

WISEWOULDS NOMINEES LIMITED

(ACN 104 133 842)



WISEWOULDS NOMINEES

MANAGED MORTGAGE INVESTMENT SCHEME

(ARSN 120 649 756)

PRODUCT DISCLOSURE STATEMENT

This Product Disclosure Statement describes the
Wisewoulds Nominees Managed Mortgage Investment Scheme (ARSN 120 649 756)
and is issued by Wisewoulds Nominees Limited ABN 28 104 133 842
Australian Financial Services Licence No. 299022
419 Collins Street, Melbourne 3000
Phone: (03) 9612 7249 / Facsimile: (03) 9629 4035
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1. Corporate directory and organisational structure

Wisewoulds Nominees Managed Mortgage Investment Scheme

ARSN 120 649 756

Responsible Entity

Wisewoulds Nominees Limited (ACN 104 133 842)
ABN 28 104 133 842
Australian Financial Services Licence Number 299022

Principal Place of Business

Level 8, 419 Collins Street
MELBOURNE VIC 3000
Phone:(03) 9612 7249
Facsimile: (03) 9629 4035
Email: jhb@wisewoulds.com.au

The Board of Directors of WNL comprises:

Julie Barkla	Executive Director
Robert McGirr	Executive Director
Ronald Sherwin	External Director
Angela Kasjan	External Director

The Loan Approvals Committee of WNL comprises:

Matthew Maher
Robert McGirr
Julie Barkla

Operations Staff

Julie Barkla	Compliance Officer, Executive Officer
Sharon Chapman	Mortgage Clerk, Fund Administration Manager
Linda Pellaschiar	Mortgage Clerk

Legal Services Provider to the Responsible Entity

Wisewoulds Lawyers
419 Collins Street
Melbourne VIC 3000
Phone:(03) 9612 7249
Facsimile: (03) 9629 4035
Web: www.wisewoulds.com.au
Email: jhb@wisewoulds.com.au

Compliance Auditor to the Fund

HLB Mann Judd
Accounting Consulting and Financial Services Firm
Level 1, 160 Queen Street
Melbourne 3000

Financial Auditors to the Responsible Entity and the Fund

William Buck
Business Advisors & Chartered Accountants
Level 2, 215 Spring Street
Melbourne 3000

2. Introduction and Background

It is a pleasure to present to you the Product Disclosure Statement (“PDS”) issued for the Wisewoulds Nominees Managed Mortgage Investment Scheme ARSN 120 649 756 (“the Fund”).

For many decades Wisewoulds Lawyers (“Wisewoulds”) have operated a contributory mortgage practice (“Mortgage Practice”). In accordance with the relief offered by Chapter 5C of the *Corporations Act 2001 (Cth)* (“the Act”), it was not necessary that Wisewoulds arrange for the registration of a managed investment scheme to operate this Mortgage Practice, as it maintained less than \$7,500,000 of mortgages under management and was supervised by the Law Institute of Victoria.

With decades of experience in the area, Wisewoulds have been proud of the manner in which they have offered mortgage investments, benefiting investors and borrowers alike. Wisewoulds have not been able to expand their Mortgage Practice, however, as a result of the \$7,500,000 cap on mortgages under management referred to above.

In order to expand and develop on the experience of the Mortgage Practice of Wisewoulds, Wisewoulds Nominees Limited (ACN 104 133 842) (“**WNL**”) was created, which public company then obtained an Australian Financial Services Licence and registered with the Australian Securities and Investments Commission (“ASIC”) a managed investment scheme. **WNL** acts as the manager or responsible entity of the Fund. This PDS has been generated by **WNL** to comply with its obligations under the Act. The requirements of the Act are overseen and regulated by ASIC.

Following registration of the Fund, **WNL** lodged with ASIC a PDS dated 18 October 2006, and an updated PDS on 27 February 2007. This PDS has been amended to comply with ASIC’s Regulatory Guide 45, issued on 2 September 2008. It will be lodged with ASIC and operative from 30 November 2008.

ASIC takes no responsibility for the contents of this PDS.

WNL’s objective is to offer secure fixed term mortgage investments at competitive rates of interest. Unfortunately **WNL** can not guarantee the performance of the Fund or the return of capital, nor can it give general or specific investment advice. Furthermore, **WNL** cannot take account of any investor’s investment objectives, financial situation, particular needs or taxation or pension situation and you should obtain your own professional advice on these matters before investing. Before investing in the Fund, it is important that you understand the nature of this investment, as described in this PDS.

WNL is a separate legal entity from Wisewoulds, however, this company has at present the services of the same support staff as Wisewoulds and two Partners of Wisewoulds as Directors. **WNL** additionally has two independent External Directors. In short we anticipate that investors will receive the same prompt, friendly and reliable service from **WNL** as they have come to expect from Wisewoulds. We hope that **WNL** will clear the way for new opportunities to be made available to investors and that the service to investors will continue to improve.

Thank you to the many loyal supporters of the past, who we hope in time will become investors in this Fund, and welcome to new investors.

3. ASIC Benchmarks

On 2 September 2008, ASIC released Regulatory Guide 45 (“RG45”), a document designed to ensure that those issuing or advertising interests in mortgage schemes disclose particular information to retail investors. ASIC has developed 8 benchmarks for unlisted mortgage schemes, such as the Fund operated by **WNL**, that can help investors understand the risks, assess the rewards being offered and decide whether these investments are suitable for them.

Below is a Table setting out ASIC’s 8 benchmarks. This Table indicates whether each benchmark applies to **WNL**, and if so, how **WNL** performs against this benchmark as at the date of this PDS.

WNL will monitor its performance against the ASIC benchmarks on an ongoing basis. Following the issue of this PDS, investors may request, and will receive, details from **WNL** as to its current performance against the ASIC benchmarks.

