



LM Investment Management Ltd

LM First Mortgage Income Fund

ARSN 089 343 288

Incorporating:-

- > Flexi Account and Fixed Term Investment
- > LM Savings Plan
- > Currency Hedged Fixed Term Investment

> Product Disclosure Statement &
Application Form
Issued 10 April 2008

Australia's Specialist Mortgage Trust Manager

ABN 68 077 208 461 Responsible Entity & AFSL No. 220281

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How to use this Product Disclosure Statement

This Product Disclosure Statement ("PDS") is provided and issued by LM Investment Management Ltd as responsible entity for the **LM First Mortgage Income Fund** ("Fund"). Investors should read the entire PDS and any supplementary PDS before making a decision to invest.

This PDS describes the main features of the **LM First Mortgage Income Fund**, and the investment options in the Fund, which are the **Flexi Account**, the **Australian Dollar Fixed Term** options, the **Currency Hedged Fixed Term** options, and the regular savings plan option known as the **LM Savings Plan**, and contains the Application Form.

This PDS also provides general information in relation to LM Investment Management Ltd ("LM", "Manager", "we", "us", "our"), material documents and other relevant matters. It helps investors to decide whether the product offered will meet their needs and enables them to compare this product with others they may be considering.

Important information

No person is authorised to give any information or to make any representation in connection with the offer of investment described in this PDS which is not contained in this PDS. Any information or representation not so contained may not be relied on as having been authorised by the Manager in connection with this offer.

This PDS is an offer which is available to persons receiving the electronic PDS within Australia but does not constitute an offer in any jurisdiction where, or to any persons to whom, it would be unlawful to offer this PDS. It is the responsibility of any overseas applicant to ensure compliance with all laws of any country relevant to their application. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained. An application may only be accepted on an Application Form which forms part of this PDS.

This PDS should be read in its entirety. In particular it is important that investors consider the risk factors that could affect the performance of the Fund. None of an investor's objectives, financial situation or needs has been taken into account in this PDS and investors should carefully consider their personal circumstances before deciding whether to invest in the Fund. If after reading the PDS an investor has any questions regarding its contents or the procedure for investing they should contact their financial or other professional adviser. Past performance should not be taken as an indicator of future performance. Neither the Manager nor the custodian gives any guarantee with respect to the performance of the Fund, the payment of income, or the repayment of capital by the Fund.

All monetary amounts in this PDS are references to Australian dollars, unless stated otherwise.

The Manager may change any of the terms and conditions in this PDS. Notice of material changes will be given to investors, normally in the form of a replacement or supplementary PDS.

From the Directors

LM Investment Management Ltd

LM Investment Management Ltd ("LM") is a privately owned, Australian funds management company with national and international operations. With a specialist focus on the mortgage trust sector, LM manages one of Australia's largest mortgage trusts, the LM First Mortgage Income Fund ("Fund"). Through its management of the Fund, LM enjoys active participation and recognition as a lender within Australia's business and property sectors.

The Australian Mortgage Trust Sector

The Australian managed funds industry is the 4th largest in the world, behind the United States, Luxembourg and France. Established in the 1960's the Australian mortgage trust sector is a significant sector within the financial services industry which has evolved as a mainstream income investment. It is in this sector that LM has focused its expertise to deliver the LM First Mortgage Income Fund, a competitive income product designed to outperform cash¹.

Distribution

Distribution of this income product is through a national and international network of financial advisers, wholesale platforms, private banks, superannuation funds, corporate and institutional investment. Designed specifically for these markets, the Fund offers tailored investment options including retail, wholesale, institutional and currency hedged. Product Disclosure Statements for these options are available from your financial adviser or the Manager.

The LM First Mortgage Income Fund

LM's management expertise, teamed with a well defined investment strategy of selecting only Australian registered first mortgage securities, cash and at call securities has allowed the Fund to deliver uninterrupted interest distributions and maintain the unit price of \$1.00 since inception in 1999².

With a niche product LM receives investments through adviser recommendations in 22 countries. It is pleasing to incorporate multiple currency investment options in this new PDS.

Compliance within the Regulated Financial Services Industry

LM is registered as an Australian Financial Services Licensee and a Responsible Entity under the Corporations Act 2001 and is therefore regulated by the Australian Securities and Investment Commission.

Australia enjoys a global reputation for having one of the most efficiently regulated finance sectors in the world. It provides security and integrity, through a sound, flexible and strong system of financial regulation designed to prevent systemic failure, and avoid unnecessary burdens on business.

¹ Since inception the returns paid to investors have outperformed cash rates. Past performance is not an indicator of future performance. Performance of the Fund is not guaranteed and the risks associated with an investment in the Fund are different to cash.

² Past performance is not an indicator of future performance.

About the LM First Mortgage Income Fund

This summary provides an overview of the key features of the Fund. The entire PDS should be read before investing in the Fund.

Investment Objective	<ul style="list-style-type: none">▶ To offer appropriate risk/return premium over cash rates on a range of different currencies³;▶ To offer competitive interest distributions; and▶ To allow investors a choice of investment currency and investment term.		
Assets of the LM First Mortgage Income Fund	The assets of the LM First Mortgage Income Fund (“Fund”), a registered managed investment scheme, are a Manager diversifies the underlying mortgage portfolio by selecting mortgages spread across different sectors,		diversified “pool” of Australian registered first mortgages, cash and “at call” securities. As part of the asset allocation strategy, the geographic locations, terms and loan sizes.
Investment Choice	Australian Dollar Investments		Non-Australian Dollar Investments
	There is a choice of Australian Dollar investment options available in the Fund, which are the Flexi Account, Fixed Term Investment Options and the LM Savings Plan. A summary of the features of these Australian Dollar investment options are set out below. An investment in Australian Dollars is not hedged.		Non-Australian dollar investments in the Fund are hedged in the relevant currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts (“FFEC”). The FFECs are facilitated by a global investment bank. Investments may be arranged for most currencies including:- ▶ USD, ▶ GBP, ▶ EUR, ▶ CAD, ▶ HKD, ▶ SGD, ▶ JPY, ▶ NZD, ▶ CHF, ▶ THB, and ▶ SEK For clarification on hedging a specific currency please contact the Manager.
	Flexi Account and Fixed Term Investment Options	The LM Savings Plan Option	Currency Hedged Fixed Term Investment Options
	Investors can choose the term of their investment by selecting one or more of the investment options below:- ▶ Flexi Account; or ▶ Fixed Term investment of:- > 4 years > 3 years > 2 years > 13 months > 12 months > 6 months > 3 months > 1 month Investors may request different terms by applying to the Manager. An Australian Dollar investment commences on receipt of the cleared investment amount and completed Application Form and relevant supporting documentation.	A savings plan can be started with a minimum investment of \$100 and requires ongoing regular monthly investments of \$100 or more. The minimum investment term for the LM Savings Plan is 12 months. No withdrawals are allowed during the initial 12 month term.	Non-Australian Dollar investors can choose the term of their investment by selecting one or more of the investment terms below:- > 12 Months > 6 Months > 3 Months > 1 Month Investors may request different terms by applying to the Manager. The investor’s investment term commences on the date the Manager settles the FFEC.
Interest Distribution Rates	Interest distribution rates are variable. Refer to the paragraph headed “Interest Distribution Rates” on page 5 of particular investment options from their adviser or by telephoning the Manager on +617 5584 4500 or from		of this PDS for further details. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect the Manager’s website at www.LMaustralia.com ⁴ .
Payment of Interest Distributions	Reinvested monthly into the investor’s investment account. Investors may choose to have the interest distribution paid monthly or quarterly direct to the account nominated on the Application Form.	Reinvested monthly to the investor’s investment account.	Reinvested at maturity of the chosen investment term into the investor’s investment account. Investors may choose to have the interest distribution paid at maturity direct to the account nominated on the Application Form.
Withdrawal Notice	▶ Flexi Account – Written notice is required to withdraw; ▶ Fixed Term investments – At least 5 business days prior to maturity of the fixed term investors must notify the Manager in writing whether they wish to withdraw. If no withdrawal notice is received an investor’s investment is automatically rolled over for a further term of the same length. Refer to page 17 of this PDS (“How to Withdraw”).	No withdrawals are allowed during the first 12 month period. After the initial 12 month period investors can make up to 4 withdrawals annually by giving written notice to the Manager. Refer to page 17 of this PDS (“How to Withdraw”).	At least 5 business days prior to maturity of the investment term investors must notify the Manager in writing whether they wish to withdraw. If no withdrawal notice is received or no rollover/maturity instructions provided an investor’s investment and interest distribution is automatically reinvested in the original nominated currency for further 1 month investment terms until the investor notifies the Manager of a longer reinvestment term or a withdrawal notice is received. Refer to page 17 of this PDS (“How to Withdraw”).
Minimum Investment	\$1,000 ⁵	Initial investment \$100 and minimum total monthly investment \$100.	\$1,000 ⁵
Minimum Withdrawal	\$1,000 ⁵	\$100	\$1,000 ⁵
Minimum Balance	\$1,000 ⁵	\$100 ⁵	\$1,000 ⁵
Unit Pricing	The price of units in the Fund is currently \$1.00 and has been so since the commencement of the Fund in		October 1999 (Refer to page 13 of this PDS (“Unit Pricing”) for further details).
Australian Taxation	If an investor is not an Australian resident for taxation purposes, Australian taxation rates will not apply. However, withholding tax in their country of residence. Specific taxation advice should be obtained. Investors with domiciled information.		withholding tax is deducted from interest distributions at a rate of 10%. Non-resident investors may be entitled to claim a credit for tax exempt status will not be subject to any Australian taxation, including withholding tax. Refer to page 25 of this PDS (“Tax”) for further
Risk	All investments are subject to risks. Details of risks associated with an investment in the Fund are outlined on		page 26 of this PDS (“Investment Risks”).
Fees	There are no entry or exit fees payable. The Manager receives a Management Fee which is currently calculated		as a percentage of net assets of the Fund. For full details please refer to page 21 of this PDS (“Fees and Other Costs”).

³ This investment objective is derived from the return of the underlying investments of the Fund, which has outperformed cash rates since associated with an investment in the Fund are different to cash.

⁴ Past performance is not an indicator of future performance.

⁵ Or such lesser amount as determined by the Manager.

inception. Past performance is not an indicator of future performance. Performance of the Fund is not guaranteed and the risks

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The LM First Mortgage Income Fund

Investment Objective

- ▶ To offer appropriate risk / return premium over cash rates on a range of different currencies⁶;
- ▶ To offer competitive interest distributions; and
- ▶ To allow investors a choice of investment currency and investment term.

The Manager achieves this by being selective with the investments of the LM First Mortgage Income Fund, which are a diversified “pool” of registered first mortgages, cash and “at call” securities.

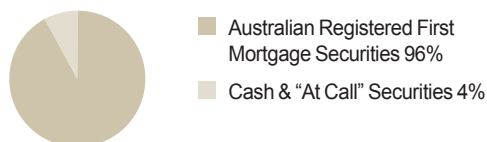
Benefits of Investing

- ▶ Choice of investment term;
- ▶ Choice of currencies with non-Australian dollar currencies hedged against movements in the Australian dollar;
- ▶ Australian registered first mortgage security;
- ▶ Appropriate risk premium relative to cash rates⁶;
- ▶ Funds management expertise – managed by specialist mortgage trust manager;
- ▶ Nine year management track record of uninterrupted income distributions⁷.

The LM First Mortgage Income Fund Investments

The Fund currently invests in a diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail and vacant land, interest bearing cash investments and “at call” securities.

The assets of the LM First Mortgage Income Fund as at 29 February 2008 totalled \$718,403,075 and were made up as follows:



Interest Distribution Rates

Interest distribution rates are variable, and will depend on income earned and expenses paid by the Fund from time to time, commission payable to advisers, and on the type of investment chosen. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect of particular investment options from their adviser, by telephoning the Manager on +617 5584 4500 or from the Manager’s website at www.LMaustralia.com.⁷

Investment Options in the LM First Mortgage Income Fund

Financial advisers have the advantage of tailoring a client’s portfolio for optimal liquidity and maximum return by blending investment through one or more of the Fund’s Flexi Account or Fixed Term investments.

The investment options offered by the Fund provide flexibility of choice for investors. Investors can choose investment currency and term of their investment by selecting one or more of the investment options below:-

Australian Dollar Investment Options

- ▶ **Flexi Account**
The Flexi Account option generally allows investors 30 day access to their funds.⁸
- ▶ **Fixed Term Investment**
The Fixed Terms offered by the Fund are as follows⁸:-
> 4 years > 3 years > 2 years > 13 months
> 12 months > 6 months > 3 months > 1 month
Investors may request different terms by applying to the Manager.
- ▶ **LM Savings Plan**
The LM Savings Plan is a savings plan option that investors can start with a minimum investment of \$100 and ongoing regular monthly investments of \$100 or more for at least the first 12 months.

Non-Australian Dollar Currency Hedged Fixed Term Investment Options

Non-Australian dollar investments in the Fund are hedged in the respective currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts (“FFEC”). The FFEC’s are facilitated by a global investment bank. Investments may be arranged for most currencies including:-

> USD > GBP > EUR > CAD > HKD > SGD > JPY
> NZD > THB > CHF and > SEK

Non-Australian Dollar investors can choose the term of their investment by selecting one or more of the investment terms below:⁸

- ▶ 12 Months
- ▶ 6 Months
- ▶ 3 Months
- ▶ 1 Month

The investor’s investment term commences on the date the Manager settles the FFEC.

For clarification on hedging a specific currency or enquiries for other investment terms please contact the Manager.

Further details regarding each of the Fund’s investment options are set out on pages 6 - 9 of this PDS.

⁶ Since inception the returns paid to investors have outperformed cash rates. Past performance is not an indicator of future performance. Performance of the Fund is not guaranteed and the risks associated with an investment in the Fund are different to cash.

⁷ Past performance is not an indicator of future performance.

⁸ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS (“How to Withdraw”).

LM First Mortgage Income Fund Australian Dollar Investment Options

LM Flexi Account and Fixed Term Options

► Flexi Account

The Flexi Account option generally allows investors 30 day access to their funds.⁹

► Fixed Term Investment

The Fixed Terms offered by the Fund are as follows:⁹

- > 4 years > 3 years > 2 years > 13 months
- > 12 months > 6 months > 3 months > 1 month

Investors may request different terms by applying to the Manager.

Interest Distribution Rates

Interest distributions are variable, and will depend on income earned and expenses paid by the Fund from time to time, commission payable to advisers, and on the type of investment chosen. The most recent interest distribution rates paid by the Fund in respect of the Fund's Flexi Account, Fixed Term Investment and LM Savings Plan options can be obtained from an investor's adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at www.LMaustralia.com.¹⁰

Interest Distribution Payments for the Flexi Account and Fixed Term Options

Monthly interest distributions are automatically reinvested. However investors may choose to have their interest distribution:-

- paid by direct credit monthly or quarterly to the nominated financial institution account on the Application Form;
- paid to an investor's LM Cash Performance Fund investment account; or
- paid as a split interest distribution, which means that part of the interest distribution is paid to an investor's financial institution account and the balance reinvested. Further details are set out below.

If no instructions are given, interest distributions are automatically reinvested.

Interest distributions are calculated daily. Interest distributions are paid within 14 days after the end of the month. Quarterly interest distributions are paid within 10 business days of the quarterly anniversary of the investment date.

Interest distributions are paid by direct credit to the account nominated on the investor's Application Form.

Split Interest Distributions for the Flexi Account and Fixed Term Options

Investors can elect to have a fixed portion of their monthly interest distribution amount paid monthly or quarterly to their nominated financial institution account with the balance interest distribution amount reinvested to their investment account.

This optional feature allows investors to properly plan and budget their financial affairs and is particularly useful for investors who are relying on investments to provide regular payments to meet everyday expenses.

To use the "Split Interest Distributions" feature please complete the appropriate section of the Application Form attached to this PDS.

Additional Investments for the Flexi Account and Fixed Term Options

Investors can choose to make an additional investment or regular monthly, quarterly or semi-annual additional investments to their Flexi Account or Fixed Term investment account. See the heading "Adding to an Investment for Australian Dollar Investments Only" on page 16 of this PDS.

LM First Mortgage Income Fund Fixed Term Commencement

An investment term generally commences on the day that the investor's properly completed Application Form (and relevant supporting documentation) and investment money are received and processed by the Manager. For example, if a properly completed Application Form, supporting documentation, and investment money are received and processed for a 12 month term on 15 January, then the investment term commences on 15 January and ends on 15 January of the following year.

Flexi Account Withdrawal Notice

To withdraw all or part of a Flexi Account investors must give the Manager written notice. Payment of the withdrawal will generally occur within 30 days from receipt of the written notice.⁹ Whilst the withdrawal is processed the investment continues to earn interest. The withdrawal is paid by direct credit to the investor's account nominated on the Application Form.

Fixed Term Investment Withdrawal Notice

To withdraw all or part of a Fixed Term investment, investors must notify the Manager in writing at least 5 business days prior to the maturity date of the Fixed Term investment. Payment of the withdrawal will generally be made within 30 days after the maturity date.⁹ Whilst the withdrawal is processed the investment continues to earn interest. The withdrawal is paid by direct credit to the investor's account nominated on the Application Form.

If no withdrawal notice or written notice to change the term, is received at least 5 business days prior to the maturity date the investment will automatically roll over for a further investment term of the same length.

⁹ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

¹⁰ Past performance is not an indicator of future performance.

LM First Mortgage Income Fund Australian Dollar Investment Options

LM Savings Plan Option

LM Savings Plan investors can start their savings plan with a minimum investment of \$100 and ongoing regular monthly investments of \$100 or more for at least the first 12 months.

