further details are provided in Section 7 below;
- As advised in my twelfth report to investors, the liquidators of LMIM (FTI) filed a Further Amended Originating Application on 16 December 2015 for the determination of their remuneration in the amount of \$3,098,251.83 for the period from the date of their appointment to 30 September 2015 from assets of the Fund. The application was heard on 22 February 2016 and was subsequently adjourned to 14 March 2016. Judgement is awaited in this respect. Further details are provided in Section 9.1 below.

## **2. Position of the Secured Creditor, the potential claim by KordaMentha, the trustee of the LM Managed Performance Fund ('MPF') and claims filed against the Fund**

### **2.1 Proceedings by the Trustee of the MPF against LMIM and the Fund**

The Trustee of the MPF (the Trustee) filed two second further amended statements of claim on 29 February 2016.

In accordance with orders made on 9 March 2016, my solicitors wrote to the Trustee's solicitors raising certain issues in relation to the second further amended statements of claim, and requesting further and better particulars of certain allegations made in the statements of claim. The solicitors for the Trustee replied to this correspondence advising that the plaintiff will be filing third further amended statements of claim (3<sup>rd</sup> FASOC's) in each proceeding addressing a number of issues raised by me.

Orders were made on 15 April 2016 requiring the Trustee to file the 3rd FASOC's, by 19 April 2016.

On 26 April 2016, my solicitors filed and served on the applicants strike-out applications in relation to a number of paragraphs within the claims. These applications are listed for hearing on 31 May 2016.

## **2.2 Position of the Secured Creditor**

As previously advised, the Trustee of the MPF has confirmed that it has concluded its investigations in relation to a number of matters and that it is unlikely that it will pursue many of the other possible claims against the Fund. In addition, the Trustee has confirmed that it no longer considers it likely that its claims will exhaust the Fund's assets.

The matter precluding the retirement of the DB Receivers is the provision of a release by the Trustee.

Further information requested by the Trustee on litigation matters involving the FMIF has recently been provided to the Trustee. I understand that the Trustee is considering this further information and its position in regard to the release requested by the DB receivers. I continue to liaise with the DB receivers about their ongoing role and the possibility of their retirement.

## **2.3 Proceedings against the MPF, LMIM and the Directors of LMIM**

As advised in previous reports to investors, on 17 December 2014, I filed a statement of claim in the Supreme Court of Queensland, against a number of parties including the MPF Trustee, in respect of the loss suffered by the FMIF as a result of the amount paid to MPF in the Bellpac litigation matter. The claim is for in excess of \$20M.

The proceedings are at the discovery stage with mediation to take place by 31 July 2016. See Section 4.2.1 below for further details.

## **3. Realisation of Assets**

Since my last report:

- the property held in Western Australia settled on 2 February 2016 with gross realisations of \$530,000
- the balance of the deferred settlement proceeds from the sale of the retirement villages of \$16 million was received in March 2016
- the settlement of 26 units and management rights was effected on 18 April 2016 with gross realisations of \$3.052 million. A further two units remain to be sold at the strata titled unit resort

In addition to the two units discussed above, there is one property asset of the FMIF remaining to be sold. A summary of the status of the remaining property is provided below.

Location	Description of asset	
QLD	Residential land subdivision with 11 out of 80 lots remaining. Since my last report to investors, no further lots have been sold, however a further marketing campaign is underway.	On the market

#### 4. Other Potential Recoveries/Legal Actions

I provide an update in relation to investigations undertaken to date, legal proceedings on foot and further work to be done, as follows:

##### 4.1 Claim Against the Former Auditors

A further amended statement of claim was filed by me in the Supreme Court of Queensland and served on the former auditors of the Fund on 14 April 2016.

There has been a considerable amount of work undertaken in assisting our solicitors and Counsel in preparing the further amended statement of claim primarily due to:

- the consideration of the substantial information in the public examinations (PE) transcripts and work papers obtained from the former auditors and directors and officers of LMIM for the PE's in 2015. As previously advised, the manner in which the former auditors sought to comply with their obligations for the production of documents for the PE has made our investigations more difficult;
- the number of issues identified from our investigation of the financial year audits and half yearly review periods from 30 June 2008 to 30 June 2012 included in the claim;
- the number of issues identified from our investigation of the annual compliance plan audits from 30 June 2008 to 30 June 2012 included in the claim;
- consideration of the significant regulatory provisions including the Corporations Act, accounting and auditing standards, ASIC regulatory guides, the Fund's Constitutions, Compliance Plans, documentation and policies and the changes in these regulatory provisions and documents through the period 2008 to 2012.

In addition, there has been a considerable amount of work undertaken in quantifying the loss suffered by the Fund as a result of the auditors failing to identify and report on the material deficiencies in the Fund's financial accounts and LM's compliance with the Compliance Plan. The calculation of the loss is currently being finalised although will be in excess of \$100M. I am hopeful of achieving a substantial recovery from this matter for the benefit of investors.

The auditors' solicitors lodged and served on me a strike-out application and supporting affidavit on 27 April 2016 in relation to the amended parts of the claim. This has been listed for hearing by the Court on 13 May 2016.

