

TO THE INVESTOR AS ADDRESSED

19 December 2019

LM FIRST MORTGAGE INCOME FUND (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 28th 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 2019. This report should be read in conjunction with my previous reports, which are available on the website www.lmfimf.com.

The key developments in the winding up of the Fund, since my last report, are:

- Justice Jackson has handed down the five outstanding decisions in respect of:
 - Authorising me to make an interim distribution which was paid at the rate of 6.5 cents per unit in October 2019 (refer to section 4.2);
 - The trial of the proceedings against LMIM, certain directors of LMIM and the MPF which was heard between 1 and 9 April 2019. On 22 November 2019 the Court handed down judgment in favour of the defendants, dismissing my claims alleging certain breaches by the directors of LMIM of the Corporations Act 2001 (Cth). Submissions have been filed in relation to costs orders following the decision. I await judgment as to costs and I am presently liaising with my legal team in relation to the merits of pursuing an appeal of the decision (refer to section 2.1.1);
 - The Leave Application in the proceedings against the auditors which is progressing to trial (refer to section 2.1.2);
 - FTI's Second Remuneration Application filed on 17 July 2018 seeking \$743,889.89 from the property of the FMIF. I opposed certain parts of the application. On 2 October 2019 the Court delivered judgment approving remuneration totalling \$393,043.89 and disallowing remuneration of \$348,692.87 (refer to section 2.1.6.2);
 - FTI's dual appointment application which was dismissed by the Court on 2 October 2019 (refer to section 2.1.6.5).

A summary of the other matters covered in this report is as follows:

- Estimated net amount available to investors as at 30 November 2019 was \$33.09 million;
- The estimated return to investors at 30 November 2019 is 7.6 cents per unit before taking into account future costs and recoveries from legal proceedings on foot. An interim capital distribution

to investors of 6.5 cents per unit was paid in October 2019 providing a total estimated return of 14.1 cents per unit;

- For the settlement of the Bellpac Liquidator's \$8M Bonds litigation, discussions are currently ongoing in relation to extending the Sunset Date for complying with the remaining condition precedent beyond 31 March 2019 and the terms to apply to the same (refer to section 2.1.3);
- FTI may have a further claim against the Fund for expenses (refer to section 2.1.6.4).

2. Progress and Status of the Winding Up

2.1 Legal Actions/Potential Recoveries

2.1.1 Proceedings against the MPF, LMIM and the Directors of LMIM

I refer to my previous updates to investors in relation to a statement of claim I caused to be filed in the Supreme Court of Queensland, against a number of parties, including the MPF Trustee and a number of directors of LMIM, in respect of loss allegedly suffered by the FMIF as a result of an amount paid to the MPF in the Bellpac litigation matter. The claim is for approximately \$15.5M plus interest.

In accordance with Court directions the proceedings were set down for a two week trial from 1 April 2019.

Prior to the trial, an agreement was reached with the MPF in order to settle the claim as against the MPF Trustee, as well as other claims between the FMIF and the MPF Trustee. The terms of that agreement (which are confidential) have now been completed and as a consequence, orders were made on 27 March 2019 that the plaintiff have leave to discontinue the proceeding as against the MPF Trustee, and that as between the Plaintiff and the MPF Trustee, there be no order as to costs.

The trial otherwise proceeded on 1 April 2019 as against the director defendants and was heard over 5 days from 1 April 2019 to 9 April 2019 (with the matter not sitting on 4 or 5 April 2019). The Judge reserved his decision and Judgment was handed down on 22 November 2019.

The Judge dismissed my claim against the directors of LMIM on the basis that:

- A contravention of the duty of care and diligence to members pursuant to section 601FD(b) of the Corporations Act 2001 (Cth) was not established;
- A contravention of the duty to act in the best interests of members and give priority to members interest where it conflicts with the interests of the responsible entity, pursuant to section 601FD(c) of the Corporations Act 2001 (Cth) was not established, nor that a contravention of the duty caused the loss of the settlement proceeds to the FMIF as required by section 1317H of the Corporations Act 2001 (Cth).

Submissions were filed in relation to costs following the decision on Friday 29 November 2019.

Judgment as to costs has not yet been handed down.

