

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

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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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CERTIFICATE OF EXHIBIT

VOLUME 3 OF 3

Exhibit "DW-130" (pages 428 to 599) 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

Fax: (07) 300 300 33

Investment Product id: 000032 LM First Mortgage Income Fund

Product Class: Retail Investor

Effective date: 29/11/2012

Customer account	Name	Address	Term	Investment Ac Num.	Account Status	Investment Currency	Unit Balance	Effective Unit Price	Balance in Currency	Balance in AUD	Market Rate	Maturity Date
101304			1Y	10000006	Active	AUD	17,500.00	0.5900	10,325.00	10,325.00	1.000000	25/02/2013
101307			1Y	10000007	Active	AUD	44,044.33	0.5900	25,986.15	25,986.15	1.000000	30/10/2008
101318			1Y	10000021	Active	AUD	10,000.00	0.5900	5,900.00	5,900.00	1.000000	30/11/2012
101331			1Y	10000030	Active	AUD	40,000.00	0.5900	23,600.00	23,600.00	1.000000	5/04/2013
101336			1Y	10000036	Active	AUD	30,000.00	0.5900	17,700.00	17,700.00	1.000000	11/08/2013
101341			1Y	10000039	Active	AUD	81,056.70	0.5900	47,823.45	47,823.45	1.000000	28/05/2013
101354			1Y	10000049	Active	AUD	10,000.00	0.5900	5,900.00	5,900.00	1.000000	28/02/2013
101359			13M	10000054	Inactive	AUD	19,983.01	0.5900	11,789.98	11,789.98	1.000000	4/08/2010
101368			1Y	10000063	Active	AUD	36,000.00	0.5900	21,240.00	21,240.00	1.000000	30/05/2009
101369			1Y	10000064	Active	AUD	45,006.53	0.5900	26,553.85	26,553.85	1.000000	29/09/2008
101370			1Y	10000065	Active	AUD	60,000.00	0.5900	35,400.00	35,400.00	1.000000	30/11/2008
101374			2Y	10000067	Active	AUD	24,000.00	0.5900	14,160.00	14,160.00	1.000000	1/10/2013
101381			1Y	10000072	Active	AUD	50,000.00	0.5900	29,500.00	29,500.00	1.000000	30/08/2008
101383			1Y	10000076	Active	AUD	139,198.02	0.5900	82,126.83	82,126.83	1.000000	30/05/2008
101392			1Y	10000083	Active	AUD	41,535.91	0.5900	24,506.19	24,506.19	1.000000	30/01/2010

Customer account	Name	Address	Term	Investment Ac Num.	Account Status	Investment Currency	Unit Balance	Effective Unit Price	Balance in Currency	Balance in AUD	Market Rate	Maturity Date
131401			3M	100261197	Active	EUR	74,133.17	0.5900	43,736.57	54,058.30	1.235941	14/09/2010
131408			1Y	100261239	Active	NZD	15,197.85	0.5900	8,966.73	7,055.42	0.786844	6/07/2009
131409			1Y	100261247	Active	EUR	23,996.30	0.5900	14,157.82	17,498.23	1.235941	7/07/2012
131410			13M	100261254	Active	AUD	20,000.00	0.5900	11,800.00	11,800.00	1.000000	3/12/2013
131421			1Y	100261387	Active	AUD	29,944.30	0.5900	17,667.14	17,667.14	1.000000	3/09/2008
131438			1Y	100261536	Active	GBP	10,821.87	0.5900	6,384.90	9,767.33	1.529754	23/07/2009
131445			13M	100261569	Active	AUD	22,300.56	0.5900	13,157.33	13,157.33	1.000000	9/12/2013
131451			13M	100261718	Active	AUD	22,781.56	0.5900	13,441.12	13,441.12	1.000000	11/09/2010
131459			3M	100261833	Active	NZD	32,814.01	0.5900	19,360.27	15,233.51	0.786844	19/10/2008
131463			13M	100261908	Active	AUD	280,374.66	0.5900	165,421.05	165,421.05	1.000000	18/08/2009
131464			1M	100261924	Active	USD	10,541.19	0.5900	6,219.30	5,937.85	0.954745	23/04/2009
131480			6M	100262054	Active	SGD	254,503.00	0.5900	150,156.77	117,291.65	0.781128	20/01/2009
131484			3M	100262112	Active	NZD	20,000.00	0.5900	11,800.00	9,284.76	0.786844	15/09/2008
131486			6M	100262187	Active	GBP	21,508.53	0.5900	12,690.03	19,412.62	1.529754	17/08/2010
131498			1M	100262336	Active	NZD	109,515.35	0.5900	64,614.06	50,841.18	0.786844	28/12/2008

Customer account	Name	Address	Term	Investment Ac Num.	Account Status	Investment Currency	Unit Balance	Effective Unit Price	Balance in Currency	Balance in AUD	Market Rate	Maturity Date
131499			3M	100262344	Active	NZD	21,800.04	0.5900	12,862.02	10,120.41	0.786844	28/10/2008
131503			13M	100262393	Active	AUD	7,449.16	0.5900	4,395.00	4,395.00	1.000000	21/06/2009
131504			13M	100262401	Active	AUD	47,967.32	0.5900	28,300.72	28,300.72	1.000000	22/08/2009
131505			3M	100262427	Active	GBP	53,226.73	0.5900	31,403.77	48,040.03	1.529754	21/11/2008
131512			13M	100262450	Active	AUD	60,000.00	0.5900	35,400.00	35,400.00	1.000000	24/09/2010
131531			13M	100262716	Active	AUD	10,000.00	0.5900	5,900.00	5,900.00	1.000000	29/08/2009
131558			13M	100262773	Active	AUD	36,298.94	0.5900	21,416.37	21,416.37	1.000000	23/05/2009
131566			13M	100262823	Active	AUD	16,999.38	0.5900	10,029.63	10,029.63	1.000000	1/11/2011
131582			13M	100262880	Active	AUD	113,245.07	0.5900	66,814.59	66,814.59	1.000000	4/12/2012
131583			13M	100262906	Active	AUD	5,600.00	0.5900	3,304.00	3,304.00	1.000000	4/12/2012
131587			1Y	100265941	Active	NZD	711,095.21	0.5900	419,546.17	330,117.38	0.786844	11/11/2013
131588			1Y	100263128	Active	NZD	10,000.00	0.5900	5,900.00	4,642.38	0.786844	10/08/2009
131591			13M	100263102	Active	AUD	50,000.00	0.5900	29,500.00	29,500.00	1.000000	7/12/2012
131600			13M	100263169	Inactive	AUD	50,000.00	0.5900	29,500.00	29,500.00	1.000000	8/12/2012
131605			1Y	100263250	Active	TRY	38,841.27	0.5900	22,916.35	12,212.28	0.532907	13/08/2009

Customer account	Name	Address	Term	Investment Ac Num.	Account Status	Investment Currency	Unit Balance	Effective Unit Price	Balance in Currency	Balance in AUD	Market Rate	Maturity Date
131608			13M	100263292	Active	AUD	34,726.45	0.5900	20,488.61	20,488.61	1.000000	12/12/2012
131611			13M	100263318	Active	AUD	53,507.70	0.5900	31,569.54	31,569.54	1.000000	12/12/2012
131614			13M	100263342	Active	AUD	28,000.00	0.5900	16,520.00	16,520.00	1.000000	12/09/2009
131624			13M	100263375	Active	AUD	40,000.00	0.5900	23,600.00	23,600.00	1.000000	14/11/2011
131634			3M	100263417	Active	NZD	30,000.00	0.5900	17,700.00	13,927.14	0.786844	24/05/2009
131664			1Y	100263581	Active	NZD	14,000.00	0.5900	8,260.00	6,499.33	0.786844	26/08/2009
131673			1M	100263631	Active	AUD	34,675.25	0.5900	20,458.40	20,458.40	1.000000	25/09/2008
131674			1M	100262953	Active	USD	32,770.16	0.5900	19,334.39	18,459.42	0.954745	11/07/2010
131749			13M	100263748	Active	AUD	100,000.00	0.5900	59,000.00	59,000.00	1.000000	27/09/2009
131759			13M	100263763	Inactive	AUD	30,000.00	0.5900	17,700.00	17,700.00	1.000000	1/01/2013
131760			13M	100263771	Active	AUD	34,588.33	0.5900	20,407.11	20,407.11	1.000000	1/01/2013
131773			13M	100263979	Active	AUD	150,000.00	0.5900	88,500.00	88,500.00	1.000000	3/01/2013
131777			1M	100264035	Active	USD	175,912.56	0.5900	103,788.41	99,091.47	0.954745	9/12/2008
131778			13M	100264068	Active	AUD	22,474.26	0.5900	13,259.61	13,259.61	1.000000	5/01/2013
131778			1Y	100264454	Active	AUD	27,223.39	0.5900	16,061.80	16,061.80	1.000000	7/09/2013

Investor Master Register

Customer account	Name	Address	Term	Investment Ac Num.	Account Status	Investment Currency	Unit Balance	Effective Unit Price	Balance in Currency	Balance in AUD	Market Rate	Maturity Date
131792			1M	100264167	Active	USD	12,392.02	0.5900	7,311.29	6,960.42	0.954745	25/12/2012
131807			13M	100264209	Inactive	AUD	20,000.00	0.5900	11,800.00	11,800.00	1.000000	9/12/2011
131809			1Y	100264225	Active	AUD	20,307.27	0.5900	11,981.29	11,981.29	1.000000	9/09/2013
131815			6M	100264274	Active	EUR	115,039.01	0.5900	67,873.02	83,887.05	1.235941	15/09/2009
131815			1Y	100264282	Active	EUR	118,324.02	0.5900	69,811.17	86,282.50	1.235941	13/09/2009
131843			13M	100264506	Active	AUD	6,613.62	0.5900	3,902.04	3,902.04	1.000000	15/10/2009
131844			1M	100280304	Active	USD	79,113.29	0.5900	46,676.84	44,564.48	0.954745	11/04/2011
131850			2Y	100264613	Active	AUD	30,000.00	0.5900	17,700.00	17,700.00	1.000000	18/09/2008
131914			13M	100265040	Active	AUD	100,000.00	0.5900	59,000.00	59,000.00	1.000000	2/02/2013
131924			1Y	100265073	Active	AUD	40,000.00	0.5900	23,600.00	23,600.00	1.000000	3/10/2013
131926			13M	100265123	Active	AUD	30,000.00	0.5900	17,700.00	17,700.00	1.000000	6/01/2012
131940			1Y	100265271	Active	EUR	109,200.22	0.5900	64,428.13	79,629.38	1.235941	13/10/2009
131941			1Y	100265297	Active	EUR	32,738.49	0.5900	19,315.71	23,873.08	1.235941	12/10/2009
131944			6M	100265313	Active	GBP	8,331.15	0.5900	4,915.38	7,519.32	1.529754	13/04/2009
131949			6M	100265347	Active	AUD	152,582.57	0.5900	90,023.72	90,023.72	1.000000	9/04/2009

Investor Master Register

Customer account	Name	Address	Term	Investment Ac Num.	Account Status	Investment Currency	Unit Balance	Effective Unit Price	Balance in Currency	Balance in AUD	Market Rate	Maturity Date
131961			1M	100265438	Inactive	USD	98,798.20	0.5900	58,290.94	55,652.99	0.954745	5/12/2012
131961			1M	100265446	Active	EUR	69,374.90	0.5900	40,931.19	50,588.54	1.235941	5/12/2012
131968			13M	100265487	Active	AUD	45,935.97	0.5900	27,102.22	27,102.22	1.000000	21/12/2010
131990			2Y	100265602	Inactive	AUD	11,594.88	0.5900	6,840.98	6,840.98	1.000000	6/09/2010
131993			13M	100265636	Active	AUD	42,612.81	0.5900	25,141.56	25,141.56	1.000000	19/11/2009
132012			1Y	100265626	Active	AUD	39,312.14	0.5900	23,194.16	23,194.16	1.000000	7/12/2008
132014			1Y	100265867	Active	GBP	82,094.56	0.5900	48,435.79	74,094.83	1.529754	28/10/2009
132016			13M	100265909	Active	AUD	139,121.90	0.5900	82,081.92	82,081.92	1.000000	27/01/2012
132037			3M	100266378	Active	EUR	21,026.24	0.5900	12,405.48	15,332.45	1.235941	17/05/2010
132046			1M	100266564	Active	AUD	1,113.35	0.5900	656.88	656.88	1.000000	4/12/2009
132046			13M	100287770	Active	AUD	10,063.89	0.5900	5,937.70	5,937.70	1.000000	5/12/2009
132048			4Y	100266600	Active	AUD	54,897.73	0.5900	32,389.66	32,389.66	1.000000	18/11/2016
132050			1Y	100266634	Active	AUD	123,809.63	0.5900	73,047.68	73,047.68	1.000000	17/01/2013
132069			1Y	100266808	Active	USD	53,843.18	0.5900	31,767.48	30,329.84	0.954745	11/11/2013
132084			4Y	100266956	Active	AUD	43,692.19	0.5900	25,778.39	25,778.39	1.000000	20/11/2016

Customer account	Name	Address	Term	Investment Ac Num.	Account Status	Investment Currency	Unit Balance	Effective Unit Price	Balance in Currency	Balance in AUD	Market Rate	Maturity Date
132092			1Y	100266980	Active	GBP	31,525.36	0.5900	18,599.96	28,453.36	1.529754	14/03/2012
132092			3M	100266998	Active	HKD	898,343.34	0.5900	530,022.57	65,301.06	0.123204	17/11/2009
132093			13M	100267004	Active	AUD	44,224.52	0.5900	26,092.47	26,092.47	1.000000	11/03/2013
132140			3M	100267269	Inactive	AUD	106,755.92	0.5900	62,985.99	62,985.99	1.000000	18/11/2009
132165			13M	100267418	Active	AUD	43,638.39	0.5900	25,746.65	25,746.65	1.000000	25/02/2012
132185			1Y	100267558	Active	EUR	55,419.38	0.5900	32,697.43	40,412.11	1.235941	28/11/2013
132195			1Y	100267657	Active	AUD	19,149.11	0.5900	11,297.97	11,297.97	1.000000	31/10/2013
132285			1Y	100268804	Active	AUD	33,991.23	0.5900	20,054.83	20,054.83	1.000000	18/12/2008
132299			1Y	100269067	Inactive	AUD	62,533.18	0.5900	36,894.58	36,894.58	1.000000	29/12/2008
132307			13M	100269232	Active	AUD	22,733.87	0.5900	13,412.98	13,412.98	1.000000	31/01/2010
132378			1Y	100269844	Inactive	AUD	26,242.24	0.5900	15,482.92	15,482.92	1.000000	18/09/2013
132382			1Y	100269893	Inactive	AUD	10,671.69	0.5900	6,296.30	6,296.30	1.000000	9/05/2013
132382			1Y	100269901	Inactive	AUD	10,000.00	0.5900	5,900.00	5,900.00	1.000000	14/05/2013
132401			FLEXI	100270073	Active	AUD	1,562.67	0.5900	921.98	921.98	1.000000	
132404			4Y	100270107	Active	AUD	13,770.77	0.5900	8,124.75	8,124.75	1.000000	30/10/2014

Transaction Statement

Statement for the period 01 January 2000 to 26 November 2018

Account Details

Investor ID 117131

Account No.

100261015

Account Name

Investment Fund LM First Mortgage Income Fund

Transaction Details

Date	Type	Currency	Units	Unit Price	Amount
01 Jan 2000	Opening Balance	EUR	0.00		0.00
02 Jul 2008	Investment	EUR	179,962.50	1.0000	179,962.50
05 Jan 2009	Distribution Reinvestment Gross:	EUR	4,664.30	1.0000	4,664.30
05 Jan 2009	Investment Contract Expiry	EUR	(184,626.80)	1.0000	(184,626.80)
05 Jan 2009	Investment Contract Renewal	EUR	184,626.80	1.0000	184,626.80
05 Jan 2010	Investment Contract Expiry	EUR	(195,178.22)	1.0000	(195,178.22)
05 Jan 2010	Investment Contract Renewal	EUR	195,178.22	1.0000	195,178.22
05 Jan 2010	Distribution Reinvestment Gross:	EUR	10,551.42	1.0000	10,551.42
31 Dec 2010	Distribution Payment Pending	EUR			4,342.83
26 Feb 2013	Distribution of Capital	EUR			(3,335.49)
17 Jun 2013	Distribution of Capital	EUR			(1,549.36)
26 Nov 2018	Total Payments Pending	EUR			4,342.83
26 Nov 2018	Closing Balance	EUR	195,178.22	0.1400	27,324.95

SUMMARY OF AMOUNTS IN EACH FOREIGN CURRENCY AND AUD VALUE

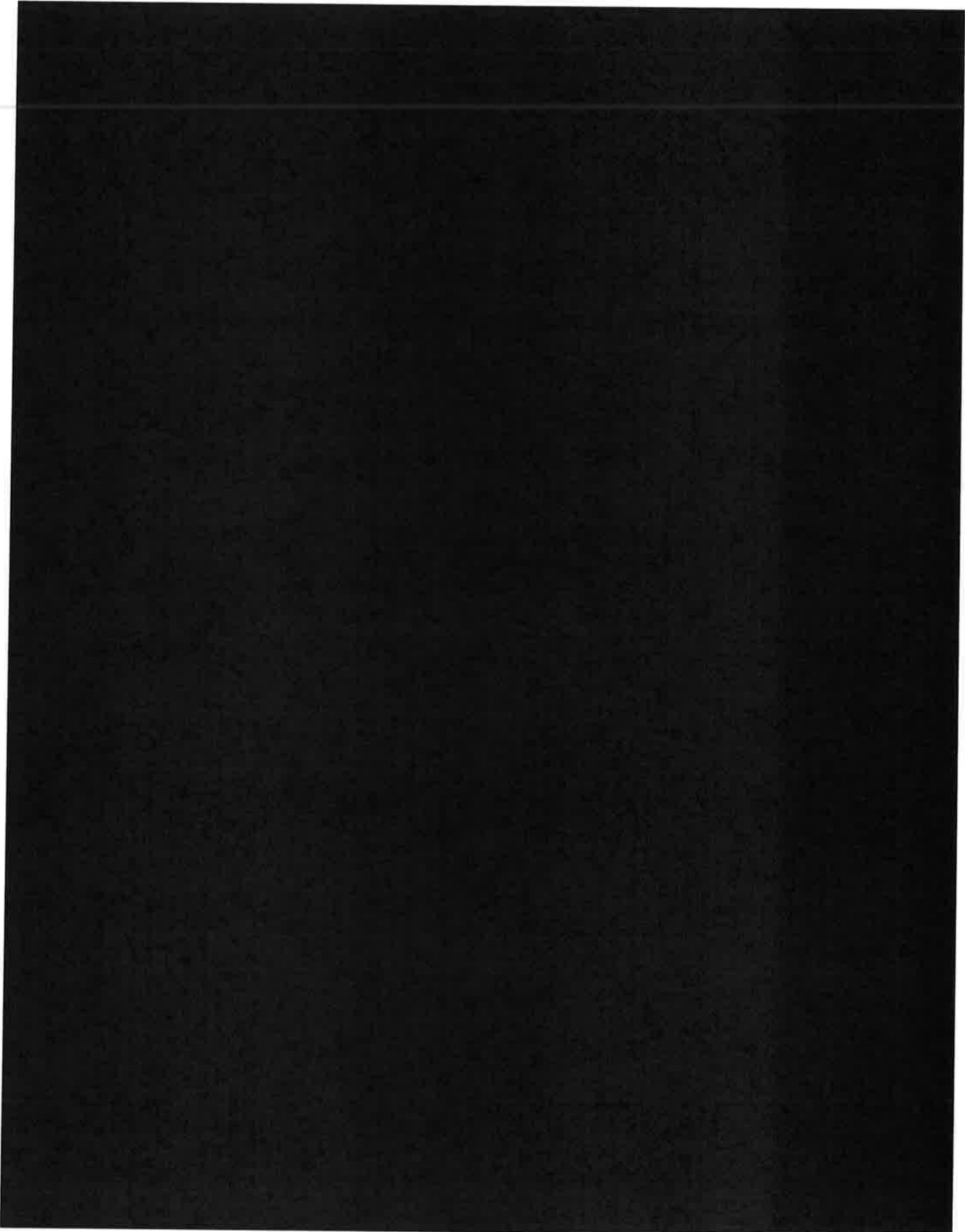
(EXCHANGE RATE 8 AUGUST 2013)

Currency	Investment accounts	Units/full value in foreign currency	Spot rate 08/08/2013	Revalued Units (AUD)
AUD	5032	480,814,228.50	1	480,814,228.50
EUR	12	980,947.64	0.6759	1,451,320.67
USD	20	1,270,385.43	0.9012	1,409,659.82
GBP	26	1,282,373.21	0.5818	2,204,147.84
HKD	1	898,343.36	6.9903	128,512.85
NZD	134	6,001,171.14	1.1326	5,298,579.50
SGD	1	254,503.00	1.1414	222,974.42
THB	2	9,632,203.29	28.25	340,962.95
TRY	3	233,025.93	1.7401	133,915.25
Total foreign		20,552,953.00		11,190,073.30
Foreign currency as % of total		4.1%		2.3%
Total				
Total Investors	4627			

SUMMARY OF AMOUNTS INVESTED IN EACH FOREIGN CURRENCY AND AUD VALUE

(EXCHANGE RATE 29 JANUARY 2019)

Currency	Investment accounts	Units/full value in foreign currency	Spot rate 29/01/2019	Revalued Units (AUD)
AUD	5032	480,814,228.50	1	480,814,228.50
EUR	12	980,947.64	0.6025	1,628,128.87
USD	20	1,270,385.43	0.6971	1,822,386.21
GBP	26	1,282,373.21	0.5237	2,448,679.04
HKD	1	898,343.36	5.2879	169,886.60
NZD	134	6,001,171.14	1.0133	5,922,403.18
SGD	1	254,503.00	0.912	279,060.31
THB	2	9,632,203.29	21.1718	454,954.39
TRY	3	233,025.93	3.82	61,001.55
Total foreign		20,552,953.00		12,786,500.15
Foreign currency as % of total		4.1%		2.6%
Total				
Total Investors	4627			



From: Carolyn Hodge
Sent: Tuesday, 12 February 2013 3:23 PM

To: First administrative group/cn=recipients/cn=dalexander; First Administrative Group/cn=Recipients/cn=EVanderhoven; First Administrative Group/cn=Recipients/cn=apetrik; First Administrative Group/cn=Recipients/cn=kandrews; Dlongan
Subject: RE: classes of the schemes

Our disclosure document covers off how we determine classes. For eg AIF says:

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, as may the unit price payable on application or withdrawal. 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, as well as sub-classes within those classes. The constitution of the Fund expressly refers to "A" class, "B" class, "C" class, "D" class and "E" class units. 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. Each sub-class of unit created by the Manager is treated as a separate class of unit for the purposes of the Corporations Act.

Carolyn Hodge

Senior Marketing Executive | Treasury

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LM Managed Performance Fund underlying asset Maddison Estate featured in Gold Coast Business News, February 2013.

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From: Donna Alexander

Sent: Tuesday, 12 February 2013 3:19 PM

To: Eghard van der Hoven; Carolyn Hodge; Andrew Petrik; Katy Phillips; Dan Longan

Subject: RE: classes of the schemes

In dealing with any of our Funds no lawyer has every suggested that the management fee was connected to varying the interest rates between classes. The only time the varying the management fee came into question was for wholesale investors under differential fee arrangement.

Donna Alexander

Prospectus Coordinator | Treasury

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From: Eghard van der Hoven

Sent: Tuesday, 12 February 2013 3:05 PM

To: Carolyn Hodge; Andrew Petrik; Katy Phillips; Dan Longan

Cc: Donna Alexander

Subject: RE: classes of the schemes

Thanks Carolyn

We all agree we can differentiate between classes but the question pertains more to the mechanism used to allow for the different treatment between different classes. Donna any view on this?

Eghard van der Hoven

Executive Director |

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From: Carolyn Hodge
Sent: Tuesday, 12 February 2013 2:48 PM
To: Andrew Petrik; Eghard van der Hoven; Katy Phillips; Dan Longan
Cc: Donna Alexander
Subject: classes of the schemes

Hi Everyone

Donna has had verbal advice from John Beckinsdale that investors in different classes/sub-classes can be treated differently from other investors in other classes/sub-classes (as long as within the same class/sub-class equally). For example investors in B class in the MPF can have different redemption periods as long as they are separated by sub-class within the B class. Within that sub-class they have to be the same.

The class order issued by ASIC for registered schemes allows members in the same class to be treated differently based on varying the management fee as long as certain criteria are met for example they would be a wholesale investor.

Thanks
Carolyn

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conservative, enhanced and retirement income – debt securities and cash; Luxembourg domiciled SICAV-SIF; Australian equities – protected income and capital protected growth.

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PDS and SPDS CHECKLIST



Name of PDS	Response	If relied on external certification (e.g. lawyers) details of certifier	Comments/Details
Name of Fund LM First Mortgage Income Fund Dated issued 10 April 2008			

GENERAL REQUIREMENTS FOR ALL PDS DOCUMENTS

1. GENERAL DISCLOSURE REQUIREMENT			
Does the PDS include:			
a. statements and information required by section 1013D of the Act and certain other sections (which set out main specific requirements); and		✓	
b. the information required by sections 1013E of the Act (which sets out general content requirements that might reasonably be expected to influence a person in a decision to acquire Units)? (refer to appendix 1 for details)		✓	
2. SPECIFIC CONTENT REQUIREMENT			
Does the PDS include:			
a. The title 'Product Disclosure Statement' on the cover of, or at or near the front of, the PDS. In any other part of the PDS 'Product Disclosure Statement' may be abbreviated to 'PDS'(s1013B);		✓	
b. The PDS must be dated (s1013G). If lodgement with ASIC is required, the date must be the date on which it was lodged;		✓	
c. The PDS must include a statement setting out the name and contact details of the issuer of the units (s1013D (1) (a))?		✓	
d. A statement that a person provides, or is to provide, service in relation to the product/units/fund and if so does it clearly distinguish between that person's role and the role of the RE?	Yes		
3. FEES AND COSTS			
a. Is the information about fees and costs set out in a single section of the PDS with the heading 'Fees and Costs' (Reg 7.9.16N(1))		✓	
b. Does the PDS include details of fees and costs set out in Part 2 of Schedule 10 of the Regulations (particularly the Fees and Costs Template, an example of annual fees and costs and associated notes, and the boxed Consumer Advisory Warning Statement) (refer Appendix 2 for details)		✓	
c. Are the management fees disclosed correctly i.e. current, accurate and in accordance with the constitution?		✓	
4. FORCASTS AND FUTURE STATEMENTS			
a. Does the PDS make statements about future matters?	No		
b. If so are these statements made on reasonable grounds (otherwise they are taken to be misleading) (s769C and PS168.2)?	N/A		
5. DISCLOSING ENTITY REQUIREMENTS			
Does the PDS include:			
a. The fact that the scheme is subject to regular reporting requirements;	Yes		
b. Copies of documents lodges with ASIC in relation to the scheme may be obtained from ASIC;	Yes		

c. Informing investors the right to obtain a copy of the most recently lodged annual financial report and any half yearly financial report lodged with ASIC after the annual report and before the date of the PDS and any continuous disclosure notices (s1013I)?	YES	✓	
6. UPDATED INFORMATION Is there a statement that updated information, which is not materially adverse, can be provided other than by a PDS and where it is available (s1012J and CO 03/237)?	YES	✓	
7. CONSENTS TO CERTAIN STATEMENTS If the PDS contains statements made by a person (including experts), or said to be made by a person:			
a. Has that person consented to the statement being included in the PDS in the form and context in which it is included; and	N/A		
b. Does the PDS state that the person has given consent; and	N/A		
c. Has the person not withdrawn their consent (s1013K(1))?	N/A		
8. CLEAR, CONCISE AND EFFECTIVE CONTENT AND NO FALSE OR MISLEADING STATEMENTS			
a. Is the PDS worded and presented in a clear, concise and effective manner (1013C(3))?	YES	✓	
b. Does the document contain any false or misleading statements?	NO		
c. Are all opinions expressed by LM realistic, verifiable and representative of the directors' opinion?	N/A		
d. Has all information been presented once only?	YES		
9. ADDITIONAL DEPOSITS Is there provision for additional deposits? If so has the Compliance Plan been checked to ensure that the relevant Class Order has been complied with?	YES		
10. APPLICATION FORM			
a. Does the application form include request for applicant's name, date of birth and address (reg 7.9.74)?	YES		
b. Does the application form adequately allow for Advisor Commission Options:- Instructions are to be completed in Special Conditions/Commission Details box on application form?	YES		
11. PRIVACY			
a. Has Privacy Act clause been inserted on the Application Form?	YES	✓	
b. Has Privacy Act clause been inserted in PDS?	YES	✓	
12. RELATED PARTIES/CONFLICTS OF INTEREST			
a. Is there adequate disclosure of any related party transactions?	YES	✓	
b. Does LM or the Schemes have any conflicts of interest in its capacity as RE with the Fund? Has there been adequate disclosure?	N/A		
c. Are there any Related Entities, officers or directors of the RE engaged to provide services or other involvement and if so has there been adequate disclosure and has it been pre-approved by the Compliance Committee or the Board?	YES		
13. PAYMENT METHODS Have all payment methods been disclosed and relevant bank account details checked?	YES		
14. ELECTRONIC METHODS Have disclosure statements for electronic PDS' been included?	YES	✓	
15. SUPPORTING DOCUMENTATION			
a. Are all statements of fact supported by documentary evidence?	YES		
b. Are opinions expressed by independent persons verifiable against documentary evidence? If not, the information must only be included if deemed necessary and it is properly disclaimed.	N/A		
c. Check all supporting documentary evidence is on file	YES		
16. CORPORATE PROFILE Has the standard Corporate Profile been updated or altered?	Updated		

GENERAL REQUIREMENTS FOR ALL SPDS DOCUMENTS

The purpose of a SPDS is to either:

- a. Correct a misleading or deceptive statement in the current PDS; or
- b. Correct an omission from the PDS of information it is required to contain; or
- c. Update, or add to, the information in the PDS; or
- d. Change a minimum subscription condition or a condition about the ability to trade units on a financial market

17. Is the title 'Supplementary Product Disclosure Statement' on the front covers of, or at or near the front of, a SPDS? In any other part of the document 'Supplementary Product Disclosure Statement' can be abbreviated to 'SPDS'.	N/A		
18. At the beginning of the SPDS is there a statement that it is a SPDS and an identification of the PDS that it supplements and a statement that it is to be read together with the PDS and any other supplementary SPDS	N/A		

FORMAT

Is the name clearly marked on the PDS & SPDS?	YES
Has our style convention been followed throughout the document? I.e.: <u>MAJOR HEADING</u> Sub Heading Sub Sub Heading	YES
Has the entire document been checked for spelling and grammar? For instance, are there any unnecessary capital letters in the middle of sentences?	YES
Is all text greater than 8 point times? This includes text contained in pictures.	YES

FILE MANAGEMENT

Have all prior versions of the PDS and/or SPDS been disposed of including on the computer system?	YES
Have all queries and notes been properly included within the body of the file? Have query sheets and notes been disposed of?	YES

PROFESSIONAL INDEMNITY INSURANCE

Has Action Insurance Brokers been notified of new scheme/PDS for inclusion on PI Insurance Cover?	YES
Has copy of current PDS/SPDS been forwarded to Action?	YES - PH

APPROVALS AND CONSENTS

Review by corporate solicitors	YES - ALLEN'S
Sign off received by corporate solicitors	YES
Review by corporate accountants	N/A
Sign off received by corporate accountants	N/A
Review by corporate auditors	YES
Sign off/consent received by auditors	YES
Review by Custodian	N/A
Sign off/consent received by Custodian	N/A
Review by directors	YES
Sign off/consent received by all Directors	YES

I certify I have reviewed the final PDS/SPDS proof, preliminary proofs and other relevant material and/or constituent documents

Finance reviewer <i>[Signature]</i>	Date 16.4.08
Independent reviewer <i>[Signature]</i>	Date 16.4.08
Compliance Manager <i>[Signature]</i>	Date 16/4/08
Treasury reviewer <i>[Signature]</i>	Date 16/04/08
Group Risk Manager <i>[Signature]</i>	Date 16/04/08
Portfolio Manager <i>[Signature]</i>	Date 16/04/08

Appendix 1

Main content requirements of the PDS (s1013D)

The PDS must include the following statements, and such of the following information as a person would reasonably require for the purpose of making a decision, as a retail client, whether to acquire the Units:

- (a) information about any **significant benefits** to which a holder of the Units will or may become entitled, the **circumstances in which and times** at which those benefits will or may be provided, and the **way in which those benefits will or may be provided**; and
- (b) information about any **significant risks** associated with holding the Units; and
- (c) information about:
 - (i) the **cost of the product**; and
 - (ii) any amounts that will or may be payable by a holder of the Units in respect of the Units after its acquisition, and the times at which those amounts will or may be payable; and
 - (iii) if the **amounts paid in respect of the Units** and the amounts paid in respect of other financial products are paid into a common fund—any amounts that will or may be deducted from the fund by way of fees, expenses or charges; and
- (d) if the Units will or may generate a return to a holder of the product—information about **any commission, or other similar payments**, that will or may impact on the amount of such a return; and
- (e) information about any other **significant characteristics or features** of the Units or of the rights, **terms, conditions and obligations** attaching to the product; and
- (f) information about the **dispute resolution system** that covers complaints by holders of the Units and about how that system may be accessed (this system will be established by the RE); and
- (g) general information about any **significant taxation implications** of the Units; and
- (h) information about any **cooling-off regime** that applies in respect of acquisitions of the Units (whether the regime is provided for by a law or otherwise); and
- (i) if the issuer of the Units makes **other information relating to the Units** available to holders or prospective holders of the Units, or to people more generally—a statement of **how that information may be accessed**; and
- (j) if the product has an investment component—the extent to which **labour standards or environmental, social or ethical considerations** are taken into account in the selection, retention or realisation of the investment; and
- (k) any other statements or information required by the regulations. At present the regulations do not provide any further matters.

unless in accordance with the regulations, the information disclosed in the PDS under paragraphs (a), (c) and (d) above any amounts **must be stated in dollars**.