##### 4.2 Bellpac Proceedings

###### 4.2.1 Proceedings against LMIM, MPF and Certain Directors

The proceedings are still at the discovery stage although a mediation to try and settle the matter is to be held by 31 July 2016. In this regard, I note the following:-

- Our investigations to identify if there are any relevant permanently deleted emails, which entailed comparing the email folders of key persons from the forensic image of the LM exchange server obtained by FTI on their appointment with the copy obtained by me from the receiver of LM Administration Pty Ltd in March 2015, are ongoing. I anticipate that this process will be finalised within two weeks
- I have completed our disclosure in accordance with the required timetable as varied and agreed by the parties
- The Trustee of the MPF had to provide disclosure of relevant documents within 28 days of the disclosure by FTI which was due by 22 March 2016. However, FTI did not provide disclosure as required. Instead FTI advised that LMIM has insufficient funds to maintain its defence and that it proposed to make application for orders that it take no further part in the proceedings. An application was filed and served on 14 April 2016 seeking orders that:
  - the orders regarding disclosure (made on 14 August 2015 as varied) as they relate to them be vacated;
  - they be excused from taking further steps in the proceedings; and
  - there be no order as to costs.
- The hearing of FTI's application was on 28 April 2016 where they were excused regarding disclosure with no order as to costs of the application
- The final steps have now been agreed in relation to disclosure with a mediation to be held by 31 July 2016

#### **4.2.2 Other Bellpac litigation**

##### **a. Wollongong Coal Ltd (WCL) - Convertible Bonds**

As advised in my last report, the defendants appealed the decision of the Court which acknowledged that Bellpac (under the control of a liquidator) is the true owner of the \$8 million convertible bonds. The appeal is to be set down for a hearing in May 2016.

The Bellpac Liquidator has applied for the conversion of the bonds to shares pending the appeal hearing. WCL has advised the Bellpac Liquidator that it has issued the shares in part and that it requires a meeting of shareholders to approve the issue of the balance of the shares.

The Bellpac Liquidator brought proceedings against WCL on 19 April 2016 as it has failed to issue the shares as required in accordance with the terms of the bonds and is seeking the redemption of the bonds for cash. The matter is listed for hearing on 2 May 2016.

##### **b. Proceedings against Bellpac Receivers, LMIM, PTAL and others ('the Parties')**

The ongoing proceedings by the third mortgagee against PTAL alleging a sale of the former Bellpac property at Bellambi NSW (sold to Gujarat NRE Minerals Limited in 2011) at undervalue are not yet at discovery stage with a further hearing set down for 5 May 2016.

As advised in my last report, the discontinuance of the claim against LMIM and the Bellpac Receivers entitles the Fund and the Bellpac Receivers to seek the reimbursement of costs incurred in defending

this matter. The costs of the Fund have been assessed and the Court has confirmed the costs payable, however, the plaintiffs have filed a notice of objection which has yet to be heard by the Court. The Bellpac Receivers have filed their costs in the Court and are awaiting the Court's decision in this respect.

## **4.3 Other Potential Claims against LMIM and related Parties**

### **4.3.1 LM Administration Pty Ltd (In Liquidation)('LMA')/Director related claims**

As advised in my previous reports, my investigations into the following matters as they relate to the financial statements and compliance plan audits were included in the public examinations held in 2015:-

- Management Service Agreements with LMA;
- Changes to Constitution; and
- Fund Valuation Policy.

These matters and certain transactions involving these matters have been included in the claim against the auditors (see section 4.1).

### **4.3.2 Distribution to Class B Unit Holders**

As advised in my previous reports, investigations have been undertaken via the public examinations conducted in 2015 and subsequent thereto in relation to redemptions and distributions paid to the Class B unit holders (the feeder funds) when the Fund had suspended redemptions and distributions to other classes of members. These matters have been included in my claim against the auditors (see section 4.1). Investigations have yet to be concluded in relation to the issue of the increase in the Class B members' interest in the Fund as a consequence of these transactions.

### **4.3.3 External Valuations**

I am finalising my investigations into whether the valuations relied on in advancing loans was too high and if there was negligence by the valuer which contributed to the losses, however, I have not at this stage identified any claims that would be commercial to pursue with the exception of one loan. In this regard, I am liaising with an expert valuer to assist in determining the position with respect to this potential claim.

### **4.3.4 Claim by ASIC against the directors**

As advised in my previous reports, ASIC commenced civil penalty proceedings in the Federal Court of Australia in November 2014 against Peter Drake, Francene Mulder, Eghard Van Der Hoven, Simon Tickner and Lisa Darcy. ASIC alleges Mr Drake used his position to gain an advantage for himself and the former directors breached their duties for failing to act with the proper degree of care and diligence regarding transactions involving the MPF.

The matter is set down for trial for four weeks from 29 August 2016 to 23 September 2016 with the next directions hearing scheduled for 30 May 2016.

Further details can be found on the ASIC website [www.asic.gov.au](http://www.asic.gov.au) under media releases.

## **4.4 Other actions against Borrowers and guarantors**

### **4.4.1 Claim against a quantity surveyor in the amount of \$2.4 million plus interest**

As advised in my previous report, judgement was handed down on 18 December 2015 in my favour for \$2.1M with the final orders to be agreed regarding quantum of interest and costs payable on the principal claim and contractor's margin. As there was no agreement, further submissions were made by the parties and a Court hearing held with the decision reserved.

