

CommSec Margin Loan

Multiplying your
investment power



CommSec



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Greater access through

The credit union distributes this product, the CommSec Margin Loan, on behalf of Commonwealth Bank of Australia. CommSec Margin Loan is a product of 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.

This guide is based on information available at the time of preparation, and is subject to change. CommSec assumes no responsibility for errors or omissions. Please ask for full details of any product or service mentioned.

The share market can be a dynamic and exciting place to invest. Whether you have an existing share portfolio or are just establishing one, you can apply investment strategies to help maximise the return from your portfolio.

Margin lending is one of these strategies, and it uses one of the oldest financial techniques to enhance your returns - gearing. Gearing means borrowing money to invest. The idea is that over time, your investment will grow in value by more than the cost of borrowing, providing you with a healthy return.

By gearing into the share market, you can access a greater range of investment opportunities than would be possible using only your own capital. This increases your ability to create wealth, and lets you take advantage of greater diversification and tax planning benefits.

That's what gearing is all about – multiplying your power to invest.

Simplified example of gearing – Woolworths Limited

On 1 November 2000 Woolworths shares were trading at \$7.80 per share. By 1 November 2001 the share price had increased to \$11.38.

An investor using only his or her own capital of \$30,000 would have had an investment worth \$43,769. The same investor who also used a margin loan to borrow \$70,000 would have had an investment worth \$145,897.

	Own Capital (ungeared)	Margin Loan (geared)
Your own capital	\$30,000	\$30,000
Margin loan	–	\$70,000
Total investment	\$30,000	\$100,000
Portfolio value At 1 November 2001	\$43,769	\$145,897
Unrealised Profit	\$13,769	\$45,897

This example refers to capital growth only and is based on a lending ratio of 70%. Dividends, imputation credits, brokerage, stamp duty, interest costs and taxes are not included. Past performance is not indicative of future performance.

Gearing with a margin loan

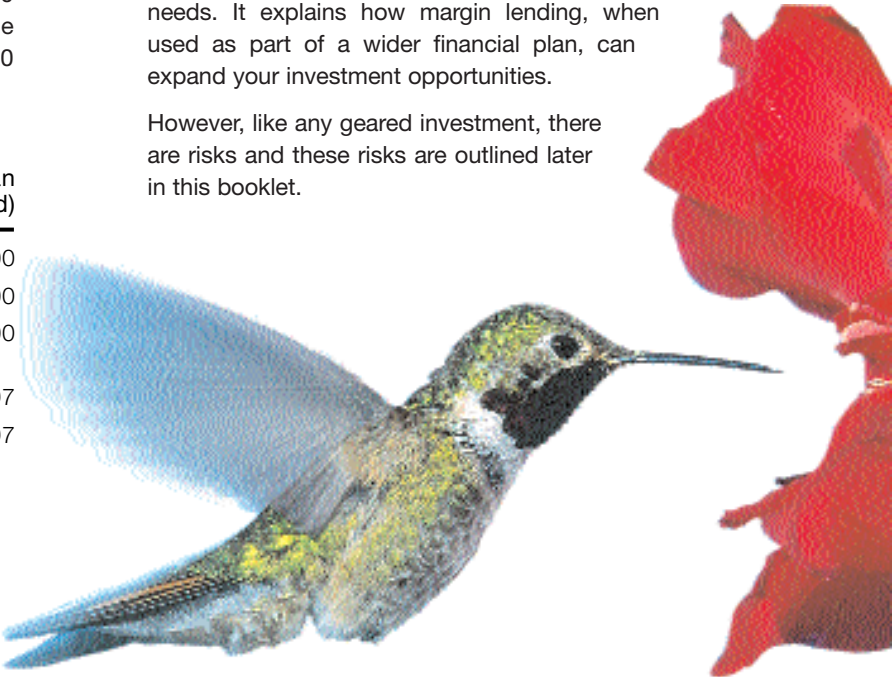
A margin loan is simply a loan that uses shares or managed funds as security. Starting with an amount of your own capital, you can borrow additional money to help build an investment portfolio. Your portfolio secures the loan.

With a CommSec Margin Loan you get a flexible, low cost way to unlock the power in your investment capital. And we offer the optional convenience of a trading account with CommSec – keeping your investment portfolio and loan under the one roof.

Margin lending can be a powerful tool in helping you achieve your financial goals.

This booklet outlines how a CommSec Margin Loan works and describes how you can tailor a borrowing and investment strategy to suit your risk and return needs. It explains how margin lending, when used as part of a wider financial plan, can expand your investment opportunities.

However, like any geared investment, there are risks and these risks are outlined later in this booklet.



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gearing

Bringing your g
within



Goals reach



Many investors understand the long term benefits of investing in the share market – but can't access the capital to invest as widely as they'd like.