I am presently obtaining legal advice in relation to the prospects of appealing the decision. Any application for leave to appeal must be submitted by Friday 20 December 2019.

I will provide an update in relation to costs orders made in the next report together with confirmation as to whether an appeal of the decision will be pursued.

2.1.2 Claim against the former auditors (EY Proceeding)

I refer to my previous updates to investors and provide a brief summary as follows:

- On 4 October 2019 the Court delivered judgement together with an order that:
 - The defendants application for leave to proceed against LMIM be dismissed;
 - The third party notice be struck out against the first, second, third and fourth parties (namely, LMIM and the Feeder Funds);
 - The third party statement of claim be struck out;
 - The first, second, third and fourth third parties be removed as parties to the proceeding, and
 - Leave be granted to the defendants to re-plead the third party statement of claim against the remaining third parties.
- On 17 October 2019 the Court delivered judgement in relation to the cost of the applications decided on 4 October 2019 and an order was made that:
 - the defendants pay my costs in relation to the leave application, and
 - I pay the costs of LMIM in respect of the representation application, such costs to be indemnified from the FMIF with both LMIM's costs together with my own costs to be costs in the proceeding.
- On 21 November 2019 at a review hearing the Court ordered that:
 - Privilege Claims - I was to file material to strike out the defendants' privilege claims by 29 November 2019 and a hearing is to be listed for my application with submissions to be filed and served five days before the hearing date.
 - Leave Application - I was to confirm any opposition to the defendants' Leave Application by 6 December 2019 and the application is to be listed for hearing with submissions to be filed and served five days before the hearing date.
 - Pleadings - by Friday 29 November 2019 the defendants were to serve any draft counterclaim. The defendants are also to provide their further and better particulars by 20 December 2019 and I am to file any reply and answer to the counterclaim by Friday 28 February 2020.
 - Disclosure - All parties are to seek to agree a disclosure protocol and provide it to the Court by Friday 20 December 2019. Failing agreement each party is to provide their own proposed protocols to the Court.
 - Expert evidence - all parties are to provide to the Court either a joint proposal or respective proposals as to the preparation of reports by expert witnesses by 6 December 2019.
- Since the review hearing on 21 November 2019:
 - My material was filed on 29 November 2019 in support of my application to strike out the defendant's privilege claims.
 - The defendants served a draft counterclaim on 29 November 2019.
 - On 6 December 2019 I confirmed I would not oppose the defendants' Leave Application.
 - Proposals in relation to expert evidence were provided to the Court on 13 December 2019.

- My application to strike out the Privilege Claims is likely to be listed for hearing in the second week in February 2020.

The matter is otherwise presently being prepared for trial including briefing essential expert witnesses and agreeing between the parties the process and manner in which electronic disclosure of evidence is to occur.

The proceedings are ongoing and an update will be provided in the next report.

2.1.3 Bellpac Proceedings - Wollongong Coal Ltd (WCL)

I refer to my previous updates to investors and provide a brief summary as follows:

- 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. A partial distribution of \$1M was received from the Bellpac liquidator in October 2019;
- 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;
- The Bellpac liquidator and WCL have entered into a binding heads of agreement (HOA) which relates to the settlement of the litigation commenced against WCL. The terms of the heads of agreement include that WCL will pay to Bellpac a settlement sum of \$6.3 million in return for certain releases and Bellpac returning or cancelling the WCL shares issued to Bellpac;
- The conditions precedent to the settlement with WCL include obtaining necessary approvals to undertake the settlement transactions. In this regard:
 - The Bellpac Liquidator has obtained creditor approval to enter into the settlement with WCL;
 - The Court declined to exercise its discretion on WCL's application for approval to acquire and or cancel Bellpac's holding of WCL shares. WCL is now preparing to seek shareholder approval.

Since my last update to investors the remaining condition precedent (Sunset Date) to the settlement with WCL has been extended several times and the Liquidator was successful in negotiating, as part of the agreement to extend the Sunset Date, that WCL will pay interest at 3% p.a. from 2 October 2017 until settlement. The Liquidator last entered into a further agreement with WCL, extending the sunset date to satisfy the conditions precedent to 31 March 2019. To date WCL has paid \$3M towards the settlement into their solicitors' trust account, which is to be released upon receiving shareholder approval of the settlement. Discussions are ongoing in relation to extending the Sunset Date beyond 31 March 2019 and the terms to apply to same. To date no further extensions have been granted and no further payments have been made by WCL into their solicitors' trust account.

