

SUPREME COURT OF QUEENSLAND

REGISTRY: Brisbane
NUMBER: BS3508/2015

IN THE MATTER OF LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION)
(RECEIVERS APPOINTED)
ACN 077 208 461

First Applicant: JOHN RICHARD PARK AS LIQUIDATOR OF LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED) ACN 077 208 461 THE RESPONSIBLE ENTITY OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288

AND

Second Applicant: LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION) (RECEIVERS AND MANAGER APPOINTED) ACN 077 208 461 THE RESPONSIBLE ENTITY OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288

AND

First Respondent: DAVID WHYTE AS THE PERSON APPOINTED TO SUPERVISE THE WINDING UP OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288 PURSUANT TO SECTION 601NF OF THE CORPORATIONS ACT 2001

AND

Second Respondent: SAID JAHANI IN HIS CAPACITY AS RECEIVER AND MANAGER OF THE ASSETS, UNDERTAKINGS, RIGHTS AND INTERESTS OF LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED) ACN 077 208 461 AS THE RESPONSIBLE ENTITY OF THE LM CURRENCY PROTECTED AUSTRALIAN INCOME FUND ARSN 110 247 875 AND THE LM INSTITUTIONAL CURRENCY PROTECTED AUSTRALIAN INCOME FUND ARSN 122 052 868

INDEX OF EXHIBITS

Volume 1 of 3

No.	Index to "DW-130"	Date	Page No.
VOLUME 1			
1.	Orders of Dalton J dated 21 August Orders of Jackson J made on 17 December 2015 and 18 July 2018 in proceeding 3508/15	Various	1 - 13
2.	Replacement Constitution of LM First Mortgage Income Fund	10.04.2008;	14 - 77

CERTIFICATE OF EXHIBIT:

Form 47, R.435

Filed on behalf of the First Respondent

TUCKER & COWEN
Solicitors
Level 15, 15 Adelaide Street
Brisbane, Qld, 4000
Tel: (07) 300 300 00
Fax: (07) 300 300 33

	and variations thereto	16.05.2012; 26.10.2012	
3.	Product Disclosure Statement of FMIF and supplementary Product Disclosure Statements	10.04.2008; 30.10.2009; 3.3.2009; 28.11.2008	78 - 160
4.	Custody Agreement between LMIM and PTAL, together with the following relevant amendments:	4.02.1999	161 – 197
	(a) Amendment to agreement by letter	14.06.1999	198 – 200
	(b) Amending Deed	1.09.2004	201 – 206

SUPREME COURT OF QUEENSLAND

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AND

First Respondent: DAVID WHYTE AS THE PERSON APPOINTED TO SUPERVISE THE WINDING UP OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288 PURSUANT TO SECTION 601NF OF THE CORPORATIONS ACT 2001

AND

Second Respondent: SAID JAHANI IN HIS CAPACITY AS RECEIVER AND MANAGER OF THE ASSETS, UNDERTAKINGS, RIGHTS AND INTERESTS OF LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION) (RECEIVERS AND MANAGERS APPOINTED) ACN 077 208 461 AS THE RESPONSIBLE ENTITY OF THE LM CURRENCY PROTECTED AUSTRALIAN INCOME FUND ARSN 110 247 875 AND THE LM INSTITUTIONAL CURRENCY PROTECTED AUSTRALIAN INCOME FUND ARSN 122 052 868

CERTIFICATE OF EXHIBIT

VOLUME 1 OF 3

Exhibit "DW-130" (pages 1 to 206) to the Affidavit of DAVID WHYTE sworn this

18th

day of February

2019



Deponent



Solicitor/A Justice of the Peace

CERTIFICATE OF EXHIBIT:

Form 47, R.435

Filed on behalf of the First Respondent

TUCKER & COWEN

Solicitors

Level 15, 15 Adelaide Street

Brisbane, Qld, 4000

Tel: (07) 300 300 00

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Duplicate

SUPREME COURT OF QUEENSLAND

REGISTRY: Brisbane
NUMBER: 3383/13

Applicants: RAYMOND EDWARD BRUCE AND VICKI
PATRICIA BRUCE

AND

First Respondent: LM INVESTMENT MANAGEMENT LIMITED
CAPACITY (IN LIQUIDATION) ACN 077 208 461 IN ITS
MORTGAGE AS RESPONSIBLE ENTITY OF THE LM FIRST
INCOME FUND

AND

Second Respondent: THE MEMBERS OF THE LM FIRST
MORTGAGE INCOME FUND ARSN 089 343 288

AND

Third Respondent: ROGER SHOTTON

AND

Intervener: AUSTRALIAN SECURITIES & INVESTMENTS
COMMISSION

ORDER

Before: Justice Dalton

Date: 21 August, 2013

Initiating document: Application filed 29 April, 2013 by Roger Shotton and
Application filed 3 May 2013 by Australian Securities
and Investments Commission ("Applications").

THE ORDER OF THE COURT IS THAT:

- 1. Pursuant to section 601ND(1)(a) of the Corporations Act 2001 (Cth)
("the Act") LM Investment Management Limited (Administrators



ORDER
Form 59 R.661

Filed on behalf of the Third Respondent

TUCKER & COWEN
Solicitors
Level 15
15 Adelaide Street
Brisbane, Qld, 4000.
Fax: (07) 300 300 33

Appointed) ACN 077 208 461 ("LMIM") in its capacity as Responsible Entity of the LM First Mortgage Income Fund is directed to wind up the LM First Mortgage Income Fund ARSN 089 343 288 ("FMIF") subject to the orders below.

2. Pursuant to section 601NF(1) of the Act, David Whyte ("Mr Whyte"), Partner of BDO Australia Limited ("BDO"), is appointed to take responsibility for ensuring that the FMIF is wound up in accordance with its constitution ("the Appointment").
3. Pursuant to section 601NF(2), that Mr Whyte:-
 - (a) have access to the books and records of LMIM which concern the FMIF;
 - (b) be indemnified out of the assets of the FMIF in respect of any proper expenses incurred in carrying out the Appointment;
 - (c) be entitled to claim remuneration in respect of the time spent by him and by employees of BDO who perform work in carrying out the Appointment at rates and in the sums from time to time approved by the Court and indemnified out of the assets of the FMIF in respect of such remuneration.
4. Nothing in this Order prejudices the rights of:
 - (a) Deutsche Bank AG pursuant to any securities it holds over LMIM or the FMIF; or
 - (b) the receivers and managers appointed by Deutsche Bank AG, Joseph David Hayes and Anthony Norman Connelly.
5. Pursuant to sections 601NF (2) of the Act, Mr Whyte is appointed as the receiver of the property of the FMIF.
6. Pursuant to sections 601NF (2) of the Act, Mr Whyte have, in relation to the property for which he is appointed receiver pursuant to paragraph 5 above, the powers set out in section 420 of the Act.
7. Without derogating in any way from in any way from the Appointment or the Receiver's powers pursuant to these Orders, Mr Whyte is authorised to:
 - (a) take all steps necessary to ensure the realisation of property of FMIF held by LM Investment Management Limited (Administrators Appointed) ACN 077 208 461 as Responsible Entity of the FMIF by exercising any legal right of LM Investment Management Limited (Administrators Appointed) ACN 077 208 461 as Responsible Entity of the FMIF in relation to the property, including but not limited to:

- (i) providing instructions to solicitors, valuers, estate agents or other consultants as are necessary to negotiate and/or finalise the sale of the property;
 - (ii) providing a response as appropriate to matters raised by receivers of property of LMIM as Responsible Entity of the FMIF to which receivers have been appointed;
 - (iii) dealing with any creditors with security over the property of the FMIF including in order to obtain releases of security as is necessary to ensure the completion of the sale of property;
 - (iv) appointing receivers, entering into possession as mortgagee or exercising any power of sale; and
 - (v) executing contracts, transfers, releases, or any such other documents as are required to carry out any of the above; and
- (b) bring, defend or maintain any proceedings on behalf of FMIF in the name of LM Investment Management Limited (Administrators Appointed) ACN 077 208 461 as is necessary for the winding up of the FMIF in accordance with clause 16 of its constitution, including the execution of any documents as required and providing instructions to solicitors in respect of all matters in relation to the conduct of such proceedings including, if appropriate, instructions in relation to the settlement of those actions.
8. The First Respondent must, within 2 business days of the date of this Order:
- (a) send an email to all known email addresses held by the First Respondent for Members of the FMIF notifying of Mr Whyte's appointment, and a copy of this Order; and
 - (b) make a copy of this order available, in PDF form, on:
 - (i) its website www.lmaustralia.com, together with a link to the www.bdo.com.au website;
 - (ii) its website www.lminvestmentadministration.com, together with a link to the www.bdo.com.au website.
9. The costs of the Third Respondent, Roger Shotton, of and incidental to the Applications, including reserved costs, shall be assessed on the indemnity basis, and shall be paid from the FMIF.
10. All other questions of costs of or incidental to the Applications and the Application filed 15 April 2013 by Raymond and Vicki Bruce are adjourned to a date to be fixed by the Court.

IT IS DIRECTED THAT:

11. Any party wishing to contend that the First Respondent is not entitled to indemnity from the ~~FMI~~^{FMI} in relation to the Applications shall file an application to be heard and determined at the same time as the other issues as to costs.
12. Any application for the costs of complying with subpoenas issued in the proceedings are adjourned to a date to be fixed, and any time limitation imposed by rule 418 (5) of the UCPR is extended pursuant to rule 7 of the UCPR, to allow for the hearing of any such application at the date to be fixed.

Signed: *nl*

Duplicate

SUPREME COURT OF QUEENSLAND

REGISTRY: Brisbane
NUMBER: 3508 of 2015

IN THE MATTER OF LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION)(RECEIVERS APPOINTED) ACN 077 208 461

First Applicants: JOHN RICHARD PARK AND GINETTE DAWN MULLER AS LIQUIDATORS OF LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION) (RECEIVERS APPOINTED) ACN 077 208 461 THE RESPONSIBLE ENTITY OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288

AND

Second Applicant: LM INVESTMENT MANAGEMENT LIMITED (IN LIQUIDATION) (RECEIVERS APPOINTED) ACN 077 208 461 THE RESPONSIBLE ENTITY OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288

AND

Respondent: DAVID WHYTE AS THE PERSON APPOINTED TO SUPERVISE THE WINDING UP OF THE LM FIRST MORTGAGE INCOME FUND ARSN 089 343 288 PURSUANT TO SECTION 601NF OF THE CORPORATIONS ACT 2001

ORDER

Before: Jackson J
Date: 17 December 2015
Initiating document: Originating Application filed 8 April 2015; Amended Originating Application filed 20 July, 2015; Further Amended Originating Application filed 16 December, 2015

THE ORDER OF THE COURT IS THAT:-

1. In respect of the 60 members of the LM First Mortgage Income Fund ARSN 089 343 288 ("FMIF") to whom reference is made in paragraph 26 of the Affidavit of Murray Daniel sworn on 17 July 2015 and filed on 20 July 2015, the notice sent to those members in the manner described in paragraphs 27 to 30 of the Affidavit of Mr Daniel is taken to be sufficient notice for the purposes of Order 4(ii) of the Order of this Court made on 7 May 2015.

ORDER

Form 59 R.661

Filed on behalf of the Respondent

Tucker + Cowen Solicitors
15 Adelaide Street 5
BRISBANE, QLD 4001

2. Subject to the matters expressly set out in this Order, nothing in this Order derogates from the powers and rights conferred upon David Whyte (“**Mr Whyte**”) by Order of this Court dated 21 August 2013 in proceeding BS3383 of 2013 (the “**existing Order**”) as the person appointed:
 - (a) to take responsibility for ensuring that the FMIF is wound up in accordance with its constitution (“**the Appointment**”); and
 - (b) as the receiver of the property of the FMIF.
3. Pursuant to section 601NF(2) of the *Corporations Act 2001* (“**the Act**”) Mr Whyte is empowered to determine, in accordance with paragraphs 4 to 10 herein, whether, and if so to what extent, the Second Applicant (“**LMIM**”) is entitled to be indemnified from the property of the FMIF in respect of any expense or liability of, or claim against, LMIM in acting as Responsible Entity of the FMIF.
4. The First Applicants (“**the Liquidators**”) are directed to:-
 - (a) ascertain the debts payable by, and the claims against, LMIM in accordance with the Act;
 - (b) adjudicate upon those debts and claims in accordance with the provisions of the Act;
 - (c) identify whether LMIM has a claim for indemnity from the property of the FMIF in respect of any, or any part of any, debt payable by or claim against LMIM which is admitted by the Liquidators in the winding up of LMIM (each such claim for indemnity referred to below as a “**Creditor Indemnity Claim**”);
 - (d) identify whether LMIM has (at the date of this Order and from time to time) a claim for indemnity from the property of the FMIF in respect of any, or any part of any, expense or liability incurred by John Richard Park and Ginette Dawn Muller in acting as administrators or liquidators of LMIM (whether incurred in their own name or in the name of LMIM) insofar as the expense or liability was or is incurred in connection with LMIM acting as Responsible Entity for the FMIF (each such claim for indemnity referred to below as an “**Administration Indemnity Claim**”); and
 - (e) identify whether LMIM has a claim for indemnity from the property of the FMIF in respect of any, or any part of any, other expense or liability incurred and paid by LMIM in its capacity as Responsible Entity for the FMIF or by John Richard Park and Ginette Dawn Muller in acting as administrators or liquidators of LMIM (whether incurred in their own name or in the name of LMIM) insofar as the expense or liability was or is incurred in connection with LMIM acting as Responsible Entity for the FMIF (being an expense or liability to which paragraphs 4(c) and 4(d) above do not apply) (each such claim for indemnity referred to below as a “**Recoupment Indemnity Claim**”).

5. Within sixty days of the date of this Order the Liquidators must notify Mr Whyte in writing of any Administration Indemnity Claim and any Recoupment Indemnity Claim identified by the Liquidators as at the date of this Order.

6. Within 14 days after:-

- (a) any debt or claim is admitted by the Liquidators in the winding up of LMIM and, in respect of such debt or claim, a Creditor Indemnity Claim is identified by the Liquidators;
- (b) any Administration Indemnity Claim (being one to which paragraph 5 of this Order does not apply) is identified by the Liquidators; or
- (c) any Recoupment Indemnity Claim (being one to which paragraph 5 of this Order does not apply) is identified by the Liquidators,

the Liquidators must notify Mr Whyte in writing of such claim.

7. When notifying Mr Whyte of a claim in accordance with paragraphs 5 or 6 of this Order (each such claim for indemnity referred to below as an “**Eligible Claim**”), the Liquidators must:-

- (a) Provide Mr Whyte with:-
 - (i) (if the Eligible Claim is a Creditor Indemnity Claim) a copy of the relevant proof of debt and supporting documentation relating to the Eligible Claim; and
 - (ii) Such other information the Liquidators consider relevant to LMIM’s claim for indemnity from the property of the FMIF;
- (b) Within 14 days of receipt of a request from Mr Whyte pursuant to paragraph 8(a) below for further information in respect of an Eligible Claim, provide such reasonably requested further information to Mr Whyte.

8. Mr Whyte is directed to:-

- (a) Within 14 days of receipt of an Eligible Claim, request any further material or information he reasonably considers necessary to assess the Eligible Claim;
- (b) Within 30 days of receipt of an Eligible Claim or of the information requested in accordance with paragraph 8(a) above (whichever is the later):-
 - (i) accept the Eligible Claim as one for which LMIM has a right to be indemnified from the property of the FMIF; or
 - (ii) reject the Eligible Claim; or
 - (iii) accept part of it and reject part of it;

and give to the Liquidators written notice of his determination; and

- (c) If Mr Whyte rejects an Eligible Claim, whether in whole or in part, provide the Liquidators with written reasons for his decision when, or within 7 days after, giving notice of his determination.
9. Within 28 days of receiving notification from Mr Whyte of the reasons for rejecting, in whole or in part, any Eligible Claim (“**Rejected Claim**”), the Liquidators:-
- (a) may make an application to this Honourable Court for directions as to whether or not the Eligible Claim is or is not one for which LMIM has a right of indemnity out of the scheme property of the FMIF; or
 - (b) must notify the relevant creditor for any Rejected Claim of:-
 - (i) Mr Whyte’s decision;
 - (ii) any reasons provided by Mr Whyte for that decision;
 - (iii) any material provided pursuant to paragraphs 6, 7 or 8 hereof; and
 - (iv) whether they intend to make an application for directions in respect of the Rejected Claim pursuant to paragraph 9(a) hereof.
10. Mr Whyte has liberty to apply to the Court for direction in respect of any question arising in connection with his consideration or payment of an Eligible Claim.
11. Pursuant to section 601NF(2) of the Act, the parties are directed that for so long as the Appointment and the appointment of Mr Whyte as receiver of the property of the FMIF continue, LMIM shall not be responsible for, and is not required to discharge, the functions, duties and responsibilities set out in clauses 16.7(c), 16.7(f), 16.7(g) and 18.2 of the constitution of the FMIF.
12. Pursuant to section 601NF(2) of the Act, Mr Whyte is directed not to make any distribution to the members of the FMIF, without the authority of a further Order of the Court.
13. Pursuant to section 601NF(2) of the Act:-
- (a) the Liquidators are directed not to carry out the functions of LMIM pursuant to clauses 9, 10 and 22 of the constitution of the FMIF;
 - (b) LMIM is relieved of the obligations imposed by clauses 9, 10 and 22 of the constitution of the FMIF; and
 - (c) Mr Whyte is authorised and empowered to exercise the powers of, and is responsible for the functions of, the Responsible Entity as set out in Clauses 9, 10 and 22 of the constitution of the FMIF.

14. Pursuant to section 601NF(2) of the Act:
 - (a) Mr Whyte is directed to apply to ASIC to obtain relief from the financial reporting and audit obligations imposed by Part 2M.3 of the Act and section 601HG of the Act; and
 - (b) in the event that the parties are unable to obtain relief from those financial reporting and audit obligations, then Mr Whyte is directed to provide to LMIM all reasonably requested information as is necessary to enable LMIM to comply with the financial reporting obligations imposed on LMIM as responsible entity of the FMIF under Part 2M.3 of the Act and the constitution of the FMIF.
15. Pursuant to section 1322(4)(c) of the Act, Mr Park and Ms Muller are relieved in whole from any civil liability in respect of a contravention or failure to discharge LMIM's financial reporting obligations under Part 2M.3 of the Act for the period from 19 March 2013 to 31 December 2015.
16. Nothing in this Order prejudices the rights of:
 - (a) Deutsche Bank AG pursuant to any securities it holds over LMIM or the FMIF; or
 - (b) The receivers and managers appointed by Deutsche Bank AG, Joseph David Hayes and Anthony Norman Connolly.
17. The Liquidators are directed to notify any claim for the reasonable costs and expenses of LMIM of carrying out the work it is required to do by and under this order as an Administration Indemnity Claim under paragraph 4 and may make such a claim from time to time.
18. The Liquidators are entitled to claim reasonable remuneration in respect of the time spent by them and employees of FTI Consulting who perform work in carrying out the work they are required to do by and under this order in connection with the FMIF at rates and in the sums from time to time approved by the Court and to be indemnified out of the assets of the FMIF in respect of such remuneration.
19. Service of the Further Amended Originating Application dated 16 December, 2015 ("**the Further Application**") under s.96 of the Trusts Act be effected on the members of the LM Cash Performance Fund ARSN 087 304 032, the LM Currency Protected Australian Income Fund ARSN 110 247 875, the LM Institutional Currency Protected Australian Income Fund ARSN 122 052 868, the LM Australian Income Fund ARSN 133 497 917 and the LM Australian Structured Products Fund ARSN 149 875 669 ("**Other Funds**") and on the members of the FMIF as follows:-
 - (a) by the First Applicants uploading to the website www.lminvestmentadministration.com copies of this application, the statement of facts to be filed, the Notice to Members in the form of Schedule 7 to the Further Application ("**the Notice**"), any order made as to service and the substantive affidavits (including all the exhibits) that the First Applicants intend to rely upon in support of the Further Application;

- (b) by the Respondent sending by email to those members of the FMIF for whom an email address is recorded, the Notice and stating that they may view all substantive Court documents upon which the First Applicants intend to rely on the website www.lminvestmentadministration.com;
 - (c) by the First Applicants sending by email to those members of the Other Funds for whom an email address is recorded, the Notice and stating that they may view all substantive Court documents upon which the First Applicants intend to rely on the website www.lminvestmentadministration.com;
 - (d) where the First Applicants receive a response to an email that indicates the email was not received, or if the First Applicants do not hold an email address for any member, and the First Applicants have a postal address for those members, the First Applicants are to post the Notice to the postal address of those members; and
 - (e) where the Respondent receives a response to an email that indicates the email was not received, or if the Respondent does not hold an email address for any member, and the Respondent has a postal address for those members, the Respondent is to post the Notice to the postal address of those members.
20. That service of the Further Amended Originating Application under s.511 of the Act be effected on the creditors of the Second Applicant as follows:-
- (a) by the First Applicants uploading to the website www.lminvestmentadministration.com copies of this application, the statement of facts to be filed, the Notice to Creditors in the form of Schedule 8 to the Further Application (“**the Creditors’ Notice**”), any order made as to service and the substantive affidavits (including all the exhibits) that the First Applicants intend to rely upon in support of the Further Application;
 - (b) by sending by email to those creditors of the Second Applicant, for whom an email address is recorded, the Creditors’ Notice and stating that they may view all substantive Court documents upon which the First Applicants intend to rely in support of the Further Application on the website www.lminvestmentadministration.com; and
 - (c) where the First Applicants receive a response to an email that indicates the email was not received, or if the First Applicants do not hold an email address for any creditor, and the First Applicants have a postal address for those creditors, the First Applicants are to post the Creditors’ Notice to the postal address of those creditors.
21. That service of the Further Application in accordance with any orders made be deemed to be effective on each of the members of the FMIF and Other Funds and the creditors of the Second Applicant.
22. That, where the First Applicants propose to rely on further material in support of the Further Application, they may serve that material by uploading the material to the website and sending notice by email or, where the First Applicants do not hold a

valid email address, by post to those members or creditors, with such notice to direct the members or creditors to the further material which has been uploaded at the website www.lminvestmentadministration.com.

23. That the First Applicants and Respondent not be required to take further steps to serve the members of the FMIF, the Other Funds or creditors of the Second Applicant whose email addresses return permanent undeliverable receipts and for whom the First Applicants or the Respondent (as the case requires) do not have a postal address.
24. That the Respondent be at liberty to upload any material served by the Applicants on the website lmfmif.com.
25. Directions for the hearing of the relief sought by the Further Application as follows:-
 - (a) by no later than 27 January, 2016, the Applicants are to file any affidavit material in support of the Further Application;
 - (b) by no later than 27 January, 2016, the Applicants are to serve, pursuant to Part 4 of Chapter 4 of the Uniform Civil Procedure Rules 1999 (Qld), this Further Amended Originating Application and any supporting affidavit material on which the Applicants intend to rely, on the Respondent;
 - (c) by no later than 4 February, 2016, any party other than the Respondent who wishes to appear at the hearing of the Further Application shall file and serve, at the Applicants' address for service, a Notice of Appearance in Form 4;
 - (d) by no later than 18 February, 2016, the Respondent is to file and serve any affidavit upon which he intends to rely at the hearing of the Further Application;
 - (e) by no later than 18 February, 2016, any party other than the Respondent who has filed a Notice of Appearance in accordance with sub-paragraph (c) herein is to file any affidavit upon which it intends to rely at the hearing of the Further Application.
26. The parties' costs of and incidental to this application, including the costs reserved by Orders of this Court on 7 May 2015, be paid out of the assets of the FMIF on the indemnity basis.
27. Any person affected by these Orders has liberty to apply.
28. The Further Amended Originating Application filed 15 December, 2015 is otherwise adjourned to 10am on 22 February, 2016.

Signed:



Deputy Registrar

- 1 AUG 2018

SUPREME COURT OF QUEENSLAND

FILED
BRISBANE

REGISTRY: BRISBANE

NUMBER: BSBS3508/2015

Applicant: JOHN RICHARD PARK AND GINETTE DAWN MULLER
AS LIQUIDATOR OF LM INVESTMENT MANAGEMENT
LIMITED (IN LIQUIDATION) (RECEIVERS AND
MANAGERS APPOINTED) ACN 007 208 461 THE
RESPONSIBLE ENTITY OF THE LM FIRST MORTGAGE
INCOME FUND ARSN 089 343 288

AND

Second Applicant : LM INVESTMENT MANAGEMENT LIMITED (IN
LIQUIDATION) (RECEIVERS APPOINTED) ACN 077 208
461 THE RESPONSIBLE ENTITY OF THE LM FIRST
MORTGAGE INCOME FUND ARSN 089 343 288

AND

Respondent: DAVID WHYTE AS THE PERSON APPOINTED TO
SUPERVISE THE WINDING UP OF THE LM FIRST
MORTGAGE INCOME FUND ARSN 089 343 288
PURSUANT TO SECTION 601NF OF THE
CORPORATIONS ACT 2001

ORDER

Before: Jackson J
Date: 18 July 2018
Initiating document: Application filed on 13 July 2018.

THE ORDER OF THE COURT IS THAT:

1. The Second Applicant be included as an applicant in respect of this application.
2. Pursuant to section 601NF(2) of the *Corporations Act* 2001 (Cth) ("the Act"), it is directed that:
 - (a) any further claim by the Liquidators for an indemnity and/or payment from the FMIF for their reasonable costs or expenses of carrying out the work they or

ORDER
Filed on behalf of the Applicants
Form 59, Version 1
Uniform Civil Procedure Rules 1999
Rule 661

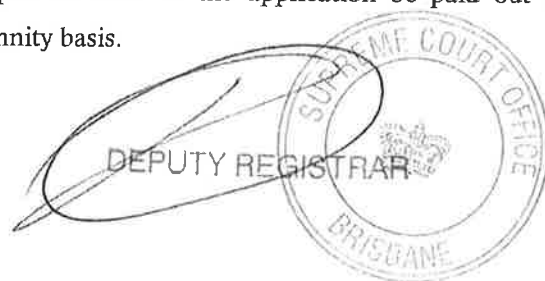
Russells
Level 18, 300 Queen Street
Brisbane QLD 4000
Tel: (07) 3004 8888
Fax: (07) 3004 8899
Ref: JTW:20131259



LMIM are required to do by and under the Order of Justice Jackson dated 17 December 2015 (“~~the December Orders~~”) in connection with the FMIF (not being the subject of a claim already made under the December Orders) be submitted to the Court for approval under paragraph 3 of this order, and not to Mr Whyte under paragraph 6 of the December Orders; and

- (b) paragraph 17 of the December Orders ceases to have effect on and from the date of this Order, except as to any claims already notified thereunder.
3. The Liquidators are entitled to claim their further reasonable costs and expenses of carrying out the work they or LMIM are required to do by and under the December Orders in connection with the FMIF, not being the subject of a claim already made under the December Orders, and to be paid therefore out of the assets of the FMIF, in such amounts as are approved by the Court from time to time.
4. The Liquidators notify Mr Whyte of any application to the Court for approval of:
 - (a) reasonable remuneration under paragraph 18 of the December Orders; or
 - (b) costs or expenses under paragraph 2 of this order.at least 14 days in advance of the hearing of that application.
5. Pursuant to rule 69(1) of the *Uniform Civil Procedure Rules 1999* (Qld), Ginette Dawn Muller be removed as a party to the proceeding, with effect from 18 July 2018.
6. The parties’ costs of the application be paid out of the assets of the FMIF on the indemnity basis.

Signed:



LM INVESTMENT MANAGEMENT LIMITED

ABN 68 077 208 461

Australian Financial Services Licensee 220281

AND

THE MEMBERS AS THEY ARE CONSTITUTED

FROM TIME TO TIME OF THE

LM FIRST MORTGAGE INCOME FUND

ARSN 089 343 288

**REPLACEMENT
CONSTITUTION**

DEED made this 10 day of April 2008

BETWEEN: LM INVESTMENT MANAGEMENT LIMITED ACN 077 208 461 a company duly incorporated in Queensland having its registered office at Level 4, RSL Centre, 9 Beach Road, Surfers Paradise in the State of Queensland (the Responsible Entity hereinafter referred to as the "RE")

AND: All those persons who from time to time apply for Units and are accepted as Unitholders of the Scheme ("the Members")

WHEREAS:

- A. The RE holds a responsible entity's licence from the ASIC.
- B. The RE established a pooled mortgage unit trust called the LM Mortgage Income Fund on 28 September 1999. From 31 May 2007 the LM Mortgage Income Fund will be known as the LM First Mortgage Income Fund.
- C. By applying to invest in this Scheme through a PDS a person will become a Member and be bound by this Constitution.
- D. Clause 26.1(b) and section 601GC(1)(b) of the Law allow the RE to modify or repeal and replace the Constitution where the RE reasonably considers the change will not adversely affect Members' rights. The RE is satisfied the amendments contemplated by this replacement Constitution will not adversely affect Members' rights.
- E. Accordingly with effect from the date of this deed poll, the existing constitution of the Scheme is repealed and replaced with this Constitution.
- F. This Constitution is made with the intent that the benefits and obligations hereof will enure not only to the RE but also to the extent provided herein to every person who is or becomes a Member.

IT IS AGREED:

1. **DICTIONARY AND INTERPRETATION**

1.1 **Dictionary of Terms**

In this Constitution:

"Accounting Standards" means the accounting standards and practices determined under clause 1.3;

"Adviser" means the financial adviser who has offered Unit/s in this Scheme to a Member;

"Applicant" anyone who submits an application for Unit/s in the Scheme in accordance with the PDS;

"Application" means a request from a Member to the RE to issue Units in a managed investment scheme pursuant to an Arrangement;

"Application Form" an application in writing for Unit/s in the Scheme attached to the PDS.

"Application Money" the amount received from an Applicant when lodging the

Application in respect of the Unit/s applied for in accordance with the PDS;
"Arrangement" means a written arrangement between the RE and a Member that sets out the circumstances in which Applications for Units in registered schemes operated by the RE, may be accepted;

"ASIC" the Australian Securities and Investments Commission;

"ASIC Instrument" means:

- (a) an exemption or modification granted by ASIC in accordance with Part 5C.11 of the Law; or
- (b) any other instrument issued by ASIC under a power conferred on ASIC which relates to the RE or the Scheme

"Auditor" means the auditor of the Scheme appointed by the RE under clause 27.1 and shall be qualified to act as a registered scheme auditor pursuant to the Law;

"Authorised Investments" means

- (a) monies deposited (whether secured or unsecured) with a Bank, or any corporation related to a Bank or other corporation or monies deposited with any trustee company, fund, bills of exchange, certificates of deposit and negotiable certificates of deposit issued by a Bank or similar instrument accepted and endorsed by a Bank;
- (b) any investments the time being authorised by the laws of the Commonwealth of Australia or any State or Territory thereof for the investment of trust funds;
- (c) monies deposited with an authorised short term money market dealer as such expression is used in section 65 of the Law;
- (d) any investment in or acquisition of cash, stocks, bonds, notes or other securities or derivatives issued by the Government of Australia, any other country, any company, corporation, body corporate, association, firm, mutual fund or unit trust;
- (e) any investment in or acquisition of options, entitlements or rights to any of the securities or derivatives referred to in clause (d) of this provision;
- (f) real property or interests in real property whether by acquisition of units in unit trusts or otherwise;
- (g) interests in any registered managed investment scheme (as defined in the Law) including but not limited to any scheme of which the RE acts as RE;

- (h) making loans to any person or company with or without interest, whether secured or unsecured, and for any period whatsoever; and
- (i) the acquisition of foreign currencies, hedging contracts, commodity contracts of any kind which are quoted on a financial market (as defined in the Law).

"Bank" has the meaning given to an ADI in section 5 of the Banking Act 1959 (Cth) and also includes an ADI constituted by or under a law of the State or Territory and a foreign ADI as that term is defined in section 5 of the Banking Act 1959 (Cth).

"Borrower" any person who applies to the Scheme to borrow Scheme Property and who is approved by the RE;

"Business Day" any day on which trading Banks are generally open for business on the Gold Coast, Queensland;

"Class" means a class of Units, being Units which have the same rights.

"Commencement Date" means the date of registration of the Scheme;

"Compliance Committee" the Compliance Committee of the RE.

"Compliance Plan" means the Compliance Plan for the Scheme lodged at the ASIC on Scheme registration;

"Constitution" this document including any Schedule, Annexure or Amendments to it and which also means the Unit Trust Deed;

"Custodian" Permanent Trustee Australia Limited ACN 008 412 913;

"Custody Agreement" an agreement dated the 4th day of February, 1999 and any further amendments entered into between the Custodian and the RE;

"Development Loan" a loan to fund the construction of a building on mortgaged property which is to be drawn down before completion of the building;

"Differential Fee Arrangement" means an arrangement pursuant to Class Order [CO 03/217] which provides an exemption from S601FC(1)(d) of the Law in relation to differential fee arrangements offered to investors investing in the Fund as a Wholesale Investor, within the meaning of Wholesale Client in Section 761G of the Corporations Act;

"Distributable Income" has the meaning given in clause 11.3;

"Distribution Period" is the relevant period referred to in clause 12.1;

"Dollars", "A\$" and "\$" mean the lawful currency of the Commonwealth of Australia;

"Extraordinary Resolution" means a resolution of which notice has been given in accordance with this Constitution and the Law and that has been passed by

at least 50% of the total votes that may be cast by Members entitled to vote on the resolution (including Members who are not present in person or by proxy);

"Financial Year" means the period of 12 months ending on the 30th day of June in each year during the continuance of this Constitution and includes the period commencing on the date the trust was established and expiring on the next succeeding 30th day of June and any period between the 30th day of June last occurring before the termination of the trust and the termination of the trust;

"FICS" means the Financial Industry Complaints Service Limited;

"GST" means a tax, impost or duty on goods, services or other things imposed by any fiscal, national, state, territory or local authority or entity and whether presently imposed or novel, together with interest or penalties either before or after the date of this Constitution;

"Income" means all amounts which are, or would be recognised as, income by the application of the Accounting Standards;

"Issue Price" means the price at which a Unit is issued calculated in accordance with clause 6.

"Investment Term" means the initial fixed investment term selected by the Member when they invest in the Scheme for a fixed term, and any subsequent fixed term for the investment where the investment is rolled over for that subsequent term, but does not include any fixed term under a Savings Plan Investment (and the initial fixed investment term and each subsequent fixed term will each be a separate Investment Term, and not a longer combined Investment Term);

"Law" means the Corporations Act 2001 and the Corporations Regulations.

"Lender" means the RE on behalf of the Members lending Scheme Property through the Scheme;

"Lending Rules" means the rules detailed in clauses 13.2 and 13.3;

"Liabilities" means at any time the aggregate of the following at that time as calculated by the RE in accordance with the Accounting Standards:

- (a) Each liability, excluding Unit Holder Liability, of the RE in respect of the Scheme or, where appropriate, a proper provision in accordance with the applicable Accounting Standards in respect of that liability.
- (b) Each other amount payable out of the Scheme, excluding Unit Holder Liability or, where appropriate, a proper provision in accordance with the applicable Accounting Standards in respect of that liability.
- (c) Other appropriate provisions in accordance with the applicable Accounting Standards.

"Liquid Scheme" means a registered scheme that has liquid assets which

account for at least 80% of the value of scheme property.

"LMM" means Law Mortgage Management Pty Ltd ACN 055 691 426;

"LVR" means loan to valuation ratio and is the ratio of the amount of a loan to the valuation of the property offered as security for a loan in the Scheme;

"Member" in relation to a Unit, means the person registered as the holder of that Unit (including joint holders).

"Minimum Investment" means the minimum investment disclosed in the PDS from time to time unless the RE, in its sole discretion, agrees to accept a lesser amount as an investment;

"Minimum Subscription" means any minimum amount of Application Money of a particular currency required by the RE to be received in respect of one or more Applicants, before the Application(s) will be accepted by the RE;

"Mortgagee" in all mortgages held by the Scheme the Mortgagee will be the Custodian as agent for the RE;

"Mortgage Lending Valuation Policy" means the RE's mortgage lending valuation policy as detailed in the Compliance Plan;

"Net Fund Value" at any time, means the value of the Scheme Property less the Liabilities at that time.

"Power" means any right, power, authority, discretion or remedy conferred on the RE by this Constitution or any applicable law;

"Promoter" for the purpose of the Law the promoter of this Scheme is the RE;

"PDS" means a Product Disclosure Statement or any Supplementary Product Disclosure Statement for the Scheme;

"Register" means the register of Members maintained by the RE under clause 22;

"Responsible Entity" or "RE" means the company named in the ASIC's records as the responsible entity of the Scheme and referred to in this document as the RE and who is also the Trustee of the Scheme;

"Savings Plan Investment" means an Australian dollar investment described as the "LM Savings Plan" in the PDS, with terms and conditions as disclosed in the PDS;

"Scheme" means a managed investment scheme to be known as the "LM First Mortgage Income Fund" that is to be registered under s601EB of the Law and also means the Trust;

"Scheme Property" means assets of the Scheme including but not limited to:

- (a) contributions of money or money's worth to the Scheme; and
- (b) money that forms part of the Scheme assets under the provisions of the Law; and

- (c) money borrowed or raised by the RE for the purposes of the Scheme;
and
- (d) property acquired, directly or indirectly, with, or with the proceeds of, contributions or money referred to in paragraph (a), (b) or (c); and
- (e) the income and property derived, directly or indirectly from contributions, money or property referred to in paragraph (a), (b), (c) or (d);

"Scheme Valuation Policy" means the scheme valuation policy as detailed in the Compliance Plan;

"Security Property" means any property offered by a Borrower as security for a Mortgage in the Scheme;

"Special Resolution" means a resolution of which notice has been given in accordance with this Constitution and the Law and that has been passed by at least 75% of the votes cast by Members entitled to vote on the resolution;

"Subscription Account" an account opened and maintained by the RE into which is deposited all Application Moneys;

"Tax" includes, but is not limited to:

- (a) stamp duty, excise and penalties relating to these amounts which are imposed on the RE in respect of any assets in the Scheme;
- (b) taxes and duties and penalties relating to these items imposed as a result of any payment made to or by the RE under this Constitution;
- (c) taxes imposed or assessed upon:
 - (i) any Application Money;
 - (ii) distributions of Income to Members, capital gains, profits or any other amounts in respect of the Scheme; or
 - (iii) the RE in respect of its capacity as responsible entity of the Scheme;
- (d) imposts, financial institutions duties, debits tax, withholding tax, land tax or other property taxes charged by any proper authority in any jurisdiction in Australia in respect of any matter in relation to the Scheme, and every kind of tax, duty, rate, levy, deduction and charge including any GST;

"Tax Act" means the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth);

"Trustee" means the RE;

"Uncontrolled Event" means an act of God, strike, lock out or other interference with work, war (declared or undeclared), blockage, disturbance, lightning, fire, drought, earthquake, storm, flood, explosion, government or quasi-government restraint, exploration, prohibition, intervention, direction,

embargo, unavailability or delay in availability of equipment or transport, inability or delay in obtaining governmental or quasi-governmental approvals, consents, permits, licences, authorities or allocations, or any other cause whether of the kind specifically set out above or otherwise which is not reasonably within the control of the party relying on the Uncontrolled Event;

"Unit" means an undivided interest in the Scheme Property created and issued under this Constitution;

"Unit Holder Liability" means the liability of the Scheme to the Members for their undivided interest in the Scheme Property;

"Unit Holding" means the number of Units in the Scheme held by a Member as evidenced in the Register of Unit holders;

"Unit Holding Statement" means a statement issued by the RE to a Member pursuant to clause 5.9;

"Valuation Date" means the date which is the last day of each month or any date during each month at the RE's discretion or the date on which the RE determines there has been a material change in the value of the Scheme Property;

"Withdrawal Notice" means:

- (a) for a Savings Plan Investment, a notice in writing given by a Member and received by the RE on or after the start of the relevant Withdrawal Notice Period stating the Member's name, the number of Units the Member wishes to have redeemed, and any other information reasonably required by the RE, provided that only 4 such notices may be given within any 12 month period, and any notices in excess of this number will not be valid unless otherwise determined by the RE in its discretion;
 - (b) for any investment that is not a Savings Plan Investment nor for an Investment Term, a notice in writing given by a Member and received by the RE on or after the start of the relevant Withdrawal Notice Period stating the Member's name, the number of Units the Member wishes to have redeemed, and any other information reasonably required by the RE;
 - (c) for all investments for an Investment Term, a notice in writing given by a Member and received by the RE before the start of the relevant Withdrawal Notice Period stating the Member's name, the number of Units the Member wishes to have redeemed, and any other information reasonably required by the RE,
- and provided that if a notice in writing as referred to above is not received before 12 noon on a Business Day, the notice will be deemed to be received on

the next Business Day;

"Withdrawal Notice Period" means:

- (a) for a Savings Plan Investment by a Member, the period commencing 1 Business Day after the first 12 month period of the Savings Plan Investment has expired, and continuing throughout the term of the Savings Plan Investment;
- (b) for any investment that is not a Savings Plan Investment nor for an Investment Term, any period when the Member owns Units; or
- (c) for all investments for an Investment Term, the period commencing 5 Business Days before the expiry of the relevant Investment Term (and where an investment Term is created by the rollover of an existing investment, means the period commencing 5 Business Days before the expiry of that subsequent investment Term); or
- (d) any other time period as determined by the RE.

"Withdrawal Price" means the price at which a Unit is redeemed calculated in accordance with Clause 8.

1.2 Interpretation

In this Constitution, unless the context otherwise requires:

- (a) headings and underlining are for convenience only and do not affect the interpretation of this Constitution;
- (b) words importing the singular include the plural and vice versa;
- (c) words importing a gender include any gender;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Constitution have a corresponding meaning;
- (e) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and any Governmental Agency;
- (f) a reference to any thing includes a part of that thing;
- (g) a reference to a part, clause, party, annexure, exhibit or schedule is a reference to a part and clause of, and a party, annexure exhibit and schedule to, this Constitution;
- (h) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (i) a reference to a document includes all amendments or supplements to,

- or replacements or novations of, that document;
- (j) where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the preceding Business Day except that any amount payable on demand where the demand is made on a day which is not a Business Day must be paid on the next succeeding Business Day;
 - (k) a reference to an agreement includes an undertaking, deed, agreement or legally enforceable arrangement or understanding whether or not in writing;
 - (l) a reference to a document includes any agreement in writing, or any statement, notice, deed, instrument or other document of any kind;
 - (m) a reference to a body (including, without limitation, an institute, association or authority), whether statutory or not:
 - (i) which ceases to exist; or
 - (ii) whose powers or functions are transferred to another body;
is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
 - (n) a reference to any date means any time up to 5.00 pm (Queensland time) on that date; and
 - (o) a reference to dealing with a Unit includes any subscription, withdrawal, sale, assignment, encumbrance, or other disposition whether by act or omission and whether affecting the legal or equitable interest in the Unit.

1.3 Accounting Standards

In respect of any accounting practice relevant to this Constitution, the following accounting standards apply as if the Scheme were a company in accordance with:

- (a) the accounting standards required under the Law; and
- (b) if no accounting standard applies under clause 1.3(a), the accounting practice determined by the RE.

2. ESTABLISHMENT OF TRUST

2.1 Trustee

The RE continues to act as trustee of the Scheme.

s601FC(2) 2.2 Role of Trustee

The RE recognises that it continues to hold the Scheme Property on trust for the Members.

s601FB(2) 2.3 Appointment of Custodian

- (a) The RE has appointed the Custodian as agent to hold the Scheme Property on behalf of the RE.

(b) The Custodian holds the Scheme Property as agent of the RE for the term of the Scheme on terms and conditions as detailed in the Custody Agreement.

2.4 Name of Trust

The name of the trust and Scheme is the LM First Mortgage Income Fund or any other name that the RE may determine from time to time.

2.5 Initial Issue

The Scheme commenced at such time after the Commencement Date when LMM or its nominee paid \$100.00 to the RE to establish the Scheme Property. The RE issued to LMM or its nominee 100 Units in return for that payment.

3. UNITS AND MEMBERS

3.1 Units

The beneficial interest in Scheme Property is divided into Units. Unless the terms of issue of a Unit or a Class otherwise provide, all Units will carry all rights, and be subject to all the obligations of Members under this Constitution.

3.2 Classes

Different Classes (and sub Classes) with such rights and obligations as determined by the RE from time to time may be created and issued by the RE at its complete discretion. Such rights and obligations may, but need not be, referred to in the PDS. If the RE determines in relation to particular Units, the terms of issue of those Units may eliminate, reduce or enhance any of the rights or obligations which would otherwise be carried by such Units. Without limitation, the RE may distribute the Distributable Income for any period between different Classes on a basis other than proportionately, provided that the RE treats the different Classes fairly.

3.3 Fractions

Fractions of a Unit may not be issued. When any calculations under this Constitution would result in the issue of a fraction of a Unit, the number of Units to be issued must be rounded down to the nearest whole Unit.

3.4 Equal value

At any time, all the Units in a Class are of equal value unless the units are issued under a Differential Fee Arrangement.

3.5 Interest

A Unit confers an interest in the Scheme Property as a whole. No Unit confers any interest in any particular asset of the Scheme Property.

3.6 Consolidation and re-division

- (a) Subject to clause 3.6(b) the RE may at any time divide the Scheme Property into any number of Units other than the number into which the Scheme Property is for the time being divided.
- (b) A division of a kind referred to in clause 3.6(a) must not change the ratio of Units in a Class registered in the name of any Member to the Units on issue in the Class.

3.7 Rights attaching to Units

- (a) A Member holds a Unit subject to the rights and obligations attaching to that Unit and (if applicable) pursuant to any Differential Fee Arrangement.
- (b) Each Member agrees not to:
 - (i) interfere with any rights or powers of the RE under this Constitution;
 - (ii) purport to exercise a right in respect of the Scheme Property or claim any interest in an asset of the Scheme Property (for example, by lodging a caveat affecting an asset of the Scheme Property); or
 - (iii) require an asset of the Scheme Property to be transferred to the Member.

3.8 Conditions

The RE may impose such conditions on the issue of Units as it determines including that the Member may not give effect to any mortgage, charge, lien, or other encumbrances other than as expressly permitted by the RE.

3.9 Rollover of Investments

If the Member has invested for an Investment Term, and fails to complete and return a Withdrawal Notice before the start of the relevant Withdrawal Notice period that applies to the Investment Term, the Member will be deemed to have elected to renew their investment in the Scheme as specified in the PDS. Units issued in respect of such reinvestment must be issued at an Issue Price equal to the Current Unit Value.

4. BINDING ON ALL PARTIES

s601GB

- 4.1 This Constitution is binding on the RE and on all Members of the Scheme as they are constituted from time to time.
- 4.2 By executing the Application Form attached to the PDS the Members as are constituted from time to time agree to be bound by the terms and conditions of this Constitution.

5. ISSUE OF UNITS

s601GA(a)

5.1 Offer and minimum investment

- (a) The RE may at any time offer Units for subscription or sale.

- (b) The Minimum Investment must be lodged with an Application for Units.
- (c) The RE may invite persons to make offers to subscribe for or buy Units.

5.2 Minimum subscription

- (a) The RE may set a Minimum Subscription for the pool of funds of any one currency for the Scheme at its discretion.
- (b) The RE will hold Application Money in a Subscription Account until the Minimum Subscription for the pool of funds is received, subject to clause 5.3.

5.3 Insufficient Application Money received

The RE will return or cause to be returned all Application Money to the persons who paid such Application Money, less any taxes and bank charges payable if:

- (a) insufficient Application Money to meet the Minimum Subscription stipulated in Clause 5.2 is received within a period reasonably determined by the RE, or
- (b) the RE withdraws a PDS (which the RE is entitled to do) before sufficient Application Money is received, or
- (c) the RE does not believe there will be sufficient funds available to achieve the aims of the Scheme contemplated in this Constitution or the PDS.

5.4 Form of Application

- (a) Subject to clause 5.10, each Application for Units must be:
 - (i) made by Application Form attached to a PDS (or as otherwise permitted by the Law); and
 - (ii) be accompanied by Application Moneys as required by any relevant PDS.
- (b) If the Application Form is signed pursuant to a power of attorney, then if requested by the RE, a certified copy of the relevant power of attorney and a declaration that the power of attorney has not been revoked as at the date the Application Form is signed must be provided.

5.5 Acceptance or rejection

The RE may, without giving any reason:

- (a) accept an Application;
- (b) reject an Application; or

(c) reject part of the Application.

5.6 Uncleared funds

Units issued against Application Money in the form of a cheque or other payment order (other than in cleared funds) are void if the cheque or payment order is not subsequently cleared.

5.7 Issue of Units

Units are taken to be issued when:

- (a) the Application Money for the Issue Price is received by the RE; and
- (b) the RE accepts the Application and the Units are entered in the Register, or at such other time as the RE determines.

5.8 Number of Units issued

Subject to Minimum Investment, the number of Units issued at any time in respect of an Application for Units will be calculated as follows:

- (a) by dividing the Application Moneys paid by the applicable Issue Price at that time;
- (b) by rounding down to two decimal places.

5.9 Unit Holding Statement

The evidence of a Member's holding in the Scheme will be the latest extract from the Register as provided from time to time to a Member by the RE in a Unit Holding Statement.

5.10 Additional Applications

Additional Applications for investment in the Scheme by existing Members, not made on an Application Form may be accepted in an Australian dollar investment:

- (a) from a Member;
- (b) as a result of an Application;
- (c) in accordance with an Arrangement for as long as and on condition that it complies with the requirements of the RE and the law or ASIC's policy including any relief granted to the RE from time to time; and
- (d) are in multiples of \$500 each unless the RE, in its sole discretion, agrees to accept a lesser amount as an investment or agrees to accept an amount that is not a multiple of \$500.

5.11 Holding Application Money

All Application Money must be held by the RE (or its agent, the Custodian) on trust for the relevant Applicant in the Subscription Account.

5.12 Interest on Application Money

The RE is not required to account to any Member for any interest earned on Application Money held in the Subscription Account.

5.13 Responsible Entity to return Application Money

Where the RE has rejected (in full or in part) an Application, the relevant Application Money (without interest) must be returned to the Applicant within 14 days.

5.14 Incomplete Application Form

The RE will, on receipt of any Application Money which is not accompanied by a completed Application Form, as soon as practicable return the Application Money to the relevant Applicant, or:

- (a) attempt to obtain the Application Form from the Applicant; and
- (b) bank the Application Money.

5.15 No Application Form received

- (a) If the RE gives any Application Money to the Custodian pursuant to clause 5.11, then the Custodian will hold such Application Money in an account, as custodian for the Applicant in accordance with the Law until the Application Form is received.
- (b) If the RE has not received the Application Form by the time the offer is closed, then the RE must use its best endeavours to return the Application Money, less any taxes and bank charges payable, to the Applicant as soon as practicable.

6. ISSUE PRICE

The issue price of a Unit shall be calculated as follows:

$$\frac{\text{Net Fund Value}}{\text{number of Units on issue}}$$

calculated on the last Valuation Date prior to the date of issue.

7. WITHDRAWAL OF UNITS - WHILE THE SCHEME IS LIQUID

7.1 Withdrawal request - while the Scheme is liquid

- (a) While the Scheme is liquid as defined in S601KA (4) of the Law, any Member may request that some or all of their Units be redeemed by giving the RE a Withdrawal Notice by the start of or within the relevant Withdrawal Notice Period (as required by the relevant definition of Withdrawal Notice).

7.2 Withdrawal

- (a) (i) Within 365 days after the end of the Member's Investment Term (where the Member's investment is held for an Investment Term and the Member has given a valid Withdrawal Notice in respect of the Units) or within 365 days after receiving a valid Withdrawal

- Notice from the Member (if the Member's investment is not held for an Investment Term or is a Savings Plan investment), the RE must redeem the relevant Units out of the Scheme Property for the Withdrawal Price.
- (ii) However, the RE must redeem the Units within 180 days after the relevant date (instead of 365 days) where it determines that none of the circumstances referred to in Clause 7.2(b)(i) to (iv) below exist at the time of withdrawal. This Clause 7.2(a) does not limit the independent operation of Clause 7.2(b).
 - (iii) To the extent that the Law does not allow more than one period to be specified in this Constitution for satisfying withdrawal requests while the Scheme is liquid, that one period will be 365 days after the RE receives a valid Withdrawal Notice. Paragraph (ii) above will also apply to the extent permitted by the Law.
 - (iv) The RE may allow redemption of Units within a shorter period than the 365 (or 180) days referred to above, in its absolute discretion, subject to its obligations under the Law.
- (b) The RE may suspend the withdrawal offer as detailed in clause 7.2(a) above for such periods as it determines where:
- (i) the Scheme's cash reserves fall and remain below 5% for ten (10) consecutive Business Days; or
 - (ii) if in any period of (90) days, the RE receives valid net Withdrawal Notices equal to 10% or more of the Scheme's issued Units and, during the period of (10) consecutive days falling within the 90 day period, the Scheme's cash reserves are less than 10% of the total assets; or
 - (iii) it is not satisfied that sufficient cash reserves are available to pay the Withdrawal Price on the appropriate date and to pay all actual and contingent liabilities of the Scheme; or
 - (iv) any other event or circumstance arises which the RE considers in its absolute discretion may be detrimental to the interests of the Members of the Scheme.
- (c) The RE is not required to process Withdrawal Notices where:
- (i) the person seeking to redeem the Units cannot provide satisfactory evidence of the Member's title or authority to deal with the Units; or
 - (ii) the withdrawal would cause the Member's Unit Holding to fall below the Minimum Investment.