ASIC Benchmark	WNL's Performance
<p>1. Liquidity (pooled mortgage schemes only)</p>	<p>This benchmark is not applicable.</p> <p>WNL does not operate a pooled mortgage scheme.</p>
<p>2. Scheme borrowing. ASIC requires the disclosure of WNL's policy on borrowing.</p>	<p>This benchmark is met.</p> <p>WNL does not allow any borrowings that are secured over the assets of the Fund.</p>
<p>3. Portfolio diversification (pooled mortgage schemes only)</p>	<p>This benchmark is not applicable.</p> <p>WNL does not operate a pooled mortgage scheme.</p>
<p>4. Related party transactions</p>	<p>This benchmark is met.</p> <p>WNL does not facilitate related party lending, investments and transactions.</p> <p>Related parties may invest in the Fund, but must do so on the same terms, and with the same rights, as other investors. There are no related parties invested in the Fund at the date of this PDS. Any future related party investments would be subject to the same compliance monitoring as other investors.</p> <p>Related parties may provide external services, but must do so on no more favourable terms than would otherwise be commercially available. Currently Wisewoulds provides legal services and Arnolfo Pty Ltd provides administrative support services. All external service providers are reviewed on an annual basis to ensure all dealings with them meet the compliance standards of WNL.</p>
<p>5. Valuation policy</p> <p>Security properties should be valued on an "as is" basis, and for development loans also on an "as if complete" basis.</p> <p>The policy on how often a valuation should be obtained should be disclosed.</p> <p>No single valuer should undertake more than 33% of the valuations for the Fund. Valuers must be registered valuers where possible, and should state that their valuation reports are prepared in accordance with relevant industry standards and codes.</p>	<p>This benchmark is met.</p> <p>WNL instructs all valuers to value security properties on an "as is" basis. WNL does not provide development loans.</p> <p>A valuation must be no more than 3 months old at the time a new loan settles. WNL requires a security property for an existing loan to be valued at least once every 6 years.</p> <p>Every valuer utilised by WNL must first provide WNL with a copy of their professional indemnity insurance, which policy must extend coverage to valuations undertaken at WNL's request. WNL requires valuers to be members of the Australian Property Institute ("API") as there is no registration system which applies to valuers in Victoria. The API requires its members to prepare valuation reports in accordance with its standards. Valuers state in their valuation reports that they are members of the API and that their report has been prepared in accordance with API standards. No valuer has or will provide more than 33% of the valuation reports (by number or by value) required by WNL.</p>

<p>If a loan accounts for more than 5% of the loan book of the Fund, detail of its valuation should be disclosed.</p>	<p>Details of all valuations are disclosed to investors in the Specific Investment Authority submitted to investors in relation to that mortgage investment.</p>
<p>6. Lending principles – loan-to-valuation ratios</p> <p>Development loans should have a Loan to Value Ratio (“LVR”) of less than 70%, while all other loans should have an LVR of less than 80%</p> <p>Development loans should be provided to developers in stages rather than as one lump sum.</p>	<p>This benchmark is met.</p> <p>WNL does not provide development loans. The loans arranged by WNL all have a LVR of less than 80%. WNL’s Compliance Plan does not allow loans exceeding a LVR of 80%.</p> <p>WNL does not provide development loans.</p>
<p>7. Distribution practices</p> <p>The policy of how, and from what source, distributions are made to investors should be disclosed.</p>	<p>This benchmark is met.</p> <p>As WNL does not operate a pooled mortgage scheme, interest payments made by WNL to investors in a particular mortgage investment are sourced from borrowers meeting their interest payments in relation to that mortgage loan. Fees payable to WNL by a borrower may be subtracted by WNL from interest payments made by them, in accordance with Appendix A of this PDS.</p> <p>WNL does not make distributions from other investors’ capital, from the capital in the Fund or from any other financing facility or arrangement.</p>
<p>8. Withdrawal arrangements</p> <p>Investors should be given details of when and how they may withdraw their investment from the Fund, including:</p> <ul style="list-style-type: none"> ⊗ the maximum withdrawal period available; ⊗ risk factors or limitations that may impact on the ability of investors to withdraw from the Fund; ⊗ the approach to rolling over an investment when the due date for the loan arrives; ⊗ circumstances when an investor could receive less principal than they invested into the Fund upon withdrawal. 	<p>This benchmark is met.</p> <p>Investors do not have a right to withdraw their investment from the Fund prior to the maturity of the mortgage investment made by them. An investor may withdraw from an investment at the expiration of the loan period subscribed to by them. Loans arranged by WNL endure for between 3 months and 5 years.</p> <p>If a borrower wishes to roll over an investment, WNL will ordinarily offer the investor/s in that mortgage loan the opportunity to continue with their investment for a further term. WNL reserves the right, however, to not continue investing on behalf of a particular investor, and may redeem and return that investor’s investment, and replace it with the funds of an alternate investor who elects to invest in the relevant mortgage loan.</p> <p>If a borrower does not meet his/her/its interest payments, or repay capital in accordance with the terms of their mortgage loan, an investor in that mortgage loan may receive a lower return on their investment than that anticipated. The investors in a mortgage investment will only receive a return on their investment, whether by way of interest or return of capital, commensurate to the interest payments or repayments of capital made by, or recovered from, the borrower.</p>

4. Details of the Fund

What is the Fund?

The purpose of the Fund is for **WNL** to provide opportunities for investors to invest on the security of a registered mortgage over real estate in Australia. This PDS enables you, the investor, to consider whether a mortgage investment in the Fund is suitable for you. Mortgage investments may appeal to investors seeking a secure, fixed and regular income for a set term.

In order to achieve its purpose, **WNL** will field enquiries for mortgage loans from prospective borrowers, selecting those loans that it considers can be properly secured for the loan amount sought. **WNL** will present these mortgage loans as mortgage investments to a selection of investors.