Investors can choose to have their ongoing investments paid by direct debit on a weekly, fortnightly or monthly basis. The direct debit will be paid from the account nominated on the Application Form.

The minimum investment term for the LM Savings Plan is 12 months. To ensure that savings are maximised no withdrawals are allowed during the initial 12 month term.

After the initial 12 month period investors can make up to 4 withdrawals annually.

Interest Distribution Payments for the LM Savings Plan

Interest distributions are calculated daily and reinvested monthly to an investor's LM Savings Plan investment account.

LM Savings Plan Additional Investments

Investors can choose to make additional investments to their savings plan at any time. The minimum additional investment amount is \$100.

LM Savings Plan Withdrawal Notice

Following the initial 12 month investment period investors can make up to 4 withdrawals annually by giving written notice to the Manager. Payment of the withdrawal will generally occur within 30 days from receipt of the written notice.¹¹ The withdrawal is by direct credit to the account nominated on the Application Form.

LM Savings Plan Commencement

An investment term generally commences on the day that the investor's properly completed Application Form (and relevant supporting documentation) and investment money are received and processed by the Manager. For example, if a properly completed Application Form, supporting documentation, and investment money are received and processed for a 12 month term on 15 January, then the investment term commences on 15 January and ends on 15 January of the following year.

Performance

The historical returns of the Fund to 29 February 2008 are set out below. Performance figures are calculated net of fees and assume all interest distributions are reinvested. The performance figures assume a fee of 1.1% pa (including GST) of net assets is paid to advisers. No performance figures are provided for the 1 Month Fixed Term option as it commenced at the date of this PDS, nor for the 13 Month Fixed Term option as it commenced on 20 March 2008. Investors can obtain updated details of the most recent interest distribution rates paid by the Fund in respect of particular investment options from their adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at www.LMaustralia.com.¹²

Investment	6 mths	1 yr*	3 yrs*	5 yrs*	7 yrs*	8 yrs*
4 Years	3.83%	7.78%	N/A	N/A	N/A	N/A
3 Years	3.83%	7.78%	N/A	N/A	N/A	N/A
2 Years	3.83%	7.78%	7.75%	N/A	N/A	N/A
12 Month Term	3.70%	7.52%	7.50%	7.60%	7.92%	7.89%
6 Month Term	2.96%	6.00%	6.00%	6.05%	6.32%	6.49%
3 Month Term	2.47%	5.00%	5.00%	5.02%	5.30%	5.46%
LM Flexi Account	3.29%	N/A	N/A	N/A	N/A	N/A
LM Savings Plan	3.27%	6.52%	6.50%	N/A	N/A	N/A

Effective annual interest distributions to 29 February 2008. Interest distribution rates may vary. **Past performance is not an indicator of future performance.*

¹¹ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

¹² Past performance is not an indicator of future performance.

LM First Mortgage Income Fund Non-Australian Dollar Currency Hedged Fixed Term Investment Options

Non-Australian Dollar Currency Hedged Fixed Term Investment Options

Non-Australian dollar investments in the Fund are hedged in the respective currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). The FFEC's are facilitated by a global investment bank. Investments may be arranged for most currencies including:-

> USD > GBP > EUR > CAD > HKD > SGD > JPY
> NZD > THB > CHF and > SEK

Non-Australian Dollar investors can choose the term of their investment by selecting one or more of the investment terms below:¹³

- ▶ 12 Months
- ▶ 6 Months
- ▶ 3 Months
- ▶ 1 Month

The investor's investment terms commences on the date the Manager settles the FFEC.

Extended Investment Terms

Investors may apply to the Manager to invest in the Fund for an extended investment period for multiple 12 month investment terms e.g. if an investor wants to invest for a 2 year investment term the 2 year investment term will be conducted as 2 rolling 12 month investment terms. In this case the second investment term is dealt with in the same manner as an initial investment. If the Manager allows the extended investment term, the terms and conditions of the extended investment term will be the same as the Fund's investment terms outlined in the PDS in force at the time the extended term commences. Investors will need to contact their adviser or access our website at www.LMAustralia.com or telephone us on +617 5584 4500 prior to the reinvestment term to obtain details of the most recent interest distribution rates and a copy of the PDS that will apply for the purpose of the reinvestment.¹⁴

Non-Australian Dollar Currency Hedged Interest Rates

Interest distribution rates are variable, and will depend on income earned and expenses paid by the Fund from time to time, commission payable to advisers, and on the type of investment chosen. Investors can obtain details of the most recent interest distribution rates paid by the Fund in respect of particular currency investment options from their adviser, by telephoning the Manager on +617 5584 4500 or from the Manager's website at www.LMAustralia.com.¹⁴

Currency Hedge

The Fund hedges a non-Australian dollar investment through the use of FFECs. Each FFEC requires agreement between the user (the Fund) and the provider (financial institution) on the following:-

- ▶ currencies to be exchanged;
- ▶ the value of each of the currencies to be exchanged;
- ▶ the maturity date of the contract; and
- ▶ the rate at which the exchange between currencies will occur.

The forward rate is determined by the spot rate (current market rate) and the interest rates of the relevant currencies and will change as these variables alter.

On acceptance of investment funds and the completed Application Form, the relevant currency is converted at the prevailing spot market rate into Australian dollars and units in the Fund issued. The Fund simultaneously enters into a FFEC. The FFEC requires the Fund to deliver an amount of Australian dollars in exchange for an amount of the relevant foreign currency at a specific time in the future (the specific time is equivalent to the investment term) at a predetermined exchange rate (forward rate). At the end of the investment period the Fund converts the earnings of the investor into the relevant foreign currency at the forward foreign exchange rate.

Both the spot and forward transactions are facilitated by a global investment bank.

This process allows the Fund to offer investors the opportunity to invest in the LM First Mortgage Income Fund and hedge their investment against currency movements.

Currency Hedged Initial Investment

On receipt of the investment amount and the completed Application Form (including relevant supporting documentation) the Manager will confirm receipt with the investor's adviser.

The non-AUD investment amount is held in the subscription account until the Manager exchanges the foreign currency into Australian dollars and simultaneously hedges the relevant currency using FFECs.

Non-AUD investment terms for all currencies commence on the day the Manager settles the FFEC. For example, if the properly completed Application Form and supporting documentation for a 12 month term investment and investment monies are received by the Manager on 20 March and the FFEC settles on 22 March the commencement date will be 22 March and the maturity date will be 12 months later. The investment commences to earn interest from 22 March.

FFECs are settled on a daily basis with the global investment bank.

Investors will be notified by the Manager of the commencement date of their investment in writing.

¹³ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

¹⁴ Past performance is not an indicator of future performance.

LM First Mortgage Income Fund Non-Australian Dollar Currency Hedged Fixed Term Investment Option

Interest Distribution Payments for Non-Australian Investments

Interest distributions are calculated for the term of the investment and are reinvested at the end of the investment term unless the investor elects to have the interest distribution paid direct to the investor account nominated on the Application Form. The interest distribution is paid within 5 business days of maturity of the original and any subsequent investment term.

Investors should note that if they elect to have the interest distribution paid to the investor account nominated on the Application Form, financial institutions charge a remittance fee which will be deducted from their interest distribution.

Automatic Reinvestment Default Position

If the investor has not ticked one of the boxes in Section 12 of the Application Form to either redeem or to rollover the investment for subsequent investment terms, the following default process will apply. At the end of the relevant investment term, the investor's original investment amount and interest distribution (unless the investor elects to have the interest distribution paid direct to the account nominated on the Application Form), are automatically reinvested and reheded in the originally nominated currency for further 1 month investment terms until the investor provides the Manager with longer investment term instructions or a written withdrawal notice.

Investors should complete the Maturity/Rollover Instructions in Section 12 of the Application Form to ensure that correct rollover/withdrawal instructions are provided to the Manager.

Investors should consult with their adviser to obtain details of the current PDS and most recent interest distribution rates prior to reinvestment.¹⁵ The current PDS and most recent interest distribution rates are also available from the office of the Manager by telephoning +617 5585 4500 or by visiting the Manager's website at www.LMAustralia.com.¹⁵

Changing Rollover Investment Terms

Investors can change the term of their investment by giving the Manager written notice at least 5 business days prior to the existing maturity date.

Investors should consult with their adviser to obtain details of the current PDS and most recent interest distribution rates prior to reinvestment.¹⁵ The current PDS and most recent interest distribution rates are also available from the office of the Manager by telephoning +617 5585 4500 or by visiting the Manager's website at www.LMAustralia.com.¹⁵

Notice of Withdrawal

To withdraw all or part of a currency hedged fixed term investment, investors must notify the Manager in writing at least 5 business days prior to the maturity date of the current investment term. Payment of the withdrawal will generally be made within 5 business days after the maturity date.¹⁶ The withdrawal is by direct credit to the account nominated on the Application Form.

Please refer to the paragraph on this page headed "Automatic Reinvestment Default Position" for further details of the consequences of not providing the notice in writing at least 5 business days prior to the relevant maturity date.

¹⁵ Past performance is not an indicator of future performance.

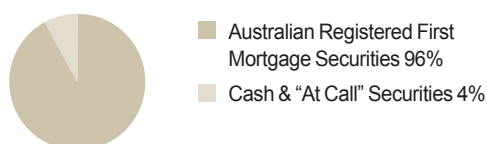
¹⁶ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

LM First Mortgage Income Fund Investments

Assets of the LM First Mortgage Income Fund

The assets of the Fund are a diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail, vacant land, interest bearing cash investments and “at call” securities.

The assets of the Fund as at 29 February 2008 totalled \$718,403,075 and were made up as follows:



Investment Strategy and Structure

The Manager’s investment strategy is to provide competitive investment returns from Australian registered first mortgage securities, cash and “at call” securities. Risk management is a priority and the Manager follows a disciplined research driven approach to investment.

The Manager’s Property Research and Analysis Committee (“PRAC”), specifically targets locations offering property growth opportunities and property sectors which are expected to perform. The Manager utilises the information provided by PRAC to review and assess its asset allocation strategy for the mortgage securities. As part of its asset allocation strategy the Manager diversifies the mortgage portfolio at a number of levels including, sector, geographic location, term and loan size.

All decision making in relation to the assets of the Fund is handled through a collaborative discussion forum of committee structures, rather than resting with one person. Both the broad base of expertise involved in committee discussions together with the objectivity offered by voting members of the committees is designed for the ultimate protection of investor funds. The Credit Committee is integral to the compliance and risk management processes utilised by the Manager with respect to the selection of registered first mortgage assets for the Fund. The Credit Committee calls for collaboration of a broad base of expertise from the property, finance, legal and accounting sectors when evaluating mortgage assets for the Fund. The formal structure and collaborative decision making process provided by the Credit Committee ensures an informed assessment and objective decision is made when selecting the first mortgage assets of the Fund. For more information in relation to the Credit Committee and the Manager’s lending policies and procedures refer to the section headed “Lending Policies and Procedures of the LM First Mortgage Income Fund” on this page of the PDS.

To enhance investment returns from cash investments the Manager may, from time to time, invest a proportion of Fund’s cash assets with other fund managers who specialise in income bearing cash investments, long and short term securities (including equity securities and derivatives on securities) or mortgage securities. Specialist fund managers are chosen following an extensive and rigorous research process that examines their investment style, expertise of their investment team and a range of other factors. The Manager reviews each specialist fund manager’s performance on an ongoing basis, ensuring that they operate within the mandated expectations and guidelines. As at the date of this PDS, the Manager has a policy limiting the proportion of Fund assets invested with other specialist fund managers to 10%.

The Manager monitors and balances the Fund’s portfolio of assets between cash, “at call” securities and Australian registered first mortgage securities, to ensure:-

- ▶ the delivery of consistent performance for investors;
- ▶ sufficient liquidity is available for investors redeeming their investment in the Fund¹⁷. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified; and
- ▶ liquidity is available to service the requirements of both existing and new mortgage securities.

Since its inception in 1999, the Fund has settled approximately \$3.5 billion of first mortgages. To ensure a continued supply of loans for the portfolio, the Manager’s Commercial Lending Department markets its property related expertise, experience and lending services throughout a network of Australian loan originators.

Lending Policies and Procedures of the LM First Mortgage Income Fund

The Manager is selective in its choice of mortgages and adheres to prudent lending parameters. The Fund follows strict lending policies and procedures as detailed below:

- ▶ Assessment of the borrower - the Manager endeavours to meet every borrower to assess character and business acumen;
- ▶ All mortgages are subject to the Manager’s rigorous due diligence process including approval by the Manager’s Credit Committee;
- ▶ A first mortgage is always registered on property held as the primary security;
- ▶ The Manager has every security property valued by one of the Manager’s panel valuers or by a valuer meeting the Manager’s standards for inclusion on its panel and adhering to the Manager’s valuation guidelines;
- ▶ The Manager does not accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager’s instructions, or that valuers confirm that their valuations adhere to the Manager’s requirements;
- ▶ The valuer must have appropriate professional indemnity insurance;
- ▶ The valuer must certify that they are independent of both the borrower and security property;
- ▶ An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for commercial loans at 24 month intervals and for construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (eg where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low);
- ▶ The Manager has a policy of diversifying mortgage securities geographically and by property type;
- ▶ The Manager has a policy of generally not exceeding the

¹⁷ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS (“How to Withdraw”).

following loan to valuation ratios:-

- 66.67% for construction and development loans; and
- 75% for commercial loans;
- ▶ The constitution of the Fund does not allow the Manager to exceed a loan to valuation ratio of 85% for any one loan except in the event of default. This could occur for example, where interest is being capitalised while the security property is being marketed and sold, or where the Manager determines that expenditure should be incurred to improve the security property prior to sale (the Manager considers a loan to be in default when interest payments have not been received in breach of the loan agreement, or the loan term has expired without repayment of principal);
- ▶ One of the tools the Manager employs to enhance income into the Fund is to balance the assets of the mortgage portfolio between commercial loans and selective development loans;
- ▶ A serviceability analysis is performed to evaluate the financial capacity of each applicant borrower including checking the credit history of each borrower through a credit bureau.

Further information in relation to investment policies and lending criteria is outlined on page 31 of this PDS ("Additional Information").

To the extent that they may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the Fund. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

LM First Mortgage Income Fund Arrears Management

The Manager has documented arrears management processes which are implemented in the event that a mortgage loan goes into default. Arrears loans are managed by a team of experienced personnel. The documented processes include the following:

- ▶ Dishonoured payments or other defaults are referred to the Arrears Manager for actioning. The Arrears Manager immediately contacts the borrower to ascertain the circumstances of the default;
- ▶ If the default is short term, arrangements are made with the borrower to remedy the default;
- ▶ If the default is long term, a summary of the nature of the default is emailed to the Arrears Committee with recommendations;
- ▶ The Arrears Committee is comprised of the Executive Directors, the Portfolio Manager, the Risk Manager, the Arrears Manager and members of the Commercial Lending Department as appropriate;
- ▶ The Arrears Committee meets at least weekly. The Arrears Committee considers the recommendations for arrears loans and supervises the preparation of an arrears management plan for each arrears loan. Given the nature of loans within the loan portfolio, the Manager adopts a case by case approach to arrears management, reflected in the individual management plans for each arrears loan;
- ▶ Management plans are implemented by the Arrears Manager who maintains a separate arrears file for each

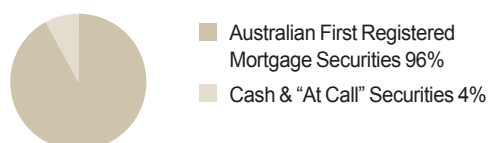
arrears loan;

- ▶ Reports on arrears loans are prepared and presented at Arrears Committee meetings. Management plans are considered and updated as necessary;
- ▶ In the formulation of a management plan the Arrears Committee considers the following factors:
 - Current value of the security property;
 - Whether an updated valuation ought to be obtained;
 - Current loan amount;
 - Current loan to valuation ratio;
 - A review of securities held;
 - A review of insurances held;
 - Issue of default notices;
 - For commercial loans:-
 - > tenancy status;
 - For construction loans:-
 - > status of construction;
 - > cost to complete;
 - > sales achieved;
 - > review of presales;
 - Current marketing and/or sales programs;
 - Credit assessment of the borrower and any guarantors;
 - Whether demands ought to be issued to any guarantors;
 - Any proposal by the borrower to remedy the default;
 - Status of any second or subsequent mortgages and status of priority arrangements;
 - Desirability of taking possession or appointing a receiver or agent for the mortgagee;
 - Compliance with statutory requirements (eg lodgement of notices, maintenance of controller accounts);
 - Any site-specific issues (eg planning, subdivision, contamination or heritage status);
 - Potential sales avenues;
 - Whether sales agent ought to be appointed/selection of agent;
- ▶ For all arrears loans, a detailed recoverability analysis is prepared and updated on a weekly basis as part of the arrears management plan;
- ▶ External consultants (valuers, lawyers, insolvency practitioners, sales consultants etc) are engaged where appropriate throughout the arrears management process;
- ▶ The Manager may from time to time foreclose on a security property as part of a realisation strategy. Foreclosure is a remedy available to a registered mortgagee by which the mortgagee becomes the absolute legal owner of the property free of any interest of the mortgagor. In the event of foreclosure, the Manager may hold, improve and/or sell the security property in order to achieve the best result for the Fund. The Manager may sell a property on which it has foreclosed to a related entity, in which case the sale price will be determined by valuation.

Arrears loans are managed in this way until the security is sold and/or all possible recovery action has been completed.