- (d) If the RE allows a Member to withdraw an investment from the Scheme before the end of an Investment Term, the RE is also entitled to require the Member to pay an early withdrawal charge equal to the last three months interest distributions paid or payable on the amount being withdrawn (or if the investment has been for less than three months, the RE's estimate of what that amount would have been if the investment had been in place for the last three months), and where an Adviser has been paid an upfront commission in respect of the investment being withdrawn, the RE will also be entitled to require the Member to pay a further early withdrawal charge equal to the upfront commission paid, calculated on a pro-rata basis for the length of time remaining to the end of the Investment Term. The RE will also be entitled to require the Member to pay an amount equal to any other fees or charges arising from the early withdrawal (including fees and charges that may be payable to the financial institution which has organised the investment in the relevant currency). These early withdrawal charges will be deducted from the investment being withdrawn, and paid at the time of withdrawal. Such charges will become part of the Scheme Property.
- (e) If the RE allows a Member to withdraw an investment, and that investment has been held for a period in respect of which no Distributable Income has been calculated in respect of that investment, the RE may pay to the Member the amount of Distributable Income that the RE estimates is payable to the member for that period, rather than delay payment to the member until the actual Distributable Income has been calculated.

7.3 Cancellation

- (a) The RE must cancel the number of Units which have been redeemed under clause 7.2 and must not reissue them. Upon cancellation, the RE must immediately:
 - (i) remove the name of the Member from the Register in respect of the redeemed Units; and
 - (ii) provide the Member with a new Unit Holding Statement for any unredeemed Units.
- (b) A Unit is cancelled when the Member holding the Unit is paid the Withdrawal Price by the RE.

8. WITHDRAWAL PRICE

The Withdrawal Price of each Unit pursuant to clause 7 shall be calculated as follows:

(Net Fund Value)

(number of Units issued)

calculated on the last Valuation Date prior to the date of withdrawal.

9. **TRANSFER OF UNITS**

9.1 **Transferability of Units**

- (a) Subject to this Constitution, a Unit may be transferred by instrument in writing, in any form authorised by the Law or in any other form that the RE approves.
- (b) A transferor of Units remains the holder of the Units transferred until the transfer is recorded on the Register.

9.2 **Registration of Transfers**

- (a) The following documents must be lodged for registration on the Register at the registered office of the RE or the location of this Register:
 - (i) the instrument of transfer; and
 - (ii) any other information that the RE may require to establish the transferor's right to transfer the Units.
- (b) On compliance with clause 9.2(a), the RE will, subject to the powers of the RE to refuse registration, record on the Register the transferee as a Member.

9.3 **Where registration may be refused**

Where permitted to do so by Law or this Constitution, the RE may refuse to register any transfer of Units.

9.4 **Where registration must be refused**

- (a) Registration must be refused if:
 - (i) the RE has notice that the transferor of Units has entered into any borrowing or other form of financial accommodation to provide all or part of the funds to subscribe for or acquire a Unit and has not received confirmation from the financier that the financier consents to the transfer of those Units; or
 - (ii) the transferor has given a power of attorney in favour of the RE and the Custodian in the form set out in an application form accompanying a PDS and the transferee has not executed and provided to the RE a similar form of power of attorney (with such adaptations as are necessary) in favour of the RE and the Custodian;
- (b) In the case of (i) or (ii) above, the RE must refuse to register same and must continue to treat the seller or transferor as the case may be

as the registered holder for all purposes and the purported sale, purchase, disposal or transfer shall be of no effect.

- (c) If the transferee is not a Member the RE must not consent to the registration until the RE is satisfied that the transferee has agreed to be bound by the Constitution.

9.5 Notice of non-registration

If the RE declines to register any transfer of Units, the RE must within 5 Business Days after the transfer was lodged with the RE give to the person who lodged the transfer written notice of, and the reasons for, the decision to decline registration of the transfer.

9.6 Suspension of transfers

The registration of transfers of Units may be suspended at any time and for any period as the RE from time to time decide. However, the aggregate of those periods must not exceed 30 days in any calendar year.

10. TRANSMISSION OF UNITS

10.1 Entitlement to Units on death

- (a) If a Member dies:
 - (i) the survivor or survivors, where the Member was a joint holder; and
 - (ii) the legal personal representatives of the deceased, where the Member was a sole holder,will be the only persons recognised by the RE as having any title to the Member's interest in the Units.
- (b) The RE may require evidence of a Member's death as it thinks fit.
- (c) This clause does not release the estate of the deceased joint Member from any liability in respect of a Unit that had been jointly held by the Member with other persons.

10.2 Registration of persons entitled

- (a) Subject to the Bankruptcy Act 1966 and to the production of any information that is properly required by the RE, a person becoming entitled to a Unit in consequence of the death or bankruptcy (or other legal disability) of a Member may elect to:
 - (i) be registered personally as a Member; or
 - (ii) have another person registered as the Member.
- (b) All the limitations, restrictions and provisions of this Constitution relating to:
 - (i) the right to transfer; and
 - (ii) the registration of a transfer;

for Units apply to any relevant transfer as if the death or bankruptcy or legal disability of the Unit Member had not occurred and the notice or transfer were a transfer signed by that Member.

10.3 Distributions and other rights

- (a) If a Member dies or suffers a legal disability, the Member's legal personal representative or the trustee of the Member's estate (as the case may be) is, on the production of all information as is properly required by the RE, entitled to the same distributions, entitlements and other advantages and to the same rights (whether in relation to meetings of the Scheme or to voting or otherwise) as the Member would have been entitled to if the Member had not died or suffered a legal disability.
- (b) Where two or more persons are jointly entitled to any Unit as a result of the death of a Member, they will, for the purposes of this Constitution, be taken to be joint holders of the Unit.

11. DISTRIBUTABLE INCOME

11.1 Income of the Scheme

The Income of the Scheme for each Financial Year will be determined in accordance with applicable Accounting Standards.

11.2 Expenses and provisions of the Scheme

For each Financial Year:

- (a) the expenses of the Scheme will be determined in accordance with the applicable Accounting Standards; and
- (b) provisions or other transfers to or from reserves may be made in relation to such items as the RE considers appropriate in accordance with the applicable Accounting Standards including, but not limited to, provisions for income equalisation and capital losses.

11.3 Distributable Income

The Distributable Income of the Scheme for a month, a Financial Year or any other period will be such amount as the RE determines. Distributable income is paid to Members after taking into account any Adviser fees or costs associated with individual Members' investments, to the extent those fees or costs have not otherwise been taken into account.

12. DISTRIBUTIONS

12.1 Distribution Period

- (a) The Distribution Period is one calendar month for Australian dollar investments or as otherwise determined by the RE in its absolute

discretion.

- (b) The Distribution Period is the Investment Term of the investment for non-Australian dollar investments or as otherwise determined by the RE in its absolute discretion.

12.2 Distributions

The RE must distribute the Distributable Income relating to each Distribution Period within 21 days of the end of each Distribution Period.

12.3 Present entitlement

Unless otherwise agreed by the RE and subject to the rights, restrictions and obligations attaching to any particular Unit or Class, the Members on the Register will be presently entitled to the Distributable Income of the Scheme on the last day of each Distribution Period.

12.4 Capital distributions

The RE may distribute capital of the Scheme to the Members. Subject to the rights, obligations and restrictions attaching to any particular Unit or Class, a Member is entitled to that proportion of the capital to be distributed as is equal to the number of Units held by that Member on a date determined by the RE divided by the number of Units on the Register on that date. A distribution may be in cash or by way of bonus Units.

12.5 Grossed up Tax amounts

Subject to any rights, obligations and restrictions attaching to any particular Unit or Class, the grossed up amount under the Tax Act in relation to Tax credits or franking rebates is taken to be distributed to Unit Members in proportion to the Distributable Income for a Distribution Period as the case may be, which is referable to a dividend or other income to which they are presently entitled.

12.6 Reinvestment of Distributable Income

- (a) The RE may invite Members to reinvest any or all of their distributable income entitlement by way of application for additional Units in the Scheme.
- (b) The terms of any such offer of reinvestment will be determined by the RE in its discretion and may be withdrawn or varied by the RE at any time.
- (c) The RE may determine that unless the Member specifically directs otherwise they will be deemed to have accepted the reinvestment offer.
- (d) The Units issued as a result of an offer to reinvest will be deemed to have been issued on the first day of the next Distribution Period immediately following the Distribution Period in respect of which the distributable income being reinvested was payable.

13. NATURE OF RE POWERS

- s601GA(1)(b) 13.1 The RE has all the powers:
- (a) of a natural person to invest and borrow on security of the Scheme Property;
 - (b) in respect of the Scheme and the Scheme Property that it is possible under the Law to confer on a RE and on a Trustee;
 - (c) as though it were the absolute owner of the Scheme Property and acting in its personal capacity; or
 - (d) necessary for fulfilling its obligations under this Constitution and under the Law.
- s601GA(3) 13.2 The RE must only invest Members' funds in:
- (a) subject to clause 13.3 and 13.3A, mortgage investments provided that:
 - (i) all mortgages are secured over property and the amount which may be advanced to a Borrower does not exceed an LVR of 75% of the value of the security property on initial settlement.
 - (ii) the type of real estate offered for security is acceptable to the RE;
 - (iii) the value of the property offered as security has been established in accordance with the Mortgage Lending Valuation Policy of the RE ;
 - (b) other mortgage backed schemes in accordance with this clause and the RE's compliance standards;
 - (c) a range of interest bearing investments backed by Australian Banks, building societies, State or Federal governments, or foreign banks as approved by the RE.
 - (d) Authorised Investments.
- s601GA(3) 13.3 Notwithstanding the provisions of clause 13.2(a), after a loan has settled and where the RE considers it is in the best interests of the Members of the Scheme, the RE may approve an LVR not to exceed 85% of the value of the security property.
- 13.3A Notwithstanding any other provision of this Constitution, the LVR of a loan that is in default may exceed 85%
- s601GA(3) 13.4 Whenever a loan of Scheme funds involves a Development Loan, the RE shall ensure it has included amongst its officers or employees persons with relevant project management experience who are competent to manage loans of this kind.
- s601GA(3) 13.5 To the extent allowed by law:

- (a) any restriction or prohibition imposed upon the RE in relation to the investment from time to time of the Scheme Property or any part thereof is hereby excluded from the obligations imposed.
 - (b) without derogating from the generality of the foregoing this exclusion specifically applies to any "Prudent Person Rule" or the like which may be implied by any future enactment of legislation.
- s601GA(3) 13.6 To the extent allowed by law:
 - (a) the RE may borrow or raise money with or without security over the Scheme Property or any part of it on any terms, including any rate of interest and any fees and expenses as the RE thinks fit;
 - (b) the RE may deal with any property to exercise all the powers of a mortgagee pursuant to the mortgage terms and conditions.
- s601GA(3) 13.7 The RE must direct the Custodian to deal with the Scheme Property in accordance with this Constitution.

14. COMPLAINTS PROCEDURES

- s601GA(1)(c) 14.1 If a Member has a complaint they should generally first contact their Adviser. If the Adviser is unavailable, unwilling, or unable to assist, or if the Member wishes to directly contact the RE, and the complaint relates to the Fund or the RE, then the Member should contact the RE at the registered office of the RE. Complaints may be made in writing or by telephone.
- 14.2 The RE may (if applicable) contact the Adviser for further background information and attempt to mediate a satisfactory resolution of the complaint or escalate as necessary. The RE has 30 days to respond to the complaint once it is received. The RE must attempt to resolve the complaint within a satisfactory time period as determined by the nature of the complaint and the Member's response.
- 14.3 The Complaints Officer of the RE will take responsibility for formal complaints and record them in the Complaints Register. In acknowledging or resolving formal complaints, the RE must make or cause to be made, a written response including:-
 - (a) the name, title and contact details of the person actually handling the complaint;
 - (b) a summary of the RE's understanding of the complaint;
 - (c) details of the RE's offer for resolution of the complaint and relevant time frame;
 - (d) where the complaint is not fully dealt with in the letter an estimate of time required for the RE to resolve the complaint.
- 14.4 Full details of each formal complaint and resolution thereof must be recorded in

the Complaints Register including:-

- (a) the person responsible for resolving the complaint;
- (b) the name of the Member making the complaint;
- (c) the nature of the complaint;
- (d) the product service or department in respect of which the complaint was made;
- (e) the actual time required to resolve the complaint;
- (f) the actual resolution of the complaint;
- (g) recommendations, if any, for changes to products disclosures systems or processes to ensure similar complaints do not arise in the future.

14.5 The Complaints Register should be reviewed by the Complaints Manager of the RE as part of an ongoing review process to determine whether recommendations for change arising from resolved complaints have been effectively incorporated in the compliance program.

14.6 Where the RE believes it has either resolved the complaint, or it has not resolved the complaint but believes it can do nothing more to satisfy the complainant, and the Member feels their complaint has still not been satisfactorily resolved, the complainant must be referred to the FICS for mediation. The FICS adopts a three stage approach in resolving complaints as follows:-

- (a) stage 1: initial opportunity for Member to resolve complaints;
- (b) stage 2: complaints review, investigation and conciliation;
- (c) stage 3: independent determination of complaints by adjudicator.

The full terms of reference for the FICS are held by the RE.

14.7 If a complaint cannot be resolved to the satisfaction of the Member by the RE or the FICS then the complainant Member may:-

- (a) refer the matter to arbitration or the courts; or
- (b) take whatever other action is open to the complainant Member under the general law.

14.8 The RE must disclose the details of its complaints procedure to all investors.

15. **TERM OF TRUST**

The Scheme begins on the Commencement Date and is to be wound up on the earlier to occur of:

- (a) the date which is eighty years from the Commencement Date; and
- (b) any earlier date which the RE, in its absolute discretion may appoint as the Vesting Date.

16. **WINDING UP THE SCHEME**

s601GA(1)(d) 16.1 The Scheme shall only be wound up in accordance with the Law and this

Constitution.

- 16.2 The RE must wind up the Scheme in the following circumstances:-
- s601NE(1)(a) (a) if the term of the Scheme as detailed in this Constitution has expired;
 - s601NE(1)(b) (b) the Members pass an extraordinary resolution directing the RE to wind up the Scheme;
 - s601NE(1)(c) (c) the Court makes an order directing the RE to wind up the Scheme pursuant to the Law and in particular pursuant to section 601FQ(5) and section 601ND;
 - s601NE(1)(d) (d) the Members pass an extraordinary resolution to remove the RE but do not at the same time pass an extraordinary resolution choosing a company to be the new RE that consents to becoming the Scheme's RE;
- s601NC(1) 16.3 (a) If the RE considers that the purpose of the Scheme:
- (i) has been accomplished; or
 - (ii) cannot be accomplished,
- it may take steps to wind up the Scheme.
- (b) If the RE wishes to wind up the Scheme pursuant to clause 16.3(a), the RE must give to the Members of the Scheme and to the ASIC a notice in writing;
- (i) explaining the proposal to wind up the Scheme, including explaining how the Scheme's purpose has been accomplished or why that purpose cannot be accomplished; and
 - (ii) informing the Members of their rights to take action under Division 1 of Part 2G.4 of the Law for the calling of a Members' meeting to consider the proposed winding up of the Scheme and to vote on a special resolution Members propose about the winding up of the Scheme; and
 - (iii) informing the Members that the RE is permitted to wind up the Scheme unless a meeting is called to consider the proposed winding up of the Scheme within 28 days of the RE giving the notice to the Members;
- (c) if no meeting is called within that 28 days to consider the proposed winding up, the RE may wind up the Scheme.
- s601NE(2) 16.4 (a) The RE may wind up the Scheme in accordance with this Constitution and any orders under S601NF(2) of the Law if the RE is permitted by S601NC(3) of the Law to wind up the Scheme.
- s601NF(3) (b) An order to wind up the Scheme pursuant to s601ND (1) or s601NF (1) or (2) of the Law may be made on the application of:

- (i) the RE; or
- (ii) a director of the RE; or
- (iii) a Member of the Scheme; or
- (iv) the ASIC.

- s601NE(3) 16.5 The RE shall not accept any further Applications for Units in the Scheme or make any further loans from the Scheme Property at a time after the RE has become obliged to ensure the Scheme is wound up or after the Scheme has started to be wound up.
- 16.6 The RE shall manage the Scheme until such time as all winding up procedures have been completed.
- 16.7 Subject to the provisions of this clause 16 upon winding up of the Scheme the RE must:
- (a) realise the assets of the Scheme Property;
 - (b) pay all liabilities of the RE in its capacity as Trustee of the Scheme including, but not limited to, liabilities owed to any Member who is a creditor of the Scheme except where such liability is a Unit Holder Liability;
 - (c) subject to any special rights or restrictions attached to any Unit, distribute the net proceeds of realisation among the Members in the same proportion specified in Clause 12.4;
 - (d) The Members must pay the costs and expenses of a distribution of assets under clause 16.7(c) in the same proportion specified in clause 12.4.
 - (e) The RE may postpone the realisation of the Scheme Property for as long as it thinks fit and is not liable for any loss or damage attributable to the postponement.
 - (f) The RE may retain for as long as it thinks fit any part of the Scheme Property which in its opinion may be required to meet any actual or contingent liability of the Scheme.
 - (g) The RE must distribute among the Members in accordance with clause 16.7 anything retained under clause 16.7(f) which is subsequently not required.
- s601NG 16.8 If on completion of the winding up of a registered Scheme, the RE or such other person who may be winding up the Scheme has in their possession or under their control any unclaimed or undistributed money or other property that was part of the Scheme Property the RE or person winding up the Scheme must, as soon as practicable, pay the money or transfer the property to the

- ASIC to be dealt with pursuant to Part 9.7 of the Law.
- s601EE 16.9 If at any time the Scheme is operated while it is unregistered the following may apply to the Court to have the Scheme wound up:
- (a) The ASIC
 - (b) The RE
 - (c) A Member of the Scheme
- 16.10 The RE shall arrange for an Auditor to audit the final accounts of the Scheme after the Scheme is wound up.

17. **VALUE OF THE SCHEME FUND**

17.1 **Valuation of the Scheme Property**

The RE may cause the Scheme Property to be valued at any time in accordance with the Scheme Valuation Policy of the RE.

17.2 **Valuation if required**

The RE must cause the Scheme Property or any asset of the Scheme Property to be valued if required by ASIC or under the Law and the valuation must be undertaken in accordance with those requirements.

17.3 **Determination of Net Fund Value**

The RE may determine the Net Fund Value at any time in its discretion, including more than once on each day.

18. **FEEES, TAXES, COSTS AND EXPENSES**

s601GA(2) 18.1 **Taxes:**

The RE may use the Scheme Property to pay any Tax or other obligation, liability or expense required by any applicable law in relation to:

- (a) this Constitution;
- (b) any amount incurred or payable by the RE;
- (c) a gift or settlement effected by this Constitution;
- (d) the exercise by the RE of any Power; or
- (e) money or investments held by or on behalf of the RE under this Constitution.

s601GA(2) 18.2 **Payment of Debts:**

The RE may set aside any money from the Scheme Property which, in the RE's opinion, is sufficient to meet any present or future obligation of the Scheme.

s601GA(2) 18.3 **Fees:**

The RE is entitled to receive out of the Scheme Property, a management fee of up to 5.5 % per annum (inclusive of GST) of the Net Fund Value in relation to the performance of its duties as detailed in this Constitution, the Compliance Plan and the Law. This fee is to be calculated monthly and paid at such times as the RE determines.

- s601GA(2) 18.4 The RE shall be entitled to fees in relation to the following duties:
- (a) the subscription and withdrawal of units;
 - (b) the transfer or transmission of Units;
 - (c) the establishment/loan application fees;
 - (d) the structuring or packaging of loan proposals;
 - (e) loan management;
 - (f) the rollover of a loan facility;
 - (g) due diligence enquiries generally;
 - (h) the sale of real estate or assets of the Scheme Property;
 - (i) the promotion and management of the Scheme;
 - (j) the appointment of the Custodian pursuant to the Custody Agreement;
 - (k) the winding-up of the Scheme;
 - (l) the performance of its duties and obligations pursuant to the Law and this Constitution.

s601GA(2) 18.5 **Costs and Expenses**

The RE shall be indemnified out of Scheme Property for liabilities or expenses incurred in relation to the performance of its duties; including:

- (a) Auditor's fees;
- (b) legal fees and outgoings in relation to settlement, rollover, default or recovery of loans
- (c) barrister/QC - legal counsel fees;
- (d) search fees including property searches, company, bankruptcy, CRAA searches and any other searches which may be necessary to enable location, identification and/or investigation of borrowers/guarantors/mortgagors;
- (e) valuation fees;
- (f) independent expert's or consultant's fees including but not limited to marketing agents, property specialists, surveyors, quantity surveyors, town planners, engineers;
- (g) property report/property consultant fees;
- (h) process servers' fees;
- (i) private Investigator fees;
- (j) fees in relation to the marketing and packaging of security properties for sale;
- (k) real estate agent's sales commissions;
- (l) costs of maintenance of mortgage securities;
- (m) outstanding accounts relating to mortgage securities such as council rates;

s601FB(2)

- (n) locksmith for changing locks of mortgage securities as appropriate;
- (o) insurance (property and contents);
- (p) removalists for removal of borrower's property as appropriate;
- (q) security guards to attend mortgage securities as appropriate;
- (r) building and/or property inspection report fees - i.e. building, town planning experts and the like;
- (s) all ASIC charges;
- (t) all costs of supplying Members with copies of this Constitution and any other documents required by the Law to be provided to Members;
- (u) all costs and expenses incurred in producing PDS' and Supplementary PDS' or any other disclosure document required by the Law;
- (v) reasonable costs incurred in protecting or preserving all assets offered as security;
- (w) all liability, loss, cost, expense or damage arising from the proper performance of its duties in connection with the Scheme performed by the RE or by any agent appointed pursuant to s601FB(2) of the Law;
- (x) any liability, loss, cost, expense or damage arising from the lawful exercise by the RE and the Custodian of their rights under the Power of Attorney contained in clause 20;
- (y) fees and expenses of any agent or delegate appointed by the RE;
- (z) bank and government duties and charges on the operation of bank accounts;
- (aa) costs, charges and expenses incurred in connection with borrowing money on behalf of the Scheme under the Constitution;
- (bb) insurances directly or indirectly protecting the Scheme Property;
- (cc) fees and charges of any regulatory or statutory authority;
- (dd) taxes in respect of the Scheme but not Taxes of the RE [save and except any goods and services or similar tax ("GST")] which are payable by the RE on its own account;
- (ee) costs of printing and postage of cheques, advices, reports, notices and other documents produced during the management of the Scheme;
- (ff) expenses incurred in connection with maintaining accounting records and registers of the Scheme and of the Scheme Auditor;
- (gg) costs and disbursements incurred in the preparation and lodgement of returns under the Law, Tax Act or any other laws for the Scheme;
- (hh) costs of convening and holding meetings of Members;
- (ii) costs and disbursements incurred by or on behalf of the RE in connection with its retirement and the appointment of a substitute;

- (jj) costs and disbursements incurred by the RE in the initiation, conduct and settlement of any court proceedings;
- (kk) costs of any insurance premiums insuring against the costs of legal proceedings (whether successful or not) including legal proceedings against Compliance Committee Members not arising out of a wilful breach of a duty referred to in S601JD of the Law;
- (ll) costs of advertising the availability of funds for lending;
- (mm) brokerage and underwriting fees;
- (nn) if and when the RE becomes responsible to pay any GST in respect of any services provided to the Scheme or any payments in respect of GST to be made by the Members or the RE in respect of the Scheme or under the terms of this Constitution then the RE shall be entitled to be indemnified in respect of such GST from the Scheme Property;
- (oo) if there is any change to the Law or ASIC policy whereby the RE is required to alter the structure of the Scheme or amend this Constitution, then the costs of the RE in complying with these changes will be recoverable out of the Scheme Property.

- s601GA(2) 18.6 In the event that the RE has not performed its duties, the lack of entitlement to payment of fees pursuant to 18.3 is only in respect of that part of the payment which relates to the specific lack of proper performance on any given matter. Nothing in this clause shall be interpreted to mean that the RE is not entitled to be paid fees and expenses for work properly performed.
- s601GA(2) 18.7 In the event of any dispute regarding the payment of fees and expenses, the RE shall be paid such fees and expenses until the dispute is fully determined. Any overpayment of the RE shall be repaid forthwith upon the identification of the overpayment.
- 18.8 The RE is entitled to recover fees and expenses from the Scheme provided they have been incurred in accordance with this Constitution.
- 18.9 The RE may waive the whole or any part of the remuneration to which it would otherwise be entitled under this clause.
- 18.10 Despite any other provision of this Constitution, the RE may pay a Member's Adviser a fee or fees as directed by the Adviser from time to time. These fees are to be paid out of Scheme Property, as an expense of the Scheme. Where income of the Scheme is not sufficient to pay in full an Adviser's fee and the relevant Member's expected income distribution, the RE may reduce the Adviser's fee and/or the expected income distribution on a pro rata basis, or on any other basis agreed with the Adviser.

19. **INDEMNITY AND LIABILITY**

s601GA(2) 19.1 The following clauses apply to the extent permitted by law:

- (a) The RE is not liable for any loss or damage to any person (including any Member) arising out of any matter unless, in respect of that matter, it acted both:
 - (i) otherwise than in accordance with this Constitution and its duties; and
 - (ii) without a belief held in good faith that it was acting in accordance with this Constitution or its duties.

In any case the liability of the RE in relation to the Scheme is limited to the Scheme Property, from which the RE is entitled to be, and is in fact, indemnified.

- (b) In particular, the RE is not liable for any loss or damage to any person arising out of any matter where, in respect of that matter:
 - (i) it relied in good faith on the services of, or information or advice from, or purporting to be from, any person appointed by the RE;
 - (ii) it acted as required by Law; or
 - (iii) it relied in good faith upon any signature, marking or documents.
- (c) In addition to any indemnity under any Law, the RE has a right of indemnity out of the Scheme Property on a full indemnity basis, in respect of a matter unless, in respect of that matter, the RE has acted negligently, fraudulently or in breach of trust.
- (d) The RE is not liable to account to any Member for any payments made by the RE in good faith to any duly authorised authority of the Commonwealth of Australia or any State or Territory of Australia for taxes or other statutory charges.

20. **POWERS OF ATTORNEY**

20.1 Each Member by execution of the Application Form or the transfer by which he/she/it acquires Units in the Scheme appoints the RE and the Custodian and any director officer attorney or substitute nominated by either the RE or the Custodian severally for this purpose as its attorney and agent with the right:

- (a) at any time to:
 - (i) sign any document in relation to any subscription and withdrawal agreement;
 - (ii) sign any document in relation to the transfer or transmission of Units;
 - (iii) sign any variation of this Constitution;

- (iv) sign any document required by ASIC to be executed by a Member in respect of the Scheme.
 - (b) at the request in writing of either the RE or the Custodian the Member must execute separate Powers of Attorney in a form reasonably required by the RE or the Custodian appointing the RE and/or the Custodian as its attorney for the purpose of this clause.
 - (c) any attorney may exercise its rights notwithstanding that the exercise of the right constitutes a conflict of interest or duty;
- 20.2 each Member indemnifies and shall keep indemnified any attorney against any liability, loss, cost, expense or damage arising from the lawful exercise of any right by the attorney under the Power of Attorney.
- 21. **TITLE TO SCHEME FUND**
 - 21.1 **Custodian to hold as agent of RE**

The Scheme Property will be held in the name of the Custodian as agent for the RE on the terms and conditions as detailed in the Custody Agreement.
- 22. **THE REGISTER**
 - 22.1 **Keeping registers**

The RE must establish and keep a register of Members, and if applicable, the other registers required by the Law.
 - 22.2 **Information in registers**

To the extent applicable, the Register must be kept in accordance with, and contain the information required by the Law. Otherwise, the RE may decide what information is included in the Register. If the Law applies, the RE has the powers conferred under the Law in relation to the Register.
 - 22.3 **Changes**

Every Member must promptly notify the RE of any change of name or address and the RE must alter the Register accordingly.
- 23. **NOTICES**
 - 23.1 A notice or other communication connected with this Constitution has no legal effect unless it is in writing.
 - 23.2 In addition to any other method of service provided by law, the notice must be:
 - (a) sent by post, postage prepaid, to the address for the Member in the RE's register of interests;
 - (b) sent by facsimile to the facsimile number of the Member; or
 - (c) otherwise delivered including via email, at the address of the addressee of the Member as is subsequently notified.
 - 23.3 A notice must be treated as given and received:
 - (a) if sent by post, on the 2nd Business Day (at the address to which it is

posted) after posting;

- (b) if sent by facsimile or electronically before 5.00 p.m. on a Business Day at the place of receipt, on the day it is sent and otherwise on the next Business Day at the place of delivery.

23.4 Despite clause 23.3(ii) a facsimile is not treated as given or received unless at the conclusion of the transmission the sender's facsimile machine issues a transmission report which indicates that the relevant number of pages comprised in the notice have been sent.

23.5 A notice sent or delivered in a manner provided by clause 23.2 must be treated as validly given to and received by the party to which it is addressed even if:

- (a) the addressee has been liquidated or deregistered or is absent from the place at which the notice is delivered or to which it is sent; or
- (b) the notice is returned unclaimed.

23.6 Any notice by a party may be given and may be signed by the solicitor for the party.

23.7 Any notice to a party may be given to the solicitor for the party by any of the means listed in clause 23.2 to the solicitor's business address or facsimile number as the case may be.

24. LIABILITY OF MEMBERS

(a) The liability of each Member, whether actual, contingent or prospective, is limited to the unpaid Issue Price of his/her/its Units except if the RE and the relevant Member agree otherwise in writing that the liability of a Member may be further limited or waived.

(b) A creditor or other person claiming against the RE as trustee of the Scheme has no recourse against a Member and no Member is personally liable to indemnify the RE, any creditor of the RE or any person claiming against the RE in respect of any actual, contingent, prospective or other liability of the RE in relation to the Scheme.

25. RETIREMENT AND APPOINTMENT OF RE

s601FL 25.1 The RE may retire as RE as permitted by s601FM of the Law.

s601FM 25.2 The RE must retire when required by s601FM of the Law.

s601FR 25.3 If the RE changes the former RE must comply with s601FR of the Law.

s601FS 25.4 The rights, obligations and liabilities of a former RE are as detailed in s601FS of the Law.

26. CHANGING THE CONSTITUTION

s601GC(1) 26.1 This Constitution may be modified or repealed or replaced with a new Constitution:

- (a) by special resolution of the Members of the Scheme;

or

- (b) by the RE if the RE reasonably considers the change will not adversely affect Members' rights.

26.2 In the event the RE wishes to change the Constitution the RE must:

s601GC(2)

- (a) lodge with the ASIC a copy of the modification or the new Constitution;
- (b) the modification, or repeal and replacement, cannot take effect until the copy has been lodged;

s601GC(3)

- (c) the RE must lodge with the ASIC a consolidated copy of the Scheme's Constitution if the ASIC directs it to do so;

s601GC(4)

26.3 The RE must send a copy of the Scheme's Constitution to a Member of the Scheme within seven (7) days if the Member:

- (a) asks the RE in writing for the copy; and
- (b) pays any fee (up to the prescribed amount) required by the RE.

27. STATEMENTS, ACCOUNTS AND AUDIT

27.1 Appointment of auditors

- (a) The RE must appoint an Auditor to regularly audit the accounts in relation to the Scheme and perform the other duties required of the Scheme's auditors under this Constitution and the Law.
- (b) The RE must appoint an Auditor of the Compliance Plan (as defined in section 601HG of the Law).

27.2 Retirement of auditors

The Scheme Auditor and the Compliance Plan Auditor may each retire or be removed in accordance with the Law.

27.3 Remuneration of Auditor

The remuneration of the Scheme Auditor and Compliance Plan Auditor will each be fixed by the RE.

27.4 Accounts and reports

- (a) The accounts of the Scheme must be kept and prepared by the RE in accordance with applicable Accounting Standards and the Law.
- (b) The RE must report to Members concerning the affairs of the Scheme and their holdings as required by the Law. Subject to the Law, the person preparing a report may determine the form, content and timing of it.

27.5 Audit

The RE will cause:

- (a) the Scheme Auditor to audit and report on the Scheme's accounts;
- (b) the Compliance Plan Auditor to audit and report on the Compliance Plan,

each in the manner required by the Law.

28. **MEETINGS OF MEMBERS**

28.1 **Convening Meetings**

The RE may at any time call and convene a meeting of Members and must call and convene a meeting of Members when required to do so by the Law.

28.2 **Calling and holding meetings**

- s252G(4) (a) A notice of meeting sent by post is taken to be given the day after it is delivered.
- s252R(2) (b) If, at any time, there is only 1 Member of the Scheme, the quorum for a meeting is 1 in all other cases the quorum for a meeting is 2.
- s252R(3) (c) If an individual is attending a meeting as a Member and as a body corporate representative, the RE may in determining whether a quorum is present, count the individual more than once.
- s252W(2) (d) A proxy is not entitled to vote on a show of hands.
- s252W(3) (e) A proxy is entitled to speak and vote for a Member (to the extent allowed by the appointment) even if the Member is present (but only so long as the Member does not speak or vote, as the case may be).
- s252Y(2) (f) An appointment of proxy:
 - (i) is valid even if it does not specify the Member's address; and
 - (ii) may be a standing one.
- s252Z(5) (g) The RE may determine, in relation to a particular meeting or generally, that proxy documents may be received up to any shorter period before the meeting.
- s253K(2) (h) A poll cannot be demanded on any resolution concerning:
 - (i) the election of the chair of a meeting; or
 - (ii) the adjournment of a meeting.

29. **OTHER ACTIVITIES AND OBLIGATIONS OF THE RE**

29.1 Subject to the Law, nothing in this Constitution restricts the RE (or its associates) from:

- (a) dealing with itself (as manager, trustee or responsible entity of another trust or scheme or in another capacity);
- (b) being interested in any contract or transaction with itself (as manager, trustee or responsible entity of another trust or managed investment scheme or in another capacity) or with any Member or retaining for its own benefit profits or benefits derived from any such contract or transaction; or
- (c) acting in the same or similar capacity in relation to any other trust or managed investment scheme.

29.2 All obligations of the RE which might otherwise be implied by law are expressly excluded to the extent permitted by law.

30. **GOVERNING LAW**

This Deed is governed by the laws of the State of Queensland. The RE and the Members submit to the non-exclusive jurisdiction of courts exercising jurisdiction there.

31. **ASIC INSTRUMENT**

If relief from the provisions of the Law granted by an ASIC Instrument requires that this Constitution contain certain provisions, then those provisions are taken to be incorporated into this Constitution at all times at which they are required to be included and prevail over any other provisions of this Constitution to the extent of any inconsistency. However, if the relief is granted by Class Order (rather than specifically in relation to the Scheme) then the ASIC Instrument (and the provisions it requires) will only be taken to be incorporated if the RE declares in writing that this is the case.

32. **UNCONTROLLED EVENTS**

To the extent permitted by law, if the RE is prevented from performing its duties under this Constitution or the law due to the occurrence of an Uncontrolled Event then the RE is not liable to the Members and nor is the RE liable for any loss or decrease in value of the Scheme Property.

EXECUTED AS A DEED at the Gold Coast, Queensland:

GIVEN under the Common Seal of LM)
INVESTMENT MANAGEMENT LIMITED ACN 077)
208 461 by authority of a resolution of the Board of) Director
Directors under the hands of two Directors who)
certify that they are the proper officers to affix this)
seal and in the presence of:)
)
) Director

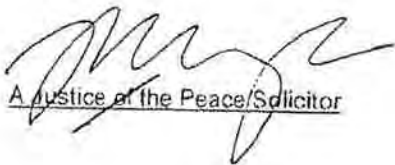

A Justice of the Peace/Solicitor

TABLE OF CONTENTS

1.	DICTIONARY AND INTERPRETATION	3
1.1	Dictionary of Terms	3
1.2	Interpretation	10
1.3	Accounting Standards	11
2	ESTABLISHMENT OF TRUST	11
2.1	Trustee	11
2.2	Role of Trustee	11
2.3	Appointment of Custodian	11
2.4	Name of Trust	12
2.5	Initial Issue	12
3	UNITS AND MEMBERS	12
3.1	Units	12
3.2	Classes	12
3.3	Fractions	12
3.4	Equal value	12
3.5	Interest	12
3.6	Consolidation and re-division	13
3.7	Rights attaching to Units	13
3.8	Conditions	13
3.9	Rollover of Investments	13
40	BINDING ON ALL PARTIES	13
50	ISSUE OF UNITS	13
5.1	Offer and Minimum Investment	13
5.2	Minimum Subscription	14
5.3	Insufficient Application Money Received	14
5.4	Form of Application	15
5.5	Acceptance or Rejection	15
5.6	Uncleared Funds	15
5.7	Issue of Units	15
5.8	Number of Units Issued	15
5.9	Unit Holding Statement	15
5.10	Additional Investments	15
5.11	Holding Application Money	15
5.12	Interest on Application Money	15
5.13	Responsible Entity to return Application Money	16

5.15	No Application Form Received	16
60	ISSUE PRICE	16
7	WITHDRAWAL OF UNITS - WHILE THE SCHEME IS LIQUID	16
7.1	Withdrawal request - while the Scheme is Liquid	16
7.3	Withdrawal	16
7.4	Cancellation	18
80	WITHDRAWAL PRICE	18
90	TRANSFER OF UNITS	19
9.1	Transferability of Units	19
9.2	Registration of Transfers	19
9.3	Where registration may be refused	19
9.4	Where registration must be refused	19
9.5	Notice of non-registration	20
9.6	Suspension of transfers	20
10	TRANSMISSION OF UNITS	20
10.1	Entitlement to Units on death	20
10.2	Registration of persons entitled	20
10.3	Distributions and other rights	21
11	DISTRIBUTABLE INCOME	21
11.1	Income of the Scheme	21
11.2	Expenses and provisions of the Scheme	21
11.3	Distributable income	21
12	DISTRIBUTIONS	21
12.1	Distribution Period	21
12.2	Distributions	22
12.3	Present entitlement	22
12.4	Capital distributions	22
12.5	Grossed up Tax amounts	22
12.6	Reinvestment of Distributable Income	22
13	NATURE OF RE POWERS	23
14	COMPLAINTS PROCEDURES	24
15	TERM OF TRUST	25
16	WINDING UP THE SCHEME	25
17	VALUE OF THE SCHEME FUND	28
17.1	Valuation of the Scheme Property	28
17.2	Valuation if required	28
17.3	Determination of Net Fund Value	28
18	FEEs, TAXES, COSTS AND EXPENSES	28

18.1	Taxes:	28
18.2	Payment of Debts:	28
18.3	Fees:	28
18.5	Costs and Expenses	29
19.	INDEMNITY AND LIABILITY	32
20.	POWERS OF ATTORNEY	32
21.	TITLE TO SCHEME FUND	33
21.1	Custodian to hold as agent of RE	33
22.	THE REGISTER	33
22.1	Keeping registers	33
22.2	Information in registers	33
22.3	Changes	33
23.	NOTICES	33
24.	LIABILITY OF MEMBERS	34
25.	RETIREMENT AND APPOINTMENT OF RE	34
26.	CHANGING THE CONSTITUTION	34
27.	STATEMENTS, ACCOUNTS AND AUDIT	35
27.1	Appointment of auditors	35
27.2	Retirement of auditors	35
27.3	Remuneration of Auditor	35
27.4	Accounts and reports	35
27.5	Audit	35
28.	MEETINGS OF MEMBERS	36
28.1	Convening Meetings	36
28.2	Calling and holding meetings	36
29.	OTHER ACTIVITIES AND OBLIGATIONS OF THE RE	36
30.	GOVERNING LAW	37
31.	ASIC INSTRUMENT	37
32.	UNCONTROLLED EVENTS	37

Australian Securities & Investments Commission



Form 5101
Corporations Act 2001
601GC

Notification of change to managed investment scheme's constitution

If there is insufficient space in any section of the form, print additional copies of the relevant page(s) and submit as part of this lodgement

Scheme details

Managed investment scheme name
LM FIRST MORTGAGE INCOME FUND

ARSN
089 343 288

Responsible entity name
LM INVESTMENT MANAGEMENT LTD

ACN
071 208 461

Lodgement details

Who should ASIC contact if there is a query about this form?

Firm/organisation
LM INVESTMENT MANAGEMENT LTD

Contact name/position description
BRUCE MACKENZIE - COMPLIANCE

ASIC registered agent number (if applicable)
220281 - (22583)

Telephone number
07 5584 4500

Postal address or DX address
PO Box 485
SURFERS PARADISE QLD 4217

*ASIC and Investments
11 MAY 2012*

1 Details of change

<input checked="" type="checkbox"/>	Modification of constitution authorised by special resolution of members	Date of resolution 16/05/12 (D) (D) (M) (M) (Y) (Y)	ASIC form code B
<input type="checkbox"/>	Replacement of constitution authorised by special resolution of members	Date of resolution □ □ / □ □ / □ □ (D) (D) (M) (M) (Y) (Y)	C
<input type="checkbox"/>	Modification of constitution authorised by responsible entity	Date authorised □ □ / □ □ / □ □ (D) (D) (M) (M) (Y) (Y)	B
<input type="checkbox"/>	Replacement of constitution authorised by responsible entity	Date of replacement □ □ / □ □ / □ □ (D) (D) (M) (M) (Y) (Y)	C
<input type="checkbox"/>	Consolidated constitution	Date of consolidation □ □ / □ □ / □ □ (D) (D) (M) (M) (Y) (Y)	D

CONTENTS

CLAUSE	PAGE
1. INTERPRETATION	3
2. AMENDMENTS TO THE CONSTITUTION	3
3. EFFECTIVE DATE	3
4. BINDING PROVISIONS	3
5. NO RESETTLEMENT	4
6. GENERAL	4
SCHEDULE 1	5
1. NEW CLAUSE 9A	5
2. NEW CLAUSE 3.3A	18
3. NEW CLAUSE 5.1A	18
4. MODIFY CLAUSE 9.1	18

SUPPLEMENTAL DEED POLL

DATE 16 May 2012

PARTIES

LM Investment Management Limited ACN 077 208 461 of Level 4, RSL Centre, 9 Beach Road, Surfers Paradise, Queensland 4217 (**Responsible Entity**)

BACKGROUND

- (A) The LM First Mortgage Income Fund ARSN 089 343 288 (**Trust**) was established under a constitution dated 24 August 1999 made by the Responsible Entity, as amended.
- (B) The Responsible Entity is the responsible entity of the Trust.
- (C) Clause 26 of the constitution of the Trust (**Constitution**) provides that the Responsible Entity may modify the Constitution by special resolution of the Members of the Trust, subject to law (including the *Corporations Act 2001 (Cth)* (**Corporations Act**)).
- (D) On 16 May 2012 the Members of the Trust resolved by special resolution to modify the Constitution in accordance with the provisions of this deed.
- (E) The Responsible Entity may give effect to the amendments by executing a supplemental deed. Pursuant to section 601GC(2) of the Corporations Act, the amendments to the Constitution do not take effect until a copy of this deed is lodged with ASIC.

OPERATIVE PROVISIONS

1. INTERPRETATION

A term defined in the Constitution has the same meaning in this deed unless it is defined differently in this deed.

2. AMENDMENTS TO THE CONSTITUTION

The Constitution is modified in the manner set out in Schedule 1 to this deed.

3. EFFECTIVE DATE

The amendments to the Constitution set out in Schedule 1 to this deed will take effect on the later of:

- (a) the date that a copy of this deed is lodged with ASIC, and
- (b) the date that the Members of the Trust resolve by special resolution to confirm the special resolution passed on 16 May 2012 to modify the Constitution in accordance with the provisions of this deed

(such date being the **Effective Date**).

4. BINDING PROVISIONS

The provisions of this deed are binding on the Responsible Entity, each Member and all persons claiming through them as if each were a party to this deed.

5. **NO RESETTLEMENT**

Other than as expressly amended by this document, the Constitution is unchanged and the amendments to the Constitution made under this deed do not constitute a resettlement of the trust which has been established under the Constitution.

6. **GENERAL**

6.1 **Governing law and jurisdiction**

- (a) This deed is governed by the laws of New South Wales.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales.


6.2 **Further actions**

The Responsible Entity must do all things and execute all further documents necessary to give full effect to this deed.

EXECUTED as a deed poll.

EXECUTED by **LM Investment Management Limited** ACN 077 208 461

in accordance with section 127(1) of the *Corporations Act 2001* (Cth):



Signature of director

SIMON TICKNER

Name



Signature of director/secretary

EDWARD VAN DER HOVEN

Name

SCHEDULE 1

Amendments to the Constitution

1. NEW CLAUSE 9A

With effect on and from the Effective Date, the Constitution is amended by inserting a new clause 9A (Transfer Facility) as follows:

"9A TRANSFER FACILITY

Definitions

9A.1 In this clause 9A, unless the context indicates otherwise:

Actual Unit Sale Price means, as at any *Trigger Date* for a Unit Sale Program, the price per Unit calculated in accordance with the following formula:

$$\frac{(NP \times BP) + NID - SD}{BV}$$

where:

NP means the amount in the Net Proceeds Account as at that *Trigger Date*,

BV means the Book Value of the Sale Assets whose sale contributed to the Net Proceeds held in the Net Proceeds Account as at the *Invitation Date* of that Unit Sale Program,

BP means the Book Price of a Unit as at the *Invitation Date* of that Unit Sale Program,

NID means the Net Income Distributions as at that *Trigger Date* divided by the number of Sale Units (where that number is as adjusted under clauses 9A.4, 9A.21, 9A.22 and 9A.23),

SD means the duty (if any) payable to any Office of State Revenue on the transfer of a Unit under the Transfer Facility as at the *Liquidity Date* for that *Trigger Date*;

Asset Sale Program means the program for sales of Assets of the Scheme determined by the RE from time to time;

Assets of the Scheme means all assets of the Scheme including the properties over which the RE holds a mortgage or other security for the loans that are assets of the Scheme but (for the avoidance of doubt) excluding all Held Cash and all amounts held on trust for Buying Members under clause 9A.18(a);

Available Hold Income Reserve has the meaning given to that expression in clause 9A.14;

Available Sale Income Reserve has the meaning given to that expression in clause 9A.13;

Base Unit Sale Price means, for any Unit Sale Program, the price per Unit calculated in accordance with the following formula:

$$\frac{(NP \times BP)}{BV}$$

where:

NP means the Expected Net Proceeds from the Sale Assets as at the *Invitation Date* of that Unit Sale Program,

BV means the Book Value of those Sale Assets as at the Invitation Date of that Unit Sale Program,

BP means the Book Price of a Unit as at the Invitation Date of that Unit Sale Program;

Book Price of a Unit means, as at any date ("Calculation Date"), the price calculated in accordance with the following formula as at the last Valuation Date prior to that Calculation Date:

$$\frac{NFV}{NOU}$$

where:

NFV means the Net Fund Value as at that Valuation Date,

NOU means the number of Units on Issue as at that Calculation Date;

Book Value means, for any Sale Assets as at any date ("Calculation Date"), the value of those Sale Assets as recorded in the books of the Scheme as at the date of the most recent audited accounts of the Scheme issued before that Calculation Date, taking into account any provision made in relation to those assets;

Buying Member has the meaning given to that expression in clause 9A.7;

Buying Member's Proportion of the Sale Units has the meaning, for any Buying Member, given to that expression in clause 9A.24;

Deutsche Bank Facility Agreement means the facility agreement dated 1 July 2010 made between LM Investment Management Limited in its capacity as responsible entity for the Scheme and Deutsche Bank AG, Sydney Branch;

Disposal Units has the meaning, for any Unit Sale Program, given to that expression in clause 9A.20;

Distributable Net Proceeds has the meaning, given to that expression in clause 9A.11;

Distribution Date means, for any Trigger Date in a Unit Sale Program, the Business Day immediately following the Liquidity Date for that Trigger Date;

Expected Net Proceeds means the net cash proceeds that the RE expects to receive from the sale of the Sale Assets under the Asset Sale Program, after deducting all costs of sale (including all brokerage, marketing expenses and transaction taxes);

Expected Sale Discount means, for any Investment Allocation Request, the fraction (expressed as a percentage) calculated in accordance with the following formula:

$$\frac{BV - NP}{BV}$$

where:

NP means the Expected Net Proceeds from the Sale Assets as at the Invitation Date of that Investment Allocation Request,

BV means the Book Value of those Sale Assets as at the Invitation Date of that Investment Allocation Request;

Facility Accounts means the Net Proceeds Account, Sale Asset Income Account and Hold Asset Income Account;

Final Completion Date means, in relation to any Unit Sale Program, the date on which the sale of all of the Sale Assets relating to that Unit Sale Program has been completed;

Held Cash has the meaning, as at any Trigger Date, given to that expression in clause 9A.26(d);

Hold Assets means all Assets of the Scheme that are not Sale Assets;

Hold Asset Income means, for any Unit Sale Program, the net income received by the RE from the Hold Assets after the Invitation Date for that Unit Sale Program;

Hold Asset Income Account means the account into which the Hold Asset Income is credited under clause 9A.10;

Invitation Date means, in relation to any Unit Sale Program and any Investment Allocation Request, the date of the Investment Allocation Request that initiated that Unit Sale Program;

Investment Allocation Request has the meaning given to that expression in clause 9A.2;

Liquidity Date means, for any Trigger Date in a Unit Sale Program, the 5th Business Day after that Trigger Date;

Member Election has the meaning given to that expression in clause 9A.3;

Net Income Distributions means, as at any date, the amount held as at that date in the Available Sale Income Reserve plus the amount held by the RE as at that date in accordance with the directions under clauses 9A.17 and 9A.18 in respect of distributions out of the Available Sale Income Reserve to Members;

Net Proceeds means the net cash proceeds received by the RE from the sale of the Sale Assets, after deducting all costs of sale (including all brokerage, marketing expenses and transaction taxes);

Net Proceeds Account means the account into which the Net Proceeds are credited under clause 9A.10;

Offer Closing Date has the meaning, in relation to any Investment Allocation Request, given to that expression in clause 9A.3;

Office of State Revenue means the Office of State Revenue of Queensland and any similar office in any other State or Territory of Australia;

Pro Rata Buyer Proportion has the meaning given to that expression in clause 9A.20;

Pro Rata Seller Proportion has the meaning given to that expression in clause 9A.20;

Release Date means the third anniversary of the date on which this clause 9A comes into effect or such earlier date (if any) as the RE determines;

Sale and Purchase Notice has the meaning given to that expression in clause 9A.20;

Sale Assets means, for any Unit Sale Program and any Investment Allocation Request, the assets identified in that Investment Allocation Request as the Assets of the Scheme that will be sold for the purposes of that Unit Sale Program under the Asset Sale Program (as adjusted under clause 9A.9);

Sale Asset Income means, for any Unit Sale Program, the net income received by the RE from the Sale Assets after the Invitation Date for that Unit Sale Program;

Sale Asset Income Account means the account into which the Sale Asset Income is credited under clause 9A.10;

Selling Member has the meaning given to that expression in clause 9A.6;

Selling Member's Disposal Units means, for any Selling Member and any Unit Sale Program, the Disposal Units for that Unit Sale Program that are held by that Selling Member;

Selling Member's Sale Units has the meaning, for any Selling Member and any Unit Sale Program, given to that expression in clause 9A.22;

Transfer Facility means the process for the sale and purchase of Units set out in this Clause 9A;

Trigger Date has the meaning, for any Units Sale Program, given to that expression in clause 9A.20;

Unit Sale Program means a program for the sale and purchase of Units under the Transfer Facility that is initiated by the issue by the RE of an Investment Allocation Request under this clause 9A.

Member Election

9A.2 At any time the RE may give a notice to the Members (**Investment Allocation Request**) inviting each Member to notify the RE:

- (a) whether it wishes to sell its Units under the Transfer Facility or to continue to hold them, and
- (b) If it wishes to sell its Units, the percentage of its Unit Holding that it wishes to sell (which may be 100% or such lesser percentage as the Member notifies the RE).

9A.3 The RE must specify in the Investment Allocation Request:

- (a) the date (**Offer Closing Date**) by which the Member's notice (**Member Election**) must be received, which must not be less than [20] Business Days after the Invitation Date;
- (b) the Sale Assets;
- (c) the Base Unit Sale Price; and
- (d) the Expected Sale Discount.

9A.4 Notwithstanding any other provision of this clause 9A:

- (a) a Member is not entitled to indicate in its Member Election that it wishes to sell less than 1,000 Units or an integral multiple of 1,000 Units, except that it may indicate that it wishes to sell all of its Unit Holding even where its total Unit Holding is less than 1,000 Units or is not an integral multiple of 1,000 Units; and
- (b) the RE may at any time reject a Member Election in which the Member notifies the RE it wishes to sell all or some of its Units, and deem the Member Election to be a notice that the Member wishes to hold all of its Units and deem the Member to be a

Buying Member, if the Member cannot provide satisfactory evidence of the Member's title or authority to deal with the Units which it wishes to sell.