The decision was handed down on 24 March 2016 with judgement in my favour for \$2.39M inclusive of interest plus costs as agreed or assessed. The calculation and quantum of costs will now be considered and in the absence of reaching agreement on a commercial basis with the defendant, will be assessed by the Court.

On 8 January 2016, a notice of appeal was filed by the defendant whereby the defendant has indicated that they intend commencing appeal proceedings. No application has been filed for the appeal at this stage.

### **4.4.2 Various claims against guarantors**

I continue to review the remaining loan book to ascertain if there are any further claims against guarantors capable of commercial recoveries. Current ongoing matters that are being prosecuted will not result in material recoveries to investors although will more than cover the costs of the proceedings.

## **5. Western Union**

As advised in my previous reports, Western Union held funds on account of the FMIF at the date of FTI's appointment, which represented investor capital distributions returned due to incorrect account details held.

Western Union sought to set off funds held in the FMIF account against liabilities of other LM related entities, however a confidential commercial settlement has been negotiated. The amount of the claim is approximately \$93,000 (subject to exchange rate fluctuations). I am currently waiting on Western Union to provide their further comments on the draft settlement deed.

## **6. Management Accounts**

The management accounts for the half year ending 31 December 2015 have been prepared and are available on the website [www.lmfimif.com](http://www.lmfimif.com).

## **7. Application for Relief from Financial Reporting Obligations**

An application has been submitted to the Australian Securities and Investments Commission (ASIC) for exemption, or alternatively, deferral of the financial reporting obligations imposed on the Fund by Part 2M.3 and section 601HG of the *Corporations Act 2001 (Cth)* for a period of 24 months from the due

date for the next financial reporting obligation. The application has been made pursuant to the Orders made by Justice Jackson dated 17 December 2015.

The relief is sought on the basis that:

- (i) The Fund is in wind up mode;
- (ii) there would be unreasonable costs imposed on the members of the Fund if audited accounts were prepared;
- (iii) there are no members or third parties that are reliant on audited accounts or would be prejudiced by not receiving audited financial reports;
- (iv) financial information and information on the status of the winding up of the Fund has been and will continue to be disclosed to members in a timely manner; and
- (v) the interests of members will be adequately protected by the requirement under the Fund's Constitution for the final accounts to be audited upon completion of the winding up.

I will provide a further update to investors in relation to the outcome of the application in my next report.

## 8. Investor Information

### 8.1 Estimated Return to Investors

Based on the professional valuations, offers received and unconditional contracts entered into for the properties charged to the Fund, I provide an estimated return to Investors of between 13.6 cents and 14.6 cents per unit as at 31 March 2016, calculated as follows:

	Low \$	High \$
Cash at Bank	70,946,182	70,946,182
Estimated selling prices of properties to be sold (\$3.582M settled since 31 March 2016)	6,388,664	6,588,664
<b>Estimated Assets Position</b>	<b>77,334,846</b>	<b>77,534,846</b>
Selling costs (estimated 2.5% of sale price)	(159,717)	(164,717)
Other unsecured creditors	(6,350,663)	(1,621,598)
FTI Fees & legal expenses advised (subject to approval)- refer to Section 9.1 for further details - maximum amount shown	(4,211,638)	(4,211,638)



Receivers and Managers' Fees (DB Receivers)	(218,248)	(218,248)
Receivers and Managers' Legal fees (DB Receivers)	(40,233)	(40,233)
Receiver's fees & outlays (BDO) (including controllerships)	(1,165,640)	(1,165,640)
Receiver's legal fees (BDO)	(83,200)	(83,200)
<b>Total Liabilities</b>	<b>(12,229,338)</b>	<b>(7,505,273)</b>
<b>Estimated net amount available to investors as at 31 March 2016</b>	<b>65,105,528</b>	<b>70,029,573</b>
Total investor units	478,274,000	478,274,000
<b>Estimated return in the dollar</b>	<b>13.6 cents</b>	<b>14.6 cents</b>

In my last report to investors I calculated that the estimated return to investors would be between 14.4 and 15.4 cents in the dollar. The estimated return as at 31 March 2016 has been revised downwards slightly by 0.8 cents as the estimate and prior estimates do not take into account future operating costs and future Receiver's fees. However, the estimate also excludes any legal recoveries against borrowers, valuers or other third parties, which would improve the overall return to investors.

In calculating the estimated return to investors, I have also not provided any allowance for the claim filed by the MPF Trustee (as detailed in Section 2.1 of this report) as the prospects of a successful claim against the Fund is unknown at this stage noting the claim will be vigorously defended.

As advised in my previous report, I have identified a discrepancy between the units recorded in the investor register and the units recorded in the audited and management accounts for the 2012 financial year. Investigations indicate that the discrepancy relates to the Fund's migration to a new investor management database in 2010 whereby the units of investors who subscribed in a foreign currency were incorrectly recorded in the foreign currency equivalent amount, and not in the Australian dollar equivalent amount in accordance with the Fund's Product Disclosure Statement and Constitution. Legal advice has been sought in relation to addressing this issue and a further update will be provided in due course.

