

LM Managed Performance Fund (the 'Fund' or 'MPF')

3 December 2015 | Update to Unitholders No. 15

This is our fifteenth Update to Unitholders.

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1 Overview

1.1 Purpose of update

The purpose of this update is to provide information to Unitholders in relation to recent developments in the winding up of the MPF. This includes the following:

- Update on the progress of recovery action and litigation including:
 - Peregrine Beach court proceedings and "in principle" settlement
 - Barly Wood & Lifestyle court proceedings
 - Potential claims, including: AIIS, auditor action, and Directors and Officers insurance
 - Recovery of the Lygon Street loan
- Defence of claims against the MPF
- Summary of recovery status for MPF loans
- Access to the books and records and investor database
- Fund management matters

All values in this document are in Australian Dollars.

1.2 Summary of work undertaken/key developments

We have received feedback from a number of Unitholders in relation to the frequency of investor updates. This feedback has indicated that Unitholders would prefer the Trustee to focus resources on pursuing recoveries for the benefit of Unitholders, rather than providing frequent updates. For this reason, an update to Unitholders has been delayed until such time that the Trustee considered there was significant developments in the winding up of the fund.

Over the past ten months, since the Trustee's last update to Unitholders, the focus of the Trustee has been on ongoing litigation with the objective of increasing recoveries for unitholders. Key developments during this time are summarised as follows:

- The Trustee has been granted access to electronic books and records of the Fund which has assisted with the progression of a number of matters. Prior to this there were large parts of missing information which was impeding our ability to administer the Fund and undertake recovery actions.
- A settlement has been reached in relation to the Peregrine Beach matter. The Trustee considers this settlement to represent the best outcome for Unitholders in the circumstances and it will also have the advantage of allowing the limited resources of the fund to be directed to other matters.

- Litigation funding has been secured and the Trustee has obtained leave to proceed from the Court in relation to the Barly Wood and Lifestyle matters.
- The Trustee was successful in its application to the Court for a direction to defend the FMIF action brought against the MPF and other parties.

The current recovery actions being pursued (as detailed below) are considered by the Trustee to be the best prospects of realisation for the Unitholders. As outlined in previous updates, any future return to Unitholders will likely be contingent upon the success of these actions.

The key risk facing the Fund at present is the claim being pursued by the Receivers of LM Investment Management Limited (Receivers and Managers Appointed) as responsible entity of the LM First Mortgage Income Fund (FMIF), against a number of parties including the MPF. Should the Trustee be wholly unsuccessful in defending this claim, there will not be any distribution to Unitholders of the MPF. For this reason, the Trustee considers it paramount that resources of the Fund be utilised for defence of this claim.

2 Recovery action and litigation

A summary of current recovery action and litigation is provided as follows:

Matter/Loan	Status		Claim Amount/Expected Recovery (\$)
Peregrin Beach	"In principle" settlement agreement has been reached	Expected recovery	675,000
Barly Wood & Lifestyle	Current proceedings	Full claim amounts (subject to deductions)	9,731,663 19,551,801
AIIS		Full claim amount (subject to deductions)	15,759,919
Auditor action			Not yet confirmed
Directors & Officers insurance			Not yet confirmed
Lyon Street			Approx. - \$1,500,000

The Trustee does not presently anticipate any recoveries other than those outlined above. Further, any recoveries from the above matters are subject to successful outcomes from ongoing litigation. Information regarding each of these claims is outlined in the following sections.

A query has recently been raised with the Trustee regarding the impact of the statute of limitations on potential legal actions. The Trustee is aware of these limitations and we are working closely with our solicitors to preserve the Fund's interests where there is a potential for the statute of limitations to impact on any potential claim. As an example, we are intending on filing the statement of claim in relation to the AIIS matter in the coming month to preserve the Fund's interests (discussed in 2.3 below).

2.1 Peregrin Beach

Background of the matter

In June 2010, the MPF provided initial project funding to the development known as Peregrin Beach. As previously advised, the facts of this matter are highly complicated, however the Trustee has reason to believe that the effect of a deed of priority and subordination which was entered into in 2012 by LMIM may have been a breach of trust against the MPF.

The Trustee filed an application for approval from the Court to proceed with the matter on 20 November 2013.

The application was heard in the Supreme Court of Queensland on 16 October 2014 by The Honourable Justice Glenn Martin. Justice Martin handed down his decision on 23 January 2015 and the Trustee was successful in its application for leave to proceed and a direction that it was justified in doing so.

Following the decision, the Trustee filed and served its statement of claim upon the solicitors of LMIM.

Recent developments

In conjunction with the legal proceedings, the Trustee has been in discussions with the Liquidators of LMIM with a view to negotiating a settlement. Whilst the Trustee was fully prepared to continue the litigation, the Trustee was of the view that a commercial settlement may be in the best interests of MPF unitholders.

Following negotiations, the Trustee and LMIM have reached a formal agreement to settle the proceeding at an amount of \$675,000. The Trustee considers that on balance, this is the best settlement for unitholders.