In addition to this PDS, **WNL** will issue a Specific Investment Authority ("SIA") for each individual mortgage investment, which will contain specific details of the mortgage investment offered to selected investors by **WNL**. An investor's funds are not placed in a mortgage investment until the SIA issued by **WNL** for that investment has been signed and returned by the investor.

Any investment you make in the Fund will be secured by way of a fixed interest, registered mortgage. All land and improvements comprising a security property for a mortgage investment is independently valued (in the manner described herein) except where the loan is for 25% or less of the capital improved value shown on the most recent rate and valuation notice issued by a municipal authority for that property. **WNL** never lends on a Loan to Valuation Ratio ("LVR") in excess of 80%. Most mortgage investments offered to investors by **WNL** involve an LVR of between 50% and 70%.

The Board of Directors

For enhanced investor protection the Board of Directors ("the Board") of **WNL** has two Directors who have never been employed by Wisewoulds – Angela Kasjan and Ronald Sherwin.

Two other Directors, Julie Barkla and Robert McGirr are Partners of Wisewoulds.

The Loan Approvals Committee

The Loan Approvals Committee is comprised of Julie Barkla, Robert McGirr and Matthew Maher.

Julie Barkla is a barrister and solicitor of the Supreme Court of Victoria and a Partner of Wisewoulds practising in the areas of mortgage law and property law. Ms Barkla has also operated or assisted in operating Wisewoulds' small industry supervised mortgage scheme for the past ten (10) years.

Robert McGirr is a barrister and solicitor of the Supreme Court of Victoria and a Partner of Wisewoulds practising in the area of commercial litigation. Mr McGirr was a director of Gippsland Secured Investments Ltd from 1986 to 1993, a provider of financial advice and an issuer of debentures secured by mortgages. From 1992 to the present, Mr McGirr has acted for the Legal Practitioners Liability Committee in matters which have included claims brought against solicitors with respect to mortgage practices.

Matthew Maher is a barrister and solicitor of the Supreme Court of Victoria and a Partner of Wisewoulds.

5. Legal Requirements

The Responsible Entity

WNL is a public company registered in Victoria which holds an Australian Financial Services Licence enabling it to act as the responsible entity of the Fund. As the responsible entity of the Fund, **WNL** manages and invests investors' funds in accordance with the Act, the Fund's Constitution ("Constitution") and its Compliance Plan. **WNL** also acts as custodian of scheme property on behalf of investors in the Fund, in accordance with the Act.

Management of the Investments

Mortgage investments in the Fund are managed by experienced professionals, with the Board and **WNL** personnel having considerable experience and expertise in managing mortgage investments. These personnel draw on their own experience and relevant information obtained from external sources and market data. This information is also applied in the ongoing development of present and future strategies for the conduct and management of the Fund.

The mortgage investment

The Fund consists of specific mortgage investments, each of which is individually approved by **WNL**.

The Board has established major policy requirements which form an integral part of Fund management. These policies include the following five components:

A. Valuations

A mortgage investment is secured by way of a registered mortgage over real estate. Real estate which is offered as a security property is valued by a Certified Practising Valuer (as designated by the Australian Property Institute) ("professional valuer") independent of both the borrower and the Fund.

Professional valuers are selected by **WNL** in each instance based on their experience with particular categories of property and locations. All professional valuers utilised by **WNL** must have disclosed to **WNL** their professional indemnity insurance.

In the ordinary course, valuations of properties offered as security are commissioned by **WNL**. Where, however, a valuation has been commissioned by a borrower, broker or other third party, and **WNL** believes the valuation:

- professionally and competently assesses the security property's value; and
- has been undertaken by a professional valuer

WNL may elect to rely on the valuation in question. In these circumstances, **WNL** would require that the valuation be not more than three (3) months old and be re-addressed to **WNL**. **WNL** may also make additional enquiries of the valuer, in order to be satisfied that details ordinarily required by **WNL** in a valuation report of the type in question, are contained and/or added to the valuation report.

Specific instructions are provided by **WNL** personnel to valuers to ensure that individual valuations are relevant to the type of investment being transacted.

Where a loan sought by a borrower amounts to 25% or less of the amount shown as the capital improved value of the security property being offered as security (as evidenced by the most recent rate and valuation notice issued by a municipal authority), then a professional valuation is not also required.

WNL never lends on a Loan to Valuation Ratio ("LVR") in excess of 80%. Most mortgage investments offered to investors are based on an LVR of between 50% and 70%. **WNL** instructs its valuers to value all security properties on an "as is" (as opposed to "on completion") basis.

B. Approved Securities

The types of property that **WNL** accepts as suitable security from a borrower are valued, investigated and assessed to establish whether the property will be adequate to secure the funds to be advanced on the loan sought. Legal, valuation and other necessary expert advice may be sought in the course of such investigations.

Labour standards or environmental, social or ethical considerations are not taken into account in the selection, retention or realisation of the investment.

C. Loan to Valuation Ratio ("LVR")

The Loan Approvals Committee determines appropriate LVRs for the various types of property offered as security. As a general guide, most mortgage loans offered by **WNL** will have their LVRs set in accordance with the following:

Security Type	LVR
Metropolitan Residential	Up to 80%
Other Residential	Up to 70%
Commercial	Up to 70%
Industrial	Up to 70%
Rural	Up to 66.7%

In setting the LVR applicable to any particular mortgage loan, however, the Loan Approvals Committee may weigh a number of factors relevant to the security property and/or the borrower.

The LVR which applies to each mortgage investment is disclosed in the SIA referable to that investment.

D. Loan Approval Procedures

Applications for finance are received from potential borrowers and assessed individually in accordance with the loan application and investigation procedures described herein.

