

PROTECTED LOANS AND TAX DEDUCTIBILITY

The Federal Government has introduced Division 247 of the Income Tax Assessment Act (1997) which outlines the rules in relation to the deductibility of the interest on protected loans. The new legislation applies from 1 July 2007 to all protected loans taken out on or after that date or to an extension of pre 1 July 2007 arrangements. The legislation describes the application of taxation law and in no way expresses or implies a guarantee or endorsement of the commercial viability of Protected Loans, of the soundness or otherwise of Protected Loans as an investment, or of the reasonableness or commerciality of any fees charged in connection with Protected Loans.

A copy of the legislation is available on request from us or from the ATO website, www.ato.gov.au

INVESTMENT AND FINANCIAL ADVICE

St. George Bank – A Division of Westpac Banking Corporation does not advise as to the legal, financial and taxation implications of entering into a margin lending facility. These depend on your own individual circumstances.

The investment decisions are up to you, and the risks of those decisions will be borne by you. Only investors who fully understand the risks of negative gearing into investments should apply for a facility. We strongly recommend that you seek independent, legal, financial and taxation advice with respect to:

- the complete terms of the product and its suitability for you;
- the desirability and suitability of investing in your chosen investments;
- the taxation consequences of entering into a protected loan; and
- your obligations under the legal documentation.

THIS STATEMENT IS NOT AN EXHAUSTIVE LIST OF ALL THE OBLIGATIONS AND RISKS ASSOCIATED WITH USING A PROTECTED LOAN PRODUCT TO INVEST.

PROTECTED LOAN SUPPLEMENTARY TERMS AND CONDITIONS

1 ESTABLISHING A PROTECTED LOAN

- 1.1 *Protected loans* are loans to which these supplementary terms and conditions apply in addition to the *facility agreement*.
- 1.2 Words printed *like this* are explained in the *facility agreement* or in clause 11 of these supplementary terms and conditions. Where a word is explained in both, the explanation in clause 11 prevails.
- 1.3 If you have more than one *facility agreement*, you must nominate which applies to your *protected loan*. If you do not make a nomination, we may nominate which *facility agreement* applies to the *protected loan*.

2 REQUIREMENTS FOR PROTECTED LOANS

- 2.1 The minimum amount of a *protected loan* (including for each particular issuer and class of *protected securities*) is determined by us from time to time. Please contact us if you need to know the minimum amount of a *protected loan*.
- 2.2 A *protected loan* must be used only in connection with *protected securities*.
- 2.3 To obtain a *protected loan* you must:
 - (a) send us a completed *PL identification notice* setting out your instructions in connection with the *protected loan*; and
 - (b) pay us an amount equal to 3% of the *protected loan*. We use this amount to pay any costs (including brokerage) incurred by us (whether or not on your behalf) in connection with the acquisition or disposal of *protected securities*. If the costs incurred by us are less than the amount paid by you under this clause, we credit the difference to the *loan* account of your standard *loan* under the *facility agreement*.
- 2.4 We agree to use reasonable endeavours to complete the instructions set out in the *PL identification notice* provided the *PL identification notice* is completed correctly. However, you acknowledge that it may not be possible to carry out your instructions. We accept no responsibility if we are unable to do so.
- 2.5 We notify you of the *protected prices* of the *protected securities*, the *expiry times* of those *protected prices* and the interest rate payable for a *protected loan* in the monthly statement issued to you after a *protected loan* is drawn down. This information is also available at stgeorgemarginlending.com.au or on request by contacting us at any time.

- 2.6 We will also notify you separately of the “put option premium rate” applicable to a *protected loan* should you request that information from us. This is specified as an annual percentage rate and is incorporated as part of the overall interest rate determined for the *protected loan* (it is not payable separately from the overall interest rate).