Appendix 2

(Part 2 Schedule 10)

Division 2 The fees and costs template — single fee structure presentation

202 The template for a single fee structure

Fees and other costs

This document 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 assets as a whole. Taxes and insurance costs are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

[If relevant] Fees and costs for particular investment options are set out on page *[insert page number]*.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Fees when your money moves in or out of the fund		
<i>Establishment fee</i> The fee to open your investment		
<i>Contribution fee</i> ¹ The fee on each amount contributed to your investment – either by you or your employer		
<i>Withdrawal fee</i> ¹ The fee on each amount you take out of your investment		
<i>Termination fee</i> ¹ The fee to close your investment		
Management costs		
The fees and costs for managing your investment ¹ The amount you pay for specific investment options is shown at page <i>[insert page number]</i>		
Service fees ²		
<i>Investment switching fee</i> The fee for changing investment options		

¹ *[Where relevant]* This fee includes an amount payable to an adviser. (See 'adviser remuneration' under the heading 'Additional Explanation of Fees and Costs'.)

² *[If there are other service fees, such as advisor service fees or special request fees, include a cross reference to the 'Additional Explanation of Fees and Costs'.]*

208 Other material to be included in the template

- (1) The template must clearly indicate which fees and costs are negotiable (for example, by stating in column 3 'The amount of this fee can be negotiated.').
- (2) An indication that a fee or cost is negotiable must be cross-referenced to an explanation outside the template in the 'Additional Explanation of Fees and Costs' part of the fees section.

Division 4 Additional explanation of fees and costs

209 Matters to be included as additional explanation of fees and costs

The following information, if relevant to the particular fund or product, must be included under the heading 'Additional Explanation of Fees and Costs':

- (a) the explanation of service fees mentioned in footnote 2;

- (b) information on performance fees including:
 - (i) a statement that the management costs part of the template includes performance fees; and
 - (ii) the method for calculating the fees; and
 - (iii) the amount of the fees, or an estimate of the amount if the amount is not known;
- (c) for tax or insurance costs — a cross reference to the 'Tax' or 'Insurance' part of the Product Disclosure Statement;
- (d) if the product is subject to tax — whether the benefit of any tax deduction is passed on to the investor in the form of a reduced fee or cost;
- (e) an explanation of adviser remuneration that forms part of any fee or cost in the table, including (if known to the fund):
 - (i) the method of calculation; and
 - (ii) the amounts of commission or the range of amounts; and
 - (iii) whether the amounts are negotiable or rebatable; and
 - (iv) the way in which amounts may be negotiated or rebated;
- (f) an explanation of advisor service fees;
- (g) for a negotiated fee or cost — contact details of the person or body with whom the fee or cost can be negotiated and the manner of negotiation;
- (h) worked examples (if appropriate);
- (i) additional details of incidental fees (if appropriate);
- (j) details of transactional and operational costs such as brokerage and buy-sell spread, including:
 - (i) a description of the cost; and
 - (ii) the amount, or an estimate if the amount is not known; and
 - (iii) how and when the costs are recovered; and
 - (iv) a statement that the cost is an additional cost to the investor; and
 - (v) whether any part of the buy-sell spread is paid to the product issuer or an external manager;
- (k) the following information about fee changes:
 - (i) if applicable, a statement about the issuer's right to change the amount of fees without the investor's consent;
 - (ii) any indexation arrangements that apply;
 - (iii) the period of advance notice required for fee changes;
 - (iv) any change in fee structure that is dependent on a person's employment;
- (l) if the issuer has instituted a flexible charging structure, for each applicable fee, if known:
 - (i) any maximum, and when it would apply; and
 - (ii) any waiver, and when it would not apply;
- (m) for a superannuation fund — details regarding the protection of small accounts (member protection rules) unless already included in the Product Disclosure Statement.

Division 5 Example of annual fees and costs

210 Example of annual fees and costs

The example of annual fees and costs:

- (a) must contain fees and costs in accordance with the table in clause 211 or 212; and
- (b) must be set out using the headings and the form in clause 211 or 212; and
- (c) must be included in the 'Fees' section of a Product Disclosure Statement, following the fees and costs template.

212 Example of annual fees and costs for managed investment products

Example of annual fees and costs for a balanced investment option

This table gives an example of how the fees and costs in the balanced investment option for this product can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

EXAMPLE — the Balanced Investment Option		BALANCE OF \$50 000 WITH A CONTRIBUTION OF \$5 000 DURING YEAR
Contribution Fees	0-4%	For every additional \$5 000 you put in, you will be charged between \$0 and \$200.
PLUS Management Costs	1.3%	And , for every \$50 000 you have in the fund you will be charged \$650 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

		<p>\$5 000 during that year, you would be charged fees of from:</p> <p style="text-align: center;">\$650 to \$850*</p> <p>What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser.</p>
--	--	---

* Additional fees may apply:

Establishment fee — \$50

And, if you leave the fund early, you may also be charged **withdrawal fees** of between 0 and 5% of your total fund balance (between \$0 and \$2 500 for every \$50 000 you withdraw).

220 If there is no balanced investment option

- (1) If a fund does not offer an investment option similar to a balanced investment option, the example should be based on the fund's default investment option.
- (2) If a fund does not have a balanced investment option or a default investment option, the example should be based on the investment option under which the fund has the most funds invested.

Division 7 Consumer Advisory Warning

221 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 management 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 [*superannuation or managed investment fee*] calculator to help you check out different fee options.

222 Where to place the Consumer Advisory Warning

The Consumer Advisory Warning must be located at the beginning of the fees section of the Product Disclosure Statement.



LM Investment Management Ltd

ABN 68 077 208 461 Responsible Entity and Australian Financial Services Licensee 220281
Level 4, 9 Beach Rd, Surfers Paradise, Qld, 4217. PO Box 485, Surfers Paradise, Qld, 4217

REPLACEMENT COMPLIANCE PLAN

LM FIRST MORTGAGE INCOME FUND (the "Scheme") ARSN 089 343 288



Lisa Darcy
Director

Peter Drake
Director

Eghard van der Hoven
Direct

Francene Mulder
Director

John Dillon
Director

Effective: 31 May 2007

LM First Mortgage Income Fund ARSN 089 343 288

LM Investment Management Ltd ABN 68 77 208 461 Responsible Entity and Australian Financial Services Licensee 220281

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Part 1

The Compliance Plan

This Plan is *effective as of 31 May 2007*, and is the Replacement Compliance Plan of LM Investment Management Ltd, Responsible Entity (RE) that is required in respect of the Scheme, pursuant to Section 601HA of the Corporations Act (Act). The Board of the RE is satisfied that given the extent of the compliance framework and the compliance program there are sufficient resources and structure to implement, monitor and maintain the Plan.

Preparation of the Plan

Senior Representatives of the RE endorsed the Plan and recommended its approval by the Board. The Plan was prepared by the RE. All Directors have signed the Plan. The Plan has been prepared having regard to the matters that were considered as a result of the RE conducting a compliance risk assessment and to the matters required to be included in the Plan pursuant to Part 5C of the Act and to the relevant ASIC Policy Statements, including particularly Policy Statement 132.

Scope of the Plan

The Plan has been structured so that it addresses the key processes, systems and structures that the RE and its officers, employees and authorised representatives must apply to ensure compliance with the Act and the Constitution. The Plan does not describe in detail all aspects of the systems and processes that it maintains to ensure compliance. Rather, it provides sufficient detail to describe the measures of the more detailed systems, policies and procedures, plus information on how those systems can be monitored and accessed to ensure the RE's compliance obligations are met.

Amendment of the Plan

The Business Standards and Compliance Department, the Compliance Committee and the Compliance Auditor will review the Plan on an ongoing basis and the Business Standards and Compliance Department will make necessary amendments to the Plan when appropriate. This is to be done with regard to changes in the Act, the practice of ASIC, in the nature of the Scheme, and what is seen as being best practice. The Compliance Committee may obtain independent advice on whether it is appropriate to make an amendment to the Plan.

Distribution and use of the Plan

The Business Standards and Compliance Department has responsibility for providing copies and amendments to the Compliance Plan to all Staff and the Compliance Committee and Compliance auditor.

Sections of the plan considered essential reading are Parts 1 to 4 which give an overview on the Compliance Plan, Corporate Governance, the Compliance Committee and the compliance duties of the RE, Officers and Staff.

Part 5 lists the core compliance elements.

Part 6 provides the detail the essential measures in place to ensure the legal responsibilities are complied with.

Application of Plan

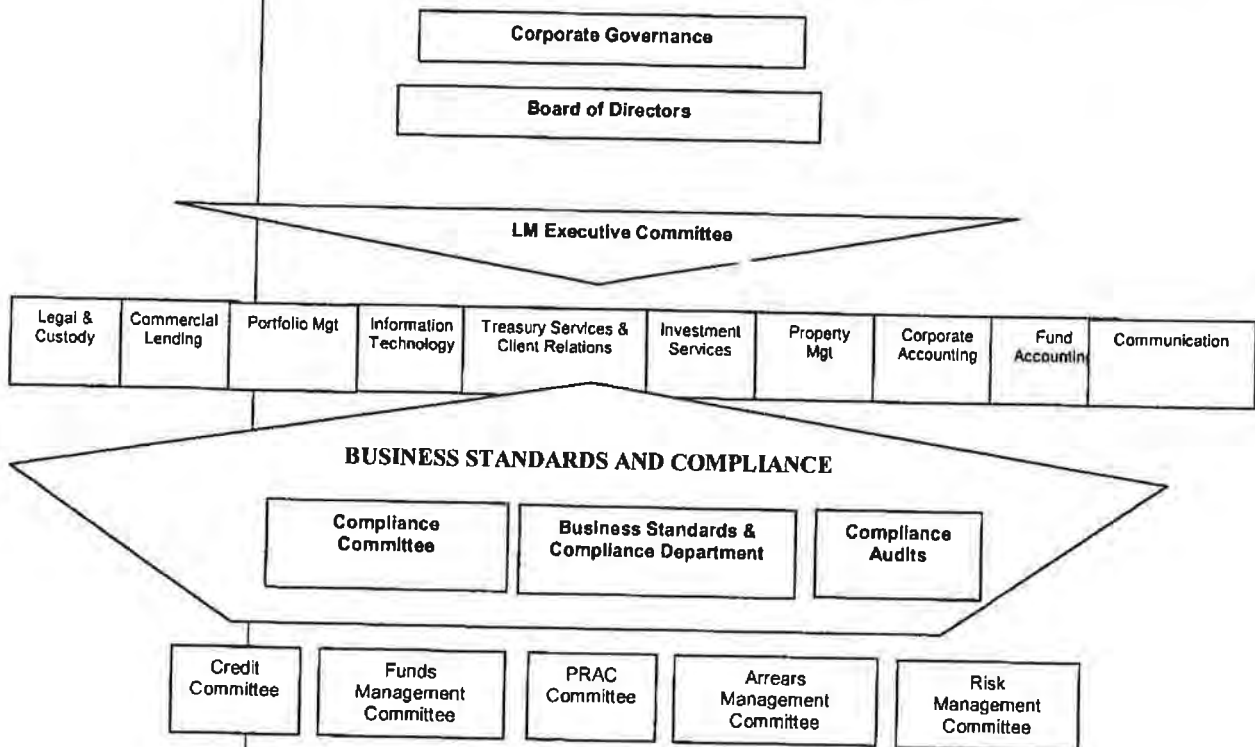
The parts of the contents of this master Compliance Plan is referred to by other Schemes for which the RE is responsible except for Scheme specific issues documented in Part 6 of this plan, which are specific to the First Mortgage Income Fund Compliance Plan.

Each Scheme may have specific Scheme issues which will be detailed in individual plans.

Part 2

Corporate Governance

The RE maintains a “flat” organisation structure, which lends itself to effective communication across the company. The Directors believe that this “flat” structure and the participative management style adopted by the Directors are essential foundations in the development of a true compliance culture. The Directors are committed to ensuring compliance is a part of the RE’s culture and Directors, Officers and staff takes ownership of compliance. The diagram below sets out the compliance structure;



All staff fall within a particular department. Each department has a Team Leader. Team Leaders are appointed to represent their department to other departments and at management meetings. Team Leaders are responsible for their departmental operations and their continuous improvement programs. There are a number of Committees within the RE. Their role is to enhance the decision making processes of the business. The continuous improvement programs are summarised on the business plan of the RE.

The scope of the Compliance Committee’s duties encompass all operational departments. The Compliance Committee reports directly to the Board in a similar way to the RE’s external auditors.

Communication and information

Direct access to Directors and Team Leaders

The flat hierarchy of the RE means that all staff have direct access to Directors and Team Leaders. The Directors and Team Leaders actively encourage staff to raise ideas with them. The RE maintains a list of corporate values stated in the business plan of the RE. The business plan is reviewed annually. All staff and the Directors have committed to these values. These values are one of the key foundations for trust and teamwork in the company, and the foundations of a compliance culture.

LM Meeting

The Team Leaders (or appointed delegate) from each department meet on a regular basis, at least fortnightly in the LM Executive Meeting. There is generally at least one Director in attendance. It is open to all staff to attend the LM Meeting where they have an interest in any agenda items or have an issue which requires consideration. The LM Meeting is the key communication forum and decision making process for the RE with an all encompassing scope including;

- Business planning matters
- Operational issues
- Staffing and training issues
- Compliance issues

Input is sought from all attendees and a majority of all present is generally required to resolve issues.

Minutes of each meeting are distributed to all staff and Directors.

Business Unit Measurement

Within two weeks of the end of each month, the RE conducts a business unit measurement meeting to inform all staff of;

- Funds under management
- Performance results for the preceding month for all departments
- Budget for the next month

The performance results are reported to the Board on a quarterly basis.

The Business Standards and Compliance Manager reports results in relation to breaches that have occurred in the preceding months. These breaches along with the resolution of rectification measures are discussed with the responsible Department Team Leaders, usually, prior to the meeting.

The open and participative management style employed by the RE ensures that Directors, Team Leaders and staff have access to relevant information in relation to the management of the Scheme and the company.

Board of Directors

The full Board meets on a quarterly basis, or more frequently if necessary, to discuss strategic, business and control matters.

The Board has primary responsibility for ensuring that there is an adequate and effective system operating within the RE. As part of this responsibility the Board monitors business activity to ensure that the systems and controls are operating effectively and deals with any issues effecting the efficiency and effectiveness of these systems and controls.

Each Board member is required to complete the appropriate forms on disclosure of interests, and where relevant, to satisfy the externality test in Section 601JA of the Act.

Part 3

Compliance systems

1. Compliance Responsibilities

The duties of the RE and each of the Directors and other Officers of the RE under this Plan include the following:

- to act honestly;
- to exercise the degree of care and diligence that a reasonable person would exercise if they were in the position of the RE;
- to act in the best interests of the Investors and, if there is a conflict between the Investors' interests and its/their own interests, give priority to the Investors' interests;
- to treat Investors who hold interests of the same class equally and Investors who hold interests of different classes fairly;
- not to make use of information acquired through being the RE, an officer or an employee of the Scheme in order to :
 - gain an improper advantage for itself (the RE), themselves (officer or employee) or another person; or
 - cause detriment to the Investors of the Scheme; and
- to ensure that the Constitution meets the requirements of sections 601GA and 601GB of the Act;
- to ensure that the Plan meets the requirements of section 601HA of the Act;
- to comply with the Plan;
- to ensure that Scheme Property are :
 - clearly identified as Scheme Property; and
 - held separately from property of the RE and property of any other Scheme; and
- to ensure that the Scheme Property are valued, as necessary, at intervals appropriate to the nature of the property;
- to ensure that all payments out of the Scheme Property are made in accordance with the Constitution and the Act;
- to report to ASIC any breaches as required by the Act;
- carry out or comply with any other duty, not inconsistent with this Act, that is conferred on the RE by the Constitution;
- to take all steps that a reasonable person would take, if they were in the Officer's position, to ensure that the RE - complies with :
 - the Act;
 - any conditions imposed on the Australian Financial Services Licence of the RE;
 - the Constitution; and
 - the Compliance Plan; and
- to ensure that any duty of an officer under Section 601FD (1) of the Act overrides any conflicting duty under part 2D.1 of the Act.

The Board of the RE has the ultimate compliance responsibility for ensuring that breaches of legal, regulatory and contractual obligations will be prevented.

The responsibility for compliance in the first instance rests with the Officers and Employees performing operational tasks. Compliance systems are embedded in the business systems and procedures to ensure that compliance aspects are addressed.

In addition to the obligations in this Plan employees of the RE must not make improper use of their position as an employee to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the Investors of the Scheme and must ensure that their duties under Section 601FE of the Act override any conflicting duty the employee has under Section 2D.1 of the Act.

2. Compliance Framework

The framework of compliance is documented in the compliance program. The compliance program represents the totality of compliance measures adopted by the RE whether in respect of this Scheme or not and addresses compliance with laws, regulations and the RE's ethical standards.

The activities of the RE must be performed in accordance with the compliance program that it has

adopted. The RE requires that all Officers and other employees display the highest commitment to ethical and informed behaviour.

The compliance program was developed to conform to the Australian Standard AS 3806. The Plan is an integral part of the compliance program and focuses on those matters that are required by Part 5C of the Act.

The key elements in the compliance program are a framework of compliance procedures, controls, segregation of incompatible duties, training, exception reporting and auditing. These are supported by the requirement that key processes follow established procedures and Officers and Employees are required to make declarations of compliance with the Plan. Focus is on compliance with the key requirements in the Act, the Constitution, the PDS documents and those matters identified by the Risk Management Statement of the RE.

The Compliance Committee has responsibility for ensuring that the RE and all Officers and Employees comply with the Act and the Constitution and in doing so has regard to the terms of the Plan and the other elements of the Compliance Program. The Business Standards and Compliance Manager is a member of the Compliance Committee whose task is to monitor the Compliance Program and report to the Committee.

3. Compliance risk assessment

The RE's Risk Management Statement identifies key risk areas within the business and the controls in place to mitigate those risks.

The main compliance risks which may effect a breach of the Compliance Plan, the Act or Constitution are:

- Breach of Compliance Plan
- Breach of licence conditions
- Inappropriate management of funds
- Inaccurate, incomplete or invalid applications, withdrawals or distributions
- Inappropriate or inadequate disclosure and/or reporting
- Inadequate segregation of assets
- Inappropriate related party transactions
- Failure of information technology systems and inadequate disaster recovery program
- Inadequacy in the lending and valuation criteria on Scheme Property (Scheme specific)

The Compliance Plan details measures in place to mitigate the above risks. The RE's various departmental Team Leaders are required to review compliance risks relating to their area of responsibility on an ongoing basis and report any material issues arising to the Business Standards and Compliance Manager and/or at the LM Meeting.

Amendments to the risk management controls and procedures implemented by the RE maybe required to be approved by all Directors and/or Team Leaders prior to implementation dependant on the procedure type.

Compliance risks and risk management controls and procedures are communicated and actioned to staff through staff training, and the various checklists required to be completed and reviewed within the management of the Scheme.

4. Compliance training

The Business Standards and Compliance Manager initiates compliance training in conjunction with the Team Leader of each department. The department Team Leaders are primarily responsible for developing, maintaining and disseminating the contents of the Plan to Employees within their respective departments. Each Team Leader is responsible for ensuring that staff within their department conduct the affairs of the RE in accordance with the Compliance Plan.

Part 4

Compliance Committee

1. Members

Under Section 601JA of the Act, the RE is required to have a Compliance Committee in relation to the Scheme that complies with the requirements of the Act, including the external membership requirements of Section 601JB of the Act.

The RE has determined that the Committee will have three Members. It will consist of the Business Standards and Compliance Manager of the RE and two external Members.

A quorum for Committee meetings is the Compliance and Business Standards Manager and at least one external Member.

The Board is responsible for appointing new members to the Committee and ensuring the external members meet the definition of external member under Section 601JB of the Act. The Board is also responsible for ensuring members have appropriate qualifications and experience which may include;

- Relevant experience in the funds management industry
- Auditing experience
- Experience in relation to operational, quality, compliance or management systems
- Experience in relation to the Act, in particular, Australian Financial Service licensing, PDS documents, fund raising and familiarity with relevant legislation within the RE's jurisdiction.

It is the responsibility of the Compliance Committee to monitor satisfaction of the externality tests required by Sections 601JA and JB of the Act.

The Committee is not a Committee of the Board of the RE. It is intended that the Committee would, except in exceptional circumstances, act by a simple majority on all business.

The Committee reports to the Board and provides assurance that the compliance plan continues to be adequate for its stated purpose. The committee also oversees and makes recommendations with respect to the Plan to the Board. The Committee will rely upon the Plan Auditor to report on matters of control and adherence to the Plan, in accordance with their audit program.

The functions of the Committee include the following:

- To monitor to what extent the RE complies with the Compliance Plan;
- To report to the RE:
 - Any breach of the Act involving the Scheme; or
 - Any breach of the provisions included in the Constitution in accordance with section 601GA of which the Committee becomes aware or that it suspects;
- To report to ASIC if the Committee is of the view that the RE has not taken, or does not propose to take, appropriate action to deal with a matter reported in relation to the previous point above;
- To assess at regular intervals whether the Compliance Plan is adequate, to report to the RE on the assessment and to make recommendations to the RE about any changes that it considers should be made to the plan;
- Maintain a Compliance Register that will contain compliance documents;
- Take all reasonable steps to assist ASIC in carrying out a check under Subsection 601FF(1) of the Act;
- Provide all reasonable assistance to the Plan Auditor and to the Scheme Auditor; and
- To undertake such other matters as are not in conflict with the foregoing or with the Governing Documents or the Act.

Each Member of the Committee in addition to any other duty or obligation that he or she may have to the RE or in respect of the Scheme is required:

- to act honestly;
- to exercise the degree of care and diligence that a reasonable person would exercise if they were in his or her position;
- not to make use of information acquired through being a member in order to:
 - gain an improper advantage for himself or herself or another person; or
 - cause detriment to the Investors of the Scheme; and

- not to make improper use of his or her position as a member to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the Investors of the Scheme.

2. Meetings

The Committee will meet on a quarterly basis or more frequently as required. The Committee is required to keep minutes of its meetings and make available those minutes for the Directors, Team Leaders or other staff.

The RE undertakes to provide all assistance and will maintain records and materials of the Committee. The RE undertakes to pay for all independent advice reasonably required by the Committee.

3. Compliance reporting

The Compliance Committee assists the Board and includes a report to the Board at the quarterly Board Meeting on matters including;

- Changes in laws and regulations.
- Ongoing compliance with the Compliance Plan, PDS and Constitution.
- Audit results
- Report on regulatory reviews by ASIC.
- New policies or procedures.
- Compliance with licensing and financial requirements.
- Training and education.
- Currency of insurance.
- Any other matters

In the case of the external Compliance Auditor, the auditor will generally liaise with the Business Standards and Compliance Manager and/or Committee on compliance matters prior to a final auditor's report to the Board of Directors

4. Access to records

The RE undertakes to provide access to the Scheme's accounting records and to information that is relevant to its compliance with the Act, the Constitution and this Plan to the Committee and any independent adviser of the Committee. The RE further undertakes to ensure that adequate records are maintained of the Scheme's operations and that compliance with this Plan is audited as required by Section 601HG of the Act and to have the Scheme Property valued at intervals appropriate to the nature of the property.

5. Business Standards and Compliance Manager

The Business Standards and Compliance Manager is a senior officer with sufficient skill and experience to undertake the compliance duties that relate to the conduct of the affairs of the RE.

The RE will ensure that there is at all times a senior officer in the position of Business Standards and Compliance Manager. The Business Standards and Compliance Manager reports directly to the Compliance Committee and represents the Compliance Committee at the LM meetings.

The duties of the Business Standards and Compliance Manager are maintained in the Compliance Register. These duties include assisting the RE to ensure its Staff, Officers and operations maintain compliance with the Compliance Plan, Constitution and any relevant Laws, Legislation and Regulations appropriate to the business. The Business Standards and Compliance Department facilitates and promotes a culture of compliance. They work with and assist departments to ensure that appropriate systems are in place to adequately operate, maintain and monitor business processes that are in compliance with the above. The Business Standards and Compliance Manager in conjunction with the Team Leaders and Directors are responsible for the ongoing review of compliance on an ongoing basis. He/she is responsible for ensuring that the compliance risk assessment, which forms part of the RE's Risk Management Statement, is updated and appropriate risk management controls and procedures have been implemented and are working adequately.

Part 5**The Compliance Elements**

	Corporations Act	Constitution Clause *	Page
1. Identifying, Reporting and Rectifying Breaches	601FC(1)(l), 601JC(1), 912D		11
2. Licence Conditions	601FA, Chapter 7, Part 7.6		13
3. Safekeeping and Segregating Scheme Property and Custodian	601FB, 601FC(1)(i), 601HA(1)(a), Policy statements 132 and 133		16
4. Training, Recruitment and Experience	Policy Statements 130,138, 146 and 164		20
5. Confidentiality and Insider Trading	601FC, Part 7.10 – Div 3, Policy Statement 132		22
6. Audit	601HG to 601HI	27	23
7. Accounts and Record Keeping	Chapter 2C, 2M, 601HA(1)(e)	22,27	25
8. Fees and Expenses	601FC(1)(k), 601GA(2)	18	29
9. Related Party Issues	Ch 2E, Part 5C.7, Policy Statement 132		30
10. Conflict of Interest	912A(1)(aa), PS 181		32
11. Use of External Service Providers	601FB		33
12. Complaints Handling	601GA(1)(c), 912A(2)	14	34
13. Distribution Channels	Chapter 7, Policy statement 175		36
14. Disclosure and Reporting Review Policy	Part 7.9 and 7.10	11,18	38
15. Investment processing	601GA(4), 601KA, 601FC, C/O 3/217, s1012D, s1016A	5,6,7,8,11,12	41
16. Investor reporting	Ch2M		49
17. Conduct of Scheme Issues			50
a. Scheme Overview			50
b. Powers to Borrow	601GA (3)	13	51
c. Unit Pricing	601GA(1)(a), 601FC	3,5,6,7,8	52
d. Scheme Valuation		17	53
e. Scheme Fund Income		13	54
f. Collection and Arrears Management			55
g. Liquid Preservation Rule	601KA	7	57
h. Fund Management Committee			58
i. Credit Committee			59
j. Lending Criteria	601FC(4), 601GA(1)(b) and (3), Licence conditions	13	60
k. Valuation Policy – Mortgage Lending	601FC(1)(j)	13	63

* Constitution clauses refer to the First Mortgage Income Fund Constitution. For Schemes that refer to this master Compliance Plan refer to the individual Schemes' Constitutions for detail.

Part 6	Compliance Elements Detail by Section		
1. Identifying, Reporting and Rectifying Breaches	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>The RE is required to ensure that breaches in the Constitution, Corporations Act or Compliance Act are detected and reported to the Compliance Committee and/or ASIC as required by the Act.</p>	<p>Non-compliance with the Act, Compliance Plan or Constitution;</p> <p>A breach may not be reported;</p> <p>RE's Licence may be threatened;</p> <p>Investor's interests may be disadvantaged.</p>	<p>The RE has a breach policy detailing identifying, reporting, recording, assessment, measurement, rectification and review of breaches.</p> <p>In recognition of these obligations the RE carries out a number of supervisory processes including:</p> <ul style="list-style-type: none"> Internal audits performed by the Compliance Officer. An internal audit compliance program is used as a guide for the audits, which cover all aspects of the Compliance Plan. It includes checking internal systems and processes to ensure they comply with the Compliance Plan, PDS, Constitution and any relevant legislation as appropriate. Results of the audits are reported to the relevant departments and the Compliance Committee with recommendations for rectifications of any breaches or business risks identified. Yearly audit by the Plan Auditor who undertakes independent testing of files and compliance systems. Prompt follow up of any enquiries or complaints received by the Business Standards and Compliance Manager. Staff are encouraged to report breaches of the Compliance Plan to the Business Standards and Compliance Manager under an ongoing program of continuous improvement. Number of breaches is a Key Performance Indicator for compliance, reported at the monthly Business Unit Measurement meeting. <p>All breaches are recorded in the breach register which includes details particulars of the breach, who or which Department is responsible and the action taken to rectify the breach. The register is reviewed quarterly at each Compliance Committee meeting.</p>	<p>Business Standards and Compliance Department - continuous.</p> <p>Reported quarterly to the Compliance Committee.</p>

1 Identifying, Reporting and Rectifying Breaches	Rule	Risk Addressed	Compliance Measures	Responsibility/ Checked by
			<p>When a breach is identified and reported the breach is assessed in accordance with the breach policy to determine the level of severity and materiality.</p> <p>In any case, significant or material breaches requiring immediate action, will be notified to the Compliance Committee, then the Board and where required by the Act, ASIC.</p> <p>Factors that will determine whether a breach is material or significant are:</p> <ul style="list-style-type: none"> • The impact of the breach on the RE's ability to provide its financial services • The extent to which the breach indicated the RE's arrangement to ensure compliance with its licence obligations are inadequate • The actual or potential financial loss to investors/clients <p>Breaches that are likely to occur because of the number and frequency of similar previous breaches may also be reported to ASIC.</p> <p>Rectification of breaches</p> <p>Rectification of breaches is the responsibility of the operational department concerned. The Compliance Committee must monitor the rectification process, if applicable, to ensure it is sufficient to prevent further breaches of that nature and that the Compliance Plan properly reflects that process.</p> <p>Departmental Team Leaders are responsible for the implementation of revised or amended systems.</p>	

2. Licence Conditions		Responsibility/Checked by
Rule	Risk Addressed	Compliance Measures
The Australian Financial Services Licence is current and conditions are reviewed and monitored to ensure they continue to be met.	<p>Failure to comply with licence conditions;</p> <p>Licence suspension or revoked;</p> <p>Investor's interests may not be adequately protected or disadvantaged.</p>	<p>The Board is responsible for all business services and the Compliance Committee monitors the licence conditions.</p> <p>Financial Controller - Monthly</p>
	<p>Conditions of the licence are checked as detailed below:</p> <p>The RE is restricted to providing financial service business as is permitted on the current Australian Financial Services Licence – the RE continuously monitors current and any new business to ensure it is adequately covered by the licence conditions.</p> <p>Any variation to the licence conditions will be approved by the Compliance Committee</p> <p>Capital adequacy – The NTA of the RE must be calculated with reference to the definition of “Net Tangible Assets” set out in the schedule to the variation to Licence. The calculation is based on the most recent RE financial statements and compared with the minimum NTA requirement under the licence based on the current level of Scheme Property.</p> <p>Custodian –</p> <p>a. The RE must ensure that the custodian's net tangible assets position meets the minimum requirements as set in the licence. The RE may receive a Guarantee in substitution for net tangible assets as described in paragraph 131.26 of Policy Statement 131.</p> <p>b. The RE must also ensure the custodian complies with PS 133</p> <p>Base level financial requirements–</p> <p>a. Ensure the RE's total assets exceed the total liabilities as defined in the licence.</p> <p>b. Be able to pay its debts when they are due and payable.</p> <p>c. Ensure the RE meets the cash needs requirements by preparing a 12 monthly cash flow forecast of operation of the RE, based on the most recently audited financial statements of the RE. The Board must provide an opinion, based on three monthly cash flows, on whether there are sufficient financial resources to meet ongoing requirements for a minimum of three months as at the date of the review.</p> <p>The RE must ensure that the cash needs requirement continues to be met with either the reasonable projection plus cash contingency basis or the contingency based projection basis as stated in the licence.</p>	<p>a. Business Standards and Compliance Department- Quarterly</p> <p>b. Business Standards and Compliance Department - Annually</p> <p>Financial Controller- Monthly</p>

LM First Mortgage Income Fund ARSN 089 343 288
 LM Investment Management Ltd ARN 68 077 708 461 Responsible Entity and Australian Financial Services Licensee 220281

2. Licence Conditions

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
		<p>An audit opinion on the financial requirements of the RE is lodged with ASIC yearly. A review audited financial statements and review any qualifications contained in the audit report is performed with any deficiencies in the audit report noted and action taken as necessary.</p> <p>Current professional and fidelity/fraud insurances to at least \$5 million is maintained at all times.</p> <p>Nominated Responsible Officers and in particular whether any event or occurrence has occurred that may disqualify the officer from continuing to hold that position. Check continuing membership of appropriate industry associations.</p> <p>That the nature of the RE's business, schemes managed, its products or services has not changed in any material way that may require a variation to the existing licence.</p> <p>Additions or changes to any business or trading names that may require modification to the licence.</p> <p>Ensuring that reviews of any authorised representatives appointed has been conducted satisfactorily and that appropriate remedial action has been undertaken where appropriate. Ensure that authorised representatives have not contravened the Act or any conditions of the Licence.</p> <p>Ensure that any authorised representatives appointed are sufficiently trained in relation to the activities they are to carry out on its behalf, before they commence those activities. The authorised representatives must have undertaken relevant education courses at least sufficient to comply with the PS146 requirements as per the Licence conditions.</p> <p>Ensure that authorised representatives keep up to date through the use of continuing training programs.</p>	<p>Financial Controller - Annually</p> <p>Business Standards and Compliance Manager - Annually</p> <p>Business Standards and Compliance Manager - on notification of the event</p> <p>Business Standards and Compliance Manager - on notification of the change</p> <p>Business Standards and Compliance Manager - on notification of the change</p> <p>Business Standards and Compliance Manager - Annually</p>

2. Licence Conditions		
Rule	Risk Addressed	Compliance Measures
		<p>Ensure that authorised representatives have been acquainted with and comply with the Financial Transactions Reports Act and s243D of the ASIC Act</p>
		<p>Responsibility/Checked by Business Standards and Compliance Manager - Annually</p>