The Trustee has further considered the following commercial advantages in settling the matter:

1. avoidance of further legal costs in relation to this proceeding
2. avoidance of further trustee fees in relation to this proceeding
3. enables the Trustee to focus its resources on other higher value proceedings in which the Trustee is involved
4. eliminates the MPF's exposure to an adverse costs order in favour of LMIM.

The settlement agreement has now been reviewed by the Supreme Court of Queensland and a direction has been given by the Court based on the settlement being one which is in the best interests of the MPF unitholders.

The Trustee has now executed the Deed of Settlement and is awaiting confirmation that the counterparties have executed the deed. Settlement is expected prior to Christmas.

To avoid any unnecessary costs the Trustee and LMIM had their applications for directions under section 96 of the *Trusts Act* heard at the same time. The Courts took the following points into consideration in adjudicating whether the settlement was in the best interest of Unitholders:

- the value of the claim
- the likely costs associated with pursuing and defending the claim
- the settlement amount.

The Application was heard on 24 November 2015 and the Trustee was successful in its application for directions to settle the matter.

2.2 Barly Wood & Lifestyle

Background of the matter

In August 2008, LMIM entered into an agreement with FMIF which involved the assignment of a number of loans from FMIF to LMIM. This transaction included the FMIF loans to Barly Wood Pty Ltd (Barly Wood) and The Lifestyle Investment Company Pty Ltd (Lifestyle). The Trustee claims that LMIM breached a number of duties owed to the MPF in the course of these transactions. The facts of each case are very similar and are detailed at a high level below:

Barly Wood

- In 2003 the FMIF entered into a Loan Agreement with Barly Wood (which was at the time 'KPG 13th Beach Stage 1 Pty Ltd') for an amount of \$5.9 million. Security for this loan included a registered mortgage over property situated in Barwon Heads, Victoria.
- In 2004, the parties entered into a Deed of Variation which increased the loan amount to \$7.1 million.

- Also in 2004, a second loan agreement was entered into between the parties for an amount of \$2.4 million. This loan was later increased to \$2.9 million by a Deed of Variation.
- Barly Wood was in default of the loans when it failed to repay the first loan by 28 May 2005 and failed to repay the second loan by 12 September 2005.
- On 14 August 2008, the security property was valued at \$7.8 million.
- The Trustee understands that a marketing campaign for sale of the security property was undertaken in 2008, however this campaign did not result in a sale.
- On 28 August 2008, an Assignment Deed was entered into between FMIF and MPF which effected the transfer of the loan and associated securities from FMIF to MPF in exchange for a settlement sum which was to be determined by a valuation to be undertaken of the security property, i.e. the settlement sum would be equal to the market value of the property.
- The purchase price for the loan was later determined to be \$9.7 million which was approximately \$1.9 million higher than the valuation of 14 August 2008. The purchase price was equal to the current loan balance owed by Barly Wood to FMIF.
- By about mid-2011, the settlement sum was paid by MPF to FMIF.
- In December 2011, an agreement was entered into under which LMIM as trustee for the Australian Income Fund (AIF) paid an amount of \$3.9 million to the MPF. Under the agreement any money received under the first or second loans to Barly Wood would be first paid to AIF (up to \$3.9 million).
- The security property has been realised and the MPF has incurred a significant shortfall on the loan.

Lifestyle

- In 2003, FMIF entered into a Loan Agreement with Lifestyle for an amount of \$15.1 million. Security for the loan included a registered mortgage over property situated in Cattai, NSW.
- Lifestyle was in default of the loan when it failed to repay the loan amount by 30 April 2007.
- The security property was valued on 29 February 2008 for \$19 million.
- The Trustee understands that a marketing campaign for sale of the security property was undertaken in 2008, however this campaign did not result in a sale.
- On 28 August 2008, an Assignment Deed was entered into between FMIF and MPF which effected the transfer of the loan and associated securities from FMIF to MPF in exchange for a settlement sum which was to be determined by a valuation to be undertaken of the security property, i.e. the settlement sum would be equal to the market value of the property.
- The purchase price for the loan was later determined to be \$19.5 million, which was the total of the FMIF's debt as at 28 August 2008.
- By about mid-2011 the settlement sum was paid by MPF to FMIF.
- The security property was sold in July 2013 for \$4.4 million, resulting in a significant shortfall on the loan.

Current status of both the Barly Wood and Lifestyle claims

The following table summarises the steps required in order to pursue these claims, and the current status:

Step	Status	
Filing of statement of claim	Complete	Filed with the Courts in August 2014.
Application for directions to proceed under section 96 of the Trusts Act	Complete	Application was filed on 29 May 2015 and was heard in the Supreme Court of Queensland on 26 August 2015. The Trustee was successful in its application for directions that it is justified in proceeding with this matter.
Application for leave to proceed under section 500 of the Corporations Act 2001	Complete	Leave granted.
Serving of statement of claim upon solicitors for LMIM	Complete	
Hearing regarding who will conduct the defence of the action as between LMIM and FMIF's Receiver, David Whyte	Incomplete	This matter is due to be heard by the Court on 7 December 2015.
Filing of defence	Incomplete	Expected to be undertaken by the defendant following the 7 December 2015 hearing.
Discovery process	Incomplete	Expected to be undertaken in early 2016.
Hearing	Incomplete	Unitholders will be advised once date is set.

