

## TO INVESTORS

4 October 2012

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

I refer to my previous reports and now provide my eighth update to investors on the progress of the winding up of the Fund by me as Court appointed receiver of the property of the Fund.

## **1. Receipts and Payments**

I provide below a summary of the Receipts and Payments of the Fund for the period since my last report of 27 August 2012.

Summary of Receipts and Payments for the Period 27 August 2012 to 2 October 2012		
<b>Opening Cash at Bank</b>		<b>1,041,949.74</b>
<b>Receipts</b>		
Interest Income		8,008.84
Legal Recoveries		45,000.00
Loan Recoveries:		
Morvale Land Pty Ltd	2,000,000.00	
Resort Corporation Australia (No.2) Pty Ltd	6,777.44	
Rosea Pty Ltd	18,333.33	
Toowoomba (Foundry Shopping Centre) Pty Ltd	154,564.25	
Tweed Central Pty Ltd	1,245,011.32	3,424,686.34
<b>Total Receipts</b>		<b>3,477,695.18</b>
<b>Payments</b>		
Bank Charges		48.80
Distressed Loan funding:		
Corymbia Estates Pty Ltd	3,036.00	
East Coast Pty Ltd	27,225.00	
Toowoomba (Foundry Shopping Centre) Pty Ltd	309,349.30	
Tweed Central Pty Ltd	4,485.37	
Valencia Grove Pty Ltd	1,500.00	
Wirrina Corporation	83,500.00	429,095.67

Distribution to Secured Creditor - NAB	2,500,000.00
IT expenses	4,246.00
Legal Fees	59,586.80
Office Rental charge	12,856.45
Staff Wages and Reimbursements	10,908.62
<b>Total Payments</b>	<b>3,016,742.34</b>
<b>Closing Cash at Bank</b>	<b>1,502,902.58</b>

## 2. Realisation of Assets

The realisation of the Fund's assets continues to progress.

As advised in previous reports, this is a public document and therefore to ensure I do not prejudice any ongoing negotiations regarding the sale of the properties, I will not at this time identify individual properties and/or their expected realisable values. However, I summarise all sales, contracts on foot, current offers accepted and contracts awaiting execution below:

	\$
Sales completed	14,180,806
Ten contracts on foot	8,029,746
Five offers accepted, awaiting executed contracts	1,999,280
Four offers under consideration	20,100,000 - 23,100,000

With respect to the information above, I note the following:

- One contract is unconditional with settlement scheduled in November 2012 and gross realisations of \$2.1 million;
- Four contracts are unconditional with settlements scheduled in December 2012 and gross realisations of approximately \$2.68 million;
- One contract is unconditional with settlement scheduled in March 2013 and gross realisations of \$1.6 million;
- A deed of settlement has been executed with \$150,000 received on 18 June 2012 and \$1.1 million to be received on 17 June 2013;
- Three contracts are unconditional with settlements scheduled in July 2013 and gross realisations of \$546,560;
- A contract for \$2.25 million has been terminated as the purchaser was unable to satisfy the due diligence clause within the required timeframe. The purchaser has submitted a revised offer, which is currently under consideration;
- Contracts for four lots are currently being exchanged with gross realisations of approximately \$949,280 anticipated. The agent for the site is continuing to market the remaining two lots;

- Contract terms for an offer of \$1.05 million are currently being finalised;
- An offer in the range of \$12M to \$15M is still under consideration;
- An offer of \$5 million is unlikely to proceed as the proposed purchaser appears unlikely to be able to satisfy the terms of the offer;
- An offer of \$1.65 million is unlikely to proceed as the proposed purchaser has been unable to evidence its ability to complete the transaction.

The remaining 7 properties, with the exception of one property, are currently on the market or being prepared for the commencement of sale campaigns. The property not presently subject to a sale campaign is currently subject to possession proceedings.

I will continue to update investors on the progress of the sales in my monthly reports to investors.

