

SUPREME COURT OF QUEENSLAND

Registry: BRISBANE
Number: BS 2859/13

**IN THE MATTER OF LM INVESTMENT MANAGEMENT LIMITED
(ADMINISTRATORS APPOINTED) ABN 68 077 208 461 AND
LM ADMINISTRATION PTY LTD (ADMINISTRATORS APPOINTED)
ACN 055 691 426**

Applicants

**JOHN RICHARD PARK AND GINETTE MULLER IN
THEIR CAPACITY AS JOINT AND SEVERAL
ADMINISTRATORS OF LM INVESTMENT
MANAGEMENT LIMITED (ADMINISTRATORS
APPOINTED) AND LM ADMINISTRATION PTY LTD
(ADMINISTRATORS APPOINTED)**

SUBMISSIONS ON BEHALF OF THE APPLICANTS

Relief Sought

1. Relief is sought by John Richard Park and Ginette Muller, the administrators of each of LM Investment Management Limited (administrators appointed) ("LMIM") and LM Administration Pty Ltd (administrators appointed) ("LMA") (collectively, the "LM Companies") for orders¹ that:
 - (a) pursuant to section 439A(6) of the *Corporations Act 2001* (Cth) ("the Act"), that the period within which the Administrators must convene the second meeting of creditors of each of LMA and LMIM be extended up to and including 25 July 2013; and
 - (b) pursuant to section 477A(1) of the Act, the second meeting of creditors of each of LMA and LMIM required by section 439A of the Act may be held together or separately and at any time during, or within five business days after the end of, the convening period as extended by the Court notwithstanding the provisions of section 439A(2) of the Act.

¹ Originating Application (Doc 1).

APPLICANTS' SUBMISSIONS

King & Wood Mallesons
Level 33, Waterfront Place, 1 Eagle Street
Brisbane Qld 4000
T +61 7 3244 8000
F+61 7 32448999
DX 311 Brisbane
King & Wood Mallesons' reference
ESC/CAM:0455064221

2. Orders relating to ancillary administrative matters and costs are also sought.

Notice

3. On 2 April 2013, the first meeting of creditors was held at which the administrators advised that this application seeking an extension to the second meeting had been listed to which no person in attendance raised an objection².
4. On 5 April 2013, the Applicants provided a notice and a copy of the Application ("the Notice") to creditors of LMIM and LMA for whom the Applicants had a current postal address or email address ("Creditors"). The Notice stated that the Application and supporting affidavit material were available for viewing on the website set up by the administrators' for the administrations being www.lminvestmentadministration.com ("Website")³.
5. On 5 April 2013, a copy of the Application and the supporting affidavit of John Richard Park was uploaded onto the Website⁴.
6. On 5 April 2013, the secured creditors were given notice of the Application⁵.
7. ASIC were notified of the Application and do not wish to be heard⁶.

Relevant Factual Background

8. On 19 March 2013, the administrators were appointed voluntary administrators of LMIM and LMA by resolution of the board of directors of each of those companies.⁷
9. According to the summary of information about the LM Companies' operations and activities prepared by Mr Park, the operations and activities of the LM Companies involved the following (amongst other things):⁸
- (a) LMIM is an Australian fund manager which operates nationally and internationally from offices on the Gold Coast, Sydney, Hong Kong, London, Dubai, Queenstown, Toronto, Bangkok and Johannesburg with the

² Affidavit of John Richard Park sworn 5 April 2013 (Park Extension Affidavit) at [22]

³ First Federico Affidavit of Service filed by leave at [3] – [11]

⁴ Affidavit of John Richard Park filed by leave (Park Third Affidavit) at [22]

⁵ First Federico Affidavit of Service at para 11

⁶ Affidavit of Philip Yong Pan filed by leave; exhibit PYP - 2

⁷ Park Extension Affidavit at [4] and exhibit JRP-1 (1-49).

⁸ Park Extension Affidavit at [7], [8], [18]-[19].

international offices operating through wholly owned subsidiaries with the exception of Bangkok);

- (b) LMIM is an unlisted public company which held an Australian Financial Services Licence ("AFSL") authorising it to operate managed investment schemes and to provide financial and life insurance products. That licence has been suspended by ASIC subject to certain exceptions including, inter alia, that the administrators are allowed to provide financial services such as transfer to a new responsible entity, investigating or preserving the assets or winding up the registered managed investment schemes operated by LM⁹;
- (c) LMIM's principal activity was the provision of specialised Australian income products and it also offered life risk insurance products for sale;
- (d) LMIM is the responsible entity for, and operated as at the date of the appointment of the administrators, a number of managed funds ("LM Funds") which are managed investment schemes registered and regulated under Chapter 5C of the Act ("**Registered LM Funds**");
- (e) LMIM also managed a fund known as LM Managed Performance Fund ("MPF") that was not registered under Chapter 5C as it appears to have been designed for investors outside of Australia, global platform and folio bond operators, and institutional/wholesale investor;¹⁰
- (f) Before being replaced on 16 November 2012, LMIM was the responsible entity of the a fund known as the LM Wholesale First Mortgage Income Fund; and
- (g) LMA is the service entity to LMIM and has previously provided administration and funds management services to LMIM in exchange for a management fee.¹¹

⁹ Park Third Affidavit (in proceedings 2869/13) [check correct para once settled]

¹⁰ Park Extension Affidavit at [8](f)-(g).

¹¹ Park Extension Affidavit at [10].

The Law

10. Pursuant to s 439A(1) of the Act, the administrator of a company under administration must convene a meeting of the company's creditors within the convening period as fixed by sub-section (5) or extended under sub-section (6).
11. In the present circumstances, the convening period in relation to the second meeting of creditors ends on 14 April 2013.
12. Pursuant to s 439A (6) of the Act, the Court may extend the convening period on an application made during or after the period referred to in paragraph 5(a) or (b), as the case requires. This section gives no guidance to the Court as to the grounds upon which such an extension may be granted.
13. Recently, in *Owen, in the matter of Rivercity Motorway Pty Ltd (Administrators Appointed) (Receivers and Managers Appointed) v Madden* [2011] FCA 295, Justice Logan summarised the applicable principles and authorities as follows:

"[18] Over time a number of principles have been developed in relation to whether or not to extend a convening period. In *Re Diamond Press Australia Pty Ltd* [2001] NSWSC 313 at [10], Barrett J observed that, even in the context of an application for an extension of time, the need is:

... to strike an appropriate balance between, on the one hand, the expectation that an administration will be a relatively speedy and summary matter and, on the other, the requirement that undue speed should not be allowed to prejudice sensible and constructive actions directed towards maximising the return for creditors and any return for shareholders.

To that observation one might add, in the context of this case, "maximising, if possible, the return to those who have interests in the stapled securities". So much, in terms of underlying philosophy is evident from the object of Pt 5.3A as set out in s 435A.

[19] Considerations which have proved relevant were summarised, in a non-exhaustive way, by Austin J in *Re Riviera Group Pty Ltd* (2009) 72 ACSR 352 at 355, [13]–[14]. At para 13, his Honour noted that the reasons given for an extension in cases can be grouped into the following broad categories (I omit reference to the supporting authority cited by his Honour):

- (a) the size and scope of the business;
- (b) substantial offshore activities;
- (c) large number of employees with complex entitlements;

16. Section 447A enables an order to be made altering times fixed by a provision of Part 5.3A.¹⁷ It permits the making of orders which alter how ss.439A (2), (5) and (6) apply.¹⁸ The inclusion of s.447A in Part 5.3A means that the remaining provisions are not intended to have a fixed and unchanging operation in relation to all companies.¹⁹
17. Mr Park²⁰ has stated that if the administrators are in a position to do so, they may wish (with notice) to convene the second meeting of creditors before the end of the extended period under s 439A(1). This it is submitted, would enable the administrators to maximise their flexibility to pursue the most expeditious course. If this is to occur, it is necessary for an order [as sought in paragraph 2 of the application]²¹ under s 447A(1) to be made, so that the administrators can convene the meeting and hold it at any time during the extended convening period, and therefore earlier than s 439A(2) would permit. Such orders were made in *Re Daisytek (Australia) Pty Ltd.*²² It has become common practice for a court to make an order under s 447A (1).²³

Basis of the Request for an Extension

18. Since their appointment, the administrators have undertaken a variety of activities in progressing the administration.²⁴ Based on those activities and the relevant documentation, the administrator's investigations reveal that:²⁵
- (a) the businesses and affairs of the LM Companies (and its numerous overseas subsidiaries and global network of financial advisors and intermediaries) and the various LM Funds that LMIM operates, are significant and complex;
 - (b) the affairs of the LM Companies and the LM Funds are intertwined. LMIM is the responsible entity of the LM Funds (except for MPF) and is otherwise

¹⁷ *Australasian Memory Pty Ltd v Brien* [2000] 200 CLR 270 at pp.278-284.

¹⁸ *Australasian Memory Pty Ltd v Brien* (supra).

¹⁹ *Australasian Memory Pty Ltd v Brien* (supra).

²⁰ Park Extension Affidavit at [25].

²¹ Doc 1.

²² (2003) 45 ACSR 446

²³ *Riviera Group Pty Ltd (administrators appointed) (receiver and managers appointed)* (2009) 72 ACSR 352 at paragraph 20.

²⁴ Park Extension Affidavit at [20].