Litigation funding

Due to the expected significant costs of litigation and the ongoing demands on the cash reserves of the Fund, the Trustee entered into a litigation funding agreement for the Barly Wood and Lifestyle matters to support litigation efforts and ensure preservation of claims. In considering this requirement, the Trustees took into account, the ongoing application of cash holdings for:

- funding the Peregrine Beach proceeding
- defending the FMIF claim against the Fund and potential adverse costs orders
- general administration of the Fund.

Prior to entering into the agreement, expressions of interest to fund the litigation were called for from three litigation funders and negotiations were then entered into with two of those litigation funders regarding the commercial terms of a potential funding agreement. The proposal put forward by IMF Bentham was considered to be the best option for Unitholders for a number of commercial reasons.

As noted in the Trustee's email of 11 November 2015, if you would like to view a summary of the main commercial terms of the litigation funding agreement, you may request access on a confidential basis to that summary.

Unitholders should be advised that if the Trustee is successful in its claims for Barly Wood and Lifestyle, a portion of the return to MPF will be paid to IMF Bentham under the litigation funding agreement.

2.3 AIIS

Background of the matter

A brief summary of the key events leading to this claim are summarised as follows:

- In January 2005, the MPF entered into a loan agreement with Australian International Investment Services Pty Ltd (AIIS) for an amount of \$1.1 million. The loan amount was subsequently increased by various Deeds of Variation up to \$24 million. The full amount of the loan was never drawn.
- Reasons for the loan increases included capitalisation of interest for this loan and for servicing of the FMIF loan.

- Over the course of the loan, approximately \$4.4 million was drawn down on the MPF loan for the purpose of meeting interest on the FMIF loan.
- The Trustee is of the view that LMIM breached a number of duties owed to the MPF in the course of these transactions.

It is not expected that the MPF will receive any recovery of the outstanding loan based on the sale price of the property and the amount outstanding to FMIF pursuant to its first ranking security.

Recent developments

The statement of claim is currently being prepared and it is expected that this will be filed with the Courts in the coming month.

2.4 Auditor action

Background of the matter

Williams Partners Independent Audit Specialists (WPIAS) provided audit services to the Fund in 2011 and 2012. The Trustee considers that there is a possible claim against WPIAS relating to audit services provided.

Despite requests made directly to WPIAS for access to audit working papers, the terms of access offered by WPIAS were not acceptable to the Trustee. Accordingly, on 27 May 2014 the Trustee submitted a freedom of information request to the Australian Securities and Investments Commission (ASIC) with respect to obtaining various documents and working papers which were previously relied upon by WPIAS. ASIC has considered and subsequently denied this request. We have received a number of queries from Unitholders, requesting reasoning for ASIC's decision. We do not believe in any way that ASIC are being obstructive to this process, but simply complying with the law governing access and rights to information in these circumstances.

Recent developments

Upon receipt of the LM group books and records, the Trustee has commenced an in depth review into the services provided by WPIAS including the scope of their review in 2011 and 2012, the documents they examined and the overall outcome of the audit.

As the Trustee is unable to simultaneously expedite all recovery actions due to the financial position of the Fund, advancement of this matter has been placed on hold for the immediate term. Upon finalisation of the investigations, it is likely that the Trustee will submit an application to the court seeking orders that WPIAS provide copies of their audit working papers so that the Trustee may continue the investigation into a potential claim.

In light of all other actions currently being pursued by the Trustee on behalf of Unitholders, we do not expect this action to commence until 2016.

2.5 Directors and Officers insurance

The current status in relation to this potential avenue for recovery has not changed materially since the Trustee's previous update to Unitholders.

The Trustee continues to make preparations for a claim on any Directors and Officers insurance policy with respect to various loans and losses of the Fund. As it was anticipated that other LM funds would similarly be making claims on the policy, the Trustee has been considering what steps can be taken in order to maximise recovery to Unitholders and minimise costs.

Other parties have commenced individual claims against the policy, which are outlined below.

- ASIC claim against directors

- FMIF claim re: Bellpac which involves all Directors, LMIM and the MPF
- Claim currently being pursued by Unitholders in the Belgium Courts.

In the Trustee's view, the individual approach being taken by these parties is likely to result in an overall lower return to all LM funds and in turn Unitholders due to the significant costs that will be incurred.

The Trustee is continuing to consider its position and will inform Unitholders of key developments as they arise.

2.6 Lygon Street

Background of the matter

Upon appointment of the Trustee, MPF held a second ranking mortgage over the property 457-459 Lygon Street, Brunswick East, Victoria. At the time of appointment, preliminary earthworks were being undertaken.

Following review, the Trustee determined that the best opportunity for a full recovery of monies loaned by the MPF (being approximately \$0.9 million) was to assist in ensuring that the development was funded through to completion. MPF's remaining funding obligations at 8 May 2013 were assumed by AIF in exchange for a new deed of priority being entered into and a release from any breach of trust claims in relation to the development. As a result of these negotiations, the development is now complete.