- 9A.5 If a Member does not give the RE a Member Election by the Offer Closing Date it will be deemed to wish to hold all of its Units for the purposes of the Transfer Facility.
- 9A.6 A Member which notifies the RE in its Member Election that it wishes to dispose of all or any of its Units is a **Selling Member** in respect of those of its Units which it has elected to dispose of (as adjusted under clauses 9A.4, 9A.21, 9A.22 and 9A.23).
- 9A.7 A Member which notifies the RE in its Member Election that it wishes to hold all or any of its Units (or which is otherwise deemed under this clause 9A to wish to hold its Units) is a **Buying Member** in respect of those of its Units:
- (a) which it wishes to hold (or is deemed under clause 9A.4 to wish to hold), or
 - (b) which are otherwise not transferred under this clause 9A due to any adjustments under clauses 9A.21, 9A.22 and 9A.23.
- 9A.8 A Member Election:
- (a) will be taken to be an offer by that Member to the other Members to sell the Units confirmed for sale in its Member Election on the terms and in accordance with the procedures (including adjustments) of this clause 9A,
 - (b) will be taken to have been accepted by the Buying Members on the terms and in accordance with the procedures (including adjustments) of this clause 9A (and in the case of each Buying Member in respect of the Sale Units which the RE determines under clause 9A.23 are to be transferred to it) when the RE issues a Sale and Purchase Notice in respect of that Member's Sale Units, and
 - (c) will be binding on that Member in relation to the number of its Units that it elects to sell in its Member Election (as adjusted under clauses 9A.4, 9A.21, 9A.22, 9A.23 and 9A.43).
- 9A.9 After the Offer Closing Date specified in an Investment Allocation Request the RE may exclude one or more assets from the Sale Assets identified in that Investment Allocation Request if the RE considers that the net sale proceeds from the remaining Sale Assets are likely to be sufficient to fund the payment in full of the Base Unit Sale Price for the Units that are confirmed for sale in the Member Elections (taking into account the adjustments noted in this clause 9A).

Net Proceeds and Income Accounts

- 9A.10 The RE will:
- (a) establish a separate account in its books for each Unit Sale Program for each of (1) the Net Proceeds, (2) the Sale Asset Income, and (3) the Hold Asset Income relating to that Unit Sale Program;
 - (b) credit amounts received in respect of the Net Proceeds, the Sale Asset Income, and the Hold Asset Income for a Unit Sale Program to their respective accounts for that Unit Sale Program as and when those amounts are received; and
 - (c) apply the amounts held in those accounts consistently with the requirements of this clause 9A.

Allocation of Net Proceeds

9A.11 The RE may at any time and from time to time as it considers fit allocate the balance at that time in the Net Proceeds Account to the following reserves:

- (a) all amounts then payable or repayable under the Deutsche Bank Facility Agreement in relation to the Sale Assets from which the Net Proceeds then held in the Net Proceeds Account have been derived,
- (b) the amount required for redemption of Units permitted by ASIC on "hardship" grounds,
- (c) the amount required to pay distributions to Members previously determined by the RE but not yet paid,
- (d) the amount required for feeder fund payments for distributions and expenses allowed under the Deutsche Bank Facility Agreement,
- (e) the amount that in the RE's opinion should be held in cash reserve for any Liabilities (including operational costs, provisions and contingencies) or other purposes, and
- (f) the amount of the Net Proceeds that is available (after deducting the amounts referred to in paragraphs (a) to (e) above) for distribution to Members (**Distributable Net Proceeds**).

9A.12 The RE may at any time and from time to time as it considers fit apply out of the Net Proceeds Account any amount credited to a reserve referred to in paragraphs 9A.11(a) to (e) above towards the payments contemplated by that reserve.

Allocation of Income

9A.13 Subject to clause 9A.15, the RE may at any time and from time to time as it considers fit:

- (a) allocate the balance at that time in the Sale Asset Income Account to any of the reserves noted in paragraphs (a) to (e) of clause 9A.11,
- (b) apply any amount so credited to any of those reserves towards the payments contemplated by that reserve,
- (c) allocate the balance after such allocations and applications to a reserve for distribution to Members (**Available Sale Income Reserve**), and
- (d) distribute to Members out of the Available Sale Income Reserve in cash any amount that in the RE's opinion should be distributed to Members to assist them to pay Australian tax liabilities expected to be incurred on distributions in respect of the Sale Asset Income.

9A.14 Subject to clause 9A.15, the RE may at any time and from time to time as it considers fit:

- (a) allocate the balance at that time in the Hold Asset Income Account to any of the reserves noted in paragraphs (a) to (e) of clause 9A.11,
- (b) apply any amount so credited to any of those reserves towards the payments contemplated by that reserve,
- (c) allocate the balance after such allocations and applications to a reserve for distribution to Members (**Available Hold Income Reserve**), and

- (d) distribute to Members out of the Available Hold Income Reserve in cash any amount that in the RE's opinion should be distributed to Members to assist them to pay Australian tax liabilities expected to be incurred on distributions in respect of the Hold Asset Income.

9A.15 No amount credited to the Sale Asset Income Account or the Hold Asset Income Account or distributed under clauses 9A.13 and 9A.14 will constitute Distributable Income until it is determined to be Distributable Income under clause 11.3.

9A.16 Where an amount is distributed to Members under this clause 9A, the determination of whether that distribution is a distribution of capital or income will not be affected by the crediting of that amount to or distribution out of any of the accounts referred to in clause 9A.10 or any of the reserves referred to in clause 9A.11.

Distribution Directions

9A.17 Each Selling Member irrevocably directs the RE:

- (a) to invest on its behalf all amounts distributed to it out of the Available Sale Income Reserve or the Available Hold Income Reserve (other than cash amounts distributed under clauses 9A.13 or 9A.14) into a separate account of the RE to be held (together with any interest earned on those amounts) on trust for that Selling Member; and
- (b) to pay those amounts (together with any interest earned on those amounts) on its behalf upon completion of the transfer of its Sale Units in accordance with the directions in clause 9A.28.

9A.18 Each Buying Member irrevocably directs the RE:

- (a) to invest on its behalf all amounts distributed to it out of the Available Sale Income Reserve (other than cash amounts distributed under clause 9A.13) into a separate account of the RE to be held (together with any interest earned on those amounts) on trust for that Buying Member;
- (b) to pay those amounts (together with any interest earned on those amounts) on its behalf upon completion of the transfer of Sale Units to it in accordance with the directions in clause 9A.28;
- (c) to reinvest all distributions made to it out of the Available Hold Income Reserve before the Release Date (other than cash amounts distributed under clause 9A.14) by way of application for additional Units in the Scheme under, and on the terms of, clause 12.6 on the basis that, for the purposes of that clause, the RE is deemed to have invited the Buying Member to make that reinvestment, and the Buying Member is deemed to have accepted that reinvestment offer; and
- (d) to pay or apply all distributions made to it out of the Available Hold Income Reserve on or after the Release Date in accordance with clauses 11 and 12 as applying at that time.

9A.19 Each Member irrevocably directs the RE to distribute on each Distribution Date the Distributable Net Proceeds as at that date to the Members in accordance with this clause 9A pro rata to their Unit Holdings as at that Distribution Date.

Sale and Purchase of Units

9A.20 On the 5th Business Day after the Final Completion Date for a Unit Sale Program, and on such other earlier date or dates as the RE considers appropriate, (each a Trigger Date) the RE must give a notice (Sale and Purchase Notice) to Members setting out:

- (a) the number of Units that have been confirmed for sale in Member Elections (as adjusted under clause 9A.43) that have not previously been transferred under the Transfer Facility or otherwise since the Invitation Date for that Unit Sale Program (and excluding Member Elections rejected under clause 9A.4) (**Disposal Units**),
 - (b) the amount of the Distributable Net Proceeds as at the Trigger Date,
 - (c) the number of Units to be sold and purchased (as whole Units) under this clause 9A in relation to those Member Elections as at that Trigger Date (**Sale Units**), where that number is calculated (subject to clauses 9A.4, 9A.21, 9A.22 and 9A.23) by dividing the amount of the Distributable Net Proceeds as at that Trigger Date by the Actual Unit Sale Price as at that Trigger Date, rounded down to the nearest whole Unit,
 - (d) the proportion of each Selling Member's Disposal Units as at that Trigger Date that will be sold under this clause 9A (subject to rounding down to whole Units under clause 9A.22), where that proportion (**Pro Rata Seller Proportion**) is the fraction calculated by dividing the number of Sale Units as at that Trigger Date (as adjusted under clauses 9A.4, 9A.21 and 9A.23 but before adjustment for rounding down under clause 9A.22) by the number of Disposal Units as at that Trigger Date, expressed as a percentage,
 - (e) the number of Sale Units to be bought by each Buying Member under this clause 9A as at that Trigger Date, expressed as a number per Unit held by a Buying Member (**Pro Rata Buyer Proportion**), where that number is calculated by dividing the number of Sale Units as at that Trigger Date (as adjusted under clauses 9A.4, 9A.21, 9A.22 and 9A.23) by the number of all Units held by Buying Members as at that Trigger Date, rounded down to two decimal points,
 - (d) the Liquidity Date for that Trigger Date, and
 - (e) the Distribution Date for that Trigger Date.
- 9A.21 If the number of Sale Units calculated under clause 9A.20(c) for a Trigger Date plus the aggregate number of Sale Units calculated under clause 9A.20(c) for each previous Trigger Date in the same Unit Sale Program is greater than or equal to the number of Disposal Units for that Unit Sale Program:
- (a) the number of Sale Units as at that Trigger Date will be deemed to be the number equal to the balance of the Disposal Units for that Unit Sale Program then remaining unsold (whether under the Unit Sale Program or otherwise);
 - (b) the Pro Rata Seller Proportion will be deemed to be 100%; and
 - (c) the amount of the Distributable Net Proceeds that is attributable to the number of Sale Units that is greater than the number of Disposal Units will be reallocated to the cash reserve referred to in clause 9A.11(d).
- 9A.22 The number of a Selling Member's Disposal Units that will be sold under this clause 9A in relation to a Trigger Date (**Selling Member's Sale Units**) will be the number calculated by multiplying the number of that Selling Member's Disposal Units remaining unsold as at that Trigger Date (whether under the Unit Sale Program or otherwise) by the Pro Rata Seller Proportion, adjusted (where applicable) under clause 9A.23, and rounded down to the nearest whole Unit. The number of Sale Units calculated under clause 9A.20(c) will be reduced to reflect any such adjustment and rounding down so that the total number of Sale Units equals the sum of all of the Selling Members Sale Units.
- 9A.23 In addition to the adjustment under clauses 9A.21 and any rounding down under clause 9A.22, and without limiting clauses 9A.34 and 9A.37, the RE may reduce the number of a

Selling Member's Sale Units for a Trigger Date by any number (including to zero) if the RE considers that such reduction is necessary to ensure that the implementation of the Transfer Facility does not have a material adverse financial effect on the Scheme. In determining whether to make any such reduction and, if so, how to apply it to a Selling Member's Sale Units for a Trigger Date, the RE may take into account:

- (a) the implications of the sale of the Selling Member's Sale Units for that Trigger Date under the Transfer Facility on the tax treatment of the Scheme (including in relation to the trading history of Units and the change in the members of the Scheme during relevant periods),
- (b) the principle that priority should be given to Member Elections in terms of the chronological order in which they have been received by the RE, and
- (c) such other factors as in the RE's opinion are relevant to the potential material adverse financial effect on the Scheme in relation to which such reduction is necessary.

9A.24 The number of the Sale Units (as adjusted under clauses 9A.4, 9A.21, 9A.22 and 9A.23) to be bought by a Buying Member under this clause 9A as at any Trigger Date (**Buying Member's Proportion of the Sale Units**) will be the number calculated by multiplying the number of Units held by the Buying Member as at the Trigger Date by the Pro Rata Buyer Proportion, rounded down to two decimal points .

9A.25 The amount of the Distributable Net Proceeds that is attributable through the calculations in clause 9A.20 to:

- (a) any fraction of the Selling Member's Disposal Units that is excluded from the Selling Member's Sale Units by the rounding down in clause 9A.22,
- (b) any fraction of a Unit that is excluded from the Sale Units by the rounding down in clause 9A.20(c), or
- (c) any Unit that is excluded from the Sale Units by a reduction under clause 9A.23,

will be reallocated to the cash reserve referred to in clause 9A.11(e).

9A.26 On each Trigger Date in a Unit Sale Program a binding agreement will be deemed to have come into effect between the Members under which:

- (a) each Selling Member agrees to sell its Selling Member's Sale Units as at that Trigger Date to the Buying Members for that Unit Sale Program, allocated between them in accordance with the Pro Rata Buyer Proportion for that Trigger Date, and
- (b) each Buying Member agrees to buy from the Selling Members its Buying Member's Proportion of the Sale Units as at that Trigger Date,

in each case:

- (c) at a price per Unit equal to the Actual Unit Sale Price as at that Trigger Date,
- (d) on the basis that:
 - (i) at Completion all amounts held for Selling Members in accordance with their direction in clause 9A.17 in respect of the Sale Units as at that Trigger Date (**Held Cash**) will be applied in accordance with the directions in clause 9A.28, and

- (ii) the transfer of any Sale Units includes all rights to distributions of capital and income in respect of the Sale Units paid on or after that Trigger Date (irrespective of when the distribution was determined by the RE),
- (e) with completion of the transfer of the Sale Units to occur on the Liquidity Date for that Trigger Date but on the basis that payment of the price for the Units will be paid on the Distribution Date for that Trigger Date ,
- (f) on the basis that each Member appoints the RE its attorney to complete the sale and purchase on its behalf with full authority to do so as more specifically described in clause 9A.30,
- (g) on the basis that each Selling Member warrants to each Buying Member and to the RE that, at the time of completion of the transfer under this clause 9A:
 - (i) the Selling Member's Sale Units will be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise, and restrictions of any kind, and
 - (ii) it has full power and capacity to sell and transfer its Selling Member's Sale Units (together with any rights and entitlements attaching to those Units) to the Buying Members under the Transfer Facility, and
- (h) otherwise on the terms and conditions of this clause 9A.

Completion of Sale and Purchase

9A.27 Each Member directs the RE to take all steps, including execute and deliver all documents (whether under seal or otherwise) and make all payments, in the name of and on behalf of the Member, that the RE considers necessary or desirable to confirm and complete any sale and purchase of Units that is referred to in clause 9A.26.

9A.28 Without limiting clause 9A.27:

- (a) each Selling Member directs the RE to pay to the Buying Members (or as they direct) all of the Held Cash attributable to its Sale Units as at the relevant Trigger Date; and
- (b) each Buying Member directs the RE to apply the Distributable Net Proceeds that are distributed to it on a Distribution Date under clause 9A.19 (including any amount distributed to it in respect of its Buying Member's Proportion of the Sale Units) and the amount held for it in relation to its Units in accordance with its directions in clause 9A.18 and all Held Cash distributed to it in accordance with the Selling Members' directions under clause 9A.28(a) towards:
 - (i) payment on that date of the price payable by it under clause 9A.26 for those Units until that price is paid in full, and
 - (ii) payment on that date to the relevant Office of State Revenue of any duty payable by it on the transfer of those Units,

and to reinvest any remaining surplus by way of application for additional Units in the Scheme under, and on the terms of, clause 12.6 on the basis that, for the purposes of that clause, the RE is deemed to have invited the Buying Member to make that reinvestment, and the Buying Member is deemed to have accepted that reinvestment offer.

These directions are irrevocable.

9A.29 The RE must register each transfer of Units completed in accordance with clause 9A.26 on the Liquidity Date for the relevant Trigger Date.

Appointment of RE as attorney

9A.30 Without limiting clause 20, each Member appoints the RE and any director, officer, attorney or substitute nominated by the RE severally for this purpose as its attorney and agent with the right and authority to take all steps, including execute and deliver all documents (whether under seal or otherwise) and make all payments, in the name of and on behalf of the Member to confirm and complete any sale and purchase of Units under this clause 9A, including (without limitation):

- (a) to determine as it sees fit (consistently with the agreement set out in clause 9A.26) the particular Sale Units that are to be transferred on completion by a particular Selling Member to a particular Buying Member,
- (b) to execute and deliver on the Liquidity Date on behalf of the both the relevant Selling Member and the relevant Buying Member all instruments of transfer of Units necessary or desirable to give effect to that determination;
- (c) to pay to a Selling Member on the Distribution Date the price payable to that Selling Member under clause 9A.26 out of the distributions that it is directed by the Buying Members to apply towards that purpose under clause 9A.28;
- (d) to pay to each relevant Office of State Revenue on behalf of the relevant Buying Member any duty payable by that Buying Member on the transfer of Units to it under the Transfer Facility; and
- (e) to enforce on behalf of any Member at the cost of the Scheme any of its rights under the Transfer Facility (including in relation to any breach of the warranty set out in clause 9A.26(g)).

9A.31 At the request in writing of the RE a Member must execute separate powers of attorney in a form reasonably required by the RE appointing the RE as its attorney for the purposes of this clause.

9A.32 Any attorney may exercise its rights under clause 9A.30 or any power of attorney executed under clause 9A.31 notwithstanding that the exercise of the right constitutes a conflict of interest or duty.

9A.33 Each Member indemnifies and shall keep indemnified each attorney against any liability, loss, cost, expense or damage arising from the lawful exercise of any right by the attorney under clause 9A.30 or any power of attorney executed under clause 9A.31.

Termination of Unit Sale Program

9A.34 Notwithstanding the other provisions of this clause 9A, if at any time the RE considers that it is not in the best interests of Members to continue to implement the Transfer Facility in relation to a particular Investment Allocation Request issued under this clause, the RE may terminate the Unit Sale Program initiated by that Investment Allocation Request by a determination to that effect.

9A.35 Upon making any such determination under clause 9A.34:

- (a) all notices, elections, agreements and other steps taken or deemed to have occurred under this clause 9A in relation to that Unit Sale Program will cease to have effect except for steps relating to transfers of Units which have been completed under this clause before the determination was made, and

- (b) the RE must take all steps necessary (including in relation to allocations in, and distributions out of, the Facility Accounts) to put the Members back into the same position in relation to the Units they continue to hold that that they would have been in if the Unit Sale Program had not been initiated.

9A.36 A determination in relation to a Unit Sale Program under clause 9A.34 does not affect the implementation of any other Unit Sale Program. For the avoidance of doubt, any determination under clause 9A.34 does not affect any determinations made by the RE under clauses 11.3 or 12.1 in relation to the Distributable Income of the Scheme for a Distribution Period and does not affect Members present entitlement to that Distributable Income under clause 12.3.

Acknowledgements and authorities

9A.37 Without limiting any of its rights, powers, discretions, authorities and indemnities under this clause 9A, it is expressly acknowledged and the RE is expressly instructed that it is authorised to initiate and implement any Unit Sale Program, including the issue of Investment Allocation Requests and Sale and Purchase Notices, notwithstanding that doing so may or will result in a material adverse financial effect on the Scheme (whether in relation to the tax treatment of the Scheme or otherwise).

9A.38 The Buying Members authorise the RE to appoint itself or the Custodian or such other person as the RE determines as their nominee to hold the Sale Units transferred to the Buying Members under any Unit Sale Program on their behalf in the name of the nominee on such terms as the RE considers appropriate.

9A.39 The Buying Members acknowledge that all administrative options selected by a Buying Member in relation to its Units (including as to currency conversion, investment term and distribution reinvestment directions) will be deemed to apply also to all Units transferred to the Buying Member under this clause 9A, and that any costs incurred in providing and administering those options are expenses of the Scheme.

Further Unit Sale Programs

9A.40 The RE may from time to time issue a further Investment Allocation Request under clause 9A before the Final Completion Date for an earlier Investment Allocation Request provided that:

- (a) the assets identified for sale in the further Investment Allocation Request do not include assets that comprise Sale Assets in any earlier Investment Allocation Request;
- (b) a Member is not entitled to elect to dispose in its Member Election in response to a further Investment Allocation Request any Units that it has confirmed for disposal in its Member Election in response to an earlier Investment Allocation Request (other than Units that it continues to hold due to the rejection of its Member Election under clause 9A.4 or due to any adjustment under clauses 9A.21, 9A.22, 9A.23 or 9A.43);
- (c) the sale and purchase of Units resulting from that further Investment Allocation Request (and all steps relating to it) will be taken to be a separate Unit Sale Program under this clause 9A;
- (d) the RE must establish separate Facility Accounts for each Unit Sale Program; and
- (e) each of the definitions in clause 9A.1 will apply separately in relation to each Unit Sale Program by reference to the Investment Allocation Request, Sale Assets,

Member Elections Trigger Dates and other elements of and steps in that Unit Sale Program.

Withdrawal Notices

- 9A.41 All Withdrawal Notices given by Members to the RE which remain unprocessed as the date on which this clause 9A comes into effect (other than Withdrawal Notices permitted by ASIC on hardship grounds) are deemed to be of no effect.
- 9A.42 Unless the RE determines otherwise and notifies the Members accordingly, a Member may not give a Withdrawal Notice in relation to any of its Units before the Release Date (other than a Withdrawal Notice permitted by ASIC on hardship grounds).

Adjustment of Member Elections

- 9A.43 A Member may at any time by notice to the RE ask the RE to adjust its Member Election for a Unit Sale Program by increasing or reducing (as set out in the Member's notice) the percentage of the Member's Unit Holding that it wishes to sell.
- (a) The RE may accept (in whole or in part) or reject any such request in its absolute discretion.
 - (b) If the RE decides to accept the request (in whole or in part) it may only do so in accordance with and to the extent permitted by this clause 9A.43.
 - (c) The RE may not reduce the Member's Election in a way that would affect the sale of any Units that have already, as at the date of the RE's decision (**Adjustment Date**), been sold under that Unit Sale Program or that are included in the Sale Units for that Unit Sale Program notified in a Sale and Purchase Notice issued on or before the Adjustment Date.
 - (d) The RE may not increase the Member's Election in a way that would increase the number of Sale Units for that Unit Sale Program notified in a Sale and Purchase Notice issued on or before the Adjustment Date.
 - (e) Where a Member wishes to increase the percentage of its Unit Holding that it wishes to sell in a Unit Sale Program, and distributions have been made, between the Invitation Date for that Unit Sale Program and the Adjustment Date, out of the Available Sale Income Reserve or Available Hold Income Reserve on Units which would be included in that Member's Disposal Units if the RE accepted the Member's request (**Additional Sell Units**):
 - (i) the Actual Unit Sale Price for that Member's Sale Units in that Unit Sale Program must be reduced to the extent necessary to ensure that the RE is able to implement the Transfer Facility for other Members in accordance with the principles on Unit value and cash payments on Completion set out in the other clauses of this clause 9A as if the Additional Sell Units had been included in that Member's Election for that Unit Sale Program when it first gave that Member Election to the RE, and
 - (ii) the RE must take all other steps necessary to put the Members into the same position on and from the Adjustment Date that they would have been in if the Additional Sell Units had been included in that Member's Election for that Unit Sale Program when it first gave that Member Election to the RE.
 - (f) Where a Member wishes to reduce the percentage of its Unit Holding that it wishes to sell in a Unit Sale Program, and distributions have been made, between the

Invitation Date for that Unit Sale Program and the Adjustment Date, out of the Available Sale Income Reserve or Available Hold Income Reserve on Units which would cease to be included in that Member's Disposal Units if the RE accepted the Member's request (**Additional Hold Units**):

- (i) the RE must deal (or adjust its dealings) with those distributions as necessary to ensure that they are held or reinvested as they would have been under this clause 9A (including the directions in clauses 9A.17 and 9A.18) if the Additional Hold Units had not been included in that Member's Election for that Unit Sale Program when it first gave that Member Election to the RE, and
- (ii) the RE must take all other steps necessary to put the Members into the same position on and from the Adjustment Date that they would have been in if the Additional Hold Units had not been included in that Member's Election for that Unit Sale Program when it first gave that Member Election to the RE.

Facilitating Implementation

9A.44 Notwithstanding any other provision of this clause 9A, if the RE encounters any administrative difficulty when it implements the Transfer Facility (whether due to lack of express guidance in this clause 9A, or inconsistency between provisions or any other factor) the Members authorise the RE to take all steps the RE considers necessary or desirable (including making adjustments to the number or allocation of Disposal Units and Sale Units, or the calculations of the Actual Unit Sale Price, or to allocations in, and distributions out of, the Facility Accounts) to enable the RE to implement the Transfer Facility for Members in a way that in the RE's opinion is most consistent with the principles in this clause 9A."

2. NEW CLAUSE 3.3A

With effect on and from the Effective Date, the Constitution is amended by inserting a new clause 3.3A as follows:

"3.3A Notwithstanding clause 3.3, a fraction of a Unit up to two decimal places may be transferred under clauses 9 or 9A. Without limiting clause 9A, where a sale and purchase under clause 9A would result in the transfer of a fraction of a Unit, the number of Units to be transferred must be rounded down to the nearest two decimal points."

3. NEW CLAUSE 5.1A

With effect on and from the Effective Date, the Constitution is amended by inserting a new clause 5.1A as follows:

"5.1A Notwithstanding clause 5.1(a), the RE does not have power to, and must not, issue any Unit between the last Business Day of a Sale Period and the Distribution Date for that Sale Period."

4. MODIFY CLAUSE 9.1

With effect on and from the Effective Date, the Constitution is amended by modifying clause 9.1(a) to read as follows:

"9.1(a) Subject to this Constitution, a Unit (including a fraction of a Unit up to two decimal places) may be transferred by instrument in writing, in any form authorised by Law or in any other form that the RE approves. In this Constitution any reference to the transfer or transmission of a Unit will be taken to include a reference to a fraction of a Unit up to two

decimal places, and the interest of a Member will include any interest represented by any such fraction of a Unit that the Member holds."

Australian Securities & Investments Commission



Form 5101 Corporations Act 2001 601GC

Notification of change to managed investment scheme's constitution

If there is insufficient space in any section of the form, print additional copies of the relevant page(s) and submit as part of this lodgement

Scheme details

Managed investment scheme name
LM First Mortgage Income Fund

ARSN
089 343 288

Responsible entity name
LM Investment Management Limited

ACN
077 208 461

Lodgement details

Who should ASIC contact if there is a query about this form?
Firm/organisation
Norton Rose Australia

Contact name/position description
Peter Schmidt - Partner

ASIC registered agent number (if applicable)
27628 (Brisbane)

Telephone number
(07) 34 14 2888

Postal address or DX address
GPO Box 407, Brisbane, QLD 4001

1 Details of change

<input type="checkbox"/>	Modification of constitution authorised by special resolution of members	Date of resolution [] [] / [] [] / [] [] (D) (D) (M) (M) (Y) (Y)	B
<input type="checkbox"/>	Replacement of constitution authorised by special resolution of members	Date of resolution [] [] / [] [] / [] [] (D) (D) (M) (M) (Y) (Y)	C
<input checked="" type="checkbox"/>	Modification of constitution authorised by responsible entity	Date authorised 2 6 / 1 0 / 1 2 (D) (D) (M) (M) (Y) (Y)	B
<input type="checkbox"/>	Replacement of constitution authorised by responsible entity	Date of replacement [] [] / [] [] / [] [] (D) (D) (M) (M) (Y) (Y)	C
<input type="checkbox"/>	Consolidated constitution	Date of consolidation [] [] / [] [] / [] [] (D) (D) (M) (M) (Y) (Y)	D

2 Documents to be attached

- A copy of the modification or the new constitution.
The modification, or repeal and replacement, cannot take effect until the copy has been lodged.
- OR
- A consolidated copy of the scheme's constitution if directed to do so by ASIC.

Signature

This form must be signed by a director or secretary of the responsible entity

I certify that the information in this form is true and complete.

Name

Francene Mulder

Capacity

- Director of responsible entity
 Secretary of responsible entity

Signature

Francene Mulder

Date signed

2 6 / 1 0 / 1 2
[D D] [M M] [Y Y]

Lodgement

Send completed and signed forms to:
Australian Securities and Investments Commission,
GPO Box 9827 in your capital city.

For more information

Web www.asic.gov.au
Need help? www.asic.gov.au/question
Telephone 1300 300 630



Dated 26 OCTOBER 2012

Supplemental Deed

LM First Mortgage Income Fund
ARSN 089 343 288

LM Investment Management Limited
ACN 077 208 461

John Moutsopoulos
Norton Rose Australia
Level 18, Grosvenor Place, 225 George Street
Sydney NSW 2000
Telephone: +61 2 9330 8166
www.nortonrose.com
Our ref: 2789191

Supplemental Deed dated 26 OCTOBER 2012

Parties LM Investment Management Limited ACN 077 208 461
of Level 4, RSL Centre, 9 Beach Road, Surfers Paradise, Queensland 4217
(Responsible Entity)

Introduction

- A By a replacement constitution lodged with the Australian Securities & Investments Commission dated 10 April 2008, as amended (**Constitution**), the scheme currently known as LM First Mortgage Income Fund ARSN 089 343 288 (**Scheme**) is registered as a managed investment scheme and the Responsible Entity is appointed as the responsible entity of the Scheme.
- B Pursuant to clause 26.1(b) of the Constitution and section 601GC(1)(b) of the Law, the Constitution may be modified by the Responsible Entity if it reasonably considers the change will not adversely affect Members' rights.
- C At the request of the responsible entity of the LM Currency Protected Australian Income Fund ARSN 110 247 875, the LM Wholesale First Mortgage Income Fund ARSN 099 857 511 and the LM Institutional Currency Protected Australian Income Fund ARSN 122 052 868, the Constitution of the Scheme is to be amended to recognise and acknowledge the intent of See Through Voting provisions which have been inserted into their respective constitutions.
- D The Responsible Entity reasonably considers that the modifications to the Constitution proposed to be made by this supplemental deed will not adversely affect Members' rights.

Operative provisions

1 Interpretation

Except to the extent that it is given a special meaning in this supplemental deed, any word or expression which has a particular meaning in the Constitution must, when used in this supplemental deed, be given the same meaning as it has in the Constitution.

2 Operation of this deed

This deed takes effect as a supplemental deed to the Constitution on the day it is lodged with ASIC pursuant to section 601GC(2) of the Law.

3 Amendments to the Constitution

3.1 Subject to clause 2, the Constitution is modified by including the following:

(a) Insert new definition into the Directory of Terms at clause 1.1:

"Feeder Funds" means the LM Currency Protected Australian Income Fund ARSN 110 247 875, the LM Wholesale First Mortgage Income Fund ARSN 099 857 511 and the LM Institutional Currency Protected Australian Income Fund ARSN 122 052 868 (each a "Feeder Fund")."

(b) Insert new clause 33 into the Constitution:

"33. See Through Voting Covenants

The Scheme's RE recognises and acknowledges the intent and effect of the See Through Voting provisions contained within Schedule 1 of the respective Feeder Funds' constitution."

3.2 The provisions of the Constitution are not otherwise affected.

4 Binding provisions

The provisions of this supplemental deed are binding on the Responsible Entity, each Member and all persons claiming through them as if each were a party to this deed.

5 No resettlement

Nothing in this deed constitutes a resettlement or redeclaration of the Scheme.

6 Governing law

This deed is governed by and is to be construed according to the laws of Queensland.

Executed as a deed and delivered on the date shown on the first page

Executed by **LM Investment Management Limited** ACN 077 208 461
in accordance with section 127 of the
Corporations Act 2001:



Director/company secretary

Francene Maree Mulder

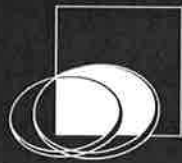
Name of director/company secretary
(BLOCK LETTERS)



Director

PETER CHARLES DRAKE

Name of director
(BLOCK LETTERS)



LM Investment Management Ltd

LM First Mortgage Income Fund

ARSN 089 343 288

Incorporating:-

- > Flexi Account and Fixed Term Investment
- > LM Savings Plan
- > Currency Hedged Fixed Term Investment

> Product Disclosure Statement &
Application Form
Issued 10 April 2008

Australia's Specialist Mortgage Trust Manager

ABN 68 077 208 461 Responsible Entity & AFSL No. 220281

LM First Mortgage Income Fund ARSN 089 343 288

Supplementary Product Disclosure Statement 30 October 2009

This is the Third Supplementary Product Disclosure Statement ("Third SPDS") that supplements the Product Disclosure Statement ("PDS"), the First Supplementary Product Disclosure Statement ("First SPDS") and the Second Supplementary Product Disclosure Statement ("Second SPDS") issued on 10 April 2008, 28 November 2008 and 3 March 2009 respectively for the LM First Mortgage Income Fund ARSN 089 343 288 (the "Fund"). Investors should read this Third SPDS together with the PDS, First SPDS and Second SPDS prior to investing in the LM First Mortgage Income Fund.

Purpose of this Third SPDS

To provide updated information in relation to:-

- ▶ The Fund's credit facility with the Commonwealth Bank of Australia ("CBA").

The Fund's borrowing has been renegotiated, with the financier granting an extension for repayment of the credit facility until 30 June 2010. The directors believe the Fund will be able to meet its remaining obligations under the repayment plan to the CBA through repayment of existing loans and/or refinancing of existing loans with alternative financing providers, the continued support from the CBA or the securing of alternate sources of finance.

The section below headed "Borrowings of Fund" provides the fully updated details to references on the Fund's borrowing as contained in the Second PDS;

- ▶ The Fund and ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors".

The Manager has updated the explanation of the Liquidity Benchmark and Withdrawals as these are affected by the priority position of the Fund's repayment to the CBA and the lack of credit liquidity available in the property sector. This Third SPDS also updates investors on how the Manager will communicate and provide ongoing access to investors for updated ASIC benchmarks and information on the Fund.

Borrowings of the Fund

The section headed "Borrowings of the Fund" on page 1 of the Second PDS is deleted and replaced as follows:-

"There have been changes made to the Fund's borrowing and the following paragraph replaces:-

- (i) the explanation of the Scheme Borrowing Benchmark on page 2 of the First SPDS;
- (ii) the second paragraph under the heading 'Borrowing Risk' on page 6 of the First SPDS; and
- (iii) the second paragraph under the heading "Borrowings of the Fund" on page 7 of the First SPDS:-

'Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity. As at 30 October 2009 the amount owing to the CBA was the fully drawn amount of \$115,313,554 and the interest rate of the facility is variable and is priced at 4.5% above the Bank Bill Swap Bid Rate (BBSY). The facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility expires on 30 June 2010. If the facility is not repaid by 30 June 2010, the Manager will seek a further extension of the facility from the CBA to enable any balance debt to be repaid. The facility will be repaid via cashflow generated in the Fund. Repayment of the facility will take priority over most other cashflow needs of the Fund, and will take priority over most withdrawal requests from members of the Fund. The facility may be varied from time to time in order to manage the Fund. Insufficient income generated by the Fund to service the debt under the facility, increases in the bank interest rate or a refusal of the financier to extend the term of the facility could cause the Fund to default on its loan.'

As the line of credit is fully drawn and being repaid in priority over most other cashflow needs of the Fund, the third paragraph under the heading "Liquidity Risk" on page 27 of the PDS is deleted."

Liquidity Benchmark

In the Second SPDS on page 1 under the heading "Liquidity Benchmark" both paragraphs are deleted and replaced with the following:

"The Fund still continues to meet the Liquidity Benchmark outlined in ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008. Currently, the Fund is required to repay the credit facility as a priority over most other cashflow needs of the Fund, and withdrawals are suspended except for withdrawals under hardship provisions and feeder fund payments for investor distributions and fund expenses. Therefore, the Manager has updated the explanation of the Liquidity Benchmark. The following paragraph replaces the explanation of the Liquidity Benchmark on page 2 of the First SPDS:-

'The Manager has cash flow estimates for the Fund for the next 12 months and as such meets ASIC's liquidity benchmark guideline to have cashflow estimates for the next 3 months. The Fund has fixed investment terms of 12, 6, 3 and 1 months. As most withdrawals are suspended the Fund will have sufficient cash or cash equivalents (not including undrawn amounts under lending facilities) to meet projected cash needs over the next 3 months. The Manager's cash flow estimates for the Fund for the next 12 months contain a detailed schedule of managed loan repayments to the Fund from its existing loan portfolio. Refer to page 4 of the First SPDS under the heading "Liquidity Policy" for further details.'

Withdrawals

In the Second SPDS under the heading "Withdrawals" on page 2, the second paragraph is deleted and replaced with:-

"The prevailing credit and liquidity constraints in the property and financial markets, and the Fund's obligation to repay its credit facility to the CBA in priority to most other cashflow needs of the Fund, call for caution in the management of the Fund's cashflow. In order to protect all investments, the Manager has, as it determines, suspended withdrawals, with the exception of those approved under hardship provisions and feeder fund payments for investor distributions and fund expenses, as the cashflow allows. A return of liquidity to the Australian property sector would positively assist with cash flow management and the repayment due to the CBA and would, over time, bring about a return to "normal" timeframes for investor redemption payments."

In light of the above matters, in the First SPDS on page 4 under the heading "Liquidity Policy" the last sentence is deleted as payment of most withdrawals is currently suspended.

Related Parties

In the "Related Parties" section on pages 7 and 8 of the First SPDS:-

- (i) The following paragraph replaces the eighth paragraph:-

"On 30 June 2008, the Manager assigned to the LM First Mortgage Income Fund, the rights and benefits of a \$5,100,000 debt due to the Manager from the LM Managed Performance Fund. The date for the repayment of that debt to the LM First Mortgage Income Fund has been extended to 30 June 2010. The current interest rate payable on this amount is 10%pa and the debt equates to 0.84% of the total loan portfolio."

and

- (ii) The following paragraph is added:-

"The Fund may, from time to time, sell or partially sell mortgage loans to other separate funds for which the Manager is also Responsible Entity. Any such transactions are reviewed and conducted in accordance with the Fund's Conflicts of Interest Policy. Currently there is one loan that the Fund has partly sold to the LM Australian Income Fund Currency Protected, with a current value of \$6,360 000."

Related Party Transactions

The paragraph below replaces the paragraph headed "Related Party Finance" on page 8 of the First SPDS.

"LM is the Manager of the LM Managed Performance Fund. The LM Managed Performance Fund, in its own right, has second mortgages behind loans that are first mortgages of the LM First Mortgage Income Fund. At 30 September 2009 the LM Managed Performance Fund has 9 such second mortgages in the total amount of \$48,876,841. In each instance, the LM First Mortgage Income Fund has entered into a Priority Deed to protect its own first mortgage position with the borrower as part of normal loan documentation procedures."

ASIC Benchmarks & Any Updated Information

Apart from the current financial report for the Fund, updated information in relation to the Fund that was previously provided on the Manager's website will now be provided to investors via direct communication from the Manager. Therefore, references contained:-

- (i) in the First SPDS
- a. Page 2 under the heading "ASIC Benchmark Disclosure for Investors" paragraphs 3 and 4; and
 - b. Under the "Portfolio Diversification" benchmark the second sentence; and
- (ii) in the PDS page 13 under the paragraph headed "Updated Financial and Other Information"

are updated as follows:-

The Manager will notify investors in the Fund of any material adverse information in relation to the Fund. This will include such information that relates to the ASIC benchmarks. Information relevant to the Fund that is not materially adverse and that is subject to change from time to time will also be updated by the Manager via direct communication to investors. This will include information that relates to the ASIC benchmarks such as information on the nature of the Fund's investment portfolio, including details of loans, whether the Fund invests in other unlisted mortgage schemes and the conditions of such investment. A paper copy of any updated information will be given to investors without charge on request.

PORTFOLIO UPDATE FOR THE LM FIRST MORTGAGE INCOME FUND

AS AT 30 SEPTEMBER 2009

Below is updated information in relation to the Fund's assets.

Consolidated Assets

Consolidated assets of the LM First Mortgage Income Fund, the LM Wholesale First Mortgage Income Fund, the LM Currency Protected Australian Income Fund and the LM Institutional Currency Protected Australian Income Fund are \$617,026,849

Assets of the LM First Mortgage Income Fund

- ▶ A diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail and vacant land; and
- ▶ Interest bearing cash investments.

LM First Mortgage Income Fund Asset Allocation



- Registered First Mortgage Securities 97.92%
- Cash 2.08%

Asset Allocation Guidelines	No. of Loans	Value (\$)	Actual (%)
Registered First Mortgage Securities	48	604,195,441	97.92
Cash	N/A	12,831,409	2.08

Management costs for the financial year ended 30 June 2009: 3.78%pa of the net assets of the Fund¹.

LM First Mortgage Income Fund Sector Diversification



- Commercial 26.55%
- Residential 51.52%
- Industrial 13.31%
- Pending Development Land 8.62%
- Retail 0.00%

Sector Guidelines	No. of Loans	Value (\$)	Actual (%)
Commercial	14	160,432,146	26.55
Residential	23	311,259,234	51.52
Industrial	3	80,430,990	13.31
Pending Development Land	8	52,075,071	8.62
Retail	0	0	0.00

LM First Mortgage Income Fund Construction, Development and Other Mortgage Securities



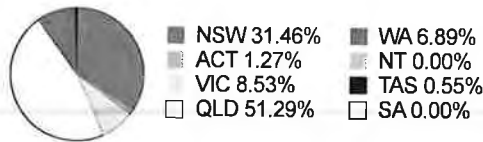
- Other Mortgage Securities 81.54%
- Construction and Development Mortgage Securities 18.46%

Construction, Development and Other Guidelines	No. of Loans	Value (\$)	Actual (%)
Construction and Development Mortgage Securities	7	111,517,860	18.46
Other Mortgage Securities*	41	492,677,580	81.54

* Other Mortgage Securities includes pending development land, completed developments and income generating commercial loans.

¹ The management costs include all current running costs and expenses of the Fund, i.e. custodian fees, audit fees, management fees, finance fees, legal fees, and adviser fees.

LM First Mortgage Income Fund Geographic Diversification



Geographic Guidelines	No. of Loans	Value
New South Wales	16	190,108,900
Victoria	7	51,525,601
Queensland	20	309,909,117
South Australia	0	0
Australian Capital Territory	1	7,669,590
Western Australia	3	41,656,465
Northern Territory	0	0
Tasmania	1	3,330,767

LM First Mortgage Income Fund Portfolio Details as at 30 September 2009

Mortgage Portfolio Details	Actual
Total value of mortgage securities	\$604,195,441
Number of mortgages	48
Average loan size	\$12,600,000
Average loan to valuation ratio	82.03%
Total value of loans with interest built into the facility and/or capitalised	\$523,130,529
Number of loans with interest built into the facility and/or capitalised	39
Total value of undrawn loan commitments over next 24 months (progressive loan draws) funded by cashflows of the Fund	\$6,000,000
Number of loans with undrawn loan commitments over next 24 months (progressive loan draws) funded by cashflows of the Fund	5
Average monthly undrawn loan commitments funded by cashflows of the Fund	\$1,300,000

The valuation policy for the Fund's first mortgage securities is written into the lending guidelines of the Fund, forms part of the compliance plan for the Fund, and is subject to independent audit.

The independent audit includes emphasis on asset valuation and loan recoverability. At 82.03% the average loan to valuation ratio of the Fund's mortgage portfolio is reflected against the value of the Fund's registered first mortgage assets. Ernst & Young finalised their independent financial year end audit, and as at 30 September, 2009 reports full fund value with investor unit price also retaining its full capital value.²

As at 30 September 2009 there were 32 borrowers. 8.04% of total monies was lent to the fund's largest borrower and 54.22% of total monies was lent to the fund's ten largest borrowers. The Fund does not have one single borrower that exceeds 10.00% of the fund's assets.

Loan to Valuation Ratio (LVR)

LVR	No. of Loans	Value (\$)
< 50.00%	7	38,903,052
50.01% - 60.00%	6	59,741,302
60.01% - 70.00%	1	7,669,590
70.01% - 80.00%	10	161,345,939
80.01% - 90.00%	10	111,894,655
90.01% - 100.00%	14	224,641,003
> 100%	0	0

The average LVR across the mortgage portfolio as at 30 September 2009 is 82.03%.

LM First Mortgage Income Fund Mortgage Securities by Maturity Profile as at 30 September 2009

Period Maturing	No. of Loans	Value
0 – 12 months	41	472,505,960
13 – 24 months	7	131,689,481
25 – 36 months	0	0
37 – 48 months	0	0
49 – 60 months	0	0

There remains a pervasive lack of credit/liquidity available within the property sector, as a result of the global credit crunch. This lack of credit curtails a borrower's ability to refinance his loan with another financial institution in order to repay his loan to the Fund by its maturity date. As a result, please note that whilst a large portion of the Fund's loans reach maturity over the forthcoming 12 months, it is likely that only some will repay the Fund at around their maturity date.

This is being monitored and managed to ensure sufficient liquidity within the Fund to meet its financial commitments including the repayment of its line of credit facility and the generation of investor income.

LM First Mortgage Income Fund Mortgage Securities by Interest Rate Profile as at 30 September 2009

Interest Rate	No. of Loans	Value
= or < 7.00%	2	4,422,037
7.01% - 7.50%	0	0
7.51% - 8.00%	1	12,438,425
8.01% - 8.50%	1	15,180,319
8.51% - 9.00%	0	0
9.01% - 9.50%	4	47,263,380
9.51% - 10.00%	2	22,969,899
10.01% - 10.50%	3	78,605,674
10.51% - 11.00%	13	172,571,246
11.01% - 11.50%	11	106,837,274
11.51% - 12.00%	6	83,093,726
12.01% - 12.50%	1	9,168,035
12.50% - 13.00%	0	0
13.01% - 13.50%	4	51,645,424

LM First Mortgage Income Fund Loans in Arrears as at 30 September 2009

Period	No. of Loans	Value
30 – 60 days	1	19,934,617
60 – 90 days	2	16,151,523
90 days and over	26	320,305,658

The Manager uses the terms "arrears" and "default" interchangeably. LM calculates its loan arrears statistic in accordance with the IFSA Standard No 18, "Best Practice Guidance for Disclosure in the Mortgage Trust Sector."

As at 30 September 2009, the audit verified the current valuation and recoverability of the loan assets and reported the fund retains full capital value for investors, with a unit price of \$1.00.³

The value of the property held by the LM First Mortgage Income Fund as its security for the arrears loans is \$422,744,400.

The Fund continues to repay its line of credit loan facility with the CBA in priority to normal investor redemptions and a pervasive lack of credit/liquidity continues to restrict movement within the commercial property sector. To protect its capital, the Fund remains closed with normal investor redemptions suspended. Currently, the cash within the Fund is driven by the conversion of loan assets from its mortgage portfolio back to cash.

³ Past performance is not a reliable indicator of future performance.

Consequently, LM is not rolling loans at maturity as it might in a normal market environment. As loans go past their maturity date, they become part of LM's formal "arrears" management program to ensure LM is in control of an exit that is in the best interests of the Fund.

The exit focus at this time is on those assets that it is reasonable to expect will return value to the Fund and to avoid "fire selling" of assets.

In managing optimal recoverability, some arrears assets have been identified for longer term holds for value in more favourable market conditions. Others are undergoing improvements to enhance marketability and secure appropriate sale price for the Fund over the medium term.

All assets are recorded at fair market value. The average loan to valuation ratio of the Fund's mortgage securities is 82.03%, and the unit price is \$1.00, as at 30 September 2009.⁴

The Directors of LM Investment Management Ltd have authorised and consented to the issue of this Third SPDS.

⁴ Past performance is not a reliable indicator of future performance.

LM First Mortgage Income Fund ARSN 089 343 288

Supplementary Product Disclosure Statement 3 March 2009

This is the Supplementary Product Disclosure Statement ("Second SPDS") that supplements the Product Disclosure Statement ("PDS") and the First Supplementary Product Disclosure Statement ("First SPDS") issued on 10 April 2008 and 28 November 2008 respectively for the LM First Mortgage Income Fund ARSN 089 343 288 (the "Fund"). Investors should read this Second SPDS together with the PDS and First SPDS prior to investing in the LM First Mortgage Income Fund.

The purpose of this Second SPDS is to provide updated information in relation to the Fund and ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors".

No Applications will be Accepted from New Members

LM Investment Management Limited (the "Manager") has determined that from the date of this Second SPDS it will not accept any applications for investment in the Fund from any person who is not an existing member in the Fund. Any application for investment in the Fund received by the Manager will therefore be returned to the applicant.

The Manager will still accept applications for investment in the Fund from any person who is an existing member in the Fund, and this will include deemed applications as part of any reinvestment of distributions.

The Manager may decide to change this decision at any time, and start accepting applications from non-members.

Borrowings of the Fund

There have been changes made in relation to the Fund's borrowing and the following paragraph replaces the explanation of the Scheme Borrowing Benchmark on page 2 of the First SPDS, the second paragraph under the heading "Borrowing Risk" on page 6 of the First SPDS, and the second paragraph under the heading "Borrowings of the Fund" on page 7 of the First SPDS:-

"Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity. As at 3 March 2009 the amount owing to the CBA was the fully drawn amount of \$150 million and the interest rate of the facility is variable and is priced between 4.0% to 9.5% above the respective Bank Bill Swap Bid Rate (BBSY). The facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility expires on 31 July 2009. If the facility is not repaid by 31 July 2009, the Manager will seek a further extension of the facility from the CBA to enable any balance debt to be repaid. The facility will be repaid via cashflow generated in the Fund. Repayment of the facility will take priority over most other cashflow needs of the Fund, and will take priority over most withdrawal requests from members of the Fund. The facility may be varied from time to time in order to manage the Fund. Insufficient income generated by the Fund to service the debt under the facility, increases in the bank interest rate or a refusal of the financier to extend the term of the facility could cause the Fund to default on its loan."

In light of the above matters, the third paragraph under the heading "Liquidity Risk" on page 27 of the PDS is deleted.

Liquidity Benchmark

The Fund still continues to meet the Liquidity Benchmark outlined in ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008. However, in light of the recent change to the Fund's borrowing which requires repayment of the credit facility to take priority over most other cashflow needs of the Fund, and the fact that investors may expect timeframes of up to 365 days for withdrawals, the Manager has amended the explanation of the Liquidity Benchmark. The following paragraph therefore replaces the explanation of the Liquidity Benchmark on page 2 of the First SPDS:-

"The Manager has cash flow estimates for the Fund for the next 3 months. As the Fund has fixed investment terms of 12, 6, 3 and 1 months and will be paying any withdrawal requests up to 365 days after maturity, the Fund will have sufficient cash or cash equivalents (not including undrawn amounts under lending facilities) to meet projected cash needs over the next 3 months. Refer to page 4 of the First SPDS under the heading "Liquidity Policy" for further details, including the Manager's policy on balancing the maturity of the Fund's assets with the maturity of the Fund's liabilities."

Withdrawals

In the First SPDS under the heading "Withdrawals" on page 6, the second paragraph is deleted and replaced with:-

"Due to the current turmoil and unpredictability of the market, and the obligation on the Manager to repay the Fund's credit facility to the Commonwealth Bank of Australia in priority to most other cashflow needs of the Fund, the Manager is exercising caution with the Fund's cashflow management and utilising longer timeframes for withdrawals. In particular, payment of investor withdrawals is likely to take 365 days. The Manager may also suspend withdrawals for such periods as it determines".

Interest Distribution Payments

In accordance with the constitution the interest distributions are payable within 21 days after the end of the distribution period. The Manager had previously endeavoured to make such payments within a shorter period, but that is no longer the case. Consequently, the following changes are made to the PDS or First SPDS:-

- ▶ The second last paragraph under the heading "Interest Distribution Payments for the Flexi Account and Fixed Term Options" on page 6 of the PDS is deleted and replaced with the following - "Interest distributions are calculated daily. Interest distributions are payable within 21 days after the end of the month. Quarterly interest distributions are payable within 21 days of the quarterly anniversary of the investment date".
- ▶ The last sentence of the first paragraph under the heading "Interest Distribution Payments for Non-Australian Investments" on page 9 of the PDS is deleted and replaced with the following - "The interest distribution is paid within 21 days of maturity of the original and any subsequent investment term."
- ▶ In the First SPDS, under the heading "Monthly Distributions now Available for Non-Australian Dollar Currency Hedged Fixed Investment Terms as well as Australian Dollar Fixed Investment Terms" on page 1, the reference to "5 business days" in the third paragraph is deleted and replaced with "21 days" and the first two sentences of the second paragraph are deleted and replaced with – "Such distributions will be paid within 21 days of the monthly anniversary of the day the investment begins".

Currency Hedge for Non-Australian Dollar Investment Options

Providers of the Forward Foreign Exchange Contracts ("FFECs") are chosen by the Manager. The Manager has recently changed the providers of the FFECs for the Fund. Consequently, references in the PDS to FFECs being facilitated or settled by a global investment bank (on pages 2, 5 and 8) are amended by deleting the references to "global investment bank" and replacing them with "a FFEC provider chosen by the Manager".

The Directors of LM Investment Management Ltd have authorised and consented to the issue of this Second SPDS.



LM First Mortgage Income Fund ARSN 089 343 288

Supplementary Product Disclosure Statement 28 November 2008

This is the Supplementary Product Disclosure Statement ("First SPDS") that supplements the Product Disclosure Statement issued on 10 April 2008 ("PDS") for the LM First Mortgage Income Fund ARSN 089 343 288 (the "Fund"). Investors should read this First SPDS together with the PDS prior to investing in the LM First Mortgage Income Fund.