Assets of the LM First Mortgage Income Fund

The assets of the Fund as at 29 February 2008 totalled \$718,403,075 and were made up as follows:

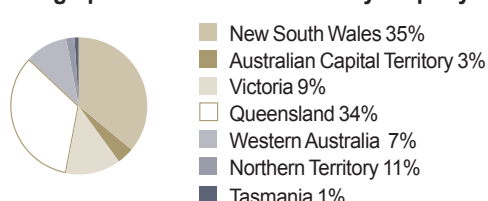


As at 29 February 2008 the mortgage allocation was as follows:

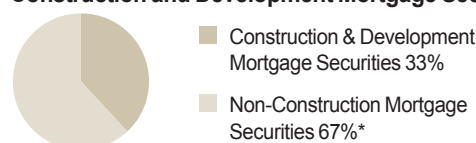
Security Property Type Allocation



Geographic Distribution of Security Property



Construction and Development Mortgage Securities



*Non-Construction Mortgage Securities includes pre-development land, completed developments and income generating commercial loans.

Mortgage portfolio details as at 29 February 2008

Total amount of mortgage securities	\$687,494,654
Number of mortgages	74
% of mortgages with fixed interest rates	100%
Average loan to valuation ratio	63.89%
Smallest loan	\$94,672
Largest loan	\$85,523,929
Average loan size	\$9,290,468
Undrawn loan commitments over next 24 months	\$362,375,790
Average monthly undrawn loan commitments	\$15,098,991

The Manager maintains a detailed cash flow model which assesses the total Fund inflows and outflows including programmed loan repayments from borrowers and progressive loan draws. This model allows the Fund's Portfolio Manager to accurately assess Fund cash requirements to ensure sufficient liquidity for the Fund to meet its commitments at all times.¹⁸

As at 29 February 2008 there were 52 borrowers. Two borrowers had a mortgage that exceeded 5% of the mortgage portfolio. The Manager generally ensures that no single mortgage exceeds 10% of the Fund's assets.

One borrower may have an interest in several loan facilities by way of different entities. The Manager assesses the total

exposure to one borrower as including those related entities with different loan facilities.

Mortgage securities by maturity profile as at 29 February 2008

Period maturing	% of Total	Value \$
0-6 months	38.42%	\$264,114,682
6-12 months	32.65%	\$224,434,036
12-18 months	17.19%	\$118,182,830
18-24 months	5.70%	\$39,203,830
24-36 months	3.37%	\$23,164,303
36-48 months	0%	\$0
48-60 months	2.67%	\$18,321,927

Mortgage securities by interest rate profile as at 29 February 2008

For the month ended 29 February 2008 the average interest rate of the mortgage portfolio was 9.69%.

Interest rate %	% of Total	Value \$
= or < 7.00%	0.12%	\$816,519
7.01-7.50	1.57%	\$10,812,275
7.51-8.00	7.78%	\$53,467,988
8.01-8.50	11.13%	\$76,515,263
8.51-9.00	10.51%	\$72,213,890
9.01-9.50	15.67%	\$107,696,936
9.51-10.00	1.98%	\$13,630,474
10.01-10.50	5.45%	\$37,435,117
10.51-11.00	30.59%	\$210,310,344
11.01-11.50	9.66%	\$66,433,970
11.51-12.00	5.54%	\$38,088,833

Status of Mortgage Loans

The Manager considers a loan to be in default when interest payments have not been received in breach of a loan agreement, or the loan term has expired without repayment of principal. Set out in the table below are details of Fund loans falling into the former category.

LM First Mortgage Income Fund Loans in Arrears

Period	Principal	Unpaid Interest	No. of loans
60-90 days	\$10,436,287	\$609,953	1
90 days and over	\$34,685,533	\$6,165,154	7
Total	\$45,121,820	\$6,775,107	8

As at 29 February 2008 the percentage of mortgage securities in arrears was 7.49%.

All of the loans except for one in arrears were past their maturity date. As at 29 February 2008 one other loan was past its maturity date and it represents 0.6% of the mortgage portfolio.

The Manager utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for all arrears loans.

As at the date of this PDS the directors do not consider the arrears above will result in a capital loss for the Fund.

¹⁸ While the Manager considers any delays unlikely, in certain circumstances the Manager may delay withdrawals from the Fund by up to 365 days or suspend withdrawals in order to protect all investments. Refer to page 17 of this PDS ("How to Withdraw").

Unit Pricing

The price of units in the Fund has remained at \$1.00 since the inception of the Fund in October 1999. As per the Fund's constitution, the unit price is calculated monthly and determined by dividing the value of the adjusted net assets of the Fund by the number of units on issue on the last day of each month. The unit price may vary and may increase or decrease depending on the performance of the assets of the Fund.

The Manager has a Unit Pricing Policy which provides that Fund assets will be valued at cost or fair value, depending on the type of asset. The Manager will revalue an investment asset if the Manager determines that a particular investment has increased or decreased in value. A copy of the Unit Pricing Policy with any assessment provisions exercised by the Manager is available free of charge upon request.

Updated Financial and Other Information

The current financial report for the Fund is available at www.LMAustralia.com or by telephoning freecall 1800 062 919 (Australia only) or +617 5584 4500. The Manager will notify investors of any material adverse information in relation to the Fund. Information relevant to the Fund that is not materially adverse and that is subject to change from time to time (including information in relation to Fund's fund size, asset allocation, mortgage securities allocation e.g. geographic and property type allocation, average loan to valuation ratio, performance and arrears, including information contained in this PDS) will be updated by the Manager on its website and a paper copy of any updated information will be given to any person without charge on request.

How to Invest

If a properly completed Application Form, investment funds and investor/s verification documentation and information (as required) arrive before 12 noon Queensland time on a business day at the Gold Coast, Queensland, the application will generally be accepted that day; if they arrive after that time, then that application will be accepted on the next business day.

1. Complete and sign the Application Form attached to this PDS.
2. Remit funds directly to the Fund by one of the methods outlined on pages 14 and 15.
3. Mail the Application Form plus the Direct Debit Request Form / Bpay Receipt / Electronic Direct Credit Receipt / copy of Telegraphic Transfer or Cheque, to the Manager at LM Investment Management Ltd, PO Box 485 Surfers Paradise Qld 4217.

How to Remit Funds for Australian Dollar Investments

There are a number of ways to remit funds for the Australian dollar investment options in the Fund. Australian Dollar investors can:-

complete the **Direct Debit** Request Form attached to this PDS (for investors with Australian bank accounts only);

or

make a **cheque** payable to the custodian (for Australian bank account holders only):- **PTAL acf LM First Mortgage Income Fund;**

or

remit funds directly by **BPay** (for Australian bank account holders only). In this instance an investor must fax the Application Form to the Manager then telephone the Manager on freecall 1800 062 919 (Australia only) or +617 5584 4500 to receive their account number. On receipt of an account number the investor can proceed to BPay by using:

Biller Code	Reference No
53363	Your Account No

The Bpay receipt must be attached to the Application Form when mailed to the Manager;

or

remit funds directly by **electronic direct credit or telegraphic transfer**. In this instance once an investor has forwarded the electronic direct credit or telegraphic transfer to the Fund's bank account (details below) the investor must fax the completed Application Form and a copy of the electronic direct credit receipt or telegraphic transfer to the Manager and forward the original by mail;

LM First Mortgage Income Fund

Name of Account:	PTAL acf LM First Mortgage Income Fund
Bank:	Suncorp Metway Ltd
Swift Code:	METWAU4B
Branch:	Wickham Terrace, Brisbane
BSB:	484 799
Account No:	045 450 110

When remitting funds by electronic direct credit or telegraphic transfer please provide the electronic direct credit or telegraphic transfer reference code on the Application Form in Section 13 and attach a copy of the electronic direct credit receipt or telegraphic transfer to the Application Form. Investors making additional investments must complete the Additional Investment Form available from the Manager's website at www.LMaustralia.com. Investors should note that financial institutions may charge a remittance fee which will be deducted from their investment. We endeavour to ensure inter-financier transfer processes are effected promptly, but cannot be held accountable for any delays within the banking system;

or to make payment by **credit card** please complete the Credit Card Payment Form attached to this PDS and forward it with the Application Form to the Manager. The merchant fees charged by the credit card provider are deducted from the investment funds. The merchant service fee may vary from time to time, but as at the date of this PDS the merchant fees were 1.54% of the investment funds.

How to Remit Funds for Non-Australian Dollar Currency Hedged Investments

Remit funds directly by **telegraphic transfer**. Telegraphic transfers can be arranged with an investor's overseas financial institution by providing it with the following details of the bank account to be credited (which is in the name of the custodian). Please provide the telegraphic transfer reference code on the Application Form in Section 13 and attach a copy of the telegraphic transfer to the Application Form.

New Zealand investors should note the alternative payment options referred to below under the heading "New Zealand Investors".

For currencies other than those shown on this page please contact the Manager to obtain bank account details for telegraphic transfers.

Please ensure that funds are remitted in the currency to be invested.

Telegraphically transfer USD, GBP, EUR, CAD, JPY, SGD, HKD, CHF, THB, SEK, and other currencies (excluding NZD) to the account below:-

Name of Account:	PTAL acf LM First Mortgage Income Fund
Bank:	Commonwealth Bank of Australia
Address:	48 Martin Street, Sydney
Swift Code:	CTBAU2S
Branch:	Sydney
Account No.	100642778 (plus the currency code for the currency you are sending e.g. 100642778 USD)

New Zealand Investors

Telegraphically transfer NZD to the account below:-

Name of Account:	PTAL acf LM First Mortgage Income Fund
Bank:	ANZ
Address:	203 Queen Street, Auckland, New Zealand
Swift Code:	ANZBNZ22
Branch:	Auckland
Account No.	0102 0987918 00

As well as making **NZD Investments by telegraphic transfer**, investors living in New Zealand can:-

- ▶ Arrange for **NZD investments to be direct debited** from their bank account. Please complete the Direct Debit Form in this PDS; or
- ▶ make a **deposit in person at an ANZ bank or electronically direct credit** investment funds to the ANZ NZD account referred to above. When remitting funds by direct credit please supply a copy of the direct credit receipt and banking reference number provided by the remitting bank in Section 13 of the Application Form.

After receipt of funds, currency hedged non-Australian dollar applications are processed in the manner detailed in the paragraph headed "Currency Hedged Initial Investment" on page 8 of this PDS.

Investors should note that financial institutions may charge a remittance fee which will be deducted from their investment. The Manager endeavours to ensure inter financier transfer processes are effected promptly, but cannot be held accountable for any delays within the banking system.

Minimum Investment Amount:

Investment Option	Minimum Investment	Minimum Additional Investment/Monthly Contribution
LM First Mortgage Income Fund		
Flexi Account	\$1,000	Multiples of \$1,000
Fixed Terms	\$1,000	Multiples of \$1,000
LM Savings Plan	\$100	Minimum monthly contribution & additional investments \$100
Currency Hedged Non-Australian Dollar Fixed Terms	\$1,000	Multiples of \$1000

The Manager will, at its discretion, accept investments of amounts different to those set out above.

Monthly Contributions to an LM Savings Plan Account

Investment In	When Debited	You can stop/restart
LM Savings Plan	Debited from the nominated account on the 24th of each month or next business day if the 24th falls on a weekend or public holiday unless a specific date is nominated on the Application Form.	After the minimum initial 12 month period an investor can stop and restart their LM Savings Plan at any time without incurring fees by simply contacting the Manager in writing.

If an investor has not made a monthly contribution in 12 months a new Direct Debit Request Form will have to be completed and forwarded to the Manager.

Adding to an Investment for Australian Dollar Investments Only

When adding to an investment, please remember to:

- ▶ complete the Additional Investment Form available from the Manager's website at www.LMaustralia.com;
- ▶ provide the account number - if an investor is unsure of the account number please contact the Manager;
- ▶ state the full account name;
- ▶ stipulate the amount to be added – payment can be made by the methods outlined under "How to Remit Funds" on pages 14 and 15 of this PDS. Any queries please contact the Manager on +617 5584 4500 or freecall 1800 062 919 (Australia only);
- ▶ include a daytime telephone number;
- ▶ mail the Additional Investment Form plus the Direct Debit Request Form / Electronic Direct Credit Receipt / copy of Telegraphic Transfer or Cheque, to the Manager at LM Investment Management Ltd, PO Box 485 Surfers Paradise Qld 4217.

Please note that additional investments can be made at any time to existing Australian dollar investments however additional investments can only be added to existing currency hedged non-Australian dollar investments on rollover of the current investment term.

If you add to an existing fixed term investment (instead of starting a new fixed term investment) the new application moneys will be added to, and from that date will be treated as part of, the existing investment. For example, if a 12 month term investor makes an original investment of \$100,000 on 12 March and then in 6 months time adds another \$50,000 to the existing investment, the entire \$150,000 investment will mature 12 months after the initial \$100,000 investment was made.

If you are adding to an existing investment you should first obtain a copy of the current PDS for the Fund, as the additional investment will be made on the terms of that PDS. Investors can obtain a current copy of the PDS at any time from their adviser, our website at www.LMaustralia.com or by calling us on freecall 1800 062 919 (Australia only).

Cooling Off Period

A 14 day cooling off period generally applies to investments in the Fund. The cooling off period does not apply to additional investments or reinvestments of distributions.

During the 14 day cooling off period investors have the right to change their mind and withdraw their investment. This 14 day period commences on the earlier of 5 days from the date of issue of units in the Fund to the investor, or the investor receiving confirmation that their investment has been accepted and processed.

Investors wishing to withdraw must contact the Manager in writing at LM Investment Management Limited, PO Box 485, Surfers Paradise, Queensland 4217, by fax +617 5592 4116, or by email to mail@LMaustralia.com. If the Manager receives a withdrawal request within the 14 day cooling off period, it will withdraw and refund the investment. The refund may be adjusted to reflect any changes in unit price (positively or negatively), any taxation incurred, and if the investment is a currency hedged fixed term investment, any fees incurred in relation to breaking the FFEC.

These cooling off rights do not apply to wholesale investors (as defined in the Corporations Act 2001) or if the Fund is not liquid for the purposes of Chapter 5C of the Corporations Act. Investors should contact their adviser or the Manager by telephoning +617 5584 4500 or by email to mail@LMaustralia.com if they have any questions about cooling off rights.

How to Withdraw

When requesting a withdrawal, investors please remember to:-

- ▶ provide the name of the Fund and the investment account number. If you are unsure of the account number please contact the Manager;
- ▶ state the full investment account name;
- ▶ stipulate the amount to be withdrawn and how it is to be paid;
- ▶ include a daytime telephone number; and
- ▶ sign the request –
 - if it is a joint account both investors must sign the request;
 - if it is a company account either 2 directors, 1 director and company secretary, or sole director who is also the sole secretary must sign the request;
- ▶ You can send your signed withdrawal request by the following options:-
 - Faxing the signed withdrawal request to the Manager at +617 5592 4116 or
 - Scanning the signed withdrawal request and emailing it to the Manager at investmentservices@LMAustralia.com or
 - Mailing the original signed withdrawal request to the Manager at PO Box 485, Surfers Paradise, Qld 4217 Australia.

If an investor requires withdrawal proceeds to be paid to an account other than the account nominated on the Application Form, then we may require further documentary evidence.

Fax & Scanned Images - Terms and Conditions

You should understand that a person without your authority could send the Manager a fax or scanned image, and by pretending to be you, transfer or withdraw funds from your account for their own benefit or request any other changes to your account.

In using fax or scan facilities, you agree that the Manager is not responsible to you for any fraudulently completed communications and that the Manager will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify the Manager against any liabilities whatsoever arising from the Manager acting on any communication received by fax or scanned image in respect of your investment, to the extent permitted by law.

The Manager will not be liable for any loss or delay resulting from the non-receipt of any transmission. These terms and conditions are in addition to any other requirements that may form part of your giving instructions relating to the completion of a particular authority.

By sending the Manager a fax or scanned image you signify your acceptance of these conditions.

Withdrawal Notice Period

Investment Option	Withdrawal request received by the Manager	Withdrawal is paid by the Manager*
LM First Mortgage Income Fund		
Flexi Account Option	Prior to 12 noon on any Gold Coast business day	Generally within 30 days from receipt of notice and is credited to the investor's financial institution account nominated on the Application Form
Australian Dollar Fixed Term Investment	5 business days prior to expiration of the fixed term	Generally within 30 days after maturity date by direct credit to the investor's financial institution account nominated on the Application Form.
Currency Hedged Non-Australian Dollar Fixed Term Investment	5 business days prior to expiration of the fixed term	Generally within 5 business days after maturity date by direct credit to the investor's financial institution account nominated on the Application Form.
LM Savings Plan Option	Following the initial 12 month investment period investors can make up to 4 withdrawals annually by giving written notice to the Manager.	Generally within 30 days after the Manager receives written notice of the withdrawal by direct credit to the account nominated on the Application Form.

*LM First Mortgage Income Fund - Withdrawal Delays

The Manager is generally required by the constitution to satisfy withdrawal requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Manager may be entitled to suspend withdrawals. This facility allows for protection of investment funds. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time specified. For all non-Australian dollar investments, the Manager will continue to hedge (on a 1 monthly basis) the currency exposure of these investments. The time periods for withdrawals referred to above are the periods within which the Manager expects to be able to satisfy withdrawal requests, based on the withdrawal requests previously made in respect of the Fund. However, past experience is not an indicator of future circumstances, and there could be delays in meeting withdrawal requests, or a suspension of withdrawals. Refer to the paragraph headed "Withdrawal from the Fund" on page 31 of this PDS.

The withdrawal notice period commences from the time the notice is received by the Manager. Where a request for withdrawal is received on any day that is not a business day on the Gold Coast, Queensland, the request is deemed to have been received by us on the next business day.

