

## TO THE INVESTOR AS ADDRESSED

23 December 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 16<sup>th</sup> update to investors, which provides details of the progress made in the winding up of the Fund since my last report to investors dated 30 September 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 \$2.85M. Further details are provided at Section 3 below;
- Cash at bank as at 30 June 2016 was \$74.98 million;
- The estimated return to investors is currently 13.6 to 14.9 cents per unit as detailed at Section 8.1 below and before taking into account future costs and recoveries from legal proceedings on foot;
- I will not be in a position to make distributions to investors (for which I also need Court approval) 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 MPF Trustee's proceedings against the assets of the Fund have been adjourned to a date to be fixed to enable settlement negotiations to continue. The MPF Trustee has recently served further proceedings against LMIM and against the assets of the Fund in relation to another loan jointly funded by the FMIF and the MPF. These proceedings are also included in the settlement negotiations. Further details are provided in Section 2.1 below;
- Following the mediation on 12 July 2016 in relation to a claim against the directors, LMIM and MPF for \$15.5M plus interest, settlement negotiations have been ongoing. See Sections 2.3 and 4.2.1 below;

- The former auditors of the Fund filed an application seeking to strike out parts of the claim I caused to be filed against them. The decision has been reserved. Further details are provided in Section 4.1 below;
- The defendants of the Bellpac Liquidator's \$8M Bonds litigation application for special leave to the High Court of Australia after their appeal to the Federal Court failed, was dismissed. Further details in relation to the \$8M Bonds are provided in Section 4.2.2 below;
- The Court is yet to hand down judgement in relation to the remuneration claimed by the liquidators of LMIM (FTI) against the assets of the Fund. Further details in relation to FTI's remuneration claim and indemnity claim are provided in Section 6 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**

#### **2.1.1 Assigned Loans Claim**

I refer to my previous update to investors dated 30 September 2016 and confirm that on 19 August 2016 Justice Applegarth delivered judgement on my strike out applications. A key issue which was subject to argument on the hearing of the applications was whether the indemnity claim against the assets of the Fund should be struck out. His Honour declined to strike out the indemnity claim, granted the plaintiff leave to amend, and directed the parties to agree on a form of order to give effect to His Honour's reasons.

At a review on 16 December 2016, the review was adjourned to a date to be fixed as the parties wished to continue negotiations to settle the litigation) in conjunction with the proceedings in section 2.3 below;

#### **2.1.2 AIIS Loan Claim**

On 3 November 2016, the MPF Trustee filed an application for leave to proceed against LMIM in relation to a statement of claim (SOC) that was filed on 16 December 2015 but had not been served on LMIM. The MPF Trustee has advised that it has taken this action to preserve the proceedings from going stale as the proceedings would not have been served on LMIM within the required 12 months.

The claim is for approximately \$16.82 million equitable compensation against LMIM and a claim against the assets of the FMIF for approximately \$3.9 million. In this regard, the MPF Trustee seeks a declaration that FMIF holds on constructive trust the amount of approximately \$3.9 million being alleged interest paid by the MPF to the FMIF on a loan made to a borrower, Australian International Investment Services Pty Ltd (AIIS) to which both the FMIF and MPF made loans. The MPF Trustee also seeks a declaration that the MPF is entitled to be indemnified out of the assets of the FMIF for the liability of the MPF Trustee and LMIM in relation to the transactions. In the affidavit filed with the application for leave, it is noted that the MPF Trustee's claim will

be increased to approximately \$4.138 million as further amounts of interest alleged to have been funded by MPF on the loan paid to FMIF have been ascertained since they filed the proceedings.

At the hearing of the MPF Trustee's application on 22 November 2016, orders were made granting the leave sought on the condition that any judgment against the defendant will not be enforced without further leave of the court, that the MPF Trustee serve the SOC by 15 December 2016 and the defendant is not required to file a defence and any counterclaim until 28 days after the plaintiff gives written notice to LMIM and myself that a defence and any counterclaim is required to be filed.

The SOC was served on LMIM on 28 November 2016.