The CommSec Margin Loan aims to give you that access. Through careful planning, margin lending can give you the scope and flexibility to help you design an investment portfolio to reach your financial goals. Some of the key benefits of a CommSec Margin Loan include:

Maximising wealth opportunities

Over time, the share market has shown significantly better long-term returns than most other forms of investment. With a CommSec Margin Loan you can increase your potential for profit if the value of your portfolio rises. You can also increase the amount of income earned through dividends, which can be used to offset interest on your loan.

Diversification

A larger investment allows you to spread your money across a greater range of shares and managed funds. In turn, this can help reduce your risk.

Flexibility

With a CommSec Margin Loan you can determine the components of your loan and investment portfolio to suit your needs. You can choose:

- a wide range of shares and units in managed funds
- fixed or variable interest rates
- your level of gearing
- when to draw down your loan
- which stockbroker to use
- whether to capitalise or pay interest.

Liquidity

With a CommSec Margin Loan, you can move in and out of your investment quickly and cheaply. Unlike borrowing to invest directly in property, gearing into the share market involves assets that can generally be bought and sold on any business day. This means not being locked into an investment should you suddenly need funds for other purposes.

Tax effectiveness

Used as part of an overall financial plan, a CommSec Margin Loan may help you maximise the after-tax return from your investments.

For example, you can free up your capital in existing share investments, while deferring any capital gains tax that would be payable if you instead sold your shares. This capital can then be used to invest in additional shares, or for other purposes. Depending on your individual situation, provided the funds are used to purchase an income producing investment, margin lending may also reduce your tax bill by allowing you to claim the interest expense as a tax deduction. (See page 11 for more detail.)

Getting **start**



ed

You can borrow between 40% and 70% of the market value of an approved security (e.g. shares or managed funds). This percentage amount is called the 'lending ratio' and can vary over time. 'Blue chip' stocks, which are generally more liquid, tend to have a higher lending ratio than smaller, less traded stocks.

You can choose to invest in a range of approved shares and managed funds. These can be purchased through CommSec or another stockbroker.

Applying for a margin loan simply involves completing the forms in the back of this brochure and forwarding them to us. As we only lend up to 70% of the value of securities in your portfolio, your next step is to decide whether you will provide your own funds or existing shares (or a combination of both) as initial capital.

A list of approved securities and their lending ratios is published from time to time. You can obtain a copy of the current list by contacting our Client Service team on 13 17 09 on business days between 8am and 5pm or visit commsec.com.au

Example 1: Constructing a geared portfolio using your own funds

Say you want to build a portfolio of shares worth \$100,000, using your own funds as the initial capital. Table 1 shows how much you would be required to contribute under two different lending ratios. The first column assumes a portfolio lending ratio of 70% for the shares to be purchased, and the second a ratio of 50%.

Table 1	1	2
Market value of shares to be purchased	\$100,000	\$100,000
Assessed lending (gearing) ratio	70%	50%
Portfolio lending value	\$70,000	\$50,000
CommSec Margin Loan	\$70,000	\$50,000
Your contribution	\$30,000	\$50,000

Example 2: Constructing a geared portfolio using existing shares

If you already have a portfolio of approved shares, you can use these shares as initial capital and security for a margin loan in order to increase the size of your overall portfolio.

Let's say your existing shares have a market value of \$30,000, and a lending value of \$21,000 (70%). Table 2 shows how you can increase your portfolio to a maximum of \$100,000 by borrowing \$70,000 through a CommSec Margin Loan. Assuming the lending ratio for all shares is 70%, your existing shares (\$30,000 market value) are used as the initial capital.

Table 2

	Your existing shares	+	New purchase (Funded by loan)	=	Expanded portfolio
Market value	\$30,000		\$70,000		\$100,000
Lending value (Calculated by multiplying the market value by the lending ratio)	\$21,000		\$49,000		\$70,000

Example 3: Freeing up your capital

You can also use a margin loan as a simple device to free up capital currently invested in the share market. This also allows you to defer payment of any capital gains tax.

For example, if you already have a portfolio of approved shares, you can use these shares as security for a margin loan and free up to 70% of their value to use for other investment purposes. You don't have to reinvest the money in the share market.

Looking back at Table 2, using shares worth \$30,000 would give you up to \$21,000 (depending on the lending ratio) to invest, without having to sell your shares.

Staying on
tr



ack

Now you've set your sights on higher goals, there are a number of important issues you will need to consider to ensure your plan stays on track.

From day one, the actual value of your portfolio will fluctuate in accordance with the market. This will cause your portfolio lending value to change, as it is dependent on the market value. As your portfolio lending value moves up and down, you will need to ensure your outstanding loan balance does not exceed the amount you are allowed to borrow against your portfolio.

For example, a fall in market values may result in your loan balance exceeding the portfolio lending value.

Buffer

To allow for small fluctuations in the market, we provide a 'buffer' of 5%. This provides some breathing space and, depending on the lending ratio, means your loan balance can reach up to 75% of the portfolio's market value without any action required.