Minimum Withdrawal Amounts

Investment Option	Withdraw in multiples of	Minimum balance
- Flexi Account Option	\$1,000	\$1,000
- Fixed Term Options	\$1,000	\$1,000
- LM Savings Plan Option	\$100	\$100

If the investment amount remaining after a withdrawal is less than the minimum balance set out above, then the Manager may direct the withdrawal of the entire balance. The Manager has discretion to allow withdrawal amounts other than those set out above.

Breaking a LM First Mortgage Income Fund Fixed Term Investment or LM Savings Plan

Partial or full withdrawals are NOT permitted:-

- ▶ during a fixed term investment;
- ▶ during the initial 12 month term of an LM Savings Plan investment or more than 4 withdrawals are not permitted in any 12 month period thereafter.

The Manager has complete discretion to allow a partial or full withdrawal during a fixed term investment or LM Savings Plan and generally only allows early withdrawal in the event of death or in cases of medical or financial hardship. If the Manager allows an early withdrawal, the Fund will charge:-

- ▶ a fee equal to the last three months' interest distributions paid or payable on the amount being withdrawn; and
- ▶ where an adviser is paid an upfront commission the Fund will charge an additional fee equal to the upfront commission paid, calculated on a pro-rata basis for the length of time remaining to maturity.

The above fees will be deducted from the investment amount.

Currency hedged fixed term investors should note that the above fees do not necessarily reflect the only impact of an early withdrawal. Other impacts (including fees and charges that may be payable to the financial institution which provides the FFEC) can only be calculated at the time the request for early withdrawal is made, because there are a number of variable factors, including currency market rates and length of time to maturity. Investors will need to contact the Manager if they want to withdraw early, and the Manager can at that time provide details of the total withdrawal costs, fees and other possible financial impacts.

Investors should note that the financial impacts on an investor who breaks a currency hedged fixed investment term with an early withdrawal are likely to result in the investor receiving less than the original amount invested.

Overseas Remittance

Investors should note that financial institutions may charge a remittance fee which will be deducted from their investment. We endeavour to ensure inter-financier transfer processes are effected promptly, but are not responsible for any delays within the banking system.

Adviser Access to Investment Information

Advisers can Monitor an Investor's Investment

Advisers are provided with online access to full investment details and reporting on their clients' investments. For example, to check maturity dates for investments advisers can access the Maturing Investment Reports for their clients by logging on to the LM Information Exchange which is accessed from the home page on our website at www.LMAustralia.com. For access to the LM Information Exchange the adviser can contact the Manager on freecall 1800 162 919 (Australia only) or +617 5584 4500.

Correspondence & Information from the Manager

To assist investors to keep track of their investment the Manager will send:-

- ▶ **On Receipt of Investment Funds and Application Form:**
The Manager will email the adviser to confirm receipt of investment funds and Application Form.
- ▶ **On Investment:**
On initial investment a Contract Note will be forwarded as requested by the investor on the Application Form (refer to Section 8 of the Application Form – which provides for correspondence to investor/s by email or post, or for correspondence to only be sent to the adviser).
- ▶ **Interest Distributions:**
No correspondence is sent by the Manager. Interest distributions are reinvested unless the investor elects to have the interest distributions paid to their financial institution account. **Advisers can access Transaction Statements and Distribution Statements from the LM Information Exchange.**
- ▶ **LM First Mortgage Income Fund Fixed Investment Terms Maturity Notice**
The Manager provides advisers access to the Maturing Investments Report for their clients from the LM Information Exchange. A notice of maturity is emailed to advisers prior to the maturity date for fixed investment terms.

For Australian Dollar Fixed Term Investments - on the maturity date the investment will automatically rollover for a further investment term of the same length unless the Manager receives written notice of withdrawal or of a change to the investment term at least 5 business days prior to the maturity date.

For Currency Hedged Non-Australian Dollar Fixed Term Investments – on the maturity date the investor's original investment amount and interest distribution (unless the investor has nominated for the interest distribution to be paid to their bank account) is automatically reinvested and reheded in the originally nominated currency for the rollover term selected on the Application Form. If no rollover term is selected the investment will automatically rollover for further 1 month investment terms until the investor provides the Manager with longer investment term instructions or a written withdrawal notice.

Investors and their advisers will need to access the Manager's website or telephone us prior to the reinvestment term to access the most recent interest distribution rates and the current PDS that will apply for the purpose of the reinvestment.¹⁹
- ▶ **Rollover Confirmation**
Within 5 business days following rollover of the investment a Rollover Confirmation Notice/Contract Note will be forwarded to advisers.
- ▶ **Transaction Statement is available to investors:**
 - from their financial adviser via the LM Information Exchange; or
 - by request to the Manager.
- ▶ **Exit Statement** with details of the investor's investment account will be sent to the investor within 6 months of withdrawal from the Fund.
- ▶ **Annual Periodic Statement** with details of the investor's investment account will be sent to the investor once a year by 31 December for the preceding financial year.
- ▶ **Annual Taxation Summary** will be sent to an investor or made available to their adviser on the LM Information Exchange by the end of September each year for the preceding financial year.
- ▶ **Annual Financial Statements of the Fund** will be available on the Manager's website at www.LMAustralia.com by the end of September each year for the preceding financial year. Investors can choose to receive the annual statements free of charge by mail or email by marking the appropriate box in Section 8 of the Application Form.

Changing Details

Investors can advise the Manager of their change of address, email or telephone number/s by telephoning the Manager on 1800 062 919 (Australia only) or +617 5584 4500 or emailing the Manager at mail@LMAustralia.com.

All other changes including bank account details must be made by written request signed by the investor/s and sent to the Manager by:-

- **Faxing** the signed request to +617 5592 4116; or
- **Scanning** the signed request **and emailing** it to the Manager at investmentservices@LMAustralia.com or
- **Mailing** the original signed request to the Manager at PO Box 485, Surfers Paradise, QLD, 4217 Australia..

Change of Details Forms can be obtained from the offices of the Manager or online at www.LMAustralia.com.

¹⁹ Past performance is not an indicator of future performance.

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Fees & Other Costs

Government regulations require all financial product issuers to include the standard consumer advisory warning set out below. The warning below is standardised across all product issuers and does not provide specific information on fees and charges for the LM First Mortgage Income Fund.

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 managements costs where applicable. Ask the Fund or your financial adviser.

TO FIND OUT MORE

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

Refer to the table on page 22 of this PDS for information on the specific fees and charges that apply to the LM First Mortgage Income Fund.

This table 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's assets as a whole. Taxes are set out on page 25 of this PDS.

You should read all of 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	Not applicable.
Contribution Fee : The fee on each amount contributed to your investment by you.	Nil	Not applicable.
Withdrawal Fee : The fee on each amount you take out of your investment.	<p>Nil for the Flexi Account, or where you take out your investment at the end of its Fixed Term, or in accordance with the terms of the LM Savings Plan, after giving the required notice.</p> <p>The Fund may charge a fee for early withdrawal equal to the last 3 months' interest distributions paid or payable on the amount withdrawn plus any upfront adviser commission paid in relation to the amount withdrawn, on a pro rata basis for the length of time remaining to maturity of the investment.</p> <p>For Currency Hedged Non-Australian dollar fixed investment terms there will be other financial impacts on you which can only be calculated at the time of the request for early withdrawal (due to a number of variable factors including currency market rates and the length of time to maturity). Further details are referred to under the heading "Dollar Fee Example for Early Withdrawal Fee Charged by the Fund" on page 24 of this PDS.</p>	<p>LM First Mortgage Income Fund Fixed Term investments and LM Savings Plan only</p> <p>- Fees for early withdrawal are deducted from the amount withdrawn at the time of withdrawal.</p>
Termination Fee : The fee to close your investment.	Nil	Not applicable.
MANAGEMENT COSTS		
Fees and costs for managing your investment. ²⁰	An amount estimated to be 3.5% pa of the net assets of the Fund (this comprises estimated Management Fees of 2.3% pa, estimated Fund expenses of 0.10% pa, and an estimated adviser fee of 1.1% pa). ²¹	That part of the Fund's Management Costs which comprises the Manager's Management Fee is accrued daily and is currently paid monthly by being deducted from the assets of the Fund. That part of the Fund's Management Costs which comprises expenses of the Fund (other than the Management Fee) will be payable from the income or capital of the Fund, either monthly or as the expenses are incurred. That part of the Fund's Management Costs which comprises the Management Fee may be able to be negotiated with the Manager by a wholesale client as a differential fee. Further information is detailed under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS.
SERVICE FEES		
Switching Fee : The fee for changing investment options.	Nil	Not applicable.

²⁰ All amounts include GST (if applicable) and take into account any input tax credits or reduced tax credits that may be available to the Fund.

²¹ The **adviser fee** may be negotiable, but that will depend on what arrangements you may have in place with your adviser. See the paragraph "adviser fees" under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS. Further information on the Management Costs is also detailed under that heading.

ADDITIONAL EXPLANATION OF FEES AND COSTS

Management Costs for the LM First Mortgage Income Fund

The Management Costs can only be estimated, as the actual costs are not yet known. However, the Management Costs for the Fund for the financial year ended 30 June 2007 were 1.55% pa of the net assets of the Fund, and based on current financial information the Manager considers 3.5% pa to be a reasonable estimate of the annual Management Costs. The Management Costs are made up of the following different fees and costs (and note that the following fees and costs are explanations of the components which make up the estimated 3.5% pa Management Costs, **and are not additional fees or costs**):-

- ▶ The **Management Fee** component of the Management Costs accrues daily and is paid monthly from the assets of the Fund. The constitution of the Fund allows the Manager to recover a Management Fee of up to 5.5% pa of the net assets of the Fund. At the date of this PDS, it is estimated that the Manager will only receive a Management Fee of 2.3% pa of the net assets of the Fund, and that the Manager will waive its entitlement to the higher fee. Note however the section "Changes to Fees and Costs" on this page of this PDS.
- ▶ The **custodian fees** for the Fund are currently the greater of 0.02% pa of the assets of the Fund and \$20,000 pa.
- ▶ **Adviser fees** are fees paid to your adviser for professional financial advice. They are negotiated between you and your adviser. These fees may be paid from the Fund as a lump sum and/or trail commission. If you choose not to use an adviser, your individual distribution rate will still be calculated as if a fee of 1.1% pa (including GST) of your investment amount was payable to an adviser. Any such amount not paid to an adviser will be used to meet Management Costs.

The individual distribution rates payable to investors will vary dependent on the adviser fees paid by the Fund. This adviser fee is an expense of the Fund. The Manager's reasonable expectation is that such fees would be up to 1.1% pa (including GST) of your investment amount, but they could be higher. You should discuss the payment of this fee directly with your adviser.

- ▶ The Manager is reimbursed for all **expenses** properly and reasonably incurred in managing the Fund. This includes any bank and government fees, charges and duties levied in connection with payments to and by the Fund. The estimate of Management Costs referred to above is based on current financial information, but the actual expenses will depend on the amount incurred during each particular year.

Bank and Government Fees and Charges

Some bank or government fees, charges and duties may be charged directly to you, rather than to the relevant Fund. For example, cheque dishonour fees, and processing or remittance fees charged by banks. These amounts have not been taken into account in the estimate of Management Costs referred to above, but are not expected to be significant amounts.

Merchant Service Fees for the LM First Mortgage Income Fund

If you invest by credit card a merchant service fee may be charged by the credit card provider. That fee will vary from time to time, but at the date of this PDS is 1.54% of the investment funds. This amount is deducted from your investment funds at the time of investment. This amount has not been taken into account in the estimate of Management Costs referred to above.

Tax (including Goods and Services Tax)

The fees quoted in this PDS are inclusive of GST where applicable. See the heading "Tax" on page 25 of this PDS for further details of tax that may be relevant to your investment.

Differential Fees for the LM First Mortgage Income Fund

The Manager may negotiate differential fees with certain wholesale clients or employees of the Manager or of a related body corporate of the Manager, or relatives of those employees. Such differential fees will depend on individual negotiation, compliance with legal requirements, and any applicable ASIC policy. Where the differential fee arrangements involve the Manager paying rebates, the rebates will be paid from the Manager's own funds and will not affect other investors.

Changes to Fees and Costs

As noted above, the constitution of the Fund allows the Manager to recover a Management Fee of up to 5.5% p.a. of the net assets of the Fund. The constitution also allows the Manager to waive all or part of its fee. The Manager's current intention is to waive its entitlement to part of its fee each month. The Manager will decide each month how much of the maximum 5.5% pa Management Fee it will be paid, but at the date of this PDS, it is estimated that the Manager will only be paid a Management Fee of 2.3% pa of the net assets of the Fund.

The Manager may decide to vary the amount of Management Fee it recovers, the amount of the other Management Costs, or the methods of payment of those amounts, in its absolute discretion, and without your consent (but subject to the limits in the constitution). The Manager will give investors notice of any such change which is material. In particular, the Manager will give 30 days written notice of any change to the Management Fees under this PDS. Any immaterial change can occur without notice.

Marketing Fees

The Manager may pay properly authorised advisers a marketing reimbursement from time to time out of its own funds.

LM First Mortgage Income Fund Fixed Term Investment and LM Savings Plan Early Withdrawal Fees Charged by the Fund

Partial or full withdrawals are NOT permitted during a fixed term investment, or during the initial 12 month term of an LM Savings Plan investment (and more than 4 withdrawals from an LM Savings Plan are not permitted in any 12 month period thereafter). The Manager has complete discretion to allow a partial or full withdrawal during a fixed term investment or LM Savings Plan and generally only allows early withdrawal in the event of death or in cases of medical or financial hardship. If the Manager allows:-

- ▶ an early withdrawal from a **fixed term investment**; or
- ▶ an **LM Savings Plan** investor to withdraw during the initial 12 month term or allows more than 4 withdrawals in any 12 month period thereafter;

the Fund may charge a fee equal to the last 3 months' interest distributions paid or payable on the amount being withdrawn, and where an adviser is paid an upfront commission the Fund will charge an additional fee equal to the upfront commission paid calculated on a pro-rata basis for the length of time remaining to maturity.

Dollar Fee Example for Early Withdrawal Fee Charged by the Fund*

Below is an example of the early withdrawal fees charged by the Fund if you are allowed to break an investment term. It assumes the investment term is 12 months, you withdraw \$50,000 6 months after the investment date, you make no other transactions during the year, the Fund paid total effective interest distributions of 8.00% pa, and the adviser is paid a 1.1% pa commission (including GST) upfront. This is not a forecast.

LM First Mortgage Income Fund Early Withdrawal Fee Example	Fee Calculation	Total Fee Paid to the Fund	How and When Paid
Assuming 12 month investment term and you withdraw \$50,000 prior to the maturity date and the adviser was paid an upfront commission of 1.1%	3 months interest distribution calculation – $\$50,000 \times (8.00\%/12 \times 3)$ Plus 1.1% pa for length of time remaining until maturity of the 12 month term calculation – $\$50,000 \times (1.1\%/12 \times 6)$	\$1,000.00 Plus \$550.00	Total fees of \$1,550.00 deducted from your investment at the time of withdrawal.

* **For Currency Hedged Non-Australian Dollar Fixed Term Investments** you should note that the example of withdrawal fees outlined above does not necessarily reflect the only impact of an early withdrawal. Other impacts (including fees and charges that may be payable to the financial institution which provides the FFEC) can only be calculated at the time the request for early withdrawal is made, because there are a number of variable factors including currency market rates and length of time to maturity. You should note that the financial impacts on an investor who breaks an investment term with an early withdrawal are likely to result in the investor receiving less than the original amount invested.

EXAMPLE OF LM FIRST MORTGAGE INCOME FUND ANNUAL FEES AND COSTS

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

Example of Annual Fees and Costs

Example – Balance of \$50,000 with a contribution of \$5,000 during the year

Contribution Fee	Nil	Not applicable
Plus: Management Costs	3.5% pa* (including GST)	For every \$50,000 you have in the Fund you will be charged \$1,750 each year.
Equals: Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of \$1,750** What it costs will depend on the investment term option you choose and the fees you negotiate with the Fund or with your financial adviser.

* This is an estimate only and not the actual Management Costs for your investment. Further information on the Management Costs is detailed under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS. This amount includes an estimated fee of 1.1% pa (including GST) of net assets payable to your adviser. (See the paragraph "adviser fees" under the heading "Additional Explanation of Fees and Costs" on page 23 of this PDS). The table above is just an example. In practice your investment balance and the value of the Fund will vary daily.

**Additional fees may apply – if the Manager allows you to withdraw early you may also be charged early withdrawal fees as set out on page 24 of this PDS. Early withdrawal fees are deducted from your investment amount.

If the \$5,000 was invested for a full 12 months, you would be charged \$175 for that extra \$5,000.

Tax

Summary

Taxation law is constantly under review and changing. The comments below are accurate for Australian resident tax payers at the date of this PDS. Tax law is complex and each investor's circumstances are different. The Manager recommends all investors seek professional independent taxation advice on their investment before investing in the Fund.

Taxable Interest Distributions

The Manager's policy is to distribute all net taxable income of the Fund to investors each financial year. Under the current income tax legislation, a trust operates as a flow through vehicle such that the income of the trust when distributed, retains its character as it 'flows through' the trust to the investor, and the Manager as trustee is not generally liable to pay tax with respect to the Fund.

This has the consequence for investors that they will be required to include their entitlement to the net income of the Fund in their income tax returns and this income should be included in the investors' taxation return when the investors' entitlement to that income arises. This entitlement arises irrespective of whether the investor receives the income during the year, after the end of the year, or if the income is reinvested as additional units in the Fund.