### **3. Legal Proceedings**

There are currently numerous legal actions on foot including:

- Possession proceedings are underway with respect to a secured property;
- Two claims have been filed against the same valuer for negligence and damages in excess of \$10 million. Any amount recoverable will be sought against a professional indemnity insurance policy;
- A deed of settlement has been executed with respect to a claim against a guarantor. Filing for default judgment against the remaining guarantors is currently under consideration;
- Monetary judgement has been obtained against a guarantor, however a cross claim has been filed by the borrower with a hearing date scheduled for later in the year;
- Several proceedings have been commenced against a bankrupt/related parties to realise his interest in a property. This is likely to result in a substantial recovery for the fund;
- Collection of a judgement debt is ongoing with the final payment of \$250,000 due in December 2012;
- The value of a caveated property is under consideration to determine if a commercial recovery is achievable;
- An assessment of a costs order obtained against a borrower is underway; and
- Other claims are being considered against borrowers/guarantors to determine if commercial recoveries are achievable.

The actions are expected to realise several million dollars for the benefit of investors although this may take some time to realise.



#### 4. Estimated Return to Investors

I provide below an estimated return to investors of between 16 and 23 cents in the dollar as at 30 September 2012 as follows:

	<b>Low</b>	<b>High</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Total estimated selling prices</b>	<b>44,443</b>	<b>59,253</b>
Less: Selling costs - marketing and agents fees (3.5%)	(1,556)	(2,074)
Secured creditors (net of cash at bank)	503	503
Other loan	(3,000)	(3,000)
Land Tax and Rates	(7,895)	(7,895)
Other unsecured creditors	(591)	(591)
Receivers fees	(860)	(860)
<b>Estimated net amount available to investors as at 24 September 2012</b>	<b>31,044</b>	<b>45,336</b>
Total investors units	193,916	193,916
<b>Estimated return in the dollar</b>	<b>\$0.16</b>	<b>\$0.23</b>

The above table does not take into account future operating costs, interest on bank loans until repaid in full, future Receivers fees and rates and land tax. It also excludes any legal recoveries against borrowers, valuers or other third parties.

Subject to the sale of the properties currently on the market and where sale campaigns are to commence, I am hopeful that I will be able to commence interim distributions to investors early next year. This will be after paying secured creditors, land tax and rates, Receivers fees and the unsecured creditors who rank ahead of investors' interests.

#### 5. Overhead Expenses

I confirm that the overhead expenses of engaging staff and contractors with knowledge of the files, together with the maintenance of serviced offices at Bundall, have been reduced to approximately \$21,000 per month. These expenses have been reduced from \$500,000 per month at the time of my appointment, to \$147,000 per month in January 2012, and will continue to reduce as the properties charged to the EIF are realised.

## 6. Court Application for Remuneration

As advised in my prior updates to investors, from time to time I am required to make an application to the Court for the approval of my remuneration. Two applications were filed on 21 September 2012 in this respect.

The first application is an interlocutory application which seeks orders in respect of the service of the substantive application on the investors of the EIF. In order to save estimated costs of approximately \$80,000 in relation to mailing all investors and creditors a copy of the application that amounts to in excess of 500 pages, I have sought orders from the court that *inter alia*:

- a) notice of my application for approval of remuneration be effected on the members of the Fund by:
  - i) placing an advertisement of the application in The Australian, The Courier Mail and the Gold Coast Bulletin newspapers;
  - ii) posting a notice of the application in a prominent location on the Equititrust Limited website of “www.equititrust.com.au”;
  - iii) posting a notice of the application in a prominent location on the Equititrust Income Fund website of “www.equitrustincomefund.com.au”; and
  - iv) sending a notice by ordinary post to all members at their last known address.
- b) service of the application and any supporting affidavits on each of the members of the Equititrust Income Fund pursuant to rule 112 of the Uniform Civil Procedure Rules 1999 (Qld) be dispensed with.
- c) pursuant to rule 116 of the Uniform Civil Procedure Rules 1999 (Qld) substituted service of the application and supporting affidavit of David Whyte be deemed effected on each of the members of the Equititrust Income Fund five (5) days after those documents are made available in PDF on the websites of “www.equititrust.com.au” and “www.equitrustincomefund.com.au”.
- d) pursuant to rule 116 of the Uniform Civil Procedure Rules 1999 (Qld) substituted service of any further documents to be relied upon by the court appointed receiver be deemed effected on each of the members of the Equititrust Income Fund five (5) days after those documents are made available in PDF on the websites of “www.equititrust.com.au” and “www.equitrustincomefund.com.au”.