Margin Call

If a fall in the market value of your portfolio causes your loan balance to exceed your portfolio lending value by more than the buffer, a 'margin call' will be triggered. This means you are required to restore the loan balance to no more than the current portfolio lending value.

You must do this by 2pm on the following business day by either :

- depositing money into your loan account;
- providing additional shares or other approved securities; or
- selling part of your portfolio and using the proceeds to repay part of the loan.

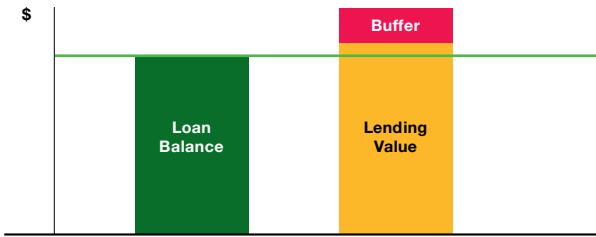
Should a margin call be triggered, we will seek to contact you or your nominated representative by telephone and advise you what actions you can take to restore your loan balance.

While we will make reasonable attempts to contact you, it is your responsibility to ensure your loan balance does not exceed the lending value plus the buffer. If for some reason the loan balance is not restored by the required time, we may sell shares or other securities from your portfolio to bring your loan back into balance.

Falling market values can trigger a margin call

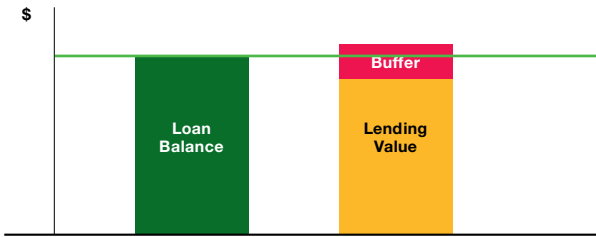
When your loan balance exceeds your lending value by more than the buffer, a margin call will be triggered. The following diagrams describe three scenarios; a normal loan situation, a loan that is 'in buffer' and a loan that is 'in margin call'.

Example 1: Normal loan



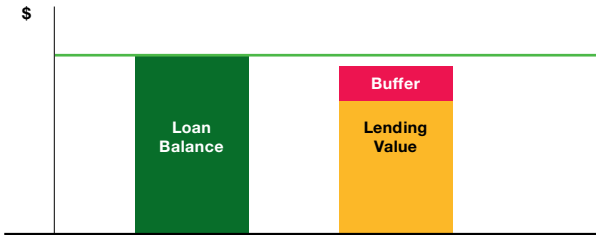
In this example, the loan balance is less than the lending value plus the buffer and consequently the loan is not in a margin call situation.

Example 2: In buffer



In this example, the lending value has reduced and the loan balance exceeds the lending value by not more than the buffer. The loan is 'in buffer' but has not triggered a margin call.

Example 3: Margin call



In this example, the lending value has reduced further and the loan balance now exceeds the lending value plus the buffer. A margin call is triggered.

Defensive meas
margin calls
at bay



Measures — keeping

The possibility of a margin call is something every investor needs to consider when constructing a margin lending portfolio.

However, because you have control over how you construct both your portfolio and loan, you can build in a number of precautions. The following steps are common ways investors can significantly reduce the risk of a margin call.

Avoid borrowing up to the limit

Just because you may have a 70% portfolio lending ratio doesn't mean you need to borrow the full amount. A good option is to keep your portfolio gearing ratio (the amount of loan outstanding as a percentage of your portfolio market value) below your lending ratio, leaving yourself an additional buffer against margin calls.

The table below shows how effective this strategy can be in reducing the risk of a margin call. The lower the gearing of your portfolio, the more breathing space you have if the market falls.

Fall in market value before a margin call is triggered

Portfolio lending ratio	Actual gearing ratio you choose (loan balance/market value)				
	70%	60%	50%	40%	30%
70%	7%	20%	33%	47%	60%
60%		8%	23%	38%	54%
50%			9%	27%	45%
40%				11%	33%

For example, if you have a portfolio lending ratio of 70% and actual gearing of 70%, a margin call will be triggered if the market falls 7%.

Or, if you have a portfolio lending ratio of 60% and an actual gearing ratio of 50%, a margin call will be triggered if the market falls 23%.

Diversify your portfolio

By investing across a range of companies and market sectors, you can reduce the impact of any poorly performing shares on your overall portfolio. This will help to limit the extent of fluctuations in your portfolio lending value.

Make regular interest payments

Paying off your interest regularly helps to prevent your loan balance and gearing ratio from increasing, and reduces the risk of a margin call.

Reinvest your dividends to increase your portfolio or reduce your loan

By using your dividends to either purchase more shares or repay part of your loan, you can reduce your portfolio gearing ratio.