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

I refer to my comments in my previous updates to investors. The matter precluding the retirement of the DB Receivers is the provision of a release by the MPF Trustee.

I continue to liaise with the DB Receivers about their ongoing role and the possibility of their retirement. See also my comments in section 2.3 below.

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

I refer to my previous updates to investors and confirm the following:

- I filed a statement of claim in the Supreme Court of Queensland, against a number of parties including the MPF Trustee, in respect of loss suffered by the FMIF as a result of an amount paid to MPF in the Bellpac litigation matter. The claim is for \$15.5M plus interest;
- discovery in the proceedings has been completed;
- a mediation took place on 12 July 2016. The proceedings were not settled at the mediation, however the parties continue to discuss a potential settlement of the litigation which includes discussions to resolve those matters referred to at sections 2.1 and 2.2 above.

I summarise developments since my update to investors dated 30 September 2016 as follows:

- a review hearing of the proceedings was held on 13 October 2016 at which time orders were made for an application and outline of submissions to be made regarding the directors claim for privilege in those proceedings.
- The review hearing on 13 October 2016 was adjourned to 24 October 2016. However, orders were made that I file an application (and written submissions) against the director defendants regarding their claim for privilege by 20 October 2016 given that ASIC had discontinued their proceedings against the 2<sup>nd</sup> and 6<sup>th</sup> director defendants;
- On 20 October 2016, I caused to be filed and served an application against the 2<sup>nd</sup> and 6<sup>th</sup> director defendants seeking to vary the previous orders made by the Court allowing them to claim privilege and accordingly not to plead a detailed defence to matters alleged against them. The 6<sup>th</sup> defendant consented to the orders sought in my

application. The 2<sup>nd</sup> defendant opposed the application. The application was heard on 24 October 2016.

- At the hearing of the application on 24 October 2016 orders were made as follows:
  - That the dispensation granted to the 6<sup>th</sup> defendant on 30 April 2015 (in respect of a claim for privilege), as varied by the order of 30 June 2015, be revoked;
  - an amended statement of claim be filed by 7 November 2016;
  - The 6<sup>th</sup> defendant file and serve an amended defence on or before 5 December 2016;
  - an amended reply be filed on or before 19 December 2016;
  - The 6<sup>th</sup> defendant make disclosure on or before 16 January 2017.

The decision on the application in so far as it relates to the 2<sup>nd</sup> defendant was reserved by the Court.

- In accordance with these orders, I filed an amended statement of claim on 7 November 2016.
- On 7 December 2016, the Court made orders (by consent) extending the timetable which was the subject of the orders made on 24 October 2016 in relation to the 6<sup>th</sup> defendant. Those orders varied the timetable to the following:
  - The 6<sup>th</sup> defendant now has until 30 January 2017 to file and serve his amended defence;
  - any amended reply must be filed by 13 February 2017; and
  - The 6<sup>th</sup> defendant has until 13 March 2017 to make disclosure.

The proceedings are ongoing and an update will be provided to investors in relation to this matter in my next report.

### **3. Realisation of Assets**

A summary of the remaining real property assets is provided below:

- Two units in a strata titled unit resort situated in North Queensland are to be sold. The DB Receivers are awaiting further documents to be lodged at the land titles office to correct the title references for the units. The units will be marketed for sale once the correct titles have been reissued.
- 11 out of 80 lots of a residential land subdivision in central Queensland remain to be sold. A condition of extending the subdivision approval is that sewer and access easements must be granted. A fresh marketing campaign will commence once this work has been undertaken.

#### **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**

I refer to my previous updates to investors and confirm the following:

- I filed a statement of claim in the Supreme Court of Queensland against the former auditors of the Fund. The claim was substantially amended in April 2016 to incorporate matters ascertained from the public examinations undertaken by me in June and October 2015;
- The former auditors' solicitors lodged and served a strike-out application and supporting affidavit on 27 April 2016 seeking to strike-out certain parts of the claim;
- On 30 May 2016, I filed an application to place the proceedings on the Court's commercial list;
- The hearings of the strike out and commercial list application was adjourned to a date to be fixed to enable the parties to file and serve further documents with respect to the strike out application;
- On 2 August 2016, I filed a second further amended statement of claim;
- On 25 August 2016, orders were made setting out a timetable for documents to be filed by the parties and the hearing of the abovementioned applications were adjourned to 15 December 2016; and
- On 27 September 2016 the defendants filed and served amended submissions and an amended strike out application.