3. Safekeeping and Segregating Scheme Property		
Rule	Risk Addressed	Compliance Measures
<p>To ensure all Scheme Property is clearly identifiable, held separately from the RE's own property and that of other schemes operated by the RE.</p>	<p>Scheme Property is mixed with that of the RE or other schemes managed by the RE and cannot be separately identified.</p>	<p>Identifying and separating Scheme Property</p> <p>The RE maintains a computerised management system which records all information for all schemes the RE manages. Scheme Property is identified with a unique account number. The account number is allocated to the asset during the approval stage and is used as the unique identifier for that asset. The account number is entered into the system once preliminary assessment of the asset is complete.</p> <p>When Scheme Property is entered into the system the specific scheme is selected from the product list to ensure the property is attached and recorded with the Scheme to which it belongs. This also ensures that details relating to the Scheme are recorded separately from other schemes managed by the RE.</p> <p>Systems assurance</p> <p>The management system is a separate application from other accounting applications of the RE. The Compliance Plan of the RE ensures that computerised processing by the RE follows the strict guidelines documented in the Compliance Plan. These guidelines are based on the premise of security and control including:</p> <ul style="list-style-type: none"> • segregation of incompatible duties, • two party authorisation processes for sensitive data entry and edits, • physical & logical access controls to systems.
		<p>Responsibility/Checked by</p> <p>The system is monitored monthly by the Fund Finance Team Leader who is responsible for monthly reporting and reconciliations of funds under management.</p> <p>IT Manager in conjunction with Team Leaders on a continuous basis.</p> <p>System security is checked monthly by the IT Department</p>

3. Safekeeping and Segregating Scheme Property

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>The RE appoints an independent Custodian to meet the conditions of its Licence and the Custodian performs its duties delegated to it on an ongoing basis including safekeeping and separation of scheme property.</p>	<p>Custodian does not perform its duties in accordance with the service agreement which may affect the scheme property or the investors.</p>	<p>Custodianship of Scheme Property</p> <p>The RE is required under its Australian Financial Services Licence to appoint a Custodian for Scheme Property. The Custodian will manage deposits of all moneys received on behalf of the Scheme.</p> <p>The RE has entered into an agreement (the Custody Agreement) with the Custodian, whereby the Custodian will provide (inter alia) the following custodial and administration services to the Scheme:</p> <ul style="list-style-type: none"> • Keep proper books of account and deposit all moneys received on behalf of the Scheme into the Scheme accounts. These moneys include application moneys and income; • Hold Scheme property; • Keep informed of the exercise by the RE of its powers and the performance of its functions under the Constitution; • Act as a Custodian of the Investors until the Scheme is determined or the Custodian retires or is removed; • Comply with any directions given to it at meetings by the Investors convened pursuant to the terms of the Constitution. <p>The RE must comply with the independent Custodian arrangements in the Act and as part of its licence when it is required to do so.</p> <p>All custody, settlement, cash flows and other financial transactions affecting the Scheme will be transacted and recorded using the systems of the RE and reconciled by the Custodian.</p> <p>The Custodian is appointed pursuant to a custody agreement and must acknowledge the compliance obligations relevant to the performance of the tasks it has undertaken to perform and that it is capable and competent to conform to them and has adequate insurance in place. The appointment of the initial Custodian has been made in accordance with these procedures.</p>	<p>The RE will oversee the performance of the Custodian and will require it to have appropriate compliance systems in place that the RE will monitor and review via various departments.</p> <p>The Custodian will provide monthly reporting to the RE on custody, settlement and other cash flows and other financial transactions affecting the Scheme.</p>

3. Safekeeping and Segregating Scheme Property	
Rule	Compliance Measures
Risk Addressed	Responsibility/Checked by
<p>Cash movement procedures</p> <p>All cash balances of the Scheme will be held by the Custodian in bank accounts in the name of the Custodian and solely under the control of the RE.</p> <p>The RE will issue all instructions to the Custodian in relation to cash movements. The Custody Agreement sets out the protocol for the issuance of instructions. The Custodian must only act under written instruction by nominated authorised personnel of the RE as set out in the list of authorised signatories attached to the Custody Agreement. The Custodian will nominate its own authorised personnel to the RE in relation to cash movements.</p>	<p>Cash movements are monitored daily by the Finance Department.</p> <p>The Custodian will provide monthly reporting to the RE on cash flows and other financial transactions affecting the Scheme.</p>
<p>Monitoring of Custodian</p> <p>The monitoring of the Custodian is similar to the procedure from monitoring of the Service Providers. In addition to these matters, the Business Standards and Compliance Department will meet with the Custodian's (responsible) Manager on a yearly basis or more frequently of required to discuss and review any matters with the Custodian relating to the Scheme that have arisen in the course of the delivery of services by the Custodian.</p> <p>The Business Standards and Compliance Department will report any matters of concern that arise during the course of discussions with the Custodian to the Compliance Committee.</p> <p>The Scheme Auditor will review the audit report of the custodian as part of the annual compliance audit.</p> <p>Insurances</p> <p>Insurance is regarded as a critical risk in relation to various areas;</p> <ul style="list-style-type: none"> • Insurances in respect to the RE and its activities in relation to the conduct of the Scheme • Insurances directly protecting Scheme Property. • Insurances of External Service Providers, in particular, adequacy of Professional Indemnity insurance of panel valuers. <p>The RE must engage the services of a competent insurance broker experienced in property</p>	<p>Business Standards and Compliance Department - yearly</p> <p>Commercial Lending Department yearly on Scheme property and each responsible Department engagement on External Service</p>
<p>To ensure insurance adequately covers the RE's activities and the Scheme Property.</p> <p>Insurance does not adequately cover the activities of the RE and therefore putting business operations at risk;</p> <p>Insurance does not</p>	

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Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by Providers.
<p>3. Safekeeping and Segregating Scheme Property</p>	<p>adequately cover the Scheme Property which may cause loss of property.</p>	<p>ownership and management and in the provision of indemnity insurance in relation to its insurance requirements.</p> <p>Insurances directly protecting Scheme Property</p> <p>These policies are generally taken by entities not associated with the RE and therefore a review process is undertaken prior to settlement of each transaction to ensure that:</p> <ul style="list-style-type: none"> • policies are in place and the premium has been paid, • are appropriate, • provide adequate coverage to the standard required of the RE, • note the Custodian as an interested party and • are renewed at each expiry date. <p>Where the RE deems that appropriate insurances are not in place, then the RE will require appropriate cover to be instated prior to settlement of each transaction.</p> <p>Insurance tracking</p> <p>The RE maintains a computerised insurance tracking system in relation to general insurance policies protecting Scheme Property. The tracking system ensures that sufficient warning is provided to the RE in relation to insurance expiry dates so that the RE may undertake action to ensure the policy premium is paid and the policy renewed. In some circumstances this may require the RE to pay the premium from its own, or Scheme funds and seek reimbursement from the insured at a later date.</p>	<p>Business Standards and Compliance Manager yearly on the RE's business and professional indemnity insurance.</p>

Rule	Risk Addressed	Compliance Measures	Responsibility Checked by
<p>4. Training, Recruitment and Experience</p> <p>To ensure that Officers, and authorised representatives of the RE are adequately and competently perform their roles and receive ongoing training to enable them to comply with the Act, the Constitution and Compliance Plan.</p>	<p>Inadequately trained and experienced Officers, Employees or authorised representatives which may cause business to be miss managed, operated inefficiently or not within compliance of the Act, the Constitution or Compliance Plan.</p>	<p>Staff and Responsible Officers training</p> <p>The RE provides at least one (1) internal training session per month. All Staff and Officers must complete at least one (1) hour training per month totalling 12 hours per annum.</p> <p>The RE's training includes:</p> <ul style="list-style-type: none"> • Compliance requirements; • RE's processes and procedures; • Investment knowledge; • General knowledge & skills. <p>Departments also have individual training specific to their requirements.</p> <p>A training register is maintained detailing the office training and attendance.</p>	<p>The Business Standards and Compliance Department is responsible for managing training topics, external guest speakers, maintaining the training register, approving external training and all other matter relating to training.</p>
		<p>Authorised Representatives training</p> <p>The RE is required to ensure that its authorised representatives are sufficiently trained in relation to the activities they are to carry out on its behalf, before they commence those activities. The Authorised Representatives must have undertaken relevant education courses at least sufficient to comply with the PS146 requirements as per the Licence conditions.</p> <p>Normally the Authorised Representative will have provided satisfactory evidence of competence and expertise as part of the process of qualifying for appointment as the Authorised Representatives. The RE is required to ensure that Authorised Representatives keep up to date through the use of continuing training programs. Although the RE will ensure that internal training programs are made available to Authorised Representatives, the RE imposes a parallel obligation on Authorised Representatives to undertake continuing external training in all subjects relevant to their activities on behalf of the RE.</p>	<p>Training program is reviewed quarterly.</p> <p>Business Standards and Compliance Department -yearly</p>

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>4. Training, Recruitment and Experience</p>	<p>Recruitment and experience</p> <p>The Human Resource Department initiate a due diligence process on all new staff including:</p> <ul style="list-style-type: none"> • Analysis of prior experience; • Demonstrated enthusiasm, initiative and honesty; • Appropriate academic qualifications or industry equivalent experience; • Reference checking • Appropriate verification checking ; • A recruitment interview. <p>The RE generally remunerates its staff above market averages to attract and hold quality staff. The RE also administers internal performance bonus incentives that encourage personal excellence and team performance.</p> <p>New employees are informed of their compliance obligations in respect of the RE's compliance with the Act, Constitution and Compliance Plan and are required to sign an employee compliance declaration and confidentiality and ethics agreement.</p> <p>Directors and Responsible Officers</p> <p>This process is extended in the case of new Directorships and/or Responsible Officers to include:</p> <ul style="list-style-type: none"> • Noting other Directorships or Responsible Officer positions held; • An objective assessment of the relative value, knowledge and experience to be gained by the RE in the appointment of the Director and/or Responsible Officer; • Assessment of any conflicts of interest; • Determination of appropriate remuneration. 	<p>The Human Resource Department initiate a due diligence process on all new staff including:</p> <ul style="list-style-type: none"> • Analysis of prior experience; • Demonstrated enthusiasm, initiative and honesty; • Appropriate academic qualifications or industry equivalent experience; • Reference checking • Appropriate verification checking ; • A recruitment interview. <p>The RE generally remunerates its staff above market averages to attract and hold quality staff. The RE also administers internal performance bonus incentives that encourage personal excellence and team performance.</p> <p>New employees are informed of their compliance obligations in respect of the RE's compliance with the Act, Constitution and Compliance Plan and are required to sign an employee compliance declaration and confidentiality and ethics agreement.</p> <p>Directors and Responsible Officers</p> <p>This process is extended in the case of new Directorships and/or Responsible Officers to include:</p> <ul style="list-style-type: none"> • Noting other Directorships or Responsible Officer positions held; • An objective assessment of the relative value, knowledge and experience to be gained by the RE in the appointment of the Director and/or Responsible Officer; • Assessment of any conflicts of interest; • Determination of appropriate remuneration. 	<p>Human Resource Department for each new employee.</p> <p>Appointment of a new Director and/or Responsible Officer requires a majority decision of the full Board.</p>

5. Confidentiality and Insider Trading

Rule	Risk Addressed	Compliance Measures	Responsibility/checked by
<p>Ensure staff are sufficiently trained and aware of the obligations in relation to confidential information and insider trading</p>	<p>Misuse of inside information by staff.</p>	<p>Confidential Information The RE and Officers and Employees of the RE are required to deal with confidential information in the manner required in Part 5C of the Act and to observe the requirements in respect of information that is deemed to be 'Inside Information' under Section 1042 of the Act. The RE and Officers and Employees of the RE and the Members of the Compliance Committee must follow the procedures that have been developed to ensure that all confidential information is identified and treated appropriately. Access to documents and information is to be restricted to those with the 'need to know' and when specific 'Chinese wall' procedures are adapted to limit and monitor the flow of confidential information within the RE they must be observed.</p>	<p>All Departments – continuous Treatment of confidential information is checked yearly by Internal Audit. Any issues found are reported to the Compliance Committee.</p>
		<p>Insider trading The RE must take all reasonable steps to ensure that employees and Advisers do not derive financial benefits by use of information obtained by virtue of their privileged position within the company that is not generally available to the market as a whole.</p>	

6. Audit

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>A yearly audit is performed to ensure the RE is performing its duties in compliance with this Plan as required by the Act.</p>	<p>Failure to have Plan audited as required by the Licence; The auditor is ineligible to act as auditor for the Scheme; The auditor fails to perform its obligations within the letter of engagement.</p>	<p>The RE undertakes the following in respect of the audit of the Compliance Plan:</p> <ul style="list-style-type: none"> ensure that the audit is carried out in accordance with the letter of engagement; ensure that at all times a registered company auditor is engaged to audit compliance with the Compliance Plan in accordance with the Act; ensure that the person is eligible to act as the auditor of the Compliance Plan as required by the Act; ensure that the audit is carried out and the Compliance Plan is examined in accordance with section 601HG of the Act. ensure that within three months after the end of a financial year, the Plan Auditor will examine the Plan and report to the RE as required by Section 601HG (3) of the Act on the degree of compliance with the Plan and the appropriateness with the Plan. to require the Plan Auditor, as soon as possible, to notify ASIC in writing if the Auditor has reasonable grounds to suspect that a contravention of the Act has occurred and believes that the contravention has not been or will not be adequately dealt with by commenting on it in the auditor's report or bringing it to the attention of the RE; and to provide to the Plan Auditor a right of access to the files and records of the Scheme and will require its Officers to provide information in connection with the audit. <p>The Plan Auditor will conduct a periodic review that will focus on the risks of non-compliance and will report back to the Committee on his findings. The scope of this audit will include all computerised operations.</p>	<p>Business Standards and Compliance Department - yearly</p>
<p>Ongoing internal compliance audits are performed</p>	<p>Breaches may go undetected; Risks of non-compliance of the Plan, Constitution or the Act may go undetected; Quality controls may not be implemented.</p>	<p>The RE has an internal compliance audit function within the Business Standards and Compliance Department that works with the Plan Auditor and the Compliance Committee in monitoring compliance with the Act, Compliance Plan and the Constitution. A risk based methodology is used in the yearly audit program. The Plan Auditor will also assist to develop and maintain a program of annual assessment of effectiveness of the Plan.</p>	<p>Business Standards and Compliance Department and Compliance Committee review the adequacy of the internal audit program on a yearly basis. It is the responsibility of the</p>

6. Audit		
Rule	Risk Addressed	Compliance Measures
		<p>Responsibility/Checked by</p> <p>Team relevant Leader to ensure timely implementation of audit recommendations.</p> <p>Any issues arising from the audit throughout the year are reported to the Compliance Committee quarterly.</p>

7. Accounts and Record Keeping

Role	Risk Addressed	Compliance Measures	Responsibility Checked by
<p>To ensure accounts and records are maintained accurately and on a timely basis and the Scheme is valued appropriately.</p> <p>To ensure records are maintained accurately.</p>	<p>Incorrect or insufficient records resulting in qualified audit report and/or disclosure incorrect and reporting.</p>	<p>Record keeping</p> <p>The RE undertakes to ensure that adequate records are maintained of the Scheme's operations</p> <p>The Finance Team Leaders, overseen by the Chief Financial Officer, will ensure that the records of the Scheme and the RE are appropriately established and maintained separately from those of other interests of the RE. Scheme accounts are provided to the Scheme Auditor for audit including certification that the accounting and taxation standards applied are adequate for the purpose required by the Scheme. Any material audit adjustments arising from the auditor's work are recorded in the accounting system of the RE to reconcile the audited balances with the Scheme accounting records. Only audited accounts may be forwarded to Investors.</p> <p>The Fund Finance Team Leader is responsible for the accounting of gross income received, commissions and fees and any other Scheme expenses or reimbursements that are properly incurred and allowable under the Constitution. The Scheme accounts are prepared on a monthly basis with a reconciliation of the funds in accordance with accounting procedures. The Chief Financial Officer oversees the Fund Finance Team Leader in respect to gross income collected and management fees, expenses & commissions paid during the month. Refer to distributions, section 15 of the plan, for further detail on end of month processing and payment of distributions to investors.</p> <p>Fund Management records and accounting functions are performed on a computerised system. The IT and accounting infrastructure within the RE is maintained in a secure environment in their premises. Appropriate physical and logical controls are in place to preserve the confidentiality of sensitive information.</p> <p>With respect to the Scheme, where critical systems applications are being administered by the Custodian, the RE has required details of their disaster recovery plans and will take actions to ensure that they are adequate.</p>	<p>The Scheme's funds management records (including Investor register) are under the control of the Investment Services Team Leader.</p> <p>The accounting functions of the RE and the Scheme are under the supervision of the Chief Financial Officer.</p> <p>The financial position of the Scheme is reported monthly to the Chief Financial Officer and quarterly to the Board.</p>

7. Accounts and Record Keeping

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
	<p>Inaccurate or inadequate records kept with may result in a financial loss to investors.</p>	<p>The Investor register The system contains a register which records the interests of contributing Investors, particularly in relation to investment amount, maturity, income payment amounts and dates. A unique account number is given to each Investor which is then linked to the particular scheme in which they have invested. The system reports Investor details separately for each scheme. The register is maintained by the Applications Coordinator.</p>	<p>Controlled by the Investment Services Team Leader on a continuous basis. The Investment Services Leader reports quarterly to the Board on current statistics on investment and monthly efficiency results to all staff in the Business Unit Measurement Meeting. The Business Unit Measurement results are included in the quarterly Board Reports.</p>

Rule	Risk Addressed	Compliance Measures	Responsibility Checked by
<p>7. Accounts and Record Keeping</p> <p>To ensure records are retained accurately and securely and critical deadlines are met on time.</p>	<p>Insufficient records are kept which would cause a breach of the Act;</p> <p>Insufficient records resulting in a qualified audit report and/or inappropriate disclosure.</p> <p>Inability to meet statutory deadlines and therefore a breach of the Act.</p>	<p>Record retention</p> <p>Material documents generally including original loan agreements, mortgages, leases and collateral security documents are held custodially by the Custodian where required otherwise by the RE.</p> <p>The Custodian maintains a computerised document management and custody system which the RE has reviewed and approved for use in the management of its material documents. The custody system identifies the documents held with the appropriate Scheme and contains a diary system for alerting the Custodian and the RE with key dates and statutory retention period maturity.</p> <p>The Business Standards and Compliance Department retains all records with respect to the compliance related issues.</p> <p>The Finance Team Leaders retain all records with respect to finance and company matters.</p> <p>The Plan Auditors will review these records as part of their audit of the Plan.</p> <p>As required under S1101C of the Act, all registers and other records required to be maintained under the Act are held for 5 years after the day of the last entry in the register or last record made. Financial records required by the Act are held for 7 years after the transactions covered by the record are completed.</p> <p>Statutory deadlines and reporting</p> <p>Operational departments maintain various electronic group calendars which record critical events relating to the conduct of the RE's business and Scheme related events to the extent they are not recorded in the management system. The Finance Team Leaders administer a group calendar in relation to statutory reporting in relation to the RE and its various schemes.</p> <p>The RE has prepared a list of all reporting obligations, including reporting obligations to ASIC, that the RE has to apply in managing the Scheme</p>	<p>Each relevant department for their own documentation.</p> <p>The Custodian will provide monthly reporting to the RE on custody, and settlement and other cash flows and other financial transactions affecting the Scheme.</p> <p>Each Department for critical events relating to the relevant department are maintained on an ongoing basis.</p>

7. Accounts and Record Keeping

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>Ensure computer systems are adequate and maintained effectively to ensure records and accounting information is accurate and secure.</p>	<p>Inadequate computer systems which may cause information to be insecure or inaccurate.</p>	<p>Computer systems The RE maintains various computerised systems in the conduct of its business. The IT system is critical for the maintaining of accurate records, accounting and security of data. The development of IT systems is based on an outcomes/deliverables based approach and the anticipation of future growth identified in the business plan and growth forecasts. Material changes to processes and/or high security issues are raised by the IT Manager at the LM Meeting.</p>	<p>The IT Manager is responsible for IT systems and operations. The IT Manager reports to the Board on IT systems on a quarterly basis.</p>
		<p>Disaster recovery and business continuation Policy and procedures in respect to disaster recovery and business continuation have been developed and are to be followed and are set out in a documented Disaster Recovery and Business Continuation Plan. Data is protected by daily tape backup in accordance with a rotating tape backup strategy involving multiple backup tapes and rotating offsite storage. Data recovery plans are tested on a six monthly basis and verification of back up data tested on a monthly basis. A Disaster Recovery site has been established in Sydney. The main purpose of the site is to enable business continuity if operations are interrupted and there is a loss of physical access to the Gold Coast server. Replication of the critical data from the Gold Coast to Sydney Disaster Recovery site is performed on a 'real time' basis.</p>	<p>IT Manager.</p>

8. Fees and Expenses

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>Ensure fees and expenses charged are calculated and deducted correctly in accordance with the Constitution.</p>	<p>Expenses and management fees paid are not valid or overpaid which may cause a financial loss to the Scheme and/or Investors or a breach of the Constitution.</p>	<p>It is intended that the RE be entitled to fees for the performance of services where it has performed them properly and to an indemnity in respect of liabilities and expenses incurred in the proper performance of its duties. The rights of the RE to fees and indemnities are set out in the Constitution. A description of these rights will also be set out in general terms in the PDS.</p> <p>The Chief Financial Officer must become familiar with the Constitution in determining the types and quantum of fees and expense reimbursements allowable. The Chief Financial Officer will monitor any unusual fee payment and seek advice from the Business Standards and Compliance Manager or the Committee as appropriate.</p> <p>In the case of any doubt, the Committee may require that a payment or a request for payment be fully supported by explanatory materials and by appropriate professional opinions. The Committee may obtain independent advice on whether the proposal complies with the Act and with the Constitution and this Plan.</p> <p>Payment of Scheme fees or expenses are signed by 2 authorised signatories of the Custodian and 2 authorised signatories of the RE. Any new authorised signatories of the RE are approved by the Chief Financial Officer.</p>	<p>The Fund Finance Team Leader is responsible for accounting and authorising all fee payments and expense reimbursements.</p> <p>Fees and expenses are reviewed on a monthly basis by the Fund Finance Team Leader. The Chief Financial Officer supervises the Fund Finance Team Leader in the above.</p> <p>The financial position of the Scheme and the RE are reported monthly to the Chief Financial Officer and quarterly to the Board.</p>

9. Related Party Issues		Compliance Measures	Responsibility/Checked by
Rule	Risk Addressed		
<p>Ensure related party provisions of the Act are complied with in relation to disclosure and granting of financial benefit.</p>	<p>Dealing with related parties may not be at "arms length" which may cause the Investors to suffer a loss;</p> <p>The reputation of the RE and the Scheme may be damaged.</p>	<p>Related Party provision of service</p> <p>If any related entity, Officer or Director of the RE is engaged to provide services or other involvement with the Scheme, then any such involvement must be pre-approved by the Committee or the Board. The Committee or the Board will assess the suitability and probity of the proposed involvement and will have absolute discretion to approve such an involvement. The RE will also ensure that appropriate disclosures are made in each PDS document as appropriate. The Members of the Committee or the Board will be able to obtain such independent advice on these matters relevant to the Scheme as shall be reasonably necessary. Any Board member involved in the provision of service will not vote on the decision. Refer also Conflicts of Interest, Section 10, of the Plan.</p> <p>The Financial Controller monitors service agreements between the RE or the Scheme and any related parties to either the RE or Scheme. An annual review is performed by the Financial Controller which includes consultation with independent accountants to verify that the agreements are commercial. The results of the review are reported to the Board annually.</p> <p>A related party service register is maintained which documents all related parties who provide a service to the RE.</p>	<p>The Financial Controller monitors service agreements between the RE or the Scheme and any related parties to either the RE or Scheme.</p> <p>The Board is responsible for reviewing and approving the structure and probity of commercial dealing between the RE and related parties.</p> <p>Internal audit are responsible for checking related party provision of service on an annual basis. Any issues found will be reported to the Committee.</p>

	<p>Related Party transactions</p> <p>The RE must comply with Section 601FG regarding the acquisition of interests in the Scheme. Acquisitions of interests in the Scheme by the RE, other Schemes managed by the RE or its Officers, Employees or authorised representatives must be made on an identical basis to all other Investors as regards the consideration and the terms and conditions of issuance. There may be a differential fee arrangement in place.</p> <p>Any other proposal for the acquisition or withdrawal of an interest in the Scheme requires the consent of the Committee or the Board. The Committee may obtain independent advice on whether the proposal complies with the Act and the Constitution.</p> <p>A related party transaction register is maintained which documents all related party investment transactions.</p>	<p>Internal audit are responsible for monitoring related party transactions on a quarterly basis. Any issues found will be reported to the Committee</p>
	<p>Privacy of Related Party Information</p> <p>All related party information will be treated confidentially and in accordance with LM's privacy statement. Monitoring of sensitive information will occur if deemed necessary by the Committee i.e. if the related party or entity is a competitor.</p>	

10. Conflict of Interest		
Rule	Risk Addressed	Compliance Measures
<p>To ensure the RE has in place adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken by the licensee or a representative of the licensee in the provision of financial services as part of the financial services business of the licensee or the representative.</p>	<p>The RE does not manage conflicts of interest adequately which may cause;</p> <ul style="list-style-type: none"> • Unfair treatment of some Investors, • Unfair treatment of some borrowers, • The RE, officers or staff gaining an unfair advantage. 	<p>The RE has a conflicts of interest policy which describes how the RE manages conflicts which comprises of a 3 step process:</p> <ol style="list-style-type: none"> 1. Identifying conflicts; 2. Assessing and evaluating conflicts; and 3. Taking appropriate action which may or may not include disclosure. <p>The policy describes in detail each of the above steps.</p> <p>The policy also describes:</p> <ul style="list-style-type: none"> • The structural arrangements to manage conflicts, including flat management structure and various committees within the RE for decision making, • Staff training on conflicts, and • Documentation and recordkeeping of conflicts
		<p>Responsibility/Checked by</p> <p>The Risk Manager is responsible for the review of the conflicts of interest policy at least yearly.</p> <p>The following implement the Policy:</p> <ul style="list-style-type: none"> ■ Compliance Committee; ■ Risk Manager (the Risk Manager has primary responsibility for implementing this Policy); ■ Team Leaders; ■ The Responsible Officers under the FSR license; and ■ Staff.

11. External Service Providers

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>Ensure service providers have systems and resources to perform their functions in accordance with the Compliance Plan and the Act.</p>	<p>A service provider may not perform its duties as required by the RE; The Scheme may suffer a loss due to poor service by external service providers.</p>	<p>The RE has determined to use external service providers to attend to a number of functions in situations where it believes that by doing so it can obtain the most cost effective delivery of services. While the RE has ultimate responsibility for management of the Scheme, it intends to outsource a number of functions for which it has responsibility under the Constitution and the Act, in accordance with best industry practice.</p> <p>Appointment</p> <p>The RE will conduct a detailed due diligence check set out in the appointment procedures, including reference checks, on key personnel with respect to its key service providers and may assess the internal compliance and control procedures of each service provider.</p> <p>An assessment of whether each service provider is capable of performing their respective duties will be based on these factors. Service providers will be selected having regard to the cost of their services, their quality and their comprehensiveness and their commitment to an ethical and compliance based culture. In relation to each significant transaction, the RE may obtain legal advice to receive confirmation that the contracts or terms of engagement for each service provider are appropriate for the intended purpose and contain adequate compliance related measures</p> <p>Each Department maintains a services provider register which includes relevant detail of each service provider appointed.</p>	<p>Department responsible for the particular service provider performs due diligence check on each new provider.</p>
		<p>Monitoring ongoing service</p> <p>Each Department responsible for service providers will continuously monitor the performance of those service providers. Where it is appropriate, formal reporting procedures will be established which service providers will produce to the Department. Such reports will be designed to demonstrate that the service provider is fulfilling its legal and contractual obligations, as well as identifying any breakdown in the controls or compliance procedures within the service provider in a timely manner</p>	<p>Dept responsible for the particular service provider will monitor on a continuous process i.e. as and when each provider is used monitoring will occur consistently throughout that period.</p>

12. Complaints Handling		Compliance Measures	Responsibility/checked by
Rule	Risk Addressed		
<p>Complaints are to be handled appropriately according to the Constitution and Act.</p>	<p>Complaints are not adequately addressed and are escalated to litigation;</p> <p>Breach of the Act and the Constitution;</p> <p>Damage the reputation of the RE.</p>	<p>Complaints Handling Policy</p> <p>The RE has a policy that deals with the handling of complaints. This policy was developed using the Australian Standard, AS 4269 as a benchmark and is to be included in the Relevant Materials.</p> <p>Investor's will generally report a complaint to their Advisor in the first instance. The policy states if the Advisor is unable to assist, if it relates to the Scheme or the RE, then the Advisor will pass the complaint onto the RE. This process does not exclude an Investor from making a complaint directly to the RE. The respective Complaints Officer will take responsibility of the complaint and record it in the complaints register. The RE has 30 days to respond to the complaint once it is received by the respective Complaints Officer.</p> <p>Complaints may be referred to the respective Team Leaders or a formal complaint to the Business Standards and Compliance Manager where it will be recorded in the formal complaints register.</p> <p>Full details of each formal complaint and resolution thereof is recorded in the formal Complaints Register including:</p> <ul style="list-style-type: none"> • The person responsible for resolving the complaint. • The name of the Investor making the complaint. • The nature of the complaint. • The product, service or department in respect of which the complaint was made. • Time line on complaint. • The actual resolution of the complaint. • Recommendations for changes to products, disclosures, systems or processes to ensure similar complaints do not arise in future. <p>The RE is a member of the financial Industry complaints Service (FICS) which is an external body approved by ASIC. If the complaint is unable to be resolved internally by the RE the person complaining should be passed onto FICS.</p> <p>Full terms of reference for the FICS are held by the Business Standards and Compliance Manager.</p>	<p>The Treasury Team Leader and the Business Standards and Compliance Manager is responsible for monitoring of complaints and the management of formal complaints as they arise.</p> <p>Complaints are reported quarterly to the Compliance Committee.</p>

12. Complaints Handling		
Rule	Risk Addressed	Compliance Measures
		<p>The complaints process is explained in all PDS documents, which is required to be read by all Investors.</p> <p>Systemic complaints In the course of overseeing a complaint, the Treasury Team Leader and the Business Standards and Compliance Manager may become aware of a complaint arising from deficient or inappropriate systems or processes. The Business Standards and Compliance Manager should refer the details of such "systemic" complaints to the Team Leader of the department responsible. Amendments to systems or processes arising from the identification of systemic complaints are the responsibility of the Team Leader. Details of the proposed amendments and subsequent implementation must be reported to the Committee and/or a Director as part of the monitoring process of Complaints.</p>
		Responsibility/ checked by
		Team Leader of the Department responsible

13. Distribution Channels		Compliance Measures	Responsibility/ Checked by
Rule	Risk Addressed		
<p>Ensure financial products are distributed by authorised licensees and their representatives.</p>	<p>Products inappropriately distributed or not distributed according to LM policy, which may lead to investors being misinformed.</p>	<p>The RE's investment products are primarily offered to the public through other Australian Financial Services Licensees and their authorised representatives. The products are also distributed through overseas intermediaries who are licenced in their respective jurisdictions. The RE does not have any authorised representatives that distribute its own products.</p> <p>Intermediary Distributor Due Diligence</p> <p>The RE has an established distribution network of Australian Financial Services Licensees (Licensees), their authorised representatives and overseas intermediaries. It is the policy of the RE to perform a due diligence process on Licensees new to the RE prior to allowing the Licensee to market the RE's investment products.</p> <p>The due diligence process principally involves obtaining and reviewing the Licensee's;</p> <ul style="list-style-type: none"> ▪ Australian Financial Services Licence or equivalent Licence, as relevant, in an overseas jurisdiction; • Certificate of Currency of Professional Indemnity Insurance (and Fidelity Insurance where appropriate); • List of authorised representatives of the Licensee; • For overseas intermediaries a signed anti-money laundering form is also required. <p>Should the Licensee not be covered by Professional Indemnity Insurance, the decision of whether to allow the Licensee to market the RE's investment products is at RE's discretion. This decision is based on the criteria established in the RE's "Financial Services Licensees New Business Policy."</p> <p>The RE has an intermediary (terms of business) agreement which is generally executed on the commencement of distribution of the products. The intermediary agreements state that a certificate of currency for PI insurance is to be obtained each year.</p>	<p>IS for each new distributor</p>

13. Distribution Channels		Responsibility/Checked by
Rule	Risk Addressed	Compliance Measures
<p>Ensure commissions are paid correctly and accurately.</p>	<p>Commissions are not paid accurately or correctly.</p>	<p>Payment of commissions is controlled by the Commissions Team on a continuous basis.</p> <p>The Investment Team reports quarterly to the Board on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the quarterly Board Reports.</p>
<p>Commission payments</p> <p>Commissions may be paid directly to intermediaries (Licensees) or to their authorised representatives with the consent of the Licensee.</p> <p><u>Upfront commissions (except any upfront commissions on extended term investments that have been reinvested)</u></p> <p>The management system records details of all of Intermediary Distributors (Licensee) registered with the RE. Prior to payment of commissions, the payee is checked against the records of the management system. Commission calculations are checked by a person independent from the processor. The commissions are paid weekly.</p> <p><u>Upfront commissions for Extended Terms where the investment has been reinvested</u></p> <p>Upfront commissions for extended term investments where the investment has been reinvested are calculated, processed then checked by an independent person from the processor. The commissions are paid weekly.</p> <p><u>Trailing commissions</u></p> <p>The management system links each Investor with their nominated Intermediary Distributor (Licensee)/authorised representative and records the amount of ongoing commissions payable for each investment in each Scheme managed by the RE. Once entered, the system automatically calculates commission payments to Licensee at the end of the month.</p>		