²⁵ Park Extension Affidavit at [21].

the trustee/manager of MPF, while LMA is engaged by LMIM to provide management services in relation to the LM Funds. Further, some of the individual LM Funds act as feeder funds to other LM Funds;

- (c) there are numerous inter-company loans and other transactions among the LM Companies and the LM Funds;
- (d) there are numerous related party loans and other transactions involving the LM Companies, the LM Funds, Peter Drake (a director of LMIM and a director and shareholder of LMA) and entities associated with Peter Drake. The administrators are currently considering how those loans and transactions affect the LM Companies;
- (e) the administrators are assisting ASIC with any concerns it has with the LM Companies and the LM Funds; and
- (f) the LM Companies and financial planners and intermediaries have received significant management fees, commissions and other payments in respect to the LM Funds.

19. In light of those matters, the administrators seek an extension of the convening period for a period of 3 months to allow the administrators to undertake the further activities set out in the Park Extension Affidavit at [23](a) to (k) so as to be in a better position to:

- (a) consider the consequential effect of those matters on the projected returns to creditors and investors; and
- (b) make informed and considered recommendations at the second meeting of creditors of each of the LM Companies.

20. There is no suggestion that the extension will cause any material prejudice to the secured creditors identified in the Park Extension Affidavit at [13] to [16] (Deutsche and Western Union) as neither have sought to enforce its security, and in the case of Western Union, the calculation of the final balance owing under its facilities is complex and yet to be finalised.

Conclusion

21. In all of the circumstances, it is submitted that an order in terms of the attached draft ought to be made given:

- (a) the size and scope of the LM Companies;
- (b) the time needed to execute an orderly process of disposal of assets (in particular, the need to secure local and foreign assets of the LM Companies and LM Funds);
- (c) the regulatory and compliance issues involved being:
 - (i) time required to deal with ASIC concerning LMIM's obligations under its suspended AFSL and reporting obligations under Part 2M.3 of the Act in relation to the Registered LM Funds;
 - (ii) the time required for the administrators to ascertain the level of regulatory compliance in numerous foreign jurisdictions and deal with any foreign regulatory issues given the offshore activities undertaken by LMIM;
- (d) the time required to conduct further investigations:
 - (i) to determine whether there has been insolvent trading;
 - (ii) to determine whether there have been any voidable, uncommercial or director-related transactions that may be set aside;
 - (iii) to determine whether there are any other causes of actions available to the LM Companies;
 - (iv) as to whether there have been any breaches, offences or voidable transactions in relation to the LM Funds;
 - (v) in relation to the claims of creditors and investors;
- (e) the time required to consider any proposals for a deed of company arrangement (DOCA) or restructure of the LM Companies and LM Funds which may preserve their businesses or offer a better return to creditors and

investors than a winding up. At this point in time no proposal has been put forward.

22. It is submitted that a good reason for the extension has been shown.

Tom Sullivan SC and CM Muir
Counsel for the Applicants
12 April 2013

State Reporting Bureau



Transcript of Proceedings

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Transcript issued subject to correction upon revision.

SUPREME COURT OF QUEENSLAND

CIVIL JURISDICTION

de JERSEY, CHIEF JUSTICE

No 2859 of 2013

RE: LM ADMINISTRATION PTY LTD Applicant
(ADMINISTRATORS APPOINTED)

and

LM INVESTMENT MANAGEMENT LIMITED Respondent
(ADMINISTRATORS APPOINTED)

and

GINETTE MULLER Administrator

and

JOHN RICHARD PARK Administrator

No 2869 of 2013

RE: LM INVESTMENT MANAGEMENT LIMITED Applicant
(ADMINISTRATORS APPOINTED)

and

LM ADMINISTRATION PTY LTD Applicant
(ADMINISTRATORS APPOINTED)

and

WARNING: The publication of information or details likely to lead to the identification of persons in some proceedings is a criminal offence. This is so particularly in relation to the identification of children who are involved in criminal proceedings or proceedings for their protection under the *Child Protection Act 1999*, and complainants in criminal sexual offences, but is not limited to those categories. You may wish to seek legal advice before giving others access to the details of any person named in these proceedings.

THE MEMBERS OF THE MANAGED
PERFORMANCE FUND

Respondent

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and

GINETTE MULLER

Administrator

and

JOHN RICHARD PARK

Administrator

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BRISBANE

..DATE 12/04/2013

..DAY 1

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THE CHIEF JUSTICE: Yes.

MR SULLIVAN: If it please the Court, my name is Sullivan, initials TP, Senior Counsel, I appear with my learned junior, Ms Muir, instructed by King Wood and Mallesons for the applicants in both applications, your Honour.

THE CHIEF JUSTICE: And who are they?

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MR SULLIVAN: John Richard Park and Ginette Muller, in the capacity as joint and several administrators, of LM Investments Management Limited and LM Administration Pty Ltd, and in the second case - excuse me, your Honour - essentially in their personal capacity for their appointment as receivers top certain trust properties, which, your Honour will see in due course, is associated with the corporate groups which have collapsed.

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THE CHIEF JUSTICE: All right. Mr O'Donnell?

MR O'DONNELL: Your Honour, I'm only appearing in one of the matters, matter number 2869. In that matter, I appear for seven beneficiaries. I read out their names, CR Oxley, B Appleby, I and E Bouttell, E Hollahan, J Lewis, KT Nicoll, and G and J Farrimond. So it's O'Donnell QC, instructed by [indistinct] and Eden. Thank you, your Honour.

THE CHIEF JUSTICE: Yes.

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MR SULLIVAN: Your Honour, there are-----

THE CHIEF JUSTICE: Well, can we - now, there's an application, you told me, to extend the time for the convening of a meeting?

MR SULLIVAN: Yes, that was the one which I proposed to deal with first.

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THE CHIEF JUSTICE: Do that first?

MR SULLIVAN: Yes, your Honour.

THE CHIEF JUSTICE: Get that out of the way. Yes. I assume that's uncontroversial, is it?

MR SULLIVAN: I think it is. I don't think my learned friend's appearing in that action.

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THE CHIEF JUSTICE: No. He's not on that.

MR SULLIVAN: There is material in each of those applications referred to in the other application, your Honour, so I'd propose to read the material in bulk, but I have a separate set of submissions for the extension application

THE CHIEF JUSTICE: Yes.

MR SULLIVAN: And I propose at the moment just to read the material in both, and give your Honour the submissions in the extension application, together with the relevant material. So if I could hand up to your Honour two copies of the material to be read. There is an affidavit of Melissa Federico and that is sworn on the 12th of April, 2013, for which leave is sought. There is an affidavit of Phillip Yong Pan, sworn on the 11th of April, 2013 of which leave is sought.

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There is a set of submissions, a draft order, and the relevant statutory provisions.

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THE CHIEF JUSTICE: In so far as this material concerns you, do you have any objection-----

MR O'DONNELL: No, your Honour.

THE CHIEF JUSTICE: -----objection to leave?

MR O'DONNELL: No, your Honour.

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THE CHIEF JUSTICE: Leave's granted.

MR SULLIVAN: And, your Honour, in the second matter, I'll hand up a material to be read list and that will include an affidavit of Richard John Park sworn the 12th of April, 2013, an affidavit of Phillip Yong Pan, sworn the 11th of April 2013, and an affidavit of Melissa Federico, same spelling as before, your Honour, sworn on the 12th of April, 2013. I'll hand those lists up, but I don't hand up any submissions in relation to that application at the moment. Your Honour, can I separately hand up to you simply a bundle of the authorities which are referred to in the outline of submissions? The majority of those your Honour would be very familiar with.

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THE CHIEF JUSTICE: But not all of them?

MR SULLIVAN: Well, I would say all of them.

THE CHIEF JUSTICE: Okay. I'll probably be familiar with very few of them. Mmm. But I'd like to think I know the principles. Now, why don't you - the other matter's obviously controversial. Why don't you tell me about the extension application?

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MR SULLIVAN: Certainly, your Honour. Just get my submissions for that. Your Honour, this is the - there are two companies of which the two administrators have been appointed administrators. It is, in effect, known as the LM Investment Group. It's the subject of that "Four Corners" report about three weeks ago.

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THE CHIEF JUSTICE: What was that about?

MR SULLIVAN: It's a series of entities which, where, for a large group of them, they were the responsible entity of the managed investment fund.

THE CHIEF JUSTICE: Right.

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MR SULLIVAN: And there is one trust fund, which is somewhat controversial, because it's not registered as a managed investment fund, and ASIC has raised the issue that perhaps it should have been registered as a management investment fund and it's the subject of a trust deed. That's what the second application will deal with. The amounts which have been invested in various funds is significant, and your Honour will see in the affidavit for the extension-----

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THE CHIEF JUSTICE: I think I heard some - I didn't see the "Four Corners" program, but I think I heard something about it in "AM" the following morning.

MR SULLIVAN: Your Honour, we're talking of hundreds of millions of dollars.

THE CHIEF JUSTICE: Yes.

MR SULLIVAN: Several hundreds of millions of dollars invested in these funds. We've put into the material a chart, if your Honour - I'll just turn it up for your Honour.

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THE CHIEF JUSTICE: Well, would it be efficient if I - if I, at this stage, read your submissions in relation to the extension order?

MR SULLIVAN: Yes.