Recent developments

Currently 30 of the 40 lots have sold and settled. We continue to work with the borrower to facilitate a full repayment of MPF borrowings which, inclusive of interest, is approximately \$1.5 million. The Trustee understands that the borrower is currently exploring options to refinance the debt. Our current expectation is that the position will be resolved by the end of 2015 or in early 2016.

2.7 Valuer claims

A query has recently been raised with the Trustee regarding the potential for recovery action against valuers of security property.

The reason why this has not been pursued by the Trustee to date is that, with the exception of one property, the MPF has relied on third party valuations that had been conducted for the first ranking mortgagees (being either FMIF or AIF). A reliance on third party valuations, does not provide a basis for a claim against the valuer unless the MPF was a named party on the valuation.

The valuation which had been prepared for the MPF was in relation to a loan where a shortfall of only \$207,000 has been incurred. For this reason, the Trustee considers it uncommercial to pursue a claim in relation to this valuation.

3 Claims against the MPF

3.1 Defence of FMIF claim against the Fund

On 23 December 2014, LM Investment Management Limited (Receivers and Managers Appointed) as responsible entity of the LM First Mortgage Income Fund (FMIF) commenced proceedings in the Supreme Court of Queensland against six current or former directors (Directors) of LMIM, LMIM itself and the Trustee of the MPF. FMIF alleges that the Directors breached duties owed to LMIM and FMIF in relation to the distribution of proceeds of the settlement of a legal action. The FMIF further alleges that LMIM was knowingly involved in those breaches and that the proceeds of the breaches were paid to the MPF. FMIF seeks to recover, from the Directors, LMIM and the MPF, \$15,546,147.85 plus interest on this sum and legal costs.

The Trustee filed an application under section 96 of the Trusts Act 1973 in the Supreme Court of Queensland seeking directions as to whether it should defend this action. The Trustee was successful in this application which was heard on 19 March 2015 by the honourable Justice Applegarth.

Following the hearing, the Trustee prepared and filed its defence of the claim. Due to legal professional privilege, the Trustee is unable to provide specific details of the defence.

The parties are currently waiting for the plaintiff to provide its disclosure. This is expected to occur in January 2016.

Unitholders should note that if the Trustee is wholly unsuccessful in its defence of this claim, it is possible that all remaining cash holdings of the MPF will be distributed to the FMIF forcing the MPF to obtain courts orders to cease the winding up of the Fund.

As at the date of this report, no date has been set for the hearing of this matter, however the Trustee will continue to advise as and when further information becomes available.

4 MPF loans

Contained in Appendix A is a summary of the current status of each of the MPF loans. It is not expected that there will be further recovery from any of these loans with the exception of Lygon Street, as discussed at 2.6 above.

However, it is noted that the Trustee continues to monitor the status of the sale of security property and the position of borrowers and guarantors to identify any potential recoveries. Where potential recoveries are identified and these are considered feasible, the Trustee will take steps to progress these for the benefit of Unitholders.

4.1 Peter Drake

On 20 November 2014, the Trustee was successful in its application for judgment on the amount loaned to Peter Drake.

On 9 January 2015, Mr Drake submitted a debtors petition and Jason Bettles and Raj Khatri of Worrells Solvency & Forensic Accountants were appointed as Trustees of his bankrupt estate.

The Worrells report to creditors of 20 February 2015 states that as the administration is currently asset-less, it appears unlikely that a dividend will be paid to unsecured creditors. The bankruptcy process will involve investigations being undertaken into the affairs of Mr Drake prior to the commencement of the bankruptcy. Recently we have received requests from Unitholders to fund further investigations to be undertaken by the Bankruptcy Trustee. Before committing to this process we will meet with the Bankruptcy Trustee to gauge the commercial appropriateness of this investment. We will update Unitholders on the outcome of these discussions in our next update.

Consideration of public examination

The Trustee has considered the option of undertaking a public examination of Peter Drake. The time and costs associated in preparing for such a process are significant and we will continue to assess these costs against the potential recoveries that they may produce. At this stage the Trustee considers that it would not be in the interests of Unitholders to incur this expense, however if the circumstances change and there is commercial rationale to a public examination then they will be undertaken.

It is noted that the Receivers of the FMIF are currently conducting public examinations of a number of parties, including Peter Drake. The Trustee has inspected copies of the transcripts of a number of these examinations.

5 Access to books & records and investor database

5.1 Books & Records

Unitholders will recall that agreement was reached between the Liquidators of LM Investment Management Limited (LMIM) and other parties in relation to the Fund's right and entitlement for full access to all books and records held by the Liquidators of LM Administration Pty Ltd (In Liquidation) (LMA).

By way of an update, Unitholders are advised that on 27 February 2015, the Trustee was provided access to electronic books and records for the entire LM Group including records specific to the Fund.

Prior to receiving this access, an undertaking was entered into which prevents the Trustee from interrogating the server for any purpose other than to obtain information regarding the affairs of the MPF, or make use of information concerning another fund or entity for any purpose.

The books and records of the Fund are currently being utilised to assist with various aspects of litigation and fund management.