At least two members of the Loan Approvals Committee (which shall include at all times at least one Director), assess all loan applications. The assessment procedures are designed to measure the risk attendant upon any mortgage loan being sought by a borrower, with an LVR and interest rate to be set to properly reflect this risk. The assessment approach of the Loan Approvals Committee is otherwise designed to ensure that the real property offered as security is readily saleable and of a value sufficient to meet all interest, costs and principal which may be secured by any mortgage loan offered by **WNL**, in the event that the mortgage loan is not well conducted.

In particular, the Loan Approvals Committee's assessment procedures reflect the following presumptions.

Acceptable security properties

WNL will theoretically accept any piece of real estate that it considers "readily saleable" as security for a mortgage loan. Included in the class of specialised security properties which **WNL** would not regard as readily saleable are caravan parks, aged care facilities, retirement villages or nursing homes, childcare centres, petrol station sites and serviced apartments. For the avoidance of doubt, **WNL** does not regard the estimated period required to sell a security property as relevant in determining whether it is "readily saleable", and **WNL** considers that most ordinary commercial, industrial, rural and residential properties are readily saleable.

WNL considers that the security property provided for each mortgage loan offers the principal source of protection for the investors funding that loan. **WNL** considers that its prudent LVRs, in concert with its rigorous professional valuation procedures, protects both the principal and interest components owing to its investors in the event that a borrower does not properly service his/her/its mortgage loan.

Typical borrowers

There are a variety of reasons for why borrowers would source private finance through **WNL**, rather than through a larger financial institution or a bank. These reasons may include:

- ☞ Dissatisfaction with traditional bank borrowing and its bureaucratic and administrative processes;
- ☞ The need for rapid approval and availability of funding; and/or
- ☞ The desire for "interest only" finance.

WNL anticipates, however, that there will be other borrowers who seek funding through **WNL** because they are unable to source finance through banks and other mainstream financial institutions. The reasons for this inability may include:

- ☞ The borrower being unable to provide sufficient documentation to evidence to a bank's satisfaction his/her/its capacity to service a mortgage loan (which inability may stem from such circumstances as the borrower being self-employed or embarking upon a new business venture);

- ☹ The borrower having failed to meet a financial commitment previously, irrespective of whether that failure was the result of illness, injury, loss of employment, relationship breakdown or similar.

WNL expects that borrowers who have been unable to source finance through banks and other mainstream financial institutions are at a higher risk of defaulting in the payment of their interest instalments, than borrowers who are able to source finance through banks and other mainstream financial institutions. The higher rates of interest ordinarily paid by borrowers for private finance, and returned to those making mortgage investments, are referable to the additional risk attendant upon financing this class of borrower.

Ability of the borrower to service the mortgage loan

WNL requires that prospective borrowers articulate the income source from which they will meet interest payments. Alternatively, borrowers can prepay interest for the full term of the mortgage loan.

If a significant interest component is not prepaid, **WNL** may also require that a prospective borrower's Accountant verify that in his/her opinion, the borrower can meet his/her/its interest payments as they fall due. However, where interest is not prepaid, whilst **WNL** requires that borrowers' disclose an income source from which the mortgage loan will be serviced, and/or provide correspondence from their Accountant vouching for their capacity to service the mortgage loan sought, **WNL** does not independently verify the particulars provided by the borrower or the borrower's Accountant. As noted above, **WNL** considers the value of the security property, and **WNL's** capacity to realise it if required, as the principal source of security for a mortgage investment.

Principal source of security

WNL is primarily an "equity lender" or "asset lender". It provides finance at prudent LVRs secured by readily saleable real estate. A borrower from **WNL** is required to have a solicitor explain to them the effect of the mortgage loan, which includes that their property may be sold by **WNL**, if they do not meet their interest and other obligations under the mortgage.

It is therefore the loss of the security property which provides the principal incentive to the borrower to appropriately discharge their obligations under the mortgage, and it is the equity available to **WNL** in the security property which offers the principal protection for the recovery of all principal and interest owing to its investors.

Creditworthiness of borrower

Given that the interest rate set on any given mortgage loan is designed to reflect the risks attendant upon that loan, and as otherwise described in this PDS, **WNL** broadly considers the following borrowers "creditworthy" for the purposes of obtaining private funding:

- ☹ Borrowers who own a saleable piece of real estate;
- ☹ Borrowers who are able to point to an income source from which they will meet interest payments (where interest is not prepaid for the term of the loan) or are able to provide a letter from their Accountant vouching for their capacity to meet their interest payments pursuant to the mortgage;
- ☹ Borrowers who are not currently subject to bankruptcy proceedings or are deregistered or subject to external administration (if a company); and
- ☹ Borrowers who do not have current debts of more than \$5,000 recorded by Veda Advantage which will not be paid out by a loan provided by **WNL**, a search of which is obtained by **WNL**.

Consistent approach

All loan applications received by **WNL** are provided to the three members of the Loan Approvals Committee. Where possible, at least two members of that committee agree on whether an offer of finance will be made to the borrower, and if so, the level of risk represented by the application and the appropriate LVR and interest rates that would properly reflect that risk.

Other than the LVR parameters described in the *Loan to Valuation Ratio* section above, the loan approval process is consistent, irrespective of the type of loan and/or type of security property available.

Loan Purpose

WNL does not provide mortgage finance to borrowers who are natural persons (as opposed to companies) and who intend to use the finance provided wholly or predominantly for personal, domestic or household purposes. Accordingly, **WNL** does not provide the type of finance governed by the Consumer Credit Code. **WNL** provides finance to companies and individuals seeking funding wholly or predominantly for a business or investment purpose.

6. How do I invest in the Fund?

Stage One: Registration

Stage one involves applying for registration and being accepted as a Member of the Fund. This is done by completing the Registration Form attached to this PDS and forwarding it to **WNL** together with the minimum subscription amount (\$5,000).