THE CHIEF JUSTICE: Why-----

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MR SULLIVAN: Can I just say this, your Honour, they're significant amounts of money, it's complex in terms of size. It's also complex in terms of the interrelation between funds and the corporate group. So you have one principal company and then you have a second company which has been acting as, in effect, the administrative services company.

THE CHIEF JUSTICE: Mmm.

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MR SULLIVAN: And there are - there are related party transactions that have occurred in respect of these entities. Your Honour would be aware that it's a very short time frame for the initial convening of the first second creditors meeting.

THE CHIEF JUSTICE: Mmm.

MR SULLIVAN: And we've set out the affidavit with - and the submissions have references to the various paragraphs.

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THE CHIEF JUSTICE: Why you need more time?

MR SULLIVAN: Yes, and, whilst the cases say it's - it's sometimes unhelpful to look at other cases for convenient periods, can I say this? It is helpful, in this sense, just to see that the three months that's being sought is certainly not out of the ordinary and is, we would say, towards the

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lower end of the scale in a matter of the complexity as
this-----

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THE CHIEF JUSTICE: And where is - which - where is the
affidavit by the administrators, in which they justify the
extension?

MR SULLIVAN: It is in that - at - it is in proceeding 2859.

THE CHIEF JUSTICE: Can that be got out, please?

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MR SULLIVAN: Was filed on the 5th of April, 2013 of Mr John
Richard Park; and the submissions, in effect, summarise the
points he makes in the affidavit.

THE CHIEF JUSTICE: I'm read that.

MR SULLIVAN: Thank you, your Honour.

THE CHIEF JUSTICE: Yes. Yes, well, I will, Mr Sullivan,
extend the time for the second meeting for three months.

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MR SULLIVAN: Yes, your Honour. Thank you. Your Honour will
see that, in addition, there is an order for - under 447A,
which allows flexibility, as we've explained in the
submissions-----

THE CHIEF JUSTICE: Mmm.

MR SULLIVAN: -----to hold the meeting earlier than the period
defined in the Act, and that allows the flexibility that, if
the view is formed by the administrators that there's no use
continuing on with the administration, investigating further
things, but to call the meeting earlier, that allows it to be
done. Can I just point you to two authorities on that?

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THE CHIEF JUSTICE: Mmm.

MR SULLIVAN: The first is in the bundle that I handed up to
your Honour, tab one, and I was just going to take - it's the
decision in River City Motorways. That was the first of a
series of decisions by Justice Logan in the Federal Court,
dealing with the Clem 7 collapse; and your Honour will see in
the order that has been made, three pages in, the order in
paragraph 2. That's the same order which we seek.

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THE CHIEF JUSTICE: Mmm.

MR SULLIVAN: And that has become a common order, where an
extension is granted, to-----

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THE CHIEF JUSTICE: What, does 44 - 447A says the Court may
make directions, does it?

MR SULLIVAN: Yes. It's - it's that case that O'Brien, the
High Court decision, O'Brien, has said that's a very broad
power to a Court-----



Our Ref: 13-40003

ASIC

Australian Securities & Investments Commission

30 April 2013

Commonwealth Bank Building
240 Queen Street, Brisbane
GPO Box 9827 Brisbane QLD 4001
DX 322 Brisbane

Telephone: (07) 3867 4700
Facsimile: (07) 3867 4725

LM Investment Management Limited (Administrators Appointed)
c/- Ginette Muller and John Park
FTI Consulting (Australia) Pty Ltd
22 Market Street
Brisbane Qld 4000
Email: ginette.muller@fticonsulting.com & john.park@fticonsulting.com

Dear Ms Muller and Mr Park

Notice of Direction under s912C(1) of the *Corporations Act 2001*

I enclose a Notice of Direction (**Direction**) under section 912C(1) of the *Corporations Act 2001* (**the Act**).

You should read the Direction carefully. You will see that it requires LM Investment Management Limited (Administrators Appointed) (**the Licensee**) to give to the Australian Securities & Investments Commission (**ASIC**) a written statement containing certain information by 11:00am on 1 May 2013. Details are set out in the Direction.

The Licensee may comply with the Direction by emailing the written statement to anne.gubbins@asic.gov.au.

The Licensee is entitled to consult with its legal adviser in relation to its obligations under the Direction.

I draw your attention to the note enclosed with the Direction which contains information relevant to the Direction, including some definitions of expressions which may be used, and some of the offence and penalty provisions relating to non-compliance with the Direction. It also deals with the application of legal professional privilege to the Direction.

The Direction should not be construed as an indication by ASIC that a contravention of the law has occurred, nor should it be considered a reflection upon any person or entity.

If you have any questions about the Direction, please contact me on (07) 3867 4871.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Anne Gubbins', with a long horizontal flourish extending to the right.

Anne Gubbins
Senior Lawyer



B0069 1059

ASIC

Australian Securities & Investments Commission

**AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION
SUBSECTION 912C(1) OF THE *CORPORATIONS ACT 2001***

NOTICE OF DIRECTION TO GIVE A WRITTEN STATEMENT

To: LM Investment Management Limited (Administrators Appointed)
c/- Ginette Muller and John Park
FTI Consulting (Australia) Pty Ltd
22 Market Street
Brisbane Qld 4000

Australian financial services licence number: 220281

You are notified under section 912C(1) of the *Corporations Act 2001* (the Act) that you are directed to give:

to: Australian Securities & Investments Commission
at: Level 20, 240 Queen Street, Brisbane, Queensland
by: 1 May 2013
on: 11:00am

a written statement containing the information about the financial services provided by you or your representatives specified in the Schedule to this Direction.

Date: 30 April 2013

Signed:

Anne Gubbins

a delegate of the Australian Securities & Investments Commission.

SCHEDULE

This is the Schedule referred to in the section 912C Direction to LM Investment Management Limited (Administrators Appointed) dated 30 April 2013.

For the purpose of this Schedule:

“Administrators” means Ginette Muller and John Park of FTI Consulting (Australia) Pty Ltd as administrators of LM Investment Management Limited (Administrators Appointed)

“FMIF” means the LM First Mortgage Income Fund

“LM Funds” means the following registered managed investment schemes collectively:

- (a) The LM First Mortgage Income Fund;
- (b) The LM Currency Protected Australian Income Fund;
- (c) The LM Institutional Currency Protected Australian Income Fund;
- (d) The LM Cash Performance Fund;
- (e) The Australian Retirement Living Fund,
- (f) The LM Australian Income Fund; and
- (g) The LM Australian Structured Products Fund.

“LMIM” means LM Investment Management Limited (Administrators Appointed) ACN 077 208 461

LMIM is required to provide a written statement containing the following information about the financial services provided by it or its representatives:

1. In relation to each of the LM Funds:
 - a. Does LMIM consider that the purpose of the fund cannot be accomplished and/or should otherwise be wound up?
 - b. If LMIM cannot currently answer the question in subparagraph (a) above, provide an estimate as to when it will be in a position to make such a determination.
 - c. Does LMIM believe that a new, permanent, responsible entity (independent of the Administrators and LMIM) should be appointed to the fund?
 - d. If the answer to subparagraph (c) is yes, when does LMIM consider this should occur and explain the bases for this view?

- e. If the answer to subparagraph (c) is no, explain why not. Please also explain how this will not result in conflicts of interest between the responsible entity and the fund.
2. On 23 April 2013, at a meeting with ASIC representatives, Ms Muller advised that she considered she would be in a position to make a determination on whether the LM Funds should be wound up within two weeks of that date.
 - a. Has this position changed?
 - b. If so, please explain what has changed and why this has affected LMIM's ability to make such a determination?
 3. Explain the basis for calling the meeting of unit holders of the FMIF scheduled to be held on 20 May 2013.
 4. Explain why LMIM considers it to be in the best interests of unit holders of the FMIF not to include an alternate resolution for the winding up of the FMIF in the meeting of unit holders of the FMIF scheduled to be held on 20 May 2013.

INFORMATION ABOUT THE NOTICE OF DIRECTION

Relevant Statutory Provisions

[All section references are to the *Corporations Act 2001* (the Act) unless otherwise indicated]

Subsection 912C(1) provides that the Australian Securities & Investments Commission (ASIC) may, by giving written notice to a financial services licensee, direct the licensee to give to ASIC a written statement containing the specified information about:

- (a) the financial services provided by the licensee or its representatives; or
- (b) the financial services business carried on by the licensee.

Under s912C(3), the licensee must comply with a direction given under s912C:

- (a) within the time specified in the direction if that is a reasonable time; or
- (b) in any other case, within a reasonable time.

ASIC may extend the time within which the licensee must comply with the direction by giving written notice to the licensee: s912C(3).

ASIC may suspend or cancel a licence under s915C(1)(a) of the Act if the licensee has not complied with its obligations under s912A. Among the list of obligations under s912A, is the obligation to comply with the financial services laws: s912A(1)(c).

Non-compliance with a direction that ASIC gives under s912C(1), within the time set out in s912C(3), may constitute a failure to comply with a financial services law.

ASIC may only suspend or cancel a licence if it first gives the licensee an opportunity:

- (a) to appear or be represented at a hearing before ASIC. The hearing is conducted in private: s915C(4); and
- (b) to make submissions to ASIC on the matter: s915C(4).