14. Disclosure and Reporting Review Policy	
Risk Addressed	Compliance Measure
<p>Ensure all product disclosures statements, any offer documents and marketing material are not misleading or deceptive, meet the disclosure requirements of the Act and are appropriately authorised.</p>	<p>All public communications are required to be approved prior to publication or issue in accordance with the marketing approval procedures below. <i>Publication or issue</i> means broadcast to the public domain by any medium. <i>Communications</i> means all written and verbal material issued in relation to the activities of the RE and includes but is not limited to:</p> <ul style="list-style-type: none"> • PDS and SPDS documents; • Marketing brochures; • Pre-PDS advertising; • Information memoranda; • Advertisements; • Newspaper, television or magazine editorial; • Seminar or conference presentations, including introducer day presentations, to Advisers; • Other conference presentations; • LM Website. <p>All marketing material must be reviewed and approved by:</p> <ul style="list-style-type: none"> • The Treasury Team Leader (or delegate) for content approval; • The Communications Manager for presentation, layout, and communication of the central ideas; • Business Standards and Compliance Manager in relation to compliance with the Act, Compliance Plan, Constitution and PDS, to ensure there are no breaches and no unintended misrepresentations. <p>All approvals and supporting documentation are contained in a marketing register. A separate register is maintained for PDS approvals and supporting documentation.</p>
	<p>Responsibility Checked by Treasury and Compliance Manager for all marketing material.</p> <p>The marketing register is reviewed by internal audit bi-annually.</p>

14. Disclosure and Reporting Review Policy		
Rule	Risk Addressed	Compliance Measure
		<p style="text-align: right;">Responsibility/ Checked by</p> <p>Additional requirements for PDS' and SPDS'</p> <p>All statements in PDS and SPDS must be verifiable and supported by written documentary evidence where possible.</p> <p>The RE ensures the final PDS and SPDS has been reviewed and comments/amendments received and signed off by:</p> <ul style="list-style-type: none"> • a person independent from the author, and • corporate solicitor (except for SPDS due to minor changes such as distribution rates), and • Business Standards and Compliance Manager, and • Board, and <p>prior to lodgement of in use notice with ASIC to determine;</p> <ul style="list-style-type: none"> • PDS and SPDS and meets the appropriate disclosure requirements as required by the Act, and • full disclosure of commissions for PDS and SPDS where appropriate, and • no false, misleading or deceptive statements, and • statements of fact are verifiable with documentary evidence, and • all opinions expressed by the RE represent the considered view of the Board. <p>The Business Standards and Compliance Department and the Compliance Committee must monitor PDS and SPDS documents annually to ensure that the representations made in the PDS and SPDS are carried out.</p>

Rule	Risk Addressed	Compliance Measure	Responsibility Checked by
		<p>Reporting on material issues and Ongoing Disclosure</p> <p>Changes in material issues affecting the Scheme must be approved by a majority of the Board or Funds Management Committee. They may consider details of any legal advice in relation to the issue.</p> <p>Any material change or significant event that affects a matter, being a matter that would have been required to be specified in the PDS or SPDS needs to be advised to current Investors in accordance with the current Corporations Act.</p> <p>Disclosure of material issues arising in the conduct of the Scheme will be referred to the appropriate Committee i.e. the Funds Management Committee, the Board or the LM meeting, as relevant. The Treasury Team Leader is responsible for ensuring that appropriate disclosure to investors. Such client communications must follow the disclosure and reporting review policy set out above.</p> <p>It should be determined at the appropriate meeting if any other interested parties are required to be informed of the material issue such as valuation firms or insurers. In the case of threatened legal action, the RE insurer must be informed of the details of the intended action.</p> <p>Further Reporting and disclosures specific to the Scheme are contained under Investor Reporting, section 16 of the Plan.</p>	<p>Treasury Team Leader for all material issues</p>

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
15. Investment processing			
Applications			
<p>To ensure application money is received in accordance with PDS documents, Constitution and Act. Also to ensure Applications are processed correctly, accurately, and in a timely manner.</p>	<p>Applications are not processed in accordance with the PDS and/or the Constitution;</p> <p>Applications are processed incorrectly, inaccurately or not in a timely manner.</p>	<p>Investors may only subscribe for units in the Scheme using the application form attached to the Product Disclosure Statement (PDS). Applications are separated from other mail received by the Mail Coordinator. The Mail Coordinator maintains a daily register of investments received through the mail which is entered as correspondence into the system. Applications may also be received by electronic means. A separate investment account is created and a unique account number is allocated to the account for each investment.</p> <p>Applications may only be accepted on receipt of a duly executed application form that is checked for completeness, accuracy and relevancy on receipt including any relevant Adviser details by an Investment Services Officer and validated in the system. Missing, incomplete or incorrect application forms are passed to the Investment Services Team leader and/or Applications Coordinator and followed up with applicants or their Advisers within seventy two hours. Where the details of the referring or advising party are not known to the RE, then the Applications Coordinator will verify the legal capacity of that party and their legal eligibility to receive commissions.</p> <p>An application checklist is validated within the management system. The Applications Officer is responsible for data entry into the investor management system. A separate investment account is created and a unique account number is allocated to the account. The actual number of units issued is determined with reference to the current unit issue price calculated in accordance with the Constitution. Details of adviser commissions, residency status and tax file number details are also entered.</p> <p>Application moneys are payable to the Scheme account held by the Custodian.</p> <p>The Fund Processing Coordinator then authorises the monetary value and processes to the bank account.</p> <p>A reconciliation of the investment amounts to the banking is completed each day by the Fund Accountant.</p>	<p>Applications are controlled and checked by the Investment Services Team Leader on a continuous basis. The checking may be delegated to an Investment Services Officer.</p> <p>The Investment Services Team Leader reports quarterly to the Board on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the quarterly Board Reports.</p>

15. Investment processing		
Rule	Risk Addressed	Compliance Measures
		<p>After processing an Investment Services Checking Officer checks all data entered to the documentation. Once satisfied the information is complete and accurate authorises the transaction. At this point the transaction becomes a valid transaction in the system and processed to the general ledger.</p> <p>A contract note is then forwarded to the Investor confirming acceptance into the Scheme.</p>
<p>Ensure applications and investment details are maintained accurately and in a confidential manner.</p>	<p>Changes to Investor details Changes to Investor details are not made correctly.</p>	<p>All change of details correspondence are authorised firstly by the Investment Services Team Leader and then forwarded to an Investment Services Officer for processing.</p> <p>The change is entered as correspondence in the system by the Correspondence Officer then forwarded to the Investment Services Officer who is responsible for editing Investor details.</p> <p>The change is then checked by the Investment Services Checking Officer and becomes a valid change in the system.</p>
		<p>Changes are controlled and checked by the Investment Services Team Leader on a continuous basis. The checking may be delegated to an Investment Services Officer.</p> <p>The Investment Services Team Leader reports quarterly to the Board on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the quarterly Board</p>

15. Investment processing		Compliance Measures	Responsibility/ Checked by Reports.
Rule	Risk Addressed		
<p>Ensure additional applications are accepted in accordance with the Act.</p>	<p>Additional applications Additional applications are not processed in accordance with the Act or PDS; Additional applications are not processed correctly. Investors' funds are lost or misallocated.</p>	<p>The RE maintains an arrangement for making additional applications by Investors, which is described below and complies with s1012D and s1016A. The arrangement includes applications received in relation to switching of terms within the Scheme.</p> <p><u>The additional application arrangement</u></p> <p>By signing the original application form an Investor is taken to have elected to participate in the additional application arrangement.</p> <p>The Correspondence Coordinator is responsible for forwarding to the Investor a current investment summary and contract note within one month after acceptance of the application.</p> <p>Additional investments should be accompanied by that account number where possible.</p> <p>The Fund Accountant is responsible for the daily reconciliation of the bank statements to the management system and includes verifying the automatic allocation of direct deposits to the Investor's investment account by the management system.</p> <p><u>Switches</u></p> <p>On applying to switch terms within the Scheme an Investor completes either a switch form or provides written instruction to the RE to amend the existing investment. The RE has the discretion to allow switching within a term period.</p>	<p>Additional applications are controlled by the Investment Services Team Leader on a continuous basis. The checking may be delegated to an Investment Services Officer.</p> <p>The Investment Services Team Leader reports quarterly to the Board on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the quarterly Board Reports.</p>

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>15. Investment processing</p>		<p><u>Currency of PDS documents for existing Investors making additional deposits</u></p> <p>The RE must only accept additional applications where it believes on reasonable grounds that at the time the additional application was made, the current PDS has been made available to the Investor and any ongoing disclosure requirements notified. The RE will form this view on the basis that:</p> <ul style="list-style-type: none"> • On issue of each new PDS for the Scheme a copy of the new PDS is made available to all Investors registered in the additional applications arrangement. • Where a replacement or supplementary PDS is issued a copy of the replacement or supplementary PDS is made available to all Investors registered in the additional applications arrangement and that PDS has adequate disclosure of the arrangement. • The current PDS is available free of charge to any Investor in the arrangement, on request, at any time. • Any ongoing disclosures are made available in accordance with the Act. <p><u>Replacement or supplementary PDS</u></p> <p>If at the time an Investor makes an additional investment,</p> <ul style="list-style-type: none"> • the RE has lodged with ASIC an in use notice for a replacement or supplementary PDS in respect to the current PDS; and, • the RE does not believe on reasonable grounds that the replacement or supplementary PDS has been made available to the Investor; then, <p>The RE must send, or make available to the Investor, the missing documents and a written notice explaining that the investment has been accepted (or otherwise as the case may be).</p>	<p>Treasury Department for issuing of each PDS or supplementary PDS/ Investment Services Team Leader control Investor statements.</p>
<p>LM First Mortgage Income Fund ARSN 089 343 288 LM Investment Management Ltd ABN 56 017 708 461 Responsible Entity and Australian Financial Services Licensee 270281</p>	<p>Differential Fee Arrangement</p> <p>Ensure Investors under a differential fee</p>	<p>Differential Fee Arrangement</p> <p>Investors under a differential fee</p> <p>The RE may offer a Differential Fee Arrangement to Investors at rates to be disclosed from time to time offered to investors investing in the Fund as a Wholesale Investor, within the</p>	<p>Fund Management Committee for each</p>

Rule	Risk Addressed	Compliance Measures	Responsibility (checked by)
<p>15. Investment processing</p> <p>arrangement are treated fairly and do not disadvantage Investors. Also disclosure of the differential arrangement is in accordance with relevant legislation.</p>	<p>arrangement disadvantage Investors; other</p> <p>Differential arrangements are not disclosed as required by legislation. fee</p>	<p>meaning of Wholesale Client in Section 761G of the Corporations Act .</p> <p><u>Compliance with Class Order [CO 03/217]</u></p> <p>The RE must ensure that:</p> <ul style="list-style-type: none"> • where a differential fee arrangement of a kind referred to in paragraph 1 of Schedule B of the Class Order is in place or is to be offered, a statement of the basis upon which the differential fee will be calculated and which specified the fees members will have to bear; and • where a differential fee arrangement of a kind referred to in paragraph 2 of Schedule B and the Class Order is in place or is to be offered to certain wholesale Investors, a statement of that fact, <p>is disclosed:</p> <ul style="list-style-type: none"> • to existing Members of the Scheme by no later than the date of the first communication which the RE makes to all Members which is made both: <ul style="list-style-type: none"> o after the date when the differential fee arrangement is first offered; and o after 18 March, 2001; and • In any disclosure document used for an offer of interests in the Scheme. <p>The differential fee arrangement is made in accordance with differential fee arrangement procedures.</p>	<p>new differential fee arrangement</p>
<p>Ensure all necessary information is reported under the Financial Transaction Reports Act 1988.</p>	<p><u>Suspect and significant transactions</u> are not reported as required;</p> <p><u>Suspect or significant transactions may put</u></p>	<p>The RE as an Australian Financial Services Licensee falls within the definition of cash dealer within the meaning of the Financial Transaction Reports Act 1988. Sec 243D of the Australian Securities and Investments Commission Act 2001 requires the RE where it has reasonable grounds to suspect that information it has concerning a transaction may be relevant to investigation of, or prosecution of a person for, an offence under this Act or the Corporations Act, to prepare a report (including the reportable details as set out in Schedule</p>	<p>Controlled by Investment Services Team Leader on a continuous basis and Business Standards and Compliance Department for any suspect transaction</p>

15. Investment processing	
Rule	Compliance Measures
Risk Addressed	Responsibility/Checked by
<p>the scheme at risk if illegal it is an illegal investment.</p>	<p>4 to section 16 of the Financial Transaction Reports Act) of the transaction and communicate that information to the Australian Transaction Reports and Analysis Centre ("AUSTRAC"). Details of the procedures to be followed are in "Suspect transaction procedures"</p> <p><u>Significant cash transactions in amounts of \$AUD10,000 or more</u></p> <p>Any transaction involving cash (\$AUD10,000 or more or equivalent in foreign currency) is required to be reported to AUSTRAC. Where the transaction is also considered suspect, then a separate report must be prepared and lodged with AUSTRAC. It is the policy of the RE that cash only be handled by a teller of a bank and never by Officers, Staff or Advisers of the RE.</p> <p><u>Transfer of \$AUD10,000 or more in cash into or out of Australia</u></p> <p>Where an amount of \$AUD10,000 or more is carried into or out of Australia, then it must be reported to AUSTRAC.</p> <p><u>International funds transfer instruction or telegraphic transfer</u></p> <p>Any international funds transfer in any amount is required to be reported to AUSTRAC where the RE arranges the transfer directly, by electronic or similar, and not by a bank. Normally these transfers are arranged through a bank in which case the bank will transfer the funds and report the transaction to AUSTRAC. It is the policy of the RE that international funds transfers only be arranged through a bank.</p>
<p>Withdrawals</p> <p>Investor may suffer a loss if withdrawal or reinvestments are not processed correctly.</p>	<p>The Investment Services Team Leader is responsible for control and checking of all withdrawal requests.</p> <p>The Investment Services Team Leader reports quarterly to the</p>
<p>Ensure withdrawal requests and reinvestments are processed in a manner consistent with the Constitution, PDS documents and the Act.</p>	<p>Withdrawal requests must be made in writing to the RE in accordance with the PDS. Signatures appearing on written withdrawal requests are compared with the original application form signatures by the Redemptions Coordinator prior to approval.</p> <p>The RE requires that withdrawal requests only be paid to the bank account nominated on the Investor's application form. Where an investor requires deposit to a different account, then the RE requires written authorisation from the signatories to the original application form. Approval is at the discretion of the RE. It is the responsibility of the Investment Services Team Leader to enforce this policy.</p>

15. Investment processing		
Rule	Risk Addressed	Compliance Measures
		Responsibility Checked by
		<p>The Redemption Coordinator processes the withdrawal and completes a withdrawal checklist for each withdrawal. These transactions are then validated by the Redemption Coordinator.</p> <p>On the date of withdrawal it is processed and passed to the Checking Officer for checking when the file becomes valid in the system and processed to the general ledger.</p> <p>The payments are then batched in the banking system for payment and given to the Investment Services Team Leader for checking and approval.</p> <p>The withdrawal from the bank account is approved by two authorised LM staff members (pursuant to the Custody agreement). The Custodian's authorised signatories must co-sign the withdrawal file and transmit the payment then return the file to the RE for confirmation.</p> <p>Withdrawals will be paid within 7 business days of maturity of an investor's investment after the 30 days written notice has been received prior to maturity.</p>
		<p>Board on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the quarterly Board Reports.</p>
Distributions		
<p>To ensure distributions by the Scheme to Investor are calculated correctly and distributed to the correct Investor on a timely basis and in accordance with the Constitution.</p>	<p>Investor may suffer a loss if distributions are not processed correctly.</p>	<p>Income distributions are accounted for monthly and paid within 14 days following the distribution period (one calendar month) of collection in accordance with the Constitution and the PDS.</p> <p>The system automatically calculates interest due to each investor with reference to the current interest rate. The IS Team Leader checks and authorises the distribution.</p> <p>Investor unitholdings recorded in the management system as at the last day of the distribution period are used in calculating proportional investor entitlements to the distributable income. Income distributions are processed by direct credit to the Investor's nominated bank accounts or reinvested.</p> <p>Investors may also nominate to have their monthly distributions paid quarterly. The distributions will be paid within 10 days of the anniversary date of the investment.</p> <p>At the end of each month, a reconciliation to the bank statements of the gross income collected</p>
		<p>Controlled and checked by the Investment Services Team Leader on each distribution payment.</p> <p>The Investment Services Team Leader reports quarterly to the Board on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement</p>

15. Investment processing

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
		<p>is performed by the Fund Accountant. Various reports detailing gross income collected, fees and commissions paid are forwarded to the Fund Accountant for inclusion in the scheme accounting records and verification.</p> <p>The Fund Accountant is responsible for the accounting of gross income received, commissions and fees and any other Scheme expenses or reimbursements that are properly incurred and allowable under the Constitution. The Scheme accounts are prepared on a monthly basis. The Fund Accountant liaises with the Fund Finance Team Leader and the Chief Financial Officer in respect of gross income collected and management fees and expenses including commissions payable after the end of each month. The Fund Accountant accounts for and certifies the amount of fees, commissions and expenses and the calculation of the distributable income in accordance with the Constitution. The Fund Accountant reconciles the system generated distribution to the Scheme accounts.</p>	<p>meeting. The Business Unit Measurement results are included in the quarterly Board Reports.</p>

16. Investor reporting

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>To ensure Investors are informed of their investments and all material issues on a timely basis.</p>	<p>Reporting inaccurate or incorrect information to investors;</p> <p>Not reporting to investors on material issues;</p> <p>Not reporting to investors in a timely manner.</p>	<p>Investor reporting</p> <p>An investment summary, setting out details of the investment and units held and a contract note is forwarded to the Investor within one month of acceptance into the Scheme or within one month of any request such as additional deposits, free of charge. The letter accompanying the transaction statement for additional deposits details how they Investor is able to receive a current PDS.</p> <p>Where there is a change in an investment a new investment summary is issued reflecting those changes.</p> <p>A taxation statement is produced annually detailing all interest payments credited during each preceding financial year. This statement is also available on request.</p> <p>A periodic statement is issued annually, within 6 months of the end of the financial year, to all investors detailing transactions for the preceding financial year. If an investor withdraws from the fund a periodic statement is sent within 6 months after withdrawal detailing the transactions from the last periodic statement period to the date of withdrawal.</p>	<p>Controlled by the Investment Services Team Leader on a continuous basis.</p> <p>The Investment Services Team Leader reports quarterly to the Board on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the quarterly Board Reports.</p>

17. Conduct of Scheme Issues		
a) Scheme Overview		
Rule	Risk Addressed	Compliance Measures
<p>To ensure the Scheme's investment objectives continue to be met.</p>	<p>Investment objectives of the Scheme are not met or change and do not correspond with that disclosed in the PDS.</p>	<p>The investment objective of the Scheme is to provide investors with income and allow investors a choice of term or flexi account and return.</p> <p>The RE achieves this by being selective of the investments of the LM First Mortgage Income Fund, which are a diversified "pool" of registered first mortgages, cash and "at call" securities.</p> <p>As part of the asset allocation strategy, the RE diversifies the underlying mortgage portfolio at a number of levels including, sector, geographic location, and term and loan size.</p> <p>Further details in relation to the Scheme objectives are described in the investment mandate of the Scheme.</p> <p>The structure of the Scheme is a unit trust. Units are issued at the current issue price and withdrawals are made using the current withdrawal price, which is calculated by the RE in accordance with the Constitution. Interest in the Scheme of each Investor is calculated as a percentage of their unit holdings to the total issued units of the Scheme.</p>
		<p>Responsibility/Checked by Directors and relevant Committees.</p>

17 Conduct of Scheme Issues	
b) Powers to Borrow	
Rule	Compliance Measures
Risk Addressed	Responsibility/Checked by
<p>To ensure the RE's power to borrow for the purposes of the Scheme is in accordance with the Act and any other relevant legislation and/or agreements.</p> <p>The Scheme borrows for inappropriate purposes;</p> <p>The Scheme borrows beyond its covenants which may affect Investor's interests in the Scheme.</p>	<p>From time to time the Scheme may borrow or raise money for the purposes of the Scheme. Proceeds are used to fund complying assets originated by the Scheme. Borrowing must be in accordance with the Constitution, the Act and the agreements/s between the lender/s and the Scheme. Borrowings (including material covenants) are disclosed in the PDS and investment mandate.</p> <p>All proposals must be approved by 2 Directors of the RE.</p> <p>Guidelines and parameters are set by the Directors to ensure borrowings do not adversely affect the Investors of the Scheme.</p>
	<p>The Chief Financial Officer reviews the borrowing monthly as part of the review of the financial accounts of the Scheme to ensure continuous compliance with the agreement.</p> <p>All borrowings are reviewed quarterly by the Funds Management Committee.</p>

17. Conduct of Scheme Issues		
c) Unit Pricing		
Rule	Risk Addressed	Compliance Measures
<p>To ensure application and withdrawal prices are calculated in accordance with the Constitution, PDS documents and Corporations Act.</p>	<p>Unit pricing is calculated in a manner inconsistent with the Constitution or inaccurately; Investors may suffer a financial loss.</p>	<p>Calculating the issue price and withdrawal price of a unit</p> <p>The issue price and the withdrawal price of a unit are calculated monthly. The unit price is calculated in accordance with the Constitution and unit pricing policy based on the valuation of the Scheme Property. The net Scheme value is calculated as a part of the monthly accounting for the Scheme as at the cut off date.</p> <p>The number of units on issue is determined from the management system which records all units allotted to Investors. The issued units recorded in the management system are printed on the cut off date and is the number used for calculating the issue price and the withdrawal price.</p> <p>The Fund Finance Department is responsible for advising the Chief Financial Officer or Portfolio Manager to enable a revised issue and withdrawal price to be calculated.</p>
		<p>Responsibility Checked by:</p> <p>The Portfolio Manager reviews the unit price monthly.</p>

17. Conduct of Scheme Issues	
d) Scheme Valuation	
Rule	Compliance Measures
<p>To ensure the Scheme is valued accurately and in accordance with relevant Accounting Standards.</p>	<p style="text-align: center;">Scheme Valuation Policy</p> <p>The Scheme valuation policy must be in accordance with relevant Accounting Standards, applicable in Australia, at the time of valuation and have the endorsement of the Audit Committee of The RE which includes representatives of the Scheme's auditors. The RE's unit pricing policy details valuation methods of the Scheme's various assets.</p> <p>Valuation updates</p> <p>Assets are generally required to be revalued in accordance with the Constitution and unit pricing policy.</p> <p>In accordance with the Constitution, the Scheme is valued on a monthly basis. This valuation takes into account the latest available valuations of underlying assets in accordance with the valuation policy relating to individual security property valuations.</p> <p>Valuation of the Scheme is the responsibility of the Fund Finance Team Leader and occurs each month as a part of the monthly accounting process for the Scheme. Generally accepted accounting principles are applied in the preparation of the accounts in accordance with the Constitution.</p> <p>An accounting period "cut off" is set for the last day of each distribution period. All calculations required under the Constitution are calculated as at the cut off date by the Fund Finance Team Leader.</p>
	<p>Fund Finance Team Leader, supervised by the Chief Financial Officer - monthly</p> <p>The financial position of the Scheme is reported monthly to the Chief Financial Officer</p>

17 Conduct of Scheme Issues

e) Scheme Fund Income

Rule	Risk Addressed	Compliance Measures	Responsibility Checked by
To ensure Scheme income is accurate and received on a timely basis	Not all income to the Scheme is received which may cause a loss to the Scheme.	<p>The management system contains a mortgage register which records the relationship between the borrower and the Scheme, in particular the outstanding amount, interest rate and monthly due date of payment as in accordance with the terms and conditions of the Loan Agreement. These details are certified by a Commercial Lending Team Leader prior to entry into the system. A unique number is allocated to the Mortgage, Borrower and the Scheme, each is linked via these numbers.</p> <p>An income diary is maintained in the management system which records all due dates for receipt of income. The management system is based on a direct debit system whereby income is directly debited from borrowers bank accounts in accordance with collection instructions received from the legal department at the time of settlement.</p> <p>The Finance Department prepare a reconciliation of income on a monthly basis.</p>	<p>System input controlled by the Investment Services Team Leader on a continuous basis which is certified by the Commercial Lending Department on initial recording.</p> <p>The income reconciliation is reviewed by the Fund Finance Team Leader on a monthly basis and reported to the Chief Financial Officer. The financial position is reported quarterly to the Board.</p>

17 Conduct of Scheme Issues	f) Collections and Arrears Management		Responsibility/Checked by
Rule	Risk Addressed	Compliance Measures	Arrears Committee meets weekly.
To protect scheme property and ensure all repayments of income and capital is received on a timely basis and fully recoverable.	Not all income and/or capital is received in the required time. This may lead to a capital loss of the fund.	<p>The RE 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:</p> <ul style="list-style-type: none"> ▪ 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 (less than 60 days), arrangements are made with the borrower to remedy the default; ▪ If the default is long term (60 days or longer), a summary of the details obtained from the borrower 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, the Asset 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 oversees the preparation of an arrears management plan for each arrears loan. Given the nature of loans within the loan portfolio, the RE adopts a case by case approach to arrears management, reflected in the individual management plans for each arrears loan; ▪ The management plan is implemented by the Asset Manager who maintains a separate arrears file for each arrears loan; ▪ Reports on arrears loans are prepared and presented at Arrears Committee meetings. Arrears management plans are considered and updated as necessary; ▪ In the formulation of an arrears management plan the Arrears Committee considers the following factors: <ul style="list-style-type: none"> • Current value of the security property; • Whether updated valuation ought to be obtained; • Current loan amount; • Current loan to valuation ratio; • A review of securities held; • A review of insurances held; 	

	<ul style="list-style-type: none"> • Issue of default notices; • For commercial loans: <ul style="list-style-type: none"> ▪ tenancy status; • For construction loans: <ul style="list-style-type: none"> ▪ 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 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 (e.g. lodgement of notices, maintenance of controller accounts); • Any site-specific issues (e.g. planning, subdivision, contamination or heritage status); • Potential sales avenues; • Whether sales agent ought to be appointed/selection of agent. <ul style="list-style-type: none"> ▪ 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; ▪ Arrears loans are managed in this way until the security is sold and/or all possible recovery action has been completed. 	
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18 Conduct of Scheme Issues

g) Liquid Preservation Rules

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>Ensure the Scheme's liquidity procedures are in accordance with the Constitution and the PDS.</p>	<p>The level of liquidity in the Schemes is reduced significantly which would adversely affect Investor's interests in the Scheme.</p>	<p>The Portfolio manager monitors cash and liquidity levels and if there is any event that he considers would adversely affect the liquidity of the scheme, including as stated in the constitution, where the Investors may be adversely affected, the Portfolio manager will call a funds management committee meeting to discuss the impact on withdrawals and interests of the investor. The Funds Management Committee must consider;</p> <ul style="list-style-type: none"> • whether processing of the current monthly withdrawals should be suspended/postponed, and • how it and future withdrawal requests will be met without adversely affecting the interests of all members of the Scheme. <p>Fund cash flow position is prepared by the Fund Finance Department on a daily basis for analysis by the Portfolio Manager and Chief Financial Officer. Liquidity/Cash levels are monitored through this process.</p> <p>Cash levels, as per the investment mandate, are disclosed in the PDS and monthly fund reports.</p>	<p>Fund Management Committee monthly or more frequently as required.</p>

17 Conduct of Scheme Issues	
h) Funds Management Committee	
Rule	Compliance Measures
Risk Addressed	Responsibility/Checked by
<p>Ensure the Funds Management Committee correctly monitor and make accurate decisions on the Scheme funds.</p> <p>Inappropriate decisions are made by the Funds Management Committee which may cause a financial loss to investors.</p>	<p>A review of the Scheme is conducted each quarter by the Funds Management Committee which consists of at least one Director, the Portfolio Manager and/or the Chief Financial Officer. In this review specific direction is provided for the next quarter in relation to the;</p> <ul style="list-style-type: none"> • Budgets; • forecasting distribution rates; • weighting of underlying securities to particular asset classes; • cash flows; • average maturity profile of loan book; • level of liquid assets with reference to withdrawal requests anticipated and determination of the minimum liquid funds threshold; • weighting of loans to fixed and variable classes and consideration of loan terms and asset allocation; • adherence to investment mandate; • investment proposals of the fund other than mortgages. <p>The Chief Financial Officer and Portfolio Manager rely on this specific direction when making distributions and any other provisions required. Any material variances from the specific directions given must be ratified by the Funds Management Committee.</p> <p>The Funds Management Committee will ensure that investment mandate will be adhered to at all times. A breach of that mandate would be classified as material and notified immediately to the Compliance Committee.</p>
	<p>The executive Directors are responsible for ensuring that the Funds Management Committee contains the relevant experience within its members to fulfil its task.</p>

17 Conduct of Scheme Issues

i) Credit Committee

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>Ensure the Credit Committee correctly monitor and make accurate decisions on the investments of the Scheme</p>	<p>Credit Committee makes inappropriate investment decisions which may adversely affect the Investor's interest in the Scheme.</p>	<p>The Credit Committee is an internal review committee for all mortgage investments and is independent from all other departments. It is generally comprised of the Team Leaders (or approved delegates) of the Commercial Lending, Legal, Finance and Treasury Departments and generally one Executive Director. The Credit Committee meets as required to consider proposed and existing mortgage investment opportunities.</p> <p>Where new mortgage investment proposals pass the initial analysis by Commercial Lending, Commercial Lending will provide a written synopsis of the loan for consideration and discussion at the Credit Committee meeting. The Credit Committee is responsible for setting the primary terms and conditions of the loan within the parameters established by the funds management committee.</p> <p>Material issues arising from mortgage investment proposals currently undergoing due diligence and risk analysis by Commercial Lending are required to be raised for consideration and resolution by the Credit Committee. This includes any variation from the RE's standard terms and conditions.</p> <p>When mortgage investment proposals are completely in accordance with the RE's policies and procedures they are required to be finally approved by the Credit Committee before settlement occurs. Approval is evidenced by signatures of the Team Leaders of the Commercial Lending Department, Legal Department and one Executive Director on the pre-settlement checklist attached to the file.</p> <p>The Credit Committee has the final say in relation to all matters it considers. The Commercial Lending Department must abide by the Credit Committee's rulings. A two-thirds majority is required for approval of mortgage investment proposals, although unanimous approval is generally sought.</p> <p>The Credit Committee also nominates panel valuers and expert consultants and approves loan rollovers/ variations.</p>	<p>The Executive Directors are responsible for ensuring that the Credit Committee contains the relevant experience within its members to fulfil its task.</p>

<p>17 Conduct of Scheme Issues</p>	<p>Compliance Measures</p>	
<p>Rule</p>	<p>Risk Addressed</p>	<p>j) Lending Criteria</p> <p>Investments in inappropriate Property which may adversely affect the Investors interest in the Scheme.</p> <p>The Scheme holds unauthorised property and therefore the RE would be in breach of its obligations.</p> <p>Ensure that investment in Scheme Property is in accordance with the Act and the Scheme Constitution and PDS.</p> <p>The RE has determined and documented a lending policy for guidance in the approval and management of mortgage applications.</p> <p>For all mortgage applications:</p> <ul style="list-style-type: none"> The type of real estate offered for security must be acceptable to the RE. Typically mortgage securities will include; commercial, industrial and residential real estate (and development loans and pre-development land loans across these sectors) secured by registered first mortgage; A first mortgage must be registered on all primary security property; A certificate is received by the RE's solicitor on all settlements confirming validity of security; Security documents are lodged for stamping and registration within 14 days of settlement; The value of the property must be established in accordance with the Valuations Policy of the RE and in accordance with its Constitution; The Credit Committee applies the loan to value ratio to the valuation amount generally exclusive of GST, unless there are substantial positive factors such as high pre-sales, high net worth of the borrower etc.; The serviceability for the facility must be established to the satisfaction of the RE. The 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; Pre-settlement, settlement and post-settlement reviews are performed; Commercial Lending carries out regular reviews of all current loans; Settlement and ongoing payments must be certified by two approved Commercial Lending Team members. <p>The constitution of the First Mortgage Income Fund does not allow the RE to exceed a loan to valuation ratio of 85% of any one loan except in the event of default. Notwithstanding the provisions of the constitution, the RE has a policy of generally not exceeding the following loan to value ratios :</p> <ul style="list-style-type: none"> 65% for vacant land; <p>The lending criteria is reviewed yearly by Commercial Lending Department.</p> <p>Credit Committee is responsible for each new proposal.</p> <p>The Commercial Lending Department is responsible for all procedures to settle the loan.</p> <p>Loan status is reported quarterly to the Board.</p>

17 Conduct of Scheme Issues		
j) Lending Criteria		
Rule	Risk Addressed	Compliance Measures
		<ul style="list-style-type: none"> • 75% for commercial loans; • 66.67% for construction and development loans of the gross realisation, calculated on a cost to complete basis. <p>It is the RE's policy to ensure that no single mortgage exceeds 10% of the scheme assets.</p>

<p>17</p>	<p>Conduct of Scheme Issues</p>	<p>j) Lending Criteria</p> <p>Development loans</p> <p>Additional requirements are imposed in the case of development loans as follows:</p> <p>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 "cost to complete" is that the lender always retains sufficient funds within the loan facility to complete the development based on its own assessment of the actual cost to complete the project.</p> <p>On going analysis and mortgage management by Commercial Lending Department is performed this includes on draw downs;</p> <p>Additional development loan procedures are required throughout the development stages of the loan to ensure the development is adequately monitored;</p> <p>A tripartite agreement will be put into place between the RE and Custodian, the borrower and the builder (where appropriate).</p> <p>Loan variations and rollovers</p> <p>Loan variations or rollovers must be approved by the Credit Committee. A synopsis is prepared and the variation or rollover is presented to a Credit Committee meeting. If approved by the Credit Committee, the legal department documents the variation or rollover and completes a check list. The essential loan terms are reviewed and then legal documentation is issued. The checklist is signed by the preparer and reviewed by the legal department team leader.</p> <p>An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. The requirement for an updated valuation may be waived where the RE considers that an updated valuation would serve no useful purpose.</p>
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Compliance Measures