3 INTEREST

- 3.1 The interest rate is determined by us in our absolute discretion. Any quote we give you is indicative only and may be less than, or more than, the rate we determine.
- 3.2 The interest rate applicable to a *protected loan* is fixed for the term of the *protected loan*.
- 3.3 Interest must be prepaid in advance either monthly or annually. If interest is prepaid monthly, two months’ interest must be paid upfront in advance with the next monthly prepayment of interest due on the last business day in the second month of your *protected loan*.
- 3.4 Interest begins to accrue from the date that we first advance any amount under the *protected loan*.
- 3.5 Depending on your arrangement with us in relation to your *protected loan*, and provided you meet all the requirements under the *facility agreement*, interest may be capitalised to your *facility*.

4 BENEFITS – PROTECTED LOAN

- 4.1 When a *loan* is a *protected loan* and the *value* of the *protected securities* is less than the *protected price*, we treat the *protected price* as its *value*. Accordingly, we do not exercise our rights to make a margin call under the *facility agreement* in relation to the *protected securities*.
- 4.2 *Protected loans* are limited recourse loans. This means that, subject to clauses 4.3 and 4.4, the principal amount we can recover from you is limited to, and the obligation to repay the principal of the *protected loan* is to be taken to be discharged in full when:
 - (a) you transfer the *protected securities* the subject of the *protected loan* in accordance with clause 6; or
 - (b) we receive, the lesser of:
 - (i) the amount you owe us under the *protected loan*; or
 - (ii) the *net sale price* from the disposal of the *protected securities* received pursuant to clause 7.1(b) or 7.2(b)

4.3 The obligation to pay interest, fees, indemnity obligations, break costs and any other money in connection with a *protected loan* (other than principal) is not subject to clause 4.2. Those amounts are debited to the loan account of your standard *loan* under the *facility agreement*. Unless otherwise specified in the *facility agreement*, you agree to pay us those amounts on demand.

4.4 Clauses 4.1 and 4.2 do not apply if:

- (a) you do not comply with clause 5.2;
- (b) you terminate the *protected loan* in accordance with clause 8; or
- (c) we sell the *protected securities* before the *expiry time* in accordance with a power of sale under the *facility agreement*.

5 DEALING AND TRADING IN PROTECTED SECURITIES AND WRITING CALL OPTIONS OVER PROTECTED SECURITIES BEFORE THE EXPIRY TIME

5.1 You may sell *protected securities* the subject of a *protected loan* before the *expiry time* on the following conditions:

- (a) the *net sale price* must be at least equal to a minimum amount specified by us;
- (b) the *net sale price* must be deposited in the *cash management trust account*;
- (c) after the sale of the *protected securities*, the total of the:
 - (i) funds in the *cash management trust account*; and
 - (ii) *protected prices* of the unsold *protected securities* applicable to the *protected loan* (if any),must be at least equal to the sum of the amount you owe us under the *protected loan* plus amounts we determine may become payable under these supplementary terms and conditions in connection with the *protected loan*;
- (d) you are not entitled to any rebate of interest paid on the *protected loan*;
- (e) you may repurchase equivalent *protected securities* (i.e. the same issuer and class of *protected securities*) before the *expiry time* under the original *protected loan* (i.e. no additional interest is payable);
- (f) you may withdraw funds from the *cash management trust account* only if the total of the:
 - (i) amount remaining following the withdrawal; and

(ii) *protected prices* of the unsold *protected securities* applicable to the *protected loan* (if any),

at least equals the sum of the amount you owe us under the *protected loan* plus amounts we determine may become payable under these supplementary terms and conditions in connection with the *protected loan*; and

(g) you have complied with:

- (i) clause 5.5 of these supplementary terms and conditions; and
- (ii) any other applicable requirements in the *facility agreement*.

5.2 You agree not to create, trade or participate in any *off-market trade* without our prior written consent.

5.3 If you ask and we agree, you may write *call options* over *protected securities* under the terms of the *share option plan* provided:

- (a) you have complied with clause 5.5 of these supplementary terms and conditions; and
- (b) the *call options* have an:
 - (i) *exercise price* which is greater than the *protected price* of the relevant *protected securities*; and
 - (ii) *expiry date* that occurs at least 7 days before the *expiry time* in respect of the relevant *protected securities*.

5.4 You agree that if a *call option* is exercised, any amounts you owe us under these supplementary terms and conditions and the *facility agreement* in respect of the *protected securities*, the subject of the *call option*, remains payable despite the transfer of those *protected securities* out of your name pursuant to the exercise of the *call option*.