## 8.2 Distributions to Investors

As previously advised, I am on notice from the MPF Trustee of potential breach of trust claims against the Fund. Indeed two proceedings have been commenced in this respect seeking relief against the Fund's assets. In addition, the Receivers and Managers who were appointed to Bellpac have put me on notice not to distribute funds until the proceedings mentioned at section 4.2.2b above are resolved and also due to the MPF position, the secured creditor has not yet released its charge or retired its Receivers.

Once the Receivers and Managers of the fund have retired and funds released to me, I will be required to retain certain funds to meet the liabilities of the Fund, including contingent claims that may arise from the Bellpac litigation and potentially in relation to the MPF Trustee claims.

I am also required to seek the directions of the Court before proceeding with the next distribution.

I will update investors as to the expected timing of a distribution as these matters become clearer, however, I am hopeful to be in a position to commence distributions towards the end of 2016.

Please note that the distribution to Investors will take place after paying secured creditors, costs, land tax, rates, Receivers fees and the unsecured creditors who rank ahead of Investors' interests.

### **8.3 Ongoing Reporting to Investors**

Reports will be distributed to investors in accordance with the preferred method of correspondence recorded for each investor in the Fund's database. In order to assist in reducing distribution costs, it would be appreciated if investors could nominate an email address as their preferred method to receive correspondence. Investors may update their details as outlined in Section 8.4 below. For those investors that do not have an email address, correspondence will continue to be sent to you via post.

My next report to investors will be issued by 31 July 2016.

### **8.4 Investors Queries**

For any changes to investors details, please review the Useful Forms/Procedures tab on the website [www.lmfmf.com](http://www.lmfmf.com) which includes information regarding the following procedures:

- Change of Contact Address/Bank Account Details
- Change of Contact Address/Bank Accounts Details of a Deceased Estate
- Change of Trustee of Self-Managed Super Fund
- Transfer of Unit Holding from a Super Fund/ Trustee Company to Personal Name(s)
- Transfer of Unit Holding from a Deceased Estate to a Sole Survivor
- Transfer from a Deceased Estate to a Beneficiary of an Estate

It is a requirement that advisors or other third parties acting on behalf of Unit Holders are doing so pursuant to a relevant Authority/Power of Attorney. Please ensure that a relevant Authority/Power of Attorney accompanies the abovementioned documents as necessary (if an Authority/Power of Attorney has not previously been provided).

It is preferable that all communications are sent via email to [enquiries@lmfmif.com](mailto:enquiries@lmfmif.com) with original documents to be mailed as required to:

BDO  
GPO Box 457  
Brisbane QLD 4001  
Phone: +61 7 3237 5999  
Fax: +61 7 3221 9227

## 9 LM Investment Management Ltd (“LMIM”)

### 9.1 Liquidators of LMIM’s (FTI Consulting) application for remuneration approval

As advised in my 12<sup>th</sup> report to investors, FTI filed a Further Amended Originating Application on 16 December 2015 for the determination of their remuneration claimed as liquidators of LMIM in the amount of \$3,098,251.83 for the period from the date of their appointment to 30 September 2015 from assets of the Fund.

The material filed by FTI in support of their remuneration claim did not fully address various issues in relation to the invoicing and payment of various management fees, loan management fees and resources fees subsequent to FTI’s appointment. Further material has been placed before the Court and submissions made in relation to FTI’s entitlements pre and post the appointment of the DB Receivers.

The matter was heard on 22 February 2016 and the application was subsequently adjourned to 2 March 2016 and 14 March 2016. Judgement is awaited in this respect.

I will provide a further update on the outcome of the Court’s decision in my next report to investors. Please note that all material filed with the Court in relation to FTI’s remuneration claim is available on the websites [www.lmfimf.com](http://www.lmfimf.com) and [www.lminvestmentadministration.com](http://www.lminvestmentadministration.com).

FTI have not submitted further details of their outstanding remuneration and costs up to 31 March 2016 and have advised that they are awaiting the outcome of the judgement noted above.

As advised in my previous report, FTI’s outstanding remuneration and costs, made out to the Fund, for the period up to 31 December 2015 total \$4,211,638 excluding GST. The claim can be broken down into the following four categories:

- Category 1 relates to time spent working on specific fund matters;
- Category 2 is in respect of LMIM’s role as the Responsible Entity of the Fund with the time spent by the liquidators and their staff being allocated across all Funds under their control based on a percentage of funds under management;
- Operational costs;
- Legal advisors costs; and
- Loan recovery costs.

	Outstanding (GST exclusive) \$
Direct time charged to work undertaken for the Fund - including outlays (category 1)	1,870,571
Allocation of Responsible Entity time (category 2)	1,289,742
Operational costs	61,315

Legal Advisor costs	760,637
Loan recovery costs	229,373
	<b>4,211,638</b>

## 9.2 The Liquidators of LMIM’s (FTI) indemnity claim against the Fund

As advised in my last report to investors, the orders handed down following the hearing of FTI’s application for directions and orders in relation to their ongoing role and extent of their powers and responsibilities to undertake certain duties on behalf of the FMIF set out, amongst other things, the process for me to adjudicate on LMIM’s indemnity claim against the property of the FMIF in respect to any expense or liability of, or claim against, LMIM in acting as Responsible Entity of the FMIF.