The purpose of this First SPDS is to update investors as follows:-

- ▶ New investors (or investors rolling over their existing investments) may now nominate monthly distributions for non-Australian dollar currency hedged fixed investment terms;
- ▶ This document contains updated information in relation to the Fund; and
- ▶ This document includes information to comply with the requirements of ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008.

Monthly Distributions now Available for Non-Australian Dollar Currency Hedged Fixed Investment Terms as well as Australian Dollar Fixed Investment Terms

Non-Australian dollar currency hedged fixed term investors may elect to have their distributions electronically credited to the investor's nominated financial institution account on a monthly basis. If the distribution is electronically credited monthly to an investor's financial institution account the distribution is not hedged. The distribution is not hedged as the Fund pays the monthly distribution directly from the earnings of the Fund in Australian dollars. The distribution does not form part of the FFEC as it does for a non-AUD investment where the interest is paid at maturity.

Such distributions will be paid within 5 business days of the monthly anniversary of the day the investment begins. For example, if the investment commences on 15 June the distribution will be paid by 20 July. Investors should note that financial institutions may charge a remittance fee which will be deducted from the investor's distribution amount.

If an investor wants to change the distribution instructions it can only do so on rollover of the investment and written notice must be received by the Manager at least 5 business days prior to the maturity date.

Calculation of Monthly Distribution

The calculation of the value of the unhedged distribution will be as follows:-

- ▶ The simple rate of return in the relevant non-AUD currency will be converted to the AUD value at the spot rate as at the day of the initial trade date. For example-
 - Investor invests USD\$100K at an effective rate of 5.75%pa, the simple rate is 5.60%pa;
 - The USD\$100K investment will earn interest of USD\$5,600 calculated as follows:- $\text{USD\$100K} \times 5.60\% \text{pa for 12 months} = \text{USD\$5,600}$;
 - The total distribution amount of USD\$5,600 is converted to AUD at the spot rate of 0.93 = AUD\$6,022;
 - Investor will be paid monthly distributions of AUD\$501.83 calculated as follows:- $\text{AUD\$6,022}/12 = \text{AUD\$501.83}$.

Interest rates are variable and may change during the investment.

To Apply for Monthly Distributions for Non-Australian Dollar Currency Hedged Fixed Investment Terms

If a non-Australian dollar investor wants to elect to have their distributions paid monthly, when completing the Application Form they should write in Section 11 of the Application Form (Page 48 of the PDS) "Interest distributions are to be paid monthly to the bank account nominated in Section 15".

ASIC Benchmark Disclosure for Investors

The information in the table below is provided to comply with the requirements of ASIC's Regulatory Guide 45 - "Mortgage Schemes – Improving Disclosure for Retail Investors" released in September 2008. Regulatory Guide 45 refers to 8 benchmarks developed by ASIC. From 30 November 2008, all PDSs for unlisted mortgage schemes are required to include the following statements in respect of each benchmark:-

- ▶ that the Fund meets the benchmark; or
- ▶ that the Fund does not meet the benchmark, and an explanation of how and why the Fund deals with the business factor or issue underlying the benchmark in another way.

A full copy of Regulatory Guide 45 can be obtained from the ASIC website: www.asic.gov.au.

The Manager will notify investors in the Fund of any material adverse information in relation to the Fund. This will include such information that relates to the ASIC benchmarks. Information relevant to the Fund that is not materially adverse and that is subject to change from time to time (including information that relates to the ASIC benchmarks) will be updated by the Manager on its website at www.LMaustralia.com, and a paper copy of any updated information will be given to any person without charge on request.

The following information relevant to the ASIC benchmarks is available from the Manager's website at www.LMaustralia.com/downloads/FMIF_portfolio_update.pdf, in the document titled LM First Mortgage Income Fund - Portfolio Update, or a copy can be obtained free of charge by telephoning freecall 1800 062 919 (Australia only) or +617 5584 4500:-

- ▶ information on the nature of the Fund's investment portfolio, including details of loans and whether the Fund invests in other unlisted mortgage schemes and the conditions of such investment.

Set out below are the 8 ASIC benchmarks and a summary of how the Fund meets or does not meet the benchmarks. We encourage you to discuss the ASIC benchmarks with your financial adviser.

BENCHMARK	DOES LM MEET BENCHMARK	EXPLANATION
Liquidity (which for the purposes of this benchmark means the proportion of cash or cash equivalents in the Fund's assets)	Yes	The Manager has cash flow estimates for the Fund for the next 3 months and as the Fund has fixed investment terms of 12, 6, 3 and 1 months, the Fund will have sufficient cash or cash equivalents (not including undrawn amounts under lending facilities) to meet projected cash needs over the next 3 months. Refer to page 4 of this First SPDS under the heading "Liquidity Policy" for further details, including the Manager's policy on balancing the maturity of the Fund's assets with the maturity of the Fund's liabilities.
Scheme Borrowing	Yes	Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity. At the date of this First SPDS the amount owing to the CBA was \$150 million. The facility term is the subject of an annual review and the Manager is currently renegotiating the credit facility with CBA and expects these negotiations to be finalised by 31 December 2008. The Manager expects that negotiations with CBA will result in a continued line of credit facility for a total of \$150 million for a further 12 month term and will be subject to an annual review. The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers.
Portfolio Diversification	Yes	The Manager provides details in relation to number of loans and details of the mortgage portfolio diversification on the Portfolio Update and these details comply with the ASIC benchmark requirements. The Portfolio Update will be available from the Manager's website at www.LMaustralia.com/downloads/FMIF_portfolio_update.pdf in the document titled "LM First Mortgage Income Fund – Portfolio Update". The Manager's lending policies and procedures for the Fund provide further details in relation to maximum loan amount for any one borrower; the method of assessing borrowers' capacity to service loans; the Manager's approach to taking security; revaluing security properties on rollover and whether the security must be income producing. See the section headed "Lending Policies and Procedures of the Fund" on page 4 of this First SPDS. The Manager does not currently invest in other unlisted mortgage schemes, but has the power to do so in the Fund constitution. The Manager's policy on investing in such schemes is to ascertain whether such an investment is desirable for the Fund in light of the circumstances at that time. The Manager will not necessarily require such a scheme to satisfy the ASIC benchmarks before the Manager invests in the scheme.

BENCHMARK	DOES LM MEET BENCHMARK	EXPLANATION
Related Party Transactions	Yes	The Fund may lend to related parties, but such loans are subject to review by the Board and can only be approved on commercial arms-length terms following approval by the Credit Committee. The Board's approval process is monitored by the Manager's Risk Manager and Business Standards and Compliance Manager. The Fund may also invest in other managed investment schemes which are operated by the Manager. All Fund investments follow the same stringent due diligence processes which are monitored by the Chief Financial Officer. For further details refer to the paragraph under the heading "Related Parties" on page 7 of this First SPDS. Also refer to the paragraph under the heading "Conflicts of Interest Management" on page 34 of the PDS for information in relation to how the Manager deals with conflicts of interest.
Valuation Policy	No	The Manager's valuation policies set out how real property assets over which the Fund has security will be valued (that is, on an "as is" basis, and for development loans, also on an "as if complete" basis) and how often valuations are obtained. The ASIC benchmark also requires that no one valuer conducts more than 1/3 of the valuation work for the Fund. The Fund complies with this requirement. Valuers selected to perform relevant valuations on the security property are chosen based on independence, specialist industry expertise and geographic location. The ASIC benchmark requires the disclosure of information about the valuation of a particular property for an unlisted mortgage scheme where a loan secured against the property accounts for 5% or more of the total value of the scheme's loan book. The Manager does not provide this information due to privacy reasons, the commercial sensitivity of valuation information and because the assets within the loan book change regularly. Further details in relation to the Manager's valuation policies are outlined on page 5 of this First SPDS under the paragraphs headed "Valuation Policies".
Lending Principles	No	It is the Manager's current policy to generally not exceed a loan to valuation ratio of 66.67% on construction and development loans and 75% on commercial loans (which ratios do both comply with the ASIC benchmark of 70% on property development - on the basis of the latest 'as if complete' valuation and in all other cases 80% on the basis of the latest market valuation). However, it is the Manager's current practice to exceed those ratios whenever necessary in the process of working through a repayment solution. The Fund's constitution allows the Manager to lend funds provided that all mortgages are secured over property and the amount which may be advanced to a borrower does not exceed an LVR of 75% of the value of the security property on initial settlement. After a loan has settled and where the Manager considers it is in the best interests of the members of the Fund, the Manager may approve an LVR not to exceed 85% of the value of the security property. The LVR of a loan that is in default may exceed 85%. Where the loan is a development loan, funds are advanced progressively in stages through the development on a "Cost to Complete" basis and the Manager engages an external consultant Quantity Surveyor for each development and receives periodic reports on the progress of the development including certification of construction claims based on work completed. Further details in relation to the Manager's lending policies and procedures are outlined on page 4 of this First SPDS under the heading "Lending Policies and Procedures for the Fund".
Distribution Practices	Yes	Distributions are sourced from income earned from the assets of the Fund. The interest distribution rates are variable depending on the income earned, expenses paid and other matters relevant to the Fund. If the income earned is not sufficient to pay all expenses and interest distributions the returns to investors will be lower. The lower return will be determined based on the amount available to pay interest distributions. Please refer to the Manager's website at www.LMaustralia.com for details of the most recent interest distribution rates. Past performance is not an indicator of future performance.
Withdrawal Arrangements	Yes	<p>Details in relation to how and when investors can withdraw from the Fund are set out on page 17 of the PDS headed "How to Withdraw" and updated with information in relation to payment of withdrawals on page 6 of this First SPDS. As noted in that section of the PDS, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals for such period as it determines in order to protect all investments.</p> <p>A delay in meeting an investor's withdrawal request is possible where there are a significant number of withdrawal requests received at the same time, which absorb the cash reserves of the Fund and if assets of the Fund are not sufficiently liquid. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified.</p> <p>Investors should also note the automatic rollover provisions which apply to their investments, and the time periods for notice to be given to withdraw – see the heading "Fixed Term Investment Withdrawal Notice" on page 6 of the PDS and the heading "Automatic Reinvestment Default Position" on page 9 of the PDS.</p> <p>The amount payable to investors on withdrawal will be the issue price of their units at that time. This amount is subject to change depending on the net value of the assets of the Fund. See the heading "Unit Pricing" on page 13 of the PDS for further details.</p>

Assets of the Fund

Updated information in relation to assets of the Fund shown on page 12 of the PDS, including details in relation to number of loans, details of the mortgage portfolio diversification and arrears, is available from the Manager's website at www.LMAustralia.com/downloads/FMIF_portfolio_update.pdf, in the document titled LM First Mortgage Income Fund - Portfolio Update, or a copy can be obtained free of charge by telephoning the Manager's regional offices or by telephoning the Manager's head office on freecall 1800 062 919 (Australia only) or +617 5584 4500.

Liquidity Policy

The Manager monitors and balances the Fund's portfolio of assets between cash and Australian registered first mortgage securities as part of the Fund's liquidity management.

The liquidity policy of the Fund describes the methodology the Manager applies to ensure that the maturity of the assets and liabilities of the Fund do not negatively impact on the Fund. The Manager does this by continually monitoring and managing the four variables that impact on liquidity which are: investor inflows; investor redemptions; loan draws and loan repayments.

Since its inception in 1999, the Fund has settled approximately \$4 billion of first mortgages within the commercial, industrial, retail, residential, aged care and construction sectors of Australia's property market (past performance is not an indicator of future performance). The Manager's Commercial Lending Team is focused on growing its national mortgage broker and direct borrower network, with the intention of ensuring a continued supply of loans for the portfolio.

As required by the ASIC benchmark on liquidity, in estimating cash flows, the Manager can take into account a reasonable estimate of investor inflows and outflows based on previous experience. Withdrawals are considered with reference to the period within which investors would reasonably expect withdrawal requests to be processed, rather than the maximum period within which the Manager is able to process withdrawal requests. As noted under the heading "Withdrawals" on page 6 of this First SPDS, investors may expect timeframes of up to 365 days for withdrawals if the current market conditions remain.

Lending Policies and Procedures of the Fund

The information contained in the PDS on page 10 under the heading "Lending Policies and Procedures of the LM First Mortgage Income Fund", page 32 under the heading "Lending Criteria of the Fund", page 33 under the headings "Development Loans", "Credit Committee", "Valuations Policy", "Development Valuations", "As is' Valuation" and "On Completion' Valuation", is deleted and replaced with the following.

Credit Committee

The Credit Committee is integral to the compliance and risk management processes utilised by the Manager with respect to the selection of registered first mortgage assets for the Fund. The Credit Committee is an internal review committee for all mortgage investments and is independent from all other departments. The Credit Committee calls for collaboration of a broad base of expertise from the property, finance, legal and accounting sectors when evaluating mortgage assets for the Fund. The formal structure and collaborative decision making process provided by the Credit Committee ensures an informed assessment and objective decision is made when selecting the first mortgage assets of the Fund.

New mortgage investment proposals are put forward by the commercial lending department for consideration with a written summary. The Credit Committee is responsible for setting the primary terms and conditions upon which subsequent approval will be based.

When mortgage investment proposals are completed in accordance with the Manager's credit standards they are required to be finally approved by the Credit Committee.

Lending Criteria of the Fund

- ▶ The Manager has determined and documented lending policies for the approval and management of mortgages. Risk management is a priority, with mortgages diversified over a number of levels including geographic location, sector, loan size, interest rate and maturity profile.
- ▶ One of the tools the Manager employs to enhance income into the Fund is to balance the assets of the mortgage portfolio between commercial loans and selective development loans.
- ▶ The type of real estate offered for security must be acceptable to the Manager. Typical mortgage securities will include commercial, industrial and residential real estate (including development loans across these sectors) secured by a registered first mortgage. A first mortgage must be registered on the primary security property.
- ▶ The value of the security property must be established in accordance with the valuations policy of the Manager.
- ▶ The ability of the borrower to service the facility must be established to the satisfaction of the Manager.
- ▶ To the extent that they may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the Fund. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

Lending Policies and Procedures

The Manager will be selective in its choice of mortgages and will adhere to prudent lending parameters. The Fund will follow strict lending policies and procedures as detailed below:-

- ▶ assessment of the borrower - the Manager endeavours to meet every borrower to assess character and business acumen;
- ▶ the maximum loan amount for any one borrower generally does not exceed 10% of the scheme assets;
- ▶ all mortgages are subject to the Manager's rigorous due diligence process including approval by the Manager's Credit Committee;
- ▶ the due diligence process includes assessment of the financial capacity of the borrower and any guarantors. The assessment is carried out by review and substantiation of assets, liabilities and income by reference to information provided by the borrower and independent searches and checks;

- ▶ a first mortgage is always registered on property held as the primary security;
- ▶ commercial loans are loans secured by income producing property. Non-commercial loans (not secured by income producing property) include construction/development loans and pre-development land. The capacity to service commercial loans is assessed primarily by reference to income produced from the security property, however income from all sources is also considered. The capacity to service construction loans is primarily dependent on the viability of the project, the project cash flow (including interest commitments) and all factors relevant to the project including valuation of the completed product, product demand, pre-sales contracts, marketing strategies, certified project costings, credentials of the borrower, builder and key sub-contractors;
- ▶ the Manager has every security property valued by one of the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and adhering to the Manager's valuation policies. Further details in relation to the Manager's valuation policies are outlined below under the heading "Valuation Policies";
- ▶ the Manager has a policy of diversifying mortgage securities geographically and by property type;
- ▶ the Manager has a policy of generally not exceeding the following loan to valuation ratios:-
 - 66.67% for construction and development loans; and
 - 75% for commercial loans;

The Credit Committee will consider the appropriate loan to valuation ratio based on all the factors surrounding the loan;

- ▶ the constitution of the Fund allows the Manager to lend funds provided that all mortgages are secured over property and the amount which may be advanced to a borrower does not exceed an LVR of 75% of the value of the security property on initial settlement. After a loan has settled and where the Manager considers it is in the best interests of the members of the Fund, the Manager may approve an LVR not to exceed 85% of the value of the security property. The LVR of a loan that is in default may exceed 85%. This could occur for example, where interest is being capitalised while the security property is being marketed and sold, or where the Manager determines that expenditure should be incurred to improve the security property prior to sale (the Manager considers a loan to be in default when interest payments have not been received in breach of the loan agreement, or the loan term has expired without repayment of principal);
- ▶ the following additional requirements are imposed in the case of development loans:
 - for development/construction loans the initial drawdown for the facility is arrived at after considering both the approved loan to valuation ratio on the "as is" valuation and the "cost to complete" formula. The initial drawdown must meet the loan to valuation ratio required and also allow sufficient funds to be available in the facility to complete the development. The project feasibility must reflect the "cost to complete" formula throughout the life of the project. The concept of a "cost to complete" formula is that the lender always retains sufficient funds within the loan facility to complete the development based on its assessment of the actual cost to complete the project. The Manager engages an external consultant Quantity Surveyor for each project and receives periodic reports on the progress of the project including certification of construction claims based on work completed;
 - additional development loan procedures are required throughout the development stages of the loan to ensure the development is adequately monitored;
 - where applicable a tripartite agreement is made between the Manager, the borrower and the builder. This enables the Manager, in the event of default by the borrower, to deal directly with the builder.

Valuation Policies

All real property assets of the Fund are required to be valued prior to settlement of each transaction. Valuations may only be carried out by the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and must adhere to the Manager's valuation guidelines. The Manager has determined and documented valuation review procedures for guidance on each valuation.

Members of the valuation panel are appointed and removed in accordance with the Manager's valuation panel appointment guidelines. The Manager is responsible for approving the appointment or removal of a panel valuer.

The Manager, in accordance with its valuations review guidelines is responsible for the review of all valuations. Unresolved issues arising from a review must be referred to an executive director for discussion and determination.

As an internal checking mechanism, an independent property report is obtained (where appropriate) from two real estate agents or an alternate valuers report whose normal trade area encompasses the property being valued.

Valuers selected by the Manager to perform relevant valuations on the security property are chosen based on independence, specialist industry expertise and geographic location.

The Manager only uses valuers who, where possible, are registered under one of the state/territory valuer registration regimes and who include a statement in their valuation reports on whether the valuation complies with all relevant industry standards and codes.

The Manager does not accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager's instructions, or that valuers confirm that their valuations adhere to the Manager's requirements.

The valuer must have appropriate professional indemnity insurance.

The valuer must certify that they are independent of both the borrower and security property.

At initial settlement, the valuation relied on must not be dated more than 3 months prior to settlement.

An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for commercial loans at 24 month intervals and for construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (e.g. where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low).

Development Valuations

Separate valuations (may be within the one valuation report) are required in relation to "as is" and "on completion" valuations.

Appropriate instructions must be given to the valuer having regard to the type of valuation required. In particular the instructions indicate the type of valuation required eg. "as is" or "on completion".

"As is" Valuation

The "as is" valuation is the market valuation of the property at the time of the initial drawdown. A "feasibility analysis" is undertaken including demolition, subdivision, construction, and other development costs, allowances for sales and marketing expenses, interest and an allowance for profit and risk to arrive at a base value for the land. Any such analysis is based on the premise that the development approval has or will be obtained prior to settlement of the loan. Alternatively, the valuation must contain an adjustment for any uncertainty attaching to the development approval process. The requirement for a feasibility analysis may be satisfied, if appropriate, using alternate techniques such as discounted cash flows. Additionally a cross check valuation method is employed evaluating comparable sales evidence. The loan to valuation ratio in this case must fall within the Manager's lending criteria.

"On Completion" Valuation

The "on completion" value is the market value of the property at the completion of development. The valuation methodology required is a "gross realisation" valuation based on comparable sales and/or lease evidence for the individual components e.g. houses, units, allotments etc.

The Manager will reasonably assess the appropriateness of the feasibility analysis within the valuer's report by comparison with cost estimates provided by a competent external quantity surveyor selected from the Manager's panel.

The "on completion" value is the valuation figure used in the cost to complete calculations during the development phase. The "on completion" value may be revised during the term of development to reflect changes as approved by the Manager.

Withdrawals

From time to time dependent on market cycles, the Manager may pay withdrawals over longer timeframes than usual in a normal market environment. As currently stated in the PDS, in certain circumstances withdrawal payments may be extended to 365 days or the Manager may suspend withdrawals. This protective management mechanism can be utilised to manage liquidity, to protect Fund assets and stability and investor distributions.

Due to the current turmoil and unpredictability of the market, the Manager is exercising caution with the Fund's cashflow management and utilising longer timeframes for redemptions. The Fund is currently continuing to pay redemptions, with income being earned up to the date of payment, and non-Australian dollar investments continue to hedge the currency exposure of these investments. However, longer timeframes of up to 365 days can occur should the market dictate. The Manager may also suspend withdrawals for such periods as it determines.

In light of the above matters, the following changes are made to the PDS:

- ▶ On page 17 of the PDS titled "How to Withdraw", the normal market environment timeframes for payment of withdrawals of generally within 30 days after maturity for Australian dollar investments and generally within 5 business days after maturity date no longer occur at this time, and references to those time periods under the heading "Withdrawal Notice Period" are deleted from the PDS.
- ▶ In footnotes 8, 9, 11, 13, 16, 17 and 18 on pages 5, 6, 7, 8, 9, 10 and 12 respectively of the PDS, the words "While the Manager considers any delays unlikely" are deleted.
- ▶ On pages 5, 6, 7, 9 and 31 of the PDS, the references to "The Flexi Account option generally allows investors 30 day access to their funds" and "Payment of the withdrawal will generally occur within 30 days from receipt of the written notice" and "Payment of the withdrawal will generally be made within 30 days after the maturity date" and "Payment of the withdrawal will generally be made within 5 business days after the maturity date" and the paragraph beginning "Historically, the Fund has successfully met all withdrawal requests on time and in full" are deleted.

The Manager is managing the challenges of the current external factors to ensure the ongoing success of the Fund in terms of both income and stability.

Investment Risks

Currency Risk

Non-Australian dollar investors who elect to have their distributions electronically credited to the investor's nominated financial institution on a monthly basis should note there is a possible additional currency risk which relates to the unhedged distribution. These investors should take into account the paragraph below in addition to the "Currency Risk" paragraph on page 26 of the PDS.

- ▶ Investors with non-Australian dollar investments who have elected to have their distributions paid monthly should note the distribution is not hedged as the Fund pays the monthly distribution directly from the earnings of the Fund in Australian dollars. The distribution does not form part of the FFEC as it does for a non-Australian dollar investment where the interest is paid at maturity and as such the monthly unhedged distribution is subject to currency risk.

Borrowing Risk

As referred to in this First SPDS there have been changes made in relation to the Fund's borrowing and as such the Borrowing Risk on page 27 of the PDS is replaced with the following paragraph.

Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity. As at 28 November 2008 the amount owing to the CBA was \$150 million. As at 28 November 2008 the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The Manager is currently renegotiating the credit facility with CBA and expects these negotiations to be finalised by 31 December 2008. The Manager expects that negotiations with CBA will result in a continued line of credit facility for a total of \$150 million for a further 12 month term and will be subject to an annual review.

The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers. This facility or a similar facility may be varied from time to time in order to manage the Fund. Insufficient income generated by the Fund to service the CBA debt, increases in the bank interest rate or an unforeseen refusal of the financier to extend the term of any facility could cause the Fund to default on its loan.

The Directors

By way of update to information about the Directors on page 29 of the PDS, Simon Tickner has been appointed as an executive director and John Dillon and Val Llewellyn are no longer non-executive directors. Information in relation to Simon's background and position with the Manager is outlined in the paragraph below.

Simon Tickner – Executive Director, Head of Lending

In 2001, Simon immigrated to Australia with his family after a 20 year career in trading and broking financial derivatives in London's money markets. Having established LM's Sydney office that year, Simon has since overseen its growth whilst managing LM's business development in the southern states of Australia. As Head of Lending, Simon travels throughout Australia to source and assess new lending opportunities for LM. As Executive Director, Simon's extensive 'on the ground' knowledge of Australia's many property markets provides valuable insight to LM's board, and statistical knowledge to LM's Property Research and Analysis Committee. Simon is a member of the Board of Directors, Credit Committee, Funds Management Committee and Property Research and Analysis Committee.

Borrowings of the Fund

The following paragraph replaces the information contained on page 32 of the PDS under the heading "Borrowings of the Fund".

Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA"). This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity. As at 28 November 2008 the amount owing to the CBA was \$150 million. As at 28 November 2008 the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The Manager is currently renegotiating the credit facility with CBA and expects these negotiations to be finalised by 31 December 2008. The Manager expects that negotiations with CBA will result in a continued line of credit facility for \$150 million for a further 12 month term. The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers. The Fund's credit facility may be varied from time to time in order to manage the Fund.

Complaints Procedure

The external industry complaints body approved by ASIC and of which the Manager is a member has changed from the Financial Industry Complaints Service ("FICS") to the Financial Ombudsman Service Limited ("FOS"). The paragraph below replaces the information under the heading "Complaints Procedure" on page 34 of the PDS.

If an investor has a complaint they should generally first contact their adviser. If the adviser is unavailable, unwilling, or unable to assist, or if the investor wishes to directly contact the Manager, and the complaint relates to the Fund or the Manager, then the investor should contact the Client Relations Department at the office of the Manager on free call 1800 062 919 (Australia only) or +617 5584 4500. Complaints may be made in writing or by telephone. The Manager will respond within 30 days of receiving the complaint. If a complaint cannot be resolved by the Manager it should be referred to the Financial Ombudsman Service Limited ("FOS"), an external industry complaints body which has been approved by ASIC and of which the Manager is a member.

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VIC 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399
email: info@fos.org.au
website: www.fos.org.au

Related Parties

The information contained on page 34 of the PDS under the heading "Related Parties" is replaced with the following statements:-

Peter Drake, a director of the Manager is the beneficial owner of LM Administration Pty Ltd, which has been engaged by LM Investment Management Ltd to provide administration services at a commercial arms-length fee. In addition to this LM Administration Pty Ltd provides administration and funds management services to the Fund and is paid a management fee direct from the Fund.

John O'Sullivan, a non-executive director of the Manager is the beneficial owner of O'Sullivan Capital Management Ltd. O'Sullivan Capital Management Ltd has been engaged by LM Investment Management Ltd to provide marketing services in New Zealand at a commercial arms-length fee. This fee is paid by the Fund.

The Fund may lend to related parties provided the loans are approved by the Credit Committee, are on commercial arms-length terms, and are subject to review by the Board.

The Board of the Manager is responsible for reviewing and approving the structure and probity of commercial dealings between the Manager and any related parties. Fees issued to the account of the Fund by related parties, which are recoverable from the Fund must be on commercial arms-length terms and are subject to review by the Board.

The Fund is owed \$33,513,345 in relation to assignment of 3 first registered mortgages from the Fund to the LM Managed Performance Fund (a related investment fund). This debt is secured by a fixed and floating charge over the assets of the LM Managed Performance Fund. The current interest rate payable by the LM Managed Performance Fund on this debt is 10%pa. This loan equates to 5.51% of the total loan portfolio.

The LM Managed Performance Fund has guaranteed part of a debt due by a borrower to the Fund in the amount of \$9,600,000, in exchange for the borrower making certain funds available to an associate of the LM Managed Performance Fund. The current interest rate is 10.5%pa. This loan equates to 1.58% of the total loan portfolio.

The Fund has received the benefit of assignment of a debt due by the LM Managed Performance Fund in the sum of \$5,100,000. The current interest rate payable on this amount is 10%pa. It is anticipated that this debt will be repaid by 30 June 2009. This debt equates to 0.84% of the total loan portfolio.

The Fund has made 3 loans to various related parties, which total \$12,678,275. The Manager has received establishment fees of not more than 1.5% of the total loan amount. The interest rates for these loans are commercial rates and range from 10.5% - 12%pa. These loans equate to 2.08% of the total loan portfolio.

Related Party Finance

The Manager is the Responsible Entity of the LM Managed Performance Fund. From time to time the LM Managed Performance Fund advances loans by way of second mortgages to borrowers who have first mortgage advances from the Fund. At 31 October 2008 there are 8 such loans by the LM Managed Performance Fund in the total amount of \$28,556,297. In these instances the Fund enters into Priority Deeds with the borrower as part of normal loan documentation procedures. The LM Managed Performance Fund generates fees, charges and interest rates all of which are paid by the borrower.

The Directors of LM Investment Management Ltd have authorised and consented to the issue of this First SPDS.

Contents

From the Directors	01
About the LM First Mortgage Income Fund	02
The LM First Mortgage Income Fund	05
Australian Dollar Investment Options	06
Currency Hedged Fixed Term Investment Options	08
LM First Mortgage Income Fund Investments	10
Assets of the LM First Mortgage Income Fund	12
How to Invest	14
How to Withdraw	17
Adviser Access to Information on an Investor's Investment	19
Fees and Other Costs	21
Tax	25
Investment Risks	26
About LM Investment Management Ltd	28
Additional Information	30
Anti-Money Laundering Procedures	36
Application Form	39
Direct Debit Request Form Australian Investors Only	55
Credit Card Payment Form	56
Direct Debit Request Form New Zealand Investors Only	57

How to use this Product Disclosure Statement

This Product Disclosure Statement ("PDS") is provided and issued by LM Investment Management Ltd as responsible entity for the **LM First Mortgage Income Fund** ("Fund"). Investors should read the entire PDS and any supplementary PDS before making a decision to invest.

This PDS describes the main features of the **LM First Mortgage Income Fund**, and the investment options in the Fund, which are the **Flexi Account**, the **Australian Dollar Fixed Term** options, the **Currency Hedged Fixed Term** options, and the regular savings plan option known as the **LM Savings Plan**, and contains the Application Form.

This PDS also provides general information in relation to LM Investment Management Ltd ("LM", "Manager", "we", "us", "our"), material documents and other relevant matters. It helps investors to decide whether the product offered will meet their needs and enables them to compare this product with others they may be considering.

Important information

No person is authorised to give any information or to make any representation in connection with the offer of investment described in this PDS which is not contained in this PDS. Any information or representation not so contained may not be relied on as having been authorised by the Manager in connection with this offer.

This PDS is an offer which is available to persons receiving the electronic PDS within Australia but does not constitute an offer in any jurisdiction where, or to any persons to whom, it would be unlawful to offer this PDS. It is the responsibility of any overseas applicant to ensure compliance with all laws of any country relevant to their application. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained. An application may only be accepted on an Application Form which forms part of this PDS.

This PDS should be read in its entirety. In particular it is important that investors consider the risk factors that could affect the performance of the Fund. None of an investor's objectives, financial situation or needs has been taken into account in this PDS and investors should carefully consider their personal circumstances before deciding whether to invest in the Fund. If after reading the PDS an investor has any questions regarding its contents or the procedure for investing they should contact their financial or other professional adviser. Past performance should not be taken as an indicator of future performance. Neither the Manager nor the custodian gives any guarantee with respect to the performance of the Fund, the payment of income, or the repayment of capital by the Fund.

All monetary amounts in this PDS are references to Australian dollars, unless stated otherwise.

The Manager may change any of the terms and conditions in this PDS. Notice of material changes will be given to investors, normally in the form of a replacement or supplementary PDS.

Important Information for New Zealand Investors

(The information in this section is required under the Securities Act (Australian Registered Managed Investment Schemes) Exemption Notice 2003.)

The document that this statement is contained in, or is accompanied by, is not an investment statement under New Zealand law. It is a product disclosure statement prepared under Australian law. There are likely to be differences between the information provided and the way that information is presented in the product disclosure statement as compared to an investment statement under New Zealand law.

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions:-

What sort of investment is this?

Who is involved in providing it for me?

How much do I pay?

What are the charges?

What returns will I get?

What are my risks?

Can the investment be altered?

How do I cash in my investment?

Who do I contact with enquiries about my investment?

Is there anyone to whom I can complain if I have problems with the investment?

What other information can I obtain about this investment?

Engaging an investment adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including -

- ▶ relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- ▶ what types of investments the adviser gives advice about; and
- ▶ whether the advice is limited to investments offered by 1 or more particular financial institutions; and
- ▶ information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- ▶ any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include -

- ▶ the nature and level of the fees you will be charged for receiving the advice; and
- ▶ whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

Allotments of units in the Fund will be made in the manner specified in the PDS and in the manner prescribed by the laws of Australia.

The responsible entity and the person who makes the offer may not be subject in all respects to New Zealand law.

Investing in units in the Fund may carry with it a currency exchange risk.

The financial reporting requirements applying in New Zealand and those applying in respect of the Fund may be different, and the financial statements of the Fund may not be compatible in all respects with financial statements prepared in accordance with New Zealand law.

Although a copy of the PDS and other documents have been received by the Registrar of Companies, the PDS has not been registered in New Zealand under New Zealand law and may not contain all the information that a New Zealand registered prospectus is required to contain.

Australian law does not require a trustee (unlike the position in New Zealand for unit trusts) or a statutory supervisor (unlike the position in New Zealand for contributory schemes involving participatory securities) that is separate from, and independent of, the responsible entity.

Copies of the following documents relating to the Fund have been received by the Registrar of Companies and can be inspected at the office of the Registrar of Companies and can be obtained from the responsible entity:-

- (i) the PDS relating to the units in the Fund;
- (ii) any document, or part of a document, lodged or registered with the Australian Securities and Investments Commission that is referred to in the PDS and is taken to be included in that PDS under the Australian Corporations Act 2001;
- (iii) any exemption, order, or declaration that has been granted by the Australian Securities and Investments Commission in respect of the Fund (other than any exemption, order, or declaration that applies to Australian registered schemes generally or to a class of persons);
- (iv) the licence of the responsible entity granted under the Australian Corporations Act 2001;
- (v) the constitution for the Fund;
- (vi) evidence of registration of the Fund with the Australian Securities and Investments Commission;
- (vii) the compliance plan required under the laws of Australia relating to the Fund;
- (viii) any documents that amend or supplement any of the documents referred to in subparagraphs (i) to (vii) in existence at the time that the first offer of any units in the Fund is made or open for acceptance in New Zealand in reliance on the Exemption Notice.

In addition a copy of any document that amends, supplements or replaces the documents referred to in subparagraphs (i) to (vii) (other than a document in relation to which a copy must be received under subparagraph (viii)) will be filed with the Registrar of Companies and will be able to be inspected at the office of the Registrar of Companies and will be able to be obtained from the responsible entity.

It is a term of the offer of units in the Fund made in New Zealand that the responsible entity will, within 5 working days of receiving an offeree's request for a copy of the Australian disclosure documents relating to the units in the Fund, without fee, send, or cause to be sent, to that offeree:

- (i) a copy of the PDS;
- (ii) copies of any documents that, under the laws of Australia must accompany a copy of the PDS sent to any person to whom an offer of the units in the Fund is made in Australia;
- (iii) a copy of any document or part of a document, lodged or registered with the Australian Securities and Investments Commission that is referred to in the PDS and is taken to be included in that document under the Corporations Act 2001; and
- (iv) a copy of any supplementary PDS in use at the time that the request is received.

New Zealand Taxation

The information below has been prepared by Bell Gully and is current as at 27 March 2008. Note that the levels and basis of tax may change in the future.

This summary addresses certain New Zealand taxation consequences for investors resident in New Zealand for tax purposes.

This taxation summary is not intended to be an authoritative or complete statement of the applicable laws. Prospective investors are advised to obtain independent professional advice relevant to their own particular circumstances before investing in the Fund.

Where the Foreign Investment Fund rules do not apply

The rules outlined below apply to investors who hold a greater than 10% interest in the Fund and New Zealand resident individuals (not acting as trustees) if the cost of their offshore portfolio (excluding shares in certain Australian listed companies) is NZ\$50,000 or less. The rules that apply to other investors are set out under the heading "Foreign Investment Fund rules".

Income distributions

The Fund will be a "unit trust" for New Zealand tax purposes and accordingly will be deemed to be a company resident in Australia. New Zealand investors will be deemed to be shareholders of the deemed company and any income distributions will generally be taxable as dividends in their hands. Australian withholding taxes will be withheld by the Manager at the appropriate Australian rates in accordance with Australian tax law.

Note that a New Zealand resident investor will be treated as deriving an income distribution as a dividend for tax purposes on the last day of each month while they hold their investment in the Fund. This is regardless of whether the income distribution is reinvested into the Fund (whether such reinvestment is optional or automatic) or credited to an account maintained for the benefit of the investor.

Non-corporate investors

Non-corporate New Zealand resident investors will be taxed on the income distributions at their marginal tax rates. A non-corporate

investor will be required to include the full amount of the income distribution (whether or not physically received) plus any Australian withholding tax deducted (converted to New Zealand dollars at the time of distribution) in an income tax return or statement. Any Australian withholding tax deducted from the distribution can be credited against the New Zealand investor's income tax liability.

Corporate investors

New Zealand resident corporate investors (including unit trusts) will be required to make a foreign dividend payment to the New Zealand Inland Revenue Department at the rate of 33% (reducing to 30% from the start of the 2008-2009 income year) of the gross dividend derived. The gross dividend derived will be the amount of the income distribution together with any Australian withholding taxes deducted (converted to New Zealand dollars at the time of distribution). The foreign dividend payment may be reduced to the extent of the Australian withholding tax deducted from the distribution. The foreign dividend payment generates a credit which can be attached to dividends paid by the corporate investor to its New Zealand resident shareholders.

Redemption of units

Gains realised by New Zealand resident investors in excess of the amount paid on the issue of the units and in excess of the amount of any distribution applied in any reinvested units will be treated as a dividend at the time the units are redeemed (other than exchange gains which relate to the amount paid for the issue of units). The taxation treatment of any gain will be the same as outlined above under "Income distributions".

Foreign Investment Fund Rules

New Zealand resident investors who hold less than a 10% interest in the Fund are subject to the Foreign Investment Fund rules, unless the investor is a natural person (not acting as a trustee) whose offshore portfolio cost NZ\$50,000 or less (excluding the cost shares in certain Australian listed companies). The Foreign Investment Fund rules will apply to managed fund investors that elect to become portfolio investment entities.

Investors that are subject to the Foreign Investment Fund rules should be taxed each year under the fair dividend rate (FDR) method on 5% of the market value of their total offshore portfolio (including their investment in the Fund) at the beginning of the year, irrespective of the level of distributions received by the investor. Individuals and family trust investors can elect to be taxed on their actual gain (i.e. aggregate gains and losses in market value over the year, distributions and net sale or redemption proceeds) under the comparative value (CV) method if their actual return is less than the deemed 5% return under the FDR method for the particular year. However, if an investor elects to use the CV method for their investment in the Fund then they may be unable to use the FDR method for other offshore portfolio investments they may have (i.e. investors must choose between the CV method or the FDR method for their whole portfolio).

Where an investor acquires and disposes of an offshore portfolio investment in the same income year ("quick sale" investments), the investor will be taxed on the lesser of:-

- ▶ 5% of the "cost" of the quick sale investments (the "cost" per unit/share of any quick sale investment is the average per share/unit cost of all investments acquired or increased during the year); and
- ▶ the investor's actual return on the quick sale investments (i.e. all distributions received and proceeds received on disposal/redemption of the investment, less all costs incurred in acquiring the investment).

No tax deduction is available to an investor if their units decline in value over an income year. Any Australian withholding tax deducted from distributions can be credited against the New Zealand investor's income tax liability.

The rules governing the availability of the FDR method were recently amended with effect from 1 April 2008. Under the revised rules, FDR is not available for investments in foreign entities, the assets of which consist of (directly or indirectly) 80% or more New Zealand dollar debt or non-New Zealand dollar debt that is effectively hedged to New Zealand dollars. This amended restriction should not apply to disallow use of FDR for units in the Fund after 1 April 2008. The Commissioner of Inland Revenue has discretion to issue determinations prohibiting use of the FDR method for particular investments. The Policy Advice Division of the Inland Revenue Department had previously indicated that currency protection is a factor which may be taken into account in exercising this discretion. As at 27 March 2008 no such determination has been issued in respect of the Fund. It is less likely that such a determination will be issued in respect of the Fund now that the rules governing FDR availability expressly deal with hedged investments.

Returns to Australian investors

The treatment described in this summary will differ from the treatment applicable to Australian resident investors as described in the PDS. Australian resident investors are not treated as holding shares in a company. Interest derived by the Fund will retain its character when distributed to Australian resident investors.

Despite the information provided above, investors should satisfy themselves as to the tax implications of investing in units in the Fund.

Agreement as to Jurisdiction

- (i) In respect of a dispute concerning an offer of units in the Fund offered in reliance on the Exemption Notice or the contract for the units in the Fund, the responsible entity:-
 - A. agrees to submit to the non-exclusive jurisdiction of the New Zealand courts; and
 - B. has instructed the New Zealand agent for service referred to in subparagraph (iii) to accept service on the responsible entity's behalf; and

C. agrees that this statement is an agreement with each investor for the purposes of section 389(1)(e) of the Companies Act 1993.

- (ii) Despite the statements referred to in subparagraph (i), the contract in respect of the units in the Fund may not always be enforceable in New Zealand courts.
- (iii) The name and address of the person in New Zealand who has been appointed by the responsible entity to accept service in New Zealand of any document on its behalf is:

Mark Todd
Partner
Bell Gully
48 Shortland Street
Auckland
New Zealand

Distribution Reinvestment Scheme

LM First Mortgage Income Fund

The LM First Mortgage Income Fund offers investors a choice of the following investments which can be made in Australian and non-Australian dollars. Following are the investment choices for Australian and Non-Australian dollar investments:-

Australian Dollar (AUD) Investments

- (a) a Flexi Account;
- (b) fixed investments terms of 1, 3, 6, 12 and 13 months, 2 years, 3 years, 4 years and investors may select different fixed terms by applying to the Manager; and
- (c) the LM Savings Plan.

Non-Australian Dollar Investments

- (a) fixed investment terms of 1 month, 3 months, 6 months and 12 months.

Investors may apply to the Manager to invest in the Fund in Australian or non-Australian dollars for a shorter or extended fixed term investment period than those stated above. If the Manager allows the shorter or extended investment term the terms and conditions of the shorter or extended investment term will be the same as outlined in the PDS.

Australian Dollar Investments - Flexi Account and Fixed Investment Terms Distributions

Distributions are distributed monthly. Investors can elect to have monthly distributions automatically reinvested into their investment account or can elect to have monthly distributions direct credited to their financial institution account monthly or quarterly. Investors must nominate whether the monthly distributions are to be reinvested or paid by direct credit on the Application Form contained in the PDS relating to the LM First Mortgage Income Fund.

Australian Dollar Investments - LM Savings Plan Distributions

Distributions are distributed monthly. Monthly distributions are automatically credited to the investor's investment account ensuring that their investment grows.

Non-Australian Dollar Investments - Fixed Investment Terms Distributions

Distributions are distributed at the end of the selected fixed investment term. Investors can elect to have the distribution automatically reinvested into their investment account or can elect to have the distribution electronically credited to their financial institution account. Investors must nominate whether the distribution is to be reinvested or electronically credited to their financial institution on the Application Form contained in the PDS relating to the Fund.

The units in the Fund allotted under the distribution reinvestment scheme are to be allotted in accordance with the terms and conditions set out in the PDS and the constitution for the Fund.

There is available from the responsible entity, on request and free of charge, a copy of:

- (i) the most recent annual report of the Fund (if any);
- (ii) the most recent financial statements of the Fund (if any);
- (iii) the current PDS relating to the units in the Fund (if any); and
- (iv) the constitution for the Fund and any amendments to it.

Within 30 days of the day on which the units in the Fund are allotted to a person under the distribution reinvestment scheme, the person will be sent a statement of the amount of the distribution and the number of units in the Fund that have been allotted to that person.

From the Directors

LM Investment Management Ltd

LM Investment Management Ltd ("LM") is a privately owned, Australian funds management company with national and international operations. With a specialist focus on the mortgage trust sector, LM manages one of Australia's largest mortgage trusts, the LM First Mortgage Income Fund ("Fund"). Through its management of the Fund, LM enjoys active participation and recognition as a lender within Australia's business and property sectors.

The Australian Mortgage Trust Sector

The Australian managed funds industry is the 4th largest in the world, behind the United States, Luxemburg and France. Established in the 1960's the Australian mortgage trust sector is a significant sector within the financial services industry which has evolved as a mainstream income investment. It is in this sector that LM has focused its expertise to deliver the LM First Mortgage Income Fund, a competitive income product designed to outperform cash¹.

Distribution

Distribution of this income product is through a national and international network of financial advisers, wholesale platforms, private banks, superannuation funds, corporate and institutional investment. Designed specifically for these markets, the Fund offers tailored investment options including retail, wholesale, institutional and currency hedged. Product Disclosure Statements for these options are available from your financial adviser or the Manager.

The LM First Mortgage Income Fund

LM's management expertise, teamed with a well defined investment strategy of selecting only Australian registered first mortgage securities, cash and at call securities has allowed the Fund to deliver uninterrupted interest distributions and maintain the unit price of \$1.00 since inception in 1999².

With a niche product LM receives investments through adviser recommendations in 22 countries. It is pleasing to incorporate multiple currency investment options in this new PDS.

Compliance within the Regulated Financial Services Industry

LM is registered as an Australian Financial Services Licensee and a Responsible Entity under the Corporations Act 2001 and is therefore regulated by the Australian Securities and Investment Commission.

Australia enjoys a global reputation for having one of the most efficiently regulated finance sectors in the world. It provides security and integrity, through a sound, flexible and strong system of financial regulation designed to prevent systemic failure, and avoid unnecessary burdens on business.

¹ Since inception the returns paid to investors have outperformed cash rates. Past performance is not an indicator of future performance. Performance of the Fund is not guaranteed and the risks associated with an investment in the Fund are different to cash.

² Past performance is not an indicator of future performance.

About the LM First Mortgage Income Fund

This summary provides an overview of the key features of the Fund. The entire PDS should be read before investing in the Fund.

Investment Objective	<ul style="list-style-type: none"> ▶ To offer appropriate risk/return premium over cash rates on a range of different currencies³, ▶ To offer competitive interest distributions; and ▶ To allow investors a choice of investment currency and investment term. 	
Assets of the LM First Mortgage Income Fund	<p>The assets of the LM First Mortgage Income Fund ("Fund"), a registered managed investment scheme, are a Manager, diversifies the underlying mortgage portfolio by selecting mortgages spread across different sectors,</p>	
Investment Choice	<p style="text-align: center;">Australian Dollar Investments</p> <p>There is a choice of Australian Dollar investment options available in the Fund, which are the Flexi Account, Fixed Term Investment Options and the LM Savings Plan. A summary of the features of these Australian Dollar investment options are set out below. An investment in Australian Dollars is not hedged.</p>	
	<p>Flexi Account and Fixed Term Investment Options</p> <p>Investors can choose the term of their investment by selecting one or more of the investment options below:</p> <ul style="list-style-type: none"> ▶ Flexi Account, or ▶ Fixed Term investment of: <ul style="list-style-type: none"> > 4 years > 3 years > 2 years > 13 months > 12 months > 6 months > 3 months > 1 month <p>Investors may request different terms by applying to the Manager. An Australian Dollar investment commences on receipt of the cleared investment amount and completed Application Form and relevant supporting documentation.</p>	<p style="text-align: center;">The LM Savings Plan Option</p> <p>A savings plan can be started with a minimum investment of \$100 and requires ongoing regular monthly investments of \$100 or more. The minimum investment term for the LM Savings Plan is 12 months. No withdrawals are allowed during the initial 12 month term.</p>
Interest Distribution Rates	<p>Interest distribution rates are variable. Refer to the paragraph headed "Interest Distribution Rates" on page 5 of particular investment options from their adviser or by telephoning the Manager on +617 5564 4500 or from</p>	
Payment of Interest Distributions	<p>Reinvested monthly into the investor's investment account. Investors may choose to have the interest distribution paid monthly or quarterly direct to the account nominated on the Application Form.</p>	
Withdrawal Notice	<ul style="list-style-type: none"> ▶ Flexi Account – Written notice is required to withdraw. ▶ Fixed Term Investments – At least 5 business days prior to maturity of the fixed term investors must notify the Manager in writing whether they wish to withdraw. If no withdrawal notice is received or no rollover/maturity instructions provided an investor's investment and interest distribution is automatically reinvested in the original nominated currency for further 1 month investment terms until the investor notifies the Manager of a longer reinvestment term or a withdrawal notice is received. Refer to page 17 of this PDS ("How to Withdraw"). 	
Minimum Investment	\$1,000 ⁵	
Minimum Withdrawal	\$1,000 ⁵	
Minimum Balance	\$1,000 ⁵	
Unit Pricing	The price of units in the Fund is currently \$1.00 and has been so since the commencement of the Fund in October 1999 (Refer to page 13 of this PDS ("Unit Pricing") for further details).	
Australian Taxation	If an investor is not an Australian resident for taxation purposes, Australian taxation rates will not apply. However, withholding tax in their country of residence. Specific taxation advice should be obtained. Investors with domiciled information.	
Risk	All investments are subject to risks. Details of risks associated with an investment in the Fund are outlined on page 26 of this PDS ("Investment Risks").	
Fees	There are no entry or exit fees payable. The Manager receives a Management Fee which is currently calculated as a percentage of net assets of the Fund. For full details please refer to page 21 of this PDS ("Fees and Other Costs").	

diversified "pool" of Australian registered first mortgages, cash and "at call" securities. As part of the asset allocation strategy, the geographic locations, terms and loan sizes.

Non-Australian Dollar Investments

Non-Australian dollar investments in the Fund are hedged in the relevant currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). The FFECs are facilitated by a global investment bank. Investments may be arranged for most currencies including:-

- ▶ USD, ▶ GBP, ▶ EUR, ▶ CAD, ▶ HKD, ▶ SGD, ▶ JPY, ▶ NZD, ▶ CHF, ▶ THB, and ▶ SEK

For clarification on hedging a specific currency please contact the Manager.

Currency Hedged Fixed Term Investment Options

Non-Australian Dollar investors can choose the term of their investment by selecting one or more of the investment terms below:

- > 12 Months > 6 Months > 3 Months > 1 Month

Investors may request different terms by applying to the Manager. The investor's investment term commences on the date the Manager settles the FFEC.

of this PDS for further details. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect of the Manager's website at www.LMaustralia.com.

Reinvested at maturity of the chosen investment term into the investor's investment account. Investors may choose to have the interest distribution paid at maturity direct to the account nominated on the Application Form.

At least 5 business days prior to maturity of the investment term investors must notify the Manager in writing whether they wish to withdraw. If no withdrawal notice is received or no rollover/maturity instructions provided an investor's investment and interest distribution is automatically reinvested in the original nominated currency for further 1 month investment terms until the investor notifies the Manager of a longer reinvestment term or a withdrawal notice is received. Refer to page 17 of this PDS ("How to Withdraw").

Initial investment \$100 and minimum total monthly investment \$100.

\$100

\$100⁵

The price of units in the Fund is currently \$1.00 and has been so since the commencement of the Fund in October 1999 (Refer to page 13 of this PDS ("Unit Pricing") for further details).

If an investor is not an Australian resident for taxation purposes, Australian taxation rates will not apply. However, withholding tax in their country of residence. Specific taxation advice should be obtained. Investors with domiciled information.

All investments are subject to risks. Details of risks associated with an investment in the Fund are outlined on page 26 of this PDS ("Investment Risks").

There are no entry or exit fees payable. The Manager receives a Management Fee which is currently calculated as a percentage of net assets of the Fund. For full details please refer to page 21 of this PDS ("Fees and Other Costs").

³ This investment objective is derived from the return of the underlying investments of the Fund, which has outperformed cash rates since associated with an investment in the Fund are different to cash.

⁴ Past performance is not an indicator of future performance.

⁵ Or lesser amount as determined by the Manager.

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The LM First Mortgage Income Fund

Investment Objective

- ▶ To offer appropriate risk / return premium over cash rates on a range of different currencies⁶;
- ▶ To offer competitive interest distributions; and
- ▶ To allow investors a choice of investment currency and investment term.

The Manager achieves this by being selective with the investments of the LM First Mortgage Income Fund, which are a diversified "pool" of registered first mortgages, cash and "at call" securities.

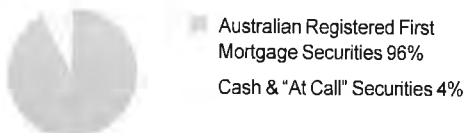
Benefits of Investing

- ▶ Choice of investment term;
- ▶ Choice of currencies with non-Australian dollar currencies hedged against movements in the Australian dollar;
- ▶ Australian registered first mortgage security;
- ▶ Appropriate risk premium relative to cash rates⁶;
- ▶ Funds management expertise – managed by specialist mortgage trust manager;
- ▶ Nine year management track record of uninterrupted income distributions⁷.

The LM First Mortgage Income Fund Investments

The Fund currently invests in a diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail and vacant land, interest bearing cash investments and "at call" securities.

The assets of the LM First Mortgage Income Fund as at 29 February 2008 totalled \$718,403,075 and were made up as follows:



Interest Distribution Rates

Interest distribution rates are variable, and will depend on income earned and expenses paid by the Fund from time to time, commission payable to advisers, and on the type of investment chosen. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect of particular investment options from their adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at www.LMaustralia.com.⁷

Investment Options in the LM First Mortgage Income Fund

Financial advisers have the advantage of tailoring a client's portfolio for optimal liquidity and maximum return by blending investment through one or more of the Fund's Flexi Account or Fixed Term investments.