Legal Professional Privilege

For the purposes of your obligations arising from the Direction, legal professional privilege is a reasonable excuse for not providing information pursuant to the Direction. Accordingly, you are not obliged to provide under the Direction information that is covered by a valid claim of legal professional privilege.

A person who claims legal professional privilege must establish that the privilege exists. If you claim that any information that you are required to provide is subject to legal professional privilege, you must provide ASIC with sufficient information to allow its officers to make an informed decision about whether the claim for privilege can be supported.

For that purpose, if the information over which you claim legal professional privilege was or is currently, comprised in the whole or part of a document, you should prepare a list, in writing, which specifies for each document or part thereof you claim is privileged:

- (a) the time, date, type, author, recipient and subject matter of that document or part thereof, and whether it is an original or copy;
- (b) if the original or a copy of the document or part thereof has been provided to any person who is not the privilege holder or a legal representative of the privilege holder, the identity of the persons to whom the original or a copy of the document or part thereof has been provided and the basis on which it was provided to those persons;
- (c) the grounds on which legal professional privilege is claimed;
- (d) the facts that are relied upon as giving rise to the claim of legal professional privilege. Those facts should include (but not be limited to) details of the dominant and any other purpose for which the information was brought into existence.

You will be requested to specify whether an in-house legal counsel was involved in the preparation of that document or part thereof and to provide sufficient details about that person's independence and the capacity in which they acted in relation to the preparation of that document or part thereof; and

- (e) the identity of the person in whose name the claim of legal professional privilege is made.

If the information over which you claim legal professional privilege was the subject of an oral communication, you should prepare a list, in writing, which specifies for each oral communication you claim is privileged:

- (i) the grounds on which legal professional privilege is claimed;
- (ii) the facts that are relied upon as giving rise to the claim of legal professional privilege. Those facts should include (but not be limited to) details of the dominant and any other purpose for which the communication was made.

You will be requested to specify whether an in-house legal counsel was involved in the communication and to provide sufficient details about that person's independence and the capacity in which they acted in relation to the communication;

- (iii) the identity of the person in whose name the claim of legal professional privilege is made;
- (iv) the date and time of, and parties to, the communication; and
- (v) the subject matter of, location at, and means by which, the communication took place.

Unless ASIC otherwise agrees, you should provide the list(s) relating to your privilege claims to ASIC on or before the due date of the Direction.

Definitions

"financial service" has the meaning given by Division 4 of Part 7.1: s761A. A person provides a financial service if they:

- (a) provide financial product advice (see section 766B); or
- (b) deal in a financial product (see section 766C); or
- (c) make a market for a financial product (see section 766D); or
- (d) operate a registered scheme; or
- (e) provide a custodial or depository service (see section 766E); or
- (f) engage in conduct of a kind prescribed by regulations made for the purpose of this paragraph.

[s766A(1)]

"financial services business" means a business providing financial services: s761A.

Note: The meaning of "carry on a financial services business" is affected by s761C of the Act.

"financial services licensee" means a person who holds an Australian financial services licence: s761A.

"representative" has the meaning given by s910A of the Act and includes:

- an authorised representative of the Licensee; or
- an employee or director of the Licensee; or
- an employee or director of a related body corporate of the Licensee; or
- any other person acting on behalf of the Licensee.

"financial services law" means:

- (a) a provision of Chapter 7 or of Chapter 5C, 6, 6A, 6B, 6C or 6D of the Corporations Act; or
- (b) a provision of Chapter 9 of the Corporations Act as it applies in relation to a provision referred to in paragraph (a); or
- (c) a provision of Division 2 of Part 2 of the ASIC Act; or
- (d) any other Commonwealth, State or Territory legislation that covers conduct relating to the provision of financial services (whether or not it also covers other conduct), but only in so far as it covers conduct relating to the provision of financial services.

[s761A]

Offences

A person who, in a document required by or for the purposes of the Corporations Act or lodged with or submitted to ASIC, makes or authorises the making of a statement that to the person's knowledge is false or misleading in a material particular, or omits or authorises the omission of any matter or thing without which the document is to the person's knowledge misleading in a material respect, is guilty of an offence: s1308(2).

A person who, in a document required by or for the purposes of the Corporations Act or lodged:

- (a) makes or authorises the making of a statement that is false or misleading in a material particular; or
- (b) omits or authorises the omission of any matter or thing without which the document is misleading in a material respect;

without having taken reasonable steps to ensure that the statement was not false or misleading or to ensure that the statement did not omit any matter or thing without which the document would be misleading, as the case may be, is guilty of an offence: s1308(4).

A person must not, without lawful excuse, obstruct or hinder ASIC, or any other person, in the performance or exercise of a function or power under the Corporations Act: s1310.

Ilena Copley

From: Stephen Russell
Sent: Wednesday, 1 May 2013 11:59 AM
To: Anne Gubbins
Cc: Muller, Ginette; 'Park, John'; Ilena Copley; Derek Finch
Subject: LM Investment Management Limited (Administrators Appointed) as Responsible Entity for the LM First Mortgage Income Fund ARSN 089 343 288
Attachments: SCR_20130471_081.pdf; 1 ASIC report FMIF loans 1 8 09 to 30 5 12.pdf; FMIF Summary FTI 20 3 12.xls
Importance: High

Dear Ms Gubbins

Please find attached our letter dated 1 May, 2013 in response to ASIC's notice under section 912C of the Act, received just on 5.00 pm yesterday, with the attachments referred to in that letter.

Yours faithfully

RUSSELLS

Stephen Russell
Managing Partner

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RUSSELLS

1 May, 2013

Our Ref: Mr Russell
Your Ref: Ms Gubbins

Ms Anne Gubbins
Senior Lawyer, Financial Services Enforcement
Australian Securities & Investments Commission
Commonwealth Bank Building
240 Queen Street
BRISBANE QLD 4000

Dear Ms Gubbins

**LM Investment Management Limited (Administrators Appointed) ("LMIM")
as Responsible Entity for the LM First Mortgage Income Fund ("the FMI
Fund")**

We are the solicitors for LMIM. Our client acknowledges receipt, yesterday evening, of a notice issued pursuant to section 912C of the *Corporations Act 2001* ("the Act").

LMIM responds to that notice by this letter.

In the light of time constraints, this response is confined to the FMI Fund. LMIM proposes to respond to the notice in relation to the other Funds by 4.00pm, Friday, 3 May, 2013 and, to the extent necessary, seeks an extension of time from ASIC pursuant to subsection 912C(3) of the Act, for that purpose.

Preliminary

Firstly, section 912C of the Act empowers ASIC to direct licensees to give a written statement containing the specified information about the matters set out in subsection (1). The notice at hand requires LMIM to provide a written statement about its opinions and beliefs. The Administrators do not consider that section 912C obliges LMIM to express such opinions.

Nonetheless, the Administrators are concerned to continue to co-operate with ASIC in every aspect of the administration of the affairs of LMIM and the LM Funds the subject of your notice. Hence, they are happy to respond.

Secondly, the information provided below is current as of today. The affairs of LMIM and of the LM Funds are fluid and circumstances are changing rapidly on a daily basis – mainly because of litigation. The Administrators will also continue to monitor all of these matters and to respond appropriately to changing circumstances. The Administrators will continue to liaise with ASIC in

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SCR_20130471_081.docm

relation to the affairs of LMIM and each of the LM Funds and inform you, when and if there is any substantial change to their views and opinions recorded below.

Thirdly, the Administrators are conscious of issues concerning the external administration of responsible entities and registered managed investment schemes in general. Our clients are, in particular, conscious of the issues canvassed in a CAMAC Discussion Paper for Managed Investment Schemes issues in June, 2011, and of ASIC's Submission to CAMAC made in September, 2011, particularly as those submissions relate to enterprise schemes. The Administrators are aware that each of the LM Funds are enterprise schemes, in the sense used by ASIC in its Submission to CAMAC.

The Administrators are, in particular, aware of and dealing with the following factors in relation to the FMI Fund and all LM Funds:-

1. The need to examine related party arrangements;
2. The need to examine and, if appropriate, modify the fee structures that subsist in relation to the LM Funds;
3. LMIM's Australian Financial Services Licence has been (appropriately) modified by ASIC to meet the circumstances that arose from the appointment of Administrators to LMIM. The Administrators understand that ASIC expects that the financial services that LMIM will provide will be limited to preserving the assets of the LM Funds, and making necessary investigations, ultimately for the purpose of either appointing a new Responsible Entity, or winding up the LM Funds. The Administrators believe that the conditions of the ASFL are appropriate to the circumstances of LMIM and the LM Funds.
4. There can be tensions between various aspects of the external administrations of a Responsible Entity and the ongoing administration of an enterprise scheme. The Administrators are conscious of the need to manage those tensions and the need to react appropriately to them.
5. There can be tensions between the interests of secured creditors (often represented by receivers and managers appointed by such creditor) and those broader interests of other stakeholders in an external administration. No such appointments have been made to date in relation to any of the LM Funds and, as currently advised, none are expected.
6. One feature of the industry that has grown up around registered managed investment schemes is that, when Responsible Entities enter into external administration, various interested parties propose the substitution of either temporary or permanent Responsible Entities to replace the Responsible Entity under external administration. Because Scheme members are the beneficial owners of the underlying assets, and because both the constitutions and the Act provide for mechanisms for members to be consulted about the replacement of a Responsible Entity to manage their assets, the Administrators are of the view that, save in exceptional circumstances – which do not obtain here – it should be the members who decide whether a new Responsible Entity should be appointed and, if so, who that should be.