I summarise developments since my update to investors dated 30 September 2016 as follows:

- On 25 November 2016, I filed and served my submissions and affidavits in response to the amended strike out application and the defendant's amended submissions;
- On 1 December 2016, I served on the defendants further and better particulars in relation to the claim;
- On 13 December 2016 the defendants were provided with a copy of the documents referred to in my further and better particulars referred to above;
- At the hearing on 15 December 2016, the Court granted my application to place the proceedings on the commercial list. The decision on the former auditors strike out application has been reserved.

As advised in previous reports to investors, considerable work has been undertaken in quantifying the loss suffered by the Fund for the purposes of these proceedings. The calculation of the loss is almost finalised and as previously advised, will likely be in excess of \$100M. I remain hopeful of achieving a substantial recovery from this matter for the benefit of investors within the next 12 months.

## 4.2 Bellpac Proceedings

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

In addition to the claim filed and served against the MPF Trustee in relation to a loss suffered by the Fund from litigation pertaining to the Bellpac loan noted at 2.3 above, there are two further matters relating to Bellpac that have been progressed during the period, as detailed below.

I will provide an update in relation to the outcome of the settlement negotiations in my next report to investors.

### 4.2.2 Other Bellpac litigation

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

I refer to my previous updates to investors and confirm the following:

- The liquidator of Bellpac has received the settlement amount of \$2 million from WCL in relation to the claim for redemption of the \$2 million Bonds held in WCL. These funds are being used to fund the realisation of the \$8 million Bonds held in WCL;
- The defendants' appeal of 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 was unsuccessful;
- In January 2016, the Bellpac Liquidator applied for the conversion of the \$8 million Bonds to shares. As WCL did not issue all of the shares as required under the terms of the Bonds, the Bellpac Liquidator brought proceedings against WCL seeking orders requiring WCL to perform its obligation to redeem the Bonds converted to shares outside of the required time. WCL then made application for security for costs against the Liquidator;
- On 12 July 2016, the defendants in the \$8 million Bonds case made application for special leave to the High Court of Australia to appeal the decision of the Federal Court;

Developments since my last update to investors are as follows:

- On 10 November 2016, the High Court dismissed the defendants' application for special leave to appeal to the High Court the decision in relation to the \$8 million Bonds;
- The Bellpac liquidator has recently advised me that he has negotiated terms to settle the litigation he commenced against WCL on a commercial basis in consideration for a lump sum amount.

I will provide investors with an update of the proposed settlement in my next report given that a draft deed of settlement has not yet been exchanged and the necessary court approvals have not yet been obtained.

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

I refer to my previous updates to investors and confirm the following:

- The remaining 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 has been discontinued. All defendants were awarded costs against the plaintiffs when the

proceedings were discontinued. Security for costs of \$150,000 lodged by way of bank guarantee by the plaintiffs for the claim against PTAL, will be held by the Court pending resolution of the approved or agreed quantum of PTAL's costs;

- The plaintiffs objected to costs as assessed and estimated by the Court. These costs were subsequently settled at a conference held at the Court. Despite subsequent demands made, the plaintiffs failed to pay the settled and Court awarded costs in favour of;
- The Bellpac Receivers, another defendant, have had their costs assessed and an estimate confirmed by the Court however, the plaintiffs also filed an objection to the Court's estimate of the costs. The Court listed the matter for a full taxation on 20 December 2016.