The substantive application seeks orders for approval of remuneration totalling \$764,546.00 (plus GST) and outlays of \$18,533.71 (plus GST) for the period 22 November 2012 to 31 August 2012.

Regardless of the outcome of the application to waive the requirement to distribute the full application to all interested parties, the application for remuneration will be uploaded to the following websites for investors to review:

- [www.equititrust.com.au](http://www.equititrust.com.au); and
- [www.equitrustincomefund.com.au](http://www.equitrustincomefund.com.au)

The interlocutory application has been set down to be heard on Thursday, 11 October 2012, and the substantive application has been set down to be heard on Thursday, 25 October 2012.

## 7. Piper Alderman Class Action

I have been advised that Piper Alderman is continuing to progress the claims available to Unit Holders in relation to the Fund's demise. Unit holders wishing to be part of the anticipated action should contact Shaan Palmer of Piper Alderman on (02) 9253 9920.

## 8. Receiver's Remuneration & Expenses

I attach a remuneration summary covering the period from 21 November 2011 to 30 September 2012 in respect of fees incurred of \$852,960 plus outlays of \$24,873.94 plus GST. None of the fees have been drawn to date.

As noted above, I have prepared an application to the Court to seek approval of my fees for the period to 31 August 2012.

## 9. Updating your contact details

If investors wish to update their postal address or bank details, a request should be submitted in writing to the following address.

Equititrust Income Fund (Receiver appointed)  
C/- BDO  
GPO Box 457  
Brisbane QLD 4001

## 10. Queries

Monthly reports will continue to be uploaded to the websites [www.equititrust.com.au](http://www.equititrust.com.au) and [www.equitrustincomefund.com.au](http://www.equitrustincomefund.com.au).

The remaining staff and consultants engaged by me to assist in the winding up of the fund are located at the following address:

Postal Address: Equititrust Income Fund	Phone: 07 5510 4870
Wyndham Building	Fax: 07 5510 4907
Level 9, 1 Corporate Court	
BUNDALL QLD 4217	

Andrew Want of this office is, however, key point of contact for all investor queries. Andrew can be contacted by the following;

Phone: 07 3237 5999  
Email: [andrew.want@equitrustincomefund.com.au](mailto:andrew.want@equitrustincomefund.com.au)

Should investors have any queries in relation to the winding up of the Fund, they should contact my office on (07) 3237 5999 or by email at [info@bdo.com.au](mailto:info@bdo.com.au).

Yours faithfully,

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end.

David Whyte  
Receiver



Equititrust Income Fund (Receiver Appointed)  
21 November 2011 to 30 September 2012