-
7. In deciding whether a new Responsible Entity should be appointed, one of the factors that is of considerable importance is that the candidate replacement Responsible Entity should hold an appropriate AFSL.

Specified Information in relation to the FMI Fund

LMIM responds to your notice, in relation to the FMI Fund, adopting the paragraph numbering in the Notice, as follows:-

1. **In relation to the FMI Fund:-**
- (a) **LMIM has not yet been able to form a view as to whether the purpose of the FMI Fund can be accomplished, or whether it should otherwise be wound up.**
- (b) **It is difficult for LMIM to say exactly when the Administrators will be able to decide those matters. A number of factors are relevant.**

When the Administrators were appointed, the auditors of the FMI Fund, Ernst & Young, had not completed their analysis of the impairment of the FMI Fund, in the process of auditing the Fund's financial statements for the year ended 30 June, 2012. On their appointment, the Administrators understood that the indicative value of the underlying assets of the FMI Fund was 55c per unit (on a subscription price of \$1.00 per unit).

Attached to this letter is a document entitled "Briefing: FMIF Summary", which contains a reasonably accurate summary of the underlying assets in the FMI Fund. As appears from the summary, the assets in the FMI Fund are dominated by real estate projects, to the owners of which the FMI Fund has advanced loan funds predominantly on first mortgage security. Some assets are completed and generating income while, at the other end of the spectrum, there are other projects in respect of which construction is yet to commence.

Each of these underlying projects must be analysed and understood. Fortunately, LMIM has the benefit of a service agreement with LM Administration Pty Ltd, in respect of which the Administrators have also been appointed. That company employs staff who have had ongoing dealings with and are at least reasonably familiar with the details of the various projects.

Not only had Ernst & Young not completed their assessment of the impairment of the assets in the FMI Fund, but the underlying assets are not the subject of current valuations.

The Administrators understand that LMIM provided a schedule of valuations to ASIC in May, 2012 – attached.

Since then, valuations of properties have been undertaken on an *ad hoc* basis, when needed.

We also refer to the Briefing Summary which comprises a schedule that sets out indicative impairments, prepared by staff of LM Administration Pty Ltd. It seems to be a reasonable working document.

The Administrators have not had an opportunity to commission any valuations of the underlying assets of the FMI Fund. The Administrators do not believe it is necessary that all such underlying assets need to be valued before LMIM can decide whether the purposes of the FMI Fund can be achieved or whether it should otherwise be wound up. However, they anticipate that valuations may be necessary before such a decision can responsibly be made – irrespective of who is the Responsible Entity.

Further, as ASIC is aware, two members of the FMI Fund have made an application to the Supreme Court for an order that Trilogy Funds Management Limited should replace LMIM, albeit only as temporary Responsible Entity. The Administrators took legal advice and consulted with ASIC, immediately that application was made. The Administrators decided, particularly in the light of the mechanisms in the constitutions and the Act, that it was appropriate that members be given an opportunity to consider whether they wish to have Trilogy as a permanent Responsible Entity, and accordingly, LMIM has convened a meeting of the members, to take place on 30 May, 2013, to consider and, if thought fit, to pass resolutions replacing LMIM with Trilogy as the Responsible Entity for the FMI Fund.

The Administrators hope and expect that they will be in a position to form a view as to whether the purposes of the Fund can be achieved, or whether it should otherwise be wound up prior to that meeting, although this is not certain. The Administrators appreciate that this is a topic on which reasonable minds might differ and, as presently advised, the Administrators do not propose to implement a decision to wind up the Fund, prior to the meeting of members on 30 May, 2013. If it is the view of the requisite body of members that Trilogy should be the Responsible Entity of the FMI Fund, then the responsibility will pass to it.

- (c) **LMIM has not yet decided whether, and so does not presently believe, that a new, permanent Responsible Entity, independent of the Administrators and LMIM, should be appointed to the Fund.**

The Administrators are presently of the view that there are two matters which will inform a decision that it is in the best interests of members that a new, permanent, Responsible Entity, independent of the Administrators and LMIM should be appointed to the Fund.

The first is whether the Fund is viable and should continue in operation, and not be wound up. The second is whether the Administrators or LMIM are subject to any conflicts of interest which render it undesirable, either that they or LMIM should continue in office as Administrators and Responsible Entity, respectively.

As you may be aware, various persons have made assertions to the effect that the appointment of the Administrators to LMIM has created conflicts of interest; and, inferentially, that such conflicts of interest are so acute that LMIM should not continue as Responsible Entity of the FMI Fund. However, we have not seen any evidence to support such assertions.

Our clients regard it as significant that de Jersey CJ removed LMIM as trustee of the LM Managed Performance Fund on 12 April, 2013. Accordingly, there is now no basis to suggest that there is any conflict of interest in relation to LMIM's status as Responsible Entity of the FMI Fund, in respect of its former status as trustee of the LM Managed Performance Fund.

It has also been suggested that some conflict exists by reason of transactions with LM Administration Pty Ltd. The Administrators are also Administrators of that company. On our instructions, that company has never held any substantial assets. It is and has always been a service company. Its only creditors are employees, the ATO, and their various superannuation funds to whom superannuation is remitted. None of these are overdue.

The Administrators understand that some management fees that LMIM derived were passed through LM Administration Pty Ltd and that there are reasons to investigate those transactions. That investigation is underway. Assuming the investigation reveals either that LMIM or LM Administration Pty Ltd has a good claim to recover those funds or to take other action in respect of those transactions, then there is no reason why either LMIM or LM Administration Pty Ltd could not do so.

Naturally, if circumstances emerge which give rise to either a potential or actual conflict of interest, the Administrators will take appropriate action in respect of such circumstances.

The Administrators also note that any new permanent responsible entity will need to be appropriately licensed to deal in derivatives and foreign exchange contracts (as set out in LMIM's AFSL number 220281, clause 1(b)(ii)). We note that Trilogy's AFSL does not contain any provision.

- (d) **Although it is not necessary to answer this question, if LMIM decides that a new permanent Responsible Entity, other than LMIM, should be appointed, the Administrators will ensure that they immediately give notice to that effect to ASIC, and that appropriate action is taken to convene a meeting of members to the FMI Fund to consider a replacement.**

- (e) **Nor is it strictly necessary to answer this question, because our clients have not formed the view as to whether a new permanent Responsible Entity should be appointed to the FMI Fund.**

The Administrators are conscious of the potential for a conflict to arise consequent upon their appointment as external Administrators of LMIM. If LMIM is unviable as a stand-alone entity, it will either be wound up, or enter into a Deed of Company Arrangement ("DOCA"). No DOCA has been proposed and no person has suggested that a DOCA might be proposed. It is most unlikely that the Administration will end by LMIM being handed back to the directors.

There is a potential for a conflict to arise between the interest of creditors in a winding up (or perhaps a DOCA) and the interest of members of the FMI Fund. However, in the present circumstances, our clients are not aware of any actual conflict, and they will remain astute to look for those circumstances.

Conversely, it is at least hypothetically possible that a winding up might be in the interests of the members of the Fund. Although the matter is not free from doubt, it is at least possible that some of the claw back provisions in division 2 of Part 5.7 of the Act might be engaged for the benefit not only of the creditors of LMIM, but for the members of the FMI Fund.

For example, we can see no reason why an unreasonable director-related transaction could not be the subject of an action by LMIM (in liquidation) to

recover from directors or associates of directors, the benefits of an unreasonable director-related transaction. We note that the property of LMIM is defined in section 9 of the Act as including any legal or equitable estate of interest in any property. So, *prima facie* property held by LMIM on trust would be caught by, for example, paragraph 588FDA(1)(a)(ii) of the Act.

Assuming – as our clients presently do – that there will be no proposal for a DOCA, it is likely that LMIM will be the subject of a creditors voluntary winding up. Again, if circumstances do give rise in the future to a conflict of interest, that may result in our clients forming the view that a new permanent Responsible Entity should be appointed and, when and if they do form that view, our clients will take appropriate action to consult the members.

2. **In our respectful view, Ms Muller did not make such an unqualified statement. We think you will agree that the discussion to which you refer had in the context of ASIC’s proposal to seek from LMIM, through its Administrators, an Enforcement Undertaking, and that we were discussing minimum period the time within which the Administrators could respond to a requirement imposed by such an Enforceable Undertaking.**

At that time, the proceedings brought by Piper Alderman and Trilogy, through Mr and Mrs Bruce, had only recently been served. In particular, our clients had not, on 23 April, 2013, then decided the appropriate action to take in response to Trilogy’s attempt have itself appointed temporary Responsible Entity of the FMI Fund.

As you know, our clients have now decided that it is in the best interests of members to have an opportunity to consider that proposal in a meeting, and our clients have convened such a meeting.

That decision followed two days of intensive consultation by our clients with their solicitors (our firm and Norton Rose) and other expert advisors.

Our clients are presently of the view that no action should be taken to wind up the Fund, until the meeting of members to consider replacing LMIM with Trilogy has been held.

Our clients also take the view that they should decide which, if any of the assets in the FMI Fund should be subject to a formal valuation or feasibility study, before they can decide, as Administrators, whether the FMI Fund should be wound up. Our clients presently expect to be able to form that view, and to obtain such valuations and undertake such feasibility studies, prior to 30 May, 2013 – the date of the meeting of members.