Disclosure of Tax File Number

The Manager recommends Australian resident investors disclose their Tax File Number on the Application Form. The Manager will be required to withhold tax at the highest marginal rate (plus Medicare Levy) from interest distributions payable to all investors who have not advised the Manager of their Tax File Number or exemption details. It is not, however, against the law for an investor to choose not to quote their Tax File Number or exemption details. The collection of Tax File Numbers is authorised, and the use of such information is regulated by the tax laws and the Privacy Act.

Capital Gains Tax

If the Fund disposes of an asset, any capital gain on the disposal must be included in the Fund's calculation of net capital gain. The net capital gain of the Fund will be distributed to investors as part of the investor's share of the Fund's taxable income for the year (in proportion to the investor's investment in the Fund).

Where the disposal of an asset results in a capital loss, the loss will be retained by the Fund and not distributed to investors. The capital loss will generally be available to the Fund to offset any future capital gains of the Fund.

If an asset of the Fund is disposed of after it has been owned by the Fund for more than 12 months, any capital gain derived by the Fund as a result of the disposal will potentially be reduced by 50% for the purposes of calculating the net capital gain of the Fund.

The Manager will send to each investor their annual taxation statement by the end of September each year. Investors should not complete their taxation returns until they receive this statement.

Non-Resident Investors

If an investor is not an Australian resident for taxation purposes, the investor must (when completing the Application Form) provide their overseas residential address. Withholding tax will then be deducted from distributions before they are paid to investors. The tax rate will depend on which country the investor resides in*. Non-resident investors may be entitled to claim a credit for withholding tax deducted in their country of residence. Investors should consult their taxation adviser for further specific advice.

*Withholding tax is generally deducted at a rate of 10% from interest distributions for most countries, however some exceptions do apply. Please refer to the relevant Australian Double Taxation Treaty for further information. Investors should consult their taxation adviser for further specific advice.

Entities such as charities that hold tax exempt status will not incur any Australian tax, including withholding tax.

Social Security

An investor's investment in the Fund will be classified as a financial investment by the Department of Veteran Affairs ("DVA") and Centrelink and therefore be included in the Income and Assets Tests by the DVA and Centrelink. Government policy in this area can often change and the Manager recommends investors consult with their financial adviser, the DVA or Centrelink for any further information on how their investment in the Fund may affect them.

Goods and Services Tax

Goods and services tax ("GST") is not directly applicable to an investor's investment in the Fund when they invest or redeem their investment. The Fund may incur GST in respect to various expenses and the Fund may not be entitled to input tax credits with respect to all the GST the Fund incurs.

Investment Risks

Risk Management

All investments are subject to varying risks and the Manager actively manages the Fund with a view to balancing returns with security.

This is achieved by:

- ▶ employing experienced, professional personnel;
- ▶ maintaining a long term vision for the Funds;
- ▶ complying rigidly with its compliance program;
- ▶ actively monitoring and managing the assets of the Funds;
- ▶ continuing to set high performance benchmarks.

For any investor the key to managing their investment is to understand and be comfortable with:-

- ▶ the investment term;
- ▶ the level of risk; and
- ▶ potential volatility,

that accompanies an investment in the Fund. The Manager actively manages risk under its risk management program. These comments are intended as a guide only and we recommend that investors seek professional financial advice.

Capital Risk	The value of the investment might decline. Investments are not capital guaranteed. Should the Fund not achieve appropriate rates of return or suffer a capital loss then there is the possibility that the investor could suffer a loss. No losses of capital have occurred in the Fund since its inception in 1999, or are expected to occur as at the date of this PDS. Past performance is not an indicator of future performance.
Unit Price	The unit price is variable and may increase or decrease depending upon the performance of the investment portfolio of the Fund. The Manager is constantly assessing various investment sectors in order to determine which sectors have the best potential in terms of income and/or capital security depending on the investment objective of the Fund.
Interest Distribution Rate Risk	This risk relates to the volatility of returns to investors. The Manager stabilises interest distribution rate risk as follows: The Manager stabilises interest distributions risk as follows:- <ul style="list-style-type: none"> ▶ cash assets of the Fund are proactively monitored to ensure that investments at least move in line with market movements – investors should note that returns may not keep pace with inflation; and ▶ mortgage securities in the Fund utilise a combination of fixed interest rate lending and short lending terms and the Manager utilises a policy of annual interest rate reviews on the anniversary of each of the mortgage securities.
Currency Risk	Non-Australian dollar investments in the Fund are hedged in the relevant currency against Australian dollar currency movements. The Fund currency hedges a non-Australian dollar investment through the use of Forward Foreign Exchange Contracts ("FFEC"). Investors should however, be aware that any delay or shortfall in income or capital payments from the Fund may result in a loss for the Fund due to breaking a FFEC. In such an event, the investment will not be currency hedged and income and/or capital may be impacted.
Property Market Risk	Property market risk is the risk that negative movements in the property market may impact on the capacity to fully recover the amount owing on a mortgage. The Manager manages this risk by strictly complying with its lending guidelines, loan to valuation ratio policies, compliance program and the efficiency of its collections systems. The average loan to valuation ratio as at 29 February 2008 was 63.89%. It is the Manager's policy not to exceed a loan to valuation ratio of 85% for any one loan. However in the event of a default the loan to valuation ratio of 85% may be exceeded. Mortgage securities are reviewed on an ongoing basis with updated valuations obtained in accordance with the Manager's valuations policies.
Development or Construction Risk	In development or construction mortgages held by the Fund there could be delays in payment of interest or repayment of capital due to the timing, completion and sale of the development. The Manager's personnel have considerable experience in dealing with construction and development loans. For each loan an "as is" and an "on completion" valuation is obtained. Funding of the loan is controlled by the Manager on a "cost to complete basis". The Manager has specific procedures in place that are adhered to both prior to and during a project to ensure that the security is maintained and risks minimised. Investors should also refer to the paragraph headed "Interest Capitalisation Risk" below as construction and development loans may have capitalised interest.
Interest Capitalisation Risk	Loans made from the Fund may require the interest to be paid periodically during the term of the loan or in the case of a construction and development loan a provision for interest may be built into the facility within the approved loan to valuation ratio. (Loan to valuation ratio is generally 66.67% for construction and development

	<p>loans). As a risk management measure, this provision for interest is built into the loan facility along with a contingency. This enables the Manager to control the interest payments and ensure that they are met within the approved loan to valuation ratio limit. In addition to this, a detailed financial analysis is conducted on each borrower to ensure that the borrower has sufficient resources to cover interest commitments if required.</p> <p>There is a risk that interest payments may not be recoverable because of:-</p> <ul style="list-style-type: none"> ▶ changed circumstances of the borrower; ▶ changed circumstances of the security property; or ▶ other economic conditions. <p>Where this occurs there may be insufficient cashflow in the Fund to meet interest distributions or redemption requests. All loans are monitored by experienced personnel employed by the Manager in its mortgage management division.</p> <p>As at 29 February 2008 the percentage of mortgage loans in the Fund where interest payments were built into the loan facilities was 52.71 % of the mortgage portfolio.</p>
Credit Risk	<p>This is the risk that a borrower may not meet its obligations in full and/or on time to pay interest and repay capital financial obligations. The Manager mitigates this risk by utilising a conservative lending strategy in relation to the mortgages and following strict lending guidelines.</p>
Liquidity Risk	<p>A delay in meeting an investor's withdrawal request is possible where there are a significant number of withdrawal requests received at the same time, which absorb the cash reserves of the Fund and if assets of the Fund are not sufficiently liquid.</p> <p>Generally the Manager is required by the constitution to satisfy redemption requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Manager may be entitled to suspend redemptions. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified. Refer to the paragraph headed "Withdrawal from the Fund" on page 31 of this PDS for further details.</p> <p>The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia for \$215 million which can be utilised in liquidity management or to allow the Manager to take advantage of competitive commercial lending opportunities for the Fund.</p>
Arrears of the Fund's Mortgage Portfolio	<p>The Manager utilises its property expertise and its Arrears Management Policies and Procedures to secure realisation and exit strategies for all arrears loans.</p> <p>Further details of the arrears management processes are outlined on page 11 of this PDS.</p>
Share Market Risks	<p>The Fund may invest in specialist managed funds which in turn hold income bearing cash investments, long and short term securities (including equity securities and derivatives on securities) which may be quoted on recognised stock exchanges. The value of these investments might decline for reasons including domestic and international economic conditions, changes in government fiscal, monetary and regulatory policies, changes in interest rates and currency exchange rates, the rate of inflation or changes in the circumstances of the companies or funds in which the specialist managed funds invest. A return on investments in the specialist managed funds or repayment of capital invested is not guaranteed. As at the date of this PDS, the Manager has a policy limiting the proportion of Fund's assets invested with other specialist fund managers to 10%.</p> <p>The Manager mitigates this risk by utilising specialist fund managers to invest the Fund's assets held in this sector. Each specialist is chosen following an extensive and rigorous research process that examines their investment style, the expertise of their investment team and a range of other factors. The Manager reviews each specialist fund manager's performance on an ongoing basis, ensuring that they operate within the mandated expectations and guidelines.</p>
Borrowing risk	<p>Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager. The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA") for \$215 million. This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity, interest distributions or funding loan commitments. At the date of this PDS the amount owing to the CBA was \$155 million. As at the date of this PDS the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers. This facility or a similar facility may be varied from time to time in order to manage the Fund. Insufficient income generated by the Fund to service the CBA debt, increases in the bank interest rate or an unforeseen refusal of the financier to extend the term of any facility could cause the Fund to default on its loan.</p>
Government Policies	<p>Investment performance may be affected by changes to government policy in relation to taxes, exchange rates, legislative changes, land tax, income tax and other government factors. These factors are generally beyond the control of the Manager.</p>

About LM Investment Management Ltd

LM Investment Management Ltd ("the Manager") is an Australian funds manager operating internationally from offices on the Gold Coast, in Sydney, Hong Kong, New Zealand and London. In conjunction with its network of authorised financial adviser groups domestically and abroad, LM provides an established investment product with a range of flexible options, focused on achieving income and flexibility to the investing public.

Since inception in 1998, the Manager has become a growing presence in the financial services markets throughout Australia, Hong Kong, Asia, the Middle East, United Kingdom and New Zealand.

Recognised as a specialist funds manager within the AUD\$22 billion mainstream mortgage trust sector, LM Investment Management Ltd manages one of Australia's largest mortgage trusts, the LM First Mortgage Income Fund. The Manager's other funds under management include the LM Wholesale First Mortgage Income Fund, the LM Institutional Currency Protected Australian Income Fund, the LM Currency Protected Australian Income Fund and the LM Cash Performance Fund.

The Manager is licensed with the Australian Securities and Investments Commission ("ASIC") as a Responsible Entity and Australian Financial Services Licensee. Independent audits of its registered funds, their compliance plans and the Manager are conducted at least annually.

The Manager specialises in professional and responsive financial services, and is a highly regarded lending institution within Australia's business and property sectors.

Management Principles

The Manager's corporate vision is to be recognised as a leading, innovative and prudential funds manager. The management team has a common understanding of business principles to ensure the vision is upheld. These principles include:-

- ▶ delivering a high level of service with clear communication and genuine empathy for clients;
- ▶ offering qualitative investment and lending products;
- ▶ using a research driven approach to anticipate market changes and seek new opportunities:-
 - to protect the delivery of income; and
 - to protect the delivery of a stable unit price.

The Manager's commitment to offering clients a competitive advantage with service is demonstrated by its use of information technology delivering 24 hour access to online investment reporting.

Key Personnel

The Directors of the Manager collectively offer considerable years of experience and specialist knowledge from the finance, insurance, legal and property sectors. The Manager also carries a vast depth of professional property and business related experience across all business units.

The Manager's personnel are strategic thinkers with the foresight to identify quality investment opportunities, while keeping their fingers on the pulse of Australia's property and finance markets. The Manager blends this foresight with a sound investment philosophy to seek optimum results for investors.

The Directors encourage the key decision makers at LM Investment Management Ltd to take a 'hands-on' approach when seeking new investment opportunities and anticipating market changes.

Financial intermediaries and investors have direct access to a staff which provides prompt professional assistance. Our relationships are built on honest and open communication and a genuine appreciation of our clients' needs.

Corporate Governance

The Board of LM Investment Management Ltd generally meets quarterly to discuss the strategic direction of LM and the monitoring of its funds. The Manager has a strong commitment to corporate governance, compliance and risk management. The Manager has a committee based structure for all major decision making processes to ensure ultimate protection of investor funds.

Executives and a representative of the Board meet weekly to discuss issues pertinent to the Manager and its funds. Each executive is responsible to the Board for the operation of their own business unit. The Funds Management Committee meets monthly to analyse and review performance of the funds. The Compliance Committee generally meets quarterly to monitor and review compliance systems and processes to ensure that they are in accordance with the Compliance Program and registered funds' compliance plans.

The Manager follows a disciplined research driven approach to investment. The Manager's Property Research and Analysis Committee ("PRAC"), specifically targets locations offering property growth opportunities and property sectors which are expected to perform.

The Board and management also have access to a range of independent and expert advisers to assist on particular technical issues.

As an unlisted public company, the Manager is the subject of yearly financial audits. The audits are a requirement under the Corporations Act 2001. These audits are performed by Ernst & Young, an international accounting firm. Ernst & Young also perform financial and compliance audits on the Manager's registered funds on a bi-annual and/or annual basis dependent on the relevant fund's compliance requirements.

The Directors



Peter Charles Drake, Chairman and Chief Executive Officer

As CEO Peter is principally responsible for the strategic vision, direction and the structured growth of LM Investment Management Ltd ("LM"). Peter has been involved in the financial services industry since 1978, and is particularly active in investment product design. Working closely with LM's Portfolio Manager to manage the growth of funds under management, Peter also plays an integral role in LM's Funds Management Committee, and Credit Committee. Peter's vision of an innovative and prudential funds manager holds true as LM continues its dynamic growth in the Australian financial services sector.



Lisa Maree Darcy, Executive Director

Lisa joined LM Investment Management Ltd in 1998 and was appointed Executive Director in September 2003. Lisa is principally responsible for all accounting functions of both LM Investment Management Ltd and its registered schemes. She works closely with LM's Portfolio Manager, to manage the growth of funds under management. Lisa plays an integral role in LM's Funds Management Committee and Credit Committee. With more than 20 years experience in the banking and financial planning industry, including financial accounting and funds management, Lisa makes a valuable contribution to LM's ongoing management of investment funds and financial services. Lisa holds a Bachelor of Business from Griffith University.



Eghard van der Hoven, Executive Director, Portfolio Manager

In 2003 Eghard joined LM Investment Management Ltd as Portfolio Manager, responsible for the monitoring and ongoing performance of LM's various funds. As Executive Director, Eghard's sound understanding of the investment industry spanning almost 20 years includes extensive experience in stock broking, auditing, investment analysis, business strategy and policy planning. As the Chair of LM's Funds Management Committee, Eghard is responsible for joint decisions in relation to the asset allocation, geographic spread allocation, cash flow, delivery rate forecasting and budgeting of LM's funds. Eghard also sits on the Credit Committee and the Arrears Management Committee. He holds a Master of Commerce, majoring in Economics, and a Bachelor of Commerce (Hons) in Economics, from University of Pretoria, South Africa.



Francene Maree Mulder, Executive Director, General Manager Distribution/Product

Francene commenced with LM Investment Management Ltd in 1999, following a 20 year career in the commercial, legal and securities sectors. Prior to joining LM Investment Management Ltd, Francene held managerial positions focused on the areas of commercial mortgages, conveyancing and the property sector. Specific experience in mortgage securities and the marketing of financial products provided a solid background for Francene to successfully undertake her role within LM. As Executive Director, Francene is primarily responsible for the marketing and expansion of distribution of LM's products on a wholesale and retail basis, throughout Australia and international markets. Francene takes an active role in the direction of all client communication, company communication and service. Francene is also a member of the Property Research and Analysis Committee, Funds Management Committee, Credit Committee and Arrears Committee.



John Dillon, Non-Executive Director

John holds more than 30 years strategic and managerial expertise in the business and development sectors domestically and abroad. As Non-Executive Director, John's experience complements the continued strategic growth of LM Investment Management Ltd as an Australian funds manager with international operations. John's previous managerial experience includes the strategic and financial growth of Vision Cabinets Pty Ltd, a specialist cabinetry business that services a range of residential and commercial clients nationally. Prior to Vision, John was Managing Director ASEAN of Occidental Chemicals, responsible for the administration, manufacture and distribution to the Association of South East Asian Nations (ASEAN). He also holds a Bachelor of Commerce from the University of New South Wales.



Val Llewellyn, Non-Executive Director

Val holds over 30 years' management experience in the engineering, manufacturing, labour hire and training sectors in Australia, London and Wales. In 1982, Val emigrated with his family to Australia, establishing Axial Engineers, then later established Axial HR, an industrial labour hire operation to operate alongside Axial Engineers. In 1996, Val became sole shareholder and Director of the Axial group of companies, and in 1997 established Axial Training to train new apprentices, supervisors and managers in the manufacturing, engineering, mining, warehousing, food processing (butchery), retail and business sectors. The Axial Group currently operates from six locations throughout Queensland and also in Perth. Val is a qualified Chartered Accountant, admitted as a Member of the Institute of Chartered Accountants in England and Wales in 1972.



John O'Sullivan, Non-Executive Director

John has over 20 years experience in funds management and investment advice in Europe, Asia and Australia. His previous roles have included CEO and Partner of a large advisory business in New Zealand, General Manager of Oceanic Life in New Zealand and Director of Oceanic Funds Management in Australia. When Oceanic was purchased by Sun Alliance, he was appointed New Zealand Manager of Sun Alliance Asset Management. He is currently Managing Director of his own distribution company, O'Sullivan Capital Management Ltd.

