

TO INVESTORS

18 April 2012

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

I refer to the Administrators report to creditors pursuant to Section 439A of the Corporations Act 2001 dated 12 April 2012 and the meeting of creditors to be held at 11.00am on Friday, 20 April 2012 at the Watermark Hotel and Spa Gold Coast, 3032 Surfers Paradise Boulevard, Surfers Paradise, QLD 4217.

The Administrators report relates to issues for the consideration of the unsecured creditors of Equititrust Ltd (Administrators Appointed) (Receivers and Managers Appointed) (“Equititrust”).

The Administrators consider the investors of the EIF to be contingent creditors on the basis that the investors may have a claim against the responsible entity for breaching the Corporations Act.

There are several issues raised in the Administrators report that require consideration by investors of the EIF and which may have an impact on the return to investors. Given the potential impact on investors I consider it is appropriate for me to provide further information to investors that may assist investors in evaluating the position. Accordingly, I note the following:

1. Management Fee for 2011 Financial Year

I refer to Section 10.1.2 of the Administrators report. I note that the Administrators report states that the Administrators are currently taking legal advice in relation to their position vis a vis an amount of \$2.2M they were claiming from the EIF.

As stated at Section 9 of my report to investors dated 27 March 2012, I consider that there is an amount owing from Equititrust to the EIF as at the date of the Administrators appointment on 15 February 2012. It is my position that there is no amount payable to Equititrust in respect of a management fee or for outstanding expenses.

2. Administrators Claim for Expenses/Remuneration

Following the issue of the report to creditors dated 12 April 2012, my solicitors received a letter from the Administrators solicitors on Friday 13 April 2012.

Despite Richard Albarran’s assurances to the EIF investors at the first meeting of creditors on 27 February 2012 that the Administrators costs would not be claimed from the EIF, the Administrators are now seeking to claim significant costs incurred by them from the EIF pursuant to the indemnity provided to the Responsible Entity under the EIF Constitution.

The Administrators solicitors’ letter identifies expenses totalling \$160,504.80 which the Administrators contend fall within the terms of the indemnity in the EIF Constitution and are claimable by the Administrators from the EIF. The Administrators also contend remuneration

incurred in performing their statutory duties as Administrators of Equititrust also falls within the indemnity.

I note in their report to creditors that the Administrators are seeking fee approval of \$400,000 plus GST (and note that the work in progress is said to total an amount of \$650,000 plus GST to be incurred up to the meeting of creditors on 20 March 2012).

This equates to approximately \$72,000 per week since their appointment.

Solicitors instructed by me have written to the Administrators solicitors to seek to clarify the basis upon which the Administrators contend such remuneration and expenses are claimable from the EIF.

In the circumstances I have written to the Administrators seeking further information in relation to their claim for remuneration, particularly given the following context:

- All material assets are under the control of the Receivers of the EIF, EPF or Equititrust;
- The court order of 29 February 2012 that confirmed the role of the respective insolvency practitioners and which provides for me to continue to wind up the EIF in accordance with the court orders and without any involvement of the Administrators;
- The limited assets in the name of Equititrust in its own right.

I have asked the Administrators to table their response at the meeting of creditors on 20 April 2012.

3. Potential Replacement of Responsible Entity

Section 14 of the Administrators report discusses the potential replacement of the responsible entity and asks investors to complete a "survey form" to assist the Administrators in determining whether or not they should undertake further work in respect of same.

I note that the Administrators report does not state how much has been incurred by way of remuneration and legal and other expenses in considering this position. Further, the report does not disclose the likely cost to explore the position further and the timing and cost of any application to court to seek to vacate the current court orders to wind up the fund.

Again, I have asked the Administrators for further information in this respect and to table this at the forthcoming meeting of creditors.

I further note that the Administrators advise that three responsible entities have submitted proposals and these are attached to the report.

However, I note that the report does not contain the following information which I consider investors should be aware of in considering their position:

- It is my understanding that David Hickie of Lion Advantage has worked closely with Mark McIvor and Ross Honeyman for several months in devising the alternative strategy as proposed by Venture Axess Group Limited;
- As stated in the report, David Hickie was appointed a director of Equititrust on 12 January 2012
- David Hickie was introduced to me by Mark McIvor on 16 January 2012 when this strategy was discussed with me;
- David Hickie, through his consulting company, was engaged by Equititrust in November 2011;
- Mark McIvor and Ross Honeyman sought reimbursement from me of the consultancy fee in this respect which I refused to reimburse because it was not properly and reasonably incurred in the winding up of the fund;

- As detailed in my report to investors dated 21 February 2012 in considering the sale of a property both Mark Mclvor and David Hickie sought to prefer the interests of EPF investors over those of the EIF.

I note that the Administrators report states that Venture Axxess Fund Managers Limited has not to date amended its Australian Financial Services Licence from Wholesale to Retail and accordingly is not currently in a position to effectuate its proposal. In considering whether or not to explore the potential for a replacement responsible entity I recommend that investors consider, amongst other things, the following:

- The costs in respect of additional fees and legal and other expenses to be incurred by the Administrators in pursuing the strategy of replacing the responsible entity;
- The time it would take to call the investors meeting, liaise with ASIC and obtain a court hearing;
- The prospect of success in obtaining orders to overturn the current orders winding up the fund;
- The time and additional costs it would take for any replacement responsible entity to inform itself of the assets and devise strategies for their disposal;
- The costs of the new responsible entity versus the court appointed Receiver;
- The risk of diluting the return to investors if the Equititrust subordinated investment is converted to rank equally with ordinary investors. Based on the estimated return to investors in my report dated 1 February 2012 this could reduce investors return by approximately 17% which equates to a reduction of between \$11.3M and \$15.3M.

4. Contact Details

As previously advised, the staff and consultants engaged by me to assist in the winding up of the fund are located at the following address which should be used for all communications.

Postal Address: Equititrust Income Fund
Wyndham Building
Level 9, 1 Corporate Court
BUNDALL QLD 4217

Phone: 07 5510 4870
Fax: 07 5510 4907

5. Queries

Should investors have any queries in the above respect please contact the investors relations manager Trish Riley on (07) 5510 4870 or Andrew Want or Jayden Coulston of my office on (07) 3237 5711 or (07) 3237 5890 respectively.

Yours faithfully,



David Whyte
Receiver