5.2 Unit transfers and change of details requests

Prior to the former trustee being placed into Voluntary Administration, the investor database was maintained by LMA. For this reason, and that the Trustee did not previously have access to the books and records of the Fund, all transfer and change of details requests were suspended on 19 March 2013.

Subsequent to receiving access to the books and records of the fund, we have been considering the most effective and efficient process for the register to be updated with unit transfers and change of details.

Before making any distribution from the Fund (subject to sufficient funds being held), the Trustee will provide Unitholders with the opportunity to change certain details associated with their unit holdings. We are currently working closely with our technology department to determine the most efficient way of facilitating this process. It is currently anticipated that the Trustee will be able to provide instructions to Unitholders in the New Year as to the process.

Please note that redemptions or other similar withdrawal requests remain on hold whilst investigations and recovery actions continue.

6 Fund Management

6.1 Return of monies to Unitholders

In line with previous updates, the Trustee advises that the likelihood of a return to Unitholders is dependent on the outcome of recovery actions and litigation outlined above. In particular, Unitholders should be aware that the claim by the FMIF against the MPF puts at serious risk the potential of any return to MPF Unitholders. It is emphasised that a distribution will not be made until substantially all possible recovery actions and litigation is complete. Unitholders should be aware that if litigation is unsuccessful there is unlikely to be a return to Unitholders.

6.2 Management Fees

During the period 12 January 2015 to 1 November 2015, the Trustee's role has been focused on:

- preparatory work and negotiations in relation to the Peregrine Beach matter
- investigations and legal claims with respect to recovery of monies from the former trustee, directors, auditors and other LM funds

- review of documents received as part of the books and records recovery process
- the realisation of remaining underlying assets which were held as security for the Fund's loans
- review of the Fund's current income tax and withholding tax positions
- continuation of the forensic investigation into the previous affairs of the fund
- preparatory work and attendance in court for matters referred to above.

The fees under the service agreement for the month period from 12 January 2015 to 1 November 2015 are \$639,132 plus GST with disbursements (at cost) of \$3,141.06 plus GST.

A summary of fees by task area, by week and by employee is included at Appendix B and a copy of detailed narrations is included at Appendix C.

As Unitholders will be aware, Calibre Capital retired as Trustee of the fund on 5 January 2015. This decision was taken on the basis that it was expected to reduce costs to the fund. As a result of this change, the Trustee is now required to make applications to Court for the approval of fees. The application to Court is currently being prepared and Unitholders should expect to receive further information regarding the application and Court hearing in the coming month.

6.3 Investor communication

The Trustee will continue to communicate to Unitholders significant changes to the status of the fund or any recovery actions.

In the interim Unitholders are able to obtain further information by:

- accessing the KordaMentha website at <http://www.kordamentha.com/creditor-information/australia/109>
- if you are unable to find the answer to your query in any of our Updates or Frequently Asked Questions listing then you may email linvestors@kordamentha.com; (In order to manage the ongoing management costs of the Fund, due to the high volume of enquires made via email the Trustee will only review and respond to emails on a fortnightly basis).

Please note that the Trustee make every attempt to answer your enquiries on a regular basis however due to the number of queries received and our focus on managing costs of the Fund there may be some delay in responding to your individual requests. We appreciate your patience whilst we manage the large volume of emails and telephone calls received during this time.

Yours sincerely

KordaMentha
Trustee of the Fund

Appendix A – Summary of recovery action for MPF loans since the appointment of the Trustee

Borrower	Legal debt as at 12 April 2013	Recoveries to date	Anticipated future recoveries (excl. litigation)	Status of security realisation
457-459 Lygon St Pty Ltd	913,957	Nil	\$1.5 million	<ul style="list-style-type: none"> Currently 29 of 40 lots have sold and settled. Refer to 2.6 above.
Aalto Apartments Pty Ltd	1,756,589	Nil	Nil	<ul style="list-style-type: none"> Security property was sold in December 2013, sale proceeds were insufficient to repay the 1st ranking mortgagee in full.
Australian International Investment Services Pty Ltd	15,756,919	Nil	Nil (pending litigation)	<ul style="list-style-type: none"> Security property was sold in December 2013, sale proceeds were insufficient to repay the 1st ranking mortgagee in full. Refer to 2.3 above for status of current litigation.
Barly Wood Pty Ltd	14,769,857	Confidential	Nil (pending litigation)	<ul style="list-style-type: none"> Settlement agreement has been entered into under which the MPF's 3rd ranking interest in the security property was released. Details regarding this settlement are contained in the Trustee's update of 20 January 2015. Refer to 2.2 above for status of current litigation.
Bellpac Pty Ltd	5,667,419	Nil	Nil	<ul style="list-style-type: none"> Security property was realised prior to appointment of the Trustee. The Receiver of FMIF (holder of 1st ranking charge) are engaged in litigation with the former tenant regarding recovery of a number of bond holdings. It is not expected that there will be any return to the MPF as a result of this litigation.
Glendenning Developments Pty Ltd	6,658,661	Nil	Nil	<ul style="list-style-type: none"> Security property was sold in 2013 and proceeds were not sufficient to fully repay the 1st ranking mortgagee.
Great Pacific Capital Ltd	12,467,122	Nil	Nil	<ul style="list-style-type: none"> Security property was realised prior to appointment of the Trustee.
Green Square Property Development Corporation Pty Ltd	6,245,331	Nil	Nil	<ul style="list-style-type: none"> The Trustee understands that full realisation of the security property is yet to complete, however due to the value of the property and the 1st ranking mortgagee debt, any return to the MPF is unlikely.
Greystanes Projects Pty Ltd	10,706,854	Nil	Nil	<ul style="list-style-type: none"> Security property was sold in 2014, sale proceeds were insufficient to repay the 1st ranking mortgagee in full.
Kingopen Pty Ltd	19,948,253	Nil	Nil	<ul style="list-style-type: none"> The Trustee understands that full realisation of the security property is yet to complete, however due to the value of the property and the 1st ranking mortgagee debt, any return to the MPF is unlikely.
LM Administration Pty Ltd in its own right and as trustee of the Ekard Property Trust	207,391	Nil	Nil	<ul style="list-style-type: none"> Fund records indicate that the security property was sold in December 2012 with settlement proceeds being received in February 2013.