The investment options offered by the Fund provide flexibility of choice for investors. Investors can choose investment currency and term of their investment by selecting one or more of the investment options below:-

Australian Dollar Investment Options

- ▶ **Flexi Account**
The Flexi Account option generally allows investors 30 day access to their funds.⁸
- ▶ **Fixed Term Investment**
The Fixed Terms offered by the Fund are as follows⁸-
> 4 years > 3 years > 2 years > 13 months
> 12 months > 6 months > 3 months > 1 month
Investors may request different terms by applying to the Manager.
- ▶ **LM Savings Plan**
The LM Savings Plan is a savings plan option that investors can start with a minimum investment of \$100 and ongoing regular monthly investments of \$100 or more for at least the first 12 months.

Non-Australian Dollar Currency Hedged Fixed Term Investment Options

Non-Australian dollar investments in the Fund are hedged in the respective currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). The FFEC's are facilitated by a global investment bank. Investments may be arranged for most currencies including:-

> USD > GBP > EUR > CAD > HKD > SGD > JPY
> NZD > THB > CHF and > SEK

Non-Australian Dollar investors can choose the term of their investment by selecting one or more of the investment terms below:⁸

- ▶ 12 Months
- ▶ 6 Months
- ▶ 3 Months
- ▶ 1 Month

The investor's investment term commences on the date the Manager settles the FFEC.

For clarification on hedging a specific currency or enquiries for other investment terms please contact the Manager.

Further details regarding each of the Fund's investment options are set out on pages 6 - 9 of this PDS.

⁶ Since inception the returns paid to investors have outperformed cash rates. Past performance is not an indicator of future performance. Performance of the Fund is not guaranteed and the risks associated with an investment in the Fund are different to cash.

⁷ Past performance is not an indicator of future performance.

⁸ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

LM First Mortgage Income Fund Australian Dollar Investment Options

LM Flexi Account and Fixed Term Options

▶ Flexi Account

The Flexi Account option generally allows investors 30 day access to their funds.⁹

▶ Fixed Term Investment

The Fixed Terms offered by the Fund are as follows:⁹

> 4 years > 3 years > 2 years > 13 months
> 12 months > 6 months > 3 months > 1 month

Investors may request different terms by applying to the Manager.

Interest Distribution Rates

Interest distributions are variable, and will depend on income earned and expenses paid by the Fund from time to time, commission payable to advisers, and on the type of investment chosen. The most recent interest distribution rates paid by the Fund in respect of the Fund's Flexi Account, Fixed Term Investment and LM Savings Plan options can be obtained from an investor's adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at www.LMaustralia.com.¹⁰

Interest Distribution Payments for the Flexi Account and Fixed Term Options

Monthly interest distributions are automatically reinvested. However investors may choose to have their interest distribution:-

- ▶ paid by direct credit monthly or quarterly to the nominated financial institution account on the Application Form;
- ▶ paid to an investor's LM Cash Performance Fund investment account; or
- ▶ paid as a split interest distribution, which means that part of the interest distribution is paid to an investor's financial institution account and the balance reinvested. Further details are set out below.

If no instructions are given, interest distributions are automatically reinvested.

Interest distributions are calculated daily. Interest distributions are paid within 14 days after the end of the month. Quarterly interest distributions are paid within 10 business days of the quarterly anniversary of the investment date.

Interest distributions are paid by direct credit to the account nominated on the investor's Application Form.

Split Interest Distributions for the Flexi Account and Fixed Term Options

Investors can elect to have a fixed portion of their monthly interest distribution amount paid monthly or quarterly to their nominated financial institution account with the balance interest distribution amount reinvested to their investment account.

This optional feature allows investors to properly plan and budget their financial affairs and is particularly useful for investors who are relying on investments to provide regular payments to meet everyday expenses.

To use the "Split Interest Distributions" feature please complete the appropriate section of the Application Form attached to this PDS.

Additional Investments for the Flexi Account and Fixed Term Options

Investors can choose to make an additional investment or regular monthly, quarterly or semi-annual additional investments to their Flexi Account or Fixed Term investment account. See the heading "Adding to an Investment for Australian Dollar Investments Only" on page 16 of this PDS.

LM First Mortgage Income Fund Fixed Term Commencement

An investment term generally commences on the day that the investor's properly completed Application Form (and relevant supporting documentation) and investment money are received and processed by the Manager. For example, if a properly completed Application Form, supporting documentation, and investment money are received and processed for a 12 month term on 15 January, then the investment term commences on 15 January and ends on 15 January of the following year.

Flexi Account Withdrawal Notice

To withdraw all or part of a Flexi Account investors must give the Manager written notice. Payment of the withdrawal will generally occur within 30 days from receipt of the written notice.⁹ Whilst the withdrawal is processed the investment continues to earn interest. The withdrawal is paid by direct credit to the investor's account nominated on the Application Form.

Fixed Term Investment Withdrawal Notice

To withdraw all or part of a Fixed Term investment, investors must notify the Manager in writing at least 5 business days prior to the maturity date of the Fixed Term investment. Payment of the withdrawal will generally be made within 30 days after the maturity date.⁹ Whilst the withdrawal is processed the investment continues to earn interest. The withdrawal is paid by direct credit to the investor's account nominated on the Application Form.

If no withdrawal notice or written notice to change the term, is received at least 5 business days prior to the maturity date the investment will automatically roll over for a further investment term of the same length.

⁹ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

¹⁰ Past performance is not an indicator of future performance.

LM First Mortgage Income Fund Australian Dollar Investment Options

LM Savings Plan Option

LM Savings Plan investors can start their savings plan with a minimum investment of \$100 and ongoing regular monthly investments of \$100 or more for at least the first 12 months.

Investors can choose to have their ongoing investments paid by direct debit on a weekly, fortnightly or monthly basis. The direct debit will be paid from the account nominated on the Application Form.

The minimum investment term for the LM Savings Plan is 12 months. To ensure that savings are maximised no withdrawals are allowed during the initial 12 month term.

After the initial 12 month period investors can make up to 4 withdrawals annually.

Interest Distribution Payments for the LM Savings Plan

Interest distributions are calculated daily and reinvested monthly to an investor's LM Savings Plan investment account.

LM Savings Plan Additional Investments

Investors can choose to make additional investments to their savings plan at any time. The minimum additional investment amount is \$100.

LM Savings Plan Withdrawal Notice

Following the initial 12 month investment period investors can make up to 4 withdrawals annually by giving written notice to the Manager. Payment of the withdrawal will generally occur within 30 days from receipt of the written notice.¹¹ The withdrawal is by direct credit to the account nominated on the Application Form.

LM Savings Plan Commencement

An investment term generally commences on the day that the investor's properly completed Application Form (and relevant supporting documentation) and investment money are received and processed by the Manager. For example, if a properly completed Application Form, supporting documentation, and investment money are received and processed for a 12 month term on 15 January, then the investment term commences on 15 January and ends on 15 January of the following year.

Performance

The historical returns of the Fund to 29 February 2008 are set out below. Performance figures are calculated net of fees and assume all interest distributions are reinvested. The performance figures assume a fee of 1.1% pa (including GST) of net assets is paid to advisers. No performance figures are provided for the 1 Month Fixed Term option as it commenced at the date of this PDS, nor for the 13 Month Fixed Term option as it commenced on 20 March 2008. Investors can obtain updated details of the most recent interest distribution rates paid by the Fund in respect of particular investment options from their adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at www.LMaustralia.com.¹²

Investment	6 mths	1 yr*	3 yrs*	5 yrs*	7 yrs*	8 yrs*
4 Years	3.83%	7.78%	N/A	N/A	N/A	N/A
3 Years	3.83%	7.78%	N/A	N/A	N/A	N/A
2 Years	3.83%	7.78%	7.75%	N/A	N/A	N/A
12 Month Term	3.70%	7.52%	7.50%	7.60%	7.92%	7.89%
6 Month Term	2.96%	6.00%	6.00%	6.05%	6.32%	6.49%
3 Month Term	2.47%	5.00%	5.00%	5.02%	5.30%	5.46%
LM Flexi Account	3.29%	N/A	N/A	N/A	N/A	N/A
LM Savings Plan	3.27%	6.52%	6.50%	N/A	N/A	N/A

**Effective annual interest distributions to 29 February 2008. Interest distribution rates may vary. Past performance is not an indicator of future performance.*

¹¹ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

¹² Past performance is not an indicator of future performance.

LM First Mortgage Income Fund Non-Australian Dollar Currency Hedged Fixed Term Investment Options

Non-Australian Dollar Currency Hedged Fixed Term Investment Options

Non-Australian dollar investments in the Fund are hedged in the respective currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). The FFEC's are facilitated by a global investment bank. Investments may be arranged for most currencies including:-

> USD > GBP > EUR > CAD > HKD > SGD > JPY
> NZD > THB > CHF and > SEK

Non-Australian Dollar investors can choose the term of their investment by selecting one or more of the investment terms below:¹³

- ▶ 12 Months
- ▶ 6 Months
- ▶ 3 Months
- ▶ 1 Month

The investor's investment terms commences on the date the Manager settles the FFEC.

Extended Investment Terms

Investors may apply to the Manager to invest in the Fund for an extended investment period for multiple 12 month investment terms e.g. if an investor wants to invest for a 2 year investment term the 2 year investment term will be conducted as 2 rolling 12 month investment terms. In this case the second investment term is dealt with in the same manner as an initial investment. If the Manager allows the extended investment term, the terms and conditions of the extended investment term will be the same as the Fund's investment terms outlined in the PDS in force at the time the extended term commences. Investors will need to contact their adviser or access our website at www.LMAustralia.com or telephone us on +617 5584 4500 prior to the reinvestment term to obtain details of the most recent interest distribution rates and a copy of the PDS that will apply for the purpose of the reinvestment.¹⁴

Non-Australian Dollar Currency Hedged Interest Rates

Interest distribution rates are variable, and will depend on income earned and expenses paid by the Fund from time to time, commission payable to advisers, and on the type of investment chosen. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect of particular currency investment options from their adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at www.LMAustralia.com.¹⁴

Currency Hedge

The Fund hedges a non-Australian dollar investment through the use of FFECs. Each FFEC requires agreement between the user (the Fund) and the provider (financial institution) on the following:-

- ▶ currencies to be exchanged;
- ▶ the value of each of the currencies to be exchanged;
- ▶ the maturity date of the contract; and
- ▶ the rate at which the exchange between currencies will occur.

The forward rate is determined by the spot rate (current market rate) and the interest rates of the relevant currencies and will change as these variables alter.

On acceptance of investment funds and the completed Application Form, the relevant currency is converted at the prevailing spot market rate into Australian dollars and units in the Fund issued. The Fund simultaneously enters into a FFEC. The FFEC requires the Fund to deliver an amount of Australian dollars in exchange for an amount of the relevant foreign currency at a specific time in the future (the specific time is equivalent to the investment term) at a predetermined exchange rate (forward rate). At the end of the investment period the Fund converts the earnings of the investor into the relevant foreign currency at the forward foreign exchange rate.

Both the spot and forward transactions are facilitated by a global investment bank.

This process allows the Fund to offer investors the opportunity to invest in the LM First Mortgage Income Fund and hedge their investment against currency movements.

Currency Hedged Initial Investment

On receipt of the investment amount and the completed Application Form (including relevant supporting documentation) the Manager will confirm receipt with the investor's adviser.

The non-AUD investment amount is held in the subscription account until the Manager exchanges the foreign currency into Australian dollars and simultaneously hedges the relevant currency using FFECs.

Non-AUD investment terms for all currencies commence on the day the Manager settles the FFEC. For example, if the properly completed Application Form and supporting documentation for a 12 month term investment and investment monies are received by the Manager on 20 March and the FFEC settles on 22 March the commencement date will be 22 March and the maturity date will be 12 months later. The investment commences to earn interest from 22 March.

FFECs are settled on a daily basis with the global investment bank.

Investors will be notified by the Manager of the commencement date of their investment in writing.

¹³ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

¹⁴ Past performance is not an indicator of future performance.

LM First Mortgage Income Fund Non-Australian Dollar Currency Hedged Fixed Term Investment Option

Interest Distribution Payments for Non-Australian Investments

Interest distributions are calculated for the term of the investment and are reinvested at the end of the investment term unless the investor elects to have the interest distribution paid direct to the investor account nominated on the Application Form. The interest distribution is paid within 5 business days of maturity of the original and any subsequent investment term.

Investors should note that if they elect to have the interest distribution paid to the investor account nominated on the Application Form, financial institutions charge a remittance fee which will be deducted from their interest distribution.

Automatic Reinvestment Default Position

If the investor has not ticked one of the boxes in Section 12 of the Application Form to either redeem or to rollover the investment for subsequent investment terms, the following default process will apply. At the end of the relevant investment term, the investor's original investment amount and interest distribution (unless the investor elects to have the interest distribution paid direct to the account nominated on the Application Form), are automatically reinvested and rehedged in the originally nominated currency for further 1 month investment terms until the investor provides the Manager with longer investment term instructions or a written withdrawal notice.

Investors should complete the Maturity/Rollover Instructions in Section 12 of the Application Form to ensure that correct rollover/withdrawal instructions are provided to the Manager.

Investors should consult with their adviser to obtain details of the current PDS and most recent interest distribution rates prior to reinvestment.¹⁵ The current PDS and most recent interest distribution rates are also available from the office of the Manager by telephoning +617 5585 4500 or by visiting the Manager's website at www.LMaustralia.com.¹⁵

Changing Rollover Investment Terms

Investors can change the term of their investment by giving the Manager written notice at least 5 business days prior to the existing maturity date.

Investors should consult with their adviser to obtain details of the current PDS and most recent interest distribution rates prior to reinvestment.¹⁵ The current PDS and most recent interest distribution rates are also available from the office of the Manager by telephoning +617 5585 4500 or by visiting the Manager's website at www.LMaustralia.com.¹⁵

Notice of Withdrawal

To withdraw all or part of a currency hedged fixed term investment, investors must notify the Manager in writing at least 5 business days prior to the maturity date of the current investment term. Payment of the withdrawal will generally be made within 5 business days after the maturity date.¹⁶ The withdrawal is by direct credit to the account nominated on the Application Form.

Please refer to the paragraph on this page headed "Automatic Reinvestment Default Position" for further details of the consequences of not providing the notice in writing at least 5 business days prior to the relevant maturity date.

¹⁵ Past performance is not an indicator of future performance.

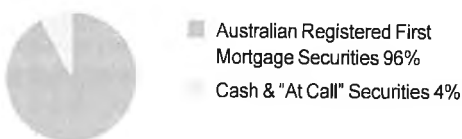
¹⁶ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

LM First Mortgage Income Fund Investments

Assets of the LM First Mortgage Income Fund

The assets of the Fund are a diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail, vacant land, interest bearing cash investments and "at call" securities.

The assets of the Fund as at 29 February 2008 totalled \$718,403,075 and were made up as follows:



Investment Strategy and Structure

The Manager's investment strategy is to provide competitive investment returns from Australian registered first mortgage securities, cash and "at call" securities. Risk management is a priority and the Manager follows a disciplined research driven approach to investment.

The Manager's Property Research and Analysis Committee ("PRAC"), specifically targets locations offering property growth opportunities and property sectors which are expected to perform. The Manager utilises the information provided by PRAC to review and assess its asset allocation strategy for the mortgage securities. As part of its asset allocation strategy the Manager diversifies the mortgage portfolio at a number of levels including, sector, geographic location, term and loan size.

All decision making in relation to the assets of the Fund is handled through a collaborative discussion forum of committee structures, rather than resting with one person. Both the broad base of expertise involved in committee discussions together with the objectivity offered by voting members of the committees is designed for the ultimate protection of investor funds. The Credit Committee is integral to the compliance and risk management processes utilised by the Manager with respect to the selection of registered first mortgage assets for the Fund. The Credit Committee calls for collaboration of a broad base of expertise from the property, finance, legal and accounting sectors when evaluating mortgage assets for the Fund. The formal structure and collaborative decision making process provided by the Credit Committee ensures an informed assessment and objective decision is made when selecting the first mortgage assets of the Fund. For more information in relation to the Credit Committee and the Manager's lending policies and procedures refer to the section headed "Lending Policies and Procedures of the LM First Mortgage Income Fund" on this page of the PDS.

To enhance investment returns from cash investments the Manager may, from time to time, invest a proportion of Fund's cash assets with other fund managers who specialise in income bearing cash investments, long and short term securities (including equity securities and derivatives on securities) or mortgage securities. Specialist fund managers are chosen following an extensive and rigorous research process that examines their investment style, expertise of their investment team and a range of other factors. The Manager reviews each specialist fund manager's performance on an ongoing basis, ensuring that they operate within the mandated expectations and guidelines. As at the date of this PDS, the Manager has a policy limiting the proportion of Fund assets invested with other specialist fund managers to 10%.

The Manager monitors and balances the Fund's portfolio of assets between cash, "at call" securities and Australian registered first mortgage securities, to ensure:-

- ▶ the delivery of consistent performance for investors;
- ▶ sufficient liquidity is available for investors redeeming their investment in the Fund¹⁷. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified; and
- ▶ liquidity is available to service the requirements of both existing and new mortgage securities.

Since its inception in 1999, the Fund has settled approximately \$3.5 billion of first mortgages. To ensure a continued supply of loans for the portfolio, the Manager's Commercial Lending Department markets its property related expertise, experience and lending services throughout a network of Australian loan originators.

Lending Policies and Procedures of the LM First Mortgage Income Fund

The Manager is selective in its choice of mortgages and adheres to prudent lending parameters. The Fund follows strict lending policies and procedures as detailed below:

- ▶ Assessment of the borrower - the Manager endeavours to meet every borrower to assess character and business acumen;
- ▶ All mortgages are subject to the Manager's rigorous due diligence process including approval by the Manager's Credit Committee;
- ▶ A first mortgage is always registered on property held as the primary security;
- ▶ The Manager has every security property valued by one of the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and adhering to the Manager's valuation guidelines;
- ▶ The Manager does not accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager's instructions, or that valuers confirm that their valuations adhere to the Manager's requirements;
- ▶ The valuer must have appropriate professional indemnity insurance;
- ▶ The valuer must certify that they are independent of both the borrower and security property;
- ▶ An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for commercial loans at 24 month intervals and for construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (eg where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low);
- ▶ The Manager has a policy of diversifying mortgage securities geographically and by property type;
- ▶ The Manager has a policy of generally not exceeding the

¹⁷ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

following loan to valuation ratios:-

- 66.67% for construction and development loans; and
- 75% for commercial loans;
- ▶ The constitution of the Fund does not allow the Manager to exceed a loan to valuation ratio of 85% for any one loan except in the event of default. This could occur for example, where interest is being capitalised while the security property is being marketed and sold, or where the Manager determines that expenditure should be incurred to improve the security property prior to sale (the Manager considers a loan to be in default when interest payments have not been received in breach of the loan agreement, or the loan term has expired without repayment of principal);
- ▶ One of the tools the Manager employs to enhance income into the Fund is to balance the assets of the mortgage portfolio between commercial loans and selective development loans;
- ▶ A serviceability analysis is performed to evaluate the financial capacity of each applicant borrower including checking the credit history of each borrower through a credit bureau.

Further information in relation to investment policies and lending criteria is outlined on page 31 of this PDS ("Additional Information").

To the extent that they may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the Fund. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

LM First Mortgage Income Fund Arrears Management

The Manager has documented arrears management processes which are implemented in the event that a mortgage loan goes into default. Arrears loans are managed by a team of experienced personnel. The documented processes include the following:

- ▶ Dishonoured payments or other defaults are referred to the Arrears Manager for actioning. The Arrears Manager immediately contacts the borrower to ascertain the circumstances of the default;
- ▶ If the default is short term, arrangements are made with the borrower to remedy the default;
- ▶ If the default is long term, a summary of the nature of the default is emailed to the Arrears Committee with recommendations;
- ▶ The Arrears Committee is comprised of the Executive Directors, the Portfolio Manager, the Risk Manager, the Arrears Manager and members of the Commercial Lending Department as appropriate;
- ▶ The Arrears Committee meets at least weekly. The Arrears Committee considers the recommendations for arrears loans and supervises the preparation of an arrears management plan for each arrears loan. Given the nature of loans within the loan portfolio, the Manager adopts a case by case approach to arrears management, reflected in the individual management plans for each arrears loan;
- ▶ Management plans are implemented by the Arrears Manager who maintains a separate arrears file for each

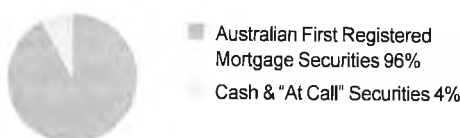
arrears loan;

- ▶ Reports on arrears loans are prepared and presented at Arrears Committee meetings. Management plans are considered and updated as necessary;
- ▶ In the formulation of a management plan the Arrears Committee considers the following factors:
 - Current value of the security property;
 - Whether an updated valuation ought to be obtained;
 - Current loan amount;
 - Current loan to valuation ratio;
 - A review of securities held;
 - A review of insurances held;
 - Issue of default notices;
 - For commercial loans:-
 - > tenancy status;
 - For construction loans:-
 - > status of construction;
 - > cost to complete;
 - > sales achieved;
 - > review of presales;
 - Current marketing and/or sales programs;
 - Credit assessment of the borrower and any guarantors;
 - Whether demands ought to be issued to any guarantors;
 - Any proposal by the borrower to remedy the default;
 - Status of any second or subsequent mortgages and status of priority arrangements;
 - Desirability of taking possession or appointing a receiver or agent for the mortgagee;
 - Compliance with statutory requirements (eg lodgement of notices, maintenance of controller accounts);
 - Any site-specific issues (eg planning, subdivision, contamination or heritage status);
 - Potential sales avenues;
 - Whether sales agent ought to be appointed/selection of agent;
- ▶ For all arrears loans, a detailed recoverability analysis is prepared and updated on a weekly basis as part of the arrears management plan;
- ▶ External consultants (valuers, lawyers, insolvency practitioners, sales consultants etc) are engaged where appropriate throughout the arrears management process;
- ▶ The Manager may from time to time foreclose on a security property as part of a realisation strategy. Foreclosure is a remedy available to a registered mortgagee by which the mortgagee becomes the absolute legal owner of the property free of any interest of the mortgagor. In the event of foreclosure, the Manager may hold, improve and/or sell the security property in order to achieve the best result for the Fund. The Manager may sell a property on which it has foreclosed to a related entity, in which case the sale price will be determined by valuation.

Arrears loans are managed in this way until the security is sold and/or all possible recovery action has been completed.

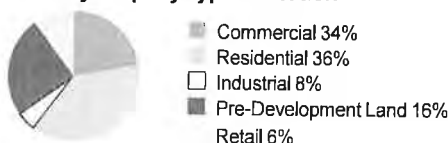
Assets of the LM First Mortgage Income Fund

The assets of the Fund as at 29 February 2008 totalled \$718,403,075 and were made up as follows:



As at 29 February 2008 the mortgage allocation was as follows:

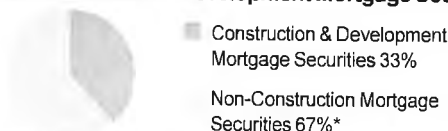
Security Property Type Allocation



Geographic Distribution of Security Property



Construction and Development Mortgage Securities



*Non-Construction Mortgage Securities includes pre-development land, completed developments and income generating commercial loans.

Mortgage portfolio details as at 29 February 2008

Total amount of mortgage securities	\$687,494,654
Number of mortgages	74
% of mortgages with fixed interest rates	100%
Average loan to valuation ratio	63.89%
Smallest loan	\$94,672
Largest loan	\$85,523,929
Average loan size	\$9,290,468
Undrawn loan commitments over next 24 months	\$362,375,790
Average monthly undrawn loan commitments	\$15,098,991

The Manager maintains a detailed cash flow model which assesses the total Fund inflows and outflows including programmed loan repayments from borrowers and progressive loan draws. This model allows the Fund's Portfolio Manager to accurately assess Fund cash requirements to ensure sufficient liquidity for the Fund to meet its commitments at all times.¹⁸

As at 29 February 2008 there were 52 borrowers. Two borrowers had a mortgage that exceeded 5% of the mortgage portfolio. The Manager generally ensures that no single mortgage exceeds 10% of the Fund's assets.

One borrower may have an interest in several loan facilities by way of different entities. The Manager assesses the total

exposure to one borrower as including those related entities with different loan facilities.

Mortgage securities by maturity profile as at 29 February 2008

Period maturing	% of Total	Value \$
0-6 months	38.42%	\$264,114,682
6-12 months	32.65%	\$224,434,036
12-18 months	17.19%	\$118,182,830
18-24 months	5.70%	\$39,203,830
24-36 months	3.37%	\$23,164,303
36-48 months	0%	\$0
48-60 months	2.67%	\$18,321,927

Mortgage securities by interest rate profile as at 29 February 2008

For the month ended 29 February 2008 the average interest rate of the mortgage portfolio was 9.69%.

Interest rate %	% of Total	Value \$
= or < 7.00%	0.12%	\$816,519
7.01-7.50	1.57%	\$10,812,275
7.51-8.00	7.78%	\$53,467,988
8.01-8.50	11.13%	\$76,515,263
8.51-9.00	10.51%	\$72,213,890
9.01-9.50	15.67%	\$107,696,936
9.51-10.00	1.98%	\$13,630,474
10.01-10.50	5.45%	\$37,435,117
10.51-11.00	30.59%	\$210,310,344
11.01-11.50	9.66%	\$66,433,970
11.51-12.00	5.54%	\$38,088,833

Status of Mortgage Loans

The Manager considers a loan to be in default when interest payments have not been received in breach of a loan agreement, or the loan term has expired without repayment of principal. Set out in the table below are details of Fund loans falling into the former category.

LM First Mortgage Income Fund Loans in Arrears

Period	Principal	Unpaid Interest	No. of loans
60-90 days	\$10,436,287	\$609,953	1
90 days and over	\$34,685,533	\$6,165,154	7
Total	\$45,121,820	\$6,775,107	8

As at 29 February 2008 the percentage of mortgage securities in arrears was 7.49%.

All of the loans except for one in arrears were past their maturity date. As at 29 February 2008 one other loan was past its maturity date and it represents 0.6% of the mortgage portfolio.

The Manager utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for all arrears loans.

As at the date of this PDS the directors do not consider the arrears above will result in a capital loss for the Fund.

¹⁸ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

Unit Pricing

The price of units in the Fund has remained at \$1.00 since the inception of the Fund in October 1999. As per the Fund's constitution, the unit price is calculated monthly and determined by dividing the value of the adjusted net assets of the Fund by the number of units on issue on the last day of each month. The unit price may vary and may increase or decrease depending on the performance of the assets of the Fund.

The Manager has a Unit Pricing Policy which provides that Fund assets will be valued at cost or fair value, depending on the type of asset. The Manager will revalue an investment asset if the Manager determines that a particular investment has increased or decreased in value. A copy of the Unit Pricing Policy with any assessment provisions exercised by the Manager is available free of charge upon request.

Updated Financial and Other Information

The current financial report for the Fund is available at www.LMAustralia.com or by telephoning freecall 1800 062 919 (Australia only) or +617 5584 4500. The Manager will notify investors of any material adverse information in relation to the Fund. Information relevant to the Fund that is not materially adverse and that is subject to change from time to time (including information in relation to Fund's fund size, asset allocation, mortgage securities allocation e.g. geographic and property type allocation, average loan to valuation ratio, performance and arrears, including information contained in this PDS) will be updated by the Manager on its website and a paper copy of any updated information will be given to any person without charge on request.

How to Invest

If a properly completed Application Form, investment funds and investor/s verification documentation and information (as required) arrive before 12 noon Queensland time on a business day at the Gold Coast, Queensland, the application will generally be accepted that day; if they arrive after that time, then that application will be accepted on the next business day.

1. Complete and sign the Application Form attached to this PDS.
2. Remit funds directly to the Fund by one of the methods outlined on pages 14 and 15.
3. Mail the Application Form plus the Direct Debit Request Form / Bpay Receipt / Electronic Direct Credit Receipt / copy of Telegraphic Transfer or Cheque, to the Manager at LM Investment Management Ltd, PO Box 485 Surfers Paradise Qld 4217.

How to Remit Funds for Australian Dollar Investments

There are a number of ways to remit funds for the Australian dollar investment options in the Fund. Australian Dollar investors can:-

complete the **Direct Debit Request Form** attached to this PDS (for investors with Australian bank accounts only);

or

make a **cheque** payable to the custodian (for Australian bank account holders only):- **PTAL acf LM First Mortgage Income Fund**;

or

remit funds directly by **BPay** (for Australian bank account holders only). In this instance an investor must fax the Application Form to the Manager then telephone the Manager on freecall 1800 062 919 (Australia only) or +617 5584 4500 to receive their account number. On receipt of an account number the investor can proceed to BPay by using:

Biller Code	Reference No
53363	Your Account No

The Bpay receipt must be attached to the Application Form when mailed to the Manager;

or

remit funds directly by **electronic direct credit or telegraphic transfer**. In this instance once an investor has forwarded the electronic direct credit or telegraphic transfer to the Fund's bank account (details below) the investor must fax the completed Application Form and a copy of the electronic direct credit receipt or telegraphic transfer to the Manager and forward the original by mail;

LM First Mortgage Income Fund

Name of Account:	PTAL acf LM First Mortgage Income Fund
Bank:	Suncorp Metway Ltd
Swift Code:	METWAU4B
Branch:	Wickham Terrace, Brisbane
BSB:	484 799
Account No:	045 450 110

When remitting funds by electronic direct credit or telegraphic transfer please provide the electronic direct credit or telegraphic transfer reference code on the Application Form in Section 13 and attach a copy of the electronic direct credit receipt or telegraphic transfer to the Application Form. Investors making additional investments must complete the Additional Investment Form available from the Manager's website at www.LMaustralia.com. Investors should note that financial institutions may charge a remittance fee which will be deducted from their investment. We endeavour to ensure inter-financier transfer processes are effected promptly, but cannot be held accountable for any delays within the banking system;

or to make payment by **credit card** please complete the Credit Card Payment Form attached to this PDS and forward it with the Application Form to the Manager. The merchant fees charged by the credit card provider are deducted from the investment funds. The merchant service fee may vary from time to time, but as at the date of this PDS the merchant fees were 1.54% of the investment funds.

How to Remit Funds for Non-Australian Dollar Currency Hedged Investments

Remit funds directly by **telegraphic transfer**. Telegraphic transfers can be arranged with an investor's overseas financial institution by providing it with the following details of the bank account to be credited (which is in the name of the custodian). Please provide the telegraphic transfer reference code on the Application Form in Section 13 and attach a copy of the telegraphic transfer to the Application Form.

New Zealand investors should note the alternative payment options referred to below under the heading "New Zealand Investors".

For currencies other than those shown on this page please contact the Manager to obtain bank account details for telegraphic transfers.

Please ensure that funds are remitted in the currency to be invested.

Telegraphically transfer USD, GBP, EUR, CAD, JPY, SGD, HKD, CHF, THB, SEK, and other currencies (excluding NZD) to the account below:-

Name of Account:	PTAL acf LM First Mortgage Income Fund
Bank:	Commonwealth Bank of Australia
Address:	48 Martin Street, Sydney
Swift Code:	CTBAAU2S
Branch:	Sydney
Account No.	100642778 (plus the currency code for the currency you are sending e.g. 100642778 USD)

New Zealand Investors

Telegraphically transfer NZD to the account below:-

Name of Account:	PTAL acf LM First Mortgage Income Fund
Bank:	ANZ
Address:	203 Queen Street, Auckland, New Zealand
Swift Code:	ANZBNZ22
Branch:	Auckland
Account No.	0102 0987918 00

As well as making **NZD Investments by telegraphic transfer**, investors living in New Zealand can:-

- ▶ Arrange for **NZD investments to be direct debited** from their bank account. Please complete the Direct Debit Form in this PDS; or
- ▶ make a **deposit in person at an ANZ bank or electronically direct credit** investment funds to the ANZ NZD account referred to above. When remitting funds by direct credit please supply a copy of the direct credit receipt and banking reference number provided by the remitting bank in Section 13 of the Application Form.

After receipt of funds, currency hedged non-Australian dollar applications are processed in the manner detailed in the paragraph headed "Currency Hedged Initial Investment" on page 8 of this PDS.

Investors should note that financial institutions may charge a remittance fee which will be deducted from their investment. The Manager endeavours to ensure inter financier transfer processes are effected promptly, but cannot be held accountable for any delays within the banking system.

Minimum Investment Amount:

Investment Option	Minimum Investment	Minimum Additional Investment/Monthly Contribution
LM First Mortgage Income Fund		
Flexi Account	\$1,000	Multiples of \$1,000
Fixed Terms	\$1,000	Multiples of \$1,000
LM Savings Plan	\$100	Minimum monthly contribution & additional investments \$100
Currency Hedged Non-Australian Dollar Fixed Terms	\$1,000	Multiples of \$1000

The Manager will, at its discretion, accept investments of amounts different to those set out above.

Monthly Contributions to an LM Savings Plan Account

Investment In	When Debited	You can stop/restart
LM Savings Plan	Debited from the nominated account on the 24th of each month or next business day if the 24th falls on a weekend or public holiday unless a specific date is nominated on the Application Form.	After the minimum initial 12 month period an investor can stop and restart their LM Savings Plan at any time without incurring fees by simply contacting the Manager in writing.

If an investor has not made a monthly contribution in 12 months a new Direct Debit Request Form will have to be completed and forwarded to the Manager.

Adding to an Investment for Australian Dollar Investments Only

When adding to an investment, please remember to:

- ▶ complete the Additional Investment Form available from the Manager's website at www.LMaustralia.com;
- ▶ provide the account number - if an investor is unsure of the account number please contact the Manager;
- ▶ state the full account name;
- ▶ stipulate the amount to be added – payment can be made by the methods outlined under "How to Remit Funds" on pages 14 and 15 of this PDS. Any queries please contact the Manager on +617 5584 4500 or freecall 1800 062 919 (Australia only);
- ▶ include a daytime telephone number;
- ▶ mail the Additional Investment Form plus the Direct Debit Request Form / Electronic Direct Credit Receipt / copy of Telegraphic Transfer or Cheque, to the Manager at LM Investment Management Ltd, PO Box 485 Surfers Paradise Qld 4217.

Please note that additional investments can be made at any time to existing Australian dollar investments however additional investments can only be added to existing currency hedged non-Australian dollar investments on rollover of the current investment term.

If you add to an existing fixed term investment (instead of starting a new fixed term investment) the new application moneys will be added to, and from that date will be treated as part of, the existing investment. For example, if a 12 month term investor makes an original investment of \$100,000 on 12 March and then in 6 months time adds another \$50,000 to the existing investment, the entire \$150,000 investment will mature 12 months after the initial \$100,000 investment was made.

If you are adding to an existing investment you should first obtain a copy of the current PDS for the Fund, as the additional investment will be made on the terms of that PDS. Investors can obtain a current copy of the PDS at any time from their adviser, our website at www.LMaustralia.com or by calling us on freecall 1800 062 919 (Australia only).

Cooling Off Period

A 14 day cooling off period generally applies to investments in the Fund. The cooling off period does not apply to additional investments or reinvestments of distributions.

During the 14 day cooling off period investors have the right to change their mind and withdraw their investment. This 14 day period commences on the earlier of 5 days from the date of issue of units in the Fund to the investor, or the investor receiving confirmation that their investment has been accepted and processed.

Investors wishing to withdraw must contact the Manager in writing at LM Investment Management Limited, PO Box 485, Surfers Paradise, Queensland 4217, by fax +617 5592 4116, or by email to mail@LMaustralia.com. If the Manager receives a withdrawal request within the 14 day cooling off period, it will withdraw and refund the investment. The refund may be adjusted to reflect any changes in unit price (positively or negatively), any taxation incurred, and if the investment is a currency hedged fixed term investment, any fees incurred in relation to breaking the FFEC.

These cooling off rights do not apply to wholesale investors (as defined in the Corporations Act 2001) or if the Fund is not liquid for the purposes of Chapter 5C of the Corporations Act. Investors should contact their adviser or the Manager by telephoning +617 5584 4500 or by email to mail@LMaustralia.com if they have any questions about cooling off rights.

How to Withdraw

When requesting a withdrawal, investors please remember to:-

- ▶ provide the name of the Fund and the investment account number. If you are unsure of the account number please contact the Manager;
- ▶ state the full investment account name;
- ▶ stipulate the amount to be withdrawn and how it is to be paid;
- ▶ include a daytime telephone number; and
- ▶ sign the request –
 - if it is a joint account both investors must sign the request;
 - if it is a company account either 2 directors, 1 director and company secretary, or sole director who is also the sole secretary must sign the request;
- ▶ You can send your signed withdrawal request by the following options:-
 - Faxing the signed withdrawal request to the Manager at +617 5592 4116 or
 - Scanning the signed withdrawal request and emailing it to the Manager at investmentservices@LMaustralia.com or
 - Mailing the original signed withdrawal request to the Manager at PO Box 485, Surfers Paradise, Qld 4217 Australia.

If an investor requires withdrawal proceeds to be paid to an account other than the account nominated on the Application Form, then we may require further documentary evidence.

Fax & Scanned Images - Terms and Conditions

You should understand that a person without your authority could send the Manager a fax or scanned image, and by pretending to be you, transfer or withdraw funds from your account for their own benefit or request any other changes to your account.

In using fax or scan facilities, you agree that the Manager is not responsible to you for any fraudulently completed communications and that the Manager will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify the Manager against any liabilities whatsoever arising from the Manager acting on any communication received by fax or scanned image in respect of your investment, to the extent permitted by law.

The Manager will not be liable for any loss or delay resulting from the non-receipt of any transmission. These terms and conditions are in addition to any other requirements that may form part of your giving instructions relating to the completion of a particular authority.

By sending the Manager a fax or scanned image you signify your acceptance of these conditions.

Withdrawal Notice Period

Investment Option	Withdrawal request received by the Manager	Withdrawal is paid by the Manager*
LM First Mortgage Income Fund		
Flexi Account Option	Prior to 12 noon on any Gold Coast business day	Generally within 30 days from receipt of notice and is credited to the investor's financial institution account nominated on the Application Form
Australian Dollar Fixed Term Investment	5 business days prior to expiration of the fixed term	Generally within 30 days after maturity date by direct credit to the investor's financial institution account nominated on the Application Form.
Currency Hedged Non-Australian Dollar Fixed Term Investment	5 business days prior to expiration of the fixed term	Generally within 5 business days after maturity date by direct credit to the investor's financial institution account nominated on the Application Form.
LM Savings Plan Option	Following the initial 12 month investment period investors can make up to 4 withdrawals annually by giving written notice to the Manager.	Generally within 30 days after the Manager receives written notice of the withdrawal by direct credit to the account nominated on the Application Form.

*LM First Mortgage Income Fund - Withdrawal Delays

The Manager is generally required by the constitution to satisfy withdrawal requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Manager may be entitled to suspend withdrawals. This facility allows for protection of investment funds. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time specified. For all non-Australian dollar investments, the Manager will continue to hedge (on a 1 monthly basis) the currency exposure of these investments. The time periods for withdrawals referred to above are the periods within which the Manager expects to be able to satisfy withdrawal requests, based on the withdrawal requests previously made in respect of the Fund. However, past experience is not an indicator of future circumstances, and there could be delays in meeting withdrawal requests, or a suspension of withdrawals. Refer to the paragraph headed "Withdrawal from the Fund" on page 31 of this PDS.

The withdrawal notice period commences from the time the notice is received by the Manager. Where a request for withdrawal is received on any day that is not a business day on the Gold Coast, Queensland, the request is deemed to have been received by us on the next business day.

Minimum Withdrawal Amounts

Investment Option	Withdraw in multiples of	Minimum balance
- Flexi Account Option	\$1,000	\$1,000
- Fixed Term Options	\$1,000	\$1,000
- LM Savings Plan Option	\$100	\$100

If the investment amount remaining after a withdrawal is less than the minimum balance set out above, then the Manager may direct the withdrawal of the entire balance. The Manager has discretion to allow withdrawal amounts other than those set out above.

Breaking a LM First Mortgage Income Fund Fixed Term Investment or LM Savings Plan

Partial or full withdrawals are NOT permitted:-

- ▶ during a fixed term investment;
- ▶ during the initial 12 month term of an LM Savings Plan investment or more than 4 withdrawals are not permitted in any 12 month period thereafter.

The Manager has complete discretion to allow a partial or full withdrawal during a fixed term investment or LM Savings Plan and generally only allows early withdrawal in the event of death or in cases of medical or financial hardship. If the Manager allows an early withdrawal, the Fund will charge:-

- ▶ a fee equal to the last three months' interest distributions paid or payable on the amount being withdrawn; and
- ▶ where an adviser is paid an upfront commission the Fund will charge an additional fee equal to the upfront commission paid, calculated on a pro-rata basis for the length of time remaining to maturity.

The above fees will be deducted from the investment amount.

Currency hedged fixed term investors should note that the above fees do not necessarily reflect the only impact of an early withdrawal. Other impacts (including fees and charges that may be payable to the financial institution which provides the FFEC) can only be calculated at the time the request for early withdrawal is made, because there are a number of variable factors, including currency market rates and length of time to maturity. Investors will need to contact the Manager if they want to withdraw early, and the Manager can at that time provide details of the total withdrawal costs, fees and other possible financial impacts.

Investors should note that the financial impacts on an investor who breaks a currency hedged fixed investment term with an early withdrawal are likely to result in the investor receiving less than the original amount invested.

Overseas Remittance

Investors should note that financial institutions may charge a remittance fee which will be deducted from their investment. We endeavour to ensure inter-financier transfer processes are effected promptly, but are not responsible for any delays within the banking system.

Adviser Access to Investment Information

Advisers can Monitor an Investor's Investment

Advisers are provided with online access to full investment details and reporting on their clients' investments. For example, to check maturity dates for investments advisers can access the Maturing Investment Reports for their clients by logging on to the LM Information Exchange which is accessed from the home page on our website at www.LMAustralia.com. For access to the LM Information Exchange the adviser can contact the Manager on freecall 1800 162 919 (Australia only) or +617 5584 4500.

Correspondence & Information from the Manager

To assist investors to keep track of their investment the Manager will send:-

▶ **On Receipt of Investment Funds and Application Form:**

The Manager will email the adviser to confirm receipt of investment funds and Application Form.

▶ **On Investment:**

On initial investment a Contract Note will be forwarded as requested by the investor on the Application Form (refer to Section 8 of the Application Form – which provides for correspondence to investor/s by email or post, or for correspondence to only be sent to the adviser).

▶ **Interest Distributions:**

No correspondence is sent by the Manager. Interest distributions are reinvested unless the investor elects to have the interest distributions paid to their financial institution account. **Advisers can access Transaction Statements and Distribution Statements from the LM Information Exchange.**

▶ **LM First Mortgage Income Fund Fixed Investment Terms Maturity Notice**

The Manager provides advisers access to the Maturing Investments Report for their clients from the LM Information Exchange. A notice of maturity is emailed to advisers prior to the maturity date for fixed investment terms.

For Australian Dollar Fixed Term Investments - on the maturity date the investment will automatically rollover for a further investment term of the same length unless the Manager receives written notice of withdrawal or of a change to the investment term at least 5 business days prior to the maturity date.

For Currency Hedged Non-Australian Dollar Fixed Term Investments – on the maturity date the investor's original investment amount and interest distribution (unless the investor has nominated for the interest distribution to be paid to their bank account) is automatically reinvested and rehedged in the originally nominated currency for the rollover term selected on the Application Form. If no rollover term is selected the investment will automatically rollover for further 1 month investment terms until the investor provides the Manager with longer investment term instructions or a written withdrawal notice.

Investors and their advisers will need to access the Manager's website or telephone us prior to the reinvestment term to access the most recent interest distribution rates and the current PDS that will apply for the purpose of the reinvestment.¹⁹

▶ **Rollover Confirmation**

Within 5 business days following rollover of the investment a Rollover Confirmation Notice/Contract Note will be forwarded to advisers.

▶ **Transaction Statement is available to investors:**

- from their financial adviser via the LM Information Exchange; or
- by request to the Manager.

▶ **Exit Statement** with details of the investor's investment account will be sent to the investor within 6 months of withdrawal from the Fund.

▶ **Annual Periodic Statement** with details of the investor's investment account will be sent to the investor once a year by 31 December for the preceding financial year.

▶ **Annual Taxation Summary** will be sent to an investor or made available to their adviser on the LM Information Exchange by the end of September each year for the preceding financial year.

▶ **Annual Financial Statements of the Fund** will be available on the Manager's website at www.LMAustralia.com by the end of September each year for the preceding financial year. Investors can choose to receive the annual statements free of charge by mail or email by marking the appropriate box in Section 8 of the Application Form.

Changing Details

Investors can advise the Manager of their change of address, email or telephone number/s by telephoning the Manager on 1800 062 919 (Australia only) or +617 5584 4500 or emailing the Manager at mail@LMAustralia.com.

All other changes including bank account details must be made by written request signed by the investor/s and sent to the Manager by:-

- **Faxing** the signed request to +617 5592 4116; or
- **Scanning** the signed request **and emailing** it to the Manager at investmentservices@LMAustralia.com or
- **Mailing** the original signed request to the Manager at PO Box 485, Surfers Paradise, QLD, 4217 Australia..

Change of Details Forms can be obtained from the offices of the Manager or online at www.LMAustralia.com.

¹⁹ Past performance is not an indicator of future performance.

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Fees & Other Costs

Government regulations require all financial product issuers to include the standard consumer advisory warning set out below. The warning below is standardised across all product issuers and does not provide specific information on fees and charges for the LM First Mortgage Income Fund.

CONSUMER ADVISORY WARNING

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and managements costs where applicable. Ask the Fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

Refer to the table on page 22 of this PDS for information on the specific fees and charges that apply to the LM First Mortgage Income Fund.

This table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund's assets as a whole. Taxes are set out on page 25 of this PDS.

You should read all of the information about fees and costs, because it is important to understand their impact on your investment.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE FUND.		
Establishment Fee : The fee to open your investment.	Nil	Not applicable.
Contribution Fee : The fee on each amount contributed to your investment by you.	Nil	Not applicable.
Withdrawal Fee : The fee on each amount you take out of your investment.	Nil for the Flexi Account, or where you take out your investment at the end of its Fixed Term, or in accordance with the terms of the LM Savings Plan, after giving the required notice. The Fund may charge a fee for early withdrawal equal to the last 3 months' interest distributions paid or payable on the amount withdrawn plus any upfront adviser commission paid in relation to the amount withdrawn, on a pro rata basis for the length of time remaining to maturity of the investment. For Currency Hedged Non-Australian dollar fixed investment terms there will be other financial impacts on you which can only be calculated at the time of the request for early withdrawal (due to a number of variable factors including currency market rates and the length of time to maturity). Further details are referred to under the heading "Dollar Fee Example for Early Withdrawal Fee Charged by the Fund" on page 24 of this PDS.	LM First Mortgage Income Fund Fixed Term investments and LM Savings Plan only - Fees for early withdrawal are deducted from the amount withdrawn at the time of withdrawal.
Termination Fee : The fee to close your investment.	Nil	Not applicable.
MANAGEMENT COSTS		
Fees and costs for managing your investment. ²⁰	An amount estimated to be 3.5% pa of the net assets of the Fund (this comprises estimated Management Fees of 2.3% pa, estimated Fund expenses of 0.10% pa, and an estimated adviser fee of 1.1% pa). ²¹	That part of the Fund's Management Costs which comprises the Manager's Management Fee is accrued daily and is currently paid monthly by being deducted from the assets of the Fund. That part of the Fund's Management Costs which comprises expenses of the Fund (other than the Management Fee) will be payable from the income or capital of the Fund, either monthly or as the expenses are incurred. That part of the Fund's Management Costs which comprises the Management Fee may be able to be negotiated with the Manager by a wholesale client as a differential fee. Further information is detailed under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS.
SERVICE FEES		
Switching Fee : The fee for changing investment options.	Nil	Not applicable.

²⁰ All amounts include GST (if applicable) and take into account any input tax credits or reduced tax credits that may be available to the Fund.

²¹ The **adviser fee** may be negotiable, but that will depend on what arrangements you may have in place with your adviser. See the paragraph "adviser fees" under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS. Further information on the Management Costs is also detailed under that heading.

ADDITIONAL EXPLANATION OF FEES AND COSTS

Management Costs for the LM First Mortgage Income Fund

The Management Costs can only be estimated, as the actual costs are not yet known. However, the Management Costs for the Fund for the financial year ended 30 June 2007 were 1.55% pa of the net assets of the Fund, and based on current financial information the Manager considers 3.5% pa to be a reasonable estimate of the annual Management Costs. The Management Costs are made up of the following different fees and costs (and note that the following fees and costs are explanations of the components which make up the estimated 3.5% pa Management Costs, **and are not additional fees or costs**):-

- ▶ The **Management Fee** component of the Management Costs accrues daily and is paid monthly from the assets of the Fund. The constitution of the Fund allows the Manager to recover a Management Fee of up to 5.5% pa of the net assets of the Fund. At the date of this PDS, it is estimated that the Manager will only receive a Management Fee of 2.3% pa of the net assets of the Fund, and that the Manager will waive its entitlement to the higher fee. Note however the section "Changes to Fees and Costs" on this page of this PDS.
- ▶ The **custodian fees** for the Fund are currently the greater of 0.02% pa of the assets of the Fund and \$20,000 pa.
- ▶ **Adviser fees** are fees paid to your adviser for professional financial advice. They are negotiated between you and your adviser. These fees may be paid from the Fund as a lump sum and/or trail commission. If you choose not to use an adviser, your individual distribution rate will still be calculated as if a fee of 1.1% pa (including GST) of your investment amount was payable to an adviser. Any such amount not paid to an adviser will be used to meet Management Costs.

The individual distribution rates payable to investors will vary dependent on the adviser fees paid by the Fund. This adviser fee is an expense of the Fund. The Manager's reasonable expectation is that such fees would be up to 1.1% pa (including GST) of your investment amount, but they could be higher. You should discuss the payment of this fee directly with your adviser.
- ▶ The Manager is reimbursed for all **expenses** properly and reasonably incurred in managing the Fund. This includes any bank and government fees, charges and duties levied in connection with payments to and by the Fund. The estimate of Management Costs referred to above is based on current financial information, but the actual expenses will depend on the amount incurred during each particular year.

Bank and Government Fees and Charges

Some bank or government fees, charges and duties may be charged directly to you, rather than to the relevant Fund. For example, cheque dishonour fees, and processing or remittance fees charged by banks. These amounts have not been taken into account in the estimate of Management Costs referred to above, but are not expected to be significant amounts.

Merchant Service Fees for the LM First Mortgage Income Fund

If you invest by credit card a merchant service fee may be charged by the credit card provider. That fee will vary from time to time, but at the date of this PDS is 1.54% of the investment funds. This amount is deducted from your investment funds at the time of investment. This amount has not been taken into account in the estimate of Management Costs referred to above.

Tax (including Goods and Services Tax)

The fees quoted in this PDS are inclusive of GST where applicable. See the heading "Tax" on page 25 of this PDS for further details of tax that may be relevant to your investment.

Differential Fees for the LM First Mortgage Income Fund

The Manager may negotiate differential fees with certain wholesale clients or employees of the Manager or of a related body corporate of the Manager, or relatives of those employees. Such differential fees will depend on individual negotiation, compliance with legal requirements, and any applicable ASIC policy. Where the differential fee arrangements involve the Manager paying rebates, the rebates will be paid from the Manager's own funds and will not affect other investors.

Changes to Fees and Costs

As noted above, the constitution of the Fund allows the Manager to recover a Management Fee of up to 5.5% p.a. of the net assets of the Fund. The constitution also allows the Manager to waive all or part of its fee. The Manager's current intention is to waive its entitlement to part of its fee each month. The Manager will decide each month how much of the maximum 5.5% pa Management Fee it will be paid, but at the date of this PDS, it is estimated that the Manager will only be paid a Management Fee of 2.3% pa of the net assets of the Fund.

The Manager may decide to vary the amount of Management Fee it recovers, the amount of the other Management Costs, or the methods of payment of those amounts, in its absolute discretion, and without your consent (but subject to the limits in the constitution). The Manager will give investors notice of any such change which is material. In particular, the Manager will give 30 days written notice of any change to the Management Fees under this PDS. Any immaterial change can occur without notice.

Marketing Fees

The Manager may pay properly authorised advisers a marketing reimbursement from time to time out of its own funds.

LM First Mortgage Income Fund Fixed Term Investment and LM Savings Plan Early Withdrawal Fees Charged by the Fund

Partial or full withdrawals are NOT permitted during a fixed term investment, or during the initial 12 month term of an LM Savings Plan investment (and more than 4 withdrawals from an LM Savings Plan are not permitted in any 12 month period thereafter). The Manager has complete discretion to allow a partial or full withdrawal during a fixed term investment or LM Savings Plan and generally only allows early withdrawal in the event of death or in cases of medical or financial hardship. If the Manager allows:-

- ▶ an early withdrawal from a **fixed term investment**; or
- ▶ an **LM Savings Plan** investor to withdraw during the initial 12 month term or allows more than 4 withdrawals in any 12 month period thereafter;

the Fund may charge a fee equal to the last 3 months' interest distributions paid or payable on the amount being withdrawn, and where an adviser is paid an upfront commission the Fund will charge an additional fee equal to the upfront commission paid calculated on a pro-rata basis for the length of time remaining to maturity.