Employee	Position	Rate	Total Units	Total \$	Administration		Assets		Creditors		Employees		Investigations		Trade-on	
					Units	\$	Units	\$	Units	\$	Units	\$	Units	\$	Units	\$
Whyte, David	Partner	560	179.80	100,688.00	26.50	14,840.00	102.80	57,568.00	3.80	2,128.00	0.20	112.00	0.00	0.00	46.50	26,040.00
Fielding, Andrew	Partner	545	0.40	218.00	0.40	218.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Newman, Helen	Partner	545	0.60	327.00	0.60	327.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Whyte, David	Partner	545	681.30	371,308.50	15.40	8,393.00	156.10	85,074.50	42.10	22,944.50	0.60	327.00	8.70	4,741.50	458.40	249,828.00
Somerville, John	Senior Manager	425	219.20	93,160.00	34.00	14,450.00	104.70	44,497.50	17.20	7,310.00	0.00	0.00	0.00	0.00	63.30	26,902.50
Brushe, David	Manager	390	2.50	975.00	2.50	975.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Brushe, David	Manager	375	146.20	54,825.00	28.00	10,500.00	86.20	32,325.00	1.80	675.00	0.00	0.00	1.50	562.50	28.70	10,762.50
Raphael, Alastair	Manager	375	0.80	300.00	0.80	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Somerville, John	Manager	375	121.20	45,450.00	24.40	9,150.00	69.50	26,062.50	7.50	2,812.50	0.00	0.00	0.50	187.50	19.30	7,237.50
Brown, Gareth	Supervisor	350	5.90	2,065.00	3.20	1,120.00	2.70	945.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bulda, Andrew	Supervisor	350	15.10	5,285.00	0.50	175.00	14.60	5,110.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Potts, Andrew	Supervisor	350	0.60	210.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	210.00	0.00	0.00	0.00	0.00
Dharmaratne, Michael	Senior Accountant I	310	0.40	124.00	0.00	0.00	0.40	124.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Boyes, Rebecca	Senior Accountant II	270	1.90	513.00	1.10	297.00	0.80	216.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Coulston, Jayden	Senior Accountant II	270	21.90	5,913.00	18.60	5,022.00	2.90	783.00	0.10	27.00	0.30	81.00	0.00	0.00	0.00	0.00
Want, Andrew	Senior Accountant II	270	218.70	59,049.00	213.40	57,618.00	2.90	783.00	0.00	0.00	0.00	0.00	0.00	0.00	2.40	648.00
Bauer, Kirsty	Senior Accountant II	260	8.00	2,080.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.00	2,080.00	0.00	0.00
Robotham, Scott	Senior Accountant II	260	0.20	52.00	0.20	52.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Want, Andrew	Senior Accountant II	260	337.50	87,750.00	319.30	83,018.00	2.10	546.00	5.40	1,404.00	0.00	0.00	0.00	0.00	10.70	2,782.00
Pembroke, Elle	Accountant I	220	0.90	198.00	0.90	198.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Coulston, Jayden	Accountant I	210	64.70	13,587.00	21.80	4,578.00	13.30	2,793.00	26.10	5,481.00	1.90	399.00	1.10	231.00	0.50	105.00
Jones, Annabel	Accountant I	210	17.30	3,633.00	17.30	3,633.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pembroke, Elle	Accountant I	210	8.00	1,680.00	7.60	1,596.00	0.00	0.00	0.40	84.00	0.00	0.00	0.00	0.00	0.00	0.00
Jones, Annabel	Accountant I	190	8.50	1,615.00	8.50	1,615.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gaspar, Michael	Accountant II	160	6.50	1,040.00	6.50	1,040.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gaspar, Michael	Accountant II	155	0.30	46.50	0.30	46.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Richardson, Ashley	Administrative Assistant	70	12.40	868.00	12.40	868.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL			2,080.80	852,960.00	764.20	220,029.50	559.00	256,827.50	104.40	42,866.00	3.60	1,129.00	19.80	7,802.50	629.80	324,305.50
GST				84,008.15												
TOTAL INC GST				924,089.65												
AVERAGE HOURLY RATE			410.80		288.26		460.33		410.14		313.61		394.07		515.42	

DISBURSEMENT REPORT

Equititrust Income Fund (Receiver Appointed)  
21 November 2011 to 30 September 2012

Item	
NSW Power of Attorney Transfer fee	90.45
Airfares	3,196.81
Travel - Mileage	5,224.90
Travel - Taxi	104.94
Travel - Car Rental	1,502.80
Parking	190.91
Courier	898.21
Mobile Internet	53.63
EIF - Photocopier install	255.00
Postage	3,443.52
Facsimile	7.00
Photocopying	7,891.80
Search Fee	2,013.97
Sub Total	24,873.94
GST	2,487.39
TOTAL	27,361.33