Risk Addressed

17 Conduct of Scheme Issues	
k) Valuation Policy – Mortgage Lending	Compliance Measures
Rule	Responsibility/Checked by
<p>To ensure Property are valued at regular intervals appropriate to the nature of the asset.</p> <p>Inaccurate valuations are performed on Scheme Property which may be of disadvantage to investors' interests.</p>	<p>Individual Scheme property is valued prior to settlement of each transaction. Valuations relied upon must have been conducted no earlier than three months prior to the date of settlement of any mortgage loan.</p> <p>Valuations may only be carried out by panel valuers. If the valuer chooses not to be a member of the RE's panel the valuer must still meet The RE's selection criteria for panel valuers. The explanation why he chooses not to be a member and details of the valuer must be taken to a Credit Committee meeting where the valuer must be approved by the Credit Committee prior to acceptance of any valuations from the valuer.</p> <p>Appropriate instructions must be given to the valuer having regard to the type of valuation required i.e. "as is" or "on completion".</p> <p>The valuer must certify they are independent of both the borrower and security property.</p> <p>The RE does not accept valuations performed on the instruction of borrowers. The RE requires that valuations be provided on the RE's instructions, or that valuers confirm that their valuations adhere to the RE's requirements.</p> <p>The Commercial Lending Department, in accordance with the valuation review guidelines, is responsible for the review of all valuations. Unresolved issues arising from the review must be referred to an Executive Director for discussion and determination.</p> <p>Where appropriate, the Commercial Lending Department obtains an independent property report from two real estate agents, or an alternate valuer's report, whose normal trade area encompasses the property being valued.</p> <p>Original valuation reports are filed in the file established for each investment proposal. They may also be imaged and stored on the computer network maintained by the RE.</p> <p>The RE has determined and documented valuation review procedures for guidance on each valuation.</p>

17 Conduct of Scheme Issues		Compliance Measures	Responsibility/Checked by
Rule	Risk Addressed		
k) Valuation Policy – Mortgage Lending			
<p>To ensure all Scheme Property is appropriately valued prior to settlement of each transaction and ongoing throughout the development phase where appropriate.</p>	<p>Inaccurate valuations are performed through the development phase of the project.</p>	<p>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 requirements for an updated valuation may be waived where the RE considers that an updated valuation would serve no useful purpose.</p> <p>Developments</p> <p>Separate valuations (which may be within the one valuation report) are required in relation to “as is” and “on completion” valuations.</p> <p><u>“as is” valuation</u></p> <p>The “as is” valuation is the valuation figure used by the RE in calculating the initial drawdown. The “as is” valuation is the market valuation of the property at the time of the initial drawdown. The Loan to Value Ratio in this case must fall within the RE’s lending criteria in relation to vacant land.</p> <p><u>“on completion” valuation</u></p> <p>The “on completion” value is the market value of the property at the completion of development.</p> <p>The valuation methodology required is as follows:</p> <ul style="list-style-type: none"> • “Feasibility analysis” including demolition, sub-divisional, 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. 	<p>Commercial Lending Department for each development loan.</p> <p>Valuation details are reported to an Internal Director prior to final settlement.</p>

17 Conduct of Scheme Issues		Compliance Measures		Responsibility/Checked by
Rule	Risk Addressed			
<p>k) Valuation Policy – Mortgage Lending</p>				
		<ul style="list-style-type: none"> • “Gross realisation” based on comparable sales evidence for the individual components. E.g. Houses, units, allotments etc. <p>The RE will reasonably assess the appropriateness of the feasibility within the valuer’s report by comparison with cost estimates provided by a competent quantity surveyor and/or other specialists.</p> <p>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 RE.</p>		
To ensure appropriately qualified valuers are on the RE’s valuation panel.	Valuations are performed by underqualified or unsuitable valuers thus may cause inaccurate valuations.	<p>Valuation panel</p> <p>In the first instance, one of the valuers listed on the RE’s panel members will provide the services of a registered valuer to conduct the initial valuation. If the valuer chooses not to become a member of the RE’s panel the valuer must still meet The RE’s selection criteria for panel valuers. The explanation why he chooses not to be a member and details of the valuer must be taken to a Credit Committee meeting where the valuer must be approved by the Credit Committee prior to acceptance of any valuations from the valuer. The valuer must have appropriate professional indemnity insurance when performing a valuation.</p> <p>Members of the valuation panel are accepted and removed in accordance with the RE’s panel guidelines. A register of panel valuers is maintained and held with Commercial Lending Department.</p>	The Credit Committee is responsible for the appointment of a valuer to the panel and/or its removal.	
To ensure there is no conflict of interest with valuers	Conflict of interest by valuers.	<p>Conflicts of interest by Valuers</p> <p>Panel valuers are required to disclose any potential conflict of interest in the subject property or the proposed transaction concerning the subject property. This requirement is embodied in the valuation instructions to valuers.</p>	Disclosed or perceived conflicts of interest are referred to the Credit Committee for	

17 Conduct of Scheme Issues		
k) Valuation Policy – Mortgage Lending		
Rule	Risk Addressed	Responsibility/ Checked by
	Compliance Measures	
	Generally a new valuation from another panel valuer will be required to resolve potential or actual conflicts of interest and any relevant disclosures to Investors made.	The Credit Committee may obtain independent advice.

Definitions

In this Compliance Plan, the following terms shall have the meanings assigned to them unless the context shall otherwise require:

- 'Act' means Corporations Act 2001 and includes the Corporations Regulations.
- 'Adviser' means authorised representative of an Australian Financial Services Licence.
- 'Arrangement' means a written arrangement between the RE and an Investor that sets out circumstances in which applications for interests in Registered Schemes operated by the RE may be accepted.
- 'ASIC' means the Australian Securities and Investment Commission.
- 'Board' means the Board of the RE.
- 'Committee' means the Compliance Committee of the Scheme.
- 'Committee Externality Test' means the tests in Section 601JB of the Act for determining whether a person is an external member of a compliance Committee.
- 'Complaints Handling Policy' means the policy of the RE for handling Complaints in respect of the Scheme from time to time.
- 'Complaint' has the meaning given thereto in the Complaints Handling Policy.
- 'Compliance Procedures' means the processes and procedures adopted by the RE in respect of compliance from time to time.
- 'Compliance Program' means the systems adopted by the RE in respect of compliance from time to time whether in respect of this Scheme or not.
- 'Compliance Register' means a register of significant compliance documents that the Committee may or may not be required to keep, which can be kept electronically.
- 'Compliance Risk Assessment' means an assessment of the major compliance risks to the operations of the Scheme that could result in losses arising from non-compliance with the Act and the Constitution having regard to the protection of Investors' interests and of measures designed to mitigate them.
- 'Compliance Structure' means the organisational structure of the RE as the RE in respect of compliance.
- 'Conflict' means a conflict or potential conflict of interests or duty.
- 'Constitution' means the Trust Deed that constituted the Scheme.
- 'Custodian' means the person, if any, who is appointed as Custodian of Scheme Property.
- 'Differential Fee Arrangement' means an arrangement pursuant to CO 03/217 which provides exemption from S601FC (1) (d) of the Act in relation to differential fee arrangement offered to investors investing in the Fund as a Wholesale Investor, within the meaning of Wholesale Client in Section 761G of the Corporations Act.
- 'Director Externality Test' means the tests in Section 601JA of the Act for determining whether a person is an external director of the RE.

- 'Employee' means a person which may include an Officer who is employed by the RE.
- 'Employee Compliance Declaration' means a declaration to be made by each employee and officer of the RE concerning his or her compliance with the Plan in such form as the Committee determines from time to time.
- 'External Director' means a director of the RE who is regarded as an external director of the RE under the Director Externality Test.
- 'External Member' means a Member of the Committee who is regarded as an external member under the Committee Externality Test.
- 'Governing Documents' means the Rules, Constitution, FSR Licence, the Compliance Program and this Plan.
- 'Investment' means an asset acquired for the producing income or capital gain for the owner.
- 'Investor' means a person who is a member in the Scheme.
- 'IT' means information technology.
- 'Law' means law in force in the relevant jurisdiction.
- 'Licence' means appropriate financial services licence that sets the authorisations and conditions to provide the services.
- 'LM' means LM Investment Management Ltd, the RE.
- 'Member' means a person who is a member of a Committee.
- 'Membership' means membership of a Committee.
- 'Officer' means a director, executive of the RE or a person who participates in making decisions that affect the whole or a substantial part of the business of the RE.
- 'Other Scheme' means any other registered managed investment Scheme of the RE.
- 'Plan' means this Plan being a Compliance Plan adopted by the RE in respect of the Scheme as required by Section 601HA of the Act as the same may be amended or varied from time to time.
- 'Plan Auditor' means the person who has been appointed to audit compliance with the Plan as required by Section 601HG of the Act.
- 'PDS' means a product disclosure statement whereby interests in the Scheme are offered including any supplement thereto.
- 'RE' means the Responsible Entity.
- 'Regulatory Authority' means the Australian Securities and Investments Commission and any other body having regulatory authority over the Scheme and or the RE.

<p>'Related Party' has the meaning given to the term in Part 5C of the Act.</p> <p>'Relevant Materials' means the Attachments to this Plan, the Governing Documents, anything declared in the Plan to be within the term and such other documents and materials as the Committee determines shall be within the term.</p> <p>'Responsible Entity' means the party who is from time to time the responsible entity of the Scheme and in the first instance shall be the RE.</p> <p>'Rule' compliance rules forming part of the Plan.</p> <p>'Scheme' means the registered managed investment scheme to which this Plan applies.</p>	<p>'Security' in the context of loans means security in respect of a loan or an accompanying Scheme loan over the assets of the Scheme.</p> <p>'Security property' means any property offered by a Borrower as security for an approved Mortgage in the Scheme.</p> <p>'Scheme Auditor' means the person who from time to time conducts the statutory audit of the Scheme.</p> <p>'Scheme Property' means all the property, rights and income of the Scheme</p> <p>'Service Provider' means a company contracted by the RE to provide a service to the Scheme.</p> <p>'Unit' means an individual share in the beneficial interest in the Scheme as provided in the Constitution.</p>
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LM Investment Management Ltd
Australia's Specialist Mortgage Trust Manager

10 April 2008

Australian Securities and Investment Commission
GPO Box 9827
Brisbane Qld 4001

To Whom It May Concern

Re: Replacement compliance plans for registered schemes operated by LM Investment Management Ltd AFSL 220281

Enclosed are replacement compliance plans for:

- LM First Mortgage Income Fund ARSN 089 343 288;
- LM Wholesale First Mortgage Income Fund ARSN 099 857 511;
- LM Cash Performance Fund ARSN 087 304 032;
- LM Currency Protected Australian Income Fund ARSN 110 247 875; and
- LM Institutional Currency Protected Australian Income Fund ARSN 122 052 868 effective as of 10 April 2008.

A cheque of \$165 has been enclosed for lodgment.

We have attached an original copy and one copy of each of the replacement compliance plans. Could you please stamp and return the copy of each as confirmation of lodgment.

If you have any questions in relation to this matter please contact myself on 07 55844500.

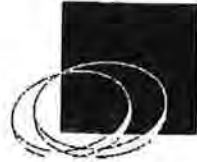
Yours faithfully

Carolyn Hodge
Business Standards and Compliance Manager
LM Investment Management Ltd



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LM Investment Management Ltd
ABN 68 077 208 461 Responsible Entity and Australian Financial Services Licensee 220281
Level 4, 9 Beach Rd, Surfers Paradise, Qld, 4217. PO Box 485, Surfers Paradise, Qld, 4217

REPLACEMENT COMPLIANCE PLAN

LM FIRST MORTGAGE INCOME FUND (the "Scheme")


ARSN 089 343 288



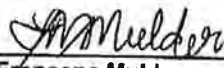
Lisa Darcy
Director




Peter Drake
Director



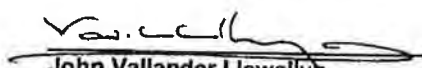
Eghard van der Hoven
Director



Francene Mulder
Director



John Dillon
Director



John Vallander Llewellyn
Director



John Francis O'Sullivan
Director

Effective date: 10 APRIL 2008

LM First Mortgage Income Fund ARSN 089 343 288
LM Investment Management Ltd ABN 68 077 208 461 Responsible Entity and Australian Financial Services Licensee 220281

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Part 1

The Compliance Plan

This Plan is *effective as of 10 April 2008*, and is the Replacement Compliance Plan of LM Investment Management Ltd, Responsible Entity (RE) that is required in respect of the Scheme, pursuant to Section 601HA of the Corporations Act (Act). The Board of the RE is satisfied that given the extent of the compliance framework and the compliance program there are sufficient resources and structure to implement, monitor and maintain the Plan.

Preparation of the Plan

Senior Representatives of the RE endorsed the Plan and recommended its approval by the Board. The Plan was prepared by the RE. All Directors have signed the Plan. The Plan has been prepared having regard to the matters that were considered as a result of the RE conducting a compliance risk assessment and to the matters required to be included in the Plan pursuant to Part 5C of the Act and to the relevant ASIC Policy Statements, including particularly Policy Statement 132.

Scope of the Plan

The Plan has been structured so that it addresses the key processes, systems and structures that the RE and its officers, employees and authorised representatives must apply to ensure compliance with the Act and the Constitution. The Plan does not describe in detail all aspects of the systems and processes that it maintains to ensure compliance. Rather, it provides sufficient detail to describe the measures of the more detailed systems, policies and procedures, plus information on how those systems can be monitored and accessed to ensure the RE's compliance obligations are met.

Amendment of the Plan

The Business Standards and Compliance Department, the Compliance Committee and the Compliance Auditor will review the Plan on an ongoing basis and the Business Standards and Compliance Department will make necessary amendments to the Plan when appropriate. This is to be done with regard to changes in the Act, the practice of ASIC, in the nature of the Scheme, and what is seen as being best practice. The Compliance Committee may obtain independent advice on whether it is appropriate to make an amendment to the Plan.

Distribution and use of the Plan

The Business Standards and Compliance Department has responsibility for providing copies and amendments to the Compliance Plan to all Staff and the Compliance Committee and Compliance auditor.

Sections of the plan considered essential reading are Parts 1 to 4 which give an overview on the Compliance Plan, Corporate Governance, the Compliance Committee and the compliance duties of the RE, Officers and Staff.

Part 5 lists the core compliance elements.

Part 6 provides the detail the essential measures in place to ensure the legal responsibilities are complied with.

Application of Plan

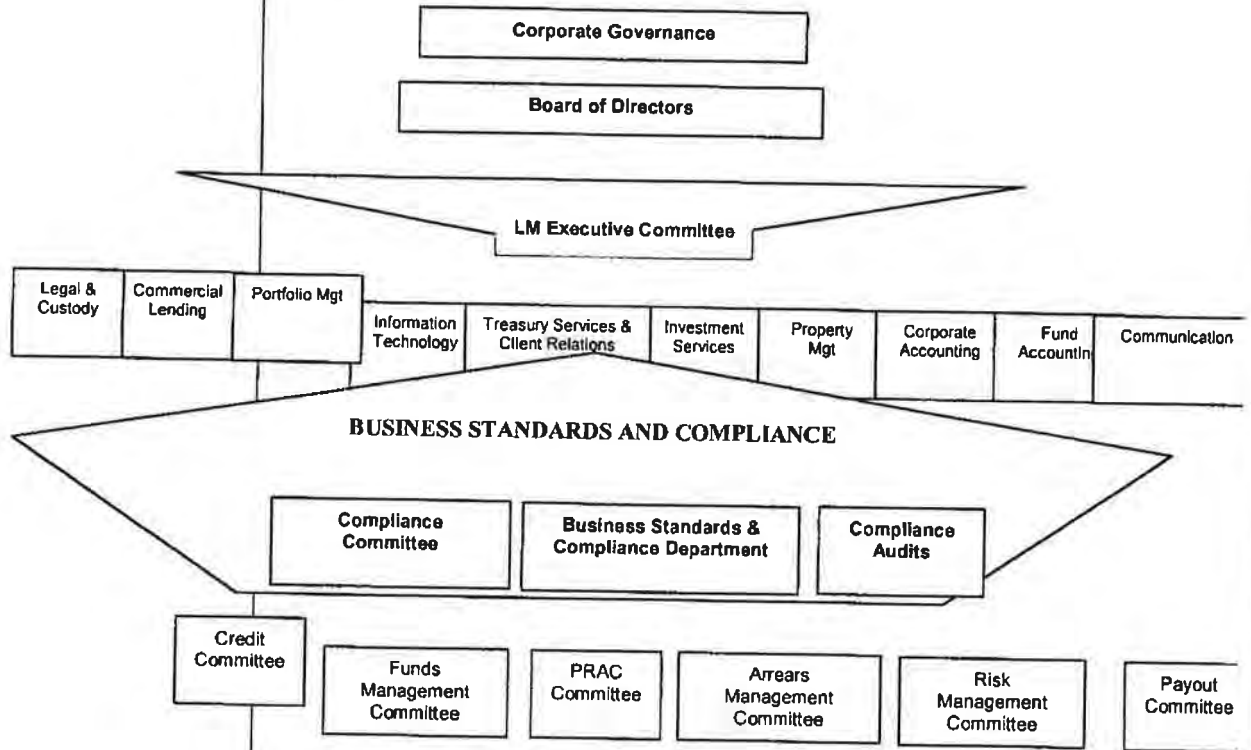
The parts of the contents of this master Compliance Plan is referred to by other Schemes for which the RE is responsible except for Scheme specific issues documented in Part 6 of this plan, which are specific to the First Mortgage Income Fund Compliance Plan.

Each Scheme may have specific Scheme issues which will be detailed in individual plans.

Part 2

Corporate Governance

The RE maintains a "flat" organisation structure, which lends itself to effective communication across the company. The Directors believe that this "flat" structure and the participative management style adopted by the Directors are essential foundations in the development of a true compliance culture. The Directors are committed to ensuring compliance is a part of the RE's culture and Directors, Officers and staff takes ownership of compliance. The diagram below sets out the compliance structure;



All staff fall within a particular department. Each department has a Team Leader or Manager. Team Leaders/Managers are appointed to represent their department to other departments and at management meetings. Team Leaders/Managers are responsible for their departmental operations and their continuous improvement programs. There are a number of Committees within the RE. Their role is to enhance the decision making processes of the business. The continuous improvement programs are summarised on the business plan of the RE.

The scope of the Compliance Committee's duties encompass all operational departments. The Compliance Committee reports directly to the Board in a similar way to the RE's external auditors.

Communication and information

Direct access to Directors and Team Leaders/Managers

The flat hierarchy of the RE means that all staff have direct access to Directors and Team Leaders/Managers. The Directors and Team Leaders/Managers actively encourage staff to raise ideas with them. The RE maintains a list of corporate values stated in the business plan of the RE. The business plan is reviewed annually. All staff and the Directors have committed to these values. These values are one of the key foundations

for trust and teamwork in the company, and the foundations of a compliance culture.

LM Meeting

The Team Leaders/Managers (or appointed delegate) from each department meet on a regular basis, at least fortnightly in the LM Executive Meeting. There is generally at least one Director in attendance. It is open to all staff to attend the LM Meeting where they have an interest in any agenda items or have an issue which requires consideration. The LM Meeting is the key communication forum and decision making process for the RE with an all encompassing scope including;

- Operational issues
- Staffing and training issues
- Compliance issues

Input is sought from all attendees and a majority of all present is generally required to resolve issues.

Minutes of each meeting are distributed to all staff and Directors.

Business Unit Measurement

The RE conducts a business unit measurement meeting, generally within two weeks of the end of each month, to inform all staff of performance results for the preceding month for all departments. If, for some reason, the RE is unable to have the meeting in any one month the RE will report those results at the next meeting.

The performance results are reported to the Board at each Board meeting.

The Business Standards and Compliance Manager reports results in relation to breaches that have occurred in the preceding months. These breaches along with the resolution of rectification measures are discussed with the responsible Department Team Leaders/Managers, usually, prior to the meeting.

The open and participative management style employed by the RE ensures that Directors, Team Leaders, Managers and staff have access to relevant information in relation to the management of the Scheme and the company.

Board of Directors

The full Board generally meets on a quarterly basis, or more frequently if necessary, to discuss strategic, business and control matters.

The Board has primary responsibility for ensuring that there is an adequate and effective system operating within the RE. As part of this responsibility the Board monitors business activity to ensure that the systems and controls are operating effectively and deals with any issues effecting the efficiency and effectiveness of these systems and controls.

Each Board member is required to complete the appropriate forms on disclosure of interests, and where relevant, to satisfy the externality test in Section 601JA of the Act.

Part 3

Compliance systems

1. Compliance Responsibilities

The duties of the RE and each of the Directors and other Officers of the RE under this Plan include the following:

- to act honestly;
- to exercise the degree of care and diligence that a reasonable person would exercise if they were in the position of the RE;
- to act in the best interests of the Investors and, if there is a conflict between the Investors' interests and its/their own interests, give priority to the Investors' interests;
- to treat Investors who hold interests of the same class equally and Investors who hold interests of different classes fairly;
- not to make use of information acquired through being the RE, an officer or an employee of the Scheme in order to :
 - gain an improper advantage for itself (the RE), themselves (officer or employee) or another person; or
 - cause detriment to the Investors of the Scheme; and
- to ensure that the Constitution meets the requirements of sections 601GA and 601GB of the Act;
- to ensure that the Plan meets the requirements of section 601HA of the Act;
- to comply with the Plan;
- to ensure that Scheme Property are :
 - clearly identified as Scheme Property; and
 - held separately from property of the RE and property of any other Scheme; and
- to ensure that the Scheme Property are valued, as necessary, at intervals appropriate to the nature of the property;
- to ensure that all payments out of the Scheme Property are made in accordance with the Constitution and the Act;
- to report to ASIC any breaches as required by the Act;
- carry out or comply with any other duty, not inconsistent with this Act, that is conferred on the RE by the Constitution;
- to take all steps that a reasonable person would take, if they were in the Officer's position, to ensure that the RE - complies with :
 - the Act;
 - any conditions imposed on the Australian Financial Services Licence of the RE;
 - the Constitution; and
 - the Compliance Plan; and
- to ensure that any duty of an officer under Section 601FD (1) of the Act overrides any conflicting duty under part 2D.1 of the Act.

The Board of the RE has the ultimate compliance responsibility for ensuring that breaches of legal, regulatory and contractual obligations will be prevented.

The responsibility for compliance in the first instance rests with the Officers and Employees performing operational tasks. Compliance systems are embedded in the business systems and procedures to ensure that compliance aspects are addressed.

In addition to the obligations in this Plan employees of the RE must not make improper use of their position as an employee to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the Investors of the Scheme and must ensure that their duties under Section 601FE of the Act override any conflicting duty the employee has under Section 2D.1 of the Act.

2. Compliance Framework

The framework of compliance is documented in the compliance program. The compliance program represents the totality of compliance measures adopted by the RE whether in respect of this Scheme or not and addresses compliance with laws, regulations and the RE's ethical

standards.

The activities of the RE must be performed in accordance with the compliance program that it has adopted. The RE requires that all Officers and other employees display the highest commitment to ethical and informed behaviour.

The compliance program was developed to conform to the Australian Standard AS 3806. The Plan is an integral part of the compliance program and focuses on those matters that are required by Part 5C of the Act.

The key elements in the compliance program are a framework of compliance procedures, controls, training, exception reporting and auditing. These are supported by the requirement that key processes follow established procedures and Officers and Employees are required to make declarations of compliance with the Plan. Focus is on compliance with the key requirements in the Act, the Constitution, the PDS documents and those matters identified by the Risk Management Statement of the RE.

The Compliance Committee has responsibility for ensuring that the RE and all Officers and Employees comply with the Act and the Constitution and in doing so has regard to the terms of the Plan and the other elements of the Compliance Program. The Business Standards and Compliance Manager is a member of the Compliance Committee whose task is to monitor the Compliance Program and report to the Committee.

3. Compliance risk assessment

The RE's Risk Management Statement identifies key risk areas within the business and the controls in place to mitigate those risks.

The main compliance risks which may effect a breach of the Compliance Plan, the Act or Constitution are:

- Breach of Compliance Plan
- Breach of licence conditions
- Inappropriate management of funds
- Inaccurate, incomplete or invalid applications, withdrawals or distributions
- Inappropriate or inadequate disclosure and/or reporting
- Inadequate segregation of assets
- Inappropriate related party transactions
- Failure of information technology systems and inadequate disaster recovery program
- Inadequacy in the lending and valuation criteria on Scheme Property (Scheme specific)

The Compliance Plan details measures in place to mitigate the above risks. The RE's various departmental Team Leaders/Managers are required to review compliance risks relating to their area of responsibility on an ongoing basis and report any material issues arising to the Business Standards and Compliance Manager and/or at the LM Meeting.

Amendments to the risk management controls and procedures implemented by the RE maybe required to be approved by all Directors and/or Team Leaders/Managers prior to implementation dependant on the procedure type.

Compliance risks and risk management controls and procedures are communicated and actioned to staff through staff training, and the various checklists required to be completed and reviewed within the management of the Scheme.

4. Compliance training

The Business Standards and Compliance Manager initiates compliance training in conjunction with the Manager of each department. The department Managers are primarily responsible for developing, maintaining and disseminating the contents of the Plan to Employees within their respective departments. Each Team Leader/Manager is responsible for ensuring that staff within their department conduct the affairs of the RE in accordance with the Compliance Plan.

Part 4

Compliance Committee

1. Members

Under Section 601JA of the Act, the RE is required to have a Compliance Committee in relation to the Scheme that complies with the requirements of the Act, including the external membership requirements of Section 601JB of the Act.

The RE has determined that the Committee will have three Members. It will consist of the Business Standards and Compliance Manager of the RE and two external Members.

A quorum for Committee meetings is the Compliance and Business Standards Manager and at least one external Member.

The Board is responsible for appointing new members to the Committee and ensuring the external members meet the definition of external member under Section 601JB of the Act. The Board is also responsible for ensuring members have appropriate qualifications and experience which may include;

- Relevant experience in the funds management industry
- Auditing experience
- Experience in relation to operational, quality, compliance or management systems
- Experience in relation to the Act, in particular, Australian Financial Service licensing, PDS documents, fund raising and familiarity with relevant legislation within the RE's jurisdiction.

It is the responsibility of the Compliance Committee to monitor satisfaction of the externality tests required by Sections 601JA and JB of the Act.

The Committee is not a Committee of the Board of the RE. It is intended that the Committee would, except in exceptional circumstances, act by a simple majority on all business.

The Committee reports to the Board and provides assurance that the compliance plan continues to be adequate for its stated purpose. The committee also oversees and makes recommendations with respect to the Plan to the Board. The Committee will rely upon the Plan Auditor to report on matters of control and adherence to the Plan, in accordance with their audit program.

The functions of the Committee include the following:

- To monitor to what extent the RE complies with the Compliance Plan;
- To report to the RE:
 - Any breach of the Act involving the Scheme; or
 - Any breach of the provisions included in the Constitution in accordance with section 601GA of which the Committee becomes aware or that it suspects;
- To report to ASIC if the Committee is of the view that the RE has not taken, or does not propose to take, appropriate action to deal with a matter reported in relation to the previous point above;
- To assess at regular intervals whether the Compliance Plan is adequate, to report to the RE on the assessment and to make recommendations to the RE about any changes that it considers should be made to the plan;
- Maintain a Compliance Register that will contain compliance documents;
- Take all reasonable steps to assist ASIC in carrying out a check under Subsection 601FF(1) of the Act;
- Provide all reasonable assistance to the Plan Auditor and to the Scheme Auditor; and
- To undertake such other matters as are not in conflict with the foregoing or with the Governing Documents or the Act.

Each Member of the Committee in addition to any other duty or obligation that he or she may have to the RE or in respect of the Scheme is required:

- to act honestly;
- to exercise the degree of care and diligence that a reasonable person would exercise if they were in his or her position;
- not to make use of information acquired through being a member in order to ;

- gain an improper advantage for himself or herself or another person; or
- cause detriment to the Investors of the Scheme; and
- not to make improper use of his or her position as a member to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the Investors of the Scheme.

2. Meetings

The Committee will meet generally on a quarterly basis or more frequently as required. The Committee is required to keep minutes of its meetings and make available those minutes for the Directors, Team Leaders, Managers or other staff.

The RE undertakes to provide all assistance and will maintain records and materials of the Committee. The RE undertakes to pay for all independent advice reasonably required by the Committee.

3. Compliance reporting

The Compliance Committee assists the Board and includes a report to the Board at the Board Meeting on matters including;

- Changes in laws and regulations.
- Ongoing compliance with the Compliance Plan, PDS and Constitution.
- Audit results
- Report on regulatory reviews by ASIC.
- New policies or procedures.
- Compliance with licensing and financial requirements.
- Training and education.
- Currency of insurance.
- Any other matters

In the case of the external Compliance Auditor, the auditor will generally liaise with the Business Standards and Compliance Manager and/or Committee on compliance matters prior to a final auditor's report to the Board of Directors

4. Access to records

The RE undertakes to provide access to the Scheme's accounting records and to information that is relevant to its compliance with the Act, the Constitution and this Plan to the Committee and any independent adviser of the Committee. The RE further undertakes to ensure that adequate records are maintained of the Scheme's operations and that compliance with this Plan is audited as required by Section 601HG of the Act and to have the Scheme Property valued at intervals appropriate to the nature of the property.

5. Business Standards and Compliance Manager

The Business Standards and Compliance Manager is a senior officer with sufficient skill and experience to undertake the compliance duties that relate to the conduct of the affairs of the RE.

The RE will ensure that there is at all times a senior officer in the position of Business Standards and Compliance Manager. The Business Standards and Compliance Manager reports directly to the Compliance Committee and represents the Compliance Committee at the LM meetings.

The duties of the Business Standards and Compliance Manager are maintained in the Compliance Register. These duties include assisting the RE to ensure its Staff, Officers and operations maintain compliance with the Compliance Plan, Constitution and any relevant Laws, Legislation and Regulations appropriate to the business. The Business Standards and Compliance Department facilitates and promotes a culture of compliance. They work with and assist departments to ensure that appropriate systems are in place to adequately operate, maintain and monitor business processes that are in compliance with the above. The Business Standards and Compliance Manager in conjunction with the Team Leaders, Managers and Directors are responsible for the ongoing review of compliance on an ongoing basis. He/she is responsible for ensuring that the compliance risk assessment, which forms part of the RE's Risk Management Statement, is updated and appropriate risk management controls and procedures have been implemented and are working adequately.

Part 5**The Compliance Elements**

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* Constitution clauses refer to the First Mortgage Income Fund Constitution. For Schemes that refer to this master Compliance Plan refer to the individual Schemes' Constitutions for detail.