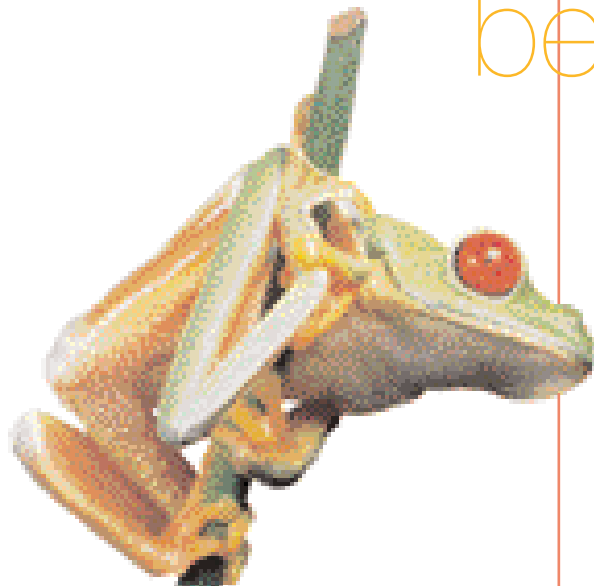
Monitor your investments and loan balance

Always keep an eye on the market and how your portfolio is performing. You can do this by checking your monthly statement and talking to your broker or financial adviser to ensure you are achieving your financial objectives.

By reducing your level of gearing when the market outlook is poor, you can reduce the risk of a margin call if the market does fall.

Finding the right **bal**

between interest,
and tax



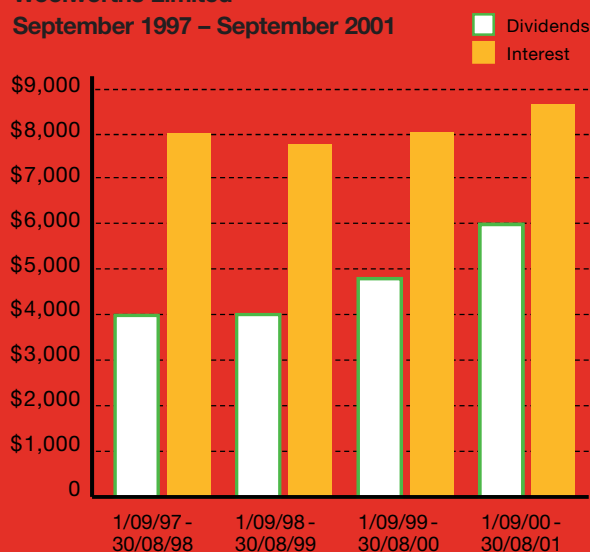
Managing cash flow

An attractive feature of investing in the share market is the regular income you can potentially earn through dividend payments. While these payments won't necessarily coincide with interest due on your loan, you can use your dividend income to offset your interest expense. In the event that your dividend income doesn't cover your interest expense, you may be able to take advantage of negative gearing benefits described on the next page.

Interest payments can also be prepaid to lock in your interest rate and assist in tax planning.

advance income

How dividends can offset interest
Woolworths Limited
September 1997 – September 2001



Source: Commonwealth Research

Past performance is not indicative of future performance.

The above example shows an investment of \$100,000 in Woolworths shares from September 1997 to September 2001. Assuming a lending ratio of 70% and a geared portfolio, \$70,000 was borrowed at an interest rate equal to the daily cash rate plus a margin of 3% p.a.

Total interest for the four years was \$32,500 and dividends received during the same period amounted to \$18,960. While interest exceeded dividends by \$13,540 the dividends were fully franked – increasing the after tax return on the portfolio for most investors.

Franking credits

In addition to offsetting interest, dividends that include franking credits may (depending on your individual circumstances) be applied against income earned from other sources to reduce your overall tax liability.

Negative gearing

Negative gearing occurs when you borrow to buy an income producing investment, and the cost of borrowing (e.g. interest) exceeds the income earned from that investment during a financial year.

For tax purposes, this negative net income may be offset against income earned through other sources, for example, your salary.

Additionally, any interest prepaid for the following financial year can generally be claimed as a deduction in the current financial year.

Capital gains tax

When you use an existing portfolio of shares or managed funds as security for a margin loan, you can unlock the value of your portfolio without attracting capital gains tax. This is because you can defer selling your shares or managed funds and therefore defer payment of capital gains tax.

You can then sell your shares at a time when your marginal tax rate is lower, thereby reducing or perhaps eliminating the capital gains tax payable.

Seek independent advice

As everyone's financial situation differs, it is recommended you seek independent financial, tax and legal advice before applying for a CommSec Margin Loan.

Monitoring your **perform**



portfolio's finance

Regular monitoring of how the share market and your portfolio are performing will play an important role in achieving your financial goals.

With this in mind, we have developed a reporting system that helps you assess your financial position at a glance.

Online Loan Account Information - commsec.com.au

Clients can access a comprehensive Loan Summary and information service through the CommSec Internet site at commsec.com.au. There you can view your Position Summary, Loan Securities and a recent transaction history.