Developments since my last update to investors are as follows:

- I have received a claim from PTAL for reimbursement of their costs incurred in defence of the proceedings. Following requests for further documentation from PTAL and after liaising with my solicitors, I have recently acknowledged that FMIF will reimburse PTAL;
- On 6 November 2016, I caused to be filed winding up applications against the plaintiffs based on the unpaid costs awarded in favour of LMIM as RE of the FMIF; and
- On 7 November 2016 David Clout and Patricia Talty of Clout and Associates were appointed Liquidators over the plaintiff companies, Austcorp No. 20 Pty Ltd and Compromise Creditors Management Pty Ltd

I am awaiting an update from the Liquidators in relation to the status of the winding up and the prospects for a return to creditors. I will also continue to liaise with PTAL to ensure that the bank guarantee for the security for costs of \$150,000 provided by the plaintiffs for the benefit of PTAL will now be recovered for the benefit of FMIF, given FMIF will reimburse PTAL for its defence costs.

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

#### **4.3.1 Redemptions and Distribution paid 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.

I will provide investors with an update in relation to this matter in my next report.

#### **4.3.2 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.

ASIC has discontinued its proceedings against Mr Tickner and Ms Darcy, which related to their conduct as directors signing off a loan to Maddison Estate Pty Ltd in 2011.

ASIC's proceedings against the other directors focused on both the 2011 transaction and another transaction that occurred in 2012. The proceeding related to the 2012 transaction continues against Mr Drake, Ms Mulder and Mr van der Hoven.

Further details can be found on the ASIC website [www.asic.gov.au](http://www.asic.gov.au) under media releases. It is understood that the Court will hand down its judgement on Friday 23 December 2016.

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

##### **4.4.1 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.

##### **4.4.2 External Valuations**

I continue to finalise 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.

### **5. Western Union**

Western Union hold funds on account of the FMIF, 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). While the terms of settlement have been agreed, Western Union requested that the terms be further recorded in a settlement deed. The terms of the draft settlement deed are still being finalised. I am hopeful that this matter can be finalised shortly.

### **6. LM Investment Management Ltd ("LMIM")**

#### **6.1 Liquidators of LMIM's (FTI Consulting) application for remuneration approval**

As previously advised, 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.

Judgement is yet to be handed down by the Court.

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). A copy of the judgement and court order will be uploaded to the websites when handed down.

FTI have not submitted further details of their outstanding remuneration and costs up to 30 June 2016 and have advised that they are awaiting the outcome of the judgement noted above.



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

As previously advised, FTI has 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 claim has been rejected in full pending the judgement to be handed down in relation to FTI’s remuneration application.

In respect of the second claim, I accepted \$84,954.41 (\$93,449.85 less GST of \$8,495.44) (Accepted Claim), 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 immediately sought payment of the Accepted Claim of \$84,954.41.

To avoid the unnecessary costs of arguing over a relatively small sum in comparison to the overall remuneration claimed by FTI, I attended to payment of \$84,954.41.

FTI have also made an application to Court objecting to my decision to reject their indemnity claim noted above (Indemnity Application). No date for the hearing of the Indemnity Application has yet been fixed.

## 7. Management Accounts

As advised in my previous report, the management accounts for the year ending 30 June 2016 are available on the website [www.lmfmf.com](http://www.lmfmf.com).

The management accounts for the half-year to 31 December 2016 will be made available by 31 March 2017.

## 8. Investor Information

### 8.1 Estimated Return to Investors

Based on the professional valuations for the properties charged to the Fund, I provide an estimated return to Investors of between 13.6 cents and 14.9 cents per unit as at 30 November 2016, calculated as follows:

	Low \$	High \$
Cash at Bank	74,978,461	74,978,461
Other Assets	-	1,215,000
Estimated selling prices of properties to be sold	2,850,000	3,050,000

<b>Estimated Assets Position</b>	<b>77,828,461</b>	<b>79,243,461</b>
Selling costs (estimated 2.5% of sale price)	(71,250)	(76,250)
Other unsecured creditors	(6,679,323)	(1,950,258)
FTI Fees & legal expenses advised (subject to approval)- refer to Section 6 for further details - maximum amount shown	(4,211,638)	(4,211,638)
Receivers and Managers' Fees (DB Receivers)	(70,400)	(70,400)
Receivers and Managers' Legal fees (DB Receivers)	(26,493)	(26,493)
Receiver's fees & outlays (BDO) (including controllerships)	(1,259,516)	(1,259,516)
Receiver's legal fees (BDO)	(283,284)	(283,284)
<b>Total Liabilities</b>	<b>(12,601,904)</b>	<b>(7,877,839)</b>
<b>Estimated net amount available to investors as at 30 November 2016</b>	<b>65,226,557</b>	<b>71,365,622</b>
Total investor units	<b>478,100,386</b>	<b>478,100,386</b>
Estimated return in the dollar	<b>13.6 cents</b>	<b>14.9 cents</b>