Part 6	Compliance Elements Detail by Section		1. Identifying, Reporting and Rectifying Breaches
Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>The RE is required to ensure that breaches in the Constitution, Corporations Act or Compliance Act are detected and reported to the Compliance Committee and/or ASIC as required by the Act.</p>	<p>Non-compliance with the Act, Compliance Plan or Constitution; A breach may not be reported; RE's Licence may be threatened; Investor's interests may be disadvantaged.</p>	<p>The RE has a breach policy detailing identifying, reporting, recording, assessment, measurement, rectification and review of breaches. In recognition of these obligations the RE carries out a number of supervisory processes including:</p> <ul style="list-style-type: none"> Internal audits performed by the Compliance Officer. An internal audit compliance program is used as a guide for the audits, which cover all aspects of the Compliance Plan. It includes checking internal systems and processes to ensure they comply with the Compliance Plan, PDS, Constitution and any relevant legislation as appropriate. Results of the audits are reported to the relevant departments and the Compliance Committee with recommendations for rectifications of any breaches or business risks identified. Yearly audit by the Plan Auditor who undertakes independent testing of files and compliance systems. Prompt follow up of any enquiries or complaints received by the Business Standards and Compliance Manager. Staff are encouraged to report breaches of the Compliance Plan to the Business Standards and Compliance Manager under an ongoing program of continuous improvement. Number of breaches is a Key Performance Indicator for compliance, reported at the monthly Business Unit Measurement meeting. <p>All breaches are recorded in the breach register which includes details particulars of the breach, who or which Department is responsible and the action taken to rectify the breach. The register is reviewed at each Compliance Committee meeting.</p>	<p>Business Standards and Compliance Department – continuous. Reported to the Compliance Committee at each Compliance Committee meeting.</p>

1 Identifying, Reporting and Rectifying Breaches	Rule	Risk Addressed	Compliance Measures	Responsibility/ Checked by
			<p>When a breach is identified and reported the breach is assessed in accordance with the beach policy to determine the level of severity and materiality.</p> <p>In any case, significant or material breaches requiring immediate action, will be notified to the Compliance Committee, then the Board and where required by the Act, ASIC.</p> <p>Factors that will determine whether a breach is material or significant are:</p> <ul style="list-style-type: none"> • The impact of the breach on the RE's ability to provide its financial services • The extent to which the breach indicated the RE's arrangement to ensure compliance with its licence obligations are inadequate • The actual or potential financial loss to investors/clients <p>Breaches that are likely to occur because of the number and frequency of similar previous breaches may also be reported to ASIC.</p> <p>Rectification of breaches</p> <p>Rectification of breaches is the responsibility of the operational department concerned. The Compliance Committee must monitor the rectification process, if applicable, to ensure it is sufficient to prevent further breaches of that nature and that the Compliance Plan properly reflects that process.</p> <p>Departmental Team Leaders/Managers are responsible for the implementation of revised or amended systems.</p>	

2. Licence Conditions	
Rule	Risk Addressed
Compliance Measures	
Conditions of the licence are checked as detailed below:	
Responsibility/ Checked by	
<p>The Australian Financial Services Licence is current and monitored to ensure they continue to be met.</p> <p>Failure to comply with licence conditions;</p> <p>Licence suspension or revoked;</p> <p>Investor's interests may not be adequately protected or disadvantaged.</p>	<p>The RE is restricted to providing financial service business as is permitted on the current Australian Financial Services Licence – the RE continuously monitors current and any new business to ensure it is adequately covered by the licence conditions.</p> <p>Any variation to the licence conditions will be approved by the Compliance Committee</p> <p>Capital adequacy – The NTA of the RE must be calculated with reference to the definition of "Net Tangible Assets", set out in the schedule to the variation to Licence. The calculation is based on the most recent RE financial statements and compared with the minimum NTA requirement under the licence based on the current level of Scheme Property.</p> <p>Custodian –</p> <p>a. The RE must ensure that where an external custodian is employed the custodian's net tangible assets position meets the minimum requirements as set in the licence. The RE may receive a Guarantee in substitution for net tangible assets as described in paragraph 131.26 of Policy Statement 131.</p> <p>b. The RE must also ensure the external custodian complies with PS 133</p> <p>Base level financial requirements–</p> <p>a. Ensure the RE's total assets exceed the total liabilities as defined in the licence.</p> <p>b. Be able to pay its debts when they are due and payable.</p> <p>c. Ensure the RE meets the cash needs requirements by preparing a 12 monthly cash flow forecast of operation of the RE, based on the most recently audited financial statements of the RE. The Board must provide an opinion, based on three monthly cash flows, on whether there are sufficient financial resources to meet ongoing requirements for a minimum of three months as at the date of the review.</p> <p>The RE must ensure that the cash needs requirement continues to be met with either the reasonable projection plus cash contingency basis or the contingency based projection basis as stated in the licence.</p>
<p>The Board is responsible for all business services and the Compliance Committee monitors the licence conditions.</p> <p>Financial Controller - Monthly</p>	<p>a. Business Standards and Compliance Department- Quarterly</p> <p>b. Business Standards and Compliance Department - Annually</p> <p>Financial Controller- Monthly</p>

2. Licence Conditions		
Rule	Compliance Measures	
Risk Addressed	Responsibility/Checked by	
	An audit opinion on the financial requirements of the RE is lodged with ASIC yearly. A review audited financial statements and review any qualifications contained in the audit report is performed with any deficiencies in the audit report noted and action taken as necessary.	Financial Controller - Annually
	Current professional and fidelity/fraud insurances to at least \$5 million is maintained at all times.	Business Standards and Compliance Manager - Annually
	Nominated Responsible Officers and in particular whether any event or occurrence has occurred that may disqualify the officer from continuing to hold that position. Check continuing membership of appropriate industry associations and/or ongoing training.	Business Standards and Compliance Manager - on notification of the event
	That the nature of the RE's business, schemes managed, its products or services has not changed in any material way that may require a variation to the existing licence.	The Responsible Department for the products and services, Then Business Standards and Compliance Manager - on notification of the change
	Additions or changes to any business or trading names that may require modification to the licence.	The Responsible Department for the products and services, Then Business Standards and Compliance Manager - on notification of the change

2. Licence Conditions		
Rule	Compliance Measures	
Risk Addressed	Responsibility/Checked by	
	<p>Ensuring that reviews of any authorised representatives appointed has been conducted satisfactorily and that appropriate remedial action has been undertaken where appropriate. Ensure that authorised representatives have not contravened the Act or any conditions of the Licence.</p>	Business Standards and Compliance Manager - Annually
	<p>Ensure that any authorised representatives appointed are sufficiently trained in relation to the activities they are to carry out on its behalf, before they commence those activities. The authorised representatives must have undertaken relevant education courses at least sufficient to comply with the PS146 requirements as per the Licence conditions.</p>	Business Standards and Compliance Manager - Annually
	<p>Ensure that authorised representatives keep up to date through the use of continuing training programs.</p>	
	<p>Ensure that authorised representatives have been acquainted with and comply with the Financial Transactions Reports Act and s243D of the ASIC Act</p>	Business Standards and Compliance Manager - Annually

3. Safekeeping and Segregating Scheme Property

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>To ensure all Scheme Property is clearly identifiable, held separately from the RE's own property and that of other schemes operated by the RE.</p>	<p>Scheme Property is mixed with that of the RE or other schemes managed by the RE and cannot be separately identified.</p>	<p>Identifying and separating Scheme Property</p> <p>The RE maintains a computerised management system which records all information for all schemes the RE manages. Mortgage Scheme Property is identified with a unique account number. The account number is allocated to the asset during the approval stage and is used as the unique identifier for that asset. The account number is entered into the system once preliminary assessment of the asset is complete.</p> <p>When Mortgage Scheme Property is entered into the system the specific scheme is selected from the product list to ensure the property is attached and recorded with the Scheme to which it belongs. This also ensures that details relating to the Scheme are recorded separately from other schemes managed by the RE.</p> <p>Scheme Property of Cash received for investments are matched to applications for the scheme and processed in accordance with Section 15 - Investment Processing.</p> <p>Other Scheme Property is entered into the computerised management system processed to the Scheme by a processing administrator. The process is checked by a checking officer.</p> <p>All payments directed to the scheme are directly paid by the payer into the bank accounts of the custodian or by cheque payable to custodian. Bank accounts are reconciled daily.</p>	<p>The system is monitored monthly by the Fund Accountant who is responsible for monthly reporting and reconciliations of funds under management.</p>
	<p>Systems assurance</p> <p>The management system is a separate application from other accounting applications of the RE. The Compliance Plan of the RE ensures that computerised processing by the RE follows the strict guidelines documented in the Compliance Plan. These guidelines are based on the premise of security and control including:</p> <ul style="list-style-type: none"> • segregation of incompatible duties, • two party authorisation processes for sensitive data entry and edits, • physical & logical access controls to systems. 		<p>IT Manager in conjunction with Team Leaders/Managers on a continuous basis.</p> <p>System security is checked monthly by the IT Department</p>

3. Safekeeping and Segregating Scheme Property

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>The RE appoints an independent Custodian to meet the conditions of its Licence and the Custodian performs its duties delegated to it on an ongoing basis including safekeeping and separation of scheme property.</p>	<p>Custodian does not perform its duties in accordance with the service agreement which may affect the scheme property or the investors.</p>	<p>Custodianship of Scheme Property The RE has to appointed an External Custodian for Scheme Property. The Custodian will manage deposits of all moneys received on behalf of the Scheme. The RE has entered into an agreement (the Custody Agreement) with the Custodian, whereby the Custodian will provide (inter alia) the following custodial and administration services to the Scheme:</p> <ul style="list-style-type: none"> • Keep proper books of account and deposit all moneys received on behalf of the Scheme into the Scheme accounts. These moneys include application moneys and income; • Hold Scheme property; • Keep informed of the exercise by the RE of its powers and the performance of its functions under the Constitution; • Act as a Custodian of the Investors until the Scheme is determined or the Custodian retires or is removed; • Comply with any directions given to it at meetings by the Investors convened pursuant to the terms of the Constitution. <p>The RE must comply with the independent Custodian arrangements in the Act and as part of its licence when it is required to do so.</p> <p>All custody, settlement, cash flows and other financial transactions affecting the Scheme will be transacted and recorded using the systems of the RE and reconciled by the Custodian.</p> <p>The Custodian is appointed pursuant to a custody agreement and must acknowledge the compliance obligations relevant to the performance of the tasks it has undertaken to perform and that it is capable and competent to conform to them and has adequate insurance in place. The appointment of the initial Custodian has been made in accordance with these procedures.</p>	<p>The RE will oversee the performance of the Custodian and will require it to have appropriate compliance systems in place that the RE will monitor and review via various departments.</p> <p>The Custodian will provide monthly reporting to the RE on custody, settlement and other cash flows and other financial transactions affecting the Scheme.</p>

3. Safekeeping and Segregating Scheme Property

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
		<p>Cash movement procedures</p> <p>All cash balances of the Scheme will be held by the Custodian in bank accounts in the name of the Custodian and solely under the control of the RE.</p> <p>The RE will issue all instructions to the Custodian in relation to cash movements. The Custody Agreement sets out the protocol for the issuance of instructions. The Custodian must only act under written instruction by nominated authorised personnel of the RE as set out in the list of authorised signatories attached to the Custody Agreement. The Custodian will nominate its own authorised personnel to the RE in relation to cash movements.</p>	<p>Cash movements are monitored daily by the Finance Department.</p> <p>The Custodian will provide monthly reporting to the RE on cash flows and other financial transactions affecting the Scheme.</p>
		<p>Monitoring of Custodian</p> <p>The monitoring of the Custodian is similar to the procedure from monitoring of the Service Providers. In addition to these matters, the Business Standards and Compliance Department will meet with the Custodian's (responsible) Manager generally on a yearly basis or more frequently if required to discuss and review any matters with the Custodian relating to the Scheme that have arisen in the course of the delivery of services by the Custodian.</p> <p>The Business Standards and Compliance Department will report any matters of concern that arise during the course of discussions with the Custodian to the Compliance Committee.</p> <p>The Scheme Auditor will review the audit report of the custodian as part of the annual compliance audit.</p>	<p>Business Standards and Compliance Department - yearly</p>
<p>To ensure insurance adequately covers the RE's activities and the Scheme Property.</p>	<p>Insurance does not adequately cover the activities of the RE and therefore putting business operations at risk;</p> <p>Insurance does not</p>	<p>Insurances</p> <p>Insurance is regarded as a critical risk in relation to various areas;</p> <ul style="list-style-type: none"> Insurances in respect to the RE and its activities in relation to the conduct of the Scheme Insurances directly protecting Scheme Property. Insurances of External Service Providers, in particular, adequacy of Professional Indemnity insurance of panel valuers. <p>The RE must engage the services of a competent insurance broker experienced in property</p>	<p>Commercial Lending Department yearly on Scheme property and each responsible Department on engagement of External Service</p>

3. Safekeeping and Segregating Scheme Property

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by Providers.
	adequately cover the Scheme Property which may cause loss of property.	<p>ownership and management and in the provision of indemnity insurance in relation to its insurance requirements.</p> <p><u>Insurances directly protecting Scheme Property</u></p> <p>These policies are generally taken by entities not associated with the RE and therefore a review process is undertaken prior to settlement of each transaction to ensure that:</p> <ul style="list-style-type: none"> • policies are in place and the premium has been paid, • are appropriate, • provide adequate coverage to the standard required of the RE, • note the Custodian as an interested party and • are renewed at each expiry date. <p>Where the RE deems that appropriate insurances are not in place, then the RE will require appropriate cover to be instated prior to settlement of each transaction.</p> <p><u>Insurance tracking</u></p> <p>The RE maintains a computerised insurance tracking system in relation to general insurance policies protecting Scheme Property. The tracking system ensures that sufficient warning is provided to the RE in relation to insurance expiry dates so that the RE may undertake action to ensure the policy premium is paid and the policy renewed. In some circumstances this may require the RE to pay the premium from its own, or Scheme funds and seek reimbursement from the insured at a later date.</p>	Business Standards and Compliance Manager yearly on the RE's business and professional indemnity insurance.

4. Training, Recruitment and Experience		Compliance Measures	Responsibility
Rule	Risk Addressed		Checked by
<p>To ensure that Officers, employees and authorised representatives of the RE are adequately qualified and experienced to competently perform their roles and receive ongoing training to enable them to comply with the Act, the Constitution and Compliance Plan.</p>	<p>Inadequately trained and experienced Officers, Employees or authorised representatives which may cause business to be miss managed, operated inefficiently or not within compliance of the Act, the Constitution or Compliance Plan.</p>	<p>Staff and Responsible Officers training</p> <p>The RE provides at least one (1) internal training session per month. All Staff and Officers must complete at least one (1) hour training per month totalling 12 hours per annum.</p> <p>The RE's training includes:</p> <ul style="list-style-type: none"> • Compliance requirements; • RE's processes and procedures; • Investment knowledge; • General knowledge & skills. <p>Departments also have individual training specific to their requirements.</p> <p>A training register is maintained detailing the office training and attendance.</p>	<p>The Business Standards and Compliance Department is responsible for managing training topics, external guest speakers, maintaining the training register, approving external training and all other matter relating to training.</p>
		<p>Authorised Representatives training</p> <p>The RE is required to ensure that its authorised representatives are sufficiently trained in relation to the activities they are to carry out on its behalf, before they commence those activities. The Authorised Representatives must have undertaken relevant education courses at least sufficient to comply with the PS146 requirements as per the Licence conditions.</p> <p>Normally the Authorised Representative will have provided satisfactory evidence of competence and expertise as part of the process of qualifying for appointment as the Authorised Representatives. The RE is required to ensure that Authorised Representatives keep up to date through the use of continuing training programs. Although the RE will ensure that internal training programs are made available to Authorised Representatives, the RE imposes a parallel obligation on Authorised Representatives to undertake continuing external training in all subjects relevant to their activities on behalf of the RE.</p>	<p>Training program is reviewed quarterly.</p> <p>Business Standards and Compliance Department -yearly</p>

4. Training, Recruitment and Experience

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
		<p>Recruitment and experience</p> <p>The Human Resource Department initiate a due diligence process on all new staff including:</p> <ul style="list-style-type: none"> • Analysis of prior experience; • Demonstrated enthusiasm, initiative and honesty; • Appropriate academic qualifications or industry equivalent experience; • Reference checking; • Appropriate verification checking including a staff check performed by an external service provider; • A recruitment interview; <p>More intensive due diligence may be performed on new staff in senior management positions.</p> <p>The RE generally remunerates its staff above market averages to attract and hold quality staff. The RE also administers internal performance bonus incentives that encourage personal excellence and team performance.</p> <p>New employees are informed of their compliance obligations in respect of the RE's compliance with the Act, Constitution and Compliance Plan and are required to sign an employee compliance declaration and confidentiality and ethics agreement.</p>	<p>Human Resource Department for each new employee.</p>
		<p>Directors and Responsible Officers</p> <p>This process is extended in the case of new Directorships and/or Responsible Officers to include:</p> <ul style="list-style-type: none"> • Noting other Directorships or Responsible Officer positions held; • An objective assessment of the relative value, knowledge and experience to be gained by the RE in the appointment of the Director and/or Responsible Officer; • Assessment of any conflicts of interest; • Determination of appropriate remuneration. 	<p>Appointment of a new Director and/or Responsible Officer requires a majority decision of the full Board.</p>

5. Confidentiality and Insider Trading		
Rule	Risk Addressed	Compliance Measures
<p>Ensure staff are sufficiently trained and aware of the obligations in relation to confidential information and insider trading</p>	<p>Misuse of inside information by staff.</p>	<p>Confidential Information</p> <p>The RE and Officers and Employees of the RE are required to deal with confidential information in the manner required in Part 5C of the Act and to observe the requirements in respect of information that is deemed to be 'Inside Information' under Section 1042 of the Act.</p> <p>The RE and Officers and Employees of the RE and the Members of the Compliance Committee must follow the procedures that have been developed to ensure that all confidential information is identified and treated appropriately.</p> <p>Access to documents and information is to be restricted to those with the 'need to know' and when specific 'Chinese wall' procedures are adapted to limit and monitor the flow of confidential information within the RE they must be observed.</p> <p>Insider trading</p> <p>The RE must take all reasonable steps to ensure that employees and Advisers do not derive financial benefits by use of information obtained by virtue of their privileged position within the company that is not generally available to the market as a whole.</p>
		<p>Responsibility/checked by All Departments continuous</p> <p>Treatment of confidential information is checked yearly by Internal Audit. Any issues found are reported to the Compliance Committee.</p>

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>6. Audit</p> <p>A yearly audit is performed to ensure the RE is performing its duties in compliance with this Plan as required by the Act.</p>	<p>Failure to have Compliance Plan audited as required by the Licence;</p> <p>The auditor is ineligible to act as auditor for the Scheme;</p> <p>The auditor fails to perform its obligations within the letter of engagement.</p>	<p>The RE undertakes the following in respect of the audit of the Compliance Plan:</p> <ul style="list-style-type: none"> ensure that the audit is carried out in accordance with the letter of engagement; ensure that at all times a registered company auditor is engaged to audit compliance with the Compliance Plan in accordance with the Act; ensure that the person is eligible to act as the auditor of the Compliance Plan as required by the Act; ensure that the audit is carried out and the Compliance Plan is examined in accordance with section 601HG of the Act; ensure that within three months after the end of a financial year, the Plan Auditor will examine the Plan and report to the RE as required by Section 601HG (3) of the Act on the degree of compliance with the Plan and the appropriateness with the Plan. to require the Plan Auditor, as soon as possible, to notify ASIC in writing if the Auditor has reasonable grounds to suspect that a contravention of the Act has occurred and believes that the contravention has not been or will not be adequately dealt with by commenting on it in the auditor's report or bringing it to the attention of the RE; and to provide to the Plan Auditor a right of access to the files and records of the Scheme and will require its Officers to provide information in connection with the audit. <p>The Plan Auditor will conduct a periodic review that will focus on the risks of non-compliance and will report back to the Committee on his findings. The scope of this audit will include all computerised operations.</p>	<p>Business Standards and Compliance Department - yearly</p>
<p>Ongoing internal compliance audits are performed</p>	<p>Breaches may go undetected;</p> <p>Risks of non-compliance of the Plan, Constitution or the Act may go undetected;</p> <p>Quality controls may not be implemented.</p>	<p>The RE has an internal compliance audit function within the Business Standards and Compliance Department that works with the Plan Auditor and the Compliance Committee in monitoring compliance with the Act, Compliance Plan and the Constitution. A risk based methodology is used in the yearly audit program. The Plan Auditor will also assist to develop and maintain a program of annual assessment of effectiveness of the Plan.</p>	<p>Business Standards and Compliance Department and Compliance Committee review the adequacy of the internal audit program on a yearly basis.</p> <p>It is the responsibility of the</p>

6. Audit		
Rule	Risk Addressed	Compliance Measures
		<p>Responsibility/Checked by relevant Manager to ensure timely implementation of audit recommendations.</p> <p>Any issues arising from the audit throughout the year are reported to the Compliance Committee each Compliance Committee meeting.</p>

7. Accounts and Record Keeping

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>To ensure accounts and records are maintained accurately and on a timely basis and the Scheme is valued appropriately.</p>	<p>Incorrect or insufficient records resulting in qualified audit report and/or disclosure reporting.</p>	<p>Record keeping</p> <p>The RE undertakes to ensure that adequate records are maintained of the Scheme's operations</p> <p>The Accountants, overseen by the Chief Financial Officer, will ensure that the records of the Scheme and the RE are appropriately established and maintained separately from those of other interests of the RE. Scheme accounts are provided to the Scheme Auditor for audit including certification that the accounting and taxation standards applied are adequate for the purpose required by the Scheme. Any material audit adjustments arising from the auditor's work are recorded in the accounting system of the RE to reconcile the audited balances with the Scheme accounting records. Only audited accounts may be forwarded to Investors.</p>	<p>The Scheme's funds management records (including Investor register) are under the control of the Applications Investment Services Team Leader.</p>
<p>To ensure records are maintained accurately.</p>	<p>The Fund Accountant is responsible for the accounting of gross income received, commissions and fees and any other Scheme expenses or reimbursements that are properly incurred and allowable under the Constitution. The Scheme accounts are prepared on a monthly basis with a reconciliation of the funds in accordance with accounting procedures. The Chief Financial Officer oversees the Fund Accountant in respect to gross income collected and management fees, expenses & commissions paid during the month. Refer to distributions, section 15 of the plan, for further detail on end of month processing and payment of distributions to investors.</p>	<p>The Fund Accountant is responsible for the accounting of gross income received, commissions and fees and any other Scheme expenses or reimbursements that are properly incurred and allowable under the Constitution. The Scheme accounts are prepared on a monthly basis with a reconciliation of the funds in accordance with accounting procedures. The Chief Financial Officer oversees the Fund Accountant in respect to gross income collected and management fees, expenses & commissions paid during the month. Refer to distributions, section 15 of the plan, for further detail on end of month processing and payment of distributions to investors.</p>	<p>The accounting functions of the RE and the Scheme are under the supervision of the Chief Financial Officer.</p>
		<p>Fund Management records and accounting functions are performed on a computerised system. The IT and accounting infrastructure within the RE is maintained in a secure environment in their premises. Appropriate physical and logical controls are in place to preserve the confidentiality of sensitive information.</p>	<p>The financial position of the Scheme is reported monthly to the Chief Financial Officer and to the Board each Board meeting.</p>
		<p>With respect to the Scheme, where critical systems applications are being administered by the Custodian, the RE has required details of their disaster recovery plans and will take actions to ensure that they are adequate.</p>	

7. Accounts and Record Keeping

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>Inaccurate or inadequate records kept with may result in a financial loss to investors.</p>	<p>The Investor register The system contains a register which records the interests of contributing Investors, particularly in relation to investment amount, maturity, income payment amounts and dates. A unique account number is given to each Investor which is then linked to the particular scheme in which they have invested. The system reports Investor details separately for each scheme. The register is maintained by the Applications Coordinator.</p>		<p>Controlled by the Applications Investment Services Team Leader on a continuous basis.</p> <p>The Investment Services Manager reports to the Board each Board meeting on current statistics on investment and monthly efficiency results to all staff in the Business Unit Measurement Meeting. The Business Unit Measurement results are included in the each Board Report.</p>

7. Accounts and Record Keeping

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>To ensure records are retained accurately and securely and critical deadlines are met on time.</p>	<p>Insufficient records are kept which would cause a breach of the Act;</p> <p>Insufficient records resulting in a qualified audit report and/or inappropriate disclosure.</p> <p>Inability to meet statutory deadlines and therefore a breach of the Act.</p>	<p>Record retention</p> <p>Material documents generally including original loan agreements, mortgages, leases and collateral security documents are held custodially by the Custodian where required otherwise by the RE.</p> <p>The Custodian maintains a computerised document management and custody system which the RE has reviewed and approved for use in the management of its material documents. The custody system identifies the documents held with the appropriate Scheme and contains a diary system for alerting the Custodian and the RE with key dates and statutory retention period maturity.</p> <p>The Business Standards and Compliance Department retains all records with respect to the compliance related issues.</p> <p>The Finance Department retain all records with respect to finance and company matters.</p> <p>The Plan Auditors will review these records as part of their audit of the Plan.</p>	<p>Each relevant department for their own documentation.</p> <p>The Custodian will provide monthly reporting to the RE on custody, and settlement and other cash flows and other financial transactions affecting the Scheme.</p>
		<p>As required under S110C of the Act, all registers and other records required to be maintained under the Act are held for 5 years after the day of the last entry in the register or last record made. Financial records required by the Act are held for 7 years after the transactions covered by the record are completed.</p>	<p>Each Department for critical events relating to the relevant department are maintained on an ongoing basis.</p>
		<p>Statutory deadlines and reporting</p> <p>Operational departments maintain various electronic group calendars which record critical events relating to the conduct of the RE's business and Scheme related events to the extent they are not recorded in the management system. The Finance Department administer a group calendar in relation to statutory reporting in relation to the RE and its various schemes.</p> <p>The RE has prepared a list of all reporting obligations, including reporting obligations to ASIC, that the RE has to apply in managing the Scheme</p>	

7. Accounts and Record Keeping		
Rule	Risk Addressed	Compliance Measures
<p>Ensure computer systems are adequate and maintained effectively to ensure records and accounting information is accurate and secure.</p>	<p>Inadequate computer systems which may cause information to be insecure or inaccurate.</p>	<p>Computer systems The RE maintains various computerised systems in the conduct of its business. The IT system is critical for the maintaining of accurate records, accounting and security of data. The development of IT systems is based on an outcomes/deliverables based approach and the anticipation of future growth identified in the business plan and growth forecasts. Material changes to processes and/or high security issues are raised by the IT Manager at the LM Meeting.</p>
		<p>The IT Manager is responsible for IT systems and operations. The IT Manager reports to the Board each Board meeting on IT systems.</p>
		<p>Disaster recovery and business continuation Policy and procedures in respect to disaster recovery and business continuation have been developed and are to be followed and are set out in a documented Disaster Recovery and Business Continuation Plan. Data is protected by daily tape backup in accordance with a rotating tape backup strategy involving multiple backup tapes and rotating offsite storage. Data recovery plans are tested on a six monthly basis and verification of back up data tested on a monthly basis. A Disaster Recovery site has been established in Sydney. The main purpose of the site is to enable business continuity if operations are interrupted and there is a loss of physical access to the Gold Coast server. Replication of the critical data from the Gold Coast to Sydney Disaster Recovery site is performed on a 'real time' basis.</p>
		<p>IT Manager.</p>

8. Fees and Expenses

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>Ensure fees and expenses charged are calculated and deducted correctly in accordance with the Constitution.</p>	<p>Expenses and management fees paid are not valid or overpaid which may cause a financial loss to the Scheme and/or Investors or a breach of the Constitution.</p>	<p>It is intended that the RE be entitled to fees for the performance of services where it has performed them properly and to an indemnity in respect of liabilities and expenses incurred in the proper performance of its duties. The rights of the RE to fees and indemnities are set out in the Constitution. A description of these rights will also be set out in general terms in the PDS.</p> <p>The Chief Financial Officer must become familiar with the Constitution in determining the types and quantum of fees and expense reimbursements allowable. The Chief Financial Officer will monitor any unusual fee payment and seek advice from the Business Standards and Compliance Manager or the Committee as appropriate.</p> <p>In the case of any doubt, the Committee may require that a payment or a request for payment be fully supported by explanatory materials and by appropriate professional opinions. The Committee may obtain independent advice on whether the proposal complies with the Act and with the Constitution and this Plan.</p> <p>Payment of Scheme fees or expenses are checked by an independent checking officer, signed by 2 authorised signatories of the Custodian and an authorised signatory of the RE. Any new authorised signatories of the RE are approved by the Chief Financial Officer.</p>	<p>The Fund is responsible for accounting and authorising all fee payments expense reimbursements.</p> <p>Fees and expenses are reviewed on a monthly basis by the Fund Accountant. The Chief Financial Officer supervises the Fund Accountant in the above.</p> <p>The financial position of the Scheme and the RE are reported monthly to the Chief Financial Officer and to the Board each Board meeting.</p>

9. Related Party Issues	Risk Addressed	Compliance Measures	Responsibility Checked by
<p>Ensure related party provisions of the Act are complied with in relation to disclosure and granting of financial benefit.</p>	<p>Dealing with related parties may not be at "arms length" which may cause the Investors to suffer a loss;</p> <p>The reputation of the RE and the Scheme may be damaged.</p>	<p>Related Party provision of service</p> <p>If any related entity, Officer or Director of the RE is engaged to provide services or other involvement with the Scheme, then any such involvement must be pre-approved by the Committee or the Board. The Committee or the Board will assess the suitability and probity of the proposed involvement and will have absolute discretion to approve such an involvement. The RE will also ensure that appropriate disclosures are made in each PDS document as appropriate. The Members of the Committee or the Board will be able to obtain such independent advice on these matters relevant to the Scheme as shall be reasonably necessary. Any Board member involved in the provision of service will not vote on the decision. Refer also Conflicts of Interest, Section 10, of the Plan.</p> <p>The Financial Controller monitors service agreements between the RE or the Scheme and any related parties to either the RE or Scheme. An annual review is performed by the Financial Controller which includes consultation with independent accountants to verify that the agreements are commercial. The results of the review are reported to the Board annually.</p> <p>A related party service register is maintained which documents all related parties who provide a service to the RE.</p>	<p>The Financial Controller monitors service agreements between the RE or the Scheme and any related parties to either the RE or Scheme.</p> <p>The Board is responsible for reviewing and approving the structure and probity of commercial dealing between the RE and related parties.</p> <p>The Finance Department are responsible for checking related party provision of service on an annual basis for disclosure in the financial reports..</p>

	<p>Related Party transactions</p> <p>The RE must comply with Section 60JFG regarding the acquisition of interests in the Scheme. Acquisitions of interests in the Scheme by the RE, other Schemes managed by the RE or its Officers, Employees or authorised representatives must be made on an identical basis to all other Investors as regards the consideration and the terms and conditions of issuance. There may be a differential fee arrangement in place.</p> <p>Any other proposal for the acquisition or withdrawal of an interest in the Scheme requires the consent of the Committee or the Board. The Committee may obtain independent advice on whether the proposal complies with the Act and the Constitution.</p> <p>A related party transaction register is maintained which documents all related party investment transactions.</p>	<p>Investment Services Applications Team Leader is responsible for new applications including related party transactions. Internal audit are responsible for checking related party transactions on a quarterly basis. Any issues found will be reported to the Committee</p>
	<p>Privacy of Related Party Information</p> <p>All related party information will be treated confidentially and in accordance with LM's privacy statement. Monitoring of sensitive information will occur if deemed necessary by the Committee i.e. if the related party or entity is a competitor.</p>	

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>To ensure the RE has in place adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken by the licensee or a representative of the licensee in the provision of financial services as part of the financial services business of the licensee or the representative.</p>	<p>The RE does not manage conflicts of interest adequately which may cause;</p> <ul style="list-style-type: none"> • Unfair treatment of some Investors, • Unfair treatment of some borrowers, • The RE, officers or staff gaining an unfair advantage. 	<p>The RE has a conflicts of interest policy which describes how the RE manages conflicts which comprises of a 3 step process:</p> <ol style="list-style-type: none"> 1. Identifying conflicts; 2. Assessing and evaluating conflicts; and 3. Taking appropriate action which may or may not include disclosure. <p>The policy describes in detail each of the above steps.</p> <p>The policy also describes:</p> <ul style="list-style-type: none"> • The structural arrangements to manage conflicts, including flat management structure and various committees within the RE for decision making, • Staff training on conflicts, and • Documentation and recordkeeping of conflicts 	<p>The Risk Manager is responsible for the review of the conflicts of interest policy at least yearly.</p> <p>The following implement the Policy:</p> <ul style="list-style-type: none"> ■ Compliance Committee; ■ Risk Manager (the Risk Manager has primary responsibility for implementing this Policy); ■ Team Leaders/Managers; ■ The Responsible Officers under the FSR license; and ■ Staff.