Other features of the CommSec Internet site include the ability to buy and sell shares, find up-to-the minute share prices, market commentaries, economic research, portfolio watchlists and share price graphs for all stocks listed on the Australian Stock Exchange.

Commonwealth Securities

Shares	Position Summary	Loan Securities -	Loan History	Securities & Rates -	Booklet Request
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View Portfolio

News & Research

Derivatives & Other

Overseas Shares

Managed Funds & Super Funds

Margin Lending

Learning Centre

Customise Site

Contact Us

Log Off

Receive Difficulties
incident information

Fund your **Sterling Asset Convertible Preference (STCPA)** 70% and **Parlier Preference** 70% with your margin loan.

Fund your **Share Purchase Plan** via your Margin Loan (ie GAN, AMP)

Position Summary

Loan balances are as at the close of the last business day. Unsettled transactions are current. Portfolio Summary includes shares valued at the last traded price and managed funds valued on regular price updates from fund managers.

Loan Status: [Funds Available](#)

Type	Name	Loan A/c	WIN	Trade
Primary A/c	MR THEODORE BODWELL	23456	12345678	Buy Sell
Loan Summary		Portfolio Summary		
Total Fixed Rate Loans	\$0.00	Portfolio Market Value	\$120,483.94	
Variable Rate Loans	\$0.00	Portfolio Lending Value	\$71,103.52	
Current Loan Balance	\$0.00			
Unsettled Transactions	\$0.00	Portfolio Gearing Ratio	0.00%	
Total Liability	\$0.00	Maximum Gearing Ratio	59.01%	
Funds Available	\$71,103.52	Loan Utilisation Ratio	0.00%	

You can use the [Margin Calculator](#) to find out the value of shares or managed funds you can purchase.

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This site is devoted to and available for Australian residents only.

Monthly Statement


Each month you will receive a detailed update of your facility, showing your total loan balance, current portfolio value, and itemised record of share transactions. As well as serving as a record of trading, this lets you keep an eye on your gearing in the light of market activity.

Should you require further assistance, you can contact our Client Service team on 13 17 09, who will be able to provide you with current information.

Sample of a monthly statement

A summary of your total liability including any unsettled transactions.

The market value of the securities supporting your loan and the amount you can borrow against them.

CommSec 	
Margin Loan	
Level 6 120 Pitt Street Sydney NSW 1155	Locked Bag 34 Australia Square NSW 1214
Customer Enquires 13 17 09 Facsimile 02 9955 7204	
MONTHLY STATEMENT	
MR JOHN SMITH 120 PITT STREET SYDNEY NSW	Statement Date 30/11/1998 Client Number 700021
POSITION SUMMARY	PORTFOLIO DETAILS
LOAN DETAILS	Portfolio Market Value \$81,090.00 Portfolio Lending Value \$53,628.00
Approved Facility Limit \$110,000.00 Total Fixed Rate Loans \$26,500.00 Variable Rate Loan \$5,028.60 Current Loan Balance \$31,528.60	Portfolio Gearing Ratio 45.61% Portfolio Lending Ratio 66.13% Loan Utilisation Ratio 68.96%
Unsettled Transactions \$5,453.00 Total Liability \$36,981.60	
UNUSED BORROWING CAPACITY	
Based on your current Portfolio Lending Value of \$53,628.00 and your Total Liability of \$36,981.60, you can use \$16,646.40 as security for additional share purchases as follows:	
Lending Ratio of Security Purchase	Share Purchase Cost/Additional Loan
70%	\$55,488.00
60%	\$41,616.00
50%	\$33,292.80
40%	\$27,744.00
INTEREST RATES	
Variable Rate Loan	3 Months 7.50% pa
Fixed Rate Loans *	(Prepaid) 6 Months 7.55% pa
	12 Months 7.60% pa
* Other terms available on request	

The value of additional securities you can purchase now.

Key ratios of your current borrowing position.

Details of your loan and securities will appear on the second page of the statement.



The line betwe
risk and

A margin loan is a powerful financial tool. It gives you the ability to invest more money, more widely than you probably thought possible. However, 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 \$30,000 in the sharemarket and the market subsequently fell 10%, the value of your investment would fall to \$27,000. You will have lost \$3,000.

Had you borrowed \$70,000 through a margin loan to increase your investment in the sharemarket to \$100,000 and the market subsequently fell 10%, the value of your investment would fall to \$90,000. You will have lost \$10,000.

You should be aware of a number of issues relating to gearing into the share market and we have outlined some of these below:

- Like any investment strategy, the first issue is to establish your investment objectives. Due to the effect of gearing, margin lending multiplies your investment power but also magnifies the risks. If you are uncomfortable with taking risk, a margin loan is not for you.
- Consider your investment timeframe. Historically, the share market has provided higher investment returns than most other asset classes. However, the share market fluctuates in price and you may need the capacity to ride out declines in the market and the value of your securities. To help cope with these movements, carefully consider the level of gearing you choose for your investment.
- Have a reliable income stream to ensure you can cover 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 run your facility. As 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 shares.
- Have a good understanding of financial markets and their tendency to fluctuate in value. This will help you assess your risks up front, as well as monitor your portfolio and adjust your gearing level as conditions change.