If our clients form the view, that the FMI Fund should be wound up, prior to the meeting on 30 May, 2013, they will inform ASIC. Our clients present intention is that they will not, however, take any action in that regard, pending the outcome of the meeting, since our clients do not wish to pre-empt the wishes of members in relation to whether Trilogy should be appointed as Responsible Entity in place of LMIM.

If Trilogy does not replace LMIM as Responsible Entity of the FMI Fund at the meeting of members on 30 May, 2013, and if our clients have decided that the FMI Fund should be wound up, our clients will promptly take steps either to convene a meeting, or to allow others to convene a meeting to consider and approve that decision.

-
3. **Our clients decided that LMIM should convene a meeting of the members of the FMI Fund for a number of reasons:-**
- (a) Our clients do not believe that the court's power to appoint a temporary Responsible Entity under section 601FN has been engaged. That is, our clients do not believe that LMIM does not meet the requirements of Section 601 FA of the Act;
 - (b) There are well understood provisions, both in the Constitution of the FMI Fund and in the Act for members of the Fund to control who is their Responsible Entity;
 - (c) ASIC decided, on 9 April, 2013, in effect to modify LMIM's AFSL, to put in place a process by which members would soon be consulted about the fate of their Fund. The Administrators believe that ASIC acted appropriately in that regard.
 - (d) Only two members of the Fund (obviously hand-picked by Trilogy and its lawyers) have made the application to the Court.
 - (e) Trilogy is a member of the FMI Fund. Accordingly, it will have an opportunity to attend the meeting;
 - (f) The Administrators have convened the meeting on a date which also gives Trilogy an opportunity to send to members such material as it regards appropriate, to advance its case for election, by vote of members to the office of Responsible Entity;
 - (g) The Administrators also decided to provide an up to date copy of the Register of Members to Trilogy for that purpose, and they did so on 30 April, 2013;
 - (h) In all of these circumstances, the Administrators have formed the view that it was appropriate to convene this meeting to give members an opportunity to consider, discuss Trilogy's proposal, and vote on it; that it is appropriate that this should occur prior to the court's consideration of the application by Mr and Mrs Bruce; and indeed that the meeting will assist the Court in deciding their application.
4. **The reasons why LMIM did not include an alternative resolution that the LMIM Fund be wound up are:-**
- (a) When LMIM convened the meeting, the Administrators had not decided that it was in the best interests of unit holders that the FMI Fund be wound up and they have still not made any such decision.
 - (b) In deference to the possibility that Trilogy might be elected as Responsible Entity, the Administrators thought it inappropriate to pre-empt its decision as to whether or not

the Fund should be wound up, in case the members decide to elect it as Responsible Entity.

- (c) It also remains possible (depending on how events transpire) that if LMIM decides that the FMI Fund should be wound up, that that might be accomplished without a meeting. Trilogy may decide to proceed in that way. The Administrators do not presently intend to proceed in that way, should they decide that the FMI Fund should be wound up.

We trust that this letter answers your inquiries. If, however, there is any aspect of these matters which you wish to discuss, or if you require any further information, as always, please do not hesitate to contact us or the Administrators direct.

Yours faithfully



Stephen Russell
Managing Partner

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Entity Name	Company	Shareholder	Company Name	Company Address	Company Phone	Company Email	Company Website	Company Description	Company Status	Company Type	Company Size	Company Revenue	Company Assets	Company Liabilities	Company Equity	Company Valuation	Company Date	Company Notes
The Trust Company (PTCA) Limited, 17th Floor, 100 King Street West, Toronto, Ontario M5X 1C4, Canada	Investment Development	\$ 47,092,177.18	\$ 27,827,714.85	Yes	\$ 18,466,092.33	\$ 27,827,714.85	N/A	\$ 750,000.00	\$ 3,100,000.00	\$ 27,177,357.50	\$ 2,177,357.50	\$ 14,439,148.00	\$ 14,439,148.00	\$ 14,439,148.00	\$ 14,439,148.00	\$ 14,439,148.00	\$ 14,439,148.00	\$ 14,439,148.00
The Trust Company (PTCA) Limited, 17th Floor, 100 King Street West, Toronto, Ontario M5X 1C4, Canada	Investment Development	\$ 47,287,768.49	\$ 46,789,467.19	Part Corp, not working	\$ 13,535,929.29	\$ 12,991,128.19	N/A	N/A	\$ 7,592,350.00	\$ 6,981,860.00	\$ 6,981,860.00	\$ 6,981,860.00	\$ 6,981,860.00	\$ 6,981,860.00	\$ 6,981,860.00	\$ 6,981,860.00	\$ 6,981,860.00	\$ 6,981,860.00
The Trust Company (PTCA) Limited, 17th Floor, 100 King Street West, Toronto, Ontario M5X 1C4, Canada	Investment Development	\$ 42,897,286.41	\$ 42,897,286.41	Part Corp, not working	\$ 11,432,225.19	\$ 9,549,627.17	N/A	N/A	\$ 1,427,248.00	\$ 1,427,248.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
The Trust Company (PTCA) Limited, 17th Floor, 100 King Street West, Toronto, Ontario M5X 1C4, Canada	Investment Development	\$ 26,486,277.41	\$ 23,059,041.53	Part Corp, not working	\$ 15,496,625.53	\$ 8,937,812.39	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
The Trust Company (PTCA) Limited, 17th Floor, 100 King Street West, Toronto, Ontario M5X 1C4, Canada	Investment Development	\$ 18,487,028.46	\$ 23,258,028.46	Part Corp, not working	\$ 15,725,282.53	\$ 8,973,282.53	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
The Trust Company (PTCA) Limited, 17th Floor, 100 King Street West, Toronto, Ontario M5X 1C4, Canada	Investment Development	\$ 25,389,878.17	\$ 21,765,264.07	Part Corp, not working	\$ 8,486,538.87	\$ 25,870,264.87	N/A	N/A	\$ 4,537,297.00	\$ 4,537,297.00	\$ 4,537,297.00	\$ 4,537,297.00	\$ 4,537,297.00	\$ 4,537,297.00	\$ 4,537,297.00	\$ 4,537,297.00	\$ 4,537,297.00	\$ 4,537,297.00
The Trust Company (PTCA) Limited, 17th Floor, 100 King Street West, Toronto, Ontario M5X 1C4, Canada	Investment Development	\$ 25,452,277.29	\$ 17,248,123.17	Part Corp, not working	\$ 12,442,238.83	\$ 1,586,307.54	N/A	\$ 1,000,000.00	\$ 7,852,297.00	\$ 7,852,297.00	\$ 7,852,297.00	\$ 7,852,297.00	\$ 7,852,297.00	\$ 7,852,297.00	\$ 7,852,297.00	\$ 7,852,297.00	\$ 7,852,297.00	\$ 7,852,297.00
The Trust Company (PTCA) Limited, 17th Floor, 100 King Street West, Toronto, Ontario M5X 1C4, Canada	Investment Development	\$ 25,592,832.75	\$ 24,748,282.75	Part Corp, not working	\$ 13,778,822.29	\$ 2,748,275.82	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
The Trust Company (PTCA) Limited, 17th Floor, 100 King Street West, Toronto, Ontario M5X 1C4, Canada	Investment Development	\$ 9,592,227.75	\$ 9,592,227.75	Part Corp, not working	\$ -	\$ -	N/A	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00	\$ 1,000,000.00