In this regard, FTI submitted two indemnity claims for \$241,453.54 and \$375,499.78 against the assets of the Fund.

The first claim of \$241,453.54 relates to legal costs incurred in relation to the appeal of the decision appointing me as receiver to wind up the Fund. This has been rejected; however, I have advised FTI that I will make a final decision in this regard once Justice Jackson has handed down his decision in respect of FTI’s remuneration claim as it includes work carried out by them in relation to the appeal proceedings and that may assist in my final determination of the claim.

In respect of the second claim, I have accepted \$93,449.85, rejected \$169,243.26 and deferred \$5,473.59 pending the judgement to be handed down in relation to FTI’s remuneration application. The balance of FTI’s claim has been withdrawn.

FTI have a period of 28 days to make an application to Court should they wish to object to my decision.

## 10. Receiver’s Remuneration and Expenses

There have been four applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 31 October 2015.

A copy of all documentation in relation to my applications can be found on the website [www.lmfimf.com](http://www.lmfimf.com).

In addition to the remuneration previously approved by the Court, I calculate that, on a time basis, I have incurred further remuneration of \$1,116,767 plus outlays of \$26,147.51 plus GST from 1 November 2015 to 31 March 2016 plus work undertaken in respect of the controllerships for the retirement village assets of \$37,685 plus outlays of \$92.37 plus GST as detailed in the table below and attached summaries.

	Remuneration (GST exclusive)	Outlays (GST)
LM First Mortgage Income Fund (Receivers & Managers Appointed) (Receiver Appointed)	1,116,767.00	26,147.51
OVST Pty Ltd (In Liquidation) (Controllers Appointed)	5,108.50	0.62
Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)	5,618.00	45.21
Bridgewater Lake Estate Ltd (In Liquidation) (Controllers Appointed)	17,830.00	1.89
Redland Bay Leisure Life Ltd (In Liquidation) (Controllers Appointed)	6,041.00	44.65
Redland Bay Leisure Life Development Ltd (In Liquidation) (Controllers Appointed)	734.50	-
Cameo Estates Lifestyle Villages (Launceston) Pty Ltd (Receivers & Managers Appointed) (Controllers Appointed)	2,353.00	-
<b>Total</b>	<b>1,154,452.00</b>	<b>26,239.88</b>

The key matters addressed during the period, were:

- Work undertaken in relation to the litigation matters detailed at Sections 2 and 4 of this report which include, among other things:
  - Progressing a claim against a quantity surveyor;
  - Providing assistance to the Liquidator of Bellpac regarding the \$8M bond claim and progressing these matters;
  - Progressing the claim against the MPF and others;
  - Attending to discovery in the MPF proceedings;
  - Progressing claims against guarantors.
- Liaising with various parties in relation to the DB Receiver's retirement;
- Reviewing and progressing potential claims against the former auditors, LMIM and related parties regarding the financial statements and compliance plan audits following public examinations held, including quantifying the loss suffered by the Fund and finalising and serving the further amended statement of claim;
- Review of potential claims against former valuers of property securities for negligence and breach of contract;
- Finalising settlement of Western Union's set off claim;
- Dealing with FTI's court application in relation to remuneration sought against the FMIF in their capacity as liquidators of the responsible entity, including meetings and correspondence with our

solicitors and counsel, correspondence with FTI's solicitors and undertaking investigations into payments made to LMIM and LMA;

- Adjudicating on FTI's claims for indemnity against the assets of the Fund for expenses and costs incurred in their capacity as liquidators of the responsible entity;
- Preparing an application to ASIC for relief from the requirements of a half year review and annual audit of the financial reports and compliance plan;
- Undertaking the investor management function for approximately 4,500 investors including answering queries on the winding up of the Fund and maintaining the investment database, including any change in details or transfer of units;
- Finalising outstanding trading matters from the sale of five retirement villages;
- Preparation of unit price calculation as at 31 March 2016;
- Preparation of the update report to Investors in April 2016.

The fees for the five months ended 31 March 2016 average approximately \$230,000 per month compared to the previous six months total of \$2,248,416 at an average of approximately \$375,000 per month.

As I have now completed a significant portion of my investigations in relation to the claim against the auditors and discovery in the MPF proceedings is almost complete, I expect my fees incurred in the coming periods will continue to reduce.

I anticipate that my next application to Court for the approval of my remuneration will be made in May/June 2016 covering the period 1 November 2015 to 30 April 2016. A copy of my application in this respect will be posted to the website [www.lmfmf.com](http://www.lmfmf.com) and investors will be notified when this application has been lodged.

