

TO INVESTORS

21 February 2012

**EQUITITRUST INCOME FUND ARSN 089 079 854 (“EIF”)
(RECEIVER APPOINTED) (“The Fund”)**

1. Introduction

I refer to my first report to investors dated 1 February 2012 in which, amongst other things, I advised that I would post monthly updates on the website www.equititrust.com.au in relation to the progress of the winding up of the EIF.

There have been several significant developments over the last three weeks that warrant a further report at this time, and which I comment on as follows:

2. Appointment of Voluntary Administrators to Wirrina Resort and Conference Centre Pty Ltd (“WRCC”)

WRCC is a subsidiary of Wirrina Corporation Pty Ltd which is in turn a subsidiary of Equititrust Ltd (“Equititrust”) as responsible entity for the EIF.

Wirrina Corporation Pty Ltd is the mortgagee in respect of loans made to Sunset Cove Developments Pty Ltd and which were assigned from a subsidiary of Octaviar Ltd (formerly MFS) in 2010.

The loans and the security for the loans are held on behalf of the EIF. WRCC operated the resort and golf course at Wirrina Cove, South Australia.

Mark McIvor is the sole director of WRCC.

As you are aware, I was appointed by the Court as Receiver of the assets of the EIF and the person responsible for ensuring that the fund is wound up in accordance with its constitution. Notwithstanding this and my prior written instructions not to do so, Mark McIvor appointed David Ross, Blair Pleash and Richard Albarran of Hall Chadwick as Voluntary Administrators of WRCC on 3 February 2012 without any prior reference to me.

As a result of subsequent discussions with Mr McIvor, I have formed the view that Mr McIvor may have made this appointment without a full understanding of the legal structure of the resort and surrounding land and funding arrangements for the resort. This included that the Administrators had no right to trade the business as the liquor and gaming licences were in the name of Wirrina Corporation Pty Ltd.

Notwithstanding the appointment of administrators to WRCC, the resort and golf course is now continuing to trade through Wirrina Corporate Pty Ltd with my support as the Receiver.

3. Recent Contract of Sale

An offer was recently received for one of the properties where Equititrust Ltd is mortgagee in possession. The EIF has the first mortgage over this property and Equititrust Ltd as responsible entity for the Equititrust Premium Fund (“EPF”) has a second mortgage.

In considering an offer for the property, both Mr Mclvor and another director of Equititrust, David Hickie sought to impose conditions in relation to the distribution of the net proceeds of sale. In my view they sought to prefer the interests of the EPF investors ahead of the EIF investors by proposing that approximately \$400,000 be paid to the EPF rather than all proceeds being paid to the EIF in accordance with the terms of the security documentation which recognise the EIF’s first priority and entitlement to all net proceeds of sale.

I refused to accept the conditions they sought to impose. I (together with the administrators appointed to EL) have accepted an offer for the sale of the property with the full net proceeds of sale to be paid to the EIF.

I have raised with Mr Mclvor and Mr Hickie my concern that their actions may be a breach of duty and would place them in a conflict of interest and have sought an explanation as to the reasons why they sought to impose the above discussed conditions. No response has been received.

4. Lack of Cooperation from Mark Mclvor

I wrote to Mr Mclvor on 14 February 2012 expressing my concerns regarding his general lack of cooperation in the winding up of the EIF and continued failure to respond to correspondence and attend meetings to discuss important elements of the winding up. My concerns included those mentioned at Sections 2 and 3 above and the unauthorised termination of the CEO, Troy Bingham which was discussed in my first report to investors.

Mr Mclvor has also sought to reinstate a management fee from the EIF to Equititrust of \$2.8M that was previously waived by the directors of Equititrust.

I am awaiting a written response.

5. Insolvency Appointments to Equititrust Ltd

Richard Albarran, Glen Oldham and Blair Pleash of Hall Chadwick were appointed Voluntary Administrators of Equititrust by the board of directors on 15 February 2012 when it was resolved that the company is or is likely to become insolvent. The directors’ powers were suspended upon the appointment of the Administrators.

Subsequently, on 16 February 2012, Will Colwell and Greg Moloney of Ferrier Hodgson were appointed as Receivers and Managers of the company by one of the secured creditors of the company.

These two appointments do not affect my appointment as Receiver of the assets of the EIF and as person responsible for ensuring that the Fund is wound up in accordance with its constitution.

I will therefore continue to act in accordance with the Court orders pursuant to which I was appointed. This includes ensuring that the Fund is wound up in accordance with the terms of its constitution, including the orderly realisation of its assets.

6. ECG Administration Pty Ltd (Administrators Appointed) (“ECGA”)

Richard Albarran, Glen Oldham and Blair Pleash of Hall Chadwick were appointed Voluntary Administrators of ECGA on 5 February 2012. ECGA was the service provider to Equititrust in respect of the provision of staff/consultants, offices and equipment. It is the leaseholder of the premises at Chevron Island that Equititrust traded from.

As detailed in my first report to investors, there is a services agreement in place with GCP (HQ) Pty Ltd. This includes paying 50% of the rent payable by ECGA for the premises.

I am in discussions with the Administrators of ECGA to see if they have the funds to meet the other 50% of the rent. Arrangements may be required for the staff and consultants to be moved to alternative premises.

7. Queries

Should you have any queries in the above respect, please contact Jayden Coulston on (07) 3237 5890 Andrew Want of this office on (07) 3237 5711.

Yours faithfully



David Whyte
Receiver

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