A further update will be provided in the next report.

2.1.4 Redemptions and Distributions paid to Class B Unit Holders (Feeder Funds)

I refer to my previous updates to investors and summarise the background as follows:

- Investigations were undertaken via the PE conducted in 2015 and subsequent thereto in relation to redemptions and distributions paid to the Class B unit holders (Feeder Funds) when the Fund had suspended redemptions and distributions to other classes of members;
- The Feeder Funds are the LM Currency Protected Australian Income Fund (CPAIF), the LM Institutional Currency Protected Australian Income Fund (ICPAIF) and the LM Wholesale First Mortgage Income Fund (WMIF).
- On 28 July 2017, I caused to be filed an amended statement of claim against LMIM and the Feeder Funds and the claim was then formally served on the parties.
- The claim is for declarations that the FMIF is entitled to withhold from distributions or payments otherwise payable to the Feeder Funds an amount in excess of \$55 million (for redemptions paid to the Feeder Funds when the FMIF suspended redemptions to all other investors, apart from genuine approved hardship cases), as adjusted for the amount which the Feeder Funds would otherwise have been entitled as pleaded in the statement of claim. The claim seeks a declaration cancelling approximately 35 million units issued to the Feeder Funds (which were a consequence of re-investment of distributions made to the Feeder Funds) which were issued after the FMIF suspended distributions to other investors.
- The Feeder Funds claim was successfully mediated on 5, 6 and 20 November 2018, and a Deed of Settlement, subject to several conditions precedent, was executed by all parties in December 2018.
- The terms of the deed are confidential and were subject to several conditions precedent, including:
 - Myself, Mr Jahani, Trilogy Funds Management Limited (“Trilogy”) and the Trust Company Limited were each to apply for, and obtain judicial advice to the effect that the relevant party making the application is justified in entering into and performing the deed (**Judicial Advice Application**). Each party was obliged to apply for such judicial advice by 1 February 2019 and to use best endeavours to have the application heard by 15 March 2019;
 - orders are made giving authority for an interim distribution to be made to FMIF members (**Authority Application**). I was obliged to make this application by 1 February 2019 and use my best endeavours to have it heard by 15 March 2019;
 - The interim distribution is to be made within three weeks of the Court delivering judgment in relation to the Authority Application.
- The above parties filed their Judicial Advice Application and I filed the Distribution Application. The Judicial Advice Applications were heard by the Court on 2 and 3 May 2019 and the Distribution Application was heard on 13 March 2019.
- The Court subsequently handed down its decision in respect of the Judicial Advice Application and on 22 May 2019 the Court directed that:
 - I am, along with the other parties, justified in entering into and performing the terms of the Deed of Settlement and Release, and

- I am justified in making an interim distribution to the members of the FMIF, if I am conferred with this authority in the Authority Application.
- On 2 October 2019, the Authority Application was granted.
- The conditions precedent to the settlement of the Feeder Fund Proceeding, have now been satisfied and an interim distribution was made to the members of the FMIF in October 2019.
- The financial impact of the settlement is as follows:
 - The claims totalling approximately \$56M are settled for total amounts of up to \$28M by withholding distributions to the three feeder funds. For the first \$66M of distributions to investors, 40% of the amount due to the CPAIF and the ICPAIF will be withheld and 11.6% will be withheld from the WFMIF;
 - For the next \$60M of distributions (if achieved), 56%, 100% and 20.8% of distributions will be withheld from the CPAIF, ICPAIF and WFMIF respectively.
- The Feeder Fund Proceeding has now been discontinued.

A further update will be provided in the next report.