Funds provided are deposited into an interest bearing account with an Australian authorised deposit-taking institution within the meaning of the *Banking Act 1959* ("Australian ADI") within 7 days of receipt. The Accounts presently utilised by **WNL** for this purpose are the National Australia Bank's "Cash Management Account" and Macquarie Bank's "Cash Management Account". The interest rate payable to investors on funds deposited into Macquarie Bank's Cash Management Account, as at the date of this PDS, is 4.75%. No interest or other fees are charged by or paid to **WNL** in respect of investor funds deposited into an interest bearing account.

All investment funds provided by you prior to a suitable mortgage investment being offered to you by **WNL** and accepted by you (in accordance with Stage Two below), and the commencement of this mortgage investment, are held in the Cash Management Account referred to above. You can seek the return of these funds at any time, for any reason, upon twenty-four (24) hours notice to **WNL**.

If you do not find the return offered by the Cash Management Account utilised by **WNL** attractive, **WNL** recommends that you defer applying for registration until a mortgage investment has been offered to you (see below). Any funds provided by you will otherwise be retained in the Cash Management Account until you direct that they be placed in a mortgage investment, or until you request that they be returned to you.

Stage Two: Investment

Stage two involves **WNL** offering and you accepting an approved mortgage investment, which is evidenced by you signing and returning to **WNL** a SIA. If you have not registered in accordance with Stage One, this can be done at the same time as you return a signed SIA to **WNL**.

The SIA contains specific information relating to the particular mortgage investment offered to you, including the borrower's name, the sum secured, the address of the security property, the valuation information, the LVR being applied, the term of the loan and its maturity date, the interest rate payable to you, the frequency of interest payments and details of any fees payable to **WNL**.

WNL will allocate the mortgage investments of a sufficient number of investors for a particular mortgage loan until the required loan amount has been reached. At that time, and when all security documents are completed, you will need to provide the investment monies described in the SIA to be invested on your behalf (or if already provided, these funds will be redeemed from the interest-bearing deposit at the Australian ADI where they have been deposited by **WNL**). The advance to the borrower of the loan sought (ie the settlement of the mortgage) will then take place. You will then be sent an Epitome of Mortgage confirming your investment and when you should expect to receive interest payments.

WNL will provide to a Member, free of charge upon written request, a copy of the Registration Form signed by them, and any signed SIAs where they have accepted and had their funds allocated to particular mortgage investments.

Minimum Initial Investment

Investors are required to make a minimum initial investment of \$5,000 ("Minimum Subscription"). **WNL** may set a further Minimum Subscription for participation in a particular mortgage investment and reserves the right to decline any particular application for Membership of the Fund without giving reasons and to send SIA's containing offers to invest to such investors as it chooses.

7. What is the nature of my Investment?

Each individual mortgage investment is secured by a registered mortgage over one or more pieces of real property owned by a borrower. The mortgage investment endures for an agreed term at a fixed rate of interest. Where interest payments are not paid by the dates agreed with the borrower, a higher rate of interest, which rate is disclosed in the SIA, will apply.

Mortgage Insurance

Where banks and other mainstream financial institutions provide finance at higher than an 80% LVR, they often require that the relevant borrower obtain mortgage insurance. This coverage ensures that the financier can recover interest payments payable in respect of the mortgage loan where particular circumstances arise that result in the borrower being unable to meet their interest payments.

WNL does not provide any finance at a greater than 80% LVR. **WNL** does not require mortgage insurance to be obtained in respect of more conservative loans, namely those advanced at lower than an 80% LVR.

Mortgage insurance would provide a legitimate additional protection to those making mortgage investments. Mortgage insurance does reduce the risk that investors may not receive their interest payments in certain circumstances. The view has been taken by **WNL**, however, that should it require borrowers to obtain mortgage insurance, it would not be price competitive within its market and accordingly may be unable to provide investment opportunities to investors.

Term of mortgage loan

WNL ordinarily offers mortgage loans with a twelve (12) month term to prospective borrowers. This short-term funding allows borrowers to refinance with a bank or other mainstream financial institutions with a lower cost of funds at the expiration of its limited term with **WNL**, and also provides investors with the capacity to recover their investment at regular one year intervals, should they so desire.

In some instances borrowers will not source funds from **WNL** unless a shorter or longer than the standard one year term is available. In these instances, a term of between three (3) months and five (5) years may be offered, and investors willing or eager to invest funds for a shorter or longer term are offered these mortgage investments.

When the term of a mortgage loan expires, the loan may be repaid or extended for a further period on the same or different conditions. In certain circumstances, a loan may be repaid prior to the maturity date, upon terms and conditions agreed upon by **WNL** and the borrower.

When a mortgage loan is repaid, affected investors have the opportunity to reinvest in other mortgage investments offered to them by **WNL** or to have their funds returned to them. Any offer to reinvest is by way of a SIA.

When a mortgage loan is renewed or extended, investors may elect to redeem their funds or allow them to remain in the mortgage investment (if offered to do so by **WNL**). In these situations, investors will be provided with a SIA relating to the proposed new term of the mortgage investment, which includes details of the applicable interest rates and any other relevant changes. This enables the investor to make an informed decision regarding the continuation of their investment.

Notification of defaults

WNL's policy on defaults is that we will notify an investor of any default which in our opinion represents a genuine danger to that investor receiving back all interest and principal owing to them, taking account of the amount of all principal, interest and costs owing under the mortgage and the value of the security property.

In respect of its Mortgage Practice, Wisewoulds has never managed a loan in relation to which investor funds have been lost. There has been only one instance where Wisewoulds effected the mortgagee sale of a security property. In that instance, all principal, penalty interest, fees and costs were recovered in full.

WNL will otherwise advise affected investors within thirty (30) days if **WNL** have not received an interest instalment owing in respect of a mortgage loan managed by it.