In my last report to investors I calculated that the estimated return to investors would be between 14 and 15.2 cents in the dollar. The estimated return as at 30 November 2016 has been revised downwards slightly as the estimate and prior estimates do not take into account future operating costs and future Receiver's fees or any legal recoveries against borrowers, valuers or other third parties.

In calculating the estimated return to investors, I have also not provided any allowance for the claim filed by the MPF Trustee as the prospects of a successful claim against the Fund is unknown, however, as detailed earlier in this report, I am hopeful that all claims relating to the MPF matters will be settled shortly.

As advised in my previous reports (and above), 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.

## 8.2 Distributions to Investors

Once the DB Receivers 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 auditor claim and Bellpac litigation.

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 interim distributions in the second quarter of 2017.

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 March 2017.

## 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. Receiver's Remuneration and Expenses

There have been six applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 31 October 2016.

The application for the approval of my remuneration for the period 1 May 2016 to 31 October 2016 was heard on 2 December 2016. The Court ordered that my remuneration for this period be fixed in the amount of \$1,119,991.40 (inclusive of GST) in relation to my role as the person responsible for ensuring the FMIF is wound up in accordance with its constitution and \$13,385.35 (inclusive of GST) in relation to the controllerships of the retirement village assets.

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

In addition to the remuneration previously approved by the Court, I calculate that, on a time basis, I have incurred further remuneration of \$172,367.50 plus outlays of \$3,331.14 plus GST from 1 to 30 November 2016 plus work undertaken in respect of the controllerships of the retirement village assets of \$1,071 plus GST as detailed in the table below and attached summaries.

	Remuneration (GST exclusive) \$	Outlays (GST exclusive) \$
LM First Mortgage Income Fund (Receivers & Managers Appointed) (Receiver Appointed)	172,368	3,331
OVST Pty Ltd (In Liquidation) (Controllers Appointed)	180	-
Pinevale Villas Morayfield Pty Ltd (In Liquidation) (Controllers Appointed)	180	-
Bridgewater Lake Estate Ltd (In Liquidation) (Controllers Appointed)	180	-
Redland Bay Leisure Life Ltd (In Liquidation) (Controllers Appointed)	180	-
Redland Bay Leisure Life Development Ltd (In Liquidation) (Controllers Appointed)	180	-
Cameo Estates Lifestyle Villages (Launceston) Pty Ltd (Receivers & Managers Appointed) (Controllers Appointed)	171	-
<b>Total</b>	<b>173,439</b>	<b>3,331</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 the claim against the former auditors regarding the financial statements and compliance plan audits following public examinations held, and quantifying the loss suffered by the Fund;
  - Providing assistance to the Liquidator of Bellpac regarding the \$8M bond claim and progressing these matters;
  - Progressing the claim against the MPF and others;
  - Review of potential claims against former valuers of property securities for negligence and breach of contract;
  - Progressing claims against guarantors.
- Liaising with various parties in relation to the potential for the DB Receiver's retirement;
  - Progressing settlement of Western Union's set off claim;
  - Dealing with FTI in relation to their claims for indemnity against the assets of the Fund for expenses and costs incurred in their capacity as liquidators of the responsible entity;
  - Maintaining the management accounts of the Fund;
  - 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;
  - Preparing of affidavit and supporting material for an application to Court for approval of the receiver's remuneration for the period 1 May to 31 October 2016;
  - Finalising outstanding trading matters from the sale of five retirement villages, including tax compliance issues.