5.5 You agree that you will not exercise any of your rights under clause 5 unless you:

- (a) send us a notice in a form required by us; and
- (b) pay to us an amount equal to 3% of the value of those *protected securities* the subject of the notice required by this clause 5.5. We use this amount to pay any *costs* (including brokerage) incurred by us (whether or not on your behalf) in connection with the acquisition or disposal of, or the writing of *call options* over, *protected securities*. If the *costs* incurred by us are less than the amount paid by you under this clause, we credit the difference to the loan account of your standard *loan* under the *facility agreement*.

6 PUT OPTION AT EXPIRY TIME

6.1 We grant you a put option on the following terms:

- (a) the put option gives you the right to require us to purchase from you the *protected securities* the subject of a *protected loan*;
- (b) the only time when we can be required to purchase the *protected securities* is a time on or before the *expiry time* agreed to by us;
- (c) in order for you to exercise the put option you must issue your request not less than 7 *business days* before the *expiry time* of the *protected prices*. If you do not do this, the put option automatically lapses, unless it is otherwise exercised by us or a *nominee* on your behalf under clause 7.2(a);
- (d) if the put option in respect of a *protected loan* is exercised by you or by us or the *nominee* (pursuant to clause 7.2(a)) on your behalf:
 - (i) your obligation is to transfer the *protected securities* the subject of the *protected loan* to us (or a person we nominate) on the date notified by us;
 - (ii) our obligation is to pay you on that day the *protected price* of each *protected security* the subject of the *protected loan*. However, you irrevocably direct us to apply that amount to the repayment of the *protected loan*. Accordingly, we do not pay that amount directly to you.

6.2 A reference to the *protected securities* in this clause 6 is a reference to the *protected securities* as we may change them pursuant to clause 9.

6.3 Nothing in this clause 6 affects your obligations referred to in clause 4.3.

6.4 You may not assign or otherwise deal with your rights under this agreement or allow any interest in them to arise or be varied, in each case, without our consent.

6.5 This put option is incidental to and granted solely in connection with each *protected loan*. You have no right to exercise it other than to ensure repayment of the *protected loan*.

7 WHAT HAPPENS AT EXPIRY TIME

7.1 You must elect to do one of the following things in respect of each *protected security* not less than 7 *business days* before its *expiry time*:

- (a) request us to purchase each *protected security* in accordance with clause 6; or

- (b) request us or the *nominee* to sell it at any price and to any party determined by us in our absolute discretion (clause 4.2 continues to apply in these circumstances); or

- (c) request us to extend its *expiry time* (we need not agree to such a request and any extension is subject to conditions specified by us at that time which may include a different *protected price*); or

- (d) repay to us before the *expiry time* an amount equal to the *protected price* of the *protected security*; or

- (e) request us to convert the *protected loan* to a *standard loan* under the *facility agreement*, in which case the *protected security* loses the benefit of clause 4 of these supplementary terms and conditions from the time you make the request. It is in our discretion whether to agree to such a request, and, if we do, you may need to comply immediately with your margin call obligations under the *facility agreement*.

7.2 If you do not advise us of your election under clause 7.1 of these supplementary terms and conditions within the required time or we do not agree to a request under clause 7.1(c) or (e) of these supplementary terms and conditions, you and each person who is a party to these supplementary terms and conditions are treated as having irrevocably requested us or the *nominee* to either, in our discretion:

- (a) exercise the put option under clause 6 on your behalf; or

- (b) otherwise sell the *protected securities* at a time and price determined by us in our absolute discretion.

Clause 4.2 continues to apply in these circumstances. However, as an additional obligation you agree to pay us all *costs* incurred by us in doing so.

8 EARLY TERMINATION

8.1 If you ask and we agree, the designation of a *loan* as a *protected loan* may be ended before the *expiry time* on terms specified by us. If this occurs, you and each person who executes these supplementary terms and conditions indemnify us in accordance with the *facility agreement* as if the ending of the designation of the *loan* as a *protected loan* was an early repayment of a *loan*.