Additional Information

Payment and Other Instructions

Each investor releases, discharges and agrees to indemnify the Manager from and against all actions, proceedings, accounts, claims and demands whatsoever and howsoever arising from or in connection with or in any way related to the Manager in good faith accepting and acting on instructions received in writing, by facsimile transmission or by scanned image which are signed by or purported to be signed by an authorised signatory or signatories.

Fax & Scanned Images - Terms and Conditions

You should understand that a person without your authority could send the Manager a fax or scanned image, and by pretending to be you, transfer or withdraw funds from your account for their own benefit or request any other changes to your account.

In using fax or scan facilities, you agree that the Manager is not responsible to you for any fraudulently completed communications and that the Manager will not compensate you for any losses.

You agree that should such a fraud take place you release and indemnify the Manager against any liabilities whatsoever arising from the Manager acting on any communication received by fax or scanned image in respect of your investment, to the extent permitted by law.

The Manager will not be liable for any loss or delay resulting from the non-receipt of any transmission. These terms and conditions are in addition to any other requirements that may form part of your giving instructions relating to the completion of a particular authority.

By sending the Manager a fax or scanned image you signify your acceptance of these conditions.

Changes to Terms and Conditions

The fees that apply to investors' investment accounts can change from time to time. Investment terms and conditions can also be changed by the Manager giving notice of the changes. Investors will need to contact their adviser or the Manager, or access the Manager's website to find out the terms and conditions which apply from time to time.

Appointment of Authorised Delegate

An 'authorised delegate' is any company, partnership or individual appointed by an investor to operate their account. The most common arrangement is to appoint an investor's financial adviser to enable him or her to better manage the investor's financial affairs.

An investor may appoint an authorised delegate by signing and dating the authority on the Application Form. The authorised delegate must also sign the authority. Where the authorised delegate is a corporation or a partnership, a duly authorised officer or partner of the authorised delegate must sign the authority. The Manager may require proof of authorisation.

The authorised delegate has the same powers as an investor to access investments, make further investments in the Fund on behalf of the investor or to make written requests for withdrawals from the Fund. Such withdrawal may only be paid to the account nominated on the Application Form. In the case of an authorised delegate which is a corporation or a partnership, the Manager may act on the instructions of any person it reasonably believes to be an authorised officer or partner, and any instruction given by such an officer or partner shall be deemed to have been given by the authorised delegate.

Investors may at any time, in writing, notify the Manager of the revocation of appointment of an authorised delegate. Such revocation however, will not be effective until the Manager has acknowledged the revocation in writing.

By signing the authority on the Application Form, an investor agrees to release, discharge and indemnify the Manager from and against all actions, proceedings, accounts, claims and demands arising from the release of information to the authorised delegate named on the Application Form, or in respect of any loss or liability arising out of any transaction or dealing made or purported to be made pursuant to an actual, purported or alleged direction or authority of an authorised delegate, notwithstanding the fact that the transaction or dealing was requested or received without the authorised delegate's or the investor's knowledge or authority.

Joint Investors

If an investor's investment is held jointly with one or more other persons, the Manager can send notices, statements or other documents (including any changes to investment terms and conditions) by mailing them to any one of the joint holders (that is, the first investor or any of the other joint holders) at their nominated correspondence address. The investors will be deemed to have received the notice, statement or other document on the second business day after it is sent. If the Manager gives these notices, statements or other documents to any one of the joint holders, their authorised delegate or adviser, they will be deemed to have been received by all of the joint holders.

Applications signed by several parties are deemed to be signed as joint tenants and unless otherwise agreed all parties must sign to authorise a withdrawal.

Privacy – use and disclosure of personal information

The privacy of an investor's personal information is important to the Manager. The purpose of collecting investor information on the Application Form is to process the application and manage an investor's investment in the Fund. If the information an investor gives is not complete or accurate, the Manager may not be able to provide the products and services applied for.

In processing the application and managing investors' investments in the Fund, the Manager may disclose personal information to other parties such as an investor's financial adviser and/or IT service providers of financial advisers, the financial adviser's licensee or as required by law.

Investors are entitled to request reasonable access to their personal information. The Manager reserves the right to charge an administration fee for collating the information requested.

For further details on the Manager's Privacy Policy please visit the Manager's website at www.LMaustralia.com.

The Constitution for the Fund

The constitution for the Fund is a legal contract between the Manager as responsible entity and each investor. The constitution together with the Corporations Act and other relevant law governs the relationship between the Manager and investors, the Manager's duties as a responsible entity and the way the Manager must operate the Fund. The constitution includes provisions which deal with:-

- ▶ the rights of investors;
- ▶ the duties and obligations of the Manager as the responsible entity;
- ▶ investment and borrowing powers of the Manager;
- ▶ ability of the Manager to be indemnified by the Fund for all expenses, losses and liabilities arising in its capacity as responsible entity provided it has properly performed its duties;
- ▶ ability to remove the Manager;

- ▶ unit issue and redemption procedures;
- ▶ convening and conduct of the Fund's investor meetings;
- ▶ the duration and termination of the Fund; and
- ▶ rights to Fund interest distributions.

The terms and conditions of the constitution are binding on investors and the Manager as the responsible entity of the Fund.

The statements in this PDS only provide a summary of some of the provisions of the constitution. The Manager may change the constitution in accordance with the Corporations Act 2001. However any change that may adversely affect investors' rights must be approved by special resolution of the investors.

Classes Of Units

The Fund constitution authorises the Manager to issue different classes of units with special rights or restrictions as determined by the Manager from time to time. The interest distribution rate offered or paid to the different classes may vary. The Manager is required under the Corporations Act to treat all investors within a class of units equally and as between classes fairly. The Manager has created separate classes of units in the Fund representing each different type of investment. The Manager will only issue new classes of units where it considers it appropriate having regard to the interests of existing investors and in accordance with the Manager's obligations under the Corporations Act and the constitution.

Invitation Only Wholesale Clients in the Fund

The Manager may invite wholesale clients to invest in the Fund. Such an investor must provide 1 business day's notice of redemption of the investment to the Manager but is otherwise subject to the withdrawal provisions as outlined in the paragraph headed "Withdrawal from the Fund" on page 31 of this PDS. The interest distribution rate for such investors will be determined by the Manager from time to time. The Manager may waive the whole or part of its Management Fee in respect of such investors. The Manager may also waive the whole or part of its Management Fee in relation to investments by its employees, or employees of a related body corporate of the Manager.

The above arrangements constitute differential fee arrangements under ASIC Class Order 03/217 (as amended) and are offered to wholesale clients (within the meaning of section 761G of the Corporations Act 2001) or employees of the Manager, or of a related body corporate of the Manager.

The Manager also issues units to relatives of the Manager's employees, and waives the whole or part of its Management Fee for those members. Those members hold units of different classes to the units held by other members in the Fund.

The Nature of Units of the Fund

Each unit gives the holder an undivided interest in the Fund. However, a unit does not confer any interest in any particular asset of the Fund and does not entitle the holder to have any of the assets of the Fund transferred to them or to interfere with any of the Manager's rights or powers.

Powers and Duties of the Responsible Entity

All of the assets and undertakings of the Fund vest in the Manager to hold on trust for investors. In relation to the assets of the Fund the Manager has all of the powers of a natural person who is the absolute beneficial owner of the assets.

The Manager must act in accordance with the constitution and the Corporations Act 2001 and is responsible for administering the

Fund, determining investment policy, selecting and managing the investments, valuing the investments, sending notices and reports to investors, arranging investors' meetings, accepting or rejecting applications for investment, calculating the number of units to be issued or withdrawn, maintaining a register of investments, payments of interest distributions to investors, preparation and interest distribution of cheques, managing the Fund borrowings and ensuring that the Fund is carried on and conducted in a proper and efficient manner. The Manager is entitled to various indemnities under the constitutions.

Withdrawal from the Fund

Generally the Manager is required by the constitution to satisfy withdrawal requests within 180 days. In certain circumstances, that period may be extended to 365 days or the Manager may be entitled to suspend withdrawals in order to protect all investments. The Manager has a liquidity policy that is monitored by the Board to adequately manage payment of withdrawals within the time period specified. The Manager may suspend withdrawals where:

- (i) the Fund's cash reserves fall and remain below 5% for 10 consecutive Business Days; or
- (ii) if in any period of 90 days, the Manager receives net withdrawal requests equal to 10% or more of the Fund's issued units and, during the period of 10 consecutive days falling within the 90 day period, the Fund's cash reserves are less than 10% of the total assets; or
- (iii) it is not satisfied that sufficient cash reserves are available to pay the withdrawal price on the appropriate date and to pay all actual and contingent liabilities of the Fund; or
- (iv) any other event or circumstance arises which the Manager considers in its absolute discretion may be detrimental to the interests of the members of the Fund.

Historically, the Fund has successfully met all withdrawal requests on time and in full. This is due to the liquidity management of the Fund and the structure of the investment terms (although past performance is not an indicator of future performance).

The Manager does not expect that the Fund will be a managed investment scheme that is not liquid as that term is defined in the Corporations Act.

Part 5C.6 of the Corporations Act provides that a managed investment scheme is liquid if liquid assets account for at least 80% of the value of scheme property. Liquid assets would ordinarily include money in an account or on deposit with a bank, bank accepted bills, marketable securities, or any other property (including the mortgage loans of the Fund) which the Manager reasonably expects can be realised for its market value within the period specified in the Fund's constitution for satisfying withdrawal requests while the Fund is liquid. The liquidity of the Fund is therefore dependant on whether 80% of the Fund property (including the mortgage loans) can be realised for its market value within the period specified in the constitution for satisfying withdrawal requests while the Fund is liquid. In the unlikely event that the Fund is not liquid, an investor will only be able to withdraw their investment in the manner specified in s601KB to s601KE of the Corporations Act, which would include making written withdrawal offers to all investors (or all investors of a particular class) based on the units they hold in the Fund.

Authorised Investments of the Fund

The Manager may invest in "Authorised Investments" as defined in the constitution, which includes but is not limited to bank deposits,

investments in cash, stocks, bonds, notes or other securities or derivatives and options over securities or derivatives, loans and interests in any registered managed investment scheme (as defined in the Corporations Act 2001).

To the extent that they may affect the value or performance of an underlying investment the Manager may take into account labour standards, or environmental, social or ethical considerations when making, retaining or realising an investment in the Fund. The Manager has no predetermined view about how far such matters will be taken into account, and the Manager will make a determination on such issues on a case by case basis.

Appointment and Removal of the Manager

The Manager may retire in accordance with the Corporations Act 2001. Investors of the Fund by extraordinary resolution may remove the Manager and appoint a new responsible entity of the Fund.

Borrowings of the Fund

Under the constitution the Manager may borrow against the Fund assets on terms and conditions acceptable to the Manager.

The Manager has arranged a line of credit facility with the Commonwealth Bank of Australia ("CBA") for \$215 million. This facility was put into place in order to allow the Manager to take advantage of competitive commercial lending opportunities, or to assist the Fund with managing liquidity, interest distributions or funding loan commitments. At the date of this PDS the amount owing to the CBA was \$155 million. As at the date of this PDS the interest rate of the facility is variable and is priced between 0.50% to 1.10% above the respective BBSY bid rate. The facility term is the subject of an annual review. The finance facility is secured by a fixed and floating charge over the assets of the Fund, providing the CBA as a secured lender with first priority over the assets and income of the Fund. The rights of investors to the income and assets of the Fund are secondary to the rights of the CBA. The facility will be repaid via investment inflows and inflows received from principal repayments from borrowers. This facility or a similar facility may be varied from time to time in order to manage the Fund.

The Manager's Indemnity

To the extent allowed by law, the Manager is indemnified out of the Fund against any claim, action, damage, loss, liability, costs, expense or payment which the Manager incurs or is liable for in relation to the Fund, provided that it does not arise from the fraud, negligence or wilful default of the Manager or its employees.

Expenses

All expenses reasonably and properly incurred by the Manager in connection with managing the Fund are payable or able to be reimbursed out of the assets of the Fund. These expenses include:

- ▶ preparation, review, distribution and promotion of any offer document;
- ▶ the sale, purchase, insurance, custody and any other dealing with assets;
- ▶ any proposed investment;
- ▶ administration, management and promotion of the Fund;
- ▶ communicating with, or convening and holding meetings of and dealings with investors;
- ▶ tax (provided it is not on the personal account of the Manager) and bank fees;
- ▶ the engagement of experts and advisers;

- ▶ preparation and audit of the taxation returns and financial statements of the Fund;
- ▶ termination of the Fund and the retirement or removal of the Manager and the appointment of a new responsible entity; and
- ▶ any court proceedings, arbitration or other dispute concerning the operation of the Fund or any asset of the Fund.

Fees payable to an adviser of an investor will also be expenses of the Fund.

Liability of Investors

The constitution limits the liability of investors to the amount of their investment. However, the Manager cannot give an absolute assurance on this matter as the issue of the investor's liability has not been fully resolved by the courts.

Compliance Plan

As a responsible entity, the Manager is required to adhere to the compliance plan for the operation of the Fund. The compliance plan sets out compliance measures in relation to the conduct of the Fund and its business. The compliance plan is designed to document compliance risks, the monitoring process, and provide a basis for compliance adherence and auditing. The compliance plan is lodged with ASIC and is independently audited annually.

The Manager's Board and Compliance Committee monitor and review its compliance plans to ensure that all compliance systems are followed.

Investment Procedures and Policies

Investment procedures and policies of the Manager are reviewed on an ongoing basis. Outlined below is a broad overview of the investment and lending procedures that apply to the Fund.

Investments by the Manager

The Manager has policies in relation to investing the Fund's assets with specialised fund managers of registered managed investment schemes (as defined by the Corporations Act 2001). A specialist fund manager is only chosen if the Manager is fully satisfied with its due diligence conducted on the specialist fund manager which includes the investment style, expertise of their investment team and a range of other factors. The Manager constantly monitors and reviews each specialist fund manager's performance ensuring that they operate within mandated expectations and guidelines.

At the date of this PDS, the Manager has a policy of limiting investment with specialist fund managers that invest in income bearing cash investments, equity securities and options to 10% of the assets of the Fund.

Lending Criteria of the Fund

- ▶ The Manager has determined and documented lending policies for the approval and management of mortgages. Risk management is a priority, with mortgages diversified over a number of levels including geographic location, sector, loan size, interest rate and maturity profile.
- ▶ The type of real estate offered for security must be acceptable to the Manager. Typical mortgage securities will include commercial, industrial and residential real estate (including development loans across these sectors) secured by a registered first mortgage. A first mortgage must be registered on the primary security property.

- ▶ The value of the security property must be established in accordance with the valuations policy of the Manager.
- ▶ The ability of the borrower to service the facility must be established to the satisfaction of the Manager.

Development Loans

The following additional requirements are imposed in the case of development loans:

- ▶ The initial drawdown for the facility is arrived at after considering both the approved loan to valuation ratio on the “as is” valuation and the “cost to complete” formula. The initial drawdown must meet the loan to valuation ratio required and also allow sufficient funds to be available in the facility to complete the development. The project feasibility must reflect the “cost to complete” formula throughout the life of the project. The concept of a “cost to complete” formula is that the lender always retains sufficient funds within the loan facility to complete the development based on its assessment of the actual cost to complete the project.
- ▶ Additional development loan procedures are required throughout the development stages of the loan to ensure the development is adequately monitored.
- ▶ Where applicable a tripartite agreement is made between the Manager, the borrower and the builder. This enables the Manager, in the event of default by the borrower, to deal directly with the builder.

Credit Committee

The Credit Committee is an internal review committee for all mortgage investments and is independent from all other departments. The Credit Committee meets as required to consider proposed and actual investment opportunities. The Credit Committee contains a broad experience base and includes departmental team leaders for planning purposes.

New mortgage investment proposals are put forward by the commercial lending department for consideration with a written summary. The Credit Committee is responsible for setting the primary terms and conditions upon which subsequent approval will be based.

When mortgage investment proposals are completed in accordance with the Manager’s credit standards they are required to be finally approved by the Credit Committee.

Valuations Policy

All real property assets of the Fund are required to be valued prior to settlement of each transaction. Valuations may only be carried out by the Manager’s panel valuers or by a valuer meeting the Manager’s standards for inclusion on its panel and must adhere to the Manager’s valuation guidelines. The Manager has determined and documented valuation review procedures for guidance on each valuation.

Appropriate instructions must be given to the valuer having regard to the type of valuation required. In particular the instructions should indicate the type of valuation required eg. “as is” or “on completion”.

The Manager, in accordance with its valuations review guidelines is responsible for the review of all valuations. Unresolved issues arising from a review must be referred to an executive director for discussion and determination.

As an internal checking mechanism, an independent property

report is obtained (where appropriate) from two real estate agents or an alternate valuers report whose normal trade area encompasses the property being valued.

The valuer must have appropriate professional indemnity insurance.

The valuer must certify they are independent of both the borrower and the security property.

The Manager does not accept valuations performed on the instruction of borrowers. The Manager requires that valuations be provided on the Manager’s instructions, or that valuers confirm that their valuations adhere to the Manager’s requirements.

An updated valuation will generally be required where a loan term is extended or a loan is otherwise varied. An updated valuation will also generally be required for commercial loans at 24 month intervals and construction loans at 12 month intervals. The requirement for an updated valuation may be waived where the Manager considers that an updated valuation would serve no useful purpose (eg where it is demonstrable that property values have increased or not changed in the locality of the property, where a property under construction is significantly presold, where a commercial property has long term leases in place, where a sale or refinance is imminent or where the loan to valuation ratio of the property is low).