I anticipate that my next application to Court for the approval of my remuneration will be made in May/June 2017 covering the period 1 November 2016 to 30 April 2017. 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.

## 10. 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 2016 to 30 November 2016

LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS APPOINTED) (RECEIVER APPOINTED)

Employee	Position	Rate	Totals		Task Area											
			hrs	\$	Assets		Creditors		Employees		Trade On		Investigations		Administration	
					hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$	hrs	\$
David Whyte	Partner	580	54.5	31,610.00	25.4	14,732.00	13.1	7,598.00			5.4	3,132.00			10.6	6,148.00
Clark Jarrold	Partner	560	13.0	7,280.00	13.0	7,280.00										
Eric Leeuwendal	Executive Director	495	149.4	73,953.00	79.7	39,451.50	28.9	14,305.50			2.3	1,138.50	13.3	6,583.50	25.2	12,474.00
Craig Jenkins	Partner	490	7.1	3,479.00	7.1	3,479.00										
John Somerville	Senior Manager	455	28.8	13,104.00	1.5	682.50	8.4	3,822.00			4.2	1,911.00	3.5	1,592.50	11.2	5,096.00
Karen Ashdown	Associate Director	420	1.0	420.00	1.0	420.00										
Julie Pagcu	Senior Manager	375	7.8	2,925.00	7.8	2,925.00										
Aubrey Meek	Senior Accountant II	290	46.4	13,456.00			44.7	12,963.00			1.5	435.00			0.2	58.00
Dermot O'Brien	Accountant I	235	51.8	12,173.00	2.4	564.00	25.8	6,063.00			7.7	1,809.50	13.5	3,172.50	2.4	564.00
Sarah Cunningham	Team Assistant	200	3.6	720.00											3.6	720.00
Ryan Whyte	Undergraduate	165	57.6	9,504.00			36.2	5,973.00					14.9	2,458.50	6.5	1,072.50
Andrew Lane	Undergraduate	165	15.9	2,623.50			14.9	2,458.50	0.5	82.50					0.5	82.50
Nicole Jackson	Team Assistant	160	1.2	192.00											1.2	192.00
Emma Sheehy	Junior Practice Assista	115	4.3	494.50	4.3	494.50										
Moira Hattingh	Team Assistant	85	5.1	433.50											5.1	433.50
TOTALS			447.5	172,367.50	142.2	70,028.50	172.0	53,183.00	0.5	82.50	21.1	8,426.00	45.2	13,807.00	66.5	26,840.50
GST				17,236.75												
TOTAL INC GST				189,604.25												
AVERAGE HOURLY RATE			385		492		309		165		399		305		404	

Note: All amounts exclude GST unless otherwise noted



**Disbursements for the period 1 November 2016 to 30 November 2016  
LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS  
APPOINTED) (RECEIVER APPOINTED)**

<b>Expense Type</b>	<b>Amount (\$ ex GST)</b>
Postage	3,176.59
Printing	8.40
Write Offs (BRI Only)	146.15
<b>TOTAL</b>	<b>3,331.14</b>
<b>GST</b>	<b>333.11</b>
<b>TOTAL INC GST</b>	<b>3,664.25</b>



**REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016  
BRIDGEWATER LAKE ESTATE PTY LIMITED (IN LIQUIDATION) (CONTROLLERS APPOINTED)**

Employee	Position	Rate	Totals		Task Area	
			hrs	\$	Administration	
					hrs	\$
Dermot O'Brien	Accountant I	235	0.2	47.00	0.2	47.00
Ryan Whyte	Undergraduate	165	0.7	115.50	0.7	115.50
Moira Hattingh	Team Assistant	85	0.2	17.00	0.2	17.00
<b>TOTALS</b>			<b>1.1</b>	<b>179.50</b>	<b>1.1</b>	<b>179.50</b>
				GST	17.95	
				TOTAL INC GST	197.45	
				AVERAGE HOURLY RATE	163	163

**Note:** All amounts exclude GST unless otherwise noted





**REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016  
OVST PTY LIMITED (IN LIQUIDATION) (CONTROLLERS APPOINTED)**