11. External Service Providers		Compliance Measures	Responsibility/Checked by
Rule	Risk Addressed		
<p>Ensure service providers have systems and resources to perform their functions in accordance with the Compliance Plan and the Act.</p>	<p>A service provider may not perform its duties as required by the RE; The Scheme may suffer a loss due to poor service by external service providers.</p>	<p>The RE has determined to use external service providers to attend to a number of functions in situations where it believes that by doing so it can obtain the most cost effective delivery of services. While the RE has ultimate responsibility for management of the Scheme, it intends to outsource a number of functions for which it has responsibility under the Constitution and the Act, in accordance with best industry practice.</p> <p>Appointment</p> <p>The RE will conduct a detailed due diligence check set out in the appointment procedures, including reference checks, on key personnel with respect to its key service providers and may assess the internal compliance and control procedures of each service provider.</p> <p>An assessment of whether each service provider is capable of performing their respective duties will be based on these factors. Service providers will be selected having regard to the cost of their services, their quality and their comprehensiveness and their commitment to an ethical and compliance based culture. In relation to each significant transaction, the RE may obtain legal advice to receive confirmation that the contracts or terms of engagement for each service provider are appropriate for the intended purpose and contain adequate compliance related measures</p> <p>Each Department maintains a services provider register which includes relevant detail of each service provider appointed.</p> <p>Monitoring ongoing service</p> <p>Each Department responsible for service providers will continuously monitor the performance of those service providers. Where it is appropriate, formal reporting procedures will be established which service providers will produce to the Department. Such reports will be designed to demonstrate that the service provider is fulfilling its legal and contractual obligations, as well as identifying any breakdown in the controls or compliance procedures within the service provider in a timely manner</p>	<p>Department responsible for the particular service provider performs due diligence check on each new provider.</p>
			<p>Dept responsible for the particular service provider will monitor on a continuous process i.e. as and when each provider is used monitoring will occur consistently throughout that period.</p>

12. Complaints Handling		Compliance Measures	Responsibility/checked by
Rule	Risk Addressed		
<p>Complaints are to be handled appropriately according to the Constitution and Act.</p>	<p>Complaints are not adequately addressed and are escalated to litigation;</p> <p>Breach of the Act and the Constitution;</p> <p>Damage the reputation of the RE.</p>	<p>Complaints Handling Policy</p> <p>The RE has a policy that deals with the handling of complaints. This policy was developed using the Australian Standard, AS ISO 10002-2006 as a benchmark and is to be included in the Relevant Materials.</p> <p>Investor's will generally report a complaint to their Advisor in the first instance. The policy states if the Advisor is unable to assist, if it relates to the Scheme or the RE, then the Advisor will pass the complaint onto the RE. This process does not exclude an Investor from making a complaint directly to the RE. The respective client relations staff will take responsibility of the complaint and record the complaint. The RE has 30 days to respond to the complaint once it is received.</p> <p>Complaints may be referred to the respective Team Leaders/Managers or a formal complaint to the Business Standards and Compliance Manager where it will be recorded in the formal complaints register.</p> <p>Full details of each formal complaint and resolution thereof is recorded in the formal Complaints Register including:</p> <ul style="list-style-type: none"> • The person responsible for resolving the complaint. • The name of the Investor making the complaint. • The nature of the complaint. • The product, service or department in respect of which the complaint was made. • Time line on complaint. • The actual resolution of the complaint. • Recommendations for changes to products, disclosures, systems or processes to ensure similar complaints do not arise in future. <p>The RE is a member of the financial Industry complaints Service (FICS) which is an external body approved by ASIC. If the complaint is unable to be resolved internally by the RE the person complaining should be passed onto FICS.</p> <p>Full terms of reference for the FICS are held by the Business Standards and Compliance Manager.</p>	<p>The Treasury Team Leader and the Business Standards and Compliance Manager is responsible for monitoring of complaints and the management of formal complaints as they arise.</p> <p>Complaints are reported to the Compliance Committee each Compliance Committee meeting.</p>

12. Complaints Handling		
Rule	Risk Addressed	Compliance Measures
		<p>The complaints process is explained in all PDS documents, which is required to be read by all Investors.</p> <p>Systemic complaints</p> <p>In the course of overseeing a complaint, the relevant Manager may become aware of a complaint arising from deficient or inappropriate systems or processes. The Manager of the Department responsible should assess the nature of the systemic of complaint. Amendments to systems or processes arising from the identification of systemic complaints are the responsibility of the Manager. Details of the proposed amendments and subsequent implementation must be reported to the Committee and/or a Director as part of the monitoring process of Complaints.</p>
		Responsibility/checked by:
		Manager of the Department responsible

13. Distribution Channels		
Rule	Risk Addressed	Compliance Measures
<p>Ensure financial products are distributed by authorised licensees and their representatives.</p>	<p>Products are inappropriately distributed or not distributed according to LM policy, which may lead to investors being misinformed.</p>	<p>The RE's investment products are primarily offered to the public through other Australian Financial Services Licensees and their authorised representatives. The products are also distributed through overseas intermediaries who are licensed in their respective jurisdictions where required. The RE does not have any authorised representatives that distribute its own products.</p> <p>Intermediary Distributor Due Diligence</p> <p>The RE has an established distribution network of Australian Financial Services Licensees (Licensees), their authorised representatives and overseas intermediaries. It is the policy of the RE to perform a due diligence process on intermediaries new to the RE to ensure LM is satisfied they are able to distribute and market LM's products.</p> <p>The due diligence process principally involves obtaining and reviewing the Licensee's;</p> <ul style="list-style-type: none"> • Australian Financial Services Licence or equivalent Licence, as relevant, in an overseas jurisdiction; and • Appropriate anti-money laundering declaration; and • Certificate of Currency of Professional Indemnity Insurance (and Fidelity Insurance where appropriate); or • Should the Licensee not be covered by Professional Indemnity Insurance, the decision of whether to allow the Licensee to market the RE's investment products is at RE's discretion. This decision is based on the criteria established in the RE's "Financial Services Licensees New Business Policy" where a questionnaire is completed by the intermediary on insurance and claims. <p>The RE has an intermediary (terms of business) agreement which is executed by the RE and the intermediary.</p>
		<p style="text-align: right;">Responsibility/ Checked by:</p> <p style="text-align: right;">Treasury Department for each new distributor</p>

13. Distribution Channels		Compliance Measures	Responsibility/ Checked by	
Rule	Risk Addressed			
<p>Ensure commissions are paid correctly and accurately.</p>	<p>Commissions are not paid accurately or correctly.</p>	<p>Commission payments Commissions may be paid directly to intermediaries (Licensees) or to their authorised representatives with the consent of the Licensee.</p> <p><u>Upfront commissions (except any upfront commissions on extended term investments that have been reinvested)</u> The management system records details of all of Intermediary Distributors (Licensee) registered with the RE. Prior to payment of commissions, the payee is checked against the records of the management system. Commission calculations are checked by a person independent from the processor. The commissions are paid weekly.</p> <p><u>Upfront commissions for Extended Terms where the investment has been reinvested</u> Upfront commissions for extended term investments where the investment has been reinvested are calculated, processed then checked by an independent person from the processor. The commissions are paid weekly.</p> <p><u>Trailing commissions</u> The management system links each Investor with their nominated Intermediary Distributor (Licensee)/authorised representative and records the amount of ongoing commissions payable for each investment in each Scheme managed by the RE. Once entered, the system automatically calculates commission payments to Licensee at the end of the month.</p>		<p>Payment of commissions is controlled by the Commissions Team on a continuous basis.</p> <p>The Investment Services Manager reports to the Board each Board meeting on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the Board Reports.</p>

14. Disclosure and Reporting Review Policy

Rule	Risk Addressed	Compliance Measure	Responsibility/Checked by
<p>Ensure all product disclosures statements and any offer documents and marketing material are not misleading or deceptive, meet the disclosure requirements of the Act and are appropriately authorised.</p>	<p>Product disclosure documents, offer documents or marketing material may be misleading or deceptive or may not comply with the Act.</p>	<p>All marketing material to investors must be reviewed and approved by:</p> <ul style="list-style-type: none"> • The General Manager (Director) for marketing and distribution or one other Director for content approval; • The Communications Manager for presentation, layout, and communication of the central ideas; • Business Standards and Compliance Manager in relation to compliance with the Act, Compliance Plan, Constitution and PDS, to ensure there are no breaches and no unintended misrepresentations. 	<p>Treasury Department, Directors and Business Standards and Compliance Manager.</p>
		<p>All marketing material to financial advisers must be reviewed and approved by The General Manager (Director) for marketing and distribution or one other Director.</p>	
		<p>All approvals and supporting documentation are contained in a marketing register. A separate register is maintained for PDS approvals and supporting documentation.</p>	

14. Disclosure and Reporting Review Policy	Risk Addressed	Compliance Measure	Responsibility/Checked by
		<p>Additional requirements for PDS' and SPDS'</p> <p>All statements in PDS and SPDS must be verifiable and supported by written documentary evidence where possible.</p> <p>The RE ensures the final PDS and SPDS has been reviewed and comments/amendments received and signed off by:</p> <ul style="list-style-type: none"> • a person independent from the author, and • corporate solicitor (except for SPDS due to minor changes such as distribution rates), and • Business Standards and Compliance Manager, and • Board, and <p>prior to lodgement of in use notice with ASIC to determine;</p> <ul style="list-style-type: none"> • PDS and SPDS and meets the appropriate disclosure requirements as required by the Act, and • full disclosure of commissions for PDS and SPDS where appropriate, and • no false, misleading or deceptive statements, and • statements of fact are verifiable with documentary evidence, and • all opinions expressed by the RE represent the considered view of the Board. 	<p>PDS Coordinator for all new PDS documents.</p>

14. Disclosure and Reporting Review Policy	Risk Addressed	Compliance Measure	Responsibility/Checked by
		<p>Reporting on material issues and Ongoing Disclosure</p> <p>Changes in material issues affecting the Scheme must be approved by a majority of the Board or Funds Management Committee. They may consider details of any legal advice in relation to the issue.</p> <p>Any material change or significant event that affects a matter, being a matter that would have been required to be specified in the PDS or SPDS needs to be advised to current Investors in accordance with the current Corporations Act.</p> <p>Disclosure of material issues arising in the conduct of the Scheme will be referred to the appropriate Committee i.e. the Funds Management Committee, the Board or the LM meeting, as relevant. The Treasury Team Leader is responsible for ensuring that appropriate disclosure to investors. Such client communications must follow the disclosure and reporting review policy set out above.</p> <p>It should be determined at the appropriate meeting if any other interested parties are required to be informed of the material issue such as valuation firms or insurers. In the case of threatened legal action, the RE insurer must be informed of the details of the intended action.</p> <p>Further Reporting and disclosures specific to the Scheme are contained under Investor Reporting, section 16 of the Plan.</p>	<p>The Directors and appropriate Committees for material issues.</p>

15. Investment processing	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>Australian Dollar Applications</p> <p>To ensure application money is received in accordance with PDS documents, Constitution and Act. Also to ensure Applications are processed correctly, accurately, and in a timely manner.</p>	<p>Applications are not processed in accordance with the PDS and/or the Constitution;</p> <p>Applications are processed incorrectly, inaccurately or not in a timely manner.</p>	<p>Investors may only subscribe for units in the Scheme using the application form attached to the Product Disclosure Statement (PDS). Applications are separated from other mail received by the Mail Coordinator. The Mail Coordinator maintains a daily register of investments received through the mail which is entered as correspondence into the system. Applications may also be received by electronic means which are marked as copies and monitored for receipt of originals. A separate investment account is created and a unique account number is allocated to the account for each investment.</p> <p>Applications may only be accepted on receipt of a duly executed application form that is checked for completeness, accuracy and relevancy on receipt including any relevant Adviser details by an Applications Administrator and validated in the system. Missing, incomplete or incorrect application forms are passed to the Investment Services Applications Team leader and/or Applications Coordinator and followed up with applicants or their Advisers within seventy two hours. Where the details of the referring or advising party are not known to the RE, then the Applications Administrator will verify the legal capacity of that party and their legal eligibility to receive commissions.</p> <p>An application checklist is validated within the management system. The Applications Administrator is responsible for data entry into the investor management system. A separate investment account is created and a unique account number is allocated to the account. The actual number of units issued is determined with reference to the current unit issue price calculated in accordance with the Constitution. Details of adviser commissions, residency status and tax file number details are also entered.</p> <p>Application moneys are payable to the Scheme account held by the Custodian. An investment can only be processed on receipt of a valid application and application moneys. If at any time applications money is unable to be matched to an application and all reasonable effort has been taken to find and identify the corresponding application then the money may be returned to the sender.</p> <p>The Fund Processing Coordinator then authorises the monetary value and processes to the bank</p>	<p>Applications are controlled and checked by the Investment Services Applications Team Leader on a continuous basis. The checking may be delegated to an Investment Services Officer.</p> <p>The Investment Services Manager reports to the Board each board meeting on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the Board Reports.</p>

15. Investment processing		
Rule	Risk Addressed	Compliance Measures
		Responsibility Checked by
		<p>account.</p> <p>A reconciliation of the investment amounts to the banking is completed each day by the Fund Accountant.</p> <p>After processing an Investment Services Checking Officer checks all data entered to the documentation. Once satisfied the information is complete and accurate authorises the transaction. At this point the transaction becomes a valid transaction in the system and processed to the general ledger.</p> <p>A contract note is then forwarded to the Investor confirming acceptance into the Scheme.</p>
Non - Australian Dollar Applications		
<p>To ensure Application Money is received in accordance with PDS documents.</p> <p>Also to ensure Applications are processed correctly, accurately, and in a timely manner.</p>	<p>Applications are not processed in accordance with the PDS and/or the Constitution;</p> <p>Applications are processed incorrectly, inaccurately or not in a timely manner.</p>	<p><u>Application Money</u></p> <ul style="list-style-type: none"> Application Monies are made payable to the Custodian and are banked directly into a Subscriptions Account held by the Custodian. The money is in the foreign currency as determined by the investor. The application money is held in the Subscription Account. The application monies are exchanged for Australian dollars at the prevailing spot market rate. The Scheme simultaneously will hedge the relevant currency using forward foreign exchange contracts and the funds are transferred to the Scheme. The timing of these contracts is at the discretion of the RE. If the Investor's application money has not been used to enter into a forward foreign exchange contract within 30 days the RE will notify the Investor and the Investor may request the return of the money to the financial institution nominated by the Investor. Any transaction costs incurred the RE in relation to the money will be deducted prior to returning the money to the Investor. <p><u>Application forms</u></p> <ul style="list-style-type: none"> Investors may only apply for investments using the Application Form attached to the PDS. Applications received through the mail are separated from other mail received by the Mail
		<p>The Investment Services Team Leader is responsible for checking on a continuous basis. The checking may be delegated to another Investment Services Team Leader or Finance Department Officer.</p> <p>The Investment Services Team Leader reports quarterly to the Board on current statistics on investments and monthly efficiency</p>

15. Investment processing	Risk Addressed	Compliance Measures	Responsibility/Checked by
		<p>Coordinator. The Mail Coordinator maintains a daily register of investments received through the mail which is entered as correspondence into the system.</p> <ul style="list-style-type: none"> A currency register is maintained by Investment Services for all new applications received by mail, facsimile or scanned email. Facsimile or emailed applications are marked as copies and monitored for receipt of originals Applications may only be accepted on receipt of a duly executed Application Form that is checked for completeness, accuracy and relevancy on receipt including any relevant Adviser details by an Investment Services Administrator. Missing, incomplete or incorrect Application Forms are followed up with applicants or their Advisers within seventy two hours. Where the details of the referring or advising party are not known to the RE, then the Investment Services Administrator will verify the legal capacity of that party and their legal eligibility to receive commissions. Applications are entered into correspondence and held pending the receipt of the funds which are matched prior to processing. Once the application money is used to enter into a foreign exchange contract the application is passed onto the correspondence officer to commit the correspondence to the management system and then passed onto the application officer for processing. The Australian dollar equivalent from the foreign exchange contract is transferred to the custodian's bank account for the fund and reconciled to the application. The Applications Administrator is responsible for data entry into the management system. Details of adviser commissions, residency status and tax file number details are also entered. A separate investment account is created and a unique account number is allocated to the account for each investment. After processing an Investment Services Team Leader or delegated Checking Officer checks all data entered to the documentation. Once satisfied the information is complete and accurate authorises the transaction. At this point the transaction becomes a valid transaction in the system and processed to the general ledger. <p>A contract note is then forwarded to the Investor confirming acceptance into the Scheme.</p>	<p>results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the quarterly Board</p>

15. Investment processing		Compliance Measures	Responsibility/ Checked by
Rule	Risk Addressed		
<p>Ensure applications and investment details are maintained accurately and in a confidential manner.</p>	<p>Changes to Investor details Changes to Investor details are not made correctly.</p> <p>The change is entered in the system by the Correspondence Administrator editing investor details.</p> <p>The change is then checked by the Investment Services Checking Officer and becomes a valid change in the system.</p>	<p>All change of details correspondence are received by mail, facsimile or email and are authorised firstly by an Investment Services Team Leader and then forwarded to an Investment Services Officer for processing.</p>	<p>Changes are controlled by An Investment Services Team Leader on a continuous basis. The checking may be delegated to an Investment Services Administrator.</p> <p>The Investment Services Manager reports to the Board each board meeting on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the Board Reports.</p>

15. Investment processing		Compliance Measures	Responsibility/ Checked by
Rule	Risk Addressed		
<p>Ensure additional applications are accepted in accordance with the Act.</p>	<p>Additional applications</p> <p>Additional applications are not processed in accordance with the Act or PDS;</p> <p>Additional applications are not processed correctly.</p> <p>Investors' funds are lost or misallocated.</p>	<p>The RE maintains an arrangement for making additional applications by Investors, which is described below and complies with s1012D and s1016A. The arrangement includes applications received in relation to switching of terms within the Scheme.</p> <p><u>The additional application arrangement</u></p> <p>By signing the original application form an Investor is taken to have elected to participate in the additional application arrangement.</p> <p>The Correspondence Administrator is responsible for forwarding to the Investor a current investment summary and contract note within one month after acceptance of the application.</p> <p>Additional investments should be accompanied by that account number where possible.</p> <p>The Fund Accountant is responsible for the daily reconciliation of the bank statements to the management system and includes verifying the automatic allocation of direct deposits to the Investor's investment account by the management system.</p> <p><u>Switches</u></p> <p>On applying to switch terms within the Scheme an Investor completes either a switch form or provides written instruction to the RE to amend the existing investment. The RE has the discretion to allow switching within a term period.</p>	<p>Additional applications are controlled and checked by the Investment Services Team Leader on a continuous basis. The checking may be delegated to an Investment Services Officer.</p> <p>The Investment Services Manager reports to the Board each board meeting on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the Board Reports.</p>

15. Investment processing	Risk Addressed	Compliance Measures	Responsibility/Checked by
		<p><u>Currency of PDS documents for existing Investors making additional deposits</u></p> <p>The RE must only accept additional applications where it believes on reasonable grounds that at the time the additional application was made, the current PDS has been made available to the Investor and any ongoing disclosure requirements notified. The RE will form this view on the basis that:</p> <ul style="list-style-type: none"> • On issue of each new PDS for the Scheme a copy of the new PDS is made available to all Investors registered in the additional applications arrangement. • Where a replacement or supplementary PDS is issued a copy of the replacement or supplementary PDS is made available to all Investors registered in the additional applications arrangement and that PDS has adequate disclosure of the arrangement. • The current PDS is available free of charge to any Investor in the arrangement, on request, at any time. • Any ongoing disclosures are made available in accordance with the Act. <p><u>Replacement or supplementary PDS</u></p> <p>If at the time an Investor makes an additional investment,</p> <ul style="list-style-type: none"> • the RE has lodged with ASIC an in use notice for a replacement or supplementary PDS in respect to the current PDS; and • the RE does not believe on reasonable grounds that the replacement or supplementary PDS has been made available to the Investor; then, <p>The RE must send, or make available to the Investor, the missing documents and a written notice explaining that the investment has been accepted (or otherwise as the case may be).</p>	<p>Treasury Department for issuing of each PDS or supplementary PDS/ Investment Services Team Leader control Investor statements.</p>

15. Investment processing		Responsibility/ Checked by
Rule	Risk Addressed	Compliance Measures
<p>Differential Fee Arrangement</p> <p>Ensure investors under a differential fee arrangement are treated fairly and do not disadvantage other investors. Also disclosure of the differential fee arrangement is in accordance with relevant legislation.</p>	<p>Investors under a differential fee arrangement or other Investors;</p> <p>Differential fee arrangements are not disclosed as required by legislation.</p>	<p>The RE may offer a Differential Fee Arrangement to Investors at rates to be disclosed from time to time offered to investors investing in the Fund as a Wholesale Investor, within the meaning of Wholesale Client in Section 761G of the Corporations Act.</p> <p><u>Compliance with Class Order [CO 03/217]</u></p> <p>The RE must ensure that:</p> <ul style="list-style-type: none"> where a differential fee arrangement of a kind referred to in paragraph 1 of Schedule B of the Class Order is in place or is to be offered, a statement of the basis upon which the differential fee will be calculated and which specified the fees members will have to bear; and where a differential fee arrangement of a kind referred to in paragraph 2 of Schedule B and the Class Order is in place or is to be offered to certain wholesale Investors, a statement of that fact, <p>is disclosed:</p> <ul style="list-style-type: none"> to existing Members of the Scheme by no later than the date of the first communication which the RE makes to all Members which is made both: <ul style="list-style-type: none"> o after the date when the differential fee arrangement is first offered; and o after 18 March, 2001; and In any disclosure document used for an offer of interests in the Scheme. <p>The differential fee arrangement is made in accordance with differential fee arrangement procedures.</p> <p>Australian Dollar Withdrawals</p> <p>Investor may suffer a loss if withdrawal or reinvestments are not</p> <p>Withdrawal requests must be made in writing to the RE in accordance with the PDS. Signatures appearing on written withdrawal requests are compared with the original application</p>
		<p>Fund Management Committee for each new differential fee arrangement</p> <p>An Investment Services Team Leader is responsible for</p>

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Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>processed in a manner consistent with the Constitution, PDS documents and the Act.</p>	<p>processed correctly.</p>	<p>form signatures by the Redemptions Correspondence Administrator prior to approval.</p> <p>The RE requires that withdrawal requests only be paid to the bank account nominated on the Investor's application form. Where an investor requires deposit to a different account, then the RE requires written authorisation from the signatories to the original application form. Approval is at the discretion of the RE. It is the responsibility of the Investment Services Payments Team Leader to enforce this policy.</p> <p>The correspondence is validated then the Redemption Coordinator processes the withdrawal and completes a withdrawal checklist for each withdrawal.</p> <p>On the date of withdrawal it is processed and passed to the Checking Officer for checking when the file becomes valid in the system and processed to the general ledger.</p> <p>The payments are then batched in the banking system for payment and given to the Investment Services Payments Team Leader for checking and approval.</p> <p>The withdrawal from the bank account is approved by an authorised LM staff member. If an external custodian is employed, the custodian will receive instructions pursuant to the Custody agreement. The Custodian's authorised signatories must co-sign the withdrawal file and transmit the payment then return the file to the RE for confirmation.</p> <p>Withdrawals for fixed terms (other than savings plan) will be paid generally within 30 days of maturity of an investor's investment after the 5 days written notice has been received prior to maturity.</p> <p>Withdrawals for flexi accounts will be paid generally within 30 days of notification of withdrawal.</p> <p>Withdrawals for savings plan will be paid generally within 30 days of notification of withdrawal following the initial 12 month investment period. Investors can make up to 4 withdrawals annually.</p>	<p>control and checking of all withdrawal requests.</p> <p>The Investment Services Manager reports to the Board each board meeting on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the Board Reports.</p>

15. Investment processing

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>Non - Australian Dollar Withdrawals</p> <p>Ensure withdrawal requests and reinvestments are processed in a manner consistent with the Constitution, PDS documents and the Act.</p>	<p>Investor may suffer a loss if withdrawal or reinvestments are not processed correctly</p>	<p><u>Maturing investments</u></p> <ul style="list-style-type: none"> At the end of the term the investment will automatically be reinvested for a further 1 month term unless advised otherwise by the Investor to withdraw or reinvest for another specified term. The system diarises the date of maturity based on the application date and term of the investment. The reinvestment will be reinvested in a 1 month or other specified term in the originally nominated currency. <p>If the investment is to be reinvested the Scheme will rehedg the foreign currency from the original maturing forward foreign exchange contract into a new forward foreign exchange contract at the prevailing rate.</p> <ul style="list-style-type: none"> If the Investor chooses to withdraw their investment on maturity: <ul style="list-style-type: none"> The Investor must give the RE 5 business days notice prior to maturity. Notification is checked by Investment Services and recorded in the management system. The Redemption Administrator processes the withdrawal in the system and completes withdrawal checklists for each withdrawal. This is checked by a Redemption Coordinator. These transactions are then validated by the Redemption Coordinator and processed to the general ledger. On the date of withdrawal the Redemption Administrator rechecks the data ready for withdrawal and payment and reconciled to the bank. This is then passed to the Investment Services Currency Team Leader or delegated Checking Officer for checking and approval when the file becomes valid in the banking system. The withdrawal from the foreign currency bank account is approved by an authorised LM staff member. The Custodian's authorised signatories must co-sign the withdrawal file and transmit the payment then return the file to the RE for confirmation. This amount is then forwarded to the Investors agreed overseas account in the agreed foreign currency at the relevant foreign currency rate generally within 5 	<p>An Investment Services Team Leader is responsible for control and checking of all withdrawal requests.</p> <p>The Investment Services Manager reports to the Board each board meeting on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the Board Reports.</p>

15. Investment processing

Rule	Risk Addressed	Compliance Measures	Responsibility Checked by
		<p>business days.</p> <ul style="list-style-type: none"> o The RE requires that withdrawal requests only be paid to the account nominated on the Investor Application Form. Where an Investor requires deposit to a different account, then the RE requires written authorisation from the signatories on the original Application Form. Approval is at the discretion of the RE • Withdrawals must be converted from Australian dollars to the agreed currency at the agreed currency rate stipulated in the foreign exchange contract no later than the withdrawal date. On any one day a net settlement will occur for any differences in value between the total of maturing investments or reinvestments in the maturing forward foreign exchange contracts and the new forward foreign exchange contracts for the new reinvestment amounts and any additional new investments for each particular currency on that day. The net amount of each currency contract is either paid to or received from the foreign currency dealer. 	
<p>To ensure distributions by the Scheme to Investor are calculated correctly and distributed to the correct Investor on a timely basis and in accordance with the Constitution.</p>	<p>Investor may suffer a loss if distributions are not processed correctly.</p>	<p>Australian Dollar Distributions</p> <p>At the end of each month, reconciliation to the bank statements of the gross income collected is performed by the Fund Accountant. Various reports detailing gross income collected, fees and commissions paid are forwarded to the Fund Accountant for inclusion in the scheme accounting records and verification.</p> <p>The Fund Accountant is responsible for the accounting of gross income received, commissions and fees and any other Scheme expenses or reimbursements that are properly incurred and allowable under the Constitution. The Scheme accounts are prepared on a monthly basis. The Fund Accountant liaises with the Chief Financial Officer in respect of gross income collected and management fees and expenses including commissions payable after the end of each month. The Fund Accountant accounts for and certifies the amount of fees, commissions and expenses and the calculation of the distributable income in accordance with the Constitution. The Fund Accountant reconciles the system generated distribution to the Scheme accounts.</p> <p>Income distributions are accounted for monthly and paid within 14 days following the distribution period (one calendar month) of collection in accordance with the Constitution and the PDS.</p> <p>The system automatically calculates interest due to each investor with reference to the current interest rate. An Investment Services Team Leader checks and authorises the</p>	<p>Controlled and checked by an Investment Services Team Leader on each distribution payment.</p> <p>The Investment Services Manager reports to the Board each board meeting on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the Board Reports.</p>

15. Investment processing	Risk Addressed	Compliance Measures	Responsibility Checked by
		<p>Investor unitholdings recorded in the management system as at the last day of the distribution period are used in calculating proportional investor entitlements to the distributable income. Income distributions are processed by direct credit to the Investor's nominated bank accounts or reinvested.</p> <p>Investors may also nominate to have their monthly distributions paid quarterly. The distributions will be paid within 10 days of the anniversary date of the investment.</p>	
	<p>Non-Australian Dollar Distributions</p> <p>To ensure distributions by the Scheme Fund to Investors are calculated correctly and distributed to the correct Investor on a timely basis and in accordance with the Constitution.</p> <p>Investor may suffer a loss if distributions are not processed correctly.</p>	<p>Income distributions are accounted for and automatically reinvested with the maturing investment at the end of the term. If the Investor has not nominated to have the distribution paid or specified a term for reinvestment the funds will be reinvested for a 1 month term with the initial investment hedged in the currency originally nominated. If the distribution is to be reinvested the Scheme will hedge the distribution from the original maturing investment into a new forward foreign exchange contract at the prevailing spot rate with the maturing investment.</p> <p>The investor may have the option to withdraw the distribution at the end of the term by notifying the RE 5 days prior to maturity. These distributions are paid within 5 days of the end of the term.</p> <p><u>Calculation of Distributions</u></p> <p>At the end of the month a reconciliation of the gross income collected is performed by the Fund Accountant. Various reports detailing gross income collected, fees and commissions paid to financial planners are forwarded to the Fund Accountant for inclusion in the Scheme accounting records and verification.</p> <p>The Fund Accountant is responsible for the accounting of gross income received, commissions and fees and any other Scheme expenses or reimbursements that are properly incurred and allowable under the Constitution. The Scheme accounts are prepared on a</p>	<p>Controlled and checked by an Investment Services Team Leader on each distribution payment.</p> <p>The Investment Services Manager reports to the Board each board meeting on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the Board Reports</p>

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>15. Investment processing</p>		<p>monthly basis. The Fund Accountant liaises with the Chief Financial Officer in respect of gross income collected and management fees & commissions payable after the end of each month. The Fund Accountant accounts for and certifies the amount of fees, commissions and expenses and the calculation of the distributable income in accordance with the Constitution. The Fund Accountant reconciles the system generated distribution to the Scheme accounts.</p> <p>The system automatically calculates interest due in Australian dollars to each investor with reference to the current interest rate. An Investment Services Team Leader checks and authorises the distribution.</p> <p>Investor Unit Holdings recorded in the management system as at the last day of the distribution period are used in calculating proportional Investor entitlements to the Distributable Income. If the distribution amount is paid it is completed by redeeming the number of Investor's Units equivalent to the interest earned on the investment amount. This is processed through the net settlement process (stipulated under Maturing Investments) to the foreign currency dealer in Australian dollars who converts it to the agreed currency at the agreed currency rate stipulated in the foreign exchange contract. This is then paid to the Investor's nominated bank account</p>	
<p>Financial Transaction Reports Act 1988 and Anti Money Laundering and Counter Terrorism Financing Act 2006</p> <p>Ensure that the RE complies with its obligations under the Financial Transactions Reports Act 1988 (FTR Act 1988) and subsequent the Anti Money Laundering and Counter Terrorism Financing Act 2006 (AML/CTF Act 2006) in respect of the</p>	<p>The RE does not comply with the respective Acts ;</p> <p>Money launderers or Terrorists may invest illegal money in the Scheme which remains undetected.</p>	<p>FTR Act 1988</p> <p><u>Suspect transaction</u></p> <p>The RE as an Australian Financial Services Licensee falls within the definition of cash dealer within the meaning of the Financial Transaction Reports Act 1988. Sec 243D of the Australian Securities and Investments Commission Act 2001 requires the RE where it has reasonable grounds to suspect that information it has concerning a transaction may be relevant to investigation of, or prosecution of a person for, an offence under this Act or the Corporations Act, to prepare a report (including the reportable details as set out in Schedule 4 to section 16 of the Financial Transaction Reports Act) of the transaction and communicate that information to the Australian Transaction Reports and Analysis Centre ("AUSTRAC").</p>	<p>Controlled by The Investment Services Applications Team Leader on a continuous basis and the AML Officer.</p>

15. Investment processing

Rule	Risk Addressed	Compliance Measures	Responsibility Checked by
financial services it provides.		<p>Details of the procedures to be followed are in "Suspect transaction procedures"</p> <p><u>Significant cash transactions in amounts of \$AUD10,000 or more</u></p> <p>Any transaction involving cash (\$AUD10,000 or more or equivalent in foreign currency) is required to be reported to AUSTRAC. Where the transaction is also considered suspect, then a separate report must be prepared and lodged with AUSTRAC. It is the policy of the RE that cash only be handled by a teller of a bank and never by Officers, Staff or Advisers of the RE.</p> <p><u>Transfer of \$AUD10,000 or more in cash into or out of Australia</u></p> <p>Where an amount of \$AUD10,000 or more is carried into or out of Australia, then it must be reported to AUSTRAC.</p> <p><u>International funds transfer instruction or telegraphic transfer</u></p> <p>Any international funds transfer in any amount is required to be reported to AUSTRAC where the RE arranges the transfer directly, by electronic or similar, and not by a bank. Normally these transfers are arranged through a bank in which case the bank will transfer the funds and report the transaction to AUSTRAC. It is the policy of the RE that international funds transfers only be arranged through a bank.</p> <p>The obligations under the FTR Act 1988 will be superseded with the implementation of the respective requirements under the AML/CTF Act 2006. The obligations to comply with the AML/CTF Act requirements are in accordance with the dates stipulated in the AML/CTF Act 2006.</p> <p>AML/CTF Act 2006</p> <p>The RE has an AML/CTF program in compliance with the AML/CTF Act. The AML/CTF program's central purpose is to meet LM's objectives in relation to anti-money laundering and counter terrorism financing (AML/CTF) as described in the LM AML/CTF policy.</p> <p>The program is divided into Part A and Part B.</p>	

15. Investment processing		
Rule	Risk Addressed	Compliance Measures
		<p>The primary purpose of Part A of the program is to identify, manage and mitigate money laundering and terrorist financing risk that LM may face in relation to the provision of its designated services through both LM's Australian and overseas offices. Part A applies to all areas of the business that are involved in the provision of a designated service, including any function carried out by a third party.</p> <p>The primary purpose of Part B of the program is to set out LM's applicable customer identification procedures on new investments from the effective date in accordance with the legislation.</p>
		Responsibility/ Checked by

16. Investor reporting		Compliance Measures	Responsibility
Rule	Risk Addressed		Checked by
<p>To ensure Investors are informed of their investments and all material issues on a timely basis.</p>	<p>Reporting inaccurate or incorrect information to investors;</p> <p>Not reporting to investors on material issues;</p> <p>Not reporting to investors in a timely manner.</p>	<p>An investment summary, setting out details of the investment and units held and a contract note is forwarded to the Investor within one month of acceptance into the Scheme or within one month of any request such as additional deposits, free of charge. The letter accompanying the transaction statement for additional deposits details how they Investor is able to receive a current PDS.</p> <p>Where there is a change in an investment a new investment summary is issued reflecting those changes.</p> <p>A taxation statement is produced annually detailing all interest payments credited during each preceding financial year. This statement is also available on request.</p> <p>A periodic statement is issued annually, within 6 months of the end of the financial year, to all investors detailing transactions for the preceding financial year. If an investor withdraws from the fund a periodic statement is sent within 6 months after withdrawal detailing the transactions from the last periodic statement period to the date of withdrawal.</p>	<p>Controlled by the Investment Services Applications Team Leader on a continuous basis.</p> <p>The Investment Services Manager reports to the Board each board meeting on current statistics on investments and monthly efficiency results to all staff in the Business Unit Measurement meeting. The Business Unit Measurement results are included in the Board Reports.</p>

17. Conduct of Scheme Issues		
a) Scheme Overview		
Rule	Risk Addressed	Compliance Measures
<p>To ensure the Scheme's investment objectives continue to be met.</p>	<p>Investment objectives of the Scheme are not met or change and do not correspond with that disclosed in the PDS.</p>	<p>The investment objective of the Scheme is to provide investors with income and allow investors a choice of term or flexi account and return.</p> <p>The RE achieves this by being selective of the investments of the LM First Mortgage Income Fund, which are a diversified "pool" of registered first mortgages, cash and "at call" securities.</p> <p>As part of the asset allocation strategy, the RE diversifies the underlying mortgage portfolio at a number of levels including, sector, geographic location, and term and loan size.</p> <p>Further details in relation to the Scheme objectives are described in the investment mandate of the Scheme.</p> <p>The structure of the Scheme is a unit trust. Units are issued at the current issue price and withdrawals are made using the current withdrawal price, which is calculated by the RE in accordance with the Constitution. Interest in the Scheme of each Investor is calculated as a percentage of their unit holdings to the total issued units of the Scheme.</p>
		<p>Responsibility/Checked by Directors relevant Committees.</p>

17 Conduct of Scheme Issues		
b) Powers to Borrow		
Rule	Risk Addressed	Compliance Measures
<p>To ensure the RE's power to borrow for the purposes of the Scheme is in accordance with the Act and any other relevant legislation and/or agreements.</p>	<p>The Scheme borrows for inappropriate purposes;</p> <p>The Scheme borrows beyond its covenants which may affect Investor's interests in the Scheme.</p>	<p>From time to time the Scheme may borrow or raise money for the purposes of the Scheme. Proceeds are used to fund complying assets originated by the Scheme. Borrowing must be in accordance with the Constitution, the Act and the agreement/s between the lender/s and the Scheme. Borrowings (including material covenants) are disclosed in the PDS and investment mandate.</p> <p>All proposals must be approved by 2 Directors of the RE.</p> <p>Guidelines and parameters are set by the Directors to ensure borrowings do not adversely affect the Investors of the Scheme.</p>
		<p>Responsibility/Checked by: The Chief Financial Officer with the Portfolio Management Department reviews the borrowing monthly as part of the review of the financial accounts of the Scheme to ensure continuous compliance with the agreement.</p> <p>All borrowings are reviewed quarterly by the Funds Management Committee.</p>

