



CommSec Margin Loan with Regular Gearing

Double your saving power



CommSec



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CommSec Margin Loan with Regular Gearing - Application Form	Attached Booklet

The credit union distributes this product, the CommSec Margin Loan with Regular Gearing, on behalf of Commonwealth Bank of Australia. CommSec Margin Loan with Regular Gearing is a product of the Commonwealth Bank of Australia ABN 48 123 123 124 administered by its wholly owned subsidiary Commonwealth Securities Limited ABN 60 067 254 399 ('CommSec'). The credit union may receive commission in connection with the provision of the CommSec Margin Loan with Regular Gearing.

Building wealth with regular gearing

The CommSec Margin Loan with Regular Gearing combines the power of a margin loan with all of the benefits of a disciplined savings plan. With as little as \$250 a month, you can build a portfolio of investments in managed funds. For each dollar you invest, you can borrow another dollar, doubling your saving power. The money is invested in the funds of your choice, automatically. And, because the regular gearing loan is designed to maintain a target gearing level of 50% or less, your risk of a margin call is reduced.

What is a margin loan?

A margin loan is a loan specially designed for investing. You start by contributing either cash or an existing investment in shares or managed funds. Then, using this initial investment as security, you can borrow money to build a larger investment portfolio. Your portfolio secures the loan, in the same way that your house secures your home loan.

Margin lending, or gearing, can be a powerful tool in helping you achieve your financial goals. It increases your opportunity to create wealth, and lets you take advantage of greater diversification and potential tax planning benefits. By investing regularly, you can reach your financial goals even faster.

The power of regular gearing

A regular gearing margin loan offers the same benefits as a standard margin loan, with some unique advantages of its own.

For example, imagine you had invested \$5,000 in the Colonial First State Australian Share Fund in July 1991.

As Figure 1 shows, after 10 years your holding would have increased in value to \$25,756. Now imagine that, as well as your initial \$5,000, you had invested an additional \$250 a month. After 10 years, your investment would be worth \$95,860.

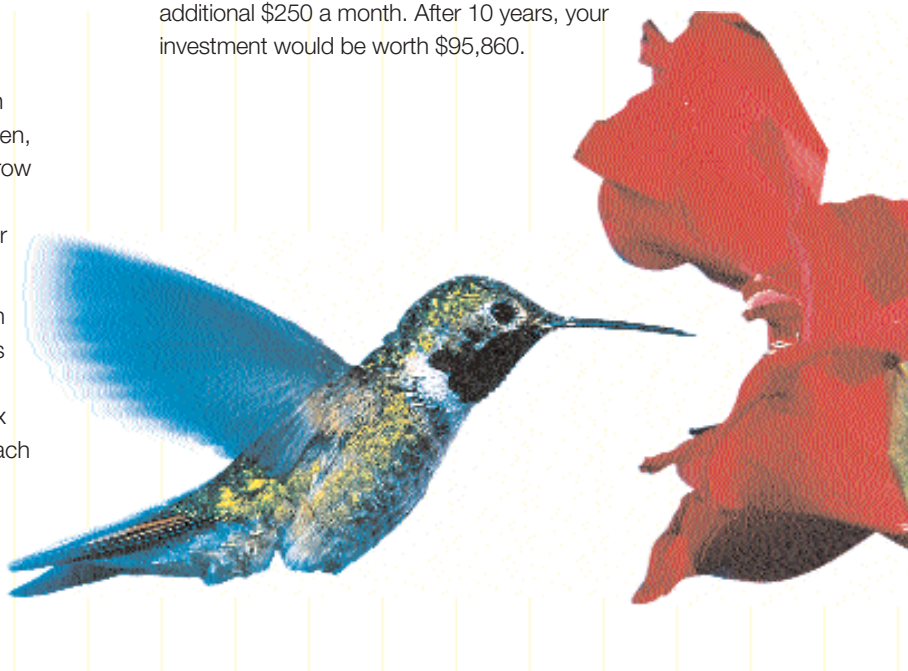
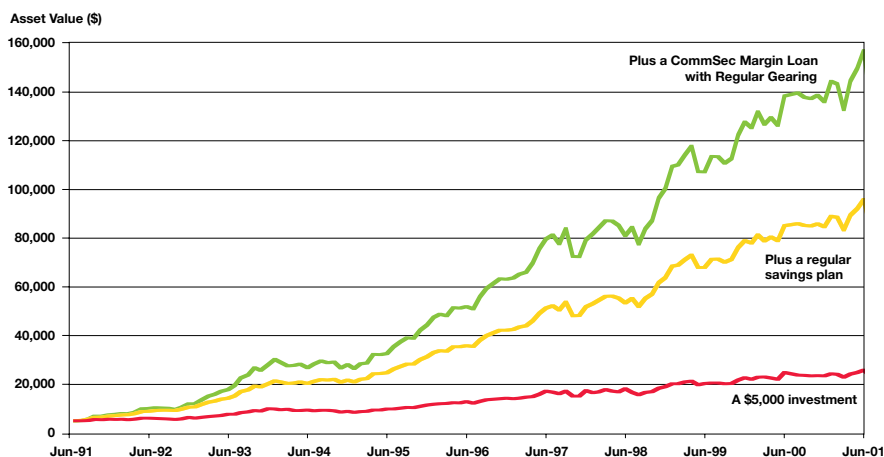


Figure 1: The power of regular gearing



This illustration uses historical data from the Colonial First State Australian Share Fund and assumes income distributions are reinvested. Interest costs and fees have not been deducted. For the purposes of this illustration tax implications have been ignored. Please note past performance is not an indicator of future performance.

Lastly, imagine that you had used the CommSec Margin Loan with Regular Gearing to double your investments. After 10 years, your holdings would be worth \$156,970, an effective annual rate of return of 24.9%. That's the power of regular gearing.

Approved funds

You can use the CommSec Margin Loan with Regular Gearing to invest in any managed fund on the list of approved funds, which can be found at the back of this brochure. To obtain updated copies of the list, contact CommSec on **13 17 09** between 8 am and 5 pm, or visit our web site at **commsec.com.au**.

Getting started

Applying for a regular gearing loan is easy; simply fill in the application form at the back of this brochure. When you apply, you nominate the managed funds you wish to invest in, and the amount you want to allocate to each fund. You also nominate the amount you would like to take as an initial loan advance, and the amount of your monthly contributions.

You start with a minimum initial contribution of \$2,000. You can make a contribution in cash, or use an existing investment in approved shares or managed funds as security. You are advanced the first instalment of your loan, and the total is invested in the managed funds you choose from the approved funds list.

After your initial investment, you make monthly contributions of at least \$250, by direct debit. As each contribution is received, you borrow an amount equal to your contribution, and invest the total in your nominated funds.

Example: Regular gearing in action

For example, you might choose to start with an initial contribution of \$5,000 in cash and an initial loan advance of \$5,000. You could then choose to continue with monthly contributions of \$250 per month. The CommSec Margin Loan with Regular Gearing would match each monthly contribution with a loan advance of \$250, giving a total monthly investment of \$500.

	Initial investment	Monthly investment
Your contribution	\$5,000	\$250
Margin loan	\$5,000	\$250
Total for investment	\$10,000	\$500
Gearing level	50%	50%

Bringing your goals within reach



Many people would like to start investing for the future, but lack the funds and experience they need to build a portfolio. The CommSec Margin Loan with Regular Gearing can help you make the most of your investment dollar, bringing your goals within reach.

The CommSec Margin Loan with Regular Gearing enables you to build a portfolio of managed fund investments with a monthly contribution of as little as \$250. It's the affordable, lower-risk alternative to a traditional margin loan that gives you the opportunity to reap the long-term benefits of a disciplined, regular savings plan. Some of its advantages are listed below.

Invest with the professionals

The list of approved funds includes a wide range of funds from some of the biggest names in the Australian funds management industry. When you invest in a managed fund, you get access to a dedicated team of investment professionals. Which means that you don't have to be an expert yourself; the hard work has already been done for you.

Low-cost diversification

Diversification is the strategy of spreading your investments across different kinds of assets, reducing your overall risk. A key benefit of managed funds is that they enable you to buy into a diversified portfolio at a fraction of the cost of direct investment.

Lower entry fees

When you invest through CommSec Direct Funds, you can also benefit from reduced entry fees for most managed funds. Depending on the fund, we will rebate up to 100% of the entry fee in the form of additional units in the fund.

Flexibility

The CommSec Margin Loan with Regular Gearing has been designed for maximum flexibility. You can design a loan and investment portfolio to suit your needs, by choosing:

- Which managed funds to invest in. You can invest in up to five different funds from a range of approved funds.
- The size of your initial investment and your regular contributions.
- Fixed or variable interest rates.
- Your level of gearing, up to 50%.

Liquidity

With the CommSec Margin Loan with Regular Gearing, you can move in and out of your investment as required. Unlike property, managed fund investments can normally be redeemed at short notice, giving you easy access to your money. This means that you are not locked into your investment should you suddenly need funds for other purposes.

Tax deductions

Depending on your individual situation, the CommSec Margin Loan with Regular Gearing may help you reduce your tax bill by allowing you to claim the interest and fees as a tax deduction.

Checks and balances

Target gearing level

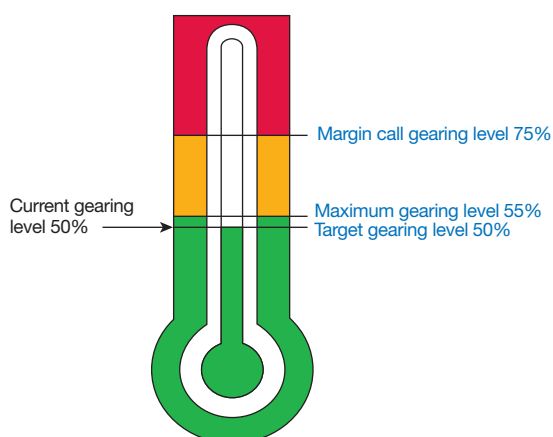
You can use the CommSec Margin Loan with Regular

Gearing to borrow up to 50% of your total investment. We call this the target gearing level.

The value of your managed fund portfolio will change from day to day as the market value of the underlying assets of the funds change. If the value of your portfolio rises, then your loan balance may be less than 50% of the value of your portfolio. But, if the value of your portfolio falls, your loan balance may be more than 50% of the value of your portfolio, exceeding the target gearing level. For that reason, we've built in some checks and balances.

Example: At the target gearing level

For example, consider an investor with a portfolio worth \$18,000 and a loan balance of \$9,000. The investor's loan balance is 50% of the value of the portfolio, which is the target gearing level. The investor continues to receive monthly loan advances as usual.



Current gearing level

Your current gearing level is simply your loan balance expressed as a percentage of your portfolio market value. For example, if you have a loan balance of \$4,400 and a portfolio with a value of \$10,000, your current gearing level is 44%.

Maximum gearing level

We will notify you if your current gearing level exceeds the maximum gearing level, which is 55% of the value of your portfolio. Unless you advise otherwise, when the maximum gearing level is breached, we will also stop advancing new loan instalments until your gearing level has returned to a level below the target gearing level. You continue to make monthly contributions as usual but, instead of investing in a managed fund, we use your monthly contributions to reduce your loan. When your gearing level returns to 50%, we restart your loan advances and resume investing those loan advances and your monthly contributions in the managed funds you have chosen.