Valuation Panel

Members of the valuation panel are appointed and removed in accordance with the Manager’s valuation panel appointment guidelines. The Manager is responsible for approving the appointment or removal of a panel valuer.

Development Valuations

Separate valuations (may be within the one valuation report) are required in relation to “as is” and “on completion” valuations.

“As is” Valuation

The “as is” valuation is the market valuation of the property at the time of the initial drawdown. The loan to valuation ratio in this case must fall within the Manager’s lending criteria.

“On Completion” Valuation

The “on completion” value is the market value of the property at the completion of development. The valuation methodology required is as follows:

- ▶ “feasibility analysis” including demolition, subdivisional, construction, and other development costs, allowances for sales and marketing expenses, interest and an allowance for profit and risk to arrive at a base value for the land. Any such analysis is based on the premise that the development approval has or will be obtained prior to settlement of the loan. Alternatively, the valuation must contain an adjustment for any uncertainty attaching to the development approval process. The requirement for a feasibility analysis may be satisfied, if appropriate, using alternate techniques such as discounted cash flows; and
- ▶ “gross realisation” based on comparable sales evidence for the individual components eg. houses, units, allotments etc.

The Manager will reasonably assess the appropriateness of the feasibility analysis within the valuer’s report by comparison with cost estimates provided by a competent quantity surveyor selected from the Manager’s panel.

The “on completion” value is the valuation figure used in the cost to complete calculations during the development phase. The “on completion” value may be revised during the term of development to reflect changes as approved by the Manager.

Complaints Procedure

If an investor has a complaint they should generally first contact their adviser. If the adviser is unavailable, unwilling, or unable to assist, or if the investor wishes to directly contact the Manager, and the complaint relates to the Fund or the Manager, then the investor should contact the Client Relations Department at the office of the Manager on free call 1800 062 919 (Australia only) or +617 5584 4500. Complaints may be made in writing or by telephone. The Manager will respond within 30 days of receiving the complaint. If complaints cannot be resolved internally the Manager will refer the complainant to the Financial Industry Complaints Service (“FICS”), an external industry complaints body which has been approved by ASIC and of which the Manager is a member.

Financial Industry Complaints Service Limited
PO Box 576
Collins Street
MELBOURNE VIC 8007
Telephone: 1800 335 405
Facsimile: (03) 9621 2291
email: fics@fics.asn.au

Interests of the Manager

Pursuant to the compliance plan, the Manager and the employees and officers of the Manager and the various investment schemes of the Manager, are entitled to apply for units in the Fund. The Manager will be a wholesale investor and may be offered a differential fee arrangement in these circumstances.

Related Parties

Peter Drake, a director of the Manager is the beneficial owner of LM Administration Pty Ltd, which has been engaged by LM Investment Management Ltd to provide administration services at a commercial arms-length fee. In addition to this LM Administration Pty Ltd provides administration and funds management services to the Fund and is paid a management fee direct from the Fund.

John O’Sullivan, a non-executive director of the Manager is the beneficial owner of O’Sullivan Capital Management Ltd. O’Sullivan Capital Management Ltd has been engaged by LM Investment Management Ltd to provide marketing services in New Zealand at a commercial arms-length fee. This fee is paid by the Fund.

The Fund may lend to related parties provided the loans are on commercial arms-length terms and are subject to review by the Board.

The Board of the Manager is responsible for reviewing and approving the structure and probity of commercial dealings between the Manager and any related parties. Fees issued to the account of the Fund by related parties, which are recoverable from the Fund must be on commercial arms-length terms and are subject to review by the Board.

Related Party Loans of the LM First Mortgage Income Fund

Name	Loan balance as at 29 February 2008	Interest rate	Percentage of total loan portfolio
Australian International Investment Services Pty Ltd*	\$7,779,519	10.5%	1%

* Australian International Investment Services Pty Ltd is 100% owned by the LM Managed Performance Fund (a related investment fund), which has entered into a joint venture with a property developer to develop land in Canberra.

The Fund is lending money on commercial terms and conditions to Australian International Investment Services Pty Ltd.

The Manager received establishment fees of 1% of the total loan amount (\$7,779,519) for this loan.

Related Party Finance

The Manager is the Responsible Entity of the LM Managed Performance Fund. From time to time the LM Managed Performance Fund advances loans by way of second mortgages to borrowers who have first mortgage advances from the Fund. At 29 February 2008 there are 8 such loans by the LM Managed Performance Fund in the total amount of \$27,387,416. In these instances the Fund enters into Priority Deeds with the borrower as part of normal loan documentation procedures. The LM Managed Performance Fund generates fees, charges and interest rates all of which are paid by the borrower.

Conflicts of Interest Management

The Manager has a documented Conflicts Management Policy which deals with the identification, assessment and treatment of conflicts of interest and related party transactions. The Risk Manager has responsibility for conflicts and prepares conflict records for each conflict or related party transaction identified. Board approval is required for all related party transactions.

Manager’s Liability

To the extent allowed by law the Manager is not liable for any loss or damage to any person (including any investor) arising out of any matter provided the Manager acts in good faith and in accordance with the constitution.

This PDS has been prepared by the Manager based on information within its own knowledge or provided to it by its advisers. Other than as required by law, no responsibility is taken by the Manager or any parties mentioned in this PDS for any statement made in relation to the Fund other than those statements made in this PDS. Neither the Manager, nor any other party gives any guarantee with respect to the performance of the Fund. The Manager has authorised the issue of this PDS. The Manager does not purport to advise investors in relation to this investment or their taxation position.

Custodian’s Disclosures and Disclaimer

Interests of the Custodian

The custodian has no interest in relation to the Fund, and has not received any inducements other than the remuneration it is entitled to receive under the relevant custody agreement or constitution by way of custodian fees.

The custodian fees for the LM First Mortgage Income Fund are currently the greater of 0.02% pa of the assets of the LM First Mortgage Income Fund or \$20,000 pa.

It is the intention of the Manager to take over the role of custodian of the Fund during the life of this PDS. All legislative requirements will be adhered to by the Manager at that time.

Custodian Disclaimer

The role of the custodian is to hold the assets of the Fund and title documents as agent for the Manager. It is not the role of the custodian to protect the rights and interests of the Fund's investors.

The custodian does not guarantee the return of any investment, any tax deduction availability or the performance of the Fund.

Consent by Auditors

Ernst & Young, financial and compliance auditors, have consented to be named in this PDS in the form and context in which they appear. Ernst & Young is not responsible for, nor has it caused or authorised the issue of this PDS.

Continuous Disclosure

The Fund is a disclosing entity for Corporations Act purposes and as such is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

Investors have a right to obtain a copy of the following documents:

- ▶ the annual financial report for the Fund;
- ▶ any half-year financial report lodged with ASIC; and
- ▶ any continuous disclosure notices given by the Fund.

Effect of International Accounting Standards

Under AASB 132 "Financial Instruments: Disclosures and Presentations", contractual obligations are regarded as liabilities. As unitholders have the ability to redeem units from the Fund, all unitholders' funds are recognised as liabilities of the Fund, rather than equity. The result of this is to reduce the net assets of the Fund to zero. As interest distributions paid and payable make up a proportion of unitholders' funds, they will be classified as interest expenses in the Statement of Financial Performance.

AASB139 requires assets to be classified into one of four categories depending on the type of asset.

Investments are classified as either held to maturity investments or available for sale financial assets depending on the type of investment. Those investments that are held to maturity are measured at amortised cost using the effective interest rate method. The investments that are classified as available for sale are measured at a fair value basis each reporting period, with any movement in fair value being reflected through the equity reserve.

Under the Australian Equivalent of the International Financial Reporting Standards (AIFSR) the Fund is required to recognise all the derivative financial instruments at fair value on the balance sheet. Where possible, the Fund will adopt hedge accounting so that the gains and losses on the financial instrument are recognised in line with income recognition for the hedged term and the volatility in the profit and loss is minimised.

Where hedging accounting cannot be adopted the gains and losses on the financial instrument are recognised at fair value with changes in fair value recorded through the profit and loss.

Where fair value hedge accounting is used, fair value changes on

both the hedged item and the hedging instrument are recognised directly in the profit and loss. Where cash flow hedge accounting is used the carrying value of the hedged item is not adjusted and the fair value changes on the related hedging instrument are reflected in a separate equity reserve and are then transferred to the profit and loss at the time the hedged item is realised.

The Fund uses cash flow hedge accounting. As such there is a potential for volatility in the equity reserve.

Electronic PDS

This PDS is available in electronic form at www.LMaustralia.com. Any person receiving this PDS electronically will on request be sent a paper copy of the PDS (and attached Application Form) by the Manager free of charge during the period of the offer. Applications must be made by completing a paper copy of the Application Form which forms part of this PDS.

The Manager will not accept a completed Application Form if it has reason to believe that the applicant has not received a complete paper copy or electronic copy of the PDS or if it has reason to believe that the Application Form or electronic copy of the PDS has been altered or tampered with in any way. While the Manager believes that it is extremely unlikely that during the period of the offer the electronic version of the PDS will be tampered with or altered in any way, the Manager cannot give any absolute assurance that this will not occur. Any investor in doubt concerning the validity or integrity of an electronic copy of the PDS should immediately request a paper copy of the PDS direct from the Manager or their adviser.

Anti-Money Laundering Procedures

The Australian Government has introduced anti-money laundering legislation to help combat money-laundering and the financing of terrorism. Under this legislation the Manager is required to collect more information from investors.

The Manager as Responsible Entity of the Fund needs to identify the underlying owner of each investment who has not previously been identified. For example, a private company will need to provide supporting documentation to identify the company as well as the usual account opening information. The Manager is also required to identify certain other parties to the investment such as a trustee or power of attorney.

If you hold an investment with the LM First Mortgage Income Fund which commenced prior to 31 January 2008 and are making an additional investment, then you may be required to provide us with verification documents. The Manager will contact you if required.

For wholesale investors e.g. master trusts or wrap services, please contact the Manager for the latest service agreement which includes Anti-Money Laundering details if not already completed.

What Documentation Needs to be Submitted with an Application for an Australian or New Zealand Investor

Investors' financial advisers will be able to assist investors in providing the necessary verification documents. Below is an outline of the verification documents that may be required for an Australian or New Zealand investor only.

TYPE OF INVESTOR	INVESTMENT ACCOUNT MUST BE IN THE NAME OF	SIGNATURE(S) REQUIRED	VERIFICATION DOCUMENTS REQUIRED (IN SUPPORT OF THE APPLICATION FORM)
Individual Account and Sole Traders	The individual e.g. John Citizen	The individual's	Certified copy of any of the following that verify your name, date of birth and/or current address:- Option 1: Current Passport or Drivers Licence. Option 2: Either Birth Certificate, Citizenship Certificate or Pension Card And Notice issued by a government body within preceding 12 months or utility provider issued within the preceding 3 months.
Joint Account	Both or all joint applicants e.g. John Citizen and Jane Citizen	All joint applicants'	
Superannuation Fund	The trustee(s) of the fund and name of the Super Fund e.g. ABC Trustees atf John Citizen Super Fund	All trustees' or that number of trustees as required by the Trust Deed	Certified copy of the first page, schedule (and any relevant pages including the page that list details in relation to who can sign on behalf of the Trust) of the Trust Deed confirming name and trustee(s) signatures. For one individual trustee, please also provide the same type of information requested for an Individual Account . Or For one corporate trustee please also provide the same type of information requested for a Company . Regulated Australian Superannuation Funds only require a current search of ASIC, ATO or regulator's website confirming the fund name and that the fund is regulated.
Trust	The trustee(s) of the trust and name of the trust e.g. ABC Trustees atf John Citizen Trust		
Company	The name of the company e.g. ABC Pty Ltd	Two directors; or a director and a company secretary or if there is only one director, by that director	► Certified copy of the Certificate of Registration. Or ► ASIC (or equivalent regulatory body) search within the last 30 days confirming name, registration and identification number.
Partnership	All partners e.g. John Citizen and Jane Citizen	Two partners	► Certified copy or certified extract of a partnership agreement. Or ► Certified copy or certified extract of minutes of a meeting confirming partnership. And ► Confirmation of current membership if regulated by professional association by current membership certificate or confirmation from relevant association. For one individual partner, please also provide the same type of information requested for an Individual Account .

Alternate Verification Documentation

For details of other verification documentation which is acceptable to the Manager other than outlined above or other entity types, please refer to the Anti-Money Laundering Form available from the Manager's website at www.LMaustralia.com or by telephoning the Manager on +617 5584 4500.

What Documentation Needs to be Submitted with an Application for an Investor other than an Australian or New Zealand Investor

Your financial adviser will be able to assist you in providing the necessary verification documents. In addition to completing the Application Form in the PDS investors will need to complete an Anti-Money Laundering Form applicable to the investor's classification (i.e. individual, company, trust, county the investor resides etc). These forms are located on the Manager's website at www.LMaustralia.com

Suitable Certifiers for Copies of Documents

Where an investor's identification documents need to be certified, the Manager suggests that the person certifying the document(s) for the investor use the following statement on the copy being certified:-

"I certify this to be a true and correct copy of the [Name of Document] the original of which, was produced to me at the time of signing and it is a true likeness of the identified (where there is a photo id)".

The document must also be dated and have the signature, printed name, occupation, employer and address of the person certifying the document.

Some of the persons who may certify copies of the original documents are:-

- ▶ a finance company officer with 2 or more continuous years of service with one or more finance companies (may include such professionals as financial adviser);
- ▶ an officer with 2 or more continuous years of service with one or more financial institutions;
- ▶ an officer with, or authorised representative of, a holder of an Australian financial services licence, having 2 or more continuous years of service with one or more licensees;
- ▶ a member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with 2 or more years of continuous membership;
- ▶ a Justice of the Peace;
- ▶ a notary public (for the purposes of the Statutory Declaration Regulations 1993);
- ▶ a police officer;
- ▶ a legal practitioner who is on the roll of a Supreme Court of a State or Territory, or the High Court of Australia;
- ▶ a judge of a court;
- ▶ a magistrate;
- ▶ a chief executive officer of a Commonwealth court;
- ▶ a registrar or deputy registrar of a court;
- ▶ an agent of the Australian Postal Corporation who is in charge of an office supplying postal services to the public;
- ▶ a permanent employee of the Australian Postal Corporation with 2 or more years of continuous service;
- ▶ an Australian consular officer or an Australian diplomatic officer.

Queries

Should you require information in relation to what documents need to be submitted with an application or if you are unsure which classification your application falls under please contact your financial adviser or the Manager on +617 5584 4500 prior to submitting an application.

Incomplete Applications

An application cannot be processed by the Manager unless the appropriate verification documentation and information is supplied with the application or if the Manager is not satisfied with the legitimacy of the verification documentation or information supplied. The Manager takes no responsibility for any delay in processing an incomplete application. The Manager will contact advisers as soon as practicable and ask them to supply any necessary additional information for the investor in order for the application to be processed.

The Manager reserves the right to refuse or cancel applications at any time if it believes that the application breaches any anti-money laundering/counter-terrorism financing law or the money laundering or terrorism financing risk is unacceptable to the Manager. The Manager may also request any further information at any time throughout the investment from an investor that it considers necessary for it to satisfy any applicable anti-money laundering/counter-terrorism financing laws. If the Manager has requested an investor to provide further information, the processing of their application may be delayed until the information is received.

The directors of LM Investment Management Ltd have authorised and consented to the issue of this PDS.

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Application Form Checklist

To ensure the Manager is able to process an investor's application quickly and efficiently please check the Application Form is completed as set out below and that all additional information in relation to Anti-Money Laundering requirements is provided.

Section 1 – Nominate the type of investment and type of investor/s to open a new account.

Section 2 – Individual and Joint Investor/s Details - Provide the investor/s' full name/s. Joint investors must each provide their full names and sign the Application Form. All correspondence about the investment (including interest distributions and withdrawals) may be sent to the first person named on the Application Form. Joint investors are treated as joint tenants. This means that if one of two joint investors dies, only the other joint investor will be recognised as having any claim to the investment.

Section 3 – Sole Trader Investor Details

Section 4 – Company Investor Details

Section 5 – Superannuation Fund/Trust Investor Details – only the trustee has rights and obligations under the Fund's constitution.

Section 6 – Partnership or Association Investor Details

Section 7 – Politically Exposed Persons

Section 8 – Provide contact details for the investor/s.

Section 9 – Provide the investor/s' residential street address or if applicable business street address.

Section 10 – Provide Tax File Number or Exemptions (refer below).

Your alternatives to quoting a Tax File Number

If the investor's Tax File Number or the Tax File Number Exemption details are not supplied, the Manager is required to withhold tax from your income distribution at the highest marginal tax rate (plus Medicare Levy).

Exemptions:-

Pensioner - Write the name of your pension on the Exemption Line (eg Age Pension)

Non-Resident - Write your country of residence on the line below the Tax File Number

Non-Profit Organisation - If you are not required to lodge a tax return write "NL"

Section 11 – Nominate the investment option, amount to be invested and complete whether monthly returns are to be reinvested or not.

Section 12 – Select instructions for investment at maturity/rollover (for currency hedged investment terms only).

Section 13 – Nominate how the investment amount is to be paid.