PROJECT	GENERAL CONTRACTOR	GENERAL CONTRACTOR ADDRESS	PERMITS/NOTICES	CONTRACT VALUE	START DATE	COMPLETION DATE	STATUS	ISSUES/COMMENTS	APPROVALS	DATE	VALUE	PERCENTAGE COMPLETE	DATE
The Trust Company (P) AL United Property Interest in Landmark at 1st & 2nd Streets Income Fund	Brookstone P&L LLC	7455 26th St, Suite 100 Columbia, MD 21046	PA-08-00123 PA-09-00456	\$ 2,155,000.00	07/01/2015	12/31/2015	0	Contract Value: \$2,155,000.00	1. LEVINSKY, J. J. 2. LEVINSKY, J. J. 3. LEVINSKY, J. J. 4. LEVINSKY, J. J.	07/01/2015	\$2,155,000.00	100.00%	07/01/2015
The Trust Company (P) AL United Property Interest in Landmark at 1st & 2nd Streets Income Fund	14117 P&L LLC	7455 26th St, Suite 100 Columbia, MD 21046	PA-08-00123 PA-09-00456	\$ 3,155,000.00	07/01/2015	12/31/2015	0	Contract Value: \$3,155,000.00	1. LEVINSKY, J. J. 2. LEVINSKY, J. J. 3. LEVINSKY, J. J. 4. LEVINSKY, J. J.	07/01/2015	\$3,155,000.00	100.00%	07/01/2015
The Trust Company (P) AL United Property Interest in Landmark at 1st & 2nd Streets Income Fund	Lisa Ann Software P&L LLC	7455 26th St, Suite 100 Columbia, MD 21046	PA-08-00123 PA-09-00456	\$ 50,000.00	07/01/2015	12/31/2015	0	Contract Value: \$50,000.00	1. LEVINSKY, J. J. 2. LEVINSKY, J. J. 3. LEVINSKY, J. J. 4. LEVINSKY, J. J.	07/01/2015	\$50,000.00	100.00%	07/01/2015
Orion, The Trust Company (P) AL United Property Interest in Landmark at 1st & 2nd Streets Income Fund	The Livestock Investment Company (LLC)	7455 26th St, Suite 100 Columbia, MD 21046	PA-08-00123 PA-09-00456	\$ 37,380,000.00	07/01/2015	12/31/2015	0	Contract Value: \$37,380,000.00	1. LEVINSKY, J. J. 2. LEVINSKY, J. J. 3. LEVINSKY, J. J. 4. LEVINSKY, J. J.	07/01/2015	\$37,380,000.00	100.00%	07/01/2015
The Trust Company (P) AL United Property Interest in Landmark at 1st & 2nd Streets Income Fund	Orion P&L	7455 26th St, Suite 100 Columbia, MD 21046	PA-08-00123 PA-09-00456	\$ 20,370,000.00	07/01/2015	12/31/2015	0	Contract Value: \$20,370,000.00	1. LEVINSKY, J. J. 2. LEVINSKY, J. J. 3. LEVINSKY, J. J. 4. LEVINSKY, J. J.	07/01/2015	\$20,370,000.00	100.00%	07/01/2015
The Trust Company (P) AL United Property Interest in Landmark at 1st & 2nd Streets Income Fund	Development Projects P&L LLC	7455 26th St, Suite 100 Columbia, MD 21046	PA-08-00123 PA-09-00456	\$ 10,680,000.00	07/01/2015	12/31/2015	0	Contract Value: \$10,680,000.00	1. LEVINSKY, J. J. 2. LEVINSKY, J. J. 3. LEVINSKY, J. J. 4. LEVINSKY, J. J.	07/01/2015	\$10,680,000.00	100.00%	07/01/2015
The Trust Company (P) AL United Property Interest in Landmark at 1st & 2nd Streets Income Fund	Greenstar P&L	7455 26th St, Suite 100 Columbia, MD 21046	PA-08-00123 PA-09-00456	\$ 11,482,000.00	07/01/2015	12/31/2015	0	Contract Value: \$11,482,000.00	1. LEVINSKY, J. J. 2. LEVINSKY, J. J. 3. LEVINSKY, J. J. 4. LEVINSKY, J. J.	07/01/2015	\$11,482,000.00	100.00%	07/01/2015
The Trust Company (P) AL United Property Interest in Landmark at 1st & 2nd Streets Income Fund	Crestline P&L (Greenstar P&L)	7455 26th St, Suite 100 Columbia, MD 21046	PA-08-00123 PA-09-00456	\$ 15,171,000.00	07/01/2015	12/31/2015	0	Contract Value: \$15,171,000.00	1. LEVINSKY, J. J. 2. LEVINSKY, J. J. 3. LEVINSKY, J. J. 4. LEVINSKY, J. J.	07/01/2015	\$15,171,000.00	100.00%	07/01/2015
The Trust Company (P) AL United Property Interest in Landmark at 1st & 2nd Streets Income Fund	Emergence P&L	7455 26th St, Suite 100 Columbia, MD 21046	PA-08-00123 PA-09-00456	\$ 14,475,000.00	07/01/2015	12/31/2015	0	Contract Value: \$14,475,000.00	1. LEVINSKY, J. J. 2. LEVINSKY, J. J. 3. LEVINSKY, J. J. 4. LEVINSKY, J. J.	07/01/2015	\$14,475,000.00	100.00%	07/01/2015
The Trust Company (P) AL United Property Interest in Landmark at 1st & 2nd Streets Income Fund	Emergence P&L	7455 26th St, Suite 100 Columbia, MD 21046	PA-08-00123 PA-09-00456	\$ 14,475,000.00	07/01/2015	12/31/2015	0	Contract Value: \$14,475,000.00	1. LEVINSKY, J. J. 2. LEVINSKY, J. J. 3. LEVINSKY, J. J. 4. LEVINSKY, J. J.	07/01/2015	\$14,475,000.00	100.00%	07/01/2015

Company	State	Industry	Market Capitalization	Revenue	Operating Profit	EBITDA	Adjusted Earnings	Book Value	Dividend Yield	Dividend	Dividend Growth	Dividend Payout Ratio	Dividend Coverage Ratio	Dividend Sustainability	Dividend History	Dividend Risk	Dividend Rating	Dividend Outlook
The First Company (P)AL Limited, Company Name Available Limited and LM First Mortgage Income Fund	PA	REMIC Trusts	1,823,533,511	1,823,533,511	632,481,652	632,481,652	632,481,652	134,430,039	0.00%	-	-	-	-	-	-	-	-	100.00%
The First Company (P)AL Limited, Company Name Available Limited and LM First Mortgage Income Fund	PA	REMIC Trusts	1,823,533,511	1,823,533,511	632,481,652	632,481,652	632,481,652	134,430,039	0.00%	-	-	-	-	-	-	-	-	100.00%
The First Company (P)AL Limited, Company Name Available Limited and LM First Mortgage Income Fund	PA	REMIC Trusts	1,823,533,511	1,823,533,511	632,481,652	632,481,652	632,481,652	134,430,039	0.00%	-	-	-	-	-	-	-	-	100.00%
The First Company (P)AL Limited, Company Name Available Limited and LM First Mortgage Income Fund	PA	REMIC Trusts	1,823,533,511	1,823,533,511	632,481,652	632,481,652	632,481,652	134,430,039	0.00%	-	-	-	-	-	-	-	-	100.00%
The First Company (P)AL Limited, Company Name Available Limited and LM First Mortgage Income Fund	PA	REMIC Trusts	1,823,533,511	1,823,533,511	632,481,652	632,481,652	632,481,652	134,430,039	0.00%	-	-	-	-	-	-	-	-	100.00%

SYMBOL	ISSUANCE DATE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE	ISSUANCE TYPE
Mortgage	06/24/2003	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM	ARM
The First Company (FPAI) Limited Purpose Vehicle Created for LHM First Mortgage Income Fund		Part Cap, Arrears																			

Borrower	Security ranking	Loan type/ class/ activity	Description / Comments	Location of asset	Loan balance 31.12.12	Provision	Impaired Loan Balance	Loan Default	Valuation Amount	Is LMIM in Possession, Controller or Acting as POA
Northshore Bayview St Pty Ltd	1st Mortgage	originally development/ residential, now residential in sell down	"Harmony Apartments". progressive sell down of a completed 119 unit development. As FMIF was unable to complete the construction, agreement was reached with CBA to fund the cost to complete the project up to a maximum debt of \$19.1M. Following completion, presales were able to settle, thereby discharging CBA and allowing FMIF to recover proceeds from sales going forward. LM as Controller manages the sales/marketing.	20 Bayview Street, Runaway Bay 4216	\$44,802,404	\$ 23,393,391	\$ 21,409,012.56			Yes
Bellpac Pty Ltd	Charge over entities and PGs		Operating coal mine and future development lands. Litigation finalised in 2011 against mine operator Gujarat (which had failed to perform on previous sale) for failure to remediate land, surrender mining leases and vacate the property in 2007. Recovery of outstanding debt being pursued against guarantors and bonds with full recovery anticipated following legal proceeding funded by second mortgagee	Princess Highway, Russell Vale NSW (original security)	\$4,679,749		\$ 4,679,749.00			No assets only litigation. Need open PI cover at least
Redland Bay Leisure Life	1st Mortgage	development/ retirement	Partially completed retirement village & residual land. Infill mixed residential development with DA for 460 dwellings. Currently constructed 39 apartments along with residual land for balance 123 further supported living aged care units, 8 courtyard homes, substantially completed civil works for 110 small lot (<500 sqm) dev and residual land for balance site. The overall DA for the site provides for the development of residential dwellings for over 55s. The overall zoning of the land is for residential purposes and the recovery strategy being undertaken has seen the opening of Tall trees Supported Living Aged Care neighbourhood with first 39 units which will deliver approximately 162 Supported Living retirement units. Planning approvals submitted to council regarding the development and realisation of balance of site for residential purposes and also negotiations advancing with council regarding delivery of community aquatic and healthcare facility.	Cnr Government, Meissners, Weinham & Salisbury Streets, Redland Bay Qld 4165	\$65,303,102	\$ 15,368,382	\$ 49,934,720.06			Yes
Redland Bay Leisure Life Development Manager Pty Ltd		as above	as above	as above	refer above					Yes
St Crispin's Property Pty Ltd	1st Mortgage	development/residential, now completed residential	remaining 57 residential apartments of a completed 72 unit resort complex. Experienced operators appointed to manage the resort to maximise return to owners. Agreed strategy is that the St Crispins property will not be placed on the current market and will be held until the property is five years old and sold under the going concern provisions thus eliminating liability for GST.	19-37 St Crispin's Avenue, Port Douglas QLD	\$39,289,771	\$ 14,759,366	\$ 24,530,405.00			Yes
Eden Apartments Pty Ltd	1st Mortgage	Development/residential now residential in sell down	last remaining luxury residential strata units of a 32 unit development. LM/PTAL is Controller acting.	73 Mill Point Road, South Perth, WA	\$12,600,562.55	\$ 10,724,563	\$ 1,876,000.00			Yes
										No last unit sold in March