Dollar Fee Example for Early Withdrawal Fee Charged by the Fund*

Below is an example of the early withdrawal fees charged by the Fund if you are allowed to break an investment term. It assumes the investment term is 12 months, you withdraw \$50,000 6 months after the investment date, you make no other transactions during the year, the Fund paid total effective interest distributions of 8.00% pa, and the adviser is paid a 1.1% pa commission (including GST) upfront. This is not a forecast.

LM First Mortgage Income Fund Early Withdrawal Fee Example	Fee Calculation	Total Fee Paid to the Fund	How and When Paid
Assuming 12 month investment term and you withdraw \$50,000 prior to the maturity date and the adviser was paid an upfront commission of 1.1%	3 months interest distribution calculation – \$50,000 x (8.00%/12 x 3) Plus 1.1% pa for length of time remaining until maturity of the 12 month term calculation – \$50,000 x (1.1%/12 x 6)	\$1,000.00 Plus \$550.00	Total fees of \$1,550.00 deducted from your investment at the time of withdrawal.

* **For Currency Hedged Non-Australian Dollar Fixed Term Investments** you should note that the example of withdrawal fees outlined above does not necessarily reflect the only impact of an early withdrawal. Other impacts (including fees and charges that may be payable to the financial institution which provides the FFEC) can only be calculated at the time the request for early withdrawal is made, because there are a number of variable factors including currency market rates and length of time to maturity. You should note that the financial impacts on an investor who breaks an investment term with an early withdrawal are likely to result in the investor receiving less than the original amount invested.

EXAMPLE OF LM FIRST MORTGAGE INCOME FUND ANNUAL FEES AND COSTS

This table gives an example of how the fees and costs of the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example of Annual Fees and Costs

Example – Balance of \$50,000 with a contribution of \$5,000 during the year

Contribution Fee	Nil	Not applicable
Plus: Management Costs	3.5% pa* (including GST)	For every \$50,000 you have in the Fund you will be charged \$1,750 each year.
Equals: Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$1,750** What it costs will depend on the investment term option you choose and the fees you negotiate with the Fund or with your financial adviser.

* This is an estimate only and not the actual Management Costs for your investment. Further information on the Management Costs is detailed under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS. This amount includes an estimated fee of 1.1% pa (including GST) of net assets payable to your adviser. (See the paragraph "adviser fees" under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS). The table above is just an example. In practice your investment balance and the value of the Fund will vary daily.

**Additional fees may apply – if the Manager allows you to withdraw early you may also be charged early withdrawal fees as set out on page 24 of this PDS. Early withdrawal fees are deducted from your investment amount.

If the \$5,000 was invested for a full 12 months, you would be charged \$175 for that extra \$5,000.

Tax

Summary

Taxation law is constantly under review and changing. The comments below are accurate for Australian resident tax payers at the date of this PDS. Tax law is complex and each investor's circumstances are different. The Manager recommends all investors seek professional independent taxation advice on their investment before investing in the Fund.

Taxable Interest Distributions

The Manager's policy is to distribute all net taxable income of the Fund to investors each financial year. Under the current income tax legislation, a trust operates as a flow through vehicle such that the income of the trust when distributed, retains its character as it 'flows through' the trust to the investor, and the Manager as trustee is not generally liable to pay tax with respect to the Fund.

This has the consequence for investors that they will be required to include their entitlement to the net income of the Fund in their income tax returns and this income should be included in the investors' taxation return when the investors' entitlement to that income arises. This entitlement arises irrespective of whether the investor receives the income during the year, after the end of the year, or if the income is reinvested as additional units in the Fund.

Disclosure of Tax File Number

The Manager recommends Australian resident investors disclose their Tax File Number on the Application Form. The Manager will be required to withhold tax at the highest marginal rate (plus Medicare Levy) from interest distributions payable to all investors who have not advised the Manager of their Tax File Number or exemption details. It is not, however, against the law for an investor to choose not to quote their Tax File Number or exemption details. The collection of Tax File Numbers is authorised, and the use of such information is regulated by the tax laws and the Privacy Act.

Capital Gains Tax

If the Fund disposes of an asset, any capital gain on the disposal must be included in the Fund's calculation of net capital gain. The net capital gain of the Fund will be distributed to investors as part of the investor's share of the Fund's taxable income for the year (in proportion to the investor's investment in the Fund).

Where the disposal of an asset results in a capital loss, the loss will be retained by the Fund and not distributed to investors. The capital loss will generally be available to the Fund to offset any future capital gains of the Fund.

If an asset of the Fund is disposed of after it has been owned by the Fund for more than 12 months, any capital gain derived by the Fund as a result of the disposal will potentially be reduced by 50% for the purposes of calculating the net capital gain of the Fund.

The Manager will send to each investor their annual taxation statement by the end of September each year. Investors should not complete their taxation returns until they receive this statement.

Non-Resident Investors

If an investor is not an Australian resident for taxation purposes, the investor must (when completing the Application Form) provide their overseas residential address. Withholding tax will then be deducted from distributions before they are paid to investors. The tax rate will depend on which country the investor resides in*. Non-resident investors may be entitled to claim a credit for withholding tax deducted in their country of residence. Investors should consult their taxation adviser for further specific advice.

*Withholding tax is generally deducted at a rate of 10% from interest distributions for most countries, however some exceptions do apply. Please refer to the relevant Australian Double Taxation Treaty for further information. Investors should consult their taxation adviser for further specific advice.

Entities such as charities that hold tax exempt status will not incur any Australian tax, including withholding tax.

Social Security

An investor's investment in the Fund will be classified as a financial investment by the Department of Veteran Affairs ("DVA") and Centrelink and therefore be included in the Income and Assets Tests by the DVA and Centrelink. Government policy in this area can often change and the Manager recommends investors consult with their financial adviser, the DVA or Centrelink for any further information on how their investment in the Fund may affect them.

Goods and Services Tax

Goods and services tax ("GST") is not directly applicable to an investor's investment in the Fund when they invest or redeem their investment. The Fund may incur GST in respect to various expenses and the Fund may not be entitled to input tax credits with respect to all the GST the Fund incurs.

Investment Risks

Risk Management

All investments are subject to varying risks and the Manager actively manages the Fund with a view to balancing returns with security.

This is achieved by:

- ▶ employing experienced, professional personnel;
- ▶ maintaining a long term vision for the Funds;
- ▶ complying rigidly with its compliance program;
- ▶ actively monitoring and managing the assets of the Funds;
- ▶ continuing to set high performance benchmarks.

For any investor the key to managing their investment is to understand and be comfortable with:-

- ▶ the investment term;
- ▶ the level of risk; and
- ▶ potential volatility,

that accompanies an investment in the Fund. The Manager actively manages risk under its risk management program. These comments are intended as a guide only and we recommend that investors seek professional financial advice.

Capital Risk	The value of the investment might decline. Investments are not capital guaranteed. Should the Fund not achieve appropriate rates of return or suffer a capital loss then there is the possibility that the investor could suffer a loss. No losses of capital have occurred in the Fund since its inception in 1999, or are expected to occur as at the date of this PDS. Past performance is not an indicator of future performance.
Unit Price	The unit price is variable and may increase or decrease depending upon the performance of the investment portfolio of the Fund. The Manager is constantly assessing various investment sectors in order to determine which sectors have the best potential in terms of income and/or capital security depending on the investment objective of the Fund.
Interest Distribution Rate Risk	This risk relates to the volatility of returns to investors. The Manager stabilises interest distribution rate risk as follows: The Manager stabilises interest distributions risk as follows:- <ul style="list-style-type: none"> ▶ cash assets of the Fund are proactively monitored to ensure that investments at least move in line with market movements – investors should note that returns may not keep pace with inflation; and ▶ mortgage securities in the Fund utilise a combination of fixed interest rate lending and short lending terms and the Manager utilises a policy of annual interest rate reviews on the anniversary of each of the mortgage securities.
Currency Risk	Non-Australian dollar investments in the Fund are hedged in the relevant currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). Investors should however, be aware that any delay or shortfall in income or capital payments from the Fund may result in a loss for the Fund due to breaking a FFEC. In such an event, the investment will not be currency hedged and income and/or capital may be impacted.
Property Market Risk	Property market risk is the risk that negative movements in the property market may impact on the capacity to fully recover the amount owing on a mortgage. The Manager manages this risk by strictly complying with its lending guidelines, loan to valuation ratio policies, compliance program and the efficiency of its collections systems. The average loan to valuation ratio as at 29 February 2008 was 63.89%. It is the Manager's policy not to exceed a loan to valuation ratio of 85% for any one loan. However in the event of a default the loan to valuation ratio of 85% may be exceeded. Mortgage securities are reviewed on an ongoing basis with updated valuations obtained in accordance with the Manager's valuations policies.
Development or Construction Risk	In development or construction mortgages held by the Fund there could be delays in payment of interest or repayment of capital due to the timing, completion and sale of the development. The Manager's personnel have considerable experience in dealing with construction and development loans. For each loan an "as is" and an "on completion" valuation is obtained. Funding of the loan is controlled by the Manager on a "cost to complete basis". The Manager has specific procedures in place that are adhered to both prior to and during a project to ensure that the security is maintained and risks minimised. Investors should also refer to the paragraph headed "Interest Capitalisation Risk" below as construction and development loans may have capitalised interest.
Interest Capitalisation Risk	Loans made from the Fund may require the interest to be paid periodically during the term of the loan or in the case of a construction and development loan a provision for interest may be built into the facility within the approved loan to valuation ratio. (Loan to valuation ratio is generally 66.67% for construction and development

	<p>loans). As a risk management measure, this provision for interest is built into the loan facility along with a contingency. This enables the Manager to control the interest payments and ensure that they are met within the approved loan to valuation ratio limit. In addition to this, a detailed financial analysis is conducted on each borrower to ensure that the borrower has sufficient resources to cover interest commitments if required.</p> <p>There is a risk that interest payments may not be recoverable because of:-</p> <ul style="list-style-type: none"> ▶ changed circumstances of the borrower; ▶ changed circumstances of the security property; or ▶ other economic conditions. <p>Where this occurs there may be insufficient cashflow in the Fund to meet interest distributions or redemption requests. All loans are monitored by experienced personnel employed by the Manager in its mortgage management division.</p> <p>As at 29 February 2008 the percentage of mortgage loans in the Fund where interest payments were built into the loan facilities was 52.71 % of the mortgage portfolio.</p>
Credit Risk	<p>This is the risk that a borrower may not meet its obligations in full and/or on time to pay interest and repay capital financial obligations. The Manager mitigates this risk by utilising a conservative lending strategy in relation to the mortgages and following strict lending guidelines.</p>
Liquidity Risk	<p>A delay in meeting an investor's withdrawal request is possible where there are a significant number of withdrawal requests received at the same time, which absorb the cash reserves of the Fund and if assets of the Fund are not sufficiently liquid.</p> <p>Generally the Manager is required by the constitution to satisfy redemption requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Manager may be entitled to suspend redemptions. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified. Refer to the paragraph headed "Withdrawal from the Fund" on page 31 of this PDS for further details.</p> <p>The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia for \$215 million which can be utilised in liquidity management or to allow the Manager to take advantage of competitive commercial lending opportunities for the Fund.</p>
Arrears of the Fund's Mortgage Portfolio	<p>The Manager utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for all arrears loans.</p> <p>Further details of the arrears management processes are outlined on page 11 of this PDS.</p>
Share Market Risks	<p>The Fund may invest in specialist managed funds which in turn hold income bearing cash investments, long and short term securities (including equity securities and derivatives on securities) which may be quoted on recognised stock exchanges. The value of these investments might decline for reasons including domestic and international economic conditions, changes in government fiscal, monetary and regulatory policies, changes in interest rates and currency exchange rates, the rate of inflation or changes in the circumstances of the companies or funds in which the specialist managed funds invest. A return on investments in the specialist managed funds or repayment of capital invested is not guaranteed. As at the date of this PDS, the Manager has a policy limiting the proportion of Fund's assets invested with other specialist fund managers to 10%.</p> <p>The Manager mitigates this risk by utilising specialist fund managers to invest the Fund's assets held in this sector. Each specialist is chosen following an extensive and rigorous research process that examines their investment style, the expertise of their investment team and a range of other factors. The Manager reviews each specialist fund manager's performance on an ongoing basis, ensuring that they operate within the mandated expectations and guidelines.</p>
Borrowing risk	<p>Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA") for \$215 million. This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity, interest distributions or funding loan commitments. At the date of this PDS the amount owing to the CBA was \$155 million. As at the date of this PDS the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers. This facility or a similar facility may be varied from time to time in order to manage the Fund. Insufficient income generated by the Fund to service the CBA debt, increases in the bank interest rate or an unforeseen refusal of the financier to extend the term of any facility could cause the Fund to default on its loan.</p>
Government Policies	<p>Investment performance may be affected by changes to government policy in relation to taxes, exchange rates, legislative changes, land tax, income tax and other government factors. These factors are generally beyond the control of the Manager.</p>

About LM Investment Management Ltd

LM Investment Management Ltd ("the Manager") is an Australian funds manager operating internationally from offices on the Gold Coast, in Sydney, Hong Kong, New Zealand and London. In conjunction with its network of authorised financial adviser groups domestically and abroad, LM provides an established investment product with a range of flexible options, focused on achieving income and flexibility to the investing public.

Since inception in 1998, the Manager has become a growing presence in the financial services markets throughout Australia, Hong Kong, Asia, the Middle East, United Kingdom and New Zealand.

Recognised as a specialist funds manager within the AUD\$22 billion mainstream mortgage trust sector, LM Investment Management Ltd manages one of Australia's largest mortgage trusts, the LM First Mortgage Income Fund. The Manager's other funds under management include the LM Wholesale First Mortgage Income Fund, the LM Institutional Currency Protected Australian Income Fund, the LM Currency Protected Australian Income Fund and the LM Cash Performance Fund.

The Manager is licensed with the Australian Securities and Investments Commission ("ASIC") as a Responsible Entity and Australian Financial Services Licensee. Independent audits of its registered funds, their compliance plans and the Manager are conducted at least annually.

The Manager specialises in professional and responsive financial services, and is a highly regarded lending institution within Australia's business and property sectors.

Management Principles

The Manager's corporate vision is to be recognised as a leading, innovative and prudential funds manager. The management team has a common understanding of business principles to ensure the vision is upheld. These principles include:-

- ▶ delivering a high level of service with clear communication and genuine empathy for clients;
- ▶ offering qualitative investment and lending products;
- ▶ using a research driven approach to anticipate market changes and seek new opportunities:-
 - to protect the delivery of income; and
 - to protect the delivery of a stable unit price.

The Manager's commitment to offering clients a competitive advantage with service is demonstrated by its use of information technology delivering 24 hour access to online investment reporting.

Key Personnel

The Directors of the Manager collectively offer considerable years of experience and specialist knowledge from the finance, insurance, legal and property sectors. The Manager also carries a vast depth of professional property and business related experience across all business units.

The Manager's personnel are strategic thinkers with the foresight to identify quality investment opportunities, while keeping their fingers on the pulse of Australia's property and finance markets. The Manager blends this foresight with a sound investment philosophy to seek optimum results for investors.

The Directors encourage the key decision makers at LM Investment Management Ltd to take a 'hands-on' approach when seeking new investment opportunities and anticipating market changes.

Financial intermediaries and investors have direct access to a staff which provides prompt professional assistance. Our relationships are built on honest and open communication and a genuine appreciation of our clients' needs.

Corporate Governance

The Board of LM Investment Management Ltd generally meets quarterly to discuss the strategic direction of LM and the monitoring of its funds. The Manager has a strong commitment to corporate governance, compliance and risk management. The Manager has a committee based structure for all major decision making processes to ensure ultimate protection of investor funds.

Executives and a representative of the Board meet weekly to discuss issues pertinent to the Manager and its funds. Each executive is responsible to the Board for the operation of their own business unit. The Funds Management Committee meets monthly to analyse and review performance of the funds. The Compliance Committee generally meets quarterly to monitor and review compliance systems and processes to ensure that they are in accordance with the Compliance Program and registered funds' compliance plans.

The Manager follows a disciplined research driven approach to investment. The Manager's Property Research and Analysis Committee ("PRAC"), specifically targets locations offering property growth opportunities and property sectors which are expected to perform.

The Board and management also have access to a range of independent and expert advisers to assist on particular technical issues.

As an unlisted public company, the Manager is the subject of yearly financial audits. The audits are a requirement under the Corporations Act 2001. These audits are performed by Ernst & Young, an international accounting firm. Ernst & Young also perform financial and compliance audits on the Manager's registered funds on a bi-annual and/or annual basis dependent on the relevant fund's compliance requirements.

The Directors



Peter Charles Drake, Chairman and Chief Executive Officer

As CEO Peter is principally responsible for the strategic vision, direction and the structured growth of LM Investment Management Ltd ("LM"). Peter has been involved in the financial services industry since 1978, and is particularly active in investment product design. Working closely with LM's Portfolio Manager to manage the growth of funds under management, Peter also plays an integral role in LM's Funds Management Committee, and Credit Committee. Peter's vision of an innovative and prudential funds manager holds true as LM continues its dynamic growth in the Australian financial services sector.



Lisa Maree Darcy, Executive Director

Lisa joined LM Investment Management Ltd in 1998 and was appointed Executive Director in September 2003. Lisa is principally responsible for all accounting functions of both LM Investment Management Ltd and its registered schemes. She works closely with LM's Portfolio Manager, to manage the growth of funds under management. Lisa plays an integral role in LM's Funds Management Committee and Credit Committee. With more than 20 years experience in the banking and financial planning industry, including financial accounting and funds management, Lisa makes a valuable contribution to LM's ongoing management of investment funds and financial services. Lisa holds a Bachelor of Business from Griffith University.



Eghard van der Hoven, Executive Director, Portfolio Manager

In 2003 Eghard joined LM Investment Management Ltd as Portfolio Manager, responsible for the monitoring and ongoing performance of LM's various funds. As Executive Director, Eghard's sound understanding of the investment industry spanning almost 20 years includes extensive experience in stock broking, auditing, investment analysis, business strategy and policy planning. As the Chair of LM's Funds Management Committee, Eghard is responsible for joint decisions in relation to the asset allocation, geographic spread allocation, cash flow, delivery rate forecasting and budgeting of LM's funds. Eghard also sits on the Credit Committee and the Arrears Management Committee. He holds a Master of Commerce, majoring in Economics, and a Bachelor of Commerce (Hons) in Economics, from University of Pretoria, South Africa.



Francene Maree Mulder, Executive Director, General Manager Distribution/Product

Francene commenced with LM Investment Management Ltd in 1999, following a 20 year career in the commercial, legal and securities sectors. Prior to joining LM Investment Management Ltd, Francene held managerial positions focused on the areas of commercial mortgages, conveyancing and the property sector. Specific experience in mortgage securities and the marketing of financial products provided a solid background for Francene to successfully undertake her role within LM. As Executive Director, Francene is primarily responsible for the marketing and expansion of distribution of LM's products on a wholesale and retail basis, throughout Australia and international markets. Francene takes an active role in the direction of all client communication, company communication and service. Francene is also a member of the Property Research and Analysis Committee, Funds Management Committee, Credit Committee and Arrears Committee.



John Dillon, Non-Executive Director

John holds more than 30 years strategic and managerial expertise in the business and development sectors domestically and abroad. As Non-Executive Director, John's experience complements the continued strategic growth of LM Investment Management Ltd as an Australian funds manager with international operations. John's previous managerial experience includes the strategic and financial growth of Vision Cabinets Pty Ltd, a specialist cabinetry business that services a range of residential and commercial clients nationally. Prior to Vision, John was Managing Director ASEAN of Occidental Chemicals, responsible for the administration, manufacture and distribution to the Association of South East Asian Nations (ASEAN). He also holds a Bachelor of Commerce from the University of New South Wales.



Val Llewellyn, Non-Executive Director

Val holds over 30 years' management experience in the engineering, manufacturing, labour hire and training sectors in Australia, London and Wales. In 1982, Val emigrated with his family to Australia, establishing Axial Engineers, then later established Axial HR, an industrial labour hire operation to operate alongside Axial Engineers. In 1996, Val became sole shareholder and Director of the Axial group of companies, and in 1997 established Axial Training to train new apprentices, supervisors and managers in the manufacturing, engineering, mining, warehousing, food processing (butchery), retail and business sectors. The Axial Group currently operates from six locations throughout Queensland and also in Perth. Val is a qualified Chartered Accountant, admitted as a Member of the Institute of Chartered Accountants in England and Wales in 1972.



John O'Sullivan, Non-Executive Director

John has over 20 years experience in funds management and investment advice in Europe, Asia and Australia. His previous roles have included CEO and Partner of a large advisory business in New Zealand, General Manager of Oceanic Life in New Zealand and Director of Oceanic Funds Management in Australia. When Oceanic was purchased by Sun Alliance, he was appointed New Zealand Manager of Sun Alliance Asset Management. He is currently Managing Director of his own distribution company, O'Sullivan Capital Management Ltd.

Additional Information

Payment and Other Instructions

Each investor releases, discharges and agrees to indemnify the Manager from and against all actions, proceedings, accounts, claims and demands whatsoever and howsoever arising from or in connection with or in any way related to the Manager in good faith accepting and acting on instructions received in writing, by facsimile transmission or by scanned image which are signed by or purported to be signed by an authorised signatory or signatories.

Fax & Scanned Images - Terms and Conditions

You should understand that a person without your authority could send the Manager a fax or scanned image, and by pretending to be you, transfer or withdraw funds from your account for their own benefit or request any other changes to your account.

In using fax or scan facilities, you agree that the Manager is not responsible to you for any fraudulently completed communications and that the Manager will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify the Manager against any liabilities whatsoever arising from the Manager acting on any communication received by fax or scanned image in respect of your investment, to the extent permitted by law.

The Manager will not be liable for any loss or delay resulting from the non-receipt of any transmission. These terms and conditions are in addition to any other requirements that may form part of your giving instructions relating to the completion of a particular authority.

By sending the Manager a fax or scanned image you signify your acceptance of these conditions.

Changes to Terms and Conditions

The fees that apply to investors' investment accounts can change from time to time. Investment terms and conditions can also be changed by the Manager giving notice of the changes. Investors will need to contact their adviser or the Manager, or access the Manager's website to find out the terms and conditions which apply from time to time.

Appointment of Authorised Delegate

An 'authorised delegate' is any company, partnership or individual appointed by an investor to operate their account. The most common arrangement is to appoint an investor's financial adviser to enable him or her to better manage the investor's financial affairs.

An investor may appoint an authorised delegate by signing and dating the authority on the Application Form. The authorised delegate must also sign the authority. Where the authorised delegate is a corporation or a partnership, a duly authorised officer or partner of the authorised delegate must sign the authority. The Manager may require proof of authorisation.

The authorised delegate has the same powers as an investor to access investments, make further investments in the Fund on behalf of the investor or to make written requests for withdrawals from the Fund. Such withdrawal may only be paid to the account nominated on the Application Form. In the case of an authorised delegate which is a corporation or a partnership, the Manager may act on the instructions of any person it reasonably believes to be an authorised officer or partner, and any instruction given by such an officer or partner shall be deemed to have been given by the authorised delegate.

Investors may at any time, in writing, notify the Manager of the revocation of appointment of an authorised delegate. Such revocation however, will not be effective until the Manager has acknowledged the revocation in writing.

By signing the authority on the Application Form, an investor agrees to release, discharge and indemnify the Manager from and against all actions, proceedings, accounts, claims and demands arising from the release of information to the authorised delegate named on the Application Form, or in respect of any loss or liability arising out of any transaction or dealing made or purported to be made pursuant to an actual, purported or alleged direction or authority of an authorised delegate, notwithstanding the fact that the transaction or dealing was requested or received without the authorised delegate's or the investor's knowledge or authority.

Joint Investors

If an investor's investment is held jointly with one or more other persons, the Manager can send notices, statements or other documents (including any changes to investment terms and conditions) by mailing them to any one of the joint holders (that is, the first investor or any of the other joint holders) at their nominated correspondence address. The investors will be deemed to have received the notice, statement or other document on the second business day after it is sent. If the Manager gives these notices, statements or other documents to any one of the joint holders, their authorised delegate or adviser, they will be deemed to have been received by all of the joint holders.

Applications signed by several parties are deemed to be signed as joint tenants and unless otherwise agreed all parties must sign to authorise a withdrawal.

Privacy – use and disclosure of personal information

The privacy of an investor's personal information is important to the Manager. The purpose of collecting investor information on the Application Form is to process the application and manage an investor's investment in the Fund. If the information an investor gives is not complete or accurate, the Manager may not be able to provide the products and services applied for.

In processing the application and managing investors' investments in the Fund, the Manager may disclose personal information to other parties such as an investor's financial adviser and/or IT service providers of financial advisers, the financial adviser's licensee or as required by law.

Investors are entitled to request reasonable access to their personal information. The Manager reserves the right to charge an administration fee for collating the information requested.

For further details on the Manager's Privacy Policy please visit the Manager's website at www.LMaustralia.com.

The Constitution for the Fund

The constitution for the Fund is a legal contract between the Manager as responsible entity and each investor. The constitution together with the Corporations Act and other relevant law governs the relationship between the Manager and investors, the Manager's duties as a responsible entity and the way the Manager must operate the Fund. The constitution includes provisions which deal with:-

- ▶ the rights of investors;
- ▶ the duties and obligations of the Manager as the responsible entity;
- ▶ investment and borrowing powers of the Manager;
- ▶ ability of the Manager to be indemnified by the Fund for all expenses, losses and liabilities arising in its capacity as responsible entity provided it has properly performed its duties;
- ▶ ability to remove the Manager;

- ▶ unit issue and redemption procedures;
- ▶ convening and conduct of the Fund's investor meetings;
- ▶ the duration and termination of the Fund; and
- ▶ rights to Fund interest distributions.

The terms and conditions of the constitution are binding on investors and the Manager as the responsible entity of the Fund.

The statements in this PDS only provide a summary of some of the provisions of the constitution. The Manager may change the constitution in accordance with the Corporations Act 2001. However any change that may adversely affect investors' rights must be approved by special resolution of the investors.

Classes Of Units

The Fund constitution authorises the Manager to issue different classes of units with special rights or restrictions as determined by the Manager from time to time. The interest distribution rate offered or paid to the different classes may vary. The Manager is required under the Corporations Act to treat all investors within a class of units equally and as between classes fairly. The Manager has created separate classes of units in the Fund representing each different type of investment. The Manager will only issue new classes of units where it considers it appropriate having regard to the interests of existing investors and in accordance with the Manager's obligations under the Corporations Act and the constitution.

Invitation Only Wholesale Clients in the Fund

The Manager may invite wholesale clients to invest in the Fund. Such an investor must provide 1 business day's notice of redemption of the investment to the Manager but is otherwise subject to the withdrawal provisions as outlined in the paragraph headed "Withdrawal from the Fund" on page 31 of this PDS. The interest distribution rate for such investors will be determined by the Manager from time to time. The Manager may waive the whole or part of its Management Fee in respect of such investors. The Manager may also waive the whole or part of its Management Fee in relation to investments by its employees, or employees of a related body corporate of the Manager.

The above arrangements constitute differential fee arrangements under ASIC Class Order 03/217 (as amended) and are offered to wholesale clients (within the meaning of section 761G of the Corporations Act 2001) or employees of the Manager, or of a related body corporate of the Manager.

The Manager also issues units to relatives of the Manager's employees, and waives the whole or part of its Management Fee for those members. Those members hold units of different classes to the units held by other members in the Fund.

The Nature of Units of the Fund

Each unit gives the holder an undivided interest in the Fund. However, a unit does not confer any interest in any particular asset of the Fund and does not entitle the holder to have any of the assets of the Fund transferred to them or to interfere with any of the Manager's rights or powers.

Powers and Duties of the Responsible Entity

All of the assets and undertakings of the Fund vest in the Manager to hold on trust for investors. In relation to the assets of the Fund the Manager has all of the powers of a natural person who is the absolute beneficial owner of the assets.

The Manager must act in accordance with the constitution and the Corporations Act 2001 and is responsible for administering the

Fund, determining investment policy, selecting and managing the investments, valuing the investments, sending notices and reports to investors, arranging investors' meetings, accepting or rejecting applications for investment, calculating the number of units to be issued or withdrawn, maintaining a register of investments, payments of interest distributions to investors, preparation and interest distribution of cheques, managing the Fund borrowings and ensuring that the Fund is carried on and conducted in a proper and efficient manner. The Manager is entitled to various indemnities under the constitutions.

Withdrawal from the Fund

Generally the Manager is required by the constitution to satisfy withdrawal requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Manager may be entitled to suspend withdrawals in order to protect all investments. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified. The Manager may suspend withdrawals where:

- (i) the Fund's cash reserves fall and remain below 5% for 10 consecutive Business Days; or
- (ii) if in any period of 90 days, the Manager receives net withdrawal requests equal to 10% or more of the Fund's issued units and, during the period of 10 consecutive days falling within the 90 day period, the Fund's cash reserves are less than 10% of the total assets; or
- (iii) it is not satisfied that sufficient cash reserves are available to pay the withdrawal price on the appropriate date and to pay all actual and contingent liabilities of the Fund; or
- (iv) any other event or circumstance arises which the Manager considers in its absolute discretion may be detrimental to the interests of the members of the Fund.

Historically, the Fund has successfully met all withdrawal requests on time and in full. This is due to the liquidity management of the Fund and the structure of the investment terms (although past performance is not an indicator of future performance).

The Manager does not expect that the Fund will be a managed investment scheme that is not liquid as that term is defined in the Corporations Act.

Part 5C.6 of the Corporations Act provides that a managed investment scheme is liquid if liquid assets account for at least 80% of the value of scheme property. Liquid assets would ordinarily include money in an account or on deposit with a bank, bank accepted bills, marketable securities, or any other property (including the mortgage loans of the Fund) which the Manager reasonably expects can be realised for its market value within the period specified in the Fund's constitution for satisfying withdrawal requests while the Fund is liquid. The liquidity of the Fund is therefore dependant on whether 80% of the Fund property (including the mortgage loans) can be realised for its market value within the period specified in the constitution for satisfying withdrawal requests while the Fund is liquid. In the unlikely event that the Fund is not liquid, an investor will only be able to withdraw their investment in the manner specified in s601KB to s601KE of the Corporations Act, which would include making written withdrawal offers to all investors (or all investors of a particular class) based on the units they hold in the Fund.

Authorised Investments of the Fund

The Manager may invest in "Authorised Investments" as defined in the constitution, which includes but is not limited to bank deposits,

investments in cash, stocks, bonds, notes or other securities or derivatives and options over securities or derivatives, loans and interests in any registered managed investment scheme (as defined in the Corporations Act 2001).

To the extent that they may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the Fund. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

Appointment and Removal of the Manager

The Manager may retire in accordance with the Corporations Act 2001. Investors of the Fund by extraordinary resolution may remove the Manager and appoint a new responsible entity of the Fund.

Borrowings of the Fund

Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager.

The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA") for \$215 million. This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity, interest distributions or funding loan commitments. At the date of this PDS the amount owing to the CBA was \$155 million. As at the date of this PDS the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers. This facility or a similar facility may be varied from time to time in order to manage the Fund.

The Manager's Indemnity

To the extent allowed by law, the Manager is indemnified out of the Fund against any claim, action, damage, loss, liability, costs, expense or payment which the Manager incurs or is liable for in relation to the Fund, provided that it does not arise from the fraud, negligence or wilful default of the Manager or its employees.

Expenses

All expenses reasonably and properly incurred by the Manager in connection with managing the Fund are payable or able to be reimbursed out of the assets of the Fund. These expenses include:

- ▶ preparation, review, distribution and promotion of any offer document;
- ▶ the sale, purchase, insurance, custody and any other dealing with assets;
- ▶ any proposed investment;
- ▶ administration, management and promotion of the Fund;
- ▶ communicating with, or convening and holding meetings of and dealings with investors;
- ▶ tax (provided it is not on the personal account of the Manager) and bank fees;
- ▶ the engagement of experts and advisers;

- ▶ preparation and audit of the taxation returns and financial statements of the Fund;
- ▶ termination of the Fund and the retirement or removal of the Manager and the appointment of a new responsible entity; and
- ▶ any court proceedings, arbitration or other dispute concerning the operation of the Fund or any asset of the Fund.

Fees payable to an adviser of an investor will also be expenses of the Fund.

Liability of Investors

The constitution limits the liability of investors to the amount of their investment. However, the Manager cannot give an absolute assurance on this matter as the issue of the investor's liability has not been fully resolved by the courts.

Compliance Plan

As a responsible entity, the Manager is required to adhere to the compliance plan for the operation of the Fund. The compliance plan sets out compliance measures in relation to the conduct of the Fund and its business. The compliance plan is designed to document compliance risks, the monitoring process, and provide a basis for compliance adherence and auditing. The compliance plan is lodged with ASIC and is independently audited annually.

The Manager's Board and Compliance Committee monitor and review its compliance plans to ensure that all compliance systems are followed.

Investment Procedures and Policies

Investment procedures and policies of the Manager are reviewed on an ongoing basis. Outlined below is a broad overview of the investment and lending procedures that apply to the Fund.

Investments by the Manager

The Manager has policies in relation to investing the Fund's assets with specialised fund managers of registered managed investment schemes (as defined by the Corporations Act 2001). A specialist fund manager is only chosen if the Manager is fully satisfied with its due diligence conducted on the specialist fund manager which includes the investment style, expertise of their investment team and a range of other factors. The Manager constantly monitors and reviews each specialist fund manager's performance ensuring that they operate within mandated expectations and guidelines.

At the date of this PDS, the Manager has a policy of limiting investment with specialist fund managers that invest in income bearing cash investments, equity securities and options to 10% of the assets of the Fund.

Lending Criteria of the Fund

- ▶ The Manager has determined and documented lending policies for the approval and management of mortgages. Risk management is a priority, with mortgages diversified over a number of levels including geographic location, sector, loan size, interest rate and maturity profile.
- ▶ The type of real estate offered for security must be acceptable to the Manager. Typical mortgage securities will include commercial, industrial and residential real estate (including development loans across these sectors) secured by a registered first mortgage. A first mortgage must be registered on the primary security property.

- ▶ The value of the security property must be established in accordance with the valuations policy of the Manager.
- ▶ The ability of the borrower to service the facility must be established to the satisfaction of the Manager.

Development Loans

The following additional requirements are imposed in the case of development loans:

- ▶ The initial drawdown for the facility is arrived at after considering both the approved loan to valuation ratio on the "as is" valuation and the "cost to complete" formula. The initial drawdown must meet the loan to valuation ratio required and also allow sufficient funds to be available in the facility to complete the development. The project feasibility must reflect the "cost to complete" formula throughout the life of the project. The concept of a "cost to complete" formula is that the lender always retains sufficient funds within the loan facility to complete the development based on its assessment of the actual cost to complete the project.
- ▶ Additional development loan procedures are required throughout the development stages of the loan to ensure the development is adequately monitored.
- ▶ Where applicable a tripartite agreement is made between the Manager, the borrower and the builder. This enables the Manager, in the event of default by the borrower, to deal directly with the builder.

Credit Committee

The Credit Committee is an internal review committee for all mortgage investments and is independent from all other departments. The Credit Committee meets as required to consider proposed and actual investment opportunities. The Credit Committee contains a broad experience base and includes departmental team leaders for planning purposes.

New mortgage investment proposals are put forward by the commercial lending department for consideration with a written summary. The Credit Committee is responsible for setting the primary terms and conditions upon which subsequent approval will be based.

When mortgage investment proposals are completed in accordance with the Manager's credit standards they are required to be finally approved by the Credit Committee.

Valuations Policy

All real property assets of the Fund are required to be valued prior to settlement of each transaction. Valuations may only be carried out by the Manager's panel valuers or by a valuer meeting the Manager's standards for inclusion on its panel and must adhere to the Manager's valuation guidelines. The Manager has determined and documented valuation review procedures for guidance on each valuation.

Appropriate instructions must be given to the valuer having regard to the type of valuation required. In particular the instructions should indicate the type of valuation required eg. "as is" or "on completion".

The Manager, in accordance with its valuations review guidelines is responsible for the review of all valuations. Unresolved issues arising from a review must be referred to an executive director for discussion and determination.

As an internal checking mechanism, an independent property

report is obtained (where appropriate) from two real estate agents or an alternate valuers report whose normal trade area encompasses the property being valued.

The valuer must have appropriate professional indemnity insurance.

The valuer must certify they are independent of both the borrower and the security property.

The Manager does not accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager's instructions, or that valuers confirm that their valuations adhere to the Manager's requirements.

An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for commercial loans at 24 month intervals and construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (eg where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low).

Valuation Panel

Members of the valuation panel are appointed and removed in accordance with the Manager's valuation panel appointment guidelines. The Manager is responsible for approving the appointment or removal of a panel valuer.

Development Valuations

Separate valuations (may be within the one valuation report) are required in relation to "as is" and "on completion" valuations.

"As is" Valuation

The "as is" valuation is the market valuation of the property at the time of the initial drawdown. The loan to valuation ratio in this case must fall within the Manager's lending criteria.

"On Completion" Valuation

The "on completion" value is the market value of the property at the completion of development. The valuation methodology required is as follows:

- ▶ "feasibility analysis" including demolition, subdivisional, construction, and other development costs, allowances for sales and marketing expenses, interest and an allowance for profit and risk to arrive at a base value for the land. Any such analysis is based on the premise that the development approval has or will be obtained prior to settlement of the loan. Alternatively, the valuation must contain an adjustment for any uncertainty attaching to the development approval process. The requirement for a feasibility analysis may be satisfied, if appropriate, using alternate techniques such as discounted cash flows; and
- ▶ "gross realisation" based on comparable sales evidence for the individual components eg. houses, units, allotments etc.

The Manager will reasonably assess the appropriateness of the feasibility analysis within the valuer's report by comparison with cost estimates provided by a competent quantity surveyor selected from the Manager's panel.

The "on completion" value is the valuation figure used in the cost to complete calculations during the development phase. The "on completion" value may be revised during the term of development to reflect changes as approved by the Manager.

Complaints Procedure

If an investor has a complaint they should generally first contact their adviser. If the adviser is unavailable, unwilling, or unable to assist, or if the investor wishes to directly contact the Manager, and the complaint relates to the Fund or the Manager, then the investor should contact the Client Relations Department at the office of the Manager on free call 1800 062 919 (Australia only) or +617 5584 4500. Complaints may be made in writing or by telephone. The Manager will respond within 30 days of receiving the complaint. If complaints cannot be resolved internally the Manager will refer the complainant to the Financial Industry Complaints Service ("FICS"), an external industry complaints body which has been approved by ASIC and of which the Manager is a member.

Financial Industry Complaints Service Limited
PO Box 576
Collins Street
MELBOURNE VIC 8007
Telephone: 1800 335 405
Facsimile: (03) 9621 2291
email: fics@fics.asn.au

Interests of the Manager

Pursuant to the compliance plan, the Manager and the employees and officers of the Manager and the various investment schemes of the Manager, are entitled to apply for units in the Fund. The Manager will be a wholesale investor and may be offered a differential fee arrangement in these circumstances.

Related Parties

Peter Drake, a director of the Manager is the beneficial owner of LM Administration Pty Ltd, which has been engaged by LM Investment Management Ltd to provide administration services at a commercial arms-length fee. In addition to this LM Administration Pty Ltd provides administration and funds management services to the Fund and is paid a management fee direct from the Fund.

John O'Sullivan, a non-executive director of the Manager is the beneficial owner of O'Sullivan Capital Management Ltd. O'Sullivan Capital Management Ltd has been engaged by LM Investment Management Ltd to provide marketing services in New Zealand at a commercial arms-length fee. This fee is paid by the Fund.

The Fund may lend to related parties provided the loans are on commercial arms-length terms and are subject to review by the Board.

The Board of the Manager is responsible for reviewing and approving the structure and probity of commercial dealings between the Manager and any related parties. Fees issued to the account of the Fund by related parties, which are recoverable from the Fund must be on commercial arms-length terms and are subject to review by the Board.

Related Party Loans of the LM First Mortgage Income Fund

Name	Loan balance as at 29 February 2008	Interest rate	Percentage of total loan portfolio
Australian International Investment Services Pty Ltd*	\$7,779,519	10.5%	1%

* Australian International Investment Services Pty Ltd is 100% owned by the LM Managed Performance Fund (a related investment fund), which has entered into a joint venture with a property developer to develop land in Canberra.

The Fund is lending money on commercial terms and conditions to Australian International Investment Services Pty Ltd.

The Manager received establishment fees of 1% of the total loan amount (\$7,779,519) for this loan.

Related Party Finance

The Manager is the Responsible Entity of the LM Managed Performance Fund. From time to time the LM Managed Performance Fund advances loans by way of second mortgages to borrowers who have first mortgage advances from the Fund. At 29 February 2008 there are 8 such loans by the LM Managed Performance Fund in the total amount of \$27,387,416. In these instances the Fund enters into Priority Deeds with the borrower as part of normal loan documentation procedures. The LM Managed Performance Fund generates fees, charges and interest rates all of which are paid by the borrower.

Conflicts of Interest Management

The Manager has a documented Conflicts Management Policy which deals with the identification, assessment and treatment of conflicts of interest and related party transactions. The Risk Manager has responsibility for conflicts and prepares conflict records for each conflict or related party transaction identified. Board approval is required for all related party transactions.

Manager's Liability

To the extent allowed by law the Manager is not liable for any loss or damage to any person (including any investor) arising out of any matter provided the Manager acts in good faith and in accordance with the constitution.

This PDS has been prepared by the Manager based on information within its own knowledge or provided to it by its advisers. Other than as required by law, no responsibility is taken by the Manager or any parties mentioned in this PDS for any statement made in relation to the Fund other than those statements made in this PDS. Neither the Manager, nor any other party gives any guarantee with respect to the performance of the Fund. The Manager has authorised the issue of this PDS. The Manager does not purport to advise investors in relation to this investment or their taxation position.

Custodian's Disclosures and Disclaimer

Interests of the Custodian

The custodian has no interest in relation to the Fund, and has not received any inducements other than the remuneration it is entitled to receive under the relevant custody agreement or constitution by way of custodian fees.

The custodian fees for the LM First Mortgage Income Fund are currently the greater of 0.02% pa of the assets of the LM First Mortgage Income Fund or \$20,000 pa.

It is the intention of the Manager to take over the role of custodian of the Fund during the life of this PDS. All legislative requirements will be adhered to by the Manager at that time.

Custodian Disclaimer

The role of the custodian is to hold the assets of the Fund and title documents as agent for the Manager. It is not the role of the custodian to protect the rights and interests of the Fund's investors.

The custodian does not guarantee the return of any investment, any tax deduction availability or the performance of the Fund.

Consent by Auditors

Ernst & Young, financial and compliance auditors, have consented to be named in this PDS in the form and context in which they appear. Ernst & Young is not responsible for, nor has it caused or authorised the issue of this PDS.

Continuous Disclosure

The Fund is a disclosing entity for Corporations Act purposes and as such is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

Investors have a right to obtain a copy of the following documents:

- ▶ the annual financial report for the Fund;
- ▶ any half-year financial report lodged with ASIC; and
- ▶ any continuous disclosure notices given by the Fund.

Effect of International Accounting Standards

Under AASB 132 "Financial Instruments: Disclosures and Presentations", contractual obligations are regarded as liabilities. As unitholders have the ability to redeem units from the Fund, all unitholders' funds are recognised as liabilities of the Fund, rather than equity. The result of this is to reduce the net assets of the Fund to zero. As interest distributions paid and payable make up a proportion of unitholders' funds, they will be classified as interest expenses in the Statement of Financial Performance.

AASB139 requires assets to be classified into one of four categories depending on the type of asset.

Investments are classified as either held to maturity investments or available for sale financial assets depending on the type of investment. Those investments that are held to maturity are measured at amortised cost using the effective interest rate method. The investments that are classified as available for sale are measured at a fair value basis each reporting period, with any movement in fair value being reflected through the equity reserve.

Under the Australian Equivalent of the International Financial Reporting Standards (AIFSR) the Fund is required to recognise all the derivative financial instruments at fair value on the balance sheet. Where possible, the Fund will adopt hedge accounting so that the gains and losses on the financial instrument are recognised in line with income recognition for the hedged term and the volatility in the profit and loss is minimised.

Where hedging accounting cannot be adopted the gains and losses on the financial instrument are recognised at fair value with changes in fair value recorded through the profit and loss.

Where fair value hedge accounting is used, fair value changes on

both the hedged item and the hedging instrument are recognised directly in the profit and loss. Where cash flow hedge accounting is used the carrying value of the hedged item is not adjusted and the fair value changes on the related hedging instrument are reflected in a separate equity reserve and are then transferred to the profit and loss at the time the hedged item is realised.

The Fund uses cash flow hedge accounting. As such there is a potential for volatility in the equity reserve.

Electronic PDS

This PDS is available in electronic form at www.LMaustralia.com. Any person receiving this PDS electronically will on request be sent a paper copy of the PDS (and attached Application Form) by the Manager free of charge during the period of the offer. Applications must be made by completing a paper copy of the Application Form which forms part of this PDS.

The Manager will not accept a completed Application Form if it has reason to believe that the applicant has not received a complete paper copy or electronic copy of the PDS or if it has reason to believe that the Application Form or electronic copy of the PDS has been altered or tampered with in any way. While the Manager believes that it is extremely unlikely that during the period of the offer the electronic version of the PDS will be tampered with or altered in any way, the Manager cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the PDS should immediately request a paper copy of the PDS direct from the Manager or their adviser.

Anti-Money Laundering Procedures

The Australian Government has introduced anti-money laundering legislation to help combat money-laundering and the financing of terrorism. Under this legislation the Manager is required to collect more information from investors.

The Manager as Responsible Entity of the Fund needs to identify the underlying owner of each investment who has not previously been identified. For example, a private company will need to provide supporting documentation to identify the company as well as the usual account opening information. The Manager is also required to identify certain other parties to the investment such as a trustee or power of attorney.

If you hold an investment with the LM First Mortgage Income Fund which commenced prior to 31 January 2008 and are making an additional investment, then you may be required to provide us with verification documents. The Manager will contact you if required.

For wholesale investors e.g. master trusts or wrap services, please contact the Manager for the latest service agreement which includes Anti-Money Laundering details if not already completed.

What Documentation Needs to be Submitted with an Application for an Australian or New Zealand Investor

Investors' financial advisers will be able to assist investors in providing the necessary verification documents. Below is an outline of the verification documents that may be required for an Australian or New Zealand investor only.

TYPE OF INVESTOR	INVESTMENT ACCOUNT MUST BE IN THE NAME OF	SIGNATURE(S) REQUIRED	VERIFICATION DOCUMENTS REQUIRED (IN SUPPORT OF THE APPLICATION FORM)
Individual Account and Sole Traders	The individual e.g. John Citizen	The individual's	Certified copy of any of the following that verify your name, date of birth and/or current address:- Option 1: Current Passport or Drivers Licence. Option 2: Either Birth Certificate, Citizenship Certificate or Pension Card And Notice issued by a government body within preceding 12 months or utility provider issued within the preceding 3 months.
Joint Account	Both or all joint applicants e.g. John Citizen and Jane Citizen	All joint applicants'	
Superannuation Fund	The trustee(s) of the fund and name of the Super Fund e.g. ABC Trustees atf John Citizen Super Fund	All trustees' or that number of trustees as required by the Trust Deed	Certified copy of the first page, schedule (and any relevant pages including the page that list details in relation to who can sign on behalf of the Trust) of the Trust Deed confirming name and trustee(s) signatures. For one individual trustee, please also provide the same type of information requested for an Individual Account . Or For one corporate trustee please also provide the same type of information requested for a Company . Regulated Australian Superannuation Funds only require a current search of ASIC, ATO or regulator's website confirming the fund name and that the fund is regulated.
Trust	The trustee(s) of the trust and name of the trust e.g. ABC Trustees atf John Citizen Trust		
Company	The name of the company e.g. ABC Pty Ltd	Two directors; or a director and a company secretary or if there is only one director, by that director	► Certified copy of the Certificate of Registration. Or ► ASIC (or equivalent regulatory body) search within the last 30 days confirming name, registration and identification number.
Partnership	All partners e.g. John Citizen and Jane Citizen	Two partners	► Certified copy or certified extract of a partnership agreement. Or ► Certified copy or certified extract of minutes of a meeting confirming partnership. And ► Confirmation of current membership if regulated by professional association by current membership certificate or confirmation from relevant association. For one individual partner, please also provide the same type of information requested for an Individual Account .

Alternate Verification Documentation

For details of other verification documentation which is acceptable to the Manager other than outlined above or other entity types, please refer to the Anti-Money Laundering Form available from the Manager's website at www.LMaustralia.com or by telephoning the Manager on +617 5584 4500.

What Documentation Needs to be Submitted with an Application for an Investor other than an Australian or New Zealand Investor

Your financial adviser will be able to assist you in providing the necessary verification documents. In addition to completing the Application Form in the PDS investors will need to complete an Anti-Money Laundering Form applicable to the investor's classification (i.e. individual, company, trust, county the investor resides etc). These forms are located on the Manager's website at www.LMaustralia.com

Suitable Certifiers for Copies of Documents

Where an investor's identification documents need to be certified, the Manager suggests that the person certifying the document(s) for the investor use the following statement on the copy being certified:-

"I certify this to be a true and correct copy of the [Name of Document] the original of which, was produced to me at the time of signing and it is a true likeness of the identified (where there is a photo id)".

The document must also be dated and have the signature, printed name, occupation, employer and address of the person certifying the document.

Some of the persons who may certify copies of the original documents are:-

- ▶ a finance company officer with 2 or more continuous years of service with one or more finance companies (may include such professionals as financial adviser);
- ▶ an officer with 2 or more continuous years of service with one or more financial institutions;
- ▶ an officer with, or authorised representative of, a holder of an Australian financial services licence, having 2 or more continuous years of service with one or more licensees;
- ▶ a member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with 2 or more years of continuous membership;
- ▶ a Justice of the Peace;
- ▶ a notary public (for the purposes of the Statutory Declaration Regulations 1993);
- ▶ a police officer;
- ▶ a legal practitioner who is on the roll of a Supreme Court of a State or Territory, or the High Court of Australia;
- ▶ a judge of a court;
- ▶ a magistrate;
- ▶ a chief executive officer of a Commonwealth court;
- ▶ a registrar or deputy registrar of a court;
- ▶ an agent of the Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- ▶ a permanent employee of the Australian Postal Corporation with 2 or more years of continuous service;
- ▶ an Australian consular officer or an Australian diplomatic officer.

Queries

Should you require information in relation to what documents need to be submitted with an application or if you are unsure which classification your application falls under please contact your financial adviser or the Manager on +617 5584 4500 prior to submitting an application.

Incomplete Applications

An application cannot be processed by the Manager unless the appropriate verification documentation and information is supplied with the application or if the Manager is not satisfied with the legitimacy of the verification documentation or information supplied. The Manager takes no responsibility for any delay in processing an incomplete application. The Manager will contact advisers as soon as practicable and ask them to supply any necessary additional information for the investor in order for the application to be processed.

The Manager reserves the right to refuse or cancel applications at any time if it believes that the application breaches any anti-money laundering/counter-terrorism financing law or the money laundering or terrorism financing risk is unacceptable to the Manager. The Manager may also request any further information at any time throughout the investment from an investor that it considers necessary for it to satisfy any applicable anti-money laundering/counter-terrorism financing laws. If the Manager has requested an investor to provide further information, the processing of their application may be delayed until the information is received.

The directors of LM Investment Management Ltd have authorised and consented to the issue of this PDS.

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Application Form Checklist

To ensure the Manager is able to process an investor's application quickly and efficiently please check the Application Form is completed as set out below and that all additional information in relation to Anti-Money Laundering requirements is provided.

Section 1 – Nominate the type of investment and type of investor/s to open a new account.

Section 2 – Individual and Joint Investor/s Details - Provide the investor/s' full name/s. Joint investors must each provide their full names and sign the Application Form. All correspondence about the investment (including interest distributions and withdrawals) may be sent to the first person named on the Application Form. Joint investors are treated as joint tenants. This means that if one of two joint investors dies, only the other joint investor will be recognised as having any claim to the investment.

Section 3 – Sole Trader Investor Details

Section 4 – Company Investor Details

Section 5 – Superannuation Fund/Trust Investor Details – only the trustee has rights and obligations under the Fund's constitution.

Section 6 – Partnership or Association Investor Details

Section 7 – Politically Exposed Persons

Section 8 – Provide contact details for the investor/s.

Section 9 – Provide the investor/s' residential street address or if applicable business street address.

Section 10 – Provide Tax File Number or Exemptions (refer below).

Your alternatives to quoting a Tax File Number

If the investor's Tax File Number or the Tax File Number Exemption details are not supplied, the Manager is required to withhold tax from your income distribution at the highest marginal tax rate (plus Medicare Levy).

Exemptions:-

- Pensioner - Write the name of your pension on the Exemption Line (eg Age Pension)
- Non-Resident - Write your country of residence on the line below the Tax File Number
- Non-Profit Organisation - If you are not required to lodge a tax return write "NL"

Section 11 – Nominate the investment option, amount to be invested and complete whether monthly returns are to be reinvested or not.