17. Conduct of Scheme Issues		Compliance Measures	Responsibility/Checked by
Rule	Risk Addressed		
<p>c) Unit Pricing</p> <p>To ensure application and withdrawal prices are calculated in accordance with the Constitution, PDS documents and Corporations Act.</p>	<p>Unit pricing is calculated in a manner inconsistent with the Constitution or inaccurately;</p> <p>Investors may suffer a financial loss.</p>	<p>Calculating the issue price and withdrawal price of a unit</p> <p>The issue price and the withdrawal price of a unit are calculated monthly in Australian dollars. The foreign currency investments are converted to Australian dollar units through the foreign exchange contract.</p> <p>The unit price is calculated in accordance with the Constitution and unit pricing policy based on the valuation of the Scheme Property. The net Scheme value is calculated as a part of the monthly accounting for the Scheme as at the cut off date.</p> <p>The number of units on issue is determined from the management system which records all units allotted to Investors. The issued units recorded in the management system are printed on the cut off date and is the number used for calculating the issue price and the withdrawal price.</p> <p>The Fund Accountant is responsible for advising the Chief Financial Officer or Portfolio Manager. This is then advised to a Director where a decision can be made whether to revise the unit price and to enable a revised Issue Price and Withdrawal Price to be calculated.</p>	<p>The Fund Accountant reviews the unit price monthly.</p>

17. Conduct of Scheme Issues

d) Scheme Valuation

Rule	Risk Addressed	Compliance Measures
<p>To ensure the Scheme is valued accurately and in accordance with relevant Accounting Standards.</p>	<p>The value of the Scheme is inaccurate.</p>	<p><u>Scheme Valuation Policy</u> The Scheme valuation policy must be in accordance with relevant Accounting Standards, applicable in Australia, at the time of valuation and have the endorsement of the Audit Committee of The RE which includes representatives of the Scheme's auditors. The RE's unit pricing policy details valuation methods of the Scheme's various assets.</p> <p><u>Valuation updates</u> Assets are generally required to be revalued in accordance with the Constitution and unit pricing policy.</p> <p>In accordance with the Constitution, the Scheme is valued on a monthly basis. This valuation takes into account the latest available valuations of underlying assets in accordance with the valuation policy relating to individual security property valuations.</p> <p>Valuation of the Scheme is the responsibility of the Fund Accountant and occurs each month as a part of the monthly accounting process for the Scheme. Generally accepted accounting principles are applied in the preparation of the accounts in accordance with the Constitution.</p> <p>An accounting period "cut off" is set for the last day of each distribution period. All calculations required under the Constitution are calculated as at the cut off date by the Fund Accountant.</p>
		<p>Fund Accountant, supervised by the Chief Financial Officer – monthly</p> <p>The financial position of the Scheme is reported monthly to the Chief Financial Officer</p>

17 Conduct of Scheme Issues	
e) Scheme Fund Income	
Rule	Compliance Measures
Risk Addressed	Responsibility/Checked by
<p>To ensure Scheme income is accurate and received on a timely basis</p>	<p>Mortgages</p> <p>The management system contains a mortgage register which records the relationship between the borrower and the Scheme, in particular the outstanding amount, interest rate and monthly due date of payment as in accordance with the terms and conditions of the Loan Agreement. These details are certified by a Commercial Lending Team Leader prior to entry into the system. A unique number is allocated to the Mortgage, Borrower and the Scheme, each is linked via these numbers.</p> <p>An income diary is maintained in the management system which records all due dates for receipt of income. The management system is based on a direct debit system whereby income is directly debited from borrowers bank accounts in accordance with collection instructions received from the legal department at the time of settlement.</p> <p>Other Income</p> <p>The management system records receipt of Scheme Income. The Income is collected progressively each month by the Finance Department and deposited directly to the bank account maintained by the Custodian where it is held until distribution.</p> <p>Bank reconciliations are performed daily.</p> <p>The Finance Department prepare a reconciliation of income on a monthly basis.</p>
<p>Not all income to the Scheme is received which may cause a loss to the Scheme.</p>	<p>System input controlled by An Investment Services Team Leader on a continuous basis which is certified by the Commercial Lending Department on initial recording.</p> <p>The income reconciliation is reviewed by the Fund Accountant on a monthly basis and reported to the Chief Financial Officer. The financial position is reported to the Board each board meeting.</p>

17 Conduct of Scheme Issues

f) Collections and Arrears Management

Rule	Risk Addressed	Compliance Measures	Responsibility/Checked by
<p>To protect scheme property and ensure all repayments of income and capital is received on a timely basis and fully recoverable.</p>	<p>Not all income and/or capital is received in the required time. This may lead to a capital loss of the fund.</p>	<p>The RE 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:</p> <ul style="list-style-type: none"> ▪ 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 (less than 60 days), arrangements are made with the borrower to remedy the default; ▪ If the default is long term (60 days or longer), a summary of the details obtained from the borrower 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, the Asset 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 oversees the preparation of an arrears management plan for each arrears loan. Given the nature of loans within the loan portfolio, The RE adopts a case by case approach to arrears management, reflected in the individual management plans for each arrears loan; ▪ The management plan is 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. Arrears management plans are considered and updated as necessary; ▪ In the formulation of an arrears management plan the Arrears Committee considers the following factors: <ul style="list-style-type: none"> • Current value of the security property; • Whether updated valuation ought to be obtained; • Current loan amount; • Current loan to valuation ratio; • A review of securities held; • A review of insurances held; 	<p>Arrears Committee meets weekly.</p>

	<ul style="list-style-type: none"> • Issue of default notices; • For commercial loans: <ul style="list-style-type: none"> ▪ tenancy status; • For construction loans: <ul style="list-style-type: none"> ▪ 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 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 (e.g. lodgement of notices, maintenance of controller accounts); • Any site-specific issues (e.g. planning, subdivision, contamination or heritage status); • Potential sales avenues; • Whether sales agent ought to be appointed/selection of agent. <ul style="list-style-type: none"> ▪ 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; ▪ Arrears loans are managed in this way until the security is sold and/or all possible recovery action has been completed.
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18 Conduct of Scheme Issues		
g) Liquid Preservation Rules		
Rule	Risk Addressed	Compliance Measures
<p>Ensure the Scheme's liquidity procedures are in accordance with the Constitution and the PDS.</p>	<p>The level of liquidity in the Schemes is reduced significantly which would adversely affect Investor's interests in the Scheme.</p>	<p>The Portfolio Manager monitors cash and liquidity levels in accordance with the liquidity policy of the scheme and if there is any event that he considers would adversely affect the liquidity of the scheme, including as stated in the constitution, where the Investors may be adversely affected, the Portfolio manager will call a funds management committee meeting to discuss the impact on withdrawals and interests of the investor. The Funds Management Committee must consider:</p> <ul style="list-style-type: none"> • whether processing of the current monthly withdrawals should be suspended/postponed, and • how it and future withdrawal requests will be met without adversely affecting the interests of all members of the Scheme. <p>Fund cash flow position is prepared by the Finance Department on a daily basis for analysis by the Portfolio Manager and Chief Financial Officer. Liquidity/Cash levels are monitored through this process.</p> <p>Cash levels, as per the investment mandate, are disclosed in the PDS and monthly fund reports.</p>
		<p>Responsibility/Checked by The Portfolio Manager, Chief Financial Officer and Finance Department monitor liquidity on a daily basis. Fund Management Committee monitor liquidity quarterly or more frequently as required.</p>

17 Conduct of Scheme Issues	
h) Funds Management Committee	
Rule	Compliance Measures
Risk Addressed	Responsibility Checked by
<p>Ensure the Funds Management Committee correctly monitor and make accurate decisions on the Scheme funds.</p> <p>Inappropriate decisions are made by the Funds Management Committee which may cause a financial loss to investors.</p>	<p>A review of the Scheme is conducted each quarter by the Funds Management Committee which consists of at least one Director, the Portfolio Manager and/or the Chief Financial Officer. In this review specific direction is provided for the next quarter in relation to the;</p> <ul style="list-style-type: none"> • budgets; • distribution rates; • weighting of underlying securities to particular asset classes; • cash flows; • average maturity profile of loan book; • level of liquid assets with reference to withdrawal requests anticipated and determination of the minimum liquid funds threshold; • weighting of loans to fixed and variable classes and consideration of loan terms and asset allocation; • adherence to investment mandate; • investment proposals of the fund other than mortgages. <p>The Chief Financial Officer and Portfolio Manager rely on this specific direction when making distributions and any other provisions required. Any material variances from the specific directions given must be ratified by the Funds Management Committee.</p> <p>The Funds Management Committee will ensure that investment mandate will be adhered to at all times. A breach of that mandate would be classified as material and notified to the Compliance Committee.</p>
	<p>The executive Directors are responsible for ensuring that the Funds Management Committee contains the relevant experience within its members to fulfil its task.</p>

17 Conduct of Scheme Issues		
i) Foreign Exchange Contracts		
Rule	Risk Addressed	Compliance Measure
To ensure forward foreign exchange contracts are purchased by authorised LM staff.	That inappropriate or unauthorised foreign exchange contracts are purchased.	<p>The application money from the Investor is initially received in foreign currency. The application money is held in the Subscription Account until a forward foreign exchange contract is entered into. Individual forward foreign exchange contracts are entered into for each currency. The timing of the contract is at the discretion of the RE. This pooled amount will be exchanged into Australian dollars at the prevailing spot market rate. The Scheme simultaneously will statically hedge the relevant currency using forward foreign exchange contracts and then transfer the funds to the Scheme.</p> <p>The RE maintains a list of staff members who must authorise the foreign exchange transaction. Two of these authorised staff members must authorise the transaction with the foreign exchange dealer. The RE holds a list of staff members who are approved to process and check the transaction. The processing, checking and authorising officers have been delegated by the Chief Financial Officer.</p> <p>A transaction confirmation is addressed to either of the authorising officers from the Authorised Foreign Exchange Dealer by the end of the working day in which the transaction took place. This authorising officer must confirm and check details of the transaction.</p>

Responsibility/C
checked by
Investment
Services Currency
Team Leader.

17 Conduct of Scheme Issues	
j) Credit Committee	
Rule	Compliance Measures
Risk Addressed	Responsibility Checked by
<p>Ensure the Credit Committee correctly monitor and make accurate decisions on the investments of the Scheme</p>	<p>The Credit Committee is an internal review committee for all mortgage investments and is independent from all other departments. It is generally comprised of the Team Leaders/Managers (or approved delegates) of the Commercial Lending, Legal, Finance and Treasury Departments and generally one Executive Director. The Credit Committee meets as required to consider proposed and existing mortgage investment opportunities.</p> <p>Where new mortgage investment proposals pass the initial analysis by Commercial Lending, Commercial Lending will provide a written synopsis of the loan for consideration and discussion at the Credit Committee meeting. The Credit Committee is responsible for setting the primary terms and conditions of the loan within the parameters established by the funds management committee.</p> <p>Material issues arising from mortgage investment proposals currently undergoing due diligence and risk analysis by Commercial Lending are required to be raised for consideration and resolution by the Credit Committee. This includes any variation from the RE's standard terms and conditions.</p> <p>When mortgage investment proposals are completely in accordance with the RE's policies and procedures they are required to be finally approved by the Credit Committee before settlement occurs. Approval is evidenced by signatures of the Team Leaders of the Commercial Lending Department, Legal Department and one Executive Director on the pre-settlement checklist attached to the file.</p> <p>The Credit Committee has the final say in relation to all matters it considers. The Commercial Lending Department must abide by the Credit Committee's rulings. A two-thirds majority is required for approval of mortgage investment proposals, although unanimous approval is generally sought.</p> <p>The Credit Committee also nominates panel valuers and expert consultants and approves loan rollovers/ variations.</p>
	<p>The Executive Directors are responsible for ensuring that the Credit Committee contains the relevant experience within its members to fulfil its task.</p>

17 Conduct of Scheme Issues	
k) Lending Criteria	
Rule	Compliance Measures
<p>Ensure that investment in Scheme Property is in accordance with the Act and the Scheme Constitution and PDS.</p> <p>Investments in inappropriate Property which may adversely affect the Investors interest in the Scheme.</p> <p>The Scheme holds unauthorised property and therefore the RE would be in breach of its obligations.</p>	<p>The RE has determined and documented a lending policy for guidance in the approval and management of mortgage applications.</p> <p>For all mortgage applications:</p> <ul style="list-style-type: none"> The type of real estate offered for security must be acceptable to the RE. Typically mortgage securities will include; commercial, industrial and residential real estate (and development loans and pre-development land loans across these sectors) secured by registered first mortgage; A first mortgage must be registered on all primary security property; A certificate is received by the RE's solicitor on all settlements confirming validity of security; Security documents are lodged for stamping and registration within 14 days of settlement; The value of the property must be established in accordance with the Valuations Policy of the RE and in accordance with its Constitution; The Credit Committee applies the loan to value ratio to the valuation amount generally exclusive of GST, unless there are substantial positive factors such as high pre-sales, high net worth of the borrower etc.; The serviceability for the facility must be established to the satisfaction of the RE. The 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; Pre-settlement, settlement and post-settlement reviews are performed; Commercial Lending carries out regular reviews of all current loans; Settlement and ongoing payments must be certified by two approved Commercial Lending Team members. <p>The constitution of the First Mortgage Income Fund does not allow the RE to exceed a loan to valuation ratio of 85% of any one loan except in the event of default. Notwithstanding the provisions of the constitution, the RE has a policy of generally not exceeding the following loan to value ratios :</p> <ul style="list-style-type: none"> 65% for vacant land;

The lending criteria is reviewed yearly by Commercial Lending Department.

Credit Committee is responsible for each new proposal.

The Commercial Lending Department is responsible for all procedures to settle the loan.

Loan status is reported to the Board each board meeting.

17 Conduct of Scheme Issues		
k) Lending Criteria		
Rule	Risk Addressed	Compliance Measures
		<ul style="list-style-type: none"> • 75% for commercial loans; • 66.67% for construction and development loans of the gross realisation, calculated on a cost to complete basis. <p>It is the RE's policy to ensure that no single mortgage exceeds 10% of the scheme assets.</p>

<p>17 Conduct of Scheme Issues</p>	<p>k) Lending Criteria</p> <p>Compliance Measures</p> <p>Risk Addressed</p> <p>Development loans</p> <p>Additional requirements are imposed in the case of development loans as follows:</p> <p>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 "cost to complete" is that the lender always retains sufficient funds within the loan facility to complete the development based on its own assessment of the actual cost to complete the project;</p> <p>On going analysis and mortgage management by Commercial Lending Department is performed this includes on draw downs;</p> <p>Additional development loan procedures are required throughout the development stages of the loan to ensure the development is adequately monitored;</p> <p>A tripartite agreement will be put into place between the RE and Custodian, the borrower and the builder (where appropriate).</p> <p><u>Loan variations and rollovers</u></p> <p>Loan variations or rollovers must be approved by the Credit Committee. A synopsis is prepared and the variation or rollover is presented to a Credit Committee meeting. If approved by the Credit Committee, the legal department documents the variation or rollover and completes a check list. The essential loan terms are reviewed and then legal documentation is issued. The checklist is signed by the preparer and reviewed by the legal department team leader.</p> <p>An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. The requirement for an updated valuation may be waived where the RE considers that an updated valuation would serve no useful purpose.</p>
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17 Conduct of Scheme Issues	
i) Valuation Policy – Mortgage Lending	Compliance Measures
Rule	Risk Addressed
<p>To ensure Scheme Property are valued at regular intervals appropriate to the nature of the asset.</p>	<p>Inaccurate valuations are performed on Scheme Property which may be of disadvantage to investors' interests.</p>
<p>Individual Scheme property is valued prior to settlement of each transaction. Valuations relied upon must have been conducted no earlier than three months prior to the date of settlement of any mortgage loan.</p> <p>Valuations may only be carried out by panel valuers. If the valuer chooses not to become a member of the RE's panel the valuer must still meet The RE's selection criteria for panel valuers. The explanation why he chooses not to be a member and details of the valuer must be taken to a Credit Committee meeting where the valuer must be approved by the Credit Committee prior to acceptance of any valuations from the valuer.</p> <p>Appropriate instructions must be given to the valuer having regard to the type of valuation required i.e. "as is" or "on completion".</p> <p>The valuer must certify they are independent of both the borrower and security property.</p> <p>The RE does not accept valuations performed on the instruction of borrowers. The RE requires that valuations be provided on the RE's instructions, or that valuers confirm that their valuations adhere to the RE's requirements.</p> <p>The Commercial Lending Department, in accordance with the valuation review guidelines, is responsible for the review of all valuations. Unresolved issues arising from the review must be referred to an Executive Director for discussion and determination.</p> <p>Where appropriate, the Commercial Lending Department obtains an independent property report from two real estate agents, or an alternate valuer's report, whose normal trade area encompasses the property being valued.</p> <p>Original valuation reports are filed in the file established for each investment proposal. They may also be imaged and stored on the computer network maintained by the RE.</p> <p>The RE has determined and documented valuation review procedures for guidance on each valuation.</p>	<p>Commercial Lending for each valuation.</p> <p>Valuation details are reported to an Internal Director prior to final settlement.</p>

17 Conduct of Scheme Issues		
i) Valuation Policy – Mortgage Lending		
Rule	Risk Addressed	Compliance Measures
<p>To ensure all Scheme Property is appropriately valued prior to settlement of each transaction and ongoing throughout the development phase where appropriate.</p>	<p>Inaccurate valuations are performed through the development phase of the project.</p>	<p>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 requirements for an updated valuation may be waived where the RE considers that an updated valuation would serve no useful purpose.</p> <p>Developments</p> <p>Separate valuations (which may be within the one valuation report) are required in relation to "as is" and "on completion" valuations.</p> <p><u>"as is" valuation</u></p> <p>The "as is" valuation is the valuation figure used by the RE in calculating the initial drawdown. The "as is" valuation is the market valuation of the property at the time of the initial drawdown. The Loan to Value Ratio in this case must fall within the RE's lending criteria in relation to vacant land.</p> <p><u>"on completion" valuation</u></p> <p>The "on completion" value is the market value of the property at the completion of development.</p> <p>The valuation methodology required is as follows:</p> <ul style="list-style-type: none"> • "Feasibility analysis" including demolition, sub-divisional, 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.
		<p>Commercial Lending Department for each development loan.</p> <p>Valuation details are reported to an Internal Director prior to final settlement.</p>

17 Conduct of Scheme Issues		Responsibility/Checked by
1) Valuation Policy – Mortgage Lending		
Rule	Risk Addressed	Compliance Measures
<p>To ensure appropriately qualified valuers are on the RE's valuation panel.</p>	<p>Valuations are performed by underqualified or unsuitable valuers thus may cause inaccurate valuations.</p>	<ul style="list-style-type: none"> • "Gross realisation" based on comparable sales evidence for the individual components. E.g. Houses, units, allotments etc. <p>The RE will reasonably assess the appropriateness of the feasibility within the valuer's report by comparison with cost estimates provided by a competent quantity surveyor and/or other specialists.</p> <p>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 RE.</p>
<p>To ensure there is no conflict of interest with valuers</p>	<p>Conflict of interest by valuers.</p>	<p>Valuation panel</p> <p>In the first instance, one of the valuers listed on the RE's panel members will provide the services of a registered valuer to conduct the initial valuation. If the valuer chooses not to become a member of the RE's panel the valuer must still meet The RE's selection criteria for panel valuers. The explanation why he chooses not to be a member and details of the valuer must be taken to a Credit Committee meeting where the valuer must be approved by the Credit Committee prior to acceptance of any valuations from the valuer. The valuer must have appropriate professional indemnity insurance when performing a valuation.</p> <p>Members of the valuation panel are accepted and removed in accordance with the RE's panel guidelines. A register of panel valuers is maintained and held with Commercial Lending Department.</p>
	<p>Conflicts of interest by Valuers</p> <p>Panel valuers are required to disclose any potential conflict of interest in the subject property or the proposed transaction concerning the subject property. This requirement is embodied in the valuation instructions to valuers.</p>	<p>The Credit Committee is responsible for approving the appointment of a valuer to the panel and/or its removal.</p> <p>Disclosed or perceived conflicts of interest are referred to the Credit Committee for</p>

LM First Mortgage Income Fund ARSN 089 343 288
 LM Investment Management Ltd ABN 68 077 208 461 Responsible Entity and Australian Financial Services Licensee 220281

17 Conduct of Scheme Issues		
1) Valuation Policy – Mortgage Lending		
Rule	Risk Addressed	Compliance Measures
	Generally a new valuation from another panel valuer will be required to resolve potential or actual conflicts of interest and any relevant disclosures to Investors made.	Responsibility/Checked by consent. The Credit Committee may obtain independent advice.

Definitions

In this Compliance Plan, the following terms shall have the meanings assigned to them unless the context shall otherwise require:

- 'Act' means Corporations Act 2001 and includes the Corporations Regulations.
- 'Adviser' means authorised representative of an Australian Financial Services Licence.
- 'Arrangement' means a written arrangement between the RE and an Investor that sets out circumstances in which applications for interests in Registered Schemes operated by the RE may be accepted.
- 'ASIC' means the Australian Securities and Investment Commission.
- 'Board' means the Board of the RE.
- 'Committee' means the Compliance Committee of the Scheme.
- 'Committee Externality Test' means the tests in Section 601JB of the Act for determining whether a person is an external member of a compliance Committee.
- 'Complaints Handling Policy' means the policy of the RE for handling Complaints in respect of the Scheme from time to time.
- 'Complaint' has the meaning given thereto in the Complaints Handling Policy.
- 'Compliance Procedures' means the processes and procedures adopted by the RE in respect of compliance from time to time.
- 'Compliance Program' means the systems adopted by the RE in respect of compliance from time to time whether in respect of this Scheme or not.
- 'Compliance Register' means a register of significant compliance documents that the Committee may or may not be required to keep, which can be kept electronically.
- 'Compliance Risk Assessment' means an assessment of the major compliance risks to the operations of the Scheme that could result in losses arising from non-compliance with the Act and the Constitution having regard to the protection of Investors' interests and of measures designed to mitigate them.
- 'Compliance Structure' means the organisational structure of the RE as the RE in respect of compliance.
- 'Conflict' means a conflict or potential conflict of interests or duty.
- 'Constitution' means the Trust Deed that constituted the Scheme.
- 'Custodian' means the person, if any, who is appointed as Custodian of Scheme Property.
- 'Differential Fee Arrangement' means an arrangement pursuant to CO 03/217 which provides exemption from S601FC (1) (d) of the Act in relation to differential fee arrangement offered to investors investing in the Fund as a Wholesale Investor, within the meaning of Wholesale Client in Section 761G of the Corporations Act.
- 'Director Externality Test' means the tests in Section 601JA of the Act for determining whether a person is an external director of the RE.
- 'Employee' means a person which may include an Officer who is employed by the RE.
- 'Employee Compliance Declaration' means a declaration to be made by each employee and officer of the RE concerning his or her compliance with the Plan in such form as the Committee determines from time to time.
- 'External Director' means a director of the RE who is regarded as an external director of the RE under the Director Externality Test.
- 'External Member' means a Member of the Committee who is regarded as an external member under the Committee Externality Test.
- 'Governing Documents' means the Rules, Constitution, FSR Licence, the Compliance Program and this Plan.
- 'Investment' means an asset acquired for the producing income or capital gain for the owner.
- 'Investor' means a person who is a member in the Scheme.
- 'IT' means information technology.
- 'Law' means law in force in the relevant jurisdiction.
- 'Licence' means appropriate financial services licence that sets the authorisations and conditions to provide the services.
- 'LM' means LM Investment Management Ltd, the RE.
- 'Member' means a person who is a member of a Committee.
- 'Membership' means membership of a Committee.
- 'Officer' means a director, executive of the RE or a person who participates in making decisions that affect the whole or a substantial part of the business of the RE.
- 'Other Scheme' means any other registered managed investment Scheme of the RE.
- 'Plan' means this Plan being a Compliance Plan adopted by the RE in respect of the Scheme as required by Section 601HA of the Act as the same may be amended or varied from time to time.
- 'Plan Auditor' means the person who has been appointed to audit compliance with the Plan as required by Section 601HG of the Act.
- 'PDS' means a product disclosure statement whereby interests in the Scheme are offered including any supplement thereto.
- 'RE' means the Responsible Entity.
- 'Regulatory Authority' means the Australian Securities and Investments Commission and any other body having regulatory authority over the Scheme and or the RE.

<p>'Related Party' has the meaning given to the term in Part 5C of the Act.</p> <p>'Relevant Materials' means the Attachments to this Plan, the Governing Documents, anything declared in the Plan to be within the term and such other documents and materials as the Committee determines shall be within the term.</p> <p>'Responsible Entity' means the party who is from time to time the responsible entity of the Scheme and in the first instance shall be the RE.</p> <p>'Rule' compliance rules forming part of the Plan.</p> <p>'Scheme' means the registered managed investment scheme to which this Plan applies.</p>	<p>'Security' in the context of loans means security in respect of a loan or an accompanying Scheme loan over the assets of the Scheme.</p> <p>'Security property' means any property offered by a Borrower as security for an approved Mortgage in the Scheme.</p> <p>'Scheme Auditor' means the person who from time to time conducts the statutory audit of the Scheme.</p> <p>'Scheme Property' means all the property, rights and income of the Scheme</p> <p>'Service Provider' means a company contracted by the RE to provide a service to the Scheme.</p> <p>'Unit' means an individual share in the beneficial interest in the Scheme as provided in the Constitution.</p>
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TRANSCRIPT OF PROCEEDINGS

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MAGISTRATES COURT

HAY, Magistrate

20861 of 15

**IN THE MATTER OF DAVID WHYTE AS RECEIVER OF THE PROPERTY OF
THE LM FIRST MORTGAGE INCOME FUND (RECEIVERS AND MANAGERS
APPOINTED) (RECEIVER APPOINTED) and LM INVESTMENT MANAGEMENT
LIMITED (IN LIQUIDATION)**

BRISBANE

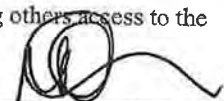
9.09 AM, TUESDAY, 20 OCTOBER 2015

Continued from 19.10.15

DAY 2

Any Rulings that may be included in this transcript, may be extracted and subject to revision by the Presiding Judge.

WARNING: The publication of information or details likely to lead to the identification of persons in some proceedings is a criminal offence. This is so particularly in relation to the identification of children who are involved in criminal proceedings or proceedings for their protection under the *Child Protection Act 1999*, and complainants in criminal sexual offences, but is not limited to those categories. You may wish to seek legal advice before giving others access to the details of any person named in these proceedings.



Yes. Now, do you know on what basis that the funds were - the redemptions were permitted?---Privilege. I don't recall because there were more than likely a lot of redemptions, so I can't remember exactly.

5 I see. Did - and am I right in thinking that the feeder funds had different - were of a different class of unit holders in - - -?---Privilege. That's correct.

They - were they called B class unit holders?---Privilege. Some might've been B class, but there were different ones for different - - -

10

Different - - -?---Yeah.

Different classes. I see. Okay?---Yeah.

15 And do you recall whether or not the feeder funds or - well - or the B class unit holders had any special rights in relation to their unit holding?---Privilege. I don't recall.

20 If they did, would we find that documented somewhere?---Privilege. It's a long time since I've looked at any of these documents. I don't know.

Okay?---You've got the document, so - - -

25 Okay. Well, I can't find any of it, any differentiation, in terms of rights, but that doesn't mean they don't exist, so I was wondering whether you could help me. But your answer is you don't recall. Is that right?---Privilege. Yes.

30 Do you recall, under the constitution, that the RE was entitled to distribute distributable income for any period between different classes of unit holders on a basis other than proportionately provided that the RE treats the different classes fairly?---Privilege. I don't - it's - it's a very technical issue. I haven't looked at these documents for a number of years, so I'm not qualified to answer that.

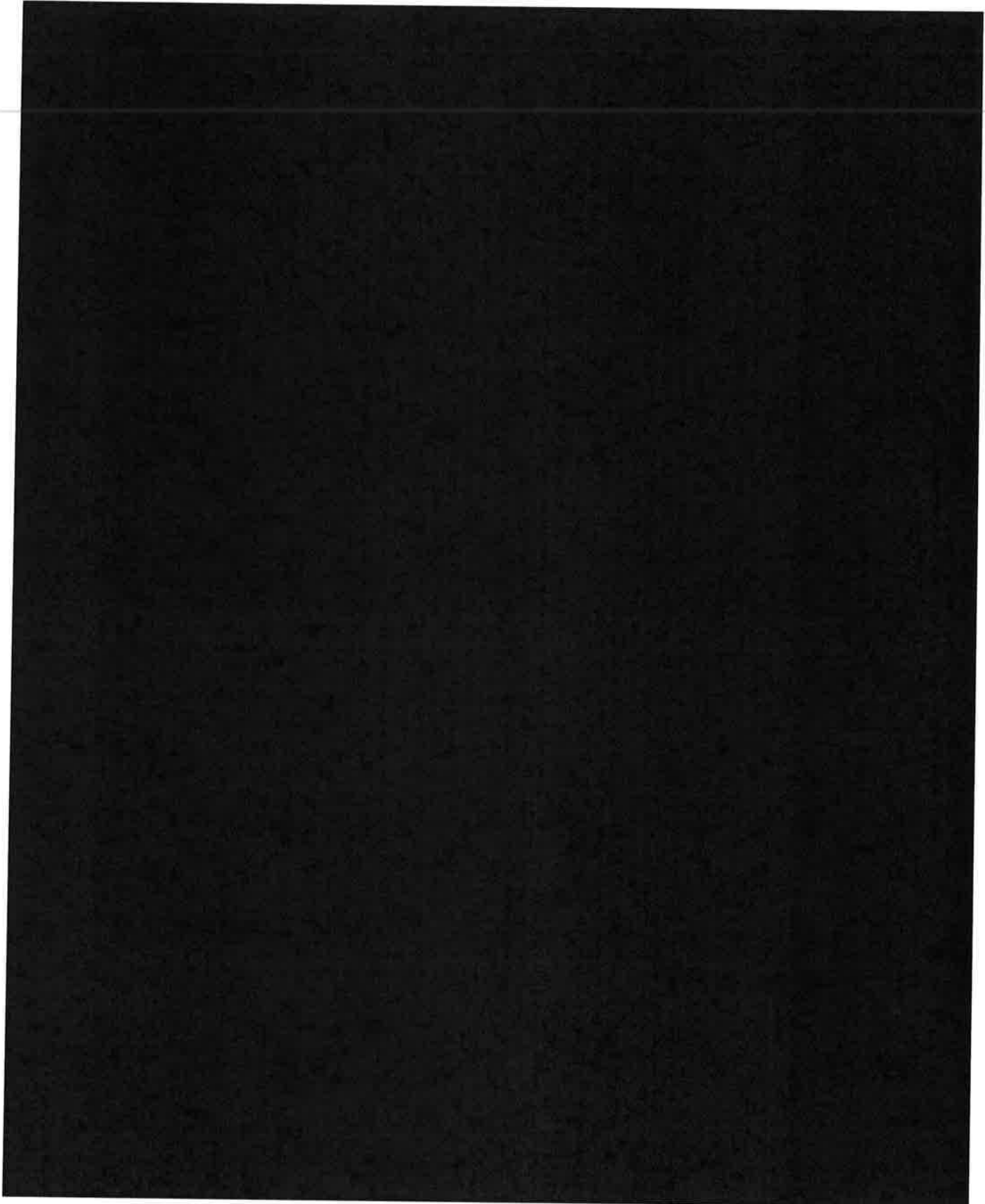
35 So you don't know whether the constitution provided for that?---Privilege. I don't remember.

Okay. Well, I'll show you the constitution. Sixteen (1) - if you just keep that folder there, please?---Sure.

40 And have a look at folder 16B. Can we get 16B and get a copy for Mr Davies?---Ta.

45 Sorry. So there's the constitution at tab 10, replacement constitution. I think that was operative from 10 April 2008. And if I can direct you to page 12 of that constitution which, on the bottom right-hand corner that - this is page 595; 595. Do you see that?---Privilege. Yes.





From: Monaghan, David <David.Monaghan@allens.com.au>

Sent: 31 January 2019 2:40 PM

To: David Whyte <David.Whyte@bdo.com.au>

Subject: RE: LM First Mortgage Income Fund (Receiver Appointed) [Allens-File-DMS.FID1583694]

David

I refer to your email below.

I have reviewed the attachments to your email, however I do not recall the matter. In response to your specific question, I do not recall LM asking me to document the establishment of the classes. I do not believe that is something I would ordinarily have been asked to do. John also does not recall the matter, although as you have said, it was a long time ago.

Regards

David Monaghan
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From: David Whyte <David.Whyte@bdo.com.au>
Sent: Thursday, 31 January 2019 12:30 PM
To: Monaghan, David <David.Monaghan@allens.com.au>
Subject: LM First Mortgage Income Fund (Receiver Appointed)

David

As discussed, I am about to make an application to court requesting approval to make an interim distribution of about \$40M to members of the above fund and where I am the court appointed Receiver of the assets and person responsible for ensuring it is wound up pursuant to the terms of its constitution.

In preparing for this application, I have identified an issue with the recording of the foreign currency investors units and the basis upon which they are to be treated. The attached correspondence provides some background on the issue and at around the time the fund started permitting investments in foreign currencies. As you will see, both yourself and John seem to have been involved in amending the constitution and PDS at the time although I appreciate this was a long time ago and you may not be able to recall matters that could assist me further in dealing with the foreign currency issue. The constitution and PDS were amended on 10 April 2008. The following new clause was added to the constitution at that time:

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.

We have searched the LM database and have not been able to identify any documents that determines the rights and obligations attaching to any different classes or sub classes or indeed in establishing any such classes. The audited accounts do show however that there are class A (retail investors), B (feeder funds) and C (foreign currency investors) units. The PDS and constitution both say that units will be issued in AUD and the PDS also says the foreign currency amount will be hedged. LM however has recorded the units in foreign currency and issued statements to investors in the currency. The returns on the investments have been calculated in the foreign currency (which is correct if the amounts are hedged however the units should be recorded in AUD and then converted to allow that to occur).

Do you or John recall LM asking you to document the establishment of the classes and the rights and obligations attaching to same? I will also ask Donna Alexander who liaised with you both at that time. I have provided the main documents however if you think other correspondence may assist in jogging your memory, please let me know.

Regards

David

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