- Consult a financial adviser. You don't have to be a financial expert. Simply talk to someone who is. A qualified financial adviser can help you assess your financial situation, taking into account the full range of cash flow and tax implications.

Like all investments, the key is to fully understand your risks, and take action to minimise them. To assist you, a Risk Disclosure Statement follows the Terms and Conditions section on page 31 of this book and is also included in the application form. Please make sure you read this statement.

	Own capital (ungeared)	Margin loan (geared)
Your own capital	\$30,000	\$30,000
Margin loan	–	\$70,000
Total investment	\$30,000	\$100,000
Market value of investment if market falls 10%	\$27,000	\$90,000
Unrealised loss	\$3,000	\$10,000

This example is based on a lending ratio of 70%. Dividends, imputation credits, brokerage, stamp duty, interest costs and taxes are not included.



Why choose a
CommSc

The CommSec Margin Loan is designed to give investors one of the most accessible, low cost packages of margin lending and share trading available.

One stop shop

One of the key ways we do this is by offering both loan and share trading facilities under the same roof through CommSec. In addition to reducing your transaction costs, you avoid having to deal with a range of service providers, and can implement your investment decisions quickly and easily.

CommSec has a goal of making buying and selling shares as simple and easy as possible. The focus is on low cost, streamlined trading and client support for all investors.

As a client of CommSec you can keep track of your margin loan online. Our online tools include:

- a summary of your loan and holdings;
- details of your loan securities;
- a what-if calculator; and
- a history of loan transactions.

Streamlined approval process

The approval process for a CommSec Margin Loan is streamlined for your convenience. Applications from individuals will generally be assessed within one business day. Company and Trustee applications will generally be assessed within three business days.

No upfront fees for individuals

For individuals, there is no upfront fee for setting up a CommSec Margin Loan. Companies and Trustees will be charged an application fee of \$125 to cover administrative and mortgage registration costs. Other charges may apply to company applications.

Accessibility

We have designed the CommSec Margin Loan to provide you with easy access to the Australian share market. With a low minimum loan size of \$20,000 you are able to access the benefits of gearing without borrowing large sums of money. And with a low minimum drawdown amount of \$500 the CommSec Margin Loan gives you the flexibility to start with a relatively small investment amount.

Comprehensive statements

To assist you in monitoring your loan account we will provide you with a comprehensive statement each month detailing your loan and share trading activity, and the market value and lending value of each of your securities.

Packaged solution

So if you're looking for flexibility and greater access to share market opportunities, talk to us about a packaged solution for your lending and trading needs. Call our Client Service team on 13 17 09 or complete the application form enclosed with this booklet.

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Margin Loan?

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**Lending ratios/approved security**

Using a CommSec Margin Loan, you can borrow between 40% and 70% of the value of an approved security. A list of approved securities is published from time to time and a copy can be obtained from our Client Service team on 13 17 09 or visit commsec.com.au

Buffer

A buffer of 5% of the market value of your portfolio is added to your portfolio lending ratio to allow for small fluctuations in the market.

Low minimum loan size

CommSec Margin Lending can approve loans from as low as \$20,000.

atures

Low minimum loan drawdown

You can draw down your loan and start investing at any time by calling 13 17 09 within 6 months after the loan is approved. Your drawdown amount can be as low as \$500. You should note, however, that a monthly fee of \$20 will apply to loan balances under \$10,000.

Loan Term

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

Application fee

For individuals – Nil

For companies and trusts – \$125

The application fee covers our loan establishment and mortgage registration costs and will be refunded if the loan application is declined. It must be paid by cheque, payable to 'CommSec – Margin Loan' at the time you apply. We will obtain, at the borrower's cost, a legal opinion in relation to any Trustee who has more than \$1,000,000 in facilities with the Bank or who provides Third Party security for a borrower.

Transaction fee

A transaction fee of \$10 will apply to each security transaction and withdrawal from your loan account. No fee will apply to cash payments to your loan account.

Low loan balance charge

If your loan balance is below \$10,000 at any time during a month, a \$20 low balance fee will be charged for that month.

Government fees

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

Other fees

Fees will be charged for other banking services, such as duplicate statements and dishonoured cheques. A schedule of current Rates, Fees and Charges is available by contacting our Client Services team on 13 17 09.

Interest on your loan

A current schedule of both variable and fixed interest rates is available by contacting our Client Service team on 13 17 09. For variable rate loans, the interest will be calculated on the daily loan balance and charged monthly in arrears on the last day of the month. Interest may be capitalised to the outstanding loan balance or debited to your nominated bank account. For fixed rate loans interest can be prepaid for periods of up to 13 months. 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% p.a. interest charge will be added to your current interest rate until the outstanding amount is paid.