2.1.5 Claims against guarantors

There are only two remaining matters, that can be summarised, as follows:

- A deed of settlement was entered into with a guarantor for \$100,000 payable over the period to 1 November 2019 with \$67,000 paid to date. A revised payment plan was negotiated with the balance of \$33,000 due to be received by 1 July 2020.
- PTAL as custodian of the FMIF obtained judgment against a guarantor, for approximately \$3 million, plus interest and costs. The trustee in bankruptcy has identified potential recoveries for the benefit of creditors of which the Fund is a major creditor. The bankrupt, along with other parties, contributed land to a development. The land was subdivided, developed and sold, and the net proceeds of sale in the sum of approximately \$12 million is presently held in a solicitors trust account on an interim basis, protected by certain undertakings given by the solicitor holding the funds. The trustee claims an entitlement in respect of at least a portion of the funds held in the solicitors trust account however, other parties to the dispute allege that associated entities of the bankrupt are entitled to the funds. I instructed PTAL as custodian of the FMIF to enter into a Deed of Indemnity to fund a public examination and any agreed recovery proceedings in respect of this matter. A public examination, was held in the Federal Court on 7, 12, 13, 18 and 19 November 2019. I continue to liaise with the Trustees as to their continuing investigations.

The matters are ongoing and an update will be provided in the next report.

2.1.6 Liquidators of LMIM (FTI Consulting)

2.1.6.1 Remuneration claim and expenses claim

I refer to my previous reports to investors.

The judgement regarding and orders made in relation to FTI's first remuneration claim and indemnity claim are available on the websites www.lmfimif.com and www.lminvestmentadministration.com.

2.1.6.2 Second FTI Remuneration Application

On 17 July 2018, Mr Park of FTI, who is now the sole Liquidator of LMIM, filed an application in the Court seeking payment of remuneration of \$743,889.89 inclusive of GST from property of the FMIF, relating to various periods between 19 March 2013 and 30 June 2018. I opposed certain parts of the application. The application was heard on 6 September 2018 and 3 October 2018.

On 2 October 2019, the Court delivered judgment:

- Disallowing the claim for corporate remuneration (work which related only to LMIM in its corporate capacity, and is not referable to an individual fund or the funds generally) sought from the FMIF of \$348,692.87, on the basis that such remuneration is not recoverable from a trust, as a matter of law;
- Allowing the claim for Category 1 remuneration (work referable to the FMIF) sought from the FMIF of \$316,345.70 which had not been opposed by me (for the most part, at least), and
- Allowing the claim for Category 2 remuneration (work referable to the funds generally) sought from the FMIF in the sum of \$76,698.19.

2.1.6.3 Indemnity claim against the Fund and proof of debt process

If a debt or claim is admitted by FTI in the winding up of LMIM and a claim for indemnity out of the FMIF with respect to such debt or claim is identified, or if certain other types of claims for indemnity from the FMIF are identified by FTI, I summarise the required process as outlined in the Orders made on 17 December 2015, as follows:

- FTI must notify me within 14 days of the identification of the claim for indemnity against the assets of the Fund;
- Within 14 days I may seek further information in relation to the claim;
- Within 30 days of receipt of the claim from FTI or from receipt of further information I have requested, I am required to:
 - Accept the claim, or
 - Reject the claim, or
 - Accept part of it and reject part of the claim; and
 - To give FTI written notice of the decision;
- I am required to give FTI written reasons for rejecting any part of a claim within 7 days after giving notice of my decision including those claims identified through the proof of debt process mentioned above;
- Within 28 days of receiving a notice of rejection, FTI may apply to the Court for directions in relation to the rejection and advise the creditor of my decision and other specified matters.

FTI have informed me they have identified Creditor Indemnity Claims with respect to a proof of debt lodged by Norton Rose for the sum of \$315,601.21 (**Norton Rose Proof**) and a proof of debt lodged by EY in the sum of \$158,896.51 (**First EY Proof**).

I have written to FTI rejecting the Creditor Indemnity Claim made in respect of the claim notified by the Norton Rose Proof and provided reasons for my decision.

I am awaiting the provision of further information in relation to the First EY Proof before the time period for me to accept or reject that Creditor Indemnity Claim begins to run.

FTI have notified me that they have received a proof of debt lodged by EY for the sum of approximately \$180 million (**Second EY Proof**). That proof asserts that, to the extent that the claims made by LMIM as RE of the FMIF against EY in the claim against the former auditors are successful, EY will suffer loss or damage which is recoverable from LMIM. FTI have requested further information in relation to the Second EY Proof and they have not yet notified me of whether a Creditor Indemnity Claim has been identified in respect of the claim notified by the Second EY Proof.