Borrower	Legal debt as at 12 April 2013	Recoveries to date	Anticipated future recoveries (excl. litigation)	Status of security realisation
LM Capalaba Pty Ltd	18,400,968	Nil	Nil	<ul style="list-style-type: none"> The security property was sold in March 2014. Sale proceeds were insufficient to repay the 1st ranking mortgagee in full.
Lot 111 Pty Ltd	10,254,977	Nil	Nil	<ul style="list-style-type: none"> Final lots of the security property were sold earlier in 2015. The sale proceeds were insufficient to repay the 1st ranking mortgagee in full.
Maddison Estate Pty Ltd	254,676,178	1,500,000	Nil	<ul style="list-style-type: none"> Deed of Assignment has been entered into which effected assignment of the Fund's interest in the security property. Further details are contained in the Trustee's update of 16 September 2013.
Northshore Bayview Street Pty Ltd in its own right and as trustee for the Northshore Bayview No. 1 Trust	8,860,576	Nil	Nil	<ul style="list-style-type: none"> Final lots of the security property were sold in 2014. The sale proceeds were insufficient to repay the 1st ranking mortgagee in full.
Peregian Beach Pty Ltd	4,647,955	450,000	Nil	<ul style="list-style-type: none"> The Trustees previously agreed an assignment of the Fund's interest in the security property for consideration of \$450,000. Further details are contained in the Trustee's update of 10 January 2014. A further \$675,000 is expected to be received from the settlement as discussed in 2.1 above.
Peter Charles Drake	17,307,396	Nil	Nil	<ul style="list-style-type: none"> Peter Drake is currently an undischarged bankrupt. Refer to 4.1 above
Tall Trees Mandurah Pty Ltd in its capacity as bare trustee for the Tall Trees Mandurah Village	5,885,351	Nil	Nil	<ul style="list-style-type: none"> The Trustee understands that full realisation of the security property is yet to complete, however due to the value of the property and the 1st ranking mortgagee debt, any return to the MPF is unlikely.
The Lifestyle Investment Company Pty Ltd	39,450,017	4,243,541	Nil (pending litigation)	<ul style="list-style-type: none"> The security property was sold by the Trustee in December 2013. Further information regarding this sale is contained in the Trustee's update of 10 January 2014. Refer to 2.2 above for status of current litigation.

Appendix B – Detailed fee summaries

Fees by task area - hours

Task Area	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Risk management (litigation and legal), investigations and administration	45.3	47.1	47.7	56.6	139.1	164.1	96.7	64.3	50.5	66.9
Assets		1.9	1.5	0.6	0.5		13.7	1.3	1	9.8
Investors	16.8	18.5	24.3	19.5	14.4	63.2	47.8	29.7	52.1	12
Investigations	10.7	4.1	60.4	128.9	102.6	2.9	6.1	22.9	9.1	33.9
Fund trading management and other	7.7	4.5	16.3	15.7	24.5	11.4	13.8	6.3	9.3	18.6
	80.5	76.1	150.2	221.3	281.1	241.6	178.1	124.5	122.0	141.2

Fees by task area – amount (\$)

Task Area	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15
Risk management (litigation and legal), investigations and administration	23,552	25,913	26,443	29,725	63,030	65,729	41,650	30,110	22,499	31,424
Assets		910	600	240	200		5,290	485	350	4,210
Investors	6,398	6,700	9,270	6,563	4,470	19,026	15,317	9,483	16,485	3,895
Investigations	3,738	1,148	21,683	44,260	32,540	813	1,870	7,648	2,663	9,440
Fund trading management and other	2,885	1,425	5,628	5,423	8,588	3,723	4,645	1,890	3,285	5,880
	36,572	36,096	63,632	86,210	108,828	89,289	68,771	49,615	45,282	54,849