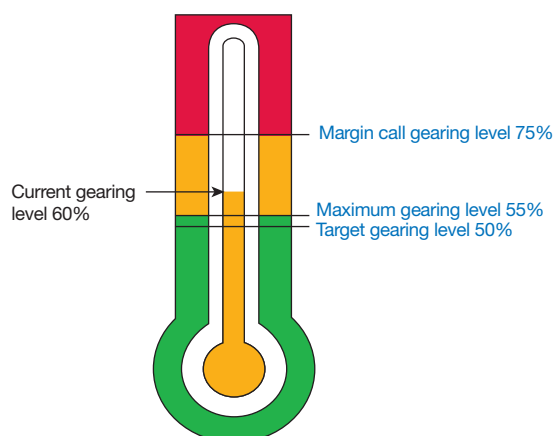
If you would prefer not to suspend the monthly loan advances, you have a number of other options for bringing your gearing level back to the target.

You can:

- Reduce your loan balance by making an additional cash payment.
- Lodge additional security for your loan (for example, shares or units in a managed fund).
- Reduce your loan balance by selling some of your securities (for example, units in a managed fund).

Example: Maximum gearing level

In this example, the value of the investor's portfolio has fallen to \$15,000, while the loan balance has remained at \$9,000. The investor's loan balance is now 60% of the value of the portfolio, which is over the maximum gearing level. The investor's monthly loan advances are suspended until the portfolio returns to the target gearing level.



Margin call gearing level

If your current gearing level equals or exceeds 75%, it will trigger a margin call. We will attempt to notify you if this happens. If we issue a margin call, you must take action to bring your gearing level back to the target gearing level.

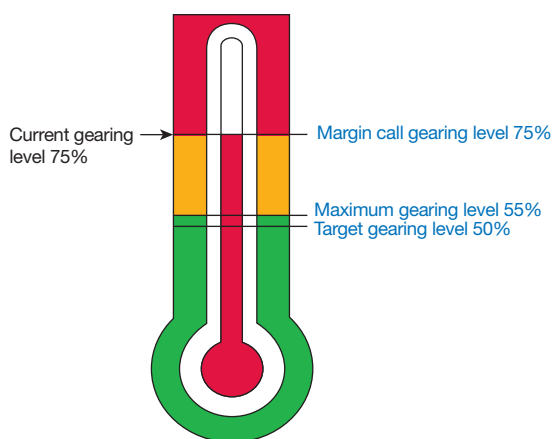
You can:

- Reduce your loan balance by making a cash payment.
- Lodge additional security for your loan (for example, shares or units in a managed fund).
- Reduce your loan balance by selling some of your securities (for example, units in a managed fund).

Should a margin call occur, we will endeavour to contact you and advise you what action you can take to address the situation. You must take action within the time specified in the Terms and Conditions. If you fail to do so, we may sell some or all of your securities to repay your loan.

Example: Margin call

In this example, the value of the investor's portfolio has fallen even further to \$12,000, while the loan balance has remained at \$9,000. The investor's loan balance is now 75% of the value of the portfolio, triggering a margin call. The investor must now take action to bring the portfolio's gearing level back below 50%.



How we help you avoid margin calls

To help you avoid margin calls, we will attempt to notify you by telephone, e-mail or on our web site when:

- Your current gearing level rises above 55% and we begin reducing your loan balance with your monthly contributions.
- Your current gearing level rises above 65%. In this case, we will warn you that a margin call may be imminent and you should consider taking action.

You are responsible for ensuring that we are able to contact you, and for taking action on a margin call within the specified time frame.

Margin calls and approved securities

A margin call can also be triggered if one of the investments used as security for your loan is removed from the list of approved shares and managed funds. This can occur if there is a significant change in the situation of the company or managed fund, leading us to re-evaluate its suitability as security for your investment.

The shares and managed funds on the list have been selected because they have a lending ratio of 70% or more. A lending ratio of 70% means that an investment can be used to secure loans worth up to 70% of its value — well beyond the target gearing level. However, if the circumstances of the company or managed fund change significantly, its lending ratio may fall below 70%. In that case, it may be removed from the list of approved securities.

If you have used a share or managed fund as security for your loan and its lending ratio subsequently falls below 70%, we will use its new lending ratio to calculate a new portfolio lending ratio. A margin call will be triggered if your current gearing level equals or exceeds this new portfolio lending ratio plus 5%.

If we issue a margin call, you must take action within the time specified in the Terms and Conditions.

Please Note:

Whilst we will accept securities with an LVR less than 70% as collateral security in your loan – the attached examples will no longer be correct.

By adding securities with a lesser LVR, a margin call will be triggered at a lower mark, and not at 75%; i.e. - a margin call will now be triggered at 5% above your new security lending limit based on the lower LVR.

Please contact one of our client service staff should you wish to discuss this point further.

Avoiding margin calls



The CommSec Margin Loan with Regular Gearing has been designed with in-built checks and balances to reduce the risk of margin calls by maintaining a low target gearing level of 50%. You can reduce the risk of margin calls even further by taking a few simple precautions.

Maintain a low gearing level

We help you maintain the target gearing level of 50% by only lending you an amount equal to, or less than, the level of your contributions.

If you wish, you can further reduce your gearing level by contributing more than 50% of the value of your initial investment. For example, you could use managed fund investments with a value of \$7,000 as security for an initial loan advance of \$3,000, giving you a total portfolio value of \$10,000 and a gearing level of 30%.

Example: the effect of a low gearing level

The following table shows the fall in market value required before a margin call is triggered at different gearing levels.

Current gearing level (loan balance / market value)	Required fall in market value
50%	33%
40%	47%
30%	60%

For example, if your current gearing level is 50%, the market value of your portfolio would have to fall 33% before a margin call was triggered. If your current

gearing level is 30%, a margin call will only be triggered if the market value of your portfolio falls 60%.

Diversify your investments

Investing across a range of managed funds can reduce the impact of a single underperforming fund on your overall portfolio. Diversification will also help to minimise volatility and improve the potential for smoother and more consistent returns.

Monitor your investments and loan balance

Always keep an eye on the market and how your portfolio is performing. CommSec makes it easy to monitor your investment. You can check the value of your portfolio, your loan balance, and your current gearing level by:

- Visiting our web site at commsec.com.au and logging in to your personal account. You can see your gearing level when you log on to your account – you will see the thermometer graphic.
- Reading your regular quarterly statements.
- Calling CommSec on **13 17 09**.

By monitoring your investments, you can adjust your portfolio in response to its performance. For example, you can reduce your level of gearing when the market outlook is poor, minimising the risk of a margin call if the market does fall.

Pay interest as you go

Unlike other margin loan products, the CommSec Margin Loan with Regular Gearing does not allow you to capitalise interest to your loan. Instead, interest on the loan is payable each month. This prevents your loan balance and your current gearing level from increasing unnecessarily.

Reinvest your income distributions

By using income distributions from your managed fund investments to buy more units in those funds, you can increase the value of your investment and reduce your current gearing level.

The line between risk and reward

A margin loan is a powerful financial tool. It gives you the ability to invest more money, more widely than you may have thought possible. The CommSec Margin Loan with Regular Gearing has been designed to give you access to that power while reducing your risk. Nevertheless, before you apply for a margin loan, it's important to look at your overall financial position and consider your ability to meet your obligations in a volatile market.

While gearing multiplies your opportunity for gains in a rising market, it can also multiply your losses should markets fall. For example, if you invested \$10,000 in a managed fund and the value of the fund later fell by 10%, the value of your investment would fall to \$9,000. You would have lost \$1,000. Now imagine you borrowed \$10,000 through a margin loan and invested a total of \$20,000 in the same fund. If the value of the fund fell by 10%, the value of your investment would fall to \$18,000. You would have lost \$2,000.

	Without a margin loan	With a margin loan
Your investment	\$10,000	\$10,000
Margin loan	—	\$10,000
Total investment	\$10,000	\$20,000
Value if the fund falls 10%	\$9,000	\$18,000
Unrealised loss	\$1,000	\$2,000

Here are some issues to consider before you make an investment:

- As with any investment strategy, your first step is to establish your investment objectives. Margin lending multiplies your investment power but also magnifies the risks. You can reduce those risks significantly through your choice of investments, and by maintaining a low gearing level. All the same, if you are uncomfortable with risk, a margin loan may not be for you.
- Consider your investment time-frame and choose investments that complement it. Highly performing assets, such as shares, have a tendency to fluctuate in price. If you invest in managed funds that hold these kinds of assets, you may need the



capacity to ride out declines in the market and in the value of your holdings.

- Gain an understanding of managed funds and of the different kinds of funds on offer. This will help you to assess your risks up-front, and to select investments that suit your individual objectives. It will also help you manage your portfolio and gearing level more effectively. CommSec provides a free service – *Funds in Five Minutes* – to help you find which funds suit you.
- Ensure that you have a reliable source of income to cover your regular contributions, interest payments, and potential margin calls.
- Have ready access to funds in the event of a margin call. Contributing your own funds to top up your loan is usually the most efficient way to respond to a margin call. Since margin calls generally occur in a falling market, having to sell part of your portfolio may mean you do not get the optimal price for your investments.

As with any investment, the key is to fully understand your risks, and to take action to minimise them. To help you, we have included a Risk Disclosure Statement on page 19 of this brochure and page 18 in the application form. Please ensure that you read this statement.

Features

Low minimum loan size and contribution limits

You can start with an initial contribution of as little as \$2,000, either in cash, shares, or units in a managed fund. The minimum monthly contribution is \$250.

We will match your initial contribution with a contribution from your loan account. You nominate the monthly contribution from the loan account (not more than your monthly equity contribution).

Loan term

The loan is provided on a continuing basis, subject to the Terms and Conditions. Please refer to the Terms and Conditions for circumstances when a loan may be terminated.

Income distributions

Income distributions from your managed fund investments can be:

- Reinvested in a managed fund; or
- Paid into a nominated bank account.

Switching between funds

You can switch your investment to another approved fund by giving us five working days notice. You can only switch an amount of \$2,000 or more. Depending on the fund, you may also need to comply with a minimum investment limit set by the fund manager.



Changing the monthly contributions

You can change the monthly contributions by:

- Increasing your monthly contribution amount, monthly loan advances will increase by the same amount.
- Suspending your monthly loan advances, for up to three months (provided that your loan balance is over \$15,000). Your monthly contributions will continue unless you notify us to suspend these also. A fee may apply.
- Cancelling your monthly loan advances (a fee of \$54.60 will apply if your loan balance is less than \$15,000).

Application fee

There is no application fee for individuals. A fee of \$125 applies to companies and trusts.

Transaction and administration fees

A transaction fee of \$5 will apply to each investment transaction. This fee will be charged to your loan account. No fee will apply to cash payments made to your loan account.

Government fees

Your loan account will be charged for any applicable government tax or duty.

Other fees

Fees will be charged for other banking services, such as duplicate statements and dishonoured cheques or direct debit dishonour. For further details contact CommSec on **13 17 09**.

Interest on your loan

Unlike other margin loan products, the CommSec Margin Loan with Regular Gearing does not allow you to nominate that interest be capitalised against your loan. CommSec will only debit interest to your loan account where the regular direct debit from your bank account is dishonoured. Interest is payable on the 13th of each month. For fixed rate loans, interest can also be prepaid 12 months in advance.

A current schedule of both variable and fixed interest rates can be obtained by contacting CommSec on **13 17 09**. No credit interest will be paid on any credit balances on your loan account.

Default interest charge

If your loan is in default an additional 3.0% per annum interest charge will be added to your current interest rate until the outstanding amount is paid.