Investment Profile

The investment profile of **WNL** as at the date of this PDS:

Total amount invested:	\$6,483,480
Number of Investors:	50
Number of Mortgage Loans:	23
Largest single loan amount:	\$1,012,500
Smallest single loan amount:	\$13,000
Highest single loan to valuation ratio (LVR):	75%
Allocation of type of Mortgage Loan security (by value of mortgage loans issued)	
- Commercial	0%
- Industrial	0%
- Residential	48%
- Rural location	52%
- Other	0%
Geographic spread of Mortgage Loan security:	
- Victoria (18 loans)	78%
- New South Wales (2 loans)	8%
- South Australia (2 loans)	8%
- ACT (1 loan)	4%

8. What returns will my Investment provide?

Interest

A mortgage investment is designed to provide returns in the form of interest payments calculated at the rate set out in a SIA. The interest rate is negotiated between **WNL** and the borrower and is fixed until the maturity of the mortgage investment. As an indication, the average rate of interest paid to investors for a loan during the 12 months prior to the date of this PDS has been approximately 8% per annum. You may obtain current rates by contacting **WNL**.

Interest is usually paid monthly or quarterly in advance or arrears by direct account credit. The details as to the manner of payment on any given mortgage investment are set out in the SIA pertaining to that mortgage investment.

Interest on early repayment by borrower

Whilst mortgage loans are intended to endure for the full term agreed at their commencement, borrowers sometimes request that they repay their loan prior to the maturity of that loan. **WNL** ordinarily agrees to these requests. The concession paid by borrowers in these circumstances, however, is that they pay all interest owing up to the date the loan is repaid, plus an extra amount of interest beyond the date when funds are repaid. This “extra amount” of interest, is usually the equivalent of between one month and three months’ interest and is paid to investors as compensation for the early discharge of their investment. This “extra amount”, if any, is negotiated by **WNL** with the borrower and often varies depending on the original length of the loan and how it has been conducted. It is otherwise determined by **WNL** at its absolute discretion.

Unless a substitute mortgage is able to be sourced by **WNL** for investors being repaid early, the early repayment of a mortgage loan by a borrower would reduce the returns an investor would have expected to receive at the commencement of their mortgage investment.

9. What risks apply to my investment?

The Fund involves real property securities and mortgage investments and as such, any risks are confined to factors affecting that sector of the investment market. **WNL** identifies the investment risks as risk to capital and risk to income. If a borrower defaults on a mortgage loan, and **WNL** sells the security property in order to recover the investment, an investor’s capital and/or interest may be lost if the security property does not sell for an amount sufficient to repay to the investor/s all capital and interest owing to them.

In all cases, potential investors should make an independent investment decision based on information provided in this PDS and any SIA provided to them. Investors are encouraged to obtain their own independent professional investment, accounting and taxation advice.

WNL does not guarantee capital or income but seeks to keep risks of capital and income loss to a minimum by applying risk management procedures. The income of investors involved in a particular mortgage investment is at risk if the borrower defaults under the terms of the mortgage loan by failing to make interest payments. Of the twenty-three (23) loans presently managed by **WNL**, one (1) is in default as at the date of this PDS.

WNL stresses that it cannot control market conditions. General economic conditions and government policies are factors which can affect property values and interest rates. **WNL** cannot control unforeseen and downward shifts in the property market which may cause the emergence of unacceptable loan to valuation ratios. Under these conditions, mortgage sales can deliver less than a full return of capital to investors.

Where a borrower is in default under a mortgage loan, **WNL** will take proceedings to collect interest from the borrower and during that period the investor may not receive interest payments owing to them pursuant to the mortgage. Once recovered, investors are entitled to interest at the higher rate set by the mortgage for the period that the relevant mortgage loan is in default.

Key Features of Risk Management

WNL applies a number of ongoing strategies, policies and procedures to manage and limit the likelihood of any risk to capital or income for investors. These include:

- 🔗 valuation of all security properties in the manner described in this PDS;
- 🔗 a conservative LVR which is determined by the Loan Approvals Committee in each instance;
- 🔗 the capacity of **WNL** to readily take possession and sell a security property if a borrower does not comply with their obligations pursuant to each mortgage loan;
- 🔗 loan approval procedures designed to properly assess the risks attaching to any mortgage loan, so that these risks are reflected in the relevant LVRs and interest rates offered;
- 🔗 efficient management and a proactive interest collection system;

- ☞ day to day management by professional and experienced staff who undertake ongoing training;
- ☞ ensuring borrowers have insurance coverage for the replacement value of any improvements erected on a security property (for instance a residence or other building).

In addition to its risk management policies and procedures, **WNL** has a Compliance Plan which is registered with ASIC. An independent Compliance Auditor audits the Compliance Plan. **WNL** has also appointed a Compliance Officer who monitors Fund procedures and practices at all levels of management and identifies problems or breaches which require attention and/or reporting to the Board and/or ASIC.

10. What are my rights?

The rights of Members of the Fund are set out in the Constitution. Generally, a Member's right to Fund property is confined to the extent of the Member's contribution to individual mortgage investments.

A Member has a right to:

- ☞ Participate in any mortgage investment(s) offered by **WNL**;
- ☞ Participate in the distribution of interest collected by **WNL** in respect of the mortgage investments to which that Member's funds have been applied;
- ☞ Receive statements in respect of mortgage investment(s) made by them;
- ☞ Have their investments redeemed on a mortgage investment's maturity;
- ☞ Attend and vote at meetings of Fund Members;
- ☞ Inspect the Constitution which will be made available by **WNL** upon written request by a Member; and
- ☞ Have the Fund operated by **WNL** in accordance with its legal obligations.

Transfer of a Member's interest in the Fund

No Member can dispose of his or her interest in the Fund except as provided in the Constitution. The Constitution permits the transfer of a Member's interest provided such transfer is in accordance with the Act and is done with the consent of **WNL** in its capacity as Custodian of the Fund. In the event that such a request is granted, any cost of transferring the Member's investment will be borne by that Member, as disclosed in Appendix A annexed hereto.