Fees by week

	Week ended	Hours	Fee value (\$)
Week 94	18-Jan-15	23.8	10,735
Week 95	25-Jan-15	30.2	13,814
Week 96	01-Feb-15	26.5	12,023
Week 97	08-Feb-15	19.5	9,388
Week 98	15-Feb-15	19.2	9,145
Week 99	22-Feb-15	18.5	8,313
Week 100	01-Mar-15	18.9	9,251
Week 101	08-Mar-15	26.3	12,470
Week 102	15-Mar-15	38.1	15,688
Week 103	22-Mar-15	41.6	16,875
Week 104	29-Mar-15	35.2	14,528
Week 105	05-Apr-15	24.5	11,013
Week 106	12-Apr-15	20.0	8,705
Week 107	19-Apr-15	41.7	18,000
Week 108	26-Apr-15	76.9	26,493
Week 109	3-May-15	80.5	30,890
Week 110	10-May-15	82.2	31,965
Week 111	17-May-15	64.6	22,370
Week 112	24-May-15	55.7	23,183
Week 113	31-May-15	65.3	26,483
Week 114	7-Jun-15	75.8	28,146
Week 115	14-Jun-15	23.2	8,815
Week 116	21-Jun-15	57.8	20,341
Week 117	28-Jun-15	62.5	23,780
Week 118	5-Jul-15	42.6	16,392
Week 119	12-Jul-15	44.3	15,424
Week 120	19-Jul-15	49.3	20,808
Week 121	26-Jul-15	34.0	12,414
Week 122	2-Aug-15	30.6	11,941
Week 123	9-Aug-15	43.1	17,118
Week 124	16-Aug-15	46.6	17,615
Week 125	23-Aug-15	17.6	7,783
Week 126	30-Aug-15	15.8	6,405
Week 127	6-Sep-15	15.8	6,618
Week 128	13-Sep-15	33.5	10,460
Week 129	20-Sep-15	29.5	11,092
Week 130	27-Sep-15	32.3	12,270
Week 131	4-Oct-15	33.4	12,855
Week 132	11-Oct-15	14.2	4,328
Week 133	18-Oct-15	34.2	12,323
Week 134	25-Oct-15	33.3	13,780
Week 135	1 Nov 15	42.7	17,100

Fees by person

Name	Position	Hourly Rate (\$)	Month hours										Total hours	Total (\$)
			Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15		
Jarrold Villani	Partner	575	39.8	44.0	44.5	51.2	57.3	38.9	38.5	35.9	22.6	27.5	400.2	230,115
Brendan Read	Director	550	-	-	9.2	7.3	13.5	1.5	-	-	3.0	1.0	35.5	18,778
Stacey Clisby	Associate Director	450	-	-	-	-	-	-	-	-	-	30.8	30.8	13,860
Max Taylor	Senior Executive Analyst	350	31.0	24.5	76.5	88.5	139.5	120.0	90.5	49.0	51.0	10.5	681.0	239,100
Rebecca Clark	Senior Business Analyst	300	8.5	3.8	10.2	30.4	15	10.9	14.2	12.2	9.7	16.1	131.0	39,300
Kriti Mehta	Senior Business Analyst	300	-	-	-	-	9.5	48.9	24.0	3.5	4.1	0.5	90.5	25,790
Melissa Lourens	Business Analyst	275	-	-	1.7	3.5	2.2	1.1	0.9	6.3	13.6	27.0	56.3	15,483
Zachary Voll	Business Analyst	275	-	-	1.2	37.4	39.7	-	-	9.6	17.1	18.4	123.4	33,935
Other - professional staff	Various	Various	-	0.4	2.8	0.6	2.5	17.8	6.8	7.0	-	6.1	44.0	16,432
Other - administration	Various	Various	1.2	3.4	4.1	2.4	1.9	2.5	3.2	1.0	0.9	3.3	23.9	6,341
			80.5	76.1	150.2	221.3	281.1	241.6	178.1	124.5	122.0	141.2	1,616.6	639,132

Summary

		\$
Professional fees (excl. GST)		639,132.00
Disbursements		
Parking	101.12	
Forensic Consumables	320.68	
Taxi	10.29	
Courier	585.18	
Storage of books and records	1,105.61	
Postage	1,018.18	
		3,141.06
GST on professional fees and disbursements		64,227.31
Total professional fees and disbursements (incl. GST)		706,500.37