Terms and Conditions

CommSec Margin Loan with Regular Gearing

These are the Terms and Conditions on which we make a CommSec Margin Loan with Regular Gearing available and on which we accept offers to provide security for a CommSec Margin Loan with Regular Gearing. We refer to them collectively as the “Terms and Conditions”. The Terms and Conditions are made up of:

- Part 1 General Provisions;**
- Part 2 Loan Agreement;**
- Part 3 Mortgage;**
- Part 4 Sponsorship Agreement; and**
- Part 5 Nominee Agreement**

which appear under those headings in this booklet.

In the event of any inconsistency with other material in this booklet, or in the application form, the Terms and Conditions shall prevail. If you are an individual and you obtain a CommSec Margin Loan with Regular Gearing wholly and exclusively for your private or domestic investment purposes, or if you are a *Mortgagor* in relation to such a *Loan* then the relevant provisions of the Code of Banking Practice may apply to your *Loan*. We have published a booklet called “**The Better Banking Book**” to give a better understanding of the banking services we offer. Please ask for a copy and take time to read it.

Part 1 — General Provisions

1. Definitions

In these Terms and Conditions:

Administration Fee means the fee the *Borrower* must pay us to cover our administration costs relating to the early termination of a *Loan* for which we agreed to a fixed *Interest Rate*;

Approved Deposit Account means any deposit account that we approve in writing and which is opened with us to secure obligations under any of the Terms and Conditions;

Authorised Officer means each of our officers and each officer of *CommSec* whose title, in both cases, is or includes the word “manager” or the word “executive”;

Bank Account means the *Bank Account*, building society account or credit union account you nominate on the Direct Debit Request form;

Borrower is how we refer to the applicant for a *Loan* and to those whose application is accepted by us;

Buffer means 5% of the *Portfolio Market Value* or such other percentage as we may from time to time substitute;

Business Day means each day on which we are open for business in Sydney;

CHESS means the Clearing House Electronic Subregister System operated by SCH;

CHESS Holding means an uncertificated holding of *Securities* on a subregister for that class of *Securities* maintained by SCH;

CommSec means Commonwealth Securities Limited
ABN 60 067 254 399;

Current Gearing Level means the amount calculated in accordance with clause 6(a) of the *Loan Agreement*, comprising the *Loan Balance* divided by the *Portfolio Market Value* and expressed as a percentage;

Default Event means any *Default Event* set out in clause 14 of the *Loan Agreement*;

Early Repayment Adjustment means the adjustment we make in accordance with clause 13 of the *Loan Agreement* when the *Borrower* repays a *Loan* for which we agreed to a fixed *Interest Rate* and terminates that *Loan* (or part of it) early;

Enforcement Event means any *Enforcement Event* set out in clause 8 of the *Mortgage*;

Equity Contribution means the cash or *Securities* that you contribute at or prior to the first *Loan* we make, you contribute monthly thereafter or you contribute as requested by us to reduce the *Current Gearing Level*;

Funds Available to Lend means the lesser of, the *Loan Limit* less the *Loan Balance*, and the sum of the *Portfolio Market Value* multiplied by the *Target Gearing Level* less your current *Loan Balance* less any unsettled transactions;

Guarantee means the *Guarantee* referred to in the application form and given to us in return for approval of the *Loan*;

Guarantor means any person whose offer we accept to guarantee the *Borrower's* obligations under the *Loan Agreement*;

Interest Rate means the *interest rate* we charge on the *Loan Account*;

Issuer means the entity, which issues the relevant *Securities*, whether in its own right or as trustee;

Lending Ratio means the percentage of the *Market Value* of a particular *Security* that we are prepared to lend against;

Lending Value means the amount we are prepared to lend against a particular *Security* calculated by multiplying its *Market Value* by its *Lending Ratio*;

Loan means a loan we make available to the *Borrower* under these Terms and Conditions;

Loan Account means the account we keep in the *Borrower's* name, to which we debit the amount of any *Loan* and other liability of the *Borrower* under these Terms and Conditions;

Loan Advance means each periodic advance that we make to you under a CommSec Margin Loan with Regular Gearing;

Loan Agreement means the *Loan Agreement* in Part 2 of these Terms and Conditions created when we accept the *Borrower's* application for a *Loan*;

Loan Balance means at any time, the balance of the *Loan Account* at that time;

Loan Limit means the amount, as approved from time to time, that we are prepared to lend to the *Borrower* under this CommSec Margin Loan with Regular Gearing;

Margin Call means a *Margin Call* under clause 10 of the *Loan Agreement*;

Margin Call Gearing Level means a *Current Gearing Level* of 75% or such other percentage as we may from time to time substitute;

Market Value means:

- for *Securities* which are listed on the stock market, the last sale price; and
- for unlisted *Securities*, the redemption price for the *Securities* and in the absence of a redemption price such value that we decide in our absolute discretion;

Maximum Gearing Level means a *Current Gearing Level* of 55% or such other percentage as we may from time to time substitute;

Mortgage means the *Mortgage* in Part 3 of these Terms and Conditions supporting the obligations of the *Borrower* and which is created when we accept the *Borrower's* application for a *Loan* or a Third Party *Mortgagor's* offer to give a *Mortgage*;

Mortgaged Property means any or all of the *Securities* which are secured by the *Mortgage* and includes:

- any *Securities* we accept as *Mortgaged Property* under clause 2 of the *Mortgage*;
- any *Securities* the *Borrower* purchases using wholly or partly a drawing on the *Loan Account*;
- all rights and privileges (including rights issues, bonus shares, dividends and profits under a dividend reinvestment plan) accruing as a result of having an interest in those *Securities*; and
- all moneys payable or to become payable to the *Mortgagor* under or by virtue or in respect of those *Securities*;

Mortgagor means any person who gives us a *Mortgage*;

Nominee means State Nominees Limited ABN 14 000 677 350;

Nominee Securities means the *Securities* held by the *Nominee* as a result of a transfer to the *Nominee* or an acquisition by the *Nominee* under clause 3 of the *Nominee* Agreement;

OCH means Options Clearing House Pty Ltd ABN 48 001 314 503 and its successors;

our means belonging to *us*;

Portfolio means collectively the *Securities*, which we have accepted as *Mortgaged Property*;

Portfolio Gearing Ratio means *Loan Balance* (plus any unsettled transactions) divided by *Portfolio Market Value* and expressed as a percentage;

Portfolio Lending Ratio means *Portfolio Lending Value* divided by *Portfolio Market Value* and expressed as a percentage;

Portfolio Lending Value means the amount calculated in accordance with clause 5(a) of the *Loan Agreement* comprising the *Lending Value* of all *Securities* plus any money in an *Approved Deposit Account*;

Portfolio Market Value means the total of the *Market Value* of all *Securities*, which we have accepted as *Mortgaged Property*;

Rules means the business *rules* made by *SCH* as in force from time to time;

SCH means the Securities Clearing House approved under s779B of the Corporations Act 2001 to operate *CHESS*;

Secured Moneys means any money payable by the *Borrower* under the Terms and Conditions;

Security means:

- a share or unit in the capital of a corporation;
- an instalment receipt;
- a unit in any trust;
- any debenture, debenture stock, bonds, notes, convertible notes, units, warrants or other securities created, issued or granted by any corporation, government, unincorporated body or other person;
- options to purchase, subscribe for or acquire any of the securities mentioned above;
- futures contracts within the meaning of the Corporations Act 2001;
- such other kind of security as we may from time to time agree to accept;

Security Interest means and includes an interest arising under a *Mortgage*, charge, pledge or other encumbrance of any nature and an interest arising from any reservation of title;

Sponsored Holding means a *CHESS Holding* which:

- belongs to a *Mortgagor*;
- is *Mortgaged Property*; and
- we sponsor under the Sponsorship Agreement;

Subposition means a facility in *CHESS* by which:

- activity in relation to *Securities* held in a *CHESS Holding* may be restricted; and
- access to those *Securities* for limited purposes may be given to a *CHESS* participant other than the controlling participant;

Target Gearing Level means a *Current Gearing Level* of 50% or such other percentage as we may from time to time substitute;

we or us means the Commonwealth Bank of Australia ABN 48 123 123 124, its successors or assigns;

Withdrawal Instructions means instructions for withdrawal of *Securities* from a *Sponsored Holding* and includes instructions:

- for the conversion of *Securities* in the *Sponsored Holding* to any other mode of holding;
- to initiate a change of sponsorship for the *Securities*;
- to endorse or initiate an off market transfer of *Securities*; or
- to accept a takeover offer for the *Securities* on *your* behalf;

you means:

- in the General Provisions, any person who agrees to be bound by any of these Terms and Conditions;
- in the *Loan Agreement*, the *Borrower*;

- in the *Mortgage*, Sponsorship Agreement and *Nominee* Agreement, the person who gives *us* the *Mortgage*; and
- in each case, that person's executors and administrators and, in the case of a corporation, its successors and assigns;

your means belonging to *you*.

2. Interpretation

The Terms and Conditions must be interpreted according to the following rules:

- when more than one person enters into any of the Terms and Conditions the obligations of those persons will be joint and several;
- words indicating the singular number include the plural number and vice versa;
- words indicating persons include bodies corporate; and
- the words "including" or "for example" and similar words or expressions when introducing an example do not limit the meaning of the words, to which the example relates, to that example or examples of a similar kind.

3. Our consent

Whenever *you* ask for *our* consent we may give or refuse *our* consent as we consider appropriate. We may impose conditions on the giving of *our* consent.

4. Trustee provisions

If *you* enter into any of the Terms and Conditions as a trustee:

(a) *you* acknowledge that the relevant Terms and Conditions bind *you* personally and in *your* capacity as trustee of the trust.

(b) *you* represent that:

- *you* have full power and are legally entitled to appoint *us* and each of *our* officers separately as *your* agent and attorney (and, if *you* are a *Mortgagor*, to appoint *CommSec* and State Nominees Limited as *your* agent and attorney) under the Terms and Conditions;
- *you* have full power and are legally entitled to enter into and perform *your* obligations under the Terms and Conditions;
- any conflict of interest and duty which might arise from *your* entry into any of the Terms and Conditions is satisfactorily overcome by the trust instrument or has been overcome by a resolution by all unit holders of the trust;
- *you* are entitled to be indemnified out of trust assets to the full extent of the liabilities *you* enter into in *your* trustee capacity;
- *you* are not aware of any threatened or pending action or claim which may affect *your* indemnity out of trust assets; and
- *you* have taken every necessary action to ensure *you* are effectively bound by the Terms and Conditions, that we have a first ranking *Mortgage* over the *Mortgaged Property* and that *you* are authorised to perform *your* obligations under the Terms and Conditions.

(c) *you* must inform *us* if *you* are removed from office as trustee.

(d) *you* agree to satisfy *us*, in the manner we require, that the Terms and Conditions will be valid and enforceable against *you* in *your* trustee capacity.

5. Change in your constitution, name or style

Where *you* are a partnership, firm, committee, trustee or unincorporated body or any of the *Secured Moneys* are advanced on or are otherwise owing or payable on a joint account *your* obligations under the Terms and Conditions remain effective and binding despite any change in *your* constitution, name or style.

6. Authorities you give us

(a) *You* authorise *us* to act on any of *your* instructions (and if there is more than one of *you*, on the instructions of any one or more of *you*), the instructions of the person who appears to be *your* stockbroker or the instructions of anyone *you* authorise, in writing to *us*, to act on *your* behalf. We will act on the instructions given to

us by any person *you* authorise in writing, until *you* give *us* written notice not to do so.