## 11. Queries

Should unit holders wish to advise of any changes in details or require further information, please contact BDO as follows:

BDO  
GPO Box 457  
Brisbane QLD 4001  
Phone: +61 7 3237 5999  
Fax: +61 7 3221 9227  
Email: [enquiries@lmfmif.com](mailto:enquiries@lmfmif.com)

Yours faithfully



David Whyte  
Receiver



**REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016  
LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed)**

Employee	Position	Rate	Totals		Task Area																
			hrs	\$	Assets		Creditors		Trade On		Investigations		Administration								
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$							
Matthew Joiner	Partner	560	0.3	168.00			0.3	168.00													
David Whyte	Partner	560	323.0	180,880.00	54.0	30,240.00	40.7	22,792.00	169.3	94,808.00	27.5	15,400.00	31.5	17,640.00							
Clark Jarrold	Partner	560	287.3	160,888.00							287.3	160,888.00									
Eric Leeuwendal	Director	495	604.9	299,425.50	83.5	41,332.50	51.2	25,344.00	25.4	12,573.00	412.1	203,989.50	32.7	16,186.50							
Craig Jenkins	Partner	490	50.7	24,843.00							50.7	24,843.00									
Kim Colyer	Partner	490	5.0	2,450.00							5.0	2,450.00									
Craig Jenkins	Partner	485	2.4	1,164.00							2.4	1,164.00									
John Somerville	Senior Manager	440	261.3	114,972.00	8.0	3,520.00	44.5	19,580.00	99.2	43,648.00	56.6	24,904.00	53.0	23,320.00							
Julie Pagcu	Senior Manager	375	28.2	10,575.00							28.2	10,575.00									
Julie Pagcu	Senior Manager	365	2.4	876.00							2.4	876.00									
Murray Daniel	Supervisor	360	227.1	81,756.00	30.6	11,016.00	28.7	10,332.00	92.6	33,336.00	36.5	13,140.00	38.7	13,932.00							
Ashleigh Simpson-Wade	Supervisor	360	43.1	15,516.00	1.5	540.00					39.0	14,040.00	2.6	936.00							
Chris Demeyere	Supervisor	360	0.3	108.00									0.3	108.00							
Ashleigh Simpson-Wade	Supervisor	350	37.2	13,020.00							36.6	12,810.00	0.6	210.00							
Nicola Kennedy	Senior Accountant II	280	345.9	96,852.00			4.1	1,148.00	322.3	90,244.00	13.8	3,864.00	5.7	1,596.00							
Dermot O'Brien	Accountant II	195	180.4	35,178.00			26.5	5,167.50			10.2	1,989.00	143.7	28,021.50							
Samantha Brown	Accountant II	195	20.4	3,978.00			0.1	19.50			20.3	3,958.50									
Sarah Cunningham	Team Assistant	195	10.1	1,969.50									10.1	1,969.50							
Julia Mayne	Accountant II	195	242.2	47,229.00			164.9	32,155.50	22.1	4,309.50	43.2	8,424.00	12.0	2,340.00							
Aubrey Meek	Accountant I	190	3.4	646.00			3.4	646.00													
Luke Wallen	Accountant I	190	44.2	8,398.00							44.2	8,398.00									
Michael Yu	Accountant I	190	0.5	95.00							0.5	95.00									
Dale Ludwig	Accountant I	185	1.7	314.50									1.7	314.50							
Ashley Richardson	Team Assistant	155	1.0	155.00									1.0	155.00							
Nicole Jackson	Team Assistant	155	14.4	2,232.00			3.2	496.00	3.0	465.00			8.2	1,271.00							
Peter Hill	Accountant II	145	37.5	5,437.50							37.5	5,437.50									
Sarah Matthews	Team Assistant	140	0.3	42.00	0.3	42.00															
Brooke Streidl	Team Assistant	130	41.8	5,434.00							0.8	104.00	41.0	5,330.00							
Emma Sheehy	Junior Practice Assistant	115	3.8	437.00									3.8	437.00							
Moira Hattingh	Team Assistant	80	21.6	1,728.00									21.6	1,728.00							
<b>TOTALS</b>			<b>2,842.4</b>	<b>1,116,767.00</b>	<b>177.9</b>	<b>86,690.50</b>	<b>367.6</b>	<b>117,848.50</b>	<b>733.9</b>	<b>279,383.50</b>	<b>1,154.8</b>	<b>517,349.50</b>	<b>408.2</b>	<b>115,495.00</b>							
			<b>GST</b>	<b>111,676.70</b>																	
			<b>TOTAL INC GST</b>	<b>1,228,443.70</b>																	
<b>AVERAGE HOURLY RATE</b>			<b>393</b>		<b>487</b>		<b>321</b>		<b>381</b>		<b>448</b>		<b>283</b>								



Disbursements for the period 1 November 2015 to 31 March 2016

LM First Mortgage Income Fund (Receivers and Managers Appointed) (Receiver Appointed)

Expense Type	Amount (\$ ex GST)
Postage	14,675.45
General	9,713.22
Courier	311.15
Search Fee	540.51
Printing	587.10
Taxi fares	110.98
Photocopy	209.10
<b>TOTAL</b>	<b>26,147.51</b>
<b>GST</b>	<b>2,614.75</b>
<b>TOTAL INC GST</b>	<b>28,762.26</b>





**REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016**  
**Bridgewater Lake Estate Pty Limited (In Liquidation) (Controllers Appointed)**