COMMSEC MARGIN LOAN TERMS AND CONDITIONS

These are the Terms and Conditions on which we make a CommSec Margin Loan available and on which we accept offers to provide security for a CommSec Margin Loan. 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 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”;

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;

Default Event means any Default Event set out in clause 13 of the *Loan Agreement*;

Early Repayment Adjustment means the adjustment we make in accordance with clause 12 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*;

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 the CommSec Margin Loan 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 the CommSec Margin Loan Terms and Conditions;

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;

Margin Call means a Margin Call under clause 9 of the *Loan Agreement*;

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;

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 of or in respect of those *Securities*;

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

Nominee means Share Direct Nominees Pty Limited ABN 56 006 437 065;

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 Law 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 Law;
- 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;

Unused Borrowing Capacity means, subject to the *Loan Limit*, the amount of the *Portfolio Lending Value* less the sum of the *Loan Balance* and any drawings which have been requested but not yet debited to your *Loan Account*;

we or us means the Commonwealth Bank of Australia ABN 48123 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 the 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 Share Direct Nominees Pty 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 unitholders 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 8 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 which 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, 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
- Commonwealth Securities 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 you may draw on your Loan Account up to the Loan Limit which we approve (and may vary) from time to time. We will tell you the initial Loan Limit when we tell you that we have accepted your application for a Loan.
- (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 11am. 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 Loan Account then, for the purpose of determining your Unused Borrowing Capacity, the amount of the requested drawing shall be deemed to have been debited to your Loan 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 Unused Borrowing Capacity.
- (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.

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;
- the sum of the amount you wish to draw, the Loan Balance and any unsettled transactions would exceed the sum of your current Portfolio Lending Value and the Lending Value of the Securities which are to be acquired with the drawing;
- 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.

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 will 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 then current Lending Ratios* on approved *Securities* and will tell *you the Loan Balance* of *your Loan Account*, *Portfolio Lending Value* and the amount of *Unused Borrowing Capacity* available on *your Loan Account* at that time.

6. 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 Loan 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 Loan 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*.

7. 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 Loan 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 6 applies.

8. 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 9).

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 Loan 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 Loan Account*.

9. Margin Call

- (a) A *Margin Call* occurs if, at any time on any day, *your Loan Balance* exceeds the *Portfolio Lending Value* by more than the *Buffer* which is 5% of the *Portfolio Market Value* or such other percentage 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 2 pm of the *Business Day* immediately after the day on which the *Margin Call* occurs, the *Loan Balance* does not exceed an amount equal to *your Portfolio Lending 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*.

10. 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 13(b)*.
- (c) *We may, in our absolute discretion, terminate the Loan upon giving you 30 days prior written notice*.

11. 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*.

12. 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 12(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 12(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 that *Loan*;
 - we determine the difference (“the Difference”) between the amount which 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 12(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*.

13. 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, a *Guarantor’s* assets or a *Mortgagor’s* 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 All Ordinaries Index 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 13(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 13(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 12, as if:
- the date of the declaration referred to in clause 13(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.

14. 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, any *Mortgage* and/or *Guarantee* provided to us by way of *Security Interest* 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.

15. Unsettled Transactions

We will send you a statement of your *Loan Account* and your *Portfolio* every month. 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*.

16. 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 advisor, *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 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 we accept *Securities* as *Mortgaged Property* or *Securities* become *Mortgaged Property* as a result of *us* providing a *Loan* to assist with their purchase *you* acknowledge and agree that we are not liable as a result of their being any delay in the *Securities* becoming *Mortgaged Property*.
- (d) 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 *Commonwealth Securities* as agent of the person delivering such evidence and not as *our* agent.
- (e) *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.
- (f) 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:
- the amount of the *Loan Limit*; plus
 - 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.

- *our* usual bank account fees and charges and all fees and charges *you* must pay *us* under the Terms and Conditions.
- any government tax or duty charged in relation to anything done under or in connection with the Terms and Conditions.
- 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
- 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
- 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 (a), (b) and (c) 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 occurs:

- if a *Margin Call* in accordance with clause 9 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:

- (a) hold or take any other or further security or guarantee for the payment of the *Secured Moneys*;
- (b) give notice of this *Mortgage* to any other person or enforce payment of any moneys payable to *you* relating to the *Mortgaged Property*; or
- (c) 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.

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 Corporations Act, 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 powers 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 transactional 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 transactional 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, *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

- (a) 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* participation in *CHESS* is terminated or suspended under section 19 of the *Rules*.
- (b) 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.

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.

Risk statement for *Loan* applicants

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

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

The CommSec Margin Loan brochure, with which this application form was enclosed, includes some suggestions for managing a *Loan* 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 *Portfolio Lending Value* plus the *Buffer* on your *Loan Account* at that time. The *Portfolio Lending Value* depends on:

- the value of the *Securities* supporting your obligations; and
- the proportion of that value (the *Lending Ratio*) we are willing to lend at that time.