- (b) If *you* are a Company and there is more than one (1) Director, we may act on the instructions of any one (1) or more Directors.
- (c) *You* authorise *us* to act on instructions sent to *us* from time to time in writing or by telephone, facsimile transmission, telex, cable or other electronic means.

7. Obligations are not affected by unauthorised instructions

- (a) If we have exercised due care, *your* obligations are not affected or limited by:
 - any falsity, inaccuracy, insufficiency or forgery of or in any instructions given to *us*; or
 - *our* failure to enquire whether any instruction has been transmitted or received accurately or has been given or sent by an unauthorised person.
- (b) If we act or continue to act on the basis of *your* instructions, *you* agree as follows:
 - (i) All risks of unauthorised instruction or fraud lie with *you* and are not to be borne by *us*.
 - (ii) *You* agree to indemnify *us* and hold *us* harmless against:
 - (a) any and all claims which *you* or any third party may have against *us* for any damage, loss, cost or expense which *you* or that third party may suffer or incur (whether directly or indirectly and whether foreseeable or not); and
 - (b) any damage, loss, cost or expense which *we* may suffer or incur (whether directly or indirectly and whether foreseeable or not), as a result of or in connection with:
 - (c) *us* acting upon any instructions purporting to be from *you*, *your* agent or *your* employee (whether by telephone, facsimile, telex, cable or other electronic means); or
 - (d) *us* not acting upon any instructions purporting to be from *you*, *your* agent or *your* employee (whether in writing or by telephone, facsimile, telex, cable or other electronic means) where *we* (in *our* subjective determination) consider or suspect that such instructions have been communicated to *us* fraudulently, mistakenly or without authority, or contain material omissions or errors.

Nothing in this clause shall be construed as requiring *us* to make enquiries as to the genuineness or validity of an instruction.

- (iii) The indemnity contained in this clause is subject to *us* acting only upon instructions from persons purporting to be *you* or persons authorised by *you* from time to time by notice to *us*. For the purposes of this clause a person shall be deemed to be a person authorised by *you* if *you* have held out that person to *us* as a person authorised by *you* and have not notified *us* in writing that such person has ceased to be authorised.

8. Variation

- (a) We may reduce or increase the *Interest Rate* from time to time, except in relation to a *Loan* with a fixed *Interest Rate*. We will advertise any reduction or increase in the *Interest Rate*, as well as the introduction of any new government charge or the variation in any existing government charge which affects *you*, in a leading national newspaper in each State and Territory or notify *you* in writing no later than the day on which the change takes effect. At any time, *you* can ask *us* to state the then current *Interest Rate* or any other *Interest Rate* we charge on the *Loan*.
- (b) On giving *you* at least thirty days' notice in writing, we may:
 - impose any new fee;
 - vary the amount of any fee;
 - vary the interest and fee charging cycles;
 - vary the basis of calculating and charging of interest; and/or
 - vary any *Interest Rate* or default *Interest Rate* margin.

- (c) From time to time and at any time, we may increase, decrease, add to, delete or otherwise vary *our Lending Ratios* on any of the *Mortgaged Property* without notice.
- (d) We may vary any provision of the Terms and Conditions on giving notice in writing no later than the day the variation takes effect.

9. Exercise of rights

- (a) We may exercise any right, remedy or power in any way we consider appropriate in *our* sole and absolute discretion. If we do not exercise a right, remedy or power fully or at a given time, we can still exercise it later.
- (b) We are not liable for any loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right or remedy.

10. Payments under the Terms and Conditions

- (a) After the payment of unpaid fees and charges and interest, we may apply the money we receive under the Terms and Conditions towards payment of any amount then due and payable by *you* in the order we determine.
- (b) All payments by *you* under the Terms and Conditions must be made in Australian dollars without deduction or set-off.
- (c) Unless there is a specific provision to the contrary in the Terms and Conditions regarding payment of an amount owing to *us*, *you* must pay that amount on demand.
- (d) If *your* liability under the Terms and Conditions is merged in any judgment or order, *you* will pay interest on the amount owing under that judgment or order at the higher of the rate at which default interest is charged under clause 9 of the *Loan Agreement* and the *Interest Rate* charged on the court order.

11. Giving of notices

- (a) Notices take effect from the time they are received unless a later time is specified in them.
- (b) If notices are sent by post, they are taken to be received on the day they would be received in the ordinary course of post.
- (c) If notices are sent by a facsimile machine that produces a transmission report, they are taken to be received at the time shown in a transmission report, which indicates that the whole facsimile transmission was sent.
- (d) *You* must tell *us* as soon as possible if *you* change *your* name or *your* address.

12. Assignment

- (a) *You* can assign *your* rights under the Terms and Conditions only with *our* prior written consent.
- (b) We may assign or otherwise deal with *our* rights under the Terms and Conditions in any way we consider appropriate free from any equities, set-off or cross claim which *you* could otherwise set up.
- (c) *You* authorise *us* to disclose to any assignee or potential assignee (including any employee, agent or contractor engaged by that assignee or potential assignee) any information relating to *you*, the *Loan*, the *Mortgage* and the *Mortgaged Property* and the *Guarantee* that we reasonably consider appropriate in the circumstances.

13. Continuing rights

- (a) Under law, a trustee in bankruptcy or a liquidator or administrator might demand the refund of a payment we receive pursuant to the Terms and Conditions. To the extent we are obliged to make a refund or we agree to do so, we may treat the original payment as if it had not been made. We are then entitled to *our* rights against *you* under the Terms and Conditions as if the payment had never been made.
- (b) Each indemnity *you* give under the Terms and Conditions is a continuing obligation, which survives termination of any other obligation *you* owe *us* under the Terms and Conditions.

14. Commission

We may pay:

- a commission to any broker or financial planner or other financial intermediary who introduces *you* to *us*; and
- *CommSec* their fees and costs relating to administration.

15. Telephone Recording

You authorise *us* to record any telephone conversation between *you* (including *your* agents and employees) and *us* with or without an audible tone warning device.

16. Governing law

The laws of New South Wales govern the Terms and Conditions and the parties irrevocably and unconditionally submit themselves to the non-exclusive jurisdiction of the courts of that State (and courts of appeal from them) and waive any right they have to object to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum or to claim that those courts do not have jurisdiction.

Part 2 — Loan Agreement

1. Drawings on the Loan Account

- (a) Subject to the *Loan Agreement* and if we give our consent, *you* may draw on *your Loan Account* by way of agreed instalment amounts or as set out in clause 1(b) up to the *Loan Limit* or *Target Gearing Level*, whichever is lower, which we approve (and may vary) from time to time.
- (b) *You* can request a drawing on *your Loan Account* by giving *us* instructions (usually by telephone) telling *us*:
 - the amount *you* wish to draw;
 - when *you* want the drawing paid; and
 - the person to whom *you* want the drawing paid.
- (c) We can fund a drawing on the same *Business Day* as *your* request if *your* request is made before 11 am. Otherwise, we fund a drawing on the first *Business Day* after *you* request the drawing.
- (d) We fund each drawing on *your Loan Account* by electronic transfer or by issuing a cheque as *you* choose. *You* cannot withdraw cash from *your Loan Account* and cannot direct payment to a third party except for the purpose of acquiring *Securities*.
- (e) We record each drawing on *your Loan Account* by debiting the *Loan Account* at the time we make the electronic transfer or issue the cheque for the drawing.
- (f) If *you* have requested a drawing under this *Loan* but for any reason the transaction remains unsettled or for any other reason the funds have not actually been debited to *your Bank Account* then, for the purpose of determining *your Funds Available to Lend*, the amount of the requested drawing shall be deemed to have been debited to *your Bank Account*. If such a drawing is no longer required then, upon receiving notice from *you* to that effect, the amount of the drawing will be regarded as *Funds Available to Lend*.
- (g) If *you* do not draw an amount from the *Loan Account* within 6 months of the date we open the *Loan Account*, we may regard the *Loan* as lapsed.
- (h) We are not liable for any loss *you* may suffer because the prices of any *Securities* *you* plan to buy rise, or they cease to be available, during the time we take to lend *you* the money or forward any communications on *your* behalf.
- (i) *You* may draw on the *Loan Account* only if *you* give or have given *us* *Securities*, which we accept to be *Mortgaged Property* in accordance with the *Mortgage*, and/or *you* have deposited an adequate amount in an *Approved Deposit Account*.
- (j) The *Loan* is provided on a continuing basis, subject to our right to require repayment and/or terminate in accord with the Terms and Conditions.
- (k) We will only lend *you* money where *you* make an initial *Equity Contribution* of not less than \$2,000 and the initial advance is not less than \$2,000.

- (l) We will commence instalments on the 13th day of the month following the completion of the Application Form.
- (m) *You* only continue instalments where *you* give *us* authority to debit a *Bank Account* *you* nominate for all of *your* continuing *Equity Contributions*.
- (n) *You* pay all transaction costs.

2. When we do not have to comply with your request for a drawing

We do not have to comply with *your* request for a drawing on *your Loan Account* if, despite any previous agreement by *us* to comply with *your* request, at the time of *your* request or the time at which we would otherwise have made the drawing:

- *you* request to draw less than \$2,000;
- a *Guarantor* (if any) has given *us* a notice in writing limiting the *Guarantor's* liability under the *Guarantee*;
- the sum of the amount *you* wish to draw and the outstanding *Loan Balance* exceeds the *Loan Limit*;
- *you* or a *Mortgagor* have not complied with any of the Terms and Conditions; or
- any *Default Event* or *Enforcement Event* has occurred and is continuing; or
- the total sum of the amount *you* wish to draw, the *Loan Balance* and any unsettled transactions would exceed the *Maximum Gearing Level*.

3. Your undertaking and representation

- (a) Where *you* are an individual *you* undertake to use the *Loan* wholly or predominantly for business or investment purposes.
- (b) *You* undertake to provide to *us*, upon request, any financial information in relation to *you*, *your* business, property, management, operations, financial condition and prospects as we may reasonably request.
- (c) *You* represent, on each occasion that *you* draw an amount from *your Loan Account*, that *you* are not insolvent and, if *you* are an individual, that *you* are not an undischarged bankrupt and have not assigned *your* estate or entered into any arrangement or composition for the benefit of *your* creditors.

4. Approved Deposit Account

By way of *Security* for the obligations *you* owe *us* under the Terms and Conditions, *you* agree to give *us* rights of set-off against the *Approved Deposit Account*. So long as any of the *Secured Moneys* remains unpaid *you* acknowledge that we are not required to repay any money standing to the credit of the *Approved Deposit Account* and undertake not to attempt to assign *your* property in the money standing to the credit of the *Approved Deposit Account* and/or any interest accruing on that money.

5. Portfolio Lending Value

- (a) From time to time we may determine *your Portfolio Lending Value* by adding together:
 - the amount we are willing to lend against the *Mortgaged Property* (calculated by adding the *Lending Values* of all *Securities* in *your Portfolio*); and
 - the amount deposited in an *Approved Deposit Account* (if any) held in *your* name with *us*.
- (b) *Your Portfolio Lending Value* may change at any time without notice depending on:
 - any change in stock market prices and/or redemption prices for the *Securities* in *your Portfolio*; and/or
 - any change in the *Lending Ratios* we set on the *Securities* in *your Portfolio*.
- (c) *Lending Ratios* vary between *Securities* comprising the *Mortgaged Property*. We may vary our *Lending Ratios* at any time without notifying *you*.
- (d) On *your* request, we will give *you* a list of our current *Lending Ratios* on approved *Securities* and will tell *you* the *Loan Balance* of

your *Loan Account*, *Portfolio Lending Value* and the amount of *Funds Available to Lend* on your *Loan Account* at that time.