Section 12 – Select instructions for investment at maturity/rollover (for currency hedged investment terms only).

Section 13 – Nominate how the investment amount is to be paid.

- ▶ **Cheque** – If investing via cheque please cross your cheque "Not Negotiable" and make payable to "**PTAL acf LM First Mortgage Income Fund**".
- ▶ **Direct Debit** – For Australian dollar investors with Australian bank accounts or New Zealand dollar investors with New Zealand bank accounts only. If you are investing by direct debit please complete the relevant Direct Debit Form attached to the Application Form and complete the financial institution details in Section 15.
- ▶ **BPay** – Remit Australian dollar funds directly by BPay. In this instance you must fax the completed Application Form and a copy of your BPay receipt to the Manager (facsimile number +617 5592 4116) then telephone the Manager on +617 5584 4500 to receive your account number. Once you have your account number you can proceed to BPay your investment money by using the Biller Code No outlined in the "How to Invest" Section on Page 14 of this PDS and your account number as the reference number.
- ▶ **Electronic Direct Credit or Telegraphic Transfer** – Details of the financial institution account to be credited are contained in the "How to Invest" Section of this PDS on Pages 14 and 15. Once you have forwarded the electronic direct credit or telegraphic transfer you must fax the completed Application Form and copy of electronic direct credit receipt or telegraphic transfer (and forward the original by mail) to the Manager on facsimile number +617 5592 4116.
- ▶ **Credit Card** – Please complete the Credit Card Payment Form attached to this PDS and send the completed payment form with this Application Form to the Manager.

Application Form Checklist (continued)

Section 14 – Provide details of where the funds for this investment came from.

Section 15 – Complete details of the investor/s financial institution account to which interest distributions and withdrawals will be paid. If you are investing by direct debit investment, funds will be deducted from this account unless otherwise specified.

Section 16 – Please read this section for details on how the Manager can use the investor/s' personal information provided on the Application Form.

Section 17 – Authorised Delegate or Power of Attorney - If the Application Form is being signed under a Power of Attorney the Attorney must provide personal details in this section. If you wish to authorise another person to access and operate your investment (please read the section headed "Authorised Delegate" in the Additional Information Section of this PDS on Page 30), then:-

- ▶ complete the name of the authorised delegate;
- ▶ have the authorised delegate sign where indicated; and
- ▶ investor/s must also sign this section.

The appointment is limited to this Fund and the authorised delegate can only direct withdrawals to the nominated account or other existing investment accounts of the investor held by the Manager.

Section 18 – Please read this section and execute the Application Form in acknowledgement. Ensure that **if you are investing under a Joint Account** all applicants have signed and dated the form. **If the investor is a company** please ensure that the Application Form is executed by either 2 directors, 1 director and company secretary, or the sole director who is also the sole secretary. **If the investor is a trust** please ensure the Application Form is executed by all trustees or the sole trustee if there is only one trustee. **If signing under a Power of Attorney**, please attach a certified copy of the Power of Attorney document together with a declaration by the attorney/s that the Power of Attorney has not been revoked and a certified copy of the Attorney/s' passport or driver's licence and forward with this Application Form to the Manager.

Section 19 – Complete details of any special instructions including any amount of commission payable to the adviser in relation to this investment.

Section 20 – Complete details of the investor's financial adviser (if any).

Once you have completed and executed the Application Form

Please send the form and your prescribed method of payment to either:-

Your financial adviser

or

The Manager:
LM Investment Management Ltd
PO Box 485
Surfers Paradise Qld 4217

Application Form

LM First Mortgage Income Fund

ARSN 089 343 288 AFSL No. 220281

Units in the Fund will only be issued on receipt of this Application Form, issued together with the PDS for the Fund dated **10 April 2008**.

Please phone the Manager's Treasury Services Department on +617 5584 4500 or free call 1800 062 919(Australia only) or your adviser with any enquiries.

Office use only

Please complete this form using **BLACK INK** and print well within the boxes in **CAPITAL LETTERS**. Mark appropriate answer boxes with a cross like the following . Start at the left of each answer space and leave a gap between words.

1. INVESTMENT DETAILS

Type of investment

AUD Investment Non -AUD Investment

EXISTING INVESTOR - New Investment

Existing Investor ID

If any of your details have changed please complete them below, otherwise go to **Section 11**.

Investor Type

Individual / Joint Investors - complete details in section 2 and then go to Section 7 and complete all sections

Sole Trader Investors - complete details in section 3 and then go to Section 7 and complete all sections

Company Investors - complete details in section 4 and then go to Section 7 and complete all sections

Superannuation Fund/ Trust Investors - complete details in section 5 and then go to Section 7 and complete all sections

Partnership Investors - complete details in section 6 and then go to Section 7 and complete all sections

Please ensure appropriate investor identity verification documents are attached to this Application Form – refer to the Anti-Money Laundering procedures on pages 36 - 37 of this PDS.

If you are an investor from a country other than Australia or New Zealand please ensure the appropriate Anti-Money Laundering Form which is available from the Manager's website at www.LMaustralia.com is completed with this Application Form.

2. INDIVIDUAL/JOINT INVESTOR DETAILS

Investor 1 Title Mr Mrs Miss Other

First Name(s)

Last Name

Date of Birth

/ /

Gender

Male Female

Current Occupation

Investor 2 Title Mr Mrs Miss Other

First Name(s)

Last Name

Date of Birth

/ /

Gender

Male Female

Current Occupation

3. SOLE TRADER INVESTOR DETAILS

Full Business Name

Grid for Full Business Name (2 rows, 20 columns each)

Australian Business Number or equivalent regulatory number (if applicable)

Grid for Australian Business Number (2 rows, 10 columns each)

4. COMPANY INVESTOR DETAILS

Full Organisation Name

Grid for Full Organisation Name (1 row, 20 columns)

Country in which the organisation was established

Grid for Country (1 row, 20 columns)

If Entity is a Company-

Public Private Listed or Unlisted

Business/Type/Activity of Company

Grid for Business/Type/Activity of Company (1 row, 15 columns)

If Regulated Company – provide the name of the Regulator and License number

Grid for Regulator and License number (1 row, 20 columns)

Australian Business Number or equivalent regulatory number (if applicable)

Grid for Australian Business Number (2 rows, 10 columns each)

If listed company provide the name of the market/exchange

Grid for Market/Exchange (1 row, 20 columns)

If majority-owned subsidiary of an Australian listed company – provide name of Australian listed company and name of market/exchange

Grid for Australian listed company and market/exchange (1 row, 20 columns)

If unregulated (not regulated by an Australian Commonwealth, State or Territory regulator) Proprietary Company provide Names and Residential or Principal addresses of Company Shareholders with over 25% ownership. If more than 2 Shareholders, attach list to this to Application Form.

Shareholder 1

First Name(s)

Grid for Shareholder 1 First Name(s) (1 row, 20 columns)

Last Name

Grid for Shareholder 1 Last Name (1 row, 20 columns)

Residential or Principal Street address

Grid for Shareholder 1 Street address (1 row, 20 columns)

Suburb

Grid for Shareholder 1 Suburb (1 row, 20 columns)

State

Grid for Shareholder 1 State (1 row, 20 columns)

Country

Grid for Shareholder 1 Country (1 row, 20 columns)

Shareholder 2

First Name(s)

Grid for Shareholder 2 First Name(s) (1 row, 20 columns)

Last Name

Grid for Shareholder 2 Last Name (1 row, 20 columns)

Residential or Principal Street address

Grid for Shareholder 2 Street address (1 row, 20 columns)

Suburb

Grid for Shareholder 2 Suburb (1 row, 20 columns)

State

Grid for Shareholder 2 State (1 row, 20 columns)

Country

Grid for Shareholder 2 Country (1 row, 20 columns)

If Proprietary Company provide Names of All Company Directors. If more than 2 Company Directors attach a list to this Application Form.

Company Director 1

First Name(s)

Last Name

Company Director 2

First Name(s)

Last Name

5. SUPERANNUATION FUND / TRUST INVESTOR DETAILS

Full Organisation Name of Trust/Superannuation Fund

Country in which the organisation was established

Type/Activity of Trust

Names and Residential or Principal addresses of All Trustee/s If more than 2 trustees, attach a list to this Application Form.

Trustee 1

First Name(s)

Last Name

Date of Birth

/ /

Gender

Male Female

Residential or Principal Street Address

Suburb

State

Country

Trustee 2

First Name(s)

Last Name

Date of Birth

/ /

Gender

Male Female

Residential or Principal Street Address

Suburb

State

Country

If the Trustee is a Company please complete the Company details in Section 4 of this Application Form.

Names of All Beneficiaries or class of beneficiaries of a Superannuation Fund /Trust (except for regulated Australian Superannuation Funds). If more than 2 Beneficiaries of a Superannuation Fund/Trust, attach a list to this Application Form.

Beneficiary 1

First Name(s)

Last Name

Beneficiary 2

First Name(s)

Last Name

Class of Beneficiaries (if applicable)

6. PARTNERSHIP / OR ASSOCIATION INVESTOR CONTACT DETAILS

Full Organisation Name of Partnership/Association

Country in which the organisation was established

Business/Type/Activity of Partnership /Association

If Regulated Partnership – provide name and membership details of professional association

Australian Business Number or equivalent regulatory number (if applicable)

Names and Residential or Principal addresses of All Partners / Association's 2 public officers. If more than 2 partners or public officers, attach a list to this Application Form.

Partner 1

First Name(s)

Last Name

Date of Birth

 / /

Gender

Male Female

Residential or Principal Street Address

Suburb

State

Country

Partner 2

First Name(s)

Last Name

Date of Birth

 / /

Gender

Male Female

Residential or Principal Street Address

Suburb

State

Country

7. POLITICALLY EXPOSED PERSONS

Are you or anyone named on this form or any of your or their close personal or business relationships, associates or family members politically exposed persons e.g. Heads of State, senior politicians, judicial or military officers, senior executives of state owned corporations?

Yes No

If yes please provide details _____

8. INVESTOR CONTACT DETAILS

Contact Name

Postal Address

Email

Phone (Business/Home)

Phone (Mobile)

Please indicate your preferred method of receiving correspondence

Email Post OR All correspondence to Adviser only

Financial statements are available on the Manager's website.

Do you wish to receive financial statements of the Fund Yes No

If Yes – do you wish to receive the financial statement by email Yes No

9. RESIDENTIAL / PRINCIPAL BUSINESS STREET ADDRESS OF INVESTOR/S

Individual investors must provide their residential street address and if sole trader their principal business address (if different). Company, partnership, superannuation fund, association or trust investors must provide their principal business street address and registered office address (if different). Post office boxes are not acceptable.

INVESTOR 1 / COMPANY/ TRUST / SUPERANNUATION FUND / PARTNERSHIP / ASSOCIATION / SOLE TRADER

Residential / Principal Business Street

Suburb

State

Country

INVESTOR 2 / INCORPORATED REGISTERED ADDRESS (if applicable)

Residential / Principal Business Street

Suburb

State

Country

10. INVESTOR TAX FILE NUMBER OR EXEMPTION DETAILS

INVESTOR 1 / COMPANY PARTNERSHIP / SUPERANNUATION FUND / TRUST

Tax File Number

OR Exemption

If a foreign resident for tax purposes, specify country of residence

INVESTOR 2

Tax File Number

OR Exemption

If a foreign resident for tax purposes, specify country of residence

11. INVESTMENT DETAILS

LM FIRST MORTGAGE INCOME FUND AUSTRALIAN DOLLAR INVESTMENT OPTIONS

Cheques MUST be made payable to "PTAL acf LM First Mortgage Income Fund" (Select method of payment in the "Payment Details" – See Section 13 below)

FLEXI ACCOUNT OPTION

<input type="checkbox"/>	Flexi Account Option	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
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FIXED TERM INVESTMENT OPTIONS

Investment Amount

<input type="checkbox"/>	1 Month Term	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	3 Month Term	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	6 Month Term	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	12 Month Term	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	13 Month Term	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	2 Year Term	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	3 Year Term	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	4 Year Term	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>

INTEREST DISTRIBUTION

► Reinvest Yes No If No please select one of the options below

- Credit my/our bank account monthly or quarterly (complete Section 15) Monthly Quarterly
- Pay to my/our LM Cash Performance Fund Account Yes No
- Pay the Split Interest Distribution set out below Yes No

SPLIT DISTRIBUTION OPTION

<input type="checkbox"/>	Amount to be paid from interest distribution monthly or quarterly	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
--------------------------	---	-------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	----------------------	---	----------------------	----------------------

Note the balance interest distribution on this investment will be reinvested to your investment account. If the interest distribution amount is less than the amount nominated, the Manager will only pay the interest distribution amount. Monthly Quarterly

REGULAR ADDITIONAL INVESTMENT OPTION (Minimum AUD\$1,000)

– Please complete the Direct Debit Request Form attached to this Application Form

<input type="checkbox"/>	Regular additional investment amount	AUD\$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>
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Please nominate how often the additional investment is to be made e.g. monthly

LM SAVINGS PLAN OPTION

Please complete the Direct Debit Request Form attached to this Application Form

	Initial Investment Amount (Minimum initial investment AUD\$100)	Ongoing Investment Amount (Minimum AUD\$100 / month)
<input type="checkbox"/>	LM Savings Plan AUD\$ <input type="text"/>	AUD\$ <input type="text"/>

Please nominate how often the additional investment is to be made e.g. monthly

NB: If you nominate to have the Regular Additional Investment or Ongoing Investment to be added on a monthly basis the monthly amount is automatically debited on the 24th of each month or next business day if 24th falls on a weekend or public holiday. If other date for direct debit is required please nominate the date on which the ongoing amount is to be direct debited on: _____ of each month. If you nominate to have the Regular Additional Investment or Ongoing Investment to be added on a weekly or fortnightly basis the Regular Additional Investment or Ongoing Investment will be automatically debited weekly or fortnightly from the receipt and processing of your application for investment.

11. INVESTMENT DETAILS (continued)

LM FIRST MORTGAGE INCOME FUND CURRENCY HEDGED INVESTMENT OPTIONS

The investor may use this Application Form to select either one or a diversified range of currency investments. (Investment may be arranged for most currencies. For clarification on hedging a specific currency, contact the Manager.)

Payment MUST be made to "PTAL acf LM First Mortgage Income Fund"

FIXED TERM INVESTMENT OPTIONS

Specify Term – 1, 3, 6 or 12 Month Term

<input type="checkbox"/>	USD	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	GBP	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	EUR	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	JPY	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	CAD	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	HKD	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	SGD	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	NZD	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	Other Specify:	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Interest distribution (Income Only) on Maturity of Investment Term (please tick appropriate box)

Credit to my Fund Account Yes No If No the interest distribution will be credited to the bank account nominated in Section 15

12. MATURITY/ROLLOVER INSTRUCTIONS FOR CURRENCY HEDGED INVESTMENT TERMS ONLY

Please tick the appropriate instructions. NB if this section is not completed and no written instructions are received by the Manager at least 5 business days prior to this investment's maturity date then at maturity of each investment the investor's original investment and interest distribution is automatically reinvested in the original nominated currency for further 1 month investment terms until the investor notifies the Manager of a longer reinvestment term or a withdrawal notice is received.

- On maturity of each investment term continue to roll the investment and interest distribution (income) amount for further investment terms of the same length until notified otherwise by the investor by the appropriate notice.
EG On maturity of USD 12 Month Term the interest distribution will be credited to the investor's investment account and principal investment amount and the interest distribution will be rolled for further USD 12 Month Terms until notified otherwise by the investor.
- On maturity of each investment term continue to roll the original investment amount on maturity for further investment terms of the same length until notified otherwise by the investor by the appropriate notice AND electronically credit the interest distribution (income) amount to the Investor's Account nominated in Section 15 of this Application Form.
EG On maturity of USD 12 Month Term the principal investment amount will be rolled for further USD 12 Month Terms and the interest distribution will be electronically credited to the investor's account nominated in Section 15 of the Application Form until notified otherwise by the investor.
- On maturity redeem the investor's investment and interest distribution (income) amount and electronically credit the Investor's Account nominated in Section 15 of this Application Form.

Note: See page 17 of this PDS ("How to Withdraw") for details of the notice periods required and the restrictions on breaking an investment term, which also apply to investment terms resulting from a rollover.

Note: Investors should consult with their adviser to obtain details of the latest PDS prior to reinvestment. The latest PDS is also available from the Manager's website at www.LMaustralia.com or by telephoning the Manager on +617 5584 4500.

13. PAYMENT DETAILS

How will this investment be made? NOTE: Cash is not acceptable

AUSTRALIAN DOLLAR PAYMENT OPTIONS:-

- Cheque** Make cheque payable to the Fund:- **PTAL acf LM First Mortgage Income Fund;**
- Direct Debit** Make sure you also complete the relevant Direct Debit Form for Australian Dollar Investments attached to this Application Form. Your investment will be directly debited from your nominated Australian financial institution account.
- BPay** Please attach a copy of the BPay receipt to the Application Form. For details on how to BPay Australian dollar investment funds please refer to Page 14 of this PDS.
- Electronic Direct Credit or Telegraphic Transfer** Please attach a copy of the electronic direct credit receipt or telegraphic transfer to the Application Form and provide the electronic direct credit reference code provide by the bank or telegraphic transfer reference code provided by the bank:- _____
Please see details on how to electronically direct credit or telegraphically transfer investment funds on page 14 of this PDS.
- Credit Card** Make sure you complete the Credit Card Payment Form attached to this Application Form.

NON-AUSTRALIAN DOLLAR CURRENCY HEDGED PAYMENT OPTIONS:-

Payment must be made by telegraphic transfer.

Please attach a copy of the telegraphic transfer to the Application Form and provide the telegraphic transfer reference code provided by the bank:- _____. Please see details on how to telegraphically transfer investment funds on page 15 of this PDS.

NEW ZEALAND investors can also

- ▶ choose to have NZD investments direct debited from their bank account. Please complete the New Zealand Direct Debit Form that follows this Application Form

OR

- ▶ Investors living in New Zealand can make NZD deposits in person at an ANZ bank or electronically direct credit investment funds to the ANZ Bank (Bank details are shown on page 15 of this PDS).

Direct Credit – If funds are being remitted by direct credit please supply the banking reference number or copy of credit receipt provided by the remitting bank _____.

THIRD PARTY PAYMENTS

The Manager expects funds to come from the investor's own account. Please provide an explanation if payment is made from a third party. We may require additional information in respect of the third party payment if accepted.

14. SOURCE OF INVESTMENT FUNDS – Must be completed for Anti-Money Laundering Requirements

Please tick the appropriate box to provide information on where funds for this investment came from.

- Savings Sale of Assets Profit Other please specify e.g. gift, donation:- _____

15. INVESTOR ACCOUNT DETAILS (for payment of interest distributions and withdrawals from a Fund)

Account Name

Bank Name

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Bank Address

BSB Number (Australia Only)

Bank Account Number

Currency

Swift Code

Sort Code

Routing Code/Fedwire (US banks only)

IBAN Number

Intermediary Bank Name (For overseas bank accounts using an intermediary bank, if applicable)

Intermediary Bank Address

Intermediary Swift Code

Intermediary Sort Code

Intermediary Account Number

16. PERSONAL INFORMATION

The privacy of an investor’s personal information is important to the Manager. The purpose of collecting investor information on the Application Form is to process the application and manage an investor’s investment in the Fund. If the information an investor gives is not complete or accurate, the Manager may not be able to provide the products and services applied for.

In processing the application and managing investors’ investments in the Fund, the Manager may disclose personal information to other parties such as an investor’s financial adviser and/or IT service providers of financial advisers, the financial adviser’s licensee or as required by law.

Investors are entitled to request reasonable access to their personal information. The Manager reserves the right to charge an administration fee for collating the information requested.

For further details on the Manager’s Privacy Policy please visit the Manager website at www.LMaustralia.com.

17. APPOINTMENT OF AUTHORISED DELEGATE /POWER OF ATTORNEY

Please ensure an identity verification document (e.g. Certified copy of current Passport) for the Authorised Delegate/Attorney is attached.

Name of Authorised Delegate

First Name(s)

Last Name

Date of Birth

/ /

Gender

Male Female

Nationality

Current Occupation

Residential Street Address

Suburb

State

Country

Signature of Authorised Delegate and Investor must be provided below. Attorneys are not required to complete the balance of this section.

I/We have read the section on authorised delegates in this PDS under the section headed "Additional Information" and agree to its terms and conditions. I/We appoint the following authorised delegate:

Signature of Authorised Delegate

Date

I/We request that my/our authorised delegate receive access to my/our financial records in relation to my/our Fund/s investment/s and consistent with the Fund/s terms and conditions, agree that my/our authorised delegate has the same powers as I/we do to make further investments in or withdrawals from, the Fund/s. I/We release, discharge and agree to indemnify the Manager and the Custodian as provided in the "Additional Information" section of this PDS.

Signature of Investor 1/Company Officer (please nominate office held eg. Director)

Date

Signature of Investor 2/Company Officer (please nominate office held eg. Director)

Date

18. SIGNING AREA

I/We declare that:-

1. This Application Form is completed according to the declaration/appropriate statements in the Application Form and agree to be bound by the constitution/s and the terms, conditions and contents of the PDS of the Fund.
2. The return of this Application Form with the Application Money will constitute an offer to subscribe for units.
3. I/We acknowledge that I/we have read the PDS to which this application relates and any supplementary PDS.
4. I/We consent to the Manager collecting the information provided in this document and attachments and declare that the information is true and correct. I/We agree to provide the Manager with any further information required and confirm LM may obtain further information to confirm my/our or our organisation's identity for the purpose of my/our investment or for the purposes of compliance with any laws.
5. I declare that the money invested in the Fund is not part of any money laundering or terrorist financing schemes.

Signature of Investor 1/Company Officer *(please nominate office held eg. Director)*

Date

Signature of Investor 2/Company Officer *(please nominate office held eg. Director)*

Date

If signed under Power of Attorney, the Attorney certifies that he or she has not received notice of revocation of that power. Trustees of trusts giving a power of attorney certify that they are authorised to do so by their trust deed. A certified copy of the power of attorney must be forwarded to the Manager with this Application Form including an express authority to grant the limited power of attorney as set out in this Application Form. If signing on behalf of a corporation, the party signing must indicate the capacity (i.e. director or secretary) after their signature in the above box.

19. SPECIAL INSTRUCTIONS/COMMISSION INSTRUCTIONS

20. ADVISER/INTERMEDIARY DETAILS

Title Mr Mrs Miss Other

First name(s)

Last Name

AFS Licensee

Adviser Email

Telephone Number (Business)

Facsimile Number

Mobile Telephone Number

AFS Licence No
LM Adviser ID No (Optional)

Adviser Stamp

Postal Address

Australian Financial Adviser Investor Identity Verification Declaration

I certify that in accordance with the IFSA/FPA Industry Guidance Note 24 that:- (tick the appropriate box)

- 1. My licensee has an agreement in place with LM where I have collected, verified and retained the appropriate customer identification documentation to confirm the identity of all investors associated with this application to meet my obligations in respect of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ('AML/CTF laws') and agree to provide access to these records as required.
OR
- 2. My licensee has an agreement in place with LM and as such I have attached a copy of the industry "Customer Identification Form" which confirms that I have sighted and verified all of the documentation required to identify a customer under the AML/CTF laws.
OR
- 3. I have attached a copy of the source documents from which I have identified the customer as required by the AML/CTF laws.

If no box is marked, I agree Option 3 applies.

Adviser Signature

Date

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Direct Debit Request Form (AUD INVESTMENTS ONLY)

AUSTRALIAN BANK ACCOUNT HOLDERS ONLY

Please complete and sign this form to make your initial investment.

Direct Debit Request Form

REQUEST FOR DEBITING AMOUNTS TO ACCOUNTS BY THE DIRECT DEBIT SYSTEM

PLEASE READ ALL INSTRUCTIONS WHEN COMPLETING THIS FORM

If you are an existing investor please complete your Investor ID or LM Investment Account Number (if known)

Investor ID No. LM Investment Account No. Date / /

Name and address of financial institution at which your account is held:

Insert full name of investor: (Surname, Company Name or Business Name)

(Given Names, ACN or ABN)

Direct debit authorisation:-

I / we authorise LM Investment Management Ltd (ACPC User ID Number: 097695) to arrange for funds to be debited from my/our account at the financial institution identified above and as prescribed through the bulk electronic clearing system (becs);

I/We have read the 'Direct Debit Customer Service Agreement' provided in this form and agree with its terms and conditions.

I/We request this arrangement remain in force in accordance with the details set out in the Schedule below and in compliance with the 'Direct Debit Customer Service Agreement'.

Signature of investor 1 or company officer Signature Date / /

Print Name

Signature of investor 2 or company officer Signature Date / /

Print Name

The Schedule

Insert name of account which is to be debited

BSB No.* Account No.*

*Do not quote your ATM card or credit card number.

PLEASE NOTE: Direct Debiting is not available on the full range of accounts. If in doubt please refer to your financial institution.

Credit Card Payment Form

Please complete and sign this form to make your initial investment and/or to make additional investments together with the relevant application form.

REQUEST FOR PAYMENT BY CREDIT CARD

PLEASE READ ALL INSTRUCTIONS WHEN COMPLETING THIS FORM

If you are an existing investor please complete your Client ID or LM Investment Account Number (if known)

Investor ID No. LM Investment Account No. Date / /

Insert full name of investor:

(Surname, Company Name or Business Name)

(Given Names, ACN or ABN)

Signature of investor 1
or company officer

Signature

Date

 / /

Print Name

Signature of investor 2
or company officer

Signature

Date

 / /

Print Name

The Schedule

Please enter your initial investment/additional deposit/ monthly investment amount which is to be credited to:

Fund Name

Initial/Additional Investment Amount \$AUD

LM Savings Plan or Regular Additional Investment \$AUD

Consecutive investment amount

NB: The amount deducted will be the investment amount. The credit card merchant service fee of 1.54% of that amount (GST inclusive) will be deducted by the Manager from the investment amount. The credit card merchant service fee is subject to change at anytime in line with the Merchant Service Agreement. The charge of 1.54% is current as at the date of this PDS.

Payment details Credit Card (Tick one only) Master Card Visa

Insert name on Credit Card

Card No: Expiry

Cardholder Telephone No: Credit Check Value No:

I agree to accept the credit card merchant service fee passed on by LM Investment Management Ltd and understand that the deduction from my credit card will be the investment amount only and the credit card merchant charges of 1.54% (GST inclusive) will be deducted by the Manager from the investment amount. I also agree to accept that the credit card merchant service fee is subject to change at anytime in line with the Merchant Service Agreement.

Card Holder's Signature

The credit card merchant service fee may be passed onto the consumer in accordance with the Merchant Pricing Reform, 1 January 2003.

Direct Debit Authority for NEW ZEALAND INVESTORS ONLY

NEW ZEALAND BANK ACCOUNT HOLDERS ONLY

Name of Account: _____

**Authority
to accept
Direct Debits**
(Not to operate as an assignment or agreement)

CUSTOMER TO COMPLETE BANK/BRANCH NUMBER AND ACCOUNT NUMBER AND SUFFIX OF ACCOUNT TO BE DEBITED

<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> Bank Branch Number	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> Account Number	<input type="text"/> <input type="text"/> <input type="text"/> Suffix
--	---	--

To: The Manager (Please print full postal address clearly for window envelope)

BANK & BRANCH: _____

ADDRESS (PO BOX): _____

TOWN / CITY: _____

AUTHORISATION CODE

0	1	0	9	4	1	7
---	---	---	---	---	---	---

DATE: _____ / _____ / _____

I / We authorise you until further notice in writing to debit my / our account with you all amounts which

L M Administration Pty Ltd
(Hereinafter referred to as the Initiator)

the registered Initiator of the above Authorisation Code, may initiate by Direct Debit.

I / We acknowledge and accept that the Bank accepts this authority only upon the conditions listed on the reverse of this form

INFORMATION TO APPEAR IN MY / OUR BANK STATEMENT (TO BE COMPLETED BY INITIATOR)

PAYER PARTICULARS	PAYER CODE	PAYER REFERENCE																																
<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;">L</td> <td style="width: 20px; text-align: center;">M</td> <td style="width: 20px; text-align: center;">F</td> <td style="width: 20px; text-align: center;">M</td> <td style="width: 20px; text-align: center;">I</td> <td style="width: 20px; text-align: center;">F</td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> </tr> </table>	L	M	F	M	I	F					<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> </tr> </table>													<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; text-align: center;">L</td> <td style="width: 20px; text-align: center;">M</td> <td style="width: 20px; text-align: center;">F</td> <td style="width: 20px; text-align: center;">M</td> <td style="width: 20px; text-align: center;">I</td> <td style="width: 20px; text-align: center;">F</td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> <td style="width: 20px; text-align: center;"> </td> </tr> </table>	L	M	F	M	I	F				
L	M	F	M	I	F																													
L	M	F	M	I	F																													

NAME OF ACCOUNT: _____

AUTHORISED SIGNATURE(S): _____

Approved	<p style="text-align: center;">FOR BANK USE ONLY</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">DATE RECEIVED: _____/_____/_____ <small>Original: Retain at Branch.</small></td> <td style="width: 33%;">RECORDED BY: _____</td> <td style="width: 33%;">CHECKED BY: _____</td> </tr> </table> <p style="text-align: right;">BANK STAMP</p> <p>Copy: Forward to Initiator in postage prepaid and addressed envelope provided by the Initiator</p>	DATE RECEIVED: _____/_____/_____ <small>Original: Retain at Branch.</small>	RECORDED BY: _____	CHECKED BY: _____
DATE RECEIVED: _____/_____/_____ <small>Original: Retain at Branch.</small>	RECORDED BY: _____	CHECKED BY: _____		

www.LMaustralia.com > LM First Mortgage Income Fund

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Australian Dollar Direct Debit Customer Service Agreement

Our Responsibility

- ▶ The direct debit of your investment amount will be drawn immediately once LM Investment Management Ltd (the "Manager") receives this form or further written instructions from you. Please ensure your investment funds are cleared and available.
- ▶ The Manager will only debit your account for your initial investment amount as stated on the Application Form or additional investment amount as advised by you in further written instructions concerning additional deposits.
- ▶ The Manager reserves the right to cancel the direct debit arrangements if three or more drawings are returned unpaid by your nominated financial institution.
- ▶ Subject to its obligations at law, the Manager will keep all information pertaining to your nominated account at the financial institution private and confidential.
- ▶ Where the due date for a drawing falls on a non-business day, the Manager will draw the amount on the next business day.
- ▶ The Manager will investigate and deal promptly with any queries, claims or complaints regarding debits providing a response within 20 business days.

Your Responsibility

- ▶ Where you consider that a drawing has been initiated incorrectly you should take the matter up directly with the Manager.
- ▶ It is your responsibility to ensure that the authorisation on the direct debit request is identical to the account signing instruction held by the financial institution of the nominated account.
- ▶ It is your responsibility to ensure at all times, that sufficient funds are available in the nominated account to meet a drawing on the due date for payment.
- ▶ It is your responsibility to advise the Manager if the account nominated by you to meet a drawing is altered, transferred or closed.
- ▶ It is your responsibility to arrange with the Manager a suitable alternate payment method if the drawing arrangements are stopped either by you or the nominated financial institution.
- ▶ It is your responsibility to meet any charges resulting from the use of the direct debit system. This may include fees charged by the Manager as a result of drawings being returned unpaid.

Your Rights

- ▶ You may request or defer or alter the drawing authority, by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date of the next drawing.
- ▶ You may cancel the direct debit arrangement at any time by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date for the next drawing.
- ▶ All transaction disputes, queries, and claims should be raised directly with the Manager. The Manager will provide a verbal or written response within 20 business days from the date you notify the Manager. If the claim/dispute is successful the Manager will reimburse you by way of electronic credit to your nominated account.

Terms and Conditions of the New Zealand Dollar Direct Debit Authority

1. The Initiator:

- (a) Has agreed to give written notice of the net amount of each Direct Debit no later than the Direct Debit is initiated.

This notice will be provided either:

- (i) in writing; or
- (ii) by electronic mail where the Customer has provided prior written consent to the Initiator.

The advance notice will include the following message:

The amount \$ _____, will be direct debited to your Bank account on (initiating date).

- (b) May, upon the relationship which gave rise to this Authority being terminated, give notice to the Bank that no further Direct Debits are to be initiated under the Authority. Upon receipt of such notice the Bank may terminate this Authority as to future payments by notice in writing to me/us.

2. The Customer may:

- (a) At any time, terminate this Authority as to future payments by giving written notice of termination to the Bank and to the Initiator.
- (b) Stop payment of any direct debit to be initiated under this authority by the Initiator by giving written notice to the Bank prior to the direct debit being paid by the Bank.

3. The Customer acknowledges that:

- (a) This authority will remain in full force and effect in respect of all direct debits made from me/our account in good faith notwithstanding my/our death, bankruptcy or other revocation of this authority until actual notice of such event is received by the Bank.
- (b) In any event this authority is subject to any arrangement now or hereafter existing between me/us and the Bank in relation to my/our account.
- (c) Any dispute as to the correctness or validity of an amount debited to my/our account shall not be the concern of the Bank except in so far as the direct debit has not been paid in accordance with this authority. Any other disputes lie between me/us and the Initiator.
- (d) Where the Bank has used reasonable care and skill in acting in accordance with this authority, the Bank accepts no responsibility or liability in respect of:
 - the accuracy of information about Direct Debits on Bank statements;
 - any variations between notices given by the Initiator and the amounts of Direct Debits.
- (e) The Bank is not responsible for, or under any liability in respect of the Initiator's failure to give written advance notice correctly nor for the non-receipt or late receipt of notice by me/us for any reason whatsoever. In any such situation the dispute lies between me/us and the Initiator.

4. The Bank may:

- (a) In its absolute discretion conclusively determine the order of priority of payment by it of any monies pursuant to this or any other authority, cheque or draft properly executed by me/us and given to or drawn on the Bank.
- (b) At any time terminate this authority as to future payments by notice in writing to me/us.
- (c) Charge its current fees for this service in force from time-to-time.

Credit Card Customer Service Agreement

Our Responsibility

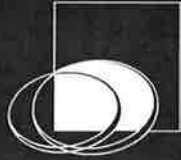
- ▶ The credit card payment of your investment amount will be drawn immediately once LM Investment Management Ltd (the "Manager") receives this form or further written instructions from you. Please ensure your investment funds are cleared and available.
- ▶ The Manager will only debit your account for your initial investment amount as stated on the Application Form or additional investment amount as advised by you in further written instructions concerning additional deposits. The credit card merchant service fee will be deducted from your initial investment amount or additional investment amount/s.
- ▶ The Manager reserves the right to cancel the credit card arrangements if three or more drawings are returned unpaid by your nominated financial institution.
- ▶ Subject to its obligations at law, the Manager will keep all information pertaining to your nominated account at the financial institution private and confidential.
- ▶ Where the due date for a drawing falls on a non-business day, the Manager will draw the amount on the next business day.
- ▶ The Manager will investigate and deal promptly with any queries, claims or complaints regarding debits providing a response within 20 business days.

Your Responsibility

- ▶ Where you consider that a drawing has been initiated incorrectly you should take the matter up directly with the Manager.
- ▶ It is your responsibility to ensure that the authorisation on the credit card payment request is identical to the account signing instruction held by the financial institution of the nominated account.
- ▶ It is your responsibility to ensure at all times that sufficient funds are available in the nominated account to meet a drawing on the due date for payment.
- ▶ It is your responsibility to ensure your bank will allow drawings on a credit card transaction without the card present.
- ▶ It is your responsibility to advise the Manager if the account nominated by you to meet a drawing is altered, transferred or closed.
- ▶ It is your responsibility to arrange with the Manager a suitable alternate payment method if the drawing arrangements are stopped either by you or the nominated financial institution.
- ▶ It is your responsibility to meet any charges resulting from the use of the credit card system. This may include fees charged by the Manager as a result of drawings being returned unpaid.

Your Rights

- ▶ You may request or defer or alter the drawing authority, by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date of the next drawing.
- ▶ You may cancel the credit card arrangement at any time by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date for the next drawing.
- ▶ All transaction disputes, queries, and claims should be raised directly with the Manager. The Manager will provide a verbal or written response within 20 business days from the date you notify the Manager. If the claim/dispute is successful the Manager will reimburse you by way of electronic credit to your credit card account.



LM Investment Management Ltd

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Responsible Entity & AFSL No. 220281
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Adviser's Stamp

PERMANENT TRUSTEE AUSTRALIA LIMITED

and

LM INVESTMENT MANAGEMENT LTD

CUSTODY AGREEMENT

PERMANENT TRUSTEE AUSTRALIA LIMITED

23-25 O'Connell Street

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TABLE OF CONTENTS

1. INTERPRETATION.....	1
2. APPOINTMENT OF PERMANENT.....	3
3. FUNCTION AND POWERS OF PERMANENT.....	4
4. DUTIES OF PERMANENT.....	5
5. INSTRUCTIONS.....	7
6. SUB-CUSTODIANS.....	8
7. BOOKS, RECORDS AND STATEMENTS.....	8
8. FEES AND EXPENSES.....	8
9. INDEMNITIES AND LIMITATIONS OF LIABILITY.....	9
10. WARRANTIES AND UNDERTAKINGS BY CLIENT.....	10
11. TERMINATION OF AGREEMENT.....	12
12. COSTS AND STAMP DUTY.....	13
13. NOTICES.....	13
14. EXERCISE OF RIGHTS.....	14
15. NO WAIVER.....	14
16. SURVIVAL OF INDEMNITIES.....	14
17. ENFORCEMENT OF INDEMNITIES.....	14
18. ASSIGNMENT.....	14
19. CONFIDENTIALITY.....	14
20. FURTHER ASSURANCES.....	15
21. FORCE MAJEURE.....	15
22. ENTIRE AGREEMENT.....	15
23. AMENDMENT.....	15
24. DISPUTES OR CONFLICTING CLAIMS.....	15
25. SEVERABILITY.....	16
26. GOVERNING LAW AND JURISDICTION.....	16
27. COUNTERPARTS.....	16
SCHEDULE 1 - AUTHORISED PERSONS (Clause 1.1).....	18
SCHEDULE 2 - LIST OF SCHEMES SUBJECT TO THIS AGREEMENT.....	19
SCHEDULE 3 - METHODS AND STANDARDS FOR ASSESSING PERMANENT'S PERFORMANCE.....	20
SCHEDULE 4 - REPORTS AND STATEMENTS (Clause 7(ii)).....	21
SCHEDULE 5 - FEES (Clause 8.1).....	22
SCHEDULE 6 - MINIMUM TERM AND NOTICE PERIOD (Clause 11.1).....	23
SCHEDULE 7 - ADDRESS AND FACSIMILE DETAILS (Clause 13).....	24

CUSTODY AGREEMENT

THIS AGREEMENT is made the 4 day of February 1999

BETWEEN: **PERMANENT TRUSTEE AUSTRALIA LIMITED** (ACN 008 412 913) a company duly incorporated in New South Wales having its registered office at 23-25 O'Connell Street, Sydney, in the said State, and an office at Level 8, 410 Queen St, Brisbane, Queensland ('Permanent')

AND: **LM INVESTMENT MANAGEMENT LTD** (ACN 077 208 461) a company duly incorporated in Queensland having its registered office at Level 4, RSL Centre, 44A Cavill Avenue Surfers Paradise in the State of Queensland (the 'Client')

OPERATIVE PROVISIONS:

1. INTERPRETATION

1.1 In this agreement, unless the context otherwise requires:

'**Austraclear**' means the system operated by Austraclear Limited performing the role of central depository for securities traded in the Australian financial market, and which provides a real-time system for clearing and settling corporate and semi-government debt securities and financial derivatives.

'**ASIC**' means the Australian Securities and Investments Commission or such other government authority that performs the role undertaken by ASIC in relation to managed investment schemes at the date of this agreement.

'**Authorised Person**' means the persons nominated by each of the Client and Permanent respectively who are authorised to make any written communication or take action on behalf of the Client or Permanent respectively in relation to the performance of the relevant party under this agreement. The Client may nominate as its Authorised Persons any officers or employees of a Manager employed by the Client. A party may impose restrictions on the authority of any Authorised Person by written notice to the other party. The Authorised Persons and any restrictions on authority as at the date of this agreement are specified in schedule 1 and may be varied upon written notice by the respective party to the other party.

'**Business Day**' means a day on which banks are open for business in Brisbane, but excludes Saturdays, Sundays, public holidays and bank holidays.

'**CHESS**' stands for 'Clearing House Electronic Subregister System' and means the clearing house established and operated by Securities Clearing House ('SCH') for the clearing, settlement, transfer and registration of securities approved by SCH.

'**Custodially Held**', in relation to an asset of a Scheme held by or on behalf of Permanent under this agreement means that Permanent or the person holding the asset on Permanent's behalf has one or more of the following:-

- (i) legal title to the asset;
- (ii) physical possession of the asset;
- (iii) direct control of the asset;

- (iv) is designated as mortgagee of the asset; or
- (v) physical possession or direct control of the essential elements of title of the asset,

where in all the circumstances this results in Permanent or the person holding the asset on Permanent's behalf having effective control of the asset for the purpose of its safekeeping (whether or not Permanent or the person holding the asset on Permanent's behalf, as the case may be, also performs other services in relation to the asset).

'Instructions' has the meaning set out in clause 5.

'Law' means the Corporations Law.

'Manager' means a person appointed by the Client to provide management services in respect of all or part of the Portfolio.

'Portfolio' means property of a Scheme Custodially Held from time to time by Permanent or a Sub-custodian pursuant to this agreement.

'RITS' stands for 'Reserve Bank Information and Transfer System' and means the real time computerised settlement and information system established by the Reserve Bank of Australia for settlements, electronic trading and bidding, and cash transfers for parties with Reserve Bank accounts.

'SCO' means the Client's Senior Compliance Officer.

'Scheme' means those schemes listed in schedule 2 and any other scheme included by mutual agreement in writing between Permanent and the Client.

'Sub-custodian' means any person engaged pursuant to clause 6.1 to Custodially Hold some part or all of the Portfolio on behalf of Permanent.

'SWIFT' stands for 'Society for Worldwide Interbank Financial Telecommunications' and means the international store and forward network system which processes a range of financial transactions relating to, inter alia, bank transfers, foreign exchange, loans, deposits and securities.

'Taxes' means all taxes of whatever nature lawfully imposed, including income tax, recoupment tax, land tax, sales tax, fringe benefits tax, group tax, capital gains tax, profit tax, interest tax, tax on the provision of goods or services, property tax, undistributed profits tax, withholding tax, municipal rates, financial institutions duty, bank account debit tax, stamp duties and other taxes, charges and liens assessed or charged or assessable or chargeable by, or payable to, any national, Federal, State, Territory or municipal taxation or excise governmental agency, including any interest or fee imposed in connection with any such tax, rates, duties, charges or liens.

'Title Documents' means the written evidence of title to or interest in any of the assets forming part of the Portfolio.

1.2 In this agreement, unless the context otherwise requires:

- (a) words importing one gender include the other genders;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a party is a reference also to that party's respective successors or assigns;
- (d) a reference to a *person* includes an individual, firm, company, corporation or unincorporated body of persons, or any state or government or any agency thereof (in each case, whether or not having separate legal personality) and reference to a *company* includes a person;
- (e) a reference to an *agent* does not include any pricing service or supplier of pricing information used by Permanent for valuation or pricing purposes;
- (f) headings are for convenience only and shall not affect interpretation;
- (g) mentioning anything after, *include, includes* or *including* does not limit what else may be included;
- (h) references to sections, clauses and schedules are references to sections, clauses and schedules of this agreement;
- (i) a reference to Permanent or the Client includes, where the context permits a reference to their respective officers, employees and agents or any of them;
- (j) a reference to the *knowledge, belief or awareness* of any person in relation to a matter means the knowledge, belief or awareness that the person would have if they had made all reasonable enquiries of others who could reasonably be expected to have information relevant to the matter and, where those enquiries would have prompted a reasonable person to make further enquiries, made those further enquiries;
- (k) a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued relating to it;
- (l) references to dollar and '\$' refer to amounts in Australian currency; and
- (m) the schedules to this agreement form part of this agreement.

2. APPOINTMENT OF PERMANENT

- 2.1 The Client appoints Permanent to provide custodial services on the terms of this agreement.
- 2.2 Permanent accepts its appointment and agrees to provide custodial services to the Client on the terms of this agreement.
- 2.3 Permanent acknowledges that the Client will assess Permanent's performance on a regular basis in accordance with the methods and standards identified in schedule 3.

3. FUNCTION AND POWERS OF PERMANENT

- 3.1 Subject to the provisions of this agreement, Permanent agrees to custodially hold the Portfolio and Title Documents as agent for the Client in relation to each Scheme.
- 3.2 The Client authorises Permanent to:
- (a) purchase, acquire, issue, release, sell or dispose of property to form or forming part or all of any Portfolio on receipt of Instructions from the Client and execute all transfers, releases, and assurances and other documents necessary for any such purpose;
 - (b) receive and hold or procure the receipt and holding of any property so purchased or acquired and any interest, dividend, rent or other income accruing in respect of it and any document of title to it in safe custody;
 - (c) procure safe custody of property of the Portfolio in bearer form;
 - (d) procure registration in the name of Permanent or of a Sub-custodian, as the case requires, of property of the Portfolio in a registrable form unless it is otherwise impractical or inconsistent with market practice or otherwise permitted with the consent of the Client; and
 - (e) provide the custody services and other administrative services as set out in this agreement or as agreed from time to time between Permanent and the Client. In such circumstances Permanent is entitled to receive additional fees as agreed between the parties.
- 3.3 Permanent may establish an account in the name of the Client designating a Scheme or, if otherwise instructed by the Client, some other name, with any bank or company approved by the Client and operate on the account in accordance with Instructions from the Client.
- 3.4 Permanent may refuse to purchase, acquire, issue, release, sell, accept the deposit or transfer of a security, document or other property, and the Client must accept a return of the document or transfer of the security or other property at the request of Permanent. In particular, Permanent has no obligation to accept into the Portfolio or acquire any partly paid investment unless the Client has made arrangements satisfactory to Permanent to set aside in the name of Permanent money or other property sufficient to provide for payment of the investment in full.
- 3.5 The Client agrees that, in relation to property held on a pooled basis or in an omnibus account, the transfer or delivery of property in accordance with this agreement of the same type and number as the property so held will constitute a proper performance by Permanent of its obligations under this agreement.
- 3.6 Permanent may execute or make on behalf of the Client any certificates, declarations or affidavits which are required to receive into or transfer out of its custody any property of or for any Portfolio.
- 3.7 The Client agrees that Permanent or any Sub-custodian may hold any property included in a Portfolio on a pooled basis or in an omnibus account in accordance with any class order issued by ASIC or any specific relief from the requirements of section 601FC(1)(i) of the Law granted by ASIC in relation to the relevant Scheme.

- 3.8 Permanent may appoint or engage at the Client's expense accountants, auditors, barristers, solicitors, advisers, consultants, brokers, counterparties, couriers or other persons (not being persons appointed under clause 6.1) where it reasonably considers their appointment or engagement necessary or desirable for the purposes of exercising its powers or performing its duties under this agreement. Permanent is not liable for any loss, damage or expense suffered or incurred as a result of any act of omission whatever (including a negligent act or omission) of a person appointed or engaged under this clause 3.8.
- 3.9 Persons appointed or engaged in accordance with clause 3.8 or 6.1 may be related to or associated with Permanent and may be paid and receive their normal fees or commissions.
- 3.10 Permanent may in the ordinary course of its business, without reference to the Client, effect transactions in which Permanent has directly or indirectly a material interest, or a relationship of any kind with another person, which may involve a potential conflict with Permanent's duty to the Client, and Permanent is not liable to account to the Client for any profit, commission or remuneration made or received in relation to those transactions or any connected transactions. A reference in this clause 3.10 to Permanent includes a Sub-custodian, and Permanent shall in any event act in a bona fide manner in relation to any such transaction.
- 3.11 Permanent and its Sub-custodians may for convenience or expedience use Austraclear, RITS, CHESS, SWIFT and/or any other electronic funds or assets transfer system whether within Australia or overseas.
- 3.12 Permanent is authorised to comply with any obligations imposed on it by law.
- 3.13 Permanent may do any other things which it considers necessary, desirable, incidental to or in furtherance of the matters referred to in this clause 3 or clause 4.
- 3.14 Subject to this agreement, Permanent has absolute discretion as to the exercise of all powers, authorities and discretion vested in it under this agreement.

4. DUTIES OF PERMANENT

- 4.1 The Client is responsible for taking all decisions in relation to the Portfolio and properly communicating to Permanent Instructions in relation to the assets of the Portfolio. Subject to this agreement, Permanent must act on the Client's Instructions in relation to any assets of the Portfolio. If Permanent does not have Instructions, Permanent is not required, subject to this agreement, to make any payment or take any other action in relation to any matter concerning any asset in a Portfolio.
- 4.2 Permanent must promptly forward to or notify the Client or the relevant Manager of all forms of proxy, notices of meetings and other material letters, notices or announcements received by Permanent relating to the assets of a Portfolio.
- 4.3 Permanent is not responsible for reviewing or advising the Client on the Portfolio or any part of it nor for any action or omission pursuant to a decision taken or mistakenly not taken by the Client.
- 4.4 Permanent disclaims any knowledge of the terms on which securities are issued or the constituent documents of the issuer and the Client undertakes to investigate and satisfy itself as to those matters and to ensure that any Instructions to Permanent are in conformity and reasonable having regard to them.

- 4.5 Permanent is not responsible for the accuracy or completeness of any information received from third parties and passed to or assessed by the Client or a Manager.
- 4.6 Permanent is not obliged to institute or defend legal proceedings unless requested by the Client and indemnified by the Client to its satisfaction.
- 4.7 The services of Permanent under this agreement are not exclusive. Permanent is free to provide similar services to others, and is not obliged to disclose to the Client anything which comes to its notice in the course of providing services to others or otherwise than in the performance of this agreement.
- 4.8 Permanent is not obliged to see whether, in exercising any of its powers or performing any of its duties under this agreement in accordance with Instructions from an Authorised Person, the Authorised Person is acting in proper exercise or performance of his powers or duties.
- 4.9 To the extent required by section 601FC(1)(i) of the Law as modified by any relief granted by ASIC, Permanent shall ensure that the assets of each Portfolio are:
- (a) clearly identified as property of the respective Scheme; and
 - (b) held separately from Permanent's own assets, the assets of any other Scheme or any other assets held by Permanent in any other capacity whatsoever.
- 4.10 Permanent is not responsible for checking or ascertaining the value of any property or whether the price to be paid for any property is proper or reasonable or whether any transaction which it is instructed to effect accords with the constitution, compliance requirements, prospectus, investment policy or limit for the time being established for or in force in relation to the Scheme.
- 4.11 Permanent must notify the Client in writing immediately if Permanent becomes aware that it no longer satisfies the requirements of ASIC Policy Statement 131 or 133.
- 4.12 Permanent must provide to the Client at least annually at a time as agreed between the parties a certificate signed by two directors stating that Permanent has met the requirements of ASIC Policy Statements 131 and 133 during that financial year and must (if the Client reasonably requires such certificate) also provide annually at a time as agreed between the parties a certificate signed by Permanent's external auditor confirming that, in the auditor's opinion, Permanent continues to meet the financial requirements of ASIC Policy Statements 131 and 133.
- 4.13 Subject to clause 4.15, Permanent must not take a charge, mortgage, lien or other encumbrance over, or in relation to, the assets of a Scheme other than in respect of expenses and outlays made within the terms of this agreement.
- 4.14 Permanent must not exercise any right in the nature of a charge, mortgage, lien, or other encumbrance over or in relation to assets of the Scheme in relation to unpaid custodian fees pursuant to clause 8.1, but otherwise Permanent is entitled to exercise any rights in relation to the assets of the Scheme available to it at law in the nature of a charge, mortgage, lien or other encumbrance and is additionally granted by this agreement rights of lien and set off as against the assets of a Portfolio in relation to any liability, loss, cost, claim or expense incurred or arising on account of the Scheme in the proper performance of Permanent's powers or duties under this agreement. In the exercise of rights pursuant to this clause Permanent may sell any

asset from the relevant Portfolio and enforce its rights under this agreement against the proceeds of such sale.

- 4.15 If Permanent receives Instructions to take a charge, mortgage, lien or other encumbrance over or in relation to any assets in a Portfolio, Permanent need only act on those Instructions if it is satisfied that its liability pursuant to such charge, mortgage, lien or encumbrance is limited to the assets available to it pursuant to this agreement.
- 4.16 If the Client instructs Permanent to Custodially Hold any real property pursuant to this agreement, Permanent need not agree to do so unless Permanent is satisfied that its liabilities in relation to the holding of such real property are limited to the assets available to it pursuant to this agreement. In this regard, Permanent may require the Client to effect and maintain insurances identified by Permanent in Permanent's name or to provide additional indemnities to Permanent.
- 4.17 In the event that Permanent has breached a term of this agreement which entitles the Client to exercise rights against Permanent, the existence of such rights does not entitle the Client to prevent Permanent from relying on the provisions of this agreement to seek indemnification or other rights in order to meet or satisfy any claim or demand made by a third party on Permanent.
- 4.18 Permanent agrees to compensate a Scheme by making a payment to that Scheme in the event of Permanent being required by law to make such payment if there is a loss to a Scheme as a result of Permanent failing in its obligations under this agreement.