Employee	Position	Rate	Totals		Task Area							
			hrs	\$	Assets		Creditors		Trade On		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$
Leisa Rafter	Partner	620	1.8	1,116.00	1.8	1,116.00						
David Whyte	Partner	560	1.4	784.00					0.3	168.00	1.1	616.00
John Somerville	Senior Manager	440	3.3	1,452.00					2.7	1,188.00	0.6	264.00
Murray Daniel	Supervisor	360	1.0	360.00					0.7	252.00	0.3	108.00
Ashleigh Simpson-Wade	Supervisor	350	13.2	4,620.00	12.5	4,375.00					0.7	245.00
Samuel Alexander	Supervisor	350	10.9	3,815.00	10.9	3,815.00						
Nicola Kennedy	Senior Accountant II	280	9.1	2,548.00					8.4	2,352.00	0.7	196.00
Sarah Cunningham	Team Assistant	195	0.8	156.00							0.8	156.00
Dermot O'Brien	Accountant II	195	0.5	97.50	0.5	97.50						
Julia Mayne	Accountant II	195	8.1	1,579.50			0.4	78.00	6.0	1,170.00	1.7	331.50
Brad Gallant	Consultant II	170	2.3	391.00	2.3	391.00						
Joanna Lane	Consultant II	170	3.9	663.00	3.9	663.00						
Nerissa Greer	Secretary	140	0.5	70.00							0.5	70.00
Sarah Matthews	Team Assistant	140	0.7	98.00							0.7	98.00
Moira Hattingh	Team Assistant	80	1.0	80.00	0.1	8.00					0.9	72.00
<b>TOTALS</b>			<b>58.5</b>	<b>17,830.00</b>	<b>32.0</b>	<b>10,465.50</b>	<b>0.4</b>	<b>78.00</b>	<b>18.1</b>	<b>5,130.00</b>	<b>8.0</b>	<b>2,156.50</b>
			<b>GST</b>	<b>1,783.00</b>								
			<b>TOTAL INC GST</b>	<b>19,613.00</b>								
<b>AVERAGE HOURLY RATE</b>			<b>305</b>		<b>327</b>		<b>195</b>		<b>283</b>		<b>270</b>	



Disbursements for the period 1 November 2015 to 31 March 2016

Bridgewater Lake Estate Pty Limited (In Liquidation) (Controllers Appointed)

Expense Type	Amount (\$ ex GST)
Postage	1.72
<b>TOTAL</b>	<b>1.72</b>
<b>GST</b>	<b>0.17</b>
<b>TOTAL INC GST</b>	<b>1.89</b>



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016

Cameo Estates Lifestyle Villages (Launceston) Pty Ltd (In Liquidation) (Controllers Appointed)

Employee	Position	Rate	Totals		Task Area			
			hrs	\$	Trade On		Administration	
					hrs	\$	hrs	\$
David Whyte	Partner	560	0.4	224.00			0.4	224.00
John Somerville	Senior Manager	440	0.8	352.00	0.1	44.00	0.7	308.00
Murray Daniel	Supervisor	360	0.8	288.00	0.7	252.00	0.1	36.00
Nicola Kennedy	Senior Accountant II	280	4.0	1,120.00	3.6	1,008.00	0.4	112.00
Damien Hicks	Senior Accountant II	225	0.3	67.50			0.3	67.50
Julia Mayne	Accountant II	195	1.0	195.00	0.6	117.00	0.4	78.00
Sarah Cunningham	Team Assistant	195	0.3	58.50			0.3	58.50
Moira Hattingh	Team Assistant	80	0.6	48.00			0.6	48.00
<b>TOTALS</b>			<b>8.2</b>	<b>2,353.00</b>	<b>5.0</b>	<b>1,421.00</b>	<b>3.2</b>	<b>932.00</b>
				GST	235.30			
				TOTAL INC GST	2,588.30			
				AVERAGE HOURLY RATE	287	284	291	



**REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016**  
**OVST Pty Ltd (In Liquidation) (Controllars Appointed)**

Employee	Position	Rate	Totals		Task Area							
			hrs	\$	Assets		Creditors		Trade On		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	560	1.2	672.00					0.1	56.00	1.1	616.00
John Somerville	Senior Manager	440	1.7	748.00			0.1	44.00	0.5	220.00	1.1	484.00
Murray Daniel	Supervisor	360	1.1	396.00					0.7	252.00	0.4	144.00
Nicola Kennedy	Senior Accountant II	280	7.9	2,212.00					7.5	2,100.00	0.4	112.00
Julia Mayne	Accountant II	195	2.8	546.00					1.3	253.50	1.5	292.50
Sarah Cunningham	Team Assistant	195	0.1	19.50							0.1	19.50
Michael Yu	Accountant I	190	2.5	475.00							2.5	475.00
Moira Hattingh	Team Assistant	80	0.5	40.00	0.1	8.00					0.4	32.00
<b>TOTALS</b>			<b>17.8</b>	<b>5,108.50</b>	<b>0.1</b>	<b>8.00</b>	<b>0.1</b>	<b>44.00</b>	<b>10.1</b>	<b>2,881.50</b>	<b>7.5</b>	<b>2,175.00</b>
			<b>GST</b>	<b>510.85</b>								
			<b>TOTAL INC GST</b>	<b>5,619.35</b>								
<b>AVERAGE HOURLY RATE</b>			<b>287</b>		<b>80</b>		<b>440</b>		<b>285</b>		<b>290</b>	



Disbursements for the period 1 November 2015 to 31 March 2016

OVST Pty Ltd (In Liquidation) (Controllers Appointed)