Withdrawal of investment prior to the maturity date

A mortgage investment by an investor is made for a fixed term. A Member does not have the right to withdraw from a mortgage investment before maturity. However, subject to availability of funds and market conditions, **WNL** will seek to accommodate a written redemption request by an investor for the early withdrawal of their funds. If such a request is granted, any cost of replacing the Member's investment will be borne by that investor, as disclosed in Appendix A. Should the market rate of interest at that replacement date be higher than the rate obtained under the mortgage investment then the investor will be required make up the shortfall in interest (which would be payable to their replacement investor) for the balance of the term.

Transmission

In the event of the death or bankruptcy of a Member, any person becoming legally entitled to the funds invested for the Member may be registered as the holder of an interest in the Fund. In these circumstances **WNL** will charge a transmission fee described in Appendix A.

11. What other information can I obtain about my Investment?

Reporting Information

WNL will provide to Members:

- 🔗 An investment summary (Epitome of Mortgage) when a mortgage investment commences detailing the mortgage investment and when interest payments should be received;
- 🔗 Interest payments for a mortgage investment, upon receipt from a borrower;
- 🔗 An annual statement of their mortgage investments and interest derived; and
- 🔗 Statements of interest paid within seven (7) days of receipt of same by **WNL**.

WNL will provide to Members, upon receipt of a written request:

- 🔗 Information on investments available to that Member in the Fund and information on current interest rates upon request; and
- 🔗 Information on the future of a mortgage investment(s) they have invested in.

12. Complaints

Members may lodge complaints in relation to **WNL's** conduct in its management or administration of the Fund by writing to Wisewoulds Nominees Limited, Level 8, 419 Collins Street, Melbourne Victoria 3000.

The Fund's Complaints Handling Procedure outlines how Members' complaints are dealt with. The central elements of the Complaints Handling Procedure are as follows:

1. A Member may make a written complaint, which is acknowledged by **WNL's** Complaints Officer in writing within 7 business days of receipt of the complaint;
2. The Complaints Officer properly considers and takes action on the complaint, and reports the outcome of the action taken to the Member within 30 days of receipt of the complaint;
3. If the Member is not satisfied with the outcome reported to them by the Complaints Officer, they may refer the matter to the Board of **WNL**;
4. If the Member is still not satisfied with the outcome of their complaint, they may refer it to **WNL's** approved external dispute resolution scheme, namely the Financial Ombudsman Service of GPO Box 3, Melbourne VIC 3001.

13. Privacy Statement

WNL collects personal information from its borrowers for the purpose of assessing loan applications, establishing a borrower's identity and to otherwise comply with its obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) ("the AML Act").

WNL collects personal information from its investors for the purpose of establishing an investor's identity and to otherwise comply with its obligations under the AML Act. **WNL** also collects personal information from its investors in order to determine their taxation status (ie normal tax or withholding tax for non-residents).

Except as otherwise required by law, this information is solely for the use of **WNL**.

WNL complies with the principal provisions of the *Privacy Act 1988* and in particular, except as required by law, will not make available to any other person any personal information of an investor supplied to **WNL** without that investor's approval.

You have a right to access any personal information that **WNL** holds about you and can change or update your details by contacting **WNL**.

14. Consents and Responsibilities

Wisewoulds have given their consent (and have not withdrawn their consent) to be named as the solicitors for **WNL**. Their name appears for information purposes only. Wisewoulds have not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this PDS.

15. Director's Report

The Directors of **WNL** ("the Directors") have not become aware of any circumstances which have or will materially affect **WNL's** trading and profitability or the value of its assets and liabilities.

The Directors believe that **WNL** is in a position to meet its statutory and commercial commitments as they fall due. The maintenance of Net Tangible Assets levels, as required by the Act, is part of **WNL's** financial management, which remains under constant compliance monitoring.

The Directors recommend that you consult your own advisers on any investment issues (and/or other matters of concern to you) raised by this PDS.

Signed on behalf of the Directors, all of whom have consented (and have not withdrawn their consent) to the issue of this PDS.

Julie Helen Barkla

Appendix A: Fees and other costs

Consumer Advisory Warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period

(for example, reduce it from \$100 000 to \$80 000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial advisor.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the fund assets as a whole.

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

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Fees when your money moves in or out of the Fund		
Establishment fee The fee to open your investment.	Nil	-
Contribution fee The fee on each amount contributed to your investment – either by you or your employer.	Nil	-
Withdrawal fee The fee on each amount you take out of your investment.	Nil if your investment is held to maturity of the investment.	-

<p>Transmission fee</p> <p>The fee payable in the event of the death, incapacity or bankruptcy of a Member when such event results in a third party becoming legally entitled to the funds invested for the Member.</p>	<p>1.5% of the amount transferred to the new holder of an interest in the Fund (with a \$350 minimum).</p>	<p>The Transmission fee is either deducted from funds held on behalf of the original investor by WNL, or, if no funds are so held, deducted from the repayment of the investment amount at the time the repayment is made.</p>
<p>Early Withdrawal fee</p> <p>The fee for withdrawing your investment prior to maturity. WNL may, at its discretion, consider a withdrawal request from an investor who through unforeseen and exceptional circumstances wishes to withdraw all or part of their investment prior to the maturity date.</p>	<p>1.5% of the amount withdrawn (with a \$350 minimum).</p>	<p>The Early Withdrawal fee is deducted from the repayment of the investment amount at the time the repayment is made.</p>
<p>Termination fee</p> <p>The fee to close your investment</p>	<p>Nil</p>	<p>-</p>
<p>Management costs</p>		
<p>Administration costs</p> <p>The fees and costs for operating the Fund. They include administration and other fees charged by the product issuer, distribution costs and other expenses incurred in operating the Fund.</p>	<p>Nil paid by the investor.</p> <p>No more than 2.0% of the loan amount per annum (paid by the Borrower).</p>	<p>-</p>
<p>Investment costs</p> <p>The fees and costs for investing the assets. They include fees charged by the product issuer, fees paid to external investment managers and other expenses incurred in investing the assets (excluding transaction costs).</p>	<p>Nil</p>	<p>-</p>
<p>Service fees</p>		
<p>Investment switching fee</p> <p>The fee for changing investment options</p>	<p>Not Applicable</p>	<p>-</p>
<p>Advisor Service fee</p> <p>The fee for additional advice from your advisor about your investment.</p>	<p>Nil. WNL (including its Authorised Representatives) does not provide any advice and accordingly no fee is charged.</p>	<p>-</p>