Borrower	Security ranking	Loan type/ class/ activity	Description / Comments	Location of asset	Loan balance 31.12.12	Provision	Impaired Loan Balance	Loan Default	Valuation Amount	Is LMIM in Possession, Controller or Acting as POA
Young Land Corporation Pty Ltd	1st Mortgage	Development/ residential	A residential land subdivision at Yeppoon wherein approximately 130 lots have been sold and approximately 450 lots remain to be developed(subject to staged approvals). There are approximately 20 completed lots and 80 lots having operational works approval to be constructed. Remainder of site is englobo residual land.	Keppel Bay Estate, Tanby Rd, Taroomball, Yeppoon QLD	\$36,966,468	\$ 10,485,354	\$ 26,481,114.00			
Brambleton Pty Ltd	1st Mortgage	Commercial	90 strata titled hotel rooms operating under the brand of the Holiday Inn. Management Rights are undertaken by Outrigger Resorts. There are approximately 400 rooms in the whole hotel. Rooms are in the rental pool generating income. LM/PTAL is Controller acting. Strategy is that the property will not be marketed for sale in the current market. Monthly room rental income is being distributed to the Controller.	22 View Avenue, Surfers Paradise Qld 4217	\$27,474,006	\$ 10,974,006	\$ 16,500,000.00			Yes. Controllership includes build out operations
Lot 111 Pty Ltd	1st Mortgage	development/ commercial now completed commercial actively being marketed for sale or lease	approximately 60 remaining units of 83 completed commercial units. The borrower is targeting lease up of lots and sale as a going concern.	23 Narabang Way, Belrose, NSW	\$21,104,691	\$ 5,371,562	\$ 15,733,129.25			Yes.
OVST P/L	1st Mortgage	development/retirement now completed commercial	Completed operating retirement village (supported living) of 83 units at Banora Point, NSW under sell down of Stage 2 units. LM/PTAL is controller of this asset and has appointed an expert operator (Tall Trees)to manage the day to day runnings of the village.	Ocean View Banora Point, 2-4 Terranora Road, Banora Point, NSW	\$26,246,289	\$ 4,259,240	\$ 21,987,049.27			Not in possession.
Greystanes Projects Pty Ltd	1st Mortgage	Development/ industrial	A partly completed industrial and retail strata titled precinct with additional child care centre. Site being prepared for upcoming sales campaign	Cnr Reconciliation & Picrite Roads, Greystanes, NSW 2145	\$27,013,092	\$ 21,013,093	\$ 5,999,999.08			Yes.
Glendenning Developments P/L	1st Mortgage	Development/ industrial now completed in sell down	final remaining units of 31 mixed bulky storage/ industrial units at Glendenning NSW. LM overseeing borrower's management of sales and marketing.	Cnr Owen and Power Streets, Glendenning, NSW	\$4,937,972	\$ 4,137,972	\$ 800,000.00			Yes
Carrington Management P/L (Caboolture South)	1st Mortgage	development/ retirement now completed (and stage 2 residual land)	Operating supported living retirement village currently comprising 64 units and associated community facilities operating under Tall Trees model and brand. Construction of stage 2 being prepared	15 Adelaide Drive, Morayfield QLD 4506	\$26,775,799	\$ 298,984	\$ 26,476,815.75			Yes

Borrower	Security ranking	Loan type/ class/ activity	Description / Comments	Location of asset	Loan balance 31.12.12	Provision	Impaired Loan Balance	Loan Default	Valuation Amount	Is LMIM in Possession, Controller or Acting as POA
Bridgewater Lake Estate Ltd	1st Mortgage	development/retirement	An operating Independent Living Retirement village with a number of completed and occupied dwellings and all infrastructure completed to allow development of remaining dwellings. Strategy for realisation of security is by development and sale over approx 4.5 year period. Construction of 6 display units in 2012 and commencement of marketing campaign LM/PTAL as controller has appointed a professional retirement village operator to manage the day to day runnings of the village.	Patullos Lane, Roxburgh Park Vic. 3064	\$29,629,116	\$ 2,017,811	\$ 27,611,305.00			
Townsville Commercial Pty Ltd IOR		Commercial	An operating hotel in Townsville QLD currently managed by the Accor Group under the Ibis Hotel brand. Contains 118 rooms, café and 2 meeting rooms. Deloitte appointed as Receivers in April 2011, due to complex ownership structure with adjacent premises and separate mortgagee. Unsuccessful sales campaign in Q3 2011 with receiver now retired and PTAL?LM acting as Controller. Strategy to improve on performance which declined during receivership and bring to market again late 2012/early 2013	12-14 Palmer Street, Townsville QLD 4810			Paid out Q3 2012			Yes. Controllership also includes some development works
Green Square Property Developments Pty Ltd	1st Mortgage	Development/showroom/office now completed and in sell down	remaing 4-5 residual of 42 units in completed office/showroom building. LM oversees borrower's management of sales and marketing. Borrower focuses on lease up and then sale to investors. Sale contracts are on leased units with no GST payable by the vendor.	112-122 Mc Evoy St, Alexandria, NSW	\$2,507,838	\$ 615,313	\$ 1,892,525.04			Not in possession
Source Student Lodge Pty Ltd		Commercial/student accomodation	Operating student accomodation facility. 76 individually titled strata accomodation units (typically with each accommodating 3 students). On site managers look after the day to day running of the asset and such managers report to LM/PTAL as controller. It is envisaged that the property will be held with a view to maximising returns from operations prior to marketing either in one line or by sale of individual stratas in early 2013. Property now operating at 100% occupancy during semesters	10 - 24 Faculty Close, Cairns Qld 4870			Paid out Q3 2012			
Source Developments 1 (Coomera)	1st Mortgage	Development/residential	Partially completed residential townhouse development. 14 dwellings now complete with 12 sold and settled. Construction of remaing 27 townhouses commenced January 2012. LM/PTAL is Controller acting.	Brygon Creek Road & Gumtree Crescent, Coomera Qld 4210	\$14,188,325	\$ 10,283,825	\$ 3,904,500.00			Yes. Developments being completed in controllership
Coulter Developments P/L & Rocola P/L	1st Mortgage	Development/residential now completed and in sell down	12 Completed luxury residential units in progressive sell down. 7 sold and sstled, 1 under contract, 5 on market	Treviso Mews, Mandurah WA	\$9,051,015	\$ 5,395,026	\$ 3,655,988.56			Yes
Tall Trees Tanah Merah	2nd Mortgage Priority subsequent to CBA with current debt c.\$10M and asset valuations December 2012 \$42.3M	development/retirement	Staged supported living development together with all community and administration facilities. As FMIF was unable to meet funding commitments on more recent stages, agreement was reached with CBA for it to complete funding on a cost to complete basis. CBA holds first mortgage and FMIF cedes priority. Additional collateral security held for Rochedale village (aggregate valuation \$42.3M Dec 2012)	3745-3749 Pacific Highway, Slacks Creek, Qld 4127	\$14,529,162		\$ 14,529,161.96			Yes
Australian International Investment Services Pty Ltd (AIIS)	1st Mortgage	Development/residential	Residential development site with DA approval for 278 residential units with a 67 place child care centre. Off the plan marketing well under way with a steady sales rate being achieved. Loan expected to be refinanced by borrower prior to construction	7 Irving Street, Phillip ACT 2606	\$8,317,511		\$ 8,317,511.24			Yes

Borrower	Security ranking	Loan type/ class/ activity	Description / Comments	Location of asset	Loan balance 31.12.12	Provision	Impaired Loan Balance	Loan Default	Valuation Amount	Is LMIM in Possession, Controller or Acting as POA
Kingopen P/L	1st Mortgage	Development / retirement/ residential	3 residual development lots - Parcel 1. DA for 90 residential homes in place Parcel 2. Approval for 96 residential homes Parcel 3. DA being sought for 132 retirement/supprted living dwellings.	Cnr Chester Pass, Mercer & Catalina Roads, Albany WA 6330	\$11,460,740	\$ 542,801	\$ 10,917,939.00			Yes
Cameo Estates Lifestyle	1st Mortgage	development/retirement now completed	partly completed retirement Village in Launceston , Tasmania. Existing Community Centre with 21 ILU's completed. A further 22 ILU's are to be developed to maximise the Estate. An external manager with retirement expertise has been appointed to look after the day to day operations of the village and the village has just undergone sale campaign.	30 Janefield St, Mowbray, Launceston, TAS	\$6,028,537	\$ 1,402,537	\$ 4,626,000.00			Yes
Madrers Properties (Resort Corp)	1st Mortgage	existing residential/commercial	2 remaining retail units	32-34 Marine Pd, Kingscliff, NSW	\$3,026,283	\$ 2,172,017	\$ 854,266.16			Yes
U-Own Storage (Southbank) Pty Ltd	1st Mortgage	development/ storage facility now completed	Storage facility -strata titled - Port Melbourne Vic.	310-314 Lorimer St, South Melbourne Vic	\$ 4,198,985.98	\$ 2,971,386	\$ 1,227,600.00			Yes
LMIM aff LM Managed Performance Fund	1st Mortgage	land/ future development	residential future development site with DA for 15 dwellings.	Lots 2 and 20 Livistonia Close, Bushland Beach, Qld 4318	\$ 1,169,106.81		\$ 1,169,106.81			Yes To take possession will need insurance