6. Current Gearing Level

- (a) From time to time we will determine your *Current Gearing Level* by dividing your *Loan Balance* by the *Portfolio Market Value*, expressed as a percentage.
- (b) Your *Portfolio Market Value* may change at any time without notice depending on any change in stock market prices and/or redemption prices for the *Securities* in your *Portfolio*.
- (c) If the *Current Gearing Level* exceeds the *Maximum Gearing Level* we may suspend the monthly *Loan Advance*. Your *Equity Contributions* will continue but will be used to reduce your *Loan Balance*.
- (d) Once the *Current Gearing Level* falls below or equal to the *Target Gearing Level* we will recommence investing Your *Equity Contributions* and monthly *Loan Advances*.

7. Interest on your Loan Account

- (a) You must pay interest on all outstanding debit balances on your *Loan Account*. The outstanding debit balance on your *Loan Account* may include interest, fees and charges debited to your *Loan Account*.
- (b) Interest:
- begins to accrue on and from the date we first debit an amount to your *Loan Account*;
 - if we consent to it being prepaid, is calculated and debited to your *Bank Account* on the first day of the period for which the *Interest Rate* is fixed, for the whole of that period, on the basis of a 365 day year;
 - is calculated on any day by applying the *Interest Rate* for that day to the outstanding balance of your *Loan Account* at the end of that day; and
 - is debited to your *Bank Account* monthly and on the day your *Loan Account* is repaid in full and the account is closed.
- (c) We charge interest on unpaid interest, fees and charges. However, the interest only becomes part of the principal sum when we make a special entry to that effect in our books of account. We can do this at any time without informing you.
- (d) We do not pay interest on credit balances in your *Loan Account*.

8. Where we agree that interest can be prepaid

- (a) We may consent to your request to prepay interest on a *Loan*. If we consent to your request, the *Interest Rate* will be fixed for an agreed period and we will debit your *Bank Account* with the interest we charge for the whole of that period on the date the period starts.
- (b) We calculate the interest we charge, for a period during which the *Interest Rate* is fixed, by applying a fixed *Interest Rate*, which we set at the date the period starts.
- (c) At the end of any period for which the *Interest Rate* is fixed the interest payable on that *Loan* reverts to the variable *Interest Rate* applicable at that time and clause 7 applies.

9. Default interest on the Loan

You must pay us default interest on any amount you fail to pay on the due date in relation to the *Loan* (including the amount of any *Margin Call*, which is not satisfied according to Clause 10).

Default interest:

- is charged at the *Interest Rate* then applying to your *Loan Account* plus a margin which we set from time to time;
- is calculated daily on the overdue amount from the due date for payment of the amount until the amount is paid;
- is debited to your *Bank Account* monthly (and on the date your *Loan Account* is repaid in full and the account is closed); and
- is due for payment on the date it is debited to your *Bank Account*.

10. Margin Call

- (a) A *Margin Call* occurs if, at any time on any day, your *Current Gearing Level* exceeds the *Margin Call Gearing Level* or such other level as we may from time to time substitute.

- (b) If a *Margin Call* occurs you must either:

- pay money into your *Loan Account*;
- give us further *Securities* which we accept as *Mortgaged Property*; or
- sell or ensure the sale of *Mortgaged Property* and apply or ensure the application of the sale proceeds to reduce the *Loan Balance*,

so that, by 2pm of the *Business Day* immediately after the day on which the *Margin Call* occurs, the *Loan Balance* does not exceed an amount equal to 50% of the *Portfolio Market Value*.

- (c) It is your obligation to ensure that a *Margin Call* does not occur. We are not obliged to notify you of a *Margin Call*. We may take action if a *Margin Call* is not satisfied and may, if we consider it necessary or prudent to do so, sell more *Securities* than the minimum required to satisfy the *Margin Call*.

11. Terminating the Loan

- (a) You may terminate the *Loan* at any time if you give us at least two *Business Days* prior notice and pay the outstanding balance on your *Loan Account* in full.
- (b) If a *Default Event* occurs, we may terminate the *Loan* by written notation in our books under clause 14(b).
- (c) We may, in our absolute discretion, terminate the *Loan* upon giving you 30 days prior written notice.

12. Payments on your Loan Account

- (a) You must pay the outstanding balance on your *Loan Account* in full on the day the *Loan* terminates.
- (b) You may pay all or any part of the outstanding balance of your *Loan Account* at any time prior to the day the *Loan* terminates, except in relation to a *Loan* for which the *Interest Rate* is fixed.
- (c) You cannot deposit cash into your *Loan Account*. You must make all payments by electronic funds transfer or cheque. Proceeds of cheques are not available until cleared. If you pay by cheque and the cheque is not honoured then we treat the payment as if it had never been made.

13. Early Repayment Adjustment

- (a) If you terminate a *Loan* (or part of a *Loan*), for which interest has been prepaid or during a period for which the *Interest Rate* is fixed, then we may in our absolute discretion:
- make the *Early Repayment Adjustment* calculated in the manner set out in clause 13(b);
 - pay you a rebate of the prepaid interest debited in relation to that *Loan* calculated by multiplying the amount repaid by the fixed *Interest Rate* applying to that *Loan*, then multiplying the result by the number of days left in the period for which the *Interest Rate* is fixed and then dividing the result by 365; and
 - charge the *Administration Fee*. (If we charge the *Administration Fee*, we debit it to your *Loan Account* and it becomes part of the outstanding balance of your *Loan Account*.)
- (b) The amount calculated under this clause 13(b) constitutes the *Early Repayment Adjustment* we make on termination of a *Loan* for which interest has been prepaid or during a period for which the *Interest Rate* is fixed:
- we take the fixed *Interest Rate* ("the Rate") at which the amount of the *Loan Account* ("the Sum") could be re-lent or reinvested by us for the remainder of the period for which the *Interest Rate* is fixed from the date you propose to terminate the *Loan* ("the Period"). The Rate may be fixed by reference to our practices for aggregating investments and not necessarily by reference to any particular contract or investment of equal amount to that *Loan*;
 - we determine the difference ("the Difference") between the amount, that we could earn if we re-lent or reinvested the Sum at the Rate for the Period as compared with the amount due to us if the prepayment had not been made. The net present value of the Difference constitutes the *Early Repayment Adjustment*.

- (c) If it constitutes a cost to us, we debit the amount of the *Early Repayment Adjustment* to the *Loan Account* after setting off any interest rebate payable under clause 13(a).
- (d) If it constitutes a benefit to us, we set off the amount of the *Early Repayment Adjustment* against the outstanding balance on your *Loan Account* and only the remaining outstanding balance of your *Loan Account* is payable to us.
- (e) If you request in writing, we will provide you with a statement in reasonable detail setting out the calculation of the *Early Repayment Adjustment* payment on termination of that *Loan*.

14. Default

(a) A *Default Event* occurs if:

- you fail to pay any sum payable by you under the *Loan Agreement* on the date the payment is due;
- you fail to satisfy a *Margin Call* under the *Loan Agreement*;
- a judgment of any court or any order of an authority is executed against:
 - any or all of your assets; or
 - any *Securities* secured by the *Mortgage*;
- you or any *Mortgagor*, without our prior written consent, create or purport or attempt to create any *Security Interest* over or affecting *Mortgaged Property* or any part of that property in favour of any person other than us;
- in our opinion a materially adverse change occurs to your financial position, or the financial position of any *Guarantor* or *Mortgagor*, which makes it less likely that you, the *Guarantor* or the *Mortgagor* is or will be able to substantially comply with the Terms and Conditions;
- you, a *Guarantor* or a *Mortgagor* make any representation or warranty to us in relation to the Terms and Conditions or the *Mortgaged Property* that, in our reasonable opinion, is misleading or incorrect in any material respect when made (whether the lack of correctness is apparent at the time or becomes apparent subsequently);
- the S&P/ASX 300 Index, All Ordinaries Index or other index as we may determine from time to time decreases by 10% or more in any one (1) *Business Day* or by 20% or more over any three (3) consecutive *Business Days*; or
- you fail to provide financial information, which is requested pursuant to clause 3(b).

(b) If a *Default Event* occurs, we may declare, by notation of one of our officers or by our agent on our records to that effect, that you are in default and that all amounts owing under the Terms and Conditions are immediately payable without our having to make any demand on you or serve any notice on you to that effect.

(c) We may exercise our right to make the declaration referred to in clause 14(b) despite any delay in our exercising the right or our having waived the right previously.

(d) In addition to any other amount you must pay, after we make a declaration under clause 14(b) and on our demand, you must pay our estimate of the loss we will incur due to the *Loan* not continuing for the whole of the then current period for which the *Interest Rate* is fixed (if any). We estimate our damage in the same way we calculate an *Early Repayment Adjustment* under clause 13, as if:

- the date of the declaration referred to in clause 14(b) were the date you proposed to prepay the *Loan*; and
- the amount of the prepayment were the moneys due and payable under the Terms and Conditions at the date of the declaration.

15. Fees and charges

(a) You must pay us:

- our fees and charges (as varied from time to time) as soon as they are due and payable, whether or not you draw on your *Loan Account*. We set out particulars of the current fees and charges you must pay, and when they are payable, in the

Features pages immediately preceding these Terms and Conditions. On your request, we will supply you with a copy of our current fees and charges for the *Loan*.

- any government tax or duty payable in relation to the Terms and Conditions or any transaction on the *Loan Account*.
- all amounts which we are charged or charge or pay or incur in connection with establishing and administering the *Loan* or with any transaction contemplated by the Terms and Conditions, terminating the *Loan*, or our exercising or enforcing any right, power, claim or remedy of any kind arising out of the Terms and Conditions.

(b) We may debit your *Loan Account* with our usual *Bank Account* fees and charges and all unpaid fees and charges you must pay us under the Terms and Conditions. Any amounts we receive from you for crediting to your *Loan Account* are applied to pay unpaid fees and charges on the *Loan Account* first.

16. Adjusting your (our) instalment obligations, equity contributions and loan instalments

You may change the obligations we have agreed to in the following ways, as long as you give us at least 14 working days notice:

- (a) you may increase the rate at which you draw the money you have agreed to borrow from us, as long as you increase the rate of your *Equity Contribution* by at least the same amount;
- (b) you may decrease the rate at which you draw the money you have agreed to borrow from us, to the minimum allowed, without having to decrease your *Equity Contributions* at all;
- (c) if your *Loan Balance* exceeds \$15,000, you may elect to temporarily suspend your *Loan Advances* for up to three (3) months (*Equity Contributions* will continue unless you notify us to suspend these also); and
- (d) cancel your *Loan Advances* (*Equity Contributions* will continue unless you notify us to cancel these also), a fee will apply.

17. Switching Investments

If you decide that you want to change all or part of your *Mortgaged Property* to another investment on the list of approved *Securities*, then you may do so as long as:

- (a) you give us five (5) *Business Days* notice;
- (b) you change a minimum of \$2,000 of your investment to one of the other approved *Securities*; and
- (c) you pay us our fee for that investment switch.

18. Unsettled Transactions

We will send you a statement of your *Loan Account* and your *Portfolio* every quarter. If an amount is shown on your statement, in relation to a *Security* you propose to acquire, as an "Unsettled Transaction" then this shall not be interpreted as a commitment by us to fund the acquisition of the *Security*.