At any time, we can change the *Lending Ratios* without telling you. Also, the *Market Value of Securities* may reduce rapidly over a short period.

If at any time the amount *you* owe *us* is greater than the *Portfolio Lending Value* plus the *Buffer* we can make a *Margin Call*.

For example, say the outstanding balance of your *Loan Account* at a particular time is \$68,000.

On that same day the value of the *Securities* supporting your obligations is \$100,000 and the *Lending Ratio* on those *Securities* is 70%.

So, at that time, the most the outstanding balance on your *Loan Account* could be at this time is \$70,000.

You are within your *Portfolio Lending Value*.

Say that a day later the *Securities* supporting your obligations are now only worth \$90,000 but your *Loan Balance* is still \$68,000. Your *Portfolio Lending Value* will have reduced to \$63,000 (\$90,000 @ 70%) so we can make a *Margin Call* of \$5,000 – the difference between what *you* owe and the *Portfolio Lending Value* at that time.

Another example is where we reduce the *Lending Ratio* on the *Securities* supporting your obligations from (say) 70% to 60%. The *Portfolio Lending Value* will reduce to \$60,000 (\$100,000 @ 60%). We can make a *Margin Call* of \$8,000 – the difference between what *you* owe and the *Portfolio Lending Value* at that time.

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 some 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 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*. Those circumstances include if:

- *you* do not satisfy a *Margin Call*;
- the All Ordinaries Index drops by 10% in one *Business Day* or 20% over 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 10 –14 inclusive of the *Loan Agreement* and Clauses 1, 9 and 18 of the *Mortgage*).

Payments to *Loan Account*

Other than *Margin Calls* 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*. 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*.

We charge interest on the debit balance of your *Loan Account*, no matter what sums go to make up that balance. The balance of your *Loan Account* may increase with unpaid interest, fees and charges sufficiently to 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 *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 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 16 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*.

Drawings on the *Loan Account*

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 *Portfolio Lending Value* is insufficient at that future date, we will not fund the drawing no matter what the position was when you asked for the drawing.

CommSec Margin Loan Direct Debit Service Agreement

Debit arrangements

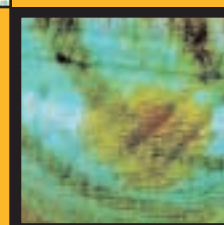
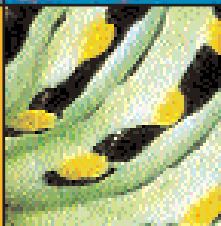
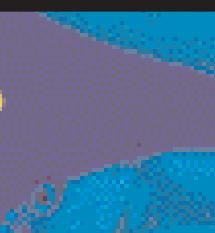
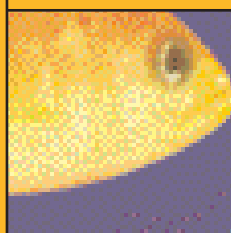
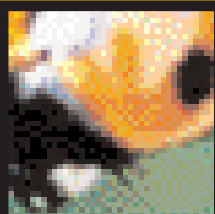
1. We reserve the right to charge a transaction fee if any debit item already debited from your nominated account is returned as unpaid by the Financial Institution.
2. We will keep the information about your nominated account at the financial institution private and confidential unless this information is required by us to investigate a claim made on it relating to an alleged incorrect or wrongful debt, or as otherwise required by law.
3. In the event of a debit returned unpaid we may attempt a redraw on your nominated account.
4. We will advise you 14 days in advance of any changes to the Direct Debit arrangements.

Your Rights

5. You may terminate the Direct Debit arrangement with us, however this termination must be in writing.
6. Where you consider the debit is incorrect in either the due date or amount or both, you should raise the matter with CommSec Margin Lending on 13 17 09.

Your Responsibilities

7. It is your responsibility:
 - to check with the Financial Institution where your account is held before completing the Direct Debit Request (DDR) as Direct Debiting through Bulk Electronic Clearing System (BECS) is not allowed on the full range of accounts. You should also complete your account details (including Bank State Branch (BSB) number) directly from a recent account statement from your Financial Institution;
 - to ensure sufficient cleared funds are available in the nominated account to meet the debit on the due settlement date of your transactions executed by CommSec;
 - to ensure that the authorisation to debit the nominated account is in the same name as the account signing the instruction held by the financial institution where the account is held;
 - to advise us if the account you have nominated to debit is transferred or closed;
 - to ensure that suitable arrangements are made if the Direct Debit is cancelled;
 - by yourself;
 - by your nominated financial institution; or
 - for any other reason.



CommSec Margin Loan

Commonwealth Bank of Australia
Locked Bag 34
Australia Square NSW 1214
Telephone 13 17 09
Facsimile 02 9995 7204
Internet commsec.com.au

MKTG044 (10/02) ML

CommSec