Expense Type	Amount (\$ ex GST)
Postage	0.56
<b>TOTAL</b>	<b>0.56</b>
<b>GST</b>	<b>0.06</b>
<b>TOTAL INC GST</b>	<b>0.62</b>



**REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016**  
**Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)**

Employee	Position	Rate	Totals		Task Area							
			hrs	\$	Assets		Employees		Trade On		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	560	0.9	504.00					0.2	112.00	0.7	392.00
John Somerville	Senior Manager	440	2.2	968.00	0.1	44.00			0.8	352.00	1.3	572.00
Murray Daniel	Supervisor	360	0.8	288.00					0.7	252.00	0.1	36.00
Nicola Kennedy	Senior Accountant II	280	11.8	3,304.00					11.1	3,108.00	0.7	196.00
Damien Hicks	Senior Accountant II	225	0.2	45.00							0.2	45.00
Damien Hicks	Senior Accountant II	220	0.5	110.00							0.5	110.00
Sarah Cunningham	Team Assistant	195	0.4	78.00							0.4	78.00
Julia Mayne	Accountant II	195	1.4	273.00					0.7	136.50	0.7	136.50
Michael Yu	Accountant I	190	3.8									
Moira Hattingh	Team Assistant	80	0.6	48.00							0.6	48.00
<b>TOTALS</b>			<b>22.6</b>	<b>5,618.00</b>	<b>0.1</b>	<b>44.00</b>			<b>13.5</b>	<b>3,960.50</b>	<b>5.2</b>	<b>1,613.50</b>
			<b>GST</b>	<b>561.80</b>								
			<b>TOTAL INC GST</b>	<b>6,179.80</b>								
			<b>AVERAGE HOURLY RATE</b>	<b>249</b>		<b>440</b>			<b>293</b>		<b>310</b>	



Disbursements for the period 1 November 2015 to 31 March 2016

Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)

Expense Type	Amount (\$ ex GST)
Search Fee	44.65
Postage	0.56
<b>TOTAL</b>	<b>45.21</b>
<b>GST</b>	<b>4.52</b>
<b>TOTAL INC GST</b>	<b>49.73</b>



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016

Redland Bay Leisure Life Development Pty Ltd (In Liquidation) (Controllers Appointed)

Employee	Position	Rate	Totals		Task Area			
					Trade On		Administration	
			hrs	\$	hrs	\$	hrs	\$
Murray Daniel	Supervisor	360	0.8	288.00	0.7	252.00	0.1	36.00
Nicola Kennedy	Senior Accountant II	280	0.8	224.00	0.8	224.00		
Julia Mayne	Accountant II	195	1.1	214.50	0.7	136.50	0.4	78.00
Moira Hattingh	Team Assistant	80	0.1	8.00			0.1	8.00
<b>TOTALS</b>			<b>2.8</b>	<b>734.50</b>	<b>2.2</b>	<b>612.50</b>	<b>0.6</b>	<b>122.00</b>
GST				73.45				
TOTAL INC GST				807.95				
AVERAGE HOURLY RATE				262	278		203	





**REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2015 to 31 March 2016  
Redland Bay Leisure Life Pty Ltd (In Liquidation) (Controllers Appointed)**

Employee	Position	Rate	Totals		Task Area							
			hrs	\$	Assets		Trade On		Administration			
					hrs	\$	hrs	\$	hrs	\$		
David Whyte	Partner	560	0.2	112.00			0.2	112.00				
John Somerville	Senior Manager	440	1.4	616.00	0.1	44.00	0.6	264.00	0.7	308.00		
Murray Daniel	Supervisor	360	0.8	288.00			0.7	252.00	0.1	36.00		
Jacqueline Silva	Manager	330	0.7	231.00	0.7	231.00						
Nicola Kennedy	Senior Accountant II	280	10.7	2,996.00			10.2	2,856.00	0.5	140.00		
Damien Hicks	Senior Accountant II	225	0.3	67.50					0.3	67.50		
Sarah Cunningham	Team Assistant	195	0.5	97.50					0.5	97.50		
Julia Mayne	Accountant II	195	2.8	546.00	0.1	19.50	1.5	292.50	1.2	234.00		
Michael Yu	Accountant I	190	5.3	1,007.00	0.4	76.00			4.9	931.00		
Moira Hattingh	Team Assistant	80	1.0	80.00	0.1	8.00			0.9	72.00		
<b>TOTALS</b>			<b>23.7</b>	<b>6,041.00</b>	<b>1.4</b>	<b>378.50</b>	<b>13.2</b>	<b>3,776.50</b>	<b>9.1</b>	<b>1,886.00</b>		
			<b>GST</b>	<b>604.10</b>								
			<b>TOTAL INC GST</b>	<b>6,645.10</b>								
			<b>AVERAGE HOURLY RATE</b>	<b>255</b>		<b>270</b>		<b>286</b>		<b>207</b>		



Disbursements for the period 1 November 2015 to 31 March 2016

Redland Bay Leisure Life Pty Ltd (In Liquidation) (Controllers Appointed)

Expense Type	Amount (\$ ex GST)
Search Fee	44.65
<b>TOTAL</b>	<b>44.65</b>
<b>GST</b>	<b>4.47</b>
<b>TOTAL INC GST</b>	<b>49.12</b>