19. Disclaimers

- (a) We take no responsibility for any decision you make to obtain the *Loan*, to enter into any arrangement incidental to the *Loan*, about the *Securities* you purchase with the *Loan* proceeds, or the performance of any *Securities* secured by the *Mortgage*.
- (b) The fact that we publish *Lending Ratios* (and variations) or that we accept any particular *Security* as *Mortgaged Property* is not a recommendation of that *Security* or a representation relating to the past or future performance of that *Security* in any market in which the *Security* can be sold.
- (c) In so far as they act on our behalf and not as your broker or financial adviser, our officers and agents do not have our authority to recommend the purchase or sale of *Securities*, make any predictions about what might happen to *Interest Rates* or the *Market Value* of any *Securities* or to make any other representation, prediction or statement of opinion about any other matter or thing affecting the Terms and Conditions.

Read the Risk Disclosure Statement at the end of these Terms and Conditions. If you have any doubt at all about any of these matters, you should seek help from a financial adviser or your broker and/or obtain legal advice.

Part 3 – Mortgage

1. Promise to pay

In return for us entering into the CommSec Margin Loan with Regular Gearing Terms and Conditions and/or making or continuing to make Loan(s) available to the Borrower at your request, you agree to pay us the Secured Moneys and to satisfy any Margin Call we make from time to time on the Borrower.

2. Mortgaged Property

(a) This Mortgage comes into effect:

- in relation to a Borrower, when we accept the Borrower's application for a Loan;
- in relation to a Third Party Mortgagor, when we accept the Third Party Mortgagor's offer to provide Securities as Mortgaged Property under the Terms and Conditions (excluding Part 2 Loan Agreement).

(b) After the date on which this Mortgage comes into effect you may ask us to consider accepting Securities (including any Securities offered as the Borrower's initial equity in establishing a Portfolio) as Mortgaged Property. Securities become Mortgaged Property automatically if we provide a Loan to assist with their purchase, otherwise when we, in our absolute discretion, decide to accept them as Mortgaged Property.

(c) If any evidence of title to Securities is delivered on or before the date on which the Mortgage comes into effect it will be held by CommSec as agent of the person delivering such evidence and not as our agent.

(d) You charge the Mortgaged Property with the payment to us of the moneys you have agreed to pay pursuant to the Terms and Conditions. We will release the Mortgaged Property from the Mortgage and discharge the Mortgage if you ask us to do so in writing, the Secured Moneys have been paid to us in full, the Loan is terminated and we are satisfied that any payment of the Secured Moneys will not be avoided or set aside.

(e) To the extent a charge is created over Securities which confer an interest in land in New South Wales on their holder, the charge will operate as a floating charge until expiry of a period of 12 months and one day after the charge is created or, without being obliged first to notify you, we decide to fix the charge.

3. Limitation of liability

- (a) Without limiting the amount secured by this Mortgage, the total amount recoverable from the Mortgagor does not exceed the aggregate of:
- (i) the amount of the Loan Limit; plus
 - (ii) all amounts, which we are charged or charge or pay or incur in connection with establishing and administering the Loan or any transaction, contemplated by the Terms and Conditions.
 - (iii) our usual bank account fees and charges and all fees and charges you must pay us under the Terms and Conditions.
 - (iv) any government tax or duty payable in relation to anything done under or in connection with the Terms and Conditions.
 - (v) interest on each amount demanded from the Mortgagor at the rate or the highest of the rates charged or chargeable to the Borrower from time to time after the date of demand, from that date until payment; plus
 - (vi) interest on that interest by way of compound interest, calculated after the date of demand at such time or times or from time to time as we think fit, at the rate or rates referred to immediately above; plus

(vii) all charges, costs and expenses (if any) which we incur, sustain or pay in exercising or enforcing any right, power, claim or remedy of any kind out of the Terms and Conditions or recovering or attempting to recover from the Mortgagor the moneys at (i), (ii) and (iii) above plus interest on those charges, costs and expenses at the rate or rates referred to above.

(b) If you are not a Borrower, a director of a Borrower or a Borrower acting in the capacity of a trustee then (but not otherwise) your liability under this Mortgage is limited to the amount that we receive from the sale of your Mortgaged Property.

4. Your representations

(a) Each time an amount is drawn on the Loan Account and we accept Securities as Mortgaged Property, you represent that:

- you have an absolute and indefeasible title to the Mortgaged Property, free from all equities and Security Interests other than our Security Interests;
- all the information you have given us in connection with this Mortgage and any Mortgaged Property is correct and not misleading; and
- the giving of this Mortgage will not breach any law or agreement by which you are bound or constitute a default under any other arrangement or Security Interest you have given.

(b) You indemnify us against any loss, damage, costs, claims, proceedings and expense we suffer as a result of a representation you make under this clause 4 being incorrect or misleading at the time it is made.

5. What you promise to do

You will:

- at our request, take up or, in the case of Nominee Securities which are Mortgaged Property, direct the Nominee to take up, any new or additional rights or interests of any kind relating to the Mortgaged Property;
- pay on time all moneys which are or become payable in respect of the Mortgaged Property;
- keep the Mortgaged Property valid and subsisting, free from all liability to forfeiture, cancellation, loss, or charge; and
- deposit with us and, in relation to any Nominee Securities, direct the Nominee to deposit with us, by way of Security, all share or stock certificates and any transfers of shares that are issued to you or the Nominee as a result of the conversion of a holding under the Sponsorship Agreement or any acquisition of Securities on your behalf by the Nominee.

6. What you promise not to do

You will not, without our prior consent, deal with all or any part of the Mortgaged Property, or create any Security Interest over or affecting all or any part of the Mortgaged Property unless that Security Interest is created for us.

7. Further assurance

If we request, you will do any reasonable thing we ask of you to further assure our Security Interest in the Mortgaged Property. For example, if you are a Company, you will sign a Mortgage (the text of which is contained in this Mortgage) and any related forms and declarations to enable registration of our Security Interest and, if we request, you will take the legal proceedings that are reasonably necessary to recover or protect the Mortgaged Property and sign any document to ensure that the Mortgaged Property represented by the document can be transferred.

8. Enforcement Events

We may enforce this Mortgage immediately if any one or more of the following events occur:

- if a Margin Call in accordance with clause 10 of the Loan Agreement is not satisfied;
- if default occurs in the payment of the Secured Moneys or any part of those moneys;

- if you fail to observe or perform any of your covenants or agreements contained or implied in this *Mortgage* or under any other of the Terms and Conditions applying to you;
- if a *Default Event* occurs under the Terms and Conditions applying to you;
- if you become insolvent or (in the case of a natural person) become of unsound mind or subject to any legal disability or incapacity.

9. Our right to immediate payment

At our option, without any demand or notice, all of the *Secured Moneys* become immediately payable if any *Enforcement Event* occurs.

10. Set-off

In addition to any other rights we may have under this *Mortgage* or at law or in equity, if any *Enforcement Event* occurs, we may, without any demand or notice, set off against or appropriate, for the purpose of applying towards payment of the *Secured Moneys*, any liability (whether due, owing, contingent or otherwise) we owe to you on the *Approved Deposit Account* or any other account.

11. Power of sale and other enforcement powers

(a) When any *Enforcement Event* occurs, we or any *Authorised Officer* may, in addition to the powers conferred on us under the Terms and Conditions, at any time and from time to time do all or any of the following:

- sell or concur in selling all or any of the *Mortgaged Property* and do all acts and things for completing any sale of the *Mortgaged Property* as we consider necessary. (We will endeavour to sell those *Securities* with the lowest *Lending Ratio* first although we retain an absolute discretion as to which *Securities* we will sell, when we will sell and the order of sale);
- demand and recover all the income from the *Mortgaged Property* by action or otherwise in your name or our name to the full extent of the estate or interest which you could dispose of;
- make any arrangement or compromise which we consider expedient in our interests;
- bring or defend any action, suit or legal proceedings in your name or otherwise, for all or any of the above purposes.

(b) For the purpose of any law relating to giving default notices prior to the enforcement of a *Mortgage*:

- which requires that you must be in default for a certain period of time before we give you the notice and allows the period to be fixed in the *Mortgage*, the period is fixed at one (1) day;
- which allows this *Mortgage* to limit the period of time in which you must fix a default, the period (which must be at least one (1) day) is the period set by the notice; or
- which allows the parties to a charge to agree that the charge may be enforced without giving a notice, you agree that we need not give you a notice before we enforce this *Mortgage*.

12. Power of attorney

By way of *Security* for our interest in the *Mortgaged Property* and for the obligations owed by you to us under this *Mortgage*, you irrevocably appoint us, *CommSec* and each and every *Authorised Officer*, and their respective assigns, severally to be your attorney, with full power either in our name, your name or the respective attorney's name, to do all acts and things:

- which should be done by you to satisfy a *Margin Call*;
- which should be done by you under this *Mortgage*; or
- which we are authorised to do under this *Mortgage* or by law, and with full power from time to time to:
 - appoint or remove a substitute; and
 - to fill in blanks, correct errors, sign, seal and deliver and execute all documents (including assurances and other instruments) which we or the attorney considers necessary or expedient.

13. Protection of third parties

On the exercise or purported exercise of any of the licences, powers or authorities under clauses 11 or 12 or by statute conferred on us or any of your attorneys, no purchaser or other person dealing with us or any of your attorneys will be concerned to see or inquire whether a case has arisen to authorise the exercise of the licence, power or authority, or whether the licence, power or authority is properly or regularly exercised. The title of the purchaser or other person so dealing with us or any of your attorneys cannot be impeached on the ground that a case has not arisen to authorise the exercise of the licence, power or authority or that the licence, power or authority was improperly or irregularly exercised.

14. Application of moneys

We apply all moneys we receive under or by virtue of this *Mortgage* as follows:

- in payment to anyone who has prior claim to the *Mortgaged Property*;
- in payment of all debts, liabilities, costs, charges and expenses we incur in or incidental to the exercise or performance or attempted exercise or performance of our rights and powers under this *Mortgage*;
- in payment of any other outgoings as we think fit to pay;
- in payment to us of the *Secured Moneys*; and
- any surplus moneys or any part of the surplus moneys payable to you or other person entitled to them will not carry interest, and we may pay them to the credit of an account, in your name or in the name of any other person entitled to them, in our books. Then we are not under any further liability in respect of those moneys.

15. Matters we are not required to do

We are not required to:

- hold or take any other or further security or guarantee for the payment of the *Secured Moneys*;
- give notice of this *Mortgage* to any other person or enforce payment of any moneys payable to you relating to the *Mortgaged Property*; or
- resort to any other *Security Interest* or *Guarantee* we may hold for payment of the *Secured Moneys* in priority to this *Mortgage* or any other *Security Interest*.

16. Matters for which we are not liable

We are not liable for any omission or delay in, or for any involuntary losses or irregularities which occur due to our exercising or failing to exercise our powers, authorities or rights under this *Mortgage* or under any law.

17. Completion of instruments

We may complete any instrument executed by or on your behalf in blank and deposited with us to better assure our interests in the *Mortgaged Property* or in the exercise of our rights under this *Mortgage*.