These claims for indemnity may be subject to the “clear accounts rule” as described in previous reports to investors, and if so, a set off against that claim may be available.

An update will be provided to investors in relation to this matter in my next report.

2.1.6.4 Expenses

FTI’s solicitors have notified my solicitors that FTI intends to claim indemnity from the FMIF (and other funds) for a portion of certain corporate expenses incurred during the administration and Liquidation of LMIM. The precise amount of this claim is not yet known although I have been advised by FTI that their solicitors have outstanding work in progress of \$474,649.76 as at 30 June 2019 that they consider may relate to the Fund.

I anticipate that further remuneration applications will be made by the Liquidator in due course and may incorporate remuneration of \$110,352.55 that I have been advised was incurred during the period from 1 July 2018 to 30 June 2019.

2.1.6.5 Further application by FTI for directions

On 10 October 2018, Mr Park filed an application seeking directions in relation to the dual appointments of Mr Park and I to wind up the FMIF including directions to the effect that:

- My appointment continues only in relation to certain specific legal proceedings and Mr Park take responsibility for ensuring the FMIF is wound up in accordance with its Constitution;
- That Mr Park is directed to act as contradictor to the claim filed against LMIM referred to in section 2.1.6.6, and the Feeder Fund Proceedings;
- That Mr Park and I each submit budgets of remuneration and expenses to the conclusion of the winding up, that the remuneration of the Liquidator and the Receiver be fixed or determined on the hearing of the application in the amount of 50% of the amount stated in the relevant budget and paid during the course of the winding up, with all other remuneration and expenses of the Liquidator and Receiver to be deferred and sought at the conclusion of the winding up at which time the amounts stated in the budgets can be reduced, increased or stay the same.

The application was heard on 10 December 2018. Judgement was reserved.

On 2 October 2019, the Court delivered judgment dismissing the application: *LM Investment Management Limited & Anor v Whyte* [2019] QSC 233.

2.1.6.6 Claim filed against LMIM

I refer to my previous report to investors and summarise the background as follows:

- In November 2016, I caused LMIM as RE of the FMIF to commence a proceeding against LMIM in relation to certain transactions to avoid possible expiry of the statutory limitation periods for making the claims;
- This claim alleges that, *inter alia*, LMIM breached its duties to members of the FMIF by:
 - causing to be paid out of assets of the FMIF management fees in advance of it becoming entitled to payment of same;
 - overpaying management fees to itself out of assets of the FMIF;
 - causing to be paid to LMA additional fees purportedly for loan management and controllership services, which were not authorised by the Constitution of the FMIF;
 - directing payments to be made by the MPF, purportedly in satisfaction of liabilities owed by the MPF to the FMIF, to be paid to itself as RE of the feeder funds;

On 25 July 2018, the Court directed that I represent the interests of LMIM as RE of the FMIF, that Mr Park represent the interests of LMIM in its own capacity, granted leave to proceed with this claim and ordered that the claim be stayed until further order. A stay of the proceeding was sought because at the time, the creditors of the FMIF had not been identified as the Liquidator had not called for proofs, there was no one identified as willing and able to fund a defence of the Claim, and it was unclear whether there would be a practical need for the claims made in the proceeding to be fully litigated.

Subject to any directions that may be made by the Court, if the claims made in this proceeding are successful, they may be able to be relied upon as a set-off against certain claims made by LMIM for indemnity out of assets of the FMIF, including those claims identified through the proof of debt process mentioned above or claims made by other parties seeking to subrogate to LMIM's alleged rights of indemnity.

The current status of this claim is that it remains stayed until further order. My solicitors have recently written to the solicitors for LMIM to seek further information to assist me to consider how this proceeding ought to be dealt with. I will keep investors updated as to the progress of this claim.

3 Management Accounts

As advised in my previous report, the management accounts for the year ending 30 June 2019 are available on the website www.lmfimif.com.

The management accounts for the half-year ending 31 December 2019 will be uploaded to the website www.lmfimif.com by 31 March 2020.