Appendix C – Detailed narrations

Task Area	Sub Category	Description
Risk Management (Litigation/Legal) & Administration	<i>Forensic & Investigations</i>	<p>Forensic review and capture of file server data and email server data.</p> <p>Forensic input into various legal matters and discovery processes.</p> <p>Access to AX system and historical general ledger.</p>
	<i>Litigation/Legal</i>	<p>Ongoing discussions with legal advisors with respect to, but not limited to:</p> <ul style="list-style-type: none"> obligations and processes to be undertaken to release security over certain property enforcement options against non-performing loans planned dealings of assets by first mortgagors and ability to secure value of such assets to the Fund ongoing research of historic fund documentation in light of breach of trust claims. Detailed discussion internally and legal advisors regarding claims and required supporting documentation. current and potential litigation, including: <ul style="list-style-type: none"> Peregrine Beach Barly Wood and Lifestyle AIS Bellpac FMIF Receiver's action <p>Discussions with various parties regarding the potential claim against the Directors and Officers insurance policy</p> <p>Undertake detailed forensic analysis of certain loans for evidence preparation regarding breach of trust claims.</p> <p>Correspondence and meetings with the Australian Securities and Investments Commission (ASIC) regarding the conduct of the former trustee's directors, various breaches of trust and ongoing investigations.</p> <p>Correspondence with FMIF regarding breach of trust claims.</p> <p>Issue various instructions to the Fund's custodian regarding various legal matters.</p> <p>Attendance in Chambers and in Court for various matters where attendance required.</p> <p>Arranging bank guarantee as required for Peregrine Beach matter.</p> <p>Settlement negotiations with liquidators of LMIM regarding Peregrine Beach.</p> <p>Review of loan statements and supporting documentation to support preparation of AIS statement of claim.</p> <p>Review of various documentation regarding Barly Wood and Lifestyle claims.</p> <p>Assessment of litigation funding for Barly Wood and Lifestyle claims.</p> <p>Ongoing correspondence with IMF Bentham regarding Barly Wood and Lifestyle claims.</p> <p>Investigations regarding Bellpac defence</p> <p>Correspondence and review of documentation regarding Bellpac defence.</p> <p>Investigations regarding potential auditor claim.</p> <p>Discussions with various parties regarding the bankruptcy of David Hawes.</p> <p>Correspondence with solicitors and forensic team to enable review of potentially privileged documentation in ASIC's claim against Peter Drake.</p> <p>Detailed analysis of impact of litigation on the MPF's financial position.</p> <p>Review of various affidavit materials for ongoing litigation.</p>
	<i>Media</i>	Correspondence with various media outlets as required.
	<i>Investor Information Management</i>	<p>Ongoing update and maintenance of the Fund's dedicated website.</p> <p>Uploading documents in relation to various court applications for service of notice on unitholders.</p>

Task Area	Sub Category	Description
	<i>Engagement Planning</i>	Engagement planning and management meetings. Ongoing review and update of task lists. Ongoing maintenance of priority investigations and allocation of resources. Ongoing management of cash flow forecasts and expense accruals.
	<i>Other Administration</i>	Word processing and finalisation of formal correspondence.
Assets	<i>Loans/Property</i>	Ongoing review and monitoring of current status with realisation of security property. Liaising with various parties regarding releases of mortgage security. Monitoring of construction process for Lygon Street security property and of sale and settlement of individual lots. Correspondence with the borrower regarding timely repayment of Lygon Street facility and negotiations regarding applicable fees. Preparation for and attendance at David Hawes creditors meeting. Including review and consideration of Personal Insolvency Agreement submitted.
	<i>Bank accounts</i>	Reconciliation of bank accounts and management of the Fund's cash flow. Various correspondence with banks regarding account maintenance. Monitor all AUD and foreign currency accounts. Arranging for closure of foreign currency accounts.
Investors/Creditors	<i>Reports/Circulars</i>	Finalise and distribute update 14 to investors Initial drafting of update 15 to investors.
	<i>Investor Communication</i>	Continued communication support for Unitholders and investor support groups via email and telephone. Preparation of detailed correspondence to investors regarding litigation funding agreement for Barly Wood and Lifestyle claims. Various correspondence with investors regarding Barly Wood and Lifestyle claims. Mail out of correspondence for those investors where emails undeliverable. Review of investor responses regarding various litigation for inclusion in affidavit material.
	<i>Investor Information</i>	Ongoing refinement of internal model for Unitholder data. Full review of email listing compared to Unitholder register and identification of 'unmatched' email addresses held. Email to 'unmatched' email addresses and tracking of responses. Consideration of process for allowing update to investor details and discussions with internal technology team.
	<i>Advisor Communication</i>	Ongoing dealings and support to financial advisors regarding current progress of the winding up of the Fund.
	<i>Quarantined Funds</i>	Returned payments.
Statutory Compliance	<i>ASIC Correspondence</i>	Ongoing correspondence with ASIC and compliance with various requests.
	<i>ATO</i>	Review of overall tax position of the Fund. Investigations into the Fund's withholding tax liability incurred prior to appointment and recovery of monies previously paid. Meetings with taxations advisors and instructions regarding advice for withholding tax issue.

Task Area	Sub Category	Description
		Compilation of information required by tax advisors, including review of individual PAYG tax withholdings for Unitholders.
		Ongoing correspondence with the ATO regarding lodgement requirements.
		Preparatory work for FY12 and FY13 tax returns.
		Consideration of FY14 and FY15 lodgements and review of information.
		Preparation and lodgement of Business Activity Statements for current periods.
	<i>Books and Records</i>	Books and records management and archiving.
Trading	<i>Trade-on Management</i>	Review, approval and payment of invoices payable by the Fund
		Ongoing cash flow management.
		Correspondence with various creditors of the Fund.
		Ongoing calculation and accrual of loan balances due to the Fund.
	<i>Fund Accounting</i>	Maintenance of cash book for the Fund.
		Review of carrying value of loan assets and assessment of appropriate amount and timeframe for provisioning and write-offs.