18. Costs, charges and expenses

The *Secured Moneys*, which you authorise us to debit and charge the *Loan Account*, include all costs, charges, and expenses, legal or otherwise (including solicitor and client as well as party and party costs, duties, taxes and other moneys paid or payable by us or any of your attorneys), which we pay, incur, sustain or are put to in connection with:

- any of the *Mortgaged Property*;
 - this *Mortgage*;
 - the preparation, completion, registration or release (partial or in whole) of this *Mortgage*; or
 - the exercise or attempted exercise of any right or power given to us or any of your attorneys under this *Mortgage*,
- together with interest on all those moneys at the rate (or the highest of the rates) charged on *Loans* from time to time.

19. Independence of this Mortgage

This *Mortgage* is in addition to and independent of:

- any other or further security or guarantee we hold or take now or in the future;
- any arrangement or transaction between *you* and any other person;
- any loss, release, discharge, abandonment or transfer, either in whole or in part and either with or without consideration, of any other security or guarantee we hold from *you* or from any other person now or in the future; or
- any act, forbearance or omission by *us*.

20. Other Securities not available

Any security or guarantee already executed, or which at any time in the future may be executed, by any person in *our* favour, will not be available as security for the payment of the *Secured Moneys* unless it is given specifically to secure the *Borrower's* obligations under a CommSec Margin Loan with Regular Gearing.

21. Statutory powers and restrictions

- (a) The powers, rights and remedies given to *us* under any law now or in the future in force, are in addition to those given to *us* under this *Mortgage* and the covenants, powers and provisions implied in *Mortgages* by virtue of any law for the time being in force are (to the extent permitted by that law) for the purposes of this *Mortgage*, negated, altered or modified only to the extent that they are inconsistent with this *Mortgage*.
- (b) The provisions of all laws now or in the future in force which, but for this sub-clause 21(b), would operate directly or indirectly:
- to lessen or otherwise modify, vary or affect (in *your* favour) *your* obligations under this *Mortgage*; or
 - to stay, postpone or otherwise prevent or prejudicially affect (including by any requirement to give notice or allow for any expiration of time) the exercise of *our* rights, powers or remedies given or implied under or by virtue of this *Mortgage*; or
 - to impose duties and obligations on *us*,
- are expressly negated and excluded to the extent permitted by that law.

22. Priorities

If *you* are a company then, solely for the purpose of fixing priorities under Section 282 of the Corporations Act 2001, the prospective liabilities secured under this *Mortgage* are up to a maximum amount of \$10,000,000. This does not affect the amount that *we* may recover from *you* under the *Mortgage* or any of *your* obligations to *us*.

Part 4 — Sponsorship Agreement

1. Appointment

By way of *Security* for *our* interest in the *Mortgaged Property* and for the obligations *you* owe *us* under the *Mortgage*:

- (a) *you* appoint *CommSec* to provide (and *CommSec* agrees to provide) transfer and settlement services as agent for *you* in relation to any *Securities* which are, or are intended to be, *Sponsored Holdings* under this Sponsorship Agreement.
- (b) *you* irrevocably appoint *CommSec* (and its assigns) and each *Authorised Officer* of *CommSec* (or of its assigns) severally to be *your* attorney, with full power, either in the name of *CommSec*, *your* name or the respective attorney's name, to do all acts and things *you* may lawfully authorise an attorney to do in relation to any *Securities* which are, or are intended to be, *Sponsored Holdings*. *Your* attorney may delegate power and revoke a delegation and may exercise power even if this involves a conflict of interest(s) and/or duty/duties and whether or not a *Default Event* has occurred.

2. Authorities and Dealings

- (a) *You* authorise *CommSec* to effect any transfers and conversions and do all other things necessary or desirable to register the *Securities* into *Sponsored Holdings*. *CommSec* must initiate the necessary transfers or conversions within the time prescribed under the *Rules*.
- (b) When *you* propose to add to, substitute or change the *Sponsored Holdings*, *you* must notify *us* in writing.
- (c) Where *you* authorise *CommSec* to buy *Securities*, *you* will pay for those *Securities* on or before the date agreed with *CommSec* for payment.
- (d) Where *CommSec* has received *your* oral or written instructions to enter into any transaction involving the disposal of *Securities* held in a *Sponsored Holding*, *CommSec* has authority:
- to initiate and effect a transfer of the *Securities*; or
 - to take any other action necessary to bring about the disposal, even if, because of netting arrangements, the transfer or disposal is to a person who is not a party to the transaction.
- (e) *CommSec* will initiate any transfer, conversion or other action necessary to give effect to *Withdrawal Instructions* within two (2) *Business Days* of the date of the receipt of the *Withdrawal Instructions*.
- However:
- (f) Any transfer, conversion, disposal or other action under the Sponsorship Agreement must be approved and authorised by *us*. The form of authorisation must be signed by one of *our* *Authorised Officers* and stamped with *our* stamp in a form disclosed by *us* to *CommSec* from time to time.
- (g) On *our* being able to exercise *our* power of sale under the *Mortgage*, *we* may instruct *CommSec* without any reference to *you*. *CommSec* will act on those instructions, and may remove the holder record lock in accordance with the *Rules* to facilitate the exercise of *our* powers under the *Mortgage*, without confirmation or ratification from *you*.
- (h) *CommSec* is not obliged to transfer *Securities* into *your* *Sponsored Holding* until payment for those *Securities* is received.
- (i) Where a contract for the purchase of *Securities* remains unpaid, after *CommSec* has made a demand of *you* to pay for the *Securities*, *CommSec* may sell those *Securities* that are the subject of that contract at *your* risk and expense (including brokerage and stamp duty).
- (j) Where *CommSec* claims that an amount lawfully owed to it has not been paid by *you*, *CommSec* has the right to refuse to comply with *your* *Withdrawal Instructions*, but only to the extent necessary to retain *Securities* of the minimum *Market Value* held in *your* *Sponsored Holding* (where the minimum *Market Value* is equal to 120% of the current *Market Value* of the amount claimed). Where *CommSec* exercises this right, it must inform *you* within a reasonable period of the action it has taken.

3. Information about Sponsored Holdings

- (a) *You* must supply to *CommSec* information and supporting documentation (and any changes to that information or documentation) relating to *you* and *your* *Sponsored Holdings* which is reasonably required by *CommSec* to permit it to comply with registration requirements for *Sponsored Holdings* under the *Rules*.
- (b) Where statements of holding balances or other information are obtained by *CommSec* from *SCH* or *Issuers* at *your* or *our* request, *you* will bear *CommSec's* reasonable costs of obtaining the statements or information.
- (c) *You* authorise *CommSec* to provide information about *you* and *Sponsored Holdings* to *SCH*, the Australian Stock Exchange Limited and the Australian Securities & Investments Commission as appropriate or necessary from time to time.

4. Fees

- (a) *You* will pay all brokerage fees and associated transaction costs (including any tax or duty) within the period prescribed by *CommSec*.
- (b) To facilitate accounting and payment, *you* agree to pay the abovementioned brokerage fees and associated transaction costs to *us* and *we* will forward them promptly to *CommSec*.

5. Breaches and suspension

- (a) If *you* make a claim for compensation against *CommSec*, the ability of *CommSec* to satisfy that claim will depend on *CommSec*'s financial circumstances.
- (b) In the event *CommSec* falls within the circumstances specified under Part 7.10 of the Corporations Act 2001, *you* may make a claim on the National Guarantee Fund for compensation.
- (c) *We* acknowledge and *CommSec* acknowledges that *you* may make a claim on the National Guarantee Fund in the circumstances set out in this clause 5 and that *you* may obtain information on the National Guarantee Fund from the Securities Exchange Guarantee Corporation Pty Ltd.
- (d) In the event that *CommSec* breaches any of the Sponsorship Agreement, *you* may refer that breach to any regulatory authority, including *SCH*.
- (e) In the event that *CommSec* is suspended from *CHESS* participation, subject to the assertion of an interest in *Securities* controlled by *CommSec*, by the liquidator, receiver, administrator or trustee of *CommSec* or by *us*:
 - *you* have the right, within twenty (20) *Business Days*, to give notice to *SCH* requesting that any *Sponsored Holdings* be removed either from the *CHESS* Subregister or from *CommSec* control to the control of another broker with whom *you* have concluded a valid Sponsorship Agreement under the *Rules*; or
 - where *you* do not give notice under this clause 5(e), *SCH* may effect a change of controlling participant under the *Rules* and *you* will be deemed to have entered into a new Sponsorship Agreement with that broker.

6. Death or Bankruptcy

- (a) Without detracting from the *Mortgage*, *you* acknowledge that:
 - in the event of *your* death or bankruptcy, a holder record lock will be applied to all *Sponsored Holdings* in accordance with the *Rules*, unless *your* legally appointed representative or trustee elects to remove the *Sponsored Holdings* from the *CHESS* Subregister; and
 - subject to the consent of *your* legally appointed representative or trustee, in the event of *your* death, the sponsorship under this Sponsorship Agreement is deemed to continue, for a period of up to three calendar months after the holder record lock applied under this clause 6(a) is removed.
- (b) If *your* legally appointed representative or trustee elects to remove the *Sponsored Holdings* from the *CHESS* subregister, then *CommSec* must initiate a conversion of *Securities* in the *Sponsored Holdings* to another mode of holding. *CommSec* has no further obligation to any person in relation to the *Securities* in the *Sponsored Holdings*.
- (c) Whilst the *Sponsored Holdings* are subject to the *Mortgage*, *your* legally appointed representative must ensure that, in giving any consent under clause 6(a), the appointment of *CommSec* continues in accordance with clause 1(b).

7. Joint Holdings

- (a) Where more than one person is bound by the Sponsorship Agreement, *you* acknowledge that in the event of the death of one of them:
 - *CommSec* will transfer the *Sponsored Holdings* under the joint holder record into new *Sponsored Holdings* under a new holder record;

- the Sponsorship Agreement continues to apply to the new *Sponsored Holdings* under the new holder record; and
- the survivor or survivors continue to be bound by the Sponsorship Agreement.

- (b) *You* acknowledge that if one of *you* is declared bankrupt:

- *CommSec* will, unless the legally appointed representative of the bankrupt person elects to remove the *Sponsored Holdings* from the *CHESS* Subregister, establish a new holder record in the name of the bankrupt person, transfer the interest of the bankrupt person into new *Sponsored Holdings* under the new holder record and request that *SCH* apply a holder record lock to the *Sponsored Holdings* under that holder record;
- *CommSec* will establish a new holder record in the names of the rest of *you* and transfer the interest of the rest of *you* into the *Sponsored Holdings* under the new holder record; and
- the rest of *you* continue to be bound by the Sponsorship Agreement.

- (c) If the legally appointed representative of the bankrupt *Mortgagor* elects to remove the *Sponsored Holdings* from the *CHESS* Subregister, then clause 6(b) will apply.

8. Exchange traded options, pledging and Subpositions

- (a) Where *you* arrange with *OCH* to lodge *Securities* in a *Sponsored Holding* as cover for written positions in the Australian Options Market, and inform *CommSec* of the arrangement, *you* authorise *CommSec* to take whatever action is reasonably required by *OCH* in accordance with the *Rules* to give effect to that arrangement provided that any arrangement under this sub-clause is subject to *our* consent.
- (b) If *we* give *our* prior written consent for *you* to give a *Security Interest* over a *Sponsored Holding* to another person, *you* authorise *CommSec* to take whatever action is reasonably required by the person in accordance with the *Rules* to give effect to that *Security Interest*.
- (c) *You* acknowledge that where, in accordance with the Sponsorship Agreement or *your* instructions or both, and subject to *our* consent, *CommSec* initiates any action which has the effect of creating a *Subposition* over *Securities* in the *Sponsored Holding*, *your* right to transfer, convert or otherwise deal with those *Securities* is restricted in accordance with the terms of the *Rules* relating to *Subpositions*.
- (d) The Sponsorship Agreement does not operate to override *OCH*'s interest in the *Securities*.