4 Investor Information

4.1 Estimated Return to Investors

I provide an estimated remaining return to Investors of 7.6 cents per unit as at 30 November 2019, and a total estimated return of 14.1 cents per unit taking into account the interim distribution paid of 6.5 cents per unit, calculated as follows:

| Description | \$ Amount |
|---|-------------------|
| Cash at bank | 38,468,854 |
| Other assets | 5,000 |
| Estimated Assets Position | 38,473,854 |
| Other unsecured creditors | 1,455,211 |
| Returned First Interim Distribution to investors (6.5 cents) | 3,099,717 |
| Receiver's fees & outlays (BDO) 1 May 2019 to 31 October 2019 | 639,433 |
| Receiver's fees & outlays (BDO) 1 November 2019 to 30 November 2019 | 188,836 |
| Total Liabilities | 5,383,197 |
| Estimated net amount available to investors as at 30 November 2019 | 33,090,657 |
| Benefit of Feeder Fund settlement of amounts withheld* | 4,273,932* |
| Total investor units (AUD Equivalent as at date of appointment) | 492,125,624 |
| Estimated return in the dollar | 7.6 cents |
| Add: Distributions to date | 6.5 cents |
| Total estimated return in the dollar | 14.1 cents |

If further recoveries are made this will increase the amount due from the Feeder Funds settlement.

Please note that 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.

The Feeder Fund settlement will reduce the amount of cash to be paid to the Feeder Funds as set out at section 2.1.4 above. Based on the amounts in the above table, I attach at Annexure 1 calculations showing the net amounts payable to the Feeder Funds, as follows:

| Feeder Fund | Estimated Return |
|---|------------------|
| LM Currency Protected Australian Income Fund (“CPAIF”) | 4 cents |
| LM Institutional Currency Protected Australian Income Fund (“ICPAIF”) | 4 cents |
| LM Wholesale First Mortgage Income Fund (“WFMIF”) | 5.9 cents |

These are the amounts that would be paid to the responsible entities of each of the Feeder Funds, the costs and expenses of the Feeder Funds would need to be distributed from the net cash that is paid to each of the Feeder Funds before distributions are made to Feeder Fund investors.

4.2 Investments made in Foreign Currencies and Distributions to Investors

I applied to court on 1 February 2019 seeking directions to make an interim distribution to investors and seeking orders as to the treatment of the foreign currency investors in that distribution. The application was heard on 13 March 2019 and the decision was reserved.

I am pleased to advise that the Court authorised and empowered me on 2 October 2019 to make an interim capital distribution of 6.5 cents per unit to investors of the LM First Mortgage Income Fund. I confirm the interim distribution was paid to investors in October 2019.

The court declared that each member holding Class C units (foreign currency investors) in the FMIF is entitled to be paid in the winding up of the FMIF amounts calculated by reference to the calculation of that member’s units in the foreign currency of investment as adjusted for the foreign exchange spot rate between the currency of investment and the Australian dollar prevailing at the date of the commencement of the winding up of the FMIF.

4.3 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 4.4 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 2020.

4.4 Investors Queries

For any changes to investors details, please review the Useful Forms/Procedures tab on the website www.lmfimif.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 questions about the winding up, or communications are sent via email to 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

5 Receiver's Remuneration and Expenses

There have been twelve applications to Court to date to approve my remuneration from the date of my appointment on 8 August 2013 until 31 October 2019.

The twelfth application for the approval of my remuneration for the period 1 May 2019 to 31 October 2019 was heard by the Court on 17 December 2019. The Court ordered that my remuneration for this period be fixed in the amount of \$652,328.05 (inclusive of GST) in relation to my role as the person responsible for ensuring the FMIF is wound up in accordance with its constitution.

A copy of all documentation in relation to my applications can be found on the website www.lmfmif.com.

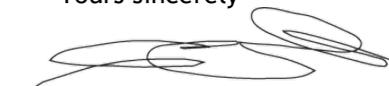
In addition to the remuneration previously approved by the Court and the twelfth application set out above, I calculate that, on a time basis, I have incurred further remuneration of \$188,081.50 (exclusive of GST) plus outlays of \$754.39 (exclusive of GST) from 1 November 2019 to 30 November 2019 as detailed in the attached summary.