8.2 Without limiting any provision in the *facility agreement*, the loss or *costs* you indemnify us for include break costs. Break costs are the amount equal to our reasonable estimate of our loss (if any) arising from a *loan's* designation as a *protected loan* being ended before the *expiry time*.

8.3 We calculate the break cost of a *protected loan* by any method we reasonably choose including by reference to any loss we incur because we terminate arrangements we have made with others in order to provide or continue providing the *protected loan* (including arrangements in connection with hedging our exposures in connection with the *protected loan* to changes in interest rates and changes in the *market value* of the *protected securities* purchased with the *protected loan* (including in connection with the put option granted to you under clause 6)).

9 CHANGES

By notice to you at any time before the *expiry time* of a *protected security*, we may change the *expiry time*, the *protected price* and nominate alternative *securities* as *protected securities* if the entity that issued the *protected security* is the subject of a takeover or merges or consolidates with another entity or transfers all or substantially all its assets to another entity or makes a bonus issue, a distribution by way of return of capital or a rights issue, or otherwise alters its capital structure. We may determine that an amount is payable by you in such circumstances in our discretion and any such amount is payable by you on demand.

10 GENERAL

- 10.1 If the *facility agreement* contains any provisions expressly relating to protected equity loans or protected portfolio loans, those terms are to be treated as redundant and overridden by these supplementary terms and conditions.
- 10.2 If a *cash management trust account* has not been opened under the *facility agreement*, you authorise us to open a *cash management trust account* on your behalf.
- 10.3 In addition to any other amounts payable under these supplementary terms and conditions and the *facility agreement*, you agree to pay our *costs* and any fee we charge for acting on a request made by you in connection with these supplementary terms and conditions.

11 GLOSSARY

- 11.1 These meanings apply in these supplementary terms and conditions unless the contrary intention appears:

ASX means ASX Limited or the Australian Securities Exchange Limited.

business day means a weekday on which both banks and the ASX are open for business in Sydney.

call option has the meaning as defined under the ACH *Clearing Rules*. Generally it means an option contract that entitles the buyer to buy a fixed number of the *underlying securities* at an exercise price on or before a fixed *expiry date*.

cash management trust account means a cash management trust account approved by us.

costs means “costs” as defined under the *facility agreement*. If there is no definition of “costs” in the *facility agreement*, costs means any costs, charges and expenses, including costs, charges and expenses in connection with legal and other advisers and includes:

- (a) stamp duty and other government duties, taxes and charges;
- (b) any calls, instalments or other amounts payable in connection with the property mortgaged by you, or any other person who is a party to these supplementary terms and conditions, to us under the *facility agreement*; and
- (c) any fees and charges applicable to, or other amount payable under, the *facility*.

exercise price means “exercise price” as defined under the *option trading agreement*.

expiry date means the maturity date of a put option or a *call option*, as the context requires.

expiry times means the strike price of a put option or a *call option*, as the context requires.

facility agreement means the margin lending facility between you (as borrower), us and any other person.

loan means any loan we make to you in accordance with the *facility agreement* from time to time.

net sale price means the amount realised on the sale of a *security* (after deducting all expenses, brokerage and stamp duty).

nominee means the nominee appointed under the *facility agreement*.

off-market trade means a trade which is not conducted as a dealing undertaken in the ordinary course of trading on the ASX.

PL identification notice means a protected loan identification notice in the form specified by us.

protected loan means a *loan* requested under these supplementary terms and conditions.

protected price means the price we assign to a *protected security* at our absolute discretion.

protected securities means the *securities* specified by us as being the *securities* we may accept in connection with a *protected loan*.

securities has the meaning in the *facility agreement*.

share option plan means as applicable, the Share Option Plan - Terms and Conditions between you (as borrower) and us.

value of a security means the amount calculated in accordance with the *facility agreement* as the security's value for the purpose of determining whether to make a margin call.

we, us or *our* means St. George Bank - A Division of Westpac Banking Corporation ABN 33 007 457 141, our successors and assigns.

you means the person or persons who are named as borrower in the application for a *protected loan*. If there are more than one, *you* means each of them separately and every two or more of them jointly. *You* includes your successors.