9. Termination

Subject to the *Rules*, the sponsorship under the Sponsorship Agreement terminates on the occurrence of any of the following events:

- by notice in writing either from *you* or from *CommSec* to the other (but only with *our* consent);
- *CommSec* becomes insolvent; or
- *CommSec*'s participation in *CHESS* is terminated or suspended under section 19 of the *Rules*.
- Termination by notice in writing under clause 9(a) is effective on receipt of notice by the other party.

10. Business Rules

- (a) The Sponsorship Agreement is subject to the *Rules* in force from time to time. *You* will not, and *we* undertake not to, take any action, which will prevent or impede *CommSec* from complying with its obligations under the *Rules*.
- (b) *You* acknowledge that before *you* were bound by the Sponsorship Agreement, a responsible officer of *CommSec* explained the effect of the Sponsorship Agreement to *you* and *you* understand the effect of the sponsorship.

- (c) We acknowledge that you may from time to time instruct CommSec to register Securities purchased on your behalf without using a Loan ("non-Mortgaged shares") into a Sponsored Holding which is subject to a separate sponsorship agreement between CommSec and you in your capacity as a sponsored client. CommSec will separately record and account to you for the non-Mortgaged shares.

Part 5 — Nominee Agreement

1. Appointment

In the usual course you will continue to hold your Securities in your own name. However, in order to better secure payment of the Secured Moneys to us, you will, if we require, transfer Securities you own to the Nominee or have the Nominee acquire Securities to be held in its name on your behalf.

2. Nominee Securities

- (a) If we accept certain Securities to be Mortgaged Property and:
- those Securities are not CHESS Holdings; or
 - those Securities are CHESS Holdings which we identify to be so transferred, we require you to transfer those Securities into the Nominee's name to hold them on your behalf in accordance with these Terms and Conditions.
- (b) If the Borrower wishes to purchase Securities wholly or partly with the proceeds of any drawing on the Loan Account and:
- those Securities are not CHESS Holdings; or
 - those Securities are CHESS Holdings which we identify to be so acquired, we require that the Borrower instruct the Nominee to acquire the Securities in its name to hold them on the Borrower's behalf in accordance with the Nominee Agreement.

3. Nominee's appointment

- (a) You appoint the Nominee to act as your Nominee and custodian under the Nominee Agreement in relation to any Mortgaged Property that is:
- transferred to the Nominee from time to time by you or your agent or any person holding that Mortgaged Property as Nominee, trustee or custodian for you; or
 - which the Nominee acquires on your behalf in accordance with the Nominee Agreement.
- (b) The Nominee accepts the appointment and agrees to register in its name and hold the Nominee Securities as custodian and trustee for you.
- (c) You acknowledge that the Nominee's appointment is made solely for our benefit for the purpose of more effectively securing the Secured Moneys and to enable us to preserve and exercise our rights over the Mortgaged Property.
- (d) The appointment of the Nominee as your Nominee and custodian is irrevocable at all times while the Secured Moneys or any part of the Secured Moneys remain outstanding.

4. Your directions to the Nominee

You direct the Nominee to:

- lodge with us any title documents to the Nominee Securities;
- act on your instructions in relation to any voting rights attaching to the Nominee Securities, unless we direct the Nominee otherwise;
- pay to you any income derived from holding the Nominee Securities on your behalf, unless we direct the Nominee otherwise;
- take up any new rights relating to the Mortgaged Property, unless we direct the Nominee otherwise; and
- exercise any other powers or discretions relating to the Nominee holding the Nominee Securities on your behalf with or without seeking your instructions.

5. The Nominee's dealings with Nominee Securities

So long as the Secured Moneys or any part of the Secured Moneys are outstanding, the Nominee will not release, transfer, dispose of or otherwise deal with the Nominee Securities unless we give our prior written consent.

The Nominee agrees to only take action in relation to the Mortgaged Property in accordance with instructions given by us under this agreement. Such instructions may include a direction to vary the amount of money that would otherwise be drawn by the Nominee on your behalf from the credit limit to buy Securities on any particular date, as a result of action taken by you or us.

6. What happens when the Mortgage becomes enforceable

- (a) The Nominee acknowledges that, on receiving notice from us that the Mortgage has become enforceable, the Nominee holds the Nominee Securities as custodian for us and after that must take any action we reasonably request to notify the Issuer of the Nominee Securities and any other relevant persons that it holds the Nominee Securities for our benefit.
- (b) On the Mortgage becoming enforceable, we may:
- take any action in relation to the Nominee Securities as we think fit; and
 - instruct the Nominee in relation to the Nominee Securities without referring to you. The Nominee will act on our instructions without your confirmation or ratification.

7. Limit on the Nominee's liability

The Nominee is not liable to us or you for any loss or damage allegedly arising from actions taken or omitted to be taken in relation to its appointment under the Nominee Agreement except where that loss or damage is caused by its or any of its agents' wilful misconduct, negligence or breach of the Nominee Agreement.

RISK DISCLOSURE –

A copy of the Risk Disclosure Statement that appears in the Application Form is reproduced below for your information.

Before you apply for a CommSec Margin Loan with Regular Gearing, you must consider:

- whether the Loan is right for you; and
- risks associated with the Loan and Regular Gearing.

The CommSec Margin Loan with Regular Gearing brochure, with which this application form was enclosed, includes some suggestions for managing a Loan with Regular Gearing and reducing some of the risks of conducting the Loan. In every case, we strongly suggest that you obtain independent legal and financial advice to get a better idea of the risks of margin lending and the way in which you can manage those risks.

You and your advisers should be aware of the following risks:

- exposure to the volatility of the markets (like the stock market) in which Securities are bought and sold;
- borrowing money to purchase Securities (gearing) can magnify the financial effect on you of any decrease in the value of the Securities;
- all Securities which you buy using the Loan proceeds are Mortgaged to us to ensure your obligations under the Loan Agreement;
- income from your investments and the interest on your Loan Account may fluctuate. Also, the time at which you pay interest on your Loan Account may be different from the time at which you earn income on your investments;
- we can make a Margin Call at any time on any day.

We require that the maximum amount you owe us at any time is no greater than the Margin Call Gearing Level.

The Market Value of Securities may reduce rapidly over a short period adversely affecting your Gearing Level and potentially causing a Margin Call situation to arise.

If at any time the amount you owe us is greater than the *Margin Call Gearing Level* we can make a *Margin Call*.

For example, say the outstanding balance of your *Loan Account* at a particular time is \$8,000. On that same day the value of the *Securities* supporting your obligations is \$17,000. You are below both the *Margin Call Gearing Level* and the *Maximum Gearing Level*, and no action is required.

Say that 3 months later the *Securities* supporting your obligations are now only worth \$16,500 but your *Loan Balance* has risen to \$9,500.

Your *Current Gearing Level* will have increased to 57.57% and, as this is over the *Maximum Gearing Level* of 55%, we will contact you advising this fact and suggesting some defensive options you might consider to rectify this situation. If you choose to take no action we may suspend the monthly *Loan Advances* and reduce your *Loan Balance* with your *Equity Contributions* until such time that your *Current Gearing Level* falls below or equal to the *Target Gearing Level*.

Another scenario is that, even though we have suspended the monthly *Loan Advances* and used your *Equity Contributions* to reduce your *Loan Balance*, your *Current Gearing Level* continues to rise. For example, the value of the *Securities* supporting your obligations have fallen to \$11,500 and your *Loan Balance* has been reduced to \$9,000, giving a *Current Gearing Level* of 78%. As this is greater than the *Margin Call Gearing Level* of 75%, we can make a *Margin Call*.

Notice of Margin Call

If we make a *Margin Call*, you must satisfy that *Margin Call* whether or not you personally receive it. If there is more than one *Borrower* we do not need to contact each *Borrower*. In case you are not available to receive a *Margin Call* personally, you should direct us to give notice of any *Margin Call* we make to a person who:

- is always available; and
- is authorised by you to satisfy a *Margin Call*.

You must satisfy any *Margin Call* by 2.00pm on the next *Business Day*. You may have less than 24 hours to satisfy a *Margin Call*.

You may satisfy the *Margin Call* by:

- depositing money in your *Loan Account*;
- giving us more *Securities* to support your obligations; or
- selling all or more of your *Securities* and using the proceeds to reduce the *Loan Balance*.

If you do not satisfy a *Margin Call*:

- we may (but are not obliged to) sell or redeem any of or all the *Securities* supporting your obligations and reduce the amount you owe us;
- we may sell those *Securities* without contacting you first;
- we may sell those *Securities* in the order we choose.
You should refer to the *Mortgage Terms and Conditions*, Clause 11(a).

Also, there may be circumstances in which we can require you to pay all of what you owe us.

They include situations where:

- you do not satisfy a *Margin Call*;
- the S&P/ASX 300 Index, All Ordinaries Index or other index as we may determine from time to time drops by 10% in one *Business Day* or 20% over three (3) consecutive *Business Days*;
- we consider that your financial position has deteriorated to a point where you may not be able to meet any obligations you owe to us.

You should familiarise yourself with the other circumstances in which we can ask you to pay us (for example, see Clauses 11-15 inclusive of the *Loan Agreement* and Clauses 1, 9 and 18 of the *Mortgage*).

Payments to Loan Account

Other than *Margin Calls*, interest or when we require you to pay your *Loan Account* in full, we do not require you to make any payments on your *Loan Account*.

Interest Payments

We charge interest on the debit balance of your *Loan Account*, no matter what sums go to make up that balance.

We do not allow you to nominate that interest be capitalised to your *Loan Account*. We require interest to be paid monthly by direct debit to your nominated *Bank Account*. Where there are insufficient funds in your *Bank Account*, at the time we process the Direct Debit, we will accrue the interest amount to your *Loan Account* and a fee may be applied.

Even if you do not draw on your *Loan Account*, the amount you owe us can increase with unpaid interest and unpaid fees and charges we debit to your *Loan Account* which subsequently may require us to make a *Margin Call*.

What you must pay us is not limited to the value of the Securities supporting your obligations. You must pay us all amounts you owe us even if:

- the *Securities* supporting your obligations are sold and the proceeds are not sufficient to pay all of what you owe us;
- the *Securities* supporting your obligations are of little or no value at all; or
- we reduce the Regular Gearing Lending Ratio of a *Security*.

Taxation

You may wish to negatively gear investments you make with *Loan* proceeds. However, it may not be possible to do so.

Interest deductibility is dependant on your personal circumstances and whether the borrowed funds are used to earn assessable income. You should speak to an independent taxation adviser to determine whether you can deduct interest incurred by you on your *Loan Account*.

You have sole responsibility for deciding in which Securities you will invest. (See Clause 19 of the Loan Agreement.)

We do not:

- recommend any *Securities*; or
- give any opinion on the performance of *Securities* or the company or trustee that issues *Securities*, even if we are willing to lend money against those *Securities*.

We consider whether or not to fund a drawing on the *Loan Account* at the time you ask us to fund the drawing. You may ask to draw on your *Loan Account* to purchase *Securities* at a date in the future. If the *Lending Ratio* of the *Security* is insufficient at that future date, we will not fund the drawing no matter what the position was when you asked for the drawing.

How to contact us

Within Australia

Phone 13 17 09 Monday to Friday 8am - 5pm (Sydney time)

Fax (02) 9995 7204

From Overseas

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