Employee	Position	Rate	Totals		Task Area			
					Creditors		Administration	
			hrs	\$	hrs	\$	hrs	\$
Dermot O'Brien	Accountant I	235	0.2	47.00	0.2	47.00		
Ryan Whyte	Undergraduate	165	0.7	115.50			0.7	115.50
Moira Hattingh	Team Assistant	85	0.2	17.00			0.2	17.00
<b>TOTALS</b>			<b>1.1</b>	<b>179.50</b>	<b>0.2</b>	<b>47.00</b>	<b>0.9</b>	<b>132.50</b>
				GST	17.95			
				TOTAL INC GST	197.45			
				AVERAGE HOURLY RATE	163	235	147	

**Note:** All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016  
 CAMEO ESTATES LIFESTYLE VILLAGES (LAUNCESTON) PTY LTD (RECEIVERS AND MANAGERS APPOINTED) (CONTROLLERS APPOINTED)

Employee	Position	Rate	Totals		Task Area			
			hrs	\$	Creditors		Administration	
					hrs	\$	hrs	\$
Dermot O'Brien	Accountant I	235	0.2	47.00	0.2	47.00		
Ryan Whyte	Undergraduate	165	0.7	115.50			0.7	115.50
Moira Hattingh	Team Assistant	85	0.1	8.50			0.1	8.50
<b>TOTALS</b>			<b>1.0</b>	<b>171.00</b>	<b>0.2</b>	<b>47.00</b>	<b>0.8</b>	<b>124.00</b>
				GST	17.10			
				TOTAL INC GST	188.10			
				AVERAGE HOURLY RATE	171	235	155	

**Note:** All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016

PINEVALE VILLAS MORAYFIELD PTY LTD (IN LIQUIDATION) (CONTROLLERS APPOINTED)

Employee	Position	Rate	Totals		Task Area			
			hrs	\$	Creditors		Administration	
					hrs	\$	hrs	\$
Dermot O'Brien	Accountant I	235	0.2	47.00	0.2	47.00		
Ryan Whyte	Undergraduate	165	0.7	115.50			0.7	115.50
Moira Hattingh	Team Assistant	85	0.2	17.00			0.2	17.00
TOTALS			1.1	179.50	0.2	47.00	0.9	132.50
GST					17.95			
TOTAL INC GST					197.45			
AVERAGE HOURLY RATE					163	235		147

**Note:** All amounts exclude GST unless otherwise noted



**REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016  
REDLAND BAY LEISURE LIFE PTY LTD (IN LIQUIDATION) (CONTROLLERS APPOINTED)**

Employee	Position	Rate	Totals		Task Area		
			hrs	\$	Creditors	Administration	
					hrs	\$	hrs
Dermot O'Brien	Accountant I	235	0.2	47.00		0.2	47.00
Ryan Whyte	Undergraduate	165	0.7	115.50		0.7	115.50
Moira Hattingh	Team Assistant	85	0.2	17.00		0.2	17.00
<b>TOTALS</b>			<b>1.1</b>	<b>179.50</b>		<b>1.1</b>	<b>179.50</b>
				GST	17.95		
				TOTAL INC GST	197.45		
				AVERAGE HOURLY RATE	163		163

**Note:** All amounts exclude GST unless otherwise noted



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2016 to 30 November 2016

REDLAND BAY LEISURE LIFE DEVELOPMENT PTY LTD (IN LIQUIDATION) (CONTROLLERS APPOINTED)

Employee	Position	Rate	Totals		Task Area			
					Creditors		Administration	
			hrs	\$	hrs	\$	hrs	\$
Dermot O'Brien	Accountant I	235	0.2	47.00			0.2	47.00
Ryan Whyte	Undergraduate	165	0.7	115.50			0.7	115.50
Moira Hattingh	Team Assistant	85	0.2	17.00			0.2	17.00
TOTALS			1.1	179.50			1.1	179.50
				GST	17.95			
				TOTAL INC GST	197.45			
				AVERAGE HOURLY RATE	163			163

**Note:** All amounts exclude GST unless otherwise noted