5. INSTRUCTIONS

- 5.1 Permanent is authorised to act, or to cause any other person to act, on any Instructions given to it in accordance with this clause 5.
- 5.2 Permanent is authorised to act on Instructions in writing which bear or purport to bear the signature or a facsimile of the signature of any of the Client's Authorised Persons or Instructions provided by electronic means using security codes or procedures agreed between Permanent and the Client.
- 5.3 Permanent is not liable for acting on any Instructions which appear to it to have been properly and regularly signed or given and is under no duty to inquire whether any such Instructions have been so signed or given. However, Permanent may require written confirmation from the Client before acting on any Instructions.
- 5.4 Permanent is not liable for acting on any Instructions given in accordance with this clause 5 which contain any error or ambiguity.
- 5.5 Nothing in this clause 5 obliges Permanent to obtain Instructions where the other provisions of this agreement do not impose any such obligation.
- 5.6 Permanent may record electronically telephonic discussions relating to this agreement or any transaction effected under it with the prior consent of the Client for each discussion intended to be recorded.

6. SUB-CUSTODIANS

- 6.1 Permanent may, where it considers their appointment necessary or desirable for the purpose of exercising its powers or performing its duties under this agreement, appoint Sub-custodians (including any person related to or associated with Permanent) to perform any of its duties under this agreement with any or all of its powers under this agreement, including this power of delegation, and any delegate appointed by the exercise of such power shall be included in the term Sub-custodian. Any appointment of a Sub-custodian by Permanent is not an assignment of Permanent's rights or obligations under this agreement.
- 6.2 Permanent must supply to the Client on request a description of property included in the Portfolio which is held by or registered in the name of a Sub-custodian, together with the name and address of the Sub-custodian.
- 6.3 Permanent shall be responsible for the actions and omissions of its Sub-custodian appointed by Permanent pursuant to clause 6.1.

7. BOOKS, RECORDS AND STATEMENTS

Permanent must:

- (a) properly maintain adequate books and records, accounts of all receipts, disbursements and other transactions relating to the Portfolio in accordance with generally accepted accounting principles to the extent such principles are relevant;
- (b) provide the Client with the reports and statements relating to the Portfolio described in schedule 4 at the intervals mentioned in schedule 4; and
- (c) provide any auditor of the Client with any reasonably available information in Permanent's possession about the Portfolio which the auditor requires to enable it to perform any audit or investigation involving the Portfolio.

8. FEES AND EXPENSES

- 8.1 The Client agrees to pay to Permanent during the continuance of this agreement fees in the amounts described and at the time set out in schedule 5.
- 8.2 Permanent is entitled to recover from the Client the amount of all Taxes and bank charges, and all other liabilities, costs, charges and expenses which it suffers or incurs (including fees and other amounts payable to Sub-custodians) in connection with the performance of its duties and the exercise of its powers under this agreement including, without limitation, settlement, delivery, registration and transaction charges and foreign currency costs and charges including any reasonable expenses incurred as a result of the Client requesting a certificate pursuant to clause 4.1.
- 8.3 The Client agrees that Permanent may deduct from any part of a Portfolio any amount payable to Permanent under this clause 8 or any other provision of this agreement and with the consent of the Client, the amounts payable under clause 8.1. The Client authorises Permanent in the name of the Client or Permanent to do any thing (including, but not limited to, executing any document) that is required for that purpose. Permanent agrees to record any such deduction in the records maintained under clause 8.

8.4 All monies owing to Permanent including fees under this agreement accrues from day-to-day.

9. INDEMNITIES AND LIMITATIONS OF LIABILITY

9.1 Without limiting any other indemnity or limitation of liability in this agreement, and without prejudice to any indemnity allowed by law, but subject to this agreement and to any law to the contrary, and to the maximum extent permitted by law, it is agreed and declared that:

- (a) the Client indemnifies Permanent against any liability, demand, loss, costs, Taxes charges and expenses which may be incurred by Permanent in connection with:
 - (i) this agreement and the acts and omissions of Permanent in performing services pursuant to this agreement, except those attributable to the negligence or fraud of Permanent.
 - (ii) all actions, suits, claims and demands which may be brought or threatened against or suffered or sustained by Permanent by reason of Permanent complying with any Instruction by an Authorised Person; and
 - (iii) neglect or fraud on the part of the Client, any Manager or any of their employees, servants or agents.
- (b) Permanent does not incur any liability in respect of any thing done or not done in reliance on any Instruction, notice, resolution, direction, consent, certificate, receipt, affidavit, statement, holding out, certificate for stock, shares or other security, plan or reorganisation, or other document or information which Permanent reasonably believed to be genuine or to have been passed, signed or endorsed by the proper parties, where liability but for this provision would attach because that document or matter was not in fact genuine or so passed, signed or endorsed.
- (c) Permanent does not incur any liability in respect of any failure to do any thing which, because of any present or future law or of any order or judgement of any court, it is hindered, prevented or forbidden from doing.
- (d) Permanent will not be responsible or have any liability for any obligations imposed on the Client, a Scheme or Permanent as custodian of the Portfolio or any transaction under this agreement by the tax law of Australia or any State or Territory of Australia. Permanent will be kept indemnified by and be without liability to the Client for any such obligations including Taxes (but excluding any income taxes assessable in respect of compensation paid to Permanent pursuant to this agreement), withholding, certification and reporting requirements, claims for exemption or refund, additions for late payment, interest, penalties and other expenses (including legal expenses) that may be assessed against the Client, a Scheme or Permanent as custodian of the Portfolio except those attributable to the negligence or fraud of Permanent.
- (e) Permanent may act on the opinion or advice of, statements of or information obtained from barristers, solicitors, bankers, accountants, brokers or other persons believed by it in good faith and on reasonable grounds to be expert in relation to the matters on which they are consulted (whether they are instructed by the Client, Permanent or a third party), and Permanent is not liable for anything done or not done by it in good faith in reliance on that opinion, advice, statements or information.

- (f) where Permanent relies in good faith on any opinion, advice, statements or information from any barrister, solicitor or other expert it is not responsible for any misconduct, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of any such barrister, solicitor or other expert;
- (g) in the event of the liquidation, dissolution or bankruptcy of any person, or if for any other reason it becomes impossible or impracticable to carry out the provisions of this agreement in respect of that person or otherwise, Permanent is not liable for anything done or not done by Permanent, where Permanent has acted in good faith;
- (h) Permanent is entitled to rely on statements or information from the Client or Manager as to the validity of any signature on any transfer, form of application, request or other document which Permanent reasonably believed to be genuine;
- (i) Permanent is not responsible for the loss of any property during transmission between the Client or a Manager and Permanent or Permanent and a third party or fraud on the Client by a third party, nor for the corruption or loss of any data that is transmitted electronically or to which access is given by Permanent to the Client or a Manager or vice versa;
- (j) Permanent is not liable for any act or omission that is believed by Permanent to be in accordance with local market practice;
- (k) Permanent is not liable for the failure of any person to carry out any agreement or obligation on that person's part;
- (l) Notwithstanding any other provision of this agreement, Permanent's liability is limited to the property for the time being comprised in the Portfolio except for a liability arising as a result of Permanent's own negligence or fraud; and
- (m) Permanent, is not liable for any loss, damage or expense suffered or incurred as a result of any delay in executing an Instruction where the delay has occurred as a result of Permanent waiting for the receipt of the written confirmation from the Client pursuant to clause 5.3.

9.2 Permanent is not responsible for insuring the Portfolio or any part of it.

10. WARRANTIES AND UNDERTAKINGS BY CLIENT

10.1 The Client represents and warrants to Permanent that:

- (a) it has the power to enter into and perform this agreement and has obtained all necessary consents to enable it to do so;
- (b) the entry into and performance of this agreement by the Client does not constitute a breach of any obligation (including, but not limited to, any statutory, contractual or fiduciary obligation) or default under any agreement or undertaking by which the Client is bound;
- (c) property transferred or delivered by the Client to Permanent from time to time to form part of a Portfolio will be the property of a Scheme the subject of this agreement and, unless the consent of Permanent is obtained prior to the transfer, free from any mortgage, charge, lien, pledge, encumbrance or other security interest;

- (d) the Client will, at all times during the term of this agreement, hold any licences or approvals required to be held by it under any law governing its activities relating to this agreement and comply with all conditions of any such licence or approval;
- (e) it is the only responsible entity for each Scheme and no action has been taken or is proposed to remove it as responsible entity of any Scheme;
- (f) the copy of each Scheme constitution provided by the Client to Permanent discloses all the terms of each Scheme and it is not in default under the terms of any Scheme constitution or the Law in relation to any Scheme; and
- (g) it has a right to be fully indemnified out of the relevant Scheme's assets in respect of all obligations and liabilities which it incurs under this agreement.

10.2 The Client undertakes:

- (a) to notify Permanent promptly if the Client appoints or terminates the appointment of a Manager;
- (b) to provide Permanent on request with any documents, information or Instructions reasonably required by Permanent to enable it to perform obligations imposed on Permanent under this agreement or by law;
- (c) to perform its obligations pursuant to this agreement as soon as reasonably practicable and in accordance with the requirements of any relevant Scheme's constitution and the Law;
- (d) to give Permanent notice of any communication from any person including ASIC forthwith upon receipt which relates to the possibility or likelihood of the Client being suspended or removed in relation to a Scheme or that affects or might affect Permanent or any of its Sub-custodians in relation to the performance of their obligations or exercise of their powers under this agreement or otherwise;
- (e) to give Permanent prompt notice of any alteration to a Scheme's constitution.

10.3 The Client undertakes on request to provide and certify to Permanent any information in relation to the Client's status or assessability for taxation purposes in any country which is relevant to the performance of this agreement.

10.4 The Client acknowledges that it enters into this agreement both in its individual capacity and in its capacity as responsible entity for each Scheme and all agreements, warranties and obligations of the Client in this agreement bind the Client in both capacities.

10.5 The Client agrees to inform Permanent promptly if:

- (a) the terms of a Scheme are varied;
- (b) there is any change of responsible entity of a Scheme;
- (c) there is any change of status for taxation purposes of a Scheme; or
- (d) when a Scheme is terminated.

11. TERMINATION OF AGREEMENT

- 11.1 Subject to clauses 11.2, 11.3 and 11.4, this agreement shall continue for the minimum term specified in schedule 6 and after the expiry of the minimum term shall continue on the same terms unless terminated by either party upon giving to the other party notice for no less than the notice period specified in schedule 6.
- 11.2 A party may terminate this agreement by notice to the other party: -
- (a) if a receiver or a receiver and manager of the undertaking (or any part) of the other party is appointed either in relation to the capacity in which it acts pursuant to this agreement or where such receiver or receiver and manager is reasonably likely to affect materially such other party's performance pursuant to this agreement, or
 - (b) if the other party:-
 - (i) goes into liquidation (other than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the other party) either in relation to the capacity in which it acts pursuant to this agreement or where such liquidation is reasonably likely to affect such other party's performance pursuant to this agreement;
 - (ii) is subject to a scheme of compromise or arrangement with its creditors or has an administrator appointed to its affairs either in relation to the capacity in which it acts pursuant to this agreement or where such scheme or administration is reasonably likely to affect such other party's performance pursuant to this agreement;
 - (iii) ceases to carry on business in relation to its activities as responsible entity in relation to a Scheme in the case of the Client (in which case Permanent may terminate this agreement in relation to a Scheme) or as a provider of custodial services in the case of Permanent;
 - (iv) breaches any provision of this agreement in a material respect or fails to observe or perform any representation, warranty, indemnity or undertaking pursuant to this agreement in a material respect **PROVIDED THAT** if the breach or failure is capable of remedy in the reasonable opinion of the party not in default, this agreement may not be terminated unless the party in default is given a period of no less than 14 days within which to remedy the breach or failure and if not remedied within such period the party not in default may terminate this agreement;
 - (v) sells or transfers or makes any agreement for the sale or transfer of its principal business and undertaking, or of a beneficial interest therein, other than to a related body corporate for the purposes of a corporate reconstruction upon at least 7 days' notice to the other party; or
 - (c) by Permanent if ASIC or a Court having jurisdiction makes a written order vesting any property of the Client in relation to any Scheme in ASIC or some other body other than the Client.
- 11.3 The termination of this agreement does not affect any claim which either party may have against the other.

- 11.4 If after two (2) years from the date of execution of this agreement, the Law and/or ASIC Policy Statements are such that the Client is no longer required to engage the services of a custodian for the Schemes, then the Client may terminate this agreement on not less than three (3) months notice in writing to Permanent.
- 11.5 Subject to this agreement, on termination of this agreement Permanent must, at the expense of the Client, promptly transfer, or cause any Sub-custodian to transfer, the assets of the Portfolio, to or according to the Instructions of the Client (subject to any contrary direction given to Permanent which has the lawful effect of overriding this provision), and the Client agrees promptly to accept the transfer or give the necessary Instructions for the transfer of those assets. Permanent must also, at the expense of the Client, promptly deliver or cause any Sub-custodian to deliver, any documents evidencing title to those assets which it is holding, to or according to the Instructions of the Client. Notwithstanding the provisions of this clause, Permanent may retain any assets which it is lawfully permitted to retain in the exercise of its rights under this agreement.
- 11.6 Upon termination of this agreement pursuant to clause 11.2(c), Permanent shall act upon the instructions of ASIC or an entity properly appointed in relation to a Scheme to the exclusion of the rights of the Client and shall deal with the Portfolio and all books, records, or other material held by it in relation thereto in accordance with the instructions of ASIC or such other entity to the exclusion of any orders, requests or directions from the Client.
- 11.7 Notwithstanding any other provision of this agreement, if ASIC or a Court having jurisdiction has made a written order vesting the property of the Client in relation to a Scheme in another person, Permanent may, upon the receipt of notice of such vesting order, disregard any future Instructions of the Client in relation to a Scheme and any existing Instructions of the Client in relation to a Scheme which have not been fully performed and take instructions in relation to any matter affecting a Scheme from ASIC or such other person.

12. COSTS AND STAMP DUTY

- 12.1 The Client shall pay Permanent's reasonable professional costs, including external legal expenses in connection with the preparation, execution and completion of this agreement and of other documentation related to this agreement.
- 12.2 The Client agrees to bear any stamp duty payable or assessed in connection with this agreement and the transfer of any property to Permanent to form part of the Portfolio. The Client must indemnify Permanent on demand against any liability for that stamp duty (including fines and penalties).

13. NOTICES

Any notice under this agreement shall be in writing and:-

- (a) may be sent to the address, or facsimile number set out in schedule 7 or to any other address or facsimile number that either party may specify in writing to the other;
- (b) is taken to have been given or made:-
- (i) (in the case of delivery in person) when delivered to the address set out in schedule 7;
 - (ii) (in the case of delivery by post) on the second Business Day after posting; or

- (iii) (in the case of delivery by facsimile) on production of a transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the correct number,

but if the notice is taken to have been given or made on a day which is not a Business Day or is later than 5.00pm (local time) it will be taken to have been duly given at the commencement of the next Business Day.

14. EXERCISE OF RIGHTS

A party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a party does not prevent a further exercise of that or of any other right, power or remedy. Failure by a party to exercise or delay in exercising a right, power or remedy does not prevent its exercise.

15. NO WAIVER

No failure to exercise or any delay in exercising any right, power or remedy under this agreement operates as a waiver. No single or partial exercise of any right, power or remedy precludes any other or further exercise of that right or any other right, power or remedy.

16. SURVIVAL OF INDEMNITIES

Each indemnity in this agreement is a continuing obligation, separate and independent from the other obligations of the parties and survives termination of this agreement.

17. ENFORCEMENT OF INDEMNITIES

It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity conferred by this agreement.

18. ASSIGNMENT

A party may not assign any of its rights or obligations under this agreement without the prior written consent of the other party.

19. CONFIDENTIALITY

19.1 All information exchanged between the parties under this agreement or during the negotiations preceding this agreement is confidential to the party supplying the information and may not be disclosed to any person except:-

- (a) to employees, legal advisers, auditors and other consultants of either party or its related bodies corporate requiring the information for the purposes of this agreement;
- (b) with the consent of the party who supplied the information;
- (c) if the information is, at the date this agreement is entered into, lawfully in the possession of the recipient of the information through sources other than the party who supplied the information;
- (d) if required for the purposes of implementing transaction, dealing or matter pursuant to this agreement or by law or a stock exchange;

- (e) if required in connection with legal proceedings relating to this agreement; or
- (f) if the information is generally and publicly available other than as a result of breach of confidence by the person receiving the information.

19.2 A party disclosing information under clause 19.1(a) or clause 19.1(b) must use all reasonable endeavours to ensure that persons receiving confidential information from it do not disclose the information except in the circumstances permitted in clause 19.1.

20. FURTHER ASSURANCES

Each party agrees on the request of the other party to do everything reasonably necessary to give effect to this agreement and the transactions contemplated by it (including the execution of documents) and to use all reasonable endeavours to cause relevant third parties to do likewise.

21. FORCE MAJEURE

Where a party is unable, wholly or in part, because of any thing which is not reasonably within its control other than lack of funds ('force majeure') to carry out any obligation under this agreement, and it:

- (a) gives the other party prompt notice of that force majeure with reasonably full particulars and, in so far as known, the probable extent to which it will be unable to perform or be delayed in performing that obligation; and
- (b) uses all reasonable endeavours to remove that force majeure as quickly as possible,

that obligation is suspended so far as it is affected by the continuance of that force majeure. Any obligation to pay money is not excused by force majeure, save for any obligation of Permanent to pay money where Permanent is entitled to an indemnity from the Client under this agreement in relation to the Portfolio and there is insufficient money in the relevant Portfolio to pay such money.

22. ENTIRE AGREEMENT

This agreement contains the entire agreement between the parties with respect to its subject matter. It sets out the only conduct relied on by the parties and supersedes all earlier conduct by them or prior agreement between them with respect to its subject matter.

23. AMENDMENT

This agreement may be amended only by another document signed by both the parties.

24. DISPUTES OR CONFLICTING CLAIMS

24.1 Where there is a dispute between Permanent and the Client in relation to any matter under this agreement, then any party may refer the matter for decision to an independent expert agreed to by the parties, and failing agreement, an independent expert nominated by the President of the Queensland Law Society. The costs incurred in the determination of the matter by the expert (including the costs of the appointment of the expert) shall be borne by the party or parties as determined by the expert. The decision of the expert shall be final and binding on the parties.

- 24.2 If any dispute or conflicting claim is made by any person or persons with respect of any asset Custodially Held, Permanent shall be entitled to refuse to act in respect of that asset until either:
- (a) such dispute or conflicting claim has been finally determined by a court of competent jurisdiction or settled by agreement between conflicting parties, and Permanent has received written evidence satisfactory to it of such determination or agreement; or
 - (b) Permanent has received an indemnity, reasonably satisfactory to it, to hold it harmless from and against any and all loss, liability and expense which Permanent may incur as a result of its actions.

25. SEVERABILITY

Each part of this agreement is severable from the balance of this agreement. If any part of this agreement is illegal, void, invalid or unenforceable, then that will not affect the legality, effectiveness, validity or enforceability of the balance of this agreement.

26. GOVERNING LAW AND JURISDICTION

This agreement is governed by the laws of Queensland. The parties submit irrevocably and unconditionally to the non-exclusive jurisdiction of the courts of Queensland and courts of appeal from them in relation to any matter or dispute concerning this agreement or the transactions contemplated by this agreement.

27. COUNTERPARTS

This agreement may be executed in any number of counterparts. All counterparts taken together will be taken to constitute one agreement.

EXECUTED as an agreement.

THE COMMON SEAL of
PERMANENT TRUSTEE AUSTRALIA
LIMITED ACN 008 412 913
is affixed in accordance with
its articles of association in the presence of:



Raelene Harrison
A ~~Director~~ Secretary
Raelene Harrison

David Davis
A ~~Secretary or appointed person~~ Director
David Davis

THE COMMON SEAL of
LM INVESTMENT MANAGEMENT
LTD ACN 077 208 461
is affixed in accordance with
its constitution in the presence of:



[Signature]
A Director

[Signature]
A Secretary
Director

SCHEDULE 1

Authorised Persons (Clause 1.1)

Client

The Client's Authorised Persons are each of the group "A" signatories and the group "B" signatories appearing on the attached authorised signatories list dated 18 January 1999 and marked "AA" or such later corresponding lists as may be forwarded by the Client to Permanent from time to time.

The Client will clearly identify instructions to Permanent as either Level 1 or Level 2 instructions.

Level 1 - any "A" signatory together with any "B" signatory are authorised to give Level 1 instructions.



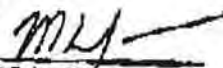

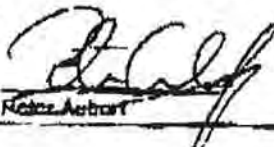

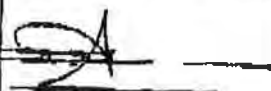

Level 2 - any "B" signatory together with any other "B" signatory are authorised to give Level 2 instructions.

Permanent





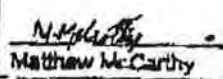

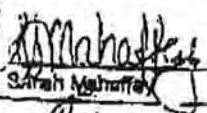







Permanent's Authorised Persons are each of the group "A" attorneys and the group "B" attorneys appearing on the attached specimen signature list dated 23 September 1998 and marked "BB" or such later corresponding lists as may be forwarded by Permanent to the Client from time to time.

AA

Group "A" signatories

 Peter Drake	 Initials	 Michael Dwyer	 Initials
 Peter Acbrat	 Initials	 Adrian Arnes	 Initials

Group "B" signatories

 Jane Burt	 Initials	 Shelley Chalmers	 Initials
 Matthew McCarthy	 Initials	 Sarah Mahaffey	 Initials
 Valda McAnakin	 Initials	 Kym de Jager	 Initials
 Lisa Jensen	 Initials		

"BB"



**PERMANENT TRUSTEE COMPANY LIMITED
A.C.N. 000 000 993**

Subsidiary Companies:

- Permanent Registry Limited A.C.N. 000 334 636
- Permanent Custodians Limited A.C.N. 001 426 384
- Permanent Depository Limited A.C.N. 003 278 831
- Permanent Trustee Australia Limited A.C.N. 008 412 913
- Permanent Nominees (Aust.) Limited A.C.N. 000 154 441
- Superannuation Nominees Pty. Limited A.C.N. 000 305 233
- Permanent Property Management Limited A.C.N. 002 232 573
- Permanent Trustee Company (Canberra) Limited A.C.N. 008 390 387
- Rental Housing Custodians Limited A.C.N. 003 284 437

***THIS LIST OF AUTHORISED SIGNATORIES
IS FOR***

- A) *Operation of Bank Accounts***
Authority to operate on a bank account will be as specified in the Authority to Operate held by the bank for the account.
- B) *Dealings With Inscribed Stock***
Any two "A" signatories jointly or any "A" signatory together with any "B" signatory are authorised to sign documentation and give instructions.
- C) *Signing As An Attorney***
Pursuant to Power of Attorney dated 2 June 1993 any two "A" signatories jointly or any "A" signatory together with any "B" signatory, unless otherwise specified, may exercise the power and authorities given by the Power of Attorney.

I, Peter Ham, Company Secretary, certify that this document is a true photographic copy of the specimen signatures of the persons designated pursuant to authority delegated by the Board on 20 October 1993 as signatories and attorneys of Permanent Trustee Company Limited and its subsidiary companies.

Peter Ham, Company Secretary Dated 23 September 1998

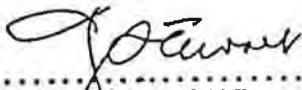



PERMANENT TRUSTEE COMPANY LIMITED
A.C.N. 000 000 993

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- Permanent Nominees (Aust.) Limited A.C.N. 000 134 441
- Superannuation Nominees Pty. Limited A.C.N. 000 305 233
- Permanent Property Management Limited A.C.N. 002 232 573
- Permanent Trustee Company (Canberra) Limited A.C.N. 008 390 387
- Rental Housing Custodians Limited A.C.N. 003 284 437

GROUP "A" SIGNATORIES

 GLUSKIE Laurence John	 THAME John Michael
 N.H. GRACE	 C.W. STEWART
 T. R. MORLING	 R. B. WILLING
 SAVILLE Duncan Paul	

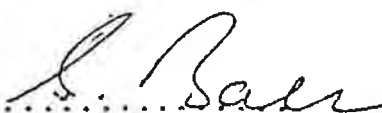
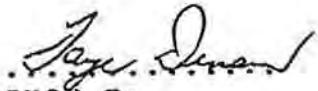
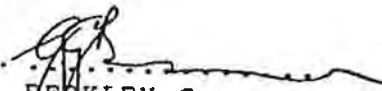

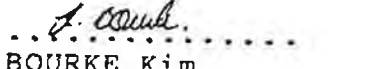
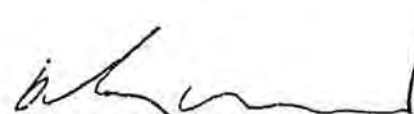

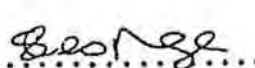

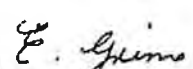




**THE SIGNATORIES SET OUT IN THIS PAGE
 ARE APPLICABLE ONLY IN RESPECT
 OF THE COMPANIES' BANK ACCOUNTS**

Subsidiary Companies:

- Permanent Registry Limited A.C.N. 000 334 634
- Permanent Custodians Limited A.C.N. 001 426 384
- Permanent Depository Limited A.C.N. 003 278 831
- Permanent Trustee Australia Limited A.C.N. 008 412 913
- Permanent Nominees (Asst.) Limited A.C.N. 000 154 441
- Superannuation Nominees Pty. Limited A.C.N. 000 305 233
- Permanent Property Management Limited A.C.N. 002 232 573
- Permanent Trustee Company (Canberra) Limited A.C.N. 006 390 387
- Rental Housing Custodians Limited A.C.N. 003 284 437



GROUP "A" SIGNATORIES

 BALL Steven S.B. INITIALS	 DIXON Faye D INITIALS
 EEKLEY Greg G.E. INITIALS	 EZRA Evan E.E. INITIALS
 BOURKE Kim K.B. INITIALS	 GAUNT David D.G. INITIALS
 CAMERON Bruce B.C. INITIALS	 GEORGE Sandra S.G. INITIALS
 CUMBERS Helen H.C. Initials	 GRIME Elaine E.G. INITIALS
 DANIS Tania T.K.D. INITIALS	 GUTHRIE Clive C.G. INITIALS
 DAVIS David D.D. INITIALS	 HALL John J.H. INITIALS



Subsidiary Companies:

- Permanent Registry Limited A.C.N. 000 334 434
- Permanent Custodians Limited A.C.N. 001 424 384
- Permanent Depository Limited A.C.N. 003 378 831
- Permanent Trustee Australia Limited A.C.N. 008 412 913
- Permanent Nominees (Asst.) Limited A.C.N. 000 154 441
- Superannuation Nominees Pty. Limited A.C.N. 000 305 233
- Permanent Property Management Limited A.C.N. 002 282 573
- Permanent Trustee Company (Carbers) Limited A.C.N. 008 390 387
- Rental Housing Custodians Limited A.C.N. 003 284 437

GROUP "A" SIGNATORIES

<p><i>Irene Meyer</i> MEYER Irene</p>	<p><i>I</i> INITIALS</p>	<p><i>Wayne Overall</i> OVERALL Wayne</p>	<p><i>W Overall</i> INITIALS</p>
<p><i>Peter Monahan</i> MONAHAN Peter</p>	<p><i>PM</i> INITIALS</p>	<p><i>Christine Page</i> PAGE Christine</p>	<p><i>CP</i> INITIALS</p>
<p><i>Sean Murphy</i> MURPHY Sean</p>	<p><i>SM</i> INITIALS</p>	<p><i>Giuseppe Polito</i> POLITO Giuseppe</p>	<p><i>G</i> INITIALS</p>
<p><i>John Newby</i> NEWBY John</p>	<p><i>JN</i> INITIALS</p>	<p><i>Garry Quan</i> QUAN Garry</p>	<p><i>GK</i> INITIALS</p>
<p><i>Terence Nilon</i> NILON Terence</p>	<p><i>TN</i> INITIALS</p>	<p><i>Devi Raju</i> RAJU Devi</p>	<p><i>DR</i> INITIALS</p>
<p><i>John O'Connell</i> O'CONNELL John</p>	<p><i>JO</i> INITIALS</p>		



GROUP "A" SIGNATORIES

 HAM Peter	 INITIALS	 KENNEDY Seamus	 INITIALS
 HEATHER David	 INITIALS	 LIM Seniwaty	 INITIALS
 HOGAN Andrew	 INITIALS	 MACKRELL Geoffrey	 INITIALS
 ISAACS Ashley	 INITIALS	 McINTOSH Pamela	 INITIALS
 JONES Suzanne	 INITIALS	 McKASKILL Grant	 INITIALS
 KENNEDY Paul	 INITIALS	 MEAGHER Mark Philip	 INITIALS



Subsidiary Companies:

- Permanent Registry Limited A.C.N. 000 334 636
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- Permanent Trustee Company (Canberra) Limited A.C.N. 008 390 387
- Rental Housing Custodians Limited A.C.N. 000 284 437

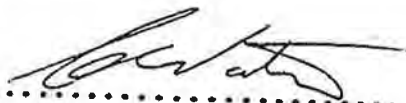


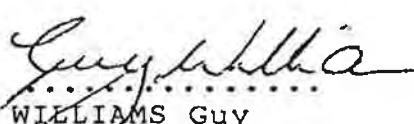

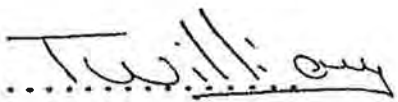
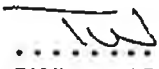
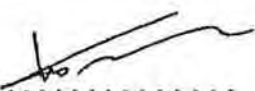


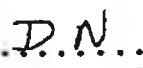
GROUP "A" SIGNATORIES

 RAPHAEL Stephen	 INITIALS	 SILAVECKY Stenick	 INITIALS
 RAVI Sai	 Initials	 STEELE Anthony	 INITIALS
 SCOTT Edward	 INITIALS	 STEWART Rodney	 INITIALS
 SCOTT Janine	 INITIALS	 SZEGHO Howard	 INITIALS
 SCOTT Julia	 INITIALS	 TSOTSOS Michael	 Initials
 SHAW Graham Ian	 INITIALS	 WALL John	 INITIALS



Subsidiary Companies:
 Permanent Registry Limited A.C.N. 000 334 436
 Permanent Custodians Limited A.C.N. 001 426 384
 Permanent Depository Limited A.C.N. 003 378 831
 Permanent Trustee Australia Limited A.C.N. 008 412 913
 Permanent Nominees (Asst.) Limited A.C.N. 000 154 441
 Superannuation Nominees Pty. Limited A.C.N. 000 305 233
 Permanent Property Management Limited A.C.N. 003 231 573
 Permanent Trustee Company (Canberra) Limited A.C.N. 008 390 387
 Rental Housing Custodians Limited A.C.N. 003 284 437

GROUP "A" SIGNATORIES

<p> WATSON Christopher Francis Int.</p>	
<p> WELLENS Richard</p> <p> INITIALS</p>	
<p> WILLIAMS Guy</p> <p> INITIALS</p>	
<p> WILLIAMS Tracy</p> <p> INITIALS</p>	
<p> WONG Ivan</p> <p> INITIALS</p>	
<p> WOOD Derek</p> <p> INITIALS</p>	

Subsidiary Companies:

- Permanent Registry Limited A.C.N. 000 334 636
- Permanent Custodians Limited A.C.N. 001 426 384
- Permanent Depository Limited A.C.N. 000 278 831
- Permanent Trustee Australia Limited A.C.N. 008 412 913
- Permanent Nominees (Aust.) Limited A.C.N. 000 154 441
- Superannuation Nominees Pty. Limited A.C.N. 000 305 233
- Permanent Property Management Limited A.C.N. 002 232 573
- Permanent Trustee Company (Canberra) Limited A.C.N. 008 390 387
- Rental Housing Custodians Limited A.C.N. 003 284 437



GROUP "B" SIGNATORIES

 ANNETTA Michael	 INITIALS	 CARROLL Michael	 INITIALS
 ASSAF Richard	 INITIALS	 CASTLE Rachel Jane	 Initials
 AYRES, Peter James	 INITIALS	 CAUCHI Lucy	 INITIALS
 BEAVERS Jennie	 Initial	 DAVIS Phillip	 INITIALS
 BESTELINK TIM	 INITIALS	 FARRELL Sandra	 INITIALS
 BOYCE Kenneth	 INITIALS	 FIRKIN Joanne	 Int.
 BRADBURY Debra	 INITIALS	 FOULKES John	 INITIALS

Subsidiary Companies:

- Permanent Registry Limited A.C.N. 000 334 636
- Permanent Custodians Limited A.C.N. 001 426 384
- Permanent Depository Limited A.C.N. 003 278 831
- Permanent Trustee Australia Limited A.C.N. 008 412 913
- Permanent Nominees (Aust.) Limited A.C.N. 000 134 441
- Superannuation Nominees Pty. Limited A.C.N. 000 305 233
- Permanent Property Management Limited A.C.N. 002 232 573
- Permanent Trustee Company (Catheter) Limited A.C.N. 008 390 387
- Rental Housing Custodians Limited A.C.N. 003 284 437



GROUP "B" SIGNATORIES

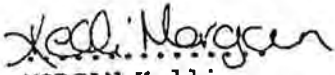



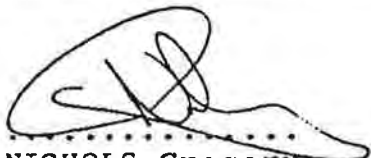

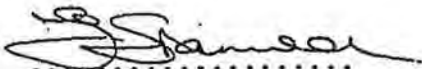

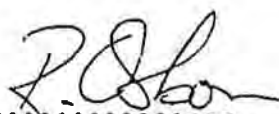

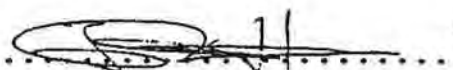



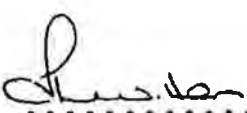







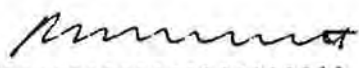

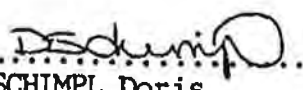

 GLOVER Stephen	 INITIALS	 LU Mandy	 INITIALS
 HAYES Lindall	 INITIALS	 MACKIE Bruce	 INITIALS
 HYNARD Fiona	 INITIALS	 MARTIN Richard	 INITIALS
 JACKSON Noleen	 INITIALS	 McBEAN Julie	 INITIALS
 KEIR Harry	 Initials	 McDONALD Martin	 INITIALS
 LAST Pauline	 INITIALS	 MENEGOTT Frank	 INITIALS
 LYALL David	 Int.	 MEIER John	 INITIALS

Subsidiary Companies:

- Permanent Registry Limited A.C.N. 000 334 634
- Permanent Custodians Limited A.C.N. 001 426 384
- Permanent Depository Limited A.C.N. 003 278 831
- Permanent Trustee Australia Limited A.C.N. 008 412 913
- Permanent Nominee (Aust.) Limited A.C.N. 000 134 441
- Superannuation Nominee Pty. Limited A.C.N. 000 305 233
- Permanent Property Management Limited A.C.N. 002 232 573
- Permanent Trustee Company (Canberra) Limited A.C.N. 008 390 387
- Rental Housing Custodians Limited A.C.N. 003 284 437



GROUP "B" SIGNATORIES

 MORGAN Kelli	 INITIALS	 SEMMENS Ashley	 Initials
 NICHOLS Gregory	 INITIALS	 SIAMOIA Toula	 INITIALS
 OSBORNE Robert	 INITIALS	 TCHOPOURIAN Jean-Pierre	 INITIALS
 RANIGA Prathiba	 INITIALS	 WITTON Susan	 INITIALS
 RICHARDSON Michael	 INITIALS	 WRIGHT Mark Anthony	 INITIALS
 SCHEIBMAIR Michelle	 INITIALS	 WRIGHT Michael	 INITIALS
 SCHIMPL Doris	 INITIALS		

SCHEDULE 2

**LIST OF SCHEMES SUBJECT TO THIS AGREEMENT
(Clause 1.1)**

1. LM Select Mortgage Income Fund
2. LM Mortgage Income Fund

SCHEDULE 3

METHODS AND STANDARDS FOR ASSESSING PERMANENT'S PERFORMANCE

(Clause 2.3)

- (a) The Client will monitor the performance of Permanent and will ensure that Permanent continues to meet its commitments for holding the Portfolio of each Scheme the subject of this agreement. The Client will ensure that the contractual arrangements with Permanent remain current and reflect the requirements of each Scheme and the law and that Permanent maintains appropriate arrangements with respect to information providers, registries, Sub Custodians and clearing systems (if relevant).
- (b) Any or all of the policies and procedures developed by the Client in the monitoring of external service providers may be applied to the monitoring of Permanent.
- (c) While Permanent is the custodian of a Scheme, to satisfy these requirements the SCO will meet with an Authorised Person of Permanent on a quarterly basis. In addition to the above matters, in that meeting the SCO will review any other matters with Permanent relating to a Scheme that has arisen in the course of the delivery of services by Permanent.
- (d) The SCO will report any matters of concern that arise during the course of discussion with Permanent to the Client's compliance committee.
- (e) The Client's compliance auditor will also have regard to the performance of Permanent in its assessment of the performance of the Client in meeting the requirements of its compliance plan. In particular the Client's compliance auditor will assess whether Permanent has appropriate compliance and control systems in place. To do so the Client's compliance auditor will liaise with Permanent's auditors to determine the status and appropriateness of Permanent's compliance and control systems on an ongoing basis.
- (f) The Client's compliance auditor will assess whether Permanent has complied with its obligations under this agreement and include the assessment in its annual report to the Client as required by Section 601HG(3)(c) of the Law.
- (g) A copy of any report by the SOC or the Client's compliance auditor prepared in accordance with this schedule, will be provided to Permanent.

SCHEDULE 4

REPORTS AND STATEMENTS

(Clause 7(b))

- | | |
|---|------------------------------|
| 1. (a) Bank reconciliation as at each month end | 10 days after month end |
| (b) List of any cheques cancelled in the month | 10 days after month end |
| 2. Listing of all assets as at each month end | 10 days after month end |
| 3. Bank reconciliation as at each Friday | The following Monday morning |
| 4. List of documents outstanding or intransit | 10 days after month end |
| 5. List of insurance policies due to expire | 10 days after month end |

SCHEDULE 5

FEES

(Clause 8.1)

A Basic custody for mortgage Schemes:

The greater of either:

- (a) \$400.00 per \$1 million of the gross value of the assets of each Scheme (plus GST) per Year; or
- (b) \$20,000 per Year (plus GST) for each Scheme,

payable quarterly in arrears (and pro-rated for the first quarter) from the Commencement Date of the relevant Scheme.

PLUS

An execution fee of \$20 per Document (excluding this agreement) where Permanent is requested by the Client to execute a Document.

B Basic custody for property Schemes:

The greater of either:

- (a) \$400.00 per \$1 million of the gross value of the assets of each Scheme (plus GST) per Year; or
- (b) \$15,000 per Year (plus GST) for each Scheme,

payable quarterly in arrears (and pro-rated for the first quarter) from the Commencement Date of the relevant Scheme.

PLUS

An execution fee of \$20 per Document (excluding this agreement) where Permanent is requested by the Client to execute a Document.

Where:

Commencement Date means the date that Permanent and the Client agree to include a Scheme in Schedule 2 of this agreement;

Document includes but is not limited to a mortgage, discharge of a mortgage, variation of a mortgage, or a contract of sale;

GST means any goods and services tax or tax on the provision of goods and services assessed or charged or assessable or chargeable by, or payable to, any national, Federal, State, or Territory government agency; and

Year means twelve (12) months commencing on the Commencement Date of each Scheme.

SCHEDULE 6

**MINIMUM TERM AND NOTICE PERIOD
(Clause 11.1)**

The minimum term is the period five (5) years from the date of execution of this agreement.

After expiry of the minimum term, termination may occur on not less than three (3) months notice by either party.

SCHEDULE 7

**ADDRESS AND FACSIMILE DETAILS
(Clause 14)**

Permanent's Address: Level 8, 410 Queen St, BRISBANE QLD 4000

Facsimile: (07) 3842 7159

Client's Address: LM INVESTMENT MANAGEMENT LTD
Level 4, RSL Centre, 44A Cavill Avenue, Surfers Paradise QLD 4217

Facsimile: (07) 55 922 505

140216/v2

16 JUN 1999

FAXED
15/09/99



**Permanent Trustee
Company Limited**
A.C.N. 000 000 993

8th Floor
410 Queen Street
Brisbane Qld. Australia 4000
G.P.O. Box 667
Brisbane Qld. 4001
DX 286 Brisbane
Telephone (07) 3842 7100
Fax (07) 3842 7159

14 June 1999

Our ref:tw:cor:lm

Mr P. Aubort
LM Investment Management Limited
P.O. Box 485
SURFERS PARADISE. QLD. 4217

Dear Peter,

RE: CUSTODY AGREEMENT

As you are aware, the relationship between LM Investment Management Limited (LMIM) and Permanent trustee Australia Limited (Permanent is governed by the Custody Agreement (the Agreement) dated 4 February 1999, together with subsequent amendments as agreed.

Following discussions, the parties have agreed to amend the Agreement so as to authorise:

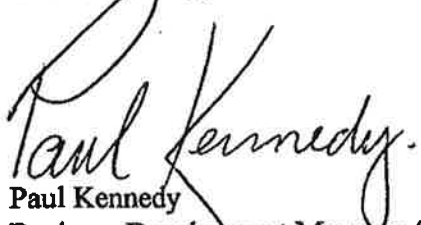
- Permanent to execute periodic debit documents and forms (as requested by LMIM); and
- LMIM to automatically deduct or pay amounts from accounts held by Permanent containing assets of the portfolio.

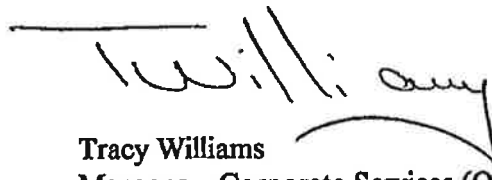
Accordingly, the Agreement requires amendments to include and reflect these changes. The proposed amendment is attached for your review (refer Clause 3.15 of the attached Agreement).

Acceptance


If all is in order, we would appreciate it if two authorised persons of LMIM would sign this letter confirming acceptance of the above. The signing of this letter by both parties will amend the Agreement under clause 23 of the Agreement. Please return the signed letter and the amended Agreement to the writers as soon as possible.

Yours sincerely,


Paul Kennedy
Business Development Manager (Qld)


Tracy Williams
Manager – Corporate Services (Qld)


Authorised person Peter Auzan
LM Investment Management Limited


Authorised person
LM Investment Management Limited

- 3.8 Permanent may appoint or engage at the Client's expense accountants, auditors, barristers, solicitors, advisers, consultants, brokers, counterparties, couriers or other persons (not being persons appointed under clause 6.1) where it reasonably considers their appointment or engagement necessary or desirable for the purposes of exercising its powers or performing its duties under this agreement. Permanent is not liable for any loss, damage or expense suffered or incurred as a result of any act of omission whatever (including a negligent act or omission) of a person appointed or engaged under this clause 3.8.
- 3.9 Persons appointed or engaged in accordance with clause 3.8 or 6.1 may be related to or associated with Permanent and may be paid and receive their normal fees or commissions.
- 3.10 Permanent may in the ordinary course of its business, without reference to the Client, effect transactions in which Permanent has directly or indirectly a material interest, or a relationship of any kind with another person, which may involve a potential conflict with Permanent's duty to the Client, and Permanent is not liable to account to the Client for any profit, commission or remuneration made or received in relation to those transactions or any connected transactions. A reference in this clause 3.10 to Permanent includes a Sub-custodian, and Permanent shall in any event act in a bona fide manner in relation to any such transaction.
- 3.11 Permanent and its Sub-custodians may for convenience or expedience use Austraclear, RITS, CHESSE, SWIFT and/or any other electronic funds or assets transfer system whether within Australia or overseas.
- 3.12 Permanent is authorised to comply with any obligations imposed on it by law.
- 3.13 Permanent may do any other things which it considers necessary, desirable, incidental to or in furtherance of the matters referred to in this clause 3 or clause 4.
- 3.14 Subject to this agreement, Permanent has absolute discretion as to the exercise of all powers, authorities and discretion vested in it under this agreement.
- 3.15 Permanent is authorised to execute periodic debit documents and third party bank account access forms, principal and third party on-line operation forms and similar forms or agreements (the "Forms"), as requested by the Client from time to time, which authorise and or allow the Client to automatically deduct or pay amounts from accounts held by Permanent containing assets of the portfolio. Notwithstanding Clause 3.3, Permanent may allow amounts to be deducted from accounts containing assets of the Portfolio pursuant to the Forms without obtaining Instructions from the client. Other than where Permanent is fraudulent the Client indemnifies Permanent for any indemnity, warranty or obligation given by or imposed on Permanent in or pursuant to any such Form or arrangement.

4. DUTIES OF PERMANENT

- 4.1 The Client is responsible for taking all decisions in relation to the Portfolio and properly communicating to Permanent Instructions in relation to the assets of the Portfolio. Subject to this agreement, Permanent must act on the Client's Instructions in relation to any assets of the Portfolio. If Permanent does not have Instructions, Permanent is not required, subject to this agreement, to make any payment or take any other action in relation to any matter concerning any asset in a Portfolio.

Amending Deed

Date: 1st day of September 2004.

Parties: **PERMANENT TRUSTEE AUSTRALIA LIMITED** (ACN 008 412 913) of Level 4, 35 Clarence Street, Sydney NSW ("**Permanent**") and,

LM INVESTMENT MANAGEMENT LTD (ACN 004 027 749) of Level 4, RSL Centre, 44A Cavill Avenue, Surfers Paradise, Queensland ("**Client**").

Recitals:

- A. The Client and Permanent entered into a Custody Agreement dated 4 February 1999 (the "Custody Agreement").
- B. The Custody Agreement appointed Permanent as custodian of the Assets of those Schemes specified in the Custody Agreement.
- C. The Custody Agreement was amended by including additional Schemes on 20 May 1999, 24 May 2000, 18 March 2002 and 19 November 2002.
- D. The Client wishes to appoint Permanent as custodian of an additional scheme not included in the Custody Agreement or subsequent amendments and the Custodian has agreed to accept the appointment in relation to the additional scheme on the terms and conditions of the Custody Agreement
- E. Under clause 23 of the Custody Agreement, the Client and Permanent may amend the Custody Agreement by deed. The parties have agreed to amend the Custody Agreement to include the additional appointment as set out herein.

Terms:

- 1. In this Deed, the words and phrases shall have the same meaning as in the Custody Agreement.
- 2. The Custody Agreement is amended by deletion of Schedule 2 and its replacement with the Schedule 2 set out as Annexure "A".

3. The Custody Agreement is amended by deletion of Schedule 3 and its replacement with the Schedule 3 set out as Annexure "B".
4. The Custody Agreement is amended by deletion of Schedule 5 and its replacement with the Schedule 5 set out as Annexure "C".
5. The amendments set out in this Deed shall take effect on and from the date of this Amending Deed.
6. Except as expressly stated in Clauses 2 , 3 and 4 of this Amending Deed, the terms of the Custody Agreement are not amended by this Amending Deed.

Executed as a Deed on the date first stated:

) **EXECUTED BY LM INVESTMENT**)
MANAGEMENT LTD ACN 077 208 461)
 in accordance with section 127 (i) of the)
 Corporation Act by the authority of its)
 directors:)



Signature of Secretary/Director




Signature of Director

) **PERMANENT TRUSTEE AUSTRALIA LIMITED A.C.N. 008 412 913**
 by its Attorneys who state that they have no notice of revocation of the
 Power of Attorney dated 2nd June 1993, whereby they execute this deed
 document or instrument.

Power of Attorney No.....

Group A Attorney

Group A Attorney

Signature. 



Annexure A

Schedule 2

LIST OF SCHEMES SUBJECT TO THIS AGREEMENT

1. LM Select Mortgage Income Fund
2. LM Mortgage Income Fund
3. LM Cash Performance Fund
4. LM Special Performance Fund
-) 5. LM Wholesale Mortgage Income Fund
6. LM Property Performance Fund
7. LM Currency Protected Australian Income Fund

ANNEXURE B

SCHEDULE 3

METHODS AND STANDARDS FOR ASSESSING PERMANENT'S PERFORMANCE

- (a) The client will monitor the performance of Permanent and will ensure that Permanent continues to meet its commitments for holding the Portfolio of each Scheme the subject of this agreement. The Client will ensure that the contractual arrangements with Permanent remain current and reflect the requirements of each Scheme and the law and that Permanent maintains appropriate arrangements with respect to information providers, registries, Sub Custodians and clearing systems (if relevant).
- (b) Any or all the policies and procedures developed by the Client in the monitoring of external service providers may be applied to the monitoring of Permanent.
- (c) While Permanent is the custodian of a Scheme, to satisfy these requirements the SCO will meet with an Authorised Person of Permanent on a yearly basis or more frequent as required. In addition to the above matters, in that meeting the SCO will review any other matters with Permanent relating to a Scheme that has arisen in the course of the delivery of services by Permanent.
- (d) The SCO will report any matters of concern that arise during the course of discussion with Permanent to the Client's compliance committee.
- (e) The Client's compliance auditor will also have regard to the performance of Permanent in its assessment of the performance of the Client in meeting the requirements of its compliance plan. In particular the Client's compliance auditor will assess whether Permanent has appropriate compliance and control systems in place. To do so the Client's compliance auditor will liaise with Permanent's auditors to determine the status and appropriateness of Permanent's compliance and control systems on an ongoing basis.
- (f) The Client's compliance auditor will assess whether Permanent has complied with its obligations under this agreement and include the assessment in its annual report to the Client as required by Section 601HG(3)(c) of the law.
- (g) A copy of any report by the SOC or the Client's compliance auditor prepared in accordance with this schedule, will be provided to Permanent.

Annexure "C"

Schedule 5

FEES: (Clause 8.1)

A Basic Custody for mortgage Schemes;

The greater of either:

- (a) \$400.00 per \$1 million of the gross value of the assets of each Scheme (plus GST) per Year; or
- (b) \$20,000 per Year (plus GST) for each Scheme,

payable quarterly in arrears (and pro-rated for the first quarter) from the Commencement Date of the relevant Scheme.

PLUS

An execution fee of \$20 per Document (excluding this agreement) where Permanent is requested by the Client to execute a Document.

B Basic custody for property Schemes:

The greater of either:

- (a) \$400.00 per \$1 million of the gross value of the assets of each Scheme (plus GST) per Year; or
- (b) \$15,000 per Year (plus GST) for each Scheme.

payable quarterly in arrears (and pro-rated for the first quarter) from the Commencement Date of the relevant Scheme.

PLUS

An execution fee of \$20 per Document (excluding this agreement) where Permanent is requested by the Client to execute a Document.

C Basic Custody for the LM Cash Performance Fund (LMCPF Scheme):

The greater of either:

- (a) \$300.00 per \$1 million of the gross value of the assets of the LMCPF Scheme (plus GST) per year up to and including \$500 million; plus \$200.00 per \$1 million of the gross value of the assets of the LMCPF Scheme (plus GST) per Year for the amounts over \$500 million; or

(b) \$15,000 per Year (plus GST),

payable quarterly in arrears (and pro rated for the first quarter) from the Commencement Date of the LMCPF Scheme.

D Basic Custody for the LM Special Participation Fund

(a) \$10,000.00 per Year (plus GST),

payable quarterly in arrears (and pro-rated for the first quarter) from the Commencement Date of the Scheme.

E Basic Custody for the LM Wholesale Mortgage Income Fund:

The greater of either:

-) (a) \$400.00 per one million gross value of the assets of each Scheme (plus GST) per Year; or
(b) \$10,000 per year (plus GST) for each Scheme,

payable quarterly in arrears (and pro-rated to the first quarter) from the Commencement Date of the Relevant Scheme.

F Basic Custody for the LM Currency Protected Australian Income Fund:

The greater of either:

- (a) \$400.00 per one million gross value of the assets of each Scheme (plus GST) per Year; or
(b) \$20,000 per year (plus GST) for each Scheme,

) payable quarterly in arrears (and pro-rated to the first quarter) from the Commencement Date of the Relevant Scheme.

In making the calculation of 4 bps, the Total Assets of the Fund is to exclude funds invested in the LM Mortgage Income Fund, so as to avoid "double-counting" (as the Fund will only invest in the LM Mortgage Income Fund and cash). As such, the minimal annual fee of \$20,000 is likely to always apply.

Where:

Commencement Date means the date that Permanent and the Client agree to include a Scheme in Schedule 2 of this agreement;

Document includes but is not limited to a mortgage, variation of a mortgage or a contract of sale;

GST means any goods and services tax or tax on the provision of goods and services assessed or charged or assessable or chargeable by, or payable to, any National, Federal, State, or Territory government agency; and

Year means twelve (12) months commencing on the Commencement date of each Scheme.