



147 Collins Street  
Melbourne Vic 3000

GPO Box 2291U  
Melbourne Vic 3001  
Australia

ABN: 51 194 660 183  
Telephone: +61 3 9288 5555  
Facsimile: +61 3 9288 6666  
DX: 30824 Melbourne  
www.kpmg.com.au

TO THE INVESTOR

Our ref 10248456\_1

23 November 2010

Dear Sir / Madam

**The Unregistered Managed Investment Schemes detailed at Annexure A and associated Companies detailed at Annexure B (“the Letten Schemes”)  
(All Receivers and Managers Appointed)**

As you are aware, the Receivers sought directions from the Federal Court of Australia in relation to the distribution of the assets of the Schemes. Specifically, the Receivers applied to the Court for orders that the Receivers are justified in distributing the assets of the Letten Schemes on a pooled basis rather than winding up each of the Letten Schemes separately.

A Court hearing in relation to the Receivers’ application took place on 7 and 8 October 2010. Over 90 written submissions were made by Investors, all of which were reviewed and considered by the Court. A number of Investors (and some creditors) also attended the Court and made oral submissions at the hearing. The Receivers and ASIC also made submissions to the Court in writing and orally at the hearing in relation to the Receivers’ application.

The Court handed down its decision in relation to the Receivers’ application on 11 November 2010. The Court held that the Receivers are justified in distributing the assets of the Schemes on a pooled basis. The Honourable Justice Gordon referred in her decision to the prohibitive costs which would be involved in winding up each of the Letten Schemes separately and Her Honour commented that it is to no-one’s advantage that a very long time and very large costs be spent in working out the entitlements and liabilities on a Scheme by Scheme basis. A copy of the orders made by the Court and the Court’s reasons for the judgement are available at [www.kpmg.com.au/lettenschemes](http://www.kpmg.com.au/lettenschemes).

The orders which have been made by the Court permit the Receivers to undertake the following steps :

- 1 The proceeds of sale of the assets of each of the Letten Schemes and Letten Companies are to be first used to pay the priority receivership costs (as fixed by the Court), the claims of any secured creditors and unsecured creditors (to the extent there are any unsecured creditors entitled to be paid out of the assets of the Letten Schemes).
- 2 The remaining proceeds of sale (if any) of the assets of each of the Letten Schemes (including the Additional Letten Schemes) and Letten Companies are to be pooled and

placed into a Common Fund, to be distributed rateably to Investors in all of the Letten Schemes and any other claimants (after payment of any other receivership costs).

- 3 The Common Fund is to be managed by the Receivers and Managers and distributed to Investors and any other claimants, subject to Court supervision, and in accordance with a formal proof of claim process.

The Court's orders specifically do not affect the rights of any person to claim they have an entitlement to distribution from an asset of one of the Letten Schemes or Letten Companies which differs from the distribution that they would receive pursuant to the process outlined above.

There are a number of matters that must be resolved prior to any potential distribution of the Common Fund to Investors. The significant matters are:

- Finalise and settle the sale of the properties associated with the Low Head Joint Venture, Yarra Valley Golf Joint Venture, Glenbelle Project, Reef House Resort, Cimitiere House Joint Venture and the George Street Joint Venture;
- Realise Investors' interest in the SY21 Retail Complex Project;
- Pay all of the costs and expenses associated with the receiverships, including costs and expenses associated with continuing to trade and operate any business;
- Identify, adjudicate on and pay out (if appropriate) any secured and unsecured creditor claims against the relevant Letten Companies;
- Conclude discussions with the Australian Taxation Office on the tax treatment applicable for the Letten Schemes; and
- Conduct a formal proof of claim and distribution process in relation to the Common Fund.

Given the extent of these matters it is still expected to be a number of months before any distributions are made.

### **Distribution to Investors**

As previously advised, it is my estimate that Investors may receive a return on their investments of approximately 8 to 10 cents for every dollar invested (on a pooled basis). I draw investors' attention to the assumptions made in reaching this estimate which are outlined in my Circular to Investors dated 31 August 2010.

In the event that surplus funds are available in the Common Fund for distribution to Investors, the Receivers propose to undertake a proof of claim process in accordance with the Orders of the Federal Court set out above to determine Investors' and other claimants' entitlements to claim on the Common Fund. This process will operate in conformity (to the extent possible)

**TO THE INVESTOR**  
*The Unregistered Managed Investment Schemes  
detailed at Annexure A and associated Companies  
detailed at Annexure B ("the Letten Schemes")  
(All Receivers and Managers Appointed)  
23 November 2010*

with the proof of debt or claim process applicable in a company liquidation. As part of this process, at the earliest appropriate time, the Receivers propose to:

- send a circular to all Investors in each of the Schemes calling for their proof of claim forms and supporting evidence of claims;
- review and determine Investors' and any other claimants' claims on the Common Fund; and
- distribute the Common Fund to Investors and any other claimants once claims have been determined.

Should any Investor or any other claimants be dissatisfied with a determination of their claim by the Receivers as part of this process, they have the right to appeal to the Federal Court of Australia.

Should you have any queries please contact us on 1800 882 944 or send an email to [lettenschemes@kpmg.com.au](mailto:lettenschemes@kpmg.com.au).

Yours faithfully



Damian Templeton  
Receiver and Manager