6 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

Yours sincerely



David Whyte
Receiver



ANNEXURE 1
ESTIMATED RETURN TO FEEDER FUNDS

| Feeder Fund | Number of Units | Estimated Return to Feeder Funds as at 30 November 2019 | | | |
|--------------|--------------------|---|-----------------------|----------------------|--------------------|
| | | Distribution (\$) | Amounts withheld (\$) | Net Amount Paid (\$) | Net Cents per Unit |
| CPAIF | 120,702,630 | 8,116,077 | 3,246,431 | 4,869,646 | 0.040 |
| ICPAIF | 9,350,802 | 628,750 | 251,500 | 377,250 | 0.040 |
| WFMIF | 99,488,929 | 6,689,662 | 776,001 | 5,913,661 | 0.059 |
| Total | 229,542,361 | 15,434,489 | 4,273,932 | 11,160,557 | |



REMUNERATION REPORT - Summary of professional fees by category of work for the period 1 November 2019 to 30 November 2019
LM First Mortgage Income Fund (Receiver Appointed)

| Employee | Position | Rate | Totals | | Task Area | | | | | | | | | |
|----------------------------|----------------------|------|----------------------|-------------------|--------------|------------------|--------------|------------------|-------------|------------------|-------------|-----------------|----------------|------------------|
| | | | | | Assets | | Creditors | | Trade On | | Dividends | | Administration | |
| | | | hrs | \$ | hrs | \$ | hrs | \$ | hrs | \$ | hrs | \$ | hrs | \$ |
| David Whyte | Partner | 615 | 40.0 | 24,600.00 | 20.3 | 12,484.50 | 0.6 | 369.00 | 3.1 | 1,906.50 | | | 16.0 | 9,840.00 |
| Clark Jarrold | Partner | 615 | 6.6 | 4,059.00 | 6.6 | 4,059.00 | | | | | | | | |
| Charles Haines | Associate Director | 525 | 26.9 | 14,122.50 | | | 18.0 | 9,450.00 | | | 2.5 | 1,312.50 | 6.4 | 3,360.00 |
| Craig Jenkins | Partner | 525 | 0.5 | 262.50 | 0.5 | 262.50 | | | | | | | | |
| Arthur Taylor | Senior Manager | 500 | 21.3 | 10,650.00 | 10.1 | 5,050.00 | | | 11.2 | 5,600.00 | | | | |
| Jayden Coulston | Manager | 460 | 2.0 | 920.00 | | | 0.3 | 138.00 | | | | | 1.7 | 782.00 |
| Julie Pagcu | Associate Director | 450 | 53.2 | 23,940.00 | 53.2 | 23,940.00 | | | | | | | | |
| Ryan Whyte | Accountant | 275 | 177.9 | 48,922.50 | 1.8 | 495.00 | 149.6 | 41,140.00 | 13.9 | 3,822.50 | 12.6 | 3,465.00 | | |
| George Lethbridge | Accountant | 275 | 70.2 | 19,305.00 | | | 70.2 | 19,305.00 | | | | | | |
| Antoinette Fielding | Accountant | 275 | 0.1 | 27.50 | | | 0.1 | 27.50 | | | | | | |
| Jordan Devery | Graduate Accountant | 225 | 145.9 | 32,827.50 | 36.4 | 8,190.00 | 109.5 | 24,637.50 | | | | | | |
| Sarah Cunningham | Accounting Assistant | 225 | 32.4 | 7,290.00 | | | | | | | | | 32.4 | 7,290.00 |
| Moirra Hattingh | Practice Assistant | 105 | 11.0 | 1,155.00 | | | | | | | | | 11.0 | 1,155.00 |
| TOTALS | | | 588.0 | 188,081.50 | 128.9 | 54,481.00 | 348.3 | 95,067.00 | 28.2 | 11,329.00 | 15.1 | 4,777.50 | 67.5 | 22,427.00 |
| | | | GST | 18,808.15 | | | | | | | | | | |
| | | | TOTAL INC GST | 206,889.65 | | | | | | | | | | |
| AVERAGE HOURLY RATE | | | 320 | | 423 | | 273 | | 402 | | 316 | | 332 | |

Note: All amounts exclude GST unless otherwise noted



Disbursements for the period 1 November 2019 to 30 November 2019

LM First Mortgage Income Fund (Receiver Appointed)

| Expense Type | Amount (\$ ex GST) |
|----------------------|-----------------------|
| Postage | 754.39 |
| TOTAL | 754.39 |
| GST | 75.44 |
| TOTAL INC GST | 829.83 |