Example of annual fees and costs for managed investment products

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

EXAMPLE – the Balanced Investment Option		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees	0%	For every additional \$5,000 you put in, you will be charged \$0.
PLUS Management Costs	0%	No charge will be levied against the \$50,000 you have in the fund.
EQUALS Cost of fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged no fees.*

*You will be charged a fee if you leave the Fund early, namely by successfully applying to **WNL** to withdraw part or all of your investment before the maturity date of a mortgage into which it had been invested by **WNL**. If you chose to withdraw \$5,000 you would be charged \$350. If you chose to withdraw your entire investment, namely \$55,000, you would be charged \$825.

Additional Explanation of Fees and Costs

Additional fees received by WNL

In respect of each loan advance, **WNL** and/or Wisewoulds may additionally receive the following fees and costs from a borrower:

- 🌀 A management fee of between 0% and 2% of the amount of the loan;
- 🌀 A loan establishment fee of between 0% and 2% of the amount of the loan; and/or
- 🌀 An early repayment fee of between nil and three months interest (and management fee);

The fees referred to in the preceding paragraph are negotiated by **WNL** with the borrower prior to each loan being made, and are disclosed to investors in that loan, in the SIA provided in each instance.

Brokerage and Third Party Commissions

WNL may, at its absolute discretion, elect to pay from its own funds an up-front and/or trailing commission calculated on the amount of any loan introduced to **WNL** by another party. **WNL** may pay brokerage from its own funds on loans referred by another party, which party might include holders of an Australian Financial Services Licence, mortgage brokers, originators and/or aggregators, accountants, lawyers, real estate agents and investment and/or financial advisers.

Solicitors acting for the Fund or who introduce loans to the Fund will be entitled to receive a procuration fee in accordance with the Practitioner Remuneration Order made pursuant to the *Legal Profession Act 2004 (Vic)*. They will also be entitled to be paid for legal services provided to **WNL**, for the provision of legal advice and the generation of security documents. All fees referred to in this paragraph are paid by the borrower in each instance.

All up-front and trailing commissions, procuration fees, legal fees and brokerage fees are paid either by **WNL** or by borrowers. In no circumstances are the fees described in this section payable by investors or deducted from investors' principal or interest.

■ Registration Form

WISEWOULDS NOMINEES MANAGED MORTGAGE INVESTMENT SCHEME (ARSN 120 649 756)

Investor Names **Full Name of Investor(s)**

Individual

1. Title _____ Surname _____ Given Name(s) _____

2. Title _____ Surname _____ Given Name(s) _____

1. Tax File Number _____

1. Date of Birth _____

2. Tax File Number _____

2. Date of Birth _____

Company

Company Name/Incorporated Association/Superannuation Fund

Contact Person _____ Name of Trustee _____

Company ACN _____ Company TFN _____

Company ABN _____

Investor Details **Residential or Registered Office Address**

Postcode

Postal Address

Postcode

Telephone Numbers

Home () _____ Business () _____

Mobile () _____ Facsimile () _____

Email

Occupation

Investment Amount **Australian Dollars**
(min \$5,000) \$

Method of Payment to Member

Direct to Bank Account

Bank Details

Name of Bank

Branch

Account Name

BSB Number

Account Number

WISEWOULDS NOMINEES MANAGED MORTGAGE INVESTMENT SCHEME (ARSN 120 649 756)

Signing Area

You should read the Product Disclosure Statement IN FULL before signing this Registration Form

I/We hereby apply for registration in the WISEWOULDS NOMINEES MANAGED MORTGAGE INVESTMENT SCHEME (ARSN 120 649 756). I/We acknowledge, agree and understand that:

1. I/We declare that the details given in this form are true and correct, and that I/we acknowledge that I/we have read this Product Disclosure Statement to which this Registration Form relates.
 2. I/We agree to be bound by the provisions of the Constitution of the Fund dated 27th June 2006 as amended from time to time.
 3. Prior to settlement and following maturity of a mortgage, my/our investment monies may be deposited by **WNL** into an Australian API Account, which is an interest bearing bank or financial institution account, on trust for myself/ourselves. The interest earned on such account shall be paid to me/us.
-

Please note, company accounts generally require two signatures

Signature:

Signature:

Name:

Name:

For company accounts please circle corporate titles

Corporate Title:

Director, Secretary/Sole Director and Sole Secretary for and on behalf of the company by authority of the directors

Corporate Title:

Director, Secretary for and on behalf of the company by authority of the directors

Wisewoulds Nominees Limited (ACN 104 133 842) is not responsible for your selection of any mortgage investment nor does it make any recommendations in relation to any investment. You are responsible for the suitability to your needs and circumstances of any investment selected by you.

DO NOT USE THIS FORM UNLESS IT IS ATTACHED TO THE PRODUCT DISCLOSURE STATEMENT.

Wisewoulds Nominees Limited (ACN 104 133 842): Responsible Entity and Australian Financial Services Licensee.