- ▶ **Cheque** – If investing via cheque please cross your cheque "Not Negotiable" and make payable to "**PTAL acf LM First Mortgage Income Fund**".
- ▶ **Direct Debit** – For Australian dollar investors with Australian bank accounts or New Zealand dollar investors with New Zealand bank accounts only. If you are investing by direct debit please complete the relevant Direct Debit Form attached to the Application Form and complete the financial institution details in Section 15.
- ▶ **BPay** – Remit Australian dollar funds directly by BPay. In this instance you must fax the completed Application Form and a copy of your BPay receipt to the Manager (facsimile number +617 5592 4116) then telephone the Manager on +617 5584 4500 to receive your account number. Once you have your account number you can proceed to BPay your investment money by using the Biller Code No outlined in the "How to Invest" Section on Page 14 of this PDS and your account number as the reference number.
- ▶ **Electronic Direct Credit or Telegraphic Transfer** – Details of the financial institution account to be credited are contained in the "How to Invest" Section of this PDS on Pages 14 and 15. Once you have forwarded the electronic direct credit or telegraphic transfer you must fax the completed Application Form and copy of electronic direct credit receipt or telegraphic transfer (and forward the original by mail) to the Manager on facsimile number +617 5592 4116.
- ▶ **Credit Card** – Please complete the Credit Card Payment Form attached to this PDS and send the completed payment form with this Application Form to the Manager.

Application Form Checklist (continued)

Section 14 – Provide details of where the funds for this investment came from.

Section 15 – Complete details of the investor/s financial institution account to which interest distributions and withdrawals will be paid. If you are investing by direct debit investment, funds will be deducted from this account unless otherwise specified.

Section 16 – Please read this section for details on how the Manager can use the investor/s' personal information provided on the Application Form.

Section 17 – Authorised Delegate or Power of Attorney - If the Application Form is being signed under a Power of Attorney the Attorney must provide personal details in this section. If you wish to authorise another person to access and operate your investment (please read the section headed "Authorised Delegate" in the Additional Information Section of this PDS on Page 30), then:-

- ▶ complete the name of the authorised delegate;
- ▶ have the authorised delegate sign where indicated; and
- ▶ investor/s must also sign this section.

The appointment is limited to this Fund and the authorised delegate can only direct withdrawals to the nominated account or other existing investment accounts of the investor held by the Manager.

Section 18 – Please read this section and execute the Application Form in acknowledgement. Ensure that **if you are investing under a Joint Account** all applicants have signed and dated the form. **If the investor is a company** please ensure that the Application Form is executed by either 2 directors, 1 director and company secretary, or the sole director who is also the sole secretary. **If the investor is a trust** please ensure the Application Form is executed by all trustees or the sole trustee if there is only one trustee. **If signing under a Power of Attorney**, please attach a certified copy of the Power of Attorney document together with a declaration by the attorney/s that the Power of Attorney has not been revoked and a certified copy of the Attorney/s' passport or driver's licence and forward with this Application Form to the Manager.

Section 19 – Complete details of any special instructions including any amount of commission payable to the adviser in relation to this investment.

Section 20 – Complete details of the investor's financial adviser (if any).

Once you have completed and executed the Application Form

Please send the form and your prescribed method of payment to either:-

Your financial adviser

or

The Manager:
LM Investment Management Ltd
PO Box 485
Surfers Paradise Qld 4217

Application Form

LM First Mortgage Income Fund

ARSN 089 343 288 AFSL No. 220281

Units in the Fund will only be issued on receipt of this Application Form, issued together with the PDS for the Fund dated **10 April 2008**.

Please phone the Manager's Treasury Services Department on +617 5584 4500 or free call 1800 062 919(Australia only) or your adviser with any enquiries.

Office use only

Please complete this form using **BLACK INK** and print well within the boxes in **CAPITAL LETTERS**. Mark appropriate answer boxes with a cross like the following ☒. Start at the left of each answer space and leave a gap between words.

1. INVESTMENT DETAILS

Type of investment

☐ AUD Investment ☐ Non -AUD Investment

☐ EXISTING INVESTOR - New Investment

Existing Investor ID If any of your details have changed please complete them below, otherwise go to **Section 11**.

Investor Type

Individual / Joint Investors - complete details in section 2 and then go to Section 7 and complete all sections

Sole Trader Investors - complete details in section 3 and then go to Section 7 and complete all sections

Company Investors - complete details in section 4 and then go to Section 7 and complete all sections

Superannuation Fund/ Trust Investors - complete details in section 5 and then go to Section 7 and complete all sections

Partnership Investors - complete details in section 6 and then go to Section 7 and complete all sections

Please ensure appropriate investor identity verification documents are attached to this Application Form – refer to the Anti-Money Laundering procedures on pages 36 - 37 of this PDS.

If you are an investor from a country other than Australia or New Zealand please ensure the appropriate Anti-Money Laundering Form which is available from the Manager's website at www.LMAustralia.com is completed with this Application Form.

2. INDIVIDUAL/JOINT INVESTOR DETAILS

Investor 1	Title	Mr	Mrs	Miss	Other							
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First Name(s)

[illegible]

Last Name

[illegible]

Date of Birth

Gender

/ / Male ☐ Female ☐

Current Occupation

[illegible]

Investor 2	Title	Mr	Mrs	Miss	Other							
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First Name(s)

[illegible]

Last Name

[illegible]

Date of Birth

Gender

/ / Male Female

Current Occupation

[illegible]

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[illegible][illegible]

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[illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible][illegible]

If Proprietary Company provide Names of All Company Directors. If more than 2 Company Directors attach a list to this Application Form.

Company Director 1

First Name(s)

Last Name

Company Director 2

First Name(s)

Last Name

5. SUPERANNUATION FUND / TRUST INVESTOR DETAILS

Full Organisation Name of Trust/Superannuation Fund

Country in which the organisation was established

Type/Activity of Trust

Names and Residential or Principal addresses of All Trustee/s If more than 2 trustees, attach a list to this Application Form.

Trustee 1

First Name(s)

Last Name

Date of Birth

Gender

Male ☐ Female ☐

Residential or Principal Street Address

Suburb

State

Country

Trustee 2

First Name(s)

Last Name

Date of Birth

Gender

Male ☐ Female ☐

Residential or Principal Street Address

Suburb

State

Country

If the Trustee is a Company please complete the Company details in Section 4 of this Application Form.

Partner 2

First Name(s)

Last Name

Date of Birth

Gender

Male ☐ Female ☐

Residential or Principal Street Address

Suburb

State

Country

7. POLITICALLY EXPOSED PERSONS

Are you or anyone named on this form or any of your or their close personal or business relationships, associates or family members politically exposed persons e.g. Heads of State, senior politicians, judicial or military officers, senior executives of state owned corporations?

Yes ☐ No ☐

If yes please provide details _____

8. INVESTOR CONTACT DETAILS

Contact Name

Postal Address

Email

Phone (Business/Home)

Phone (Mobile)

Please indicate your preferred method of receiving correspondence

☐ Email ☐ Post OR ☐ All correspondence to Adviser only

Financial statements are available on the Manager's website.

Do you wish to receive financial statements of the Fund ☐ Yes ☐ No

If Yes – do you wish to receive the financial statement by email ☐ Yes ☐ No

9. RESIDENTIAL / PRINCIPAL BUSINESS STREET ADDRESS OF INVESTOR/S

Individual investors must provide their residential street address and if sole trader their principal business address (if different). Company, partnership, superannuation fund, association or trust investors must provide their principal business street address and registered office address (if different). Post office boxes are not acceptable.

INVESTOR 1 / COMPANY/ TRUST / SUPERANNUATION FUND / PARTNERSHIP / ASSOCIATION / SOLE TRADER

Residential / Principal Business Street

Suburb

State

Country

INVESTOR 2 / INCORPORATED REGISTERED ADDRESS (if applicable)

Residential / Principal Business Street

Suburb

State

Country

10. INVESTOR TAX FILE NUMBER OR EXEMPTION DETAILS

INVESTOR 1 / COMPANY PARTNERSHIP / SUPERANNUATION FUND / TRUST

Tax File Number

OR Exemption

If a foreign resident for tax purposes, specify country of residence

INVESTOR 2

Tax File Number

OR Exemption

If a foreign resident for tax purposes, specify country of residence

11. INVESTMENT DETAILS

LM FIRST MORTGAGE INCOME FUND AUSTRALIAN DOLLAR INVESTMENT OPTIONS

Cheques MUST be made payable to "PTAL acf LM First Mortgage Income Fund" (Select method of payment in the "Payment Details" – See Section 13 below)

FLEXI ACCOUNT OPTION

<input type="checkbox"/>	Flexi Account Option	AUD\$	<input type="text"/>	.	<input type="text"/>
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FIXED TERM INVESTMENT OPTIONS

Investment Amount

<input type="checkbox"/>	1 Month Term	AUD\$	<input type="text"/>	.	<input type="text"/>
<input type="checkbox"/>	3 Month Term	AUD\$	<input type="text"/>	.	<input type="text"/>
<input type="checkbox"/>	6 Month Term	AUD\$	<input type="text"/>	.	<input type="text"/>
<input type="checkbox"/>	12 Month Term	AUD\$	<input type="text"/>	.	<input type="text"/>
<input type="checkbox"/>	13 Month Term	AUD\$	<input type="text"/>	.	<input type="text"/>
<input type="checkbox"/>	2 Year Term	AUD\$	<input type="text"/>	.	<input type="text"/>
<input type="checkbox"/>	3 Year Term	AUD\$	<input type="text"/>	.	<input type="text"/>
<input type="checkbox"/>	4 Year Term	AUD\$	<input type="text"/>	.	<input type="text"/>

INTEREST DISTRIBUTION

► Reinvest Yes ☐ No ☐ If No please select one of the options below

- Credit my/our bank account monthly or quarterly (complete Section 15) Monthly ☐ Quarterly ☐
- Pay to my/our LM Cash Performance Fund Account Yes ☐ No ☐
- Pay the Split Interest Distribution set out below Yes ☐ No ☐

SPLIT DISTRIBUTION OPTION

<input type="checkbox"/>	Amount to be paid from interest distribution monthly or quarterly	AUD\$	<input type="text"/>	.	<input type="text"/>
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Note the balance interest distribution on this investment will be reinvested to your investment account. If the interest distribution amount is less than the amount nominated, the Manager will only pay the interest distribution amount.

Monthly ☐ Quarterly ☐

REGULAR ADDITIONAL INVESTMENT OPTION (Minimum AUD\$1,000)

– Please complete the Direct Debit Request Form attached to this Application Form

<input type="checkbox"/>	Regular additional investment amount	AUD\$	<input type="text"/>	.	<input type="text"/>
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Please nominate how often the additional investment is to be made e.g. monthly

LM SAVINGS PLAN OPTION

Please complete the Direct Debit Request Form attached to this Application Form

	Initial Investment Amount (Minimum initial investment AUD\$100)	Ongoing Investment Amount (Minimum AUD\$100 / month)
<input type="checkbox"/>	LM Savings Plan AUD\$ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	AUD\$ <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

Please nominate how often the additional investment is to be made e.g. monthly

NB: If you nominate to have the **Regular Additional Investment** or **Ongoing Investment** to be added on a monthly basis the monthly amount is automatically debited on the 24th of each month or next business day if 24th falls on a weekend or public holiday. If other date for direct debit is required please nominate the date on which the ongoing amount is to be direct debited on: _____ of each month. If you nominate to have the **Regular Additional Investment** or **Ongoing Investment** to be added on a **weekly or fortnightly** basis the Regular Additional Investment or Ongoing Investment will be automatically debited weekly or fortnightly from the receipt and processing of your application for investment.

www.LMaustralia.com > LM First Mortgage Income Fund

The investor may use this Application Form to select either one or a diversified range of currency investments. (Investment may be arranged for most currencies. For clarification on hedging a specific currency, contact the Manager.)

FIXED TERM INVESTMENT OPTIONS

<input type="checkbox"/>	USD	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	GBP	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	EUR	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	JPY	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	CAD	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	HKD	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	SGD	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	NZD	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	Other Specify:	Amount \$	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	.	<input type="text"/>	<input type="text"/>	<input type="text"/>

► **Credit to my Fund Account**

Yes ☐ No ☐

12. MATURITY/ROLLOVER INSTRUCTIONS FOR CURRENCY HEDGED INVESTMENT TERMS ONLY

☐ On maturity of each investment term **continue to roll the investment and interest distribution (income) amount for further investment terms of the same length until notified otherwise by the investor** by the appropriate notice.

EG On maturity of USD 12 Month Term the interest distribution will be credited to the investor's investment account and principal investment amount and the interest distribution will be rolled for further USD 12 Month Terms until notified otherwise by the investor.

☐ On maturity of each investment term **continue to roll the original investment amount on maturity for further investment terms of the same length until notified otherwise by the investor by the appropriate notice AND electronically credit the interest distribution (income) amount to the Investor's Account nominated in Section 15 of this Application Form.**

EG On maturity of USD 12 Month Term the principal investment amount will be rolled for further USD 12 Month Terms and the interest distribution will be electronically credited to the investor's account nominated in Section 15 of the Application Form until notified otherwise by the investor.

☐ On maturity **redeem the investor's investment and interest distribution (income) amount** and electronically credit the Investor's Account nominated in Section 15 of this Application Form.

Note: See page 17 of this PDS (“How to Withdraw”) for details of the notice periods required and the restrictions on breaking an investment term, which also apply to investment terms resulting from a rollover.

Note: Investors should consult with their adviser to obtain details of the latest PDS prior to reinvestment. The latest PDS is also available from the Manager's website at www.LMAustralia.com or by telephoning the Manager on +617 5584 4500.

13. PAYMENT DETAILS

How will this investment be made? NOTE: Cash is not acceptable

AUSTRALIAN DOLLAR PAYMENT OPTIONS:-

- Cheque** ☐ Make cheque payable to the Fund:- **PTAL acf LM First Mortgage Income Fund**;
- Direct Debit** ☐ Make sure you also complete the relevant Direct Debit Form for Australian Dollar Investments attached to this Application Form. Your investment will be directly debited from your nominated Australian financial institution account.
- BPay** ☐ Please attach a copy of the BPay receipt to the Application Form. For details on how to BPay Australian dollar investment funds please refer to Page 14 of this PDS.
- Electronic Direct Credit or Telegraphic Transfer** ☐ Please attach a copy of the electronic direct credit receipt or telegraphic transfer to the Application Form and provide the electronic direct credit reference code provided by the bank or telegraphic transfer reference code provided by the bank:- _____
Please see details on how to electronically direct credit or telegraphically transfer investment funds on page 14 of this PDS.
- Credit Card** ☐ Make sure you complete the Credit Card Payment Form attached to this Application Form.

NON-AUSTRALIAN DOLLAR CURRENCY HEDGED PAYMENT OPTIONS:-

Payment must be made by telegraphic transfer.

Please attach a copy of the telegraphic transfer to the Application Form and provide the telegraphic transfer reference code provided by the bank:- _____. Please see details on how to telegraphically transfer investment funds on page 15 of this PDS.

NEW ZEALAND investors can also

- ▶ choose to have NZD investments direct debited from their bank account. Please complete the New Zealand Direct Debit Form that follows this Application Form

OR

- ▶ Investors living in New Zealand can make NZD deposits in person at an ANZ bank or electronically direct credit investment funds to the ANZ Bank (Bank details are shown on page 15 of this PDS).

Direct Credit – If funds are being remitted by direct credit please supply the banking reference number or copy of credit receipt provided by the remitting bank _____.

THIRD PARTY PAYMENTS

The Manager expects funds to come from the investor's own account. Please provide an explanation if payment is made from a third party. We may require additional information in respect of the third party payment if accepted.

14. SOURCE OF INVESTMENT FUNDS – Must be completed for Anti-Money Laundering Requirements

Please tick the appropriate box to provide information on where funds for this investment came from.

- ☐ Savings ☐ Sale of Assets ☐ Profit ☐ Other please specify e.g. gift, donation:- _____

Account Name																													
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Bank Name																													
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BSB Number (Australia Only)															Bank Account Number														
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Currency			Swift Code												Sort Code														
<div></div>			<div></div>												<div></div>														
Routing Code/Fedwire (US banks only)															IBAN Number														
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Intermediary Bank Name (For overseas bank accounts using an intermediary bank, if applicable)																													
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Intermediary Swift Code															Intermediary Sort Code														
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Intermediary Account Number																													
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The privacy of an investor's personal information is important to the Manager. The purpose of collecting investor information on the Application Form is to process the application and manage an investor's investment in the Fund. If the information an investor gives is not complete or accurate, the Manager may not be able to provide the products and services applied for.

In processing the application and managing investors' investments in the Fund, the Manager may disclose personal information to other parties such as an investor's financial adviser and/or IT service providers of financial advisers, the financial adviser's licensee or as required by law.

Investors are entitled to request reasonable access to their personal information. The Manager reserves the right to charge an administration fee for collating the information requested.

For further details on the Manager's Privacy Policy please visit the Manager website at www.LMaustralia.com.

17. APPOINTMENT OF AUTHORISED DELEGATE /POWER OF ATTORNEY

Please ensure an identity verification document (e.g. Certified copy of current Passport) for the Authorised Delegate/Attorney is attached.

Name of Authorised Delegate

First Name(s)

Last Name

Date of Birth

Gender

Nationality

Current Occupation

Residential Street Address

Suburb

State

Country

Signature of Authorised Delegate and Investor must be provided below. Attorneys are not required to complete the balance of this section.

I/We have read the section on authorised delegates in this PDS under the section headed "Additional Information" and agree to its terms and conditions. I/We appoint the following authorised delegate:

Signature of Authorised Delegate

Date

I/We request that my/our authorised delegate receive access to my/our financial records in relation to my/our Fund/s investment/s and consistent with the Fund/s terms and conditions, agree that my/our authorised delegate has the same powers as I/we do to make further investments in or withdrawals from, the Fund/s. I/We release, discharge and agree to indemnify the Manager and the Custodian as provided in the "Additional Information" section of this PDS.

Signature of Investor 1/Company Officer (please nominate office held eg. Director)

Date

Signature of Investor 2/Company Officer (please nominate office held eg. Director)

Date

18. SIGNING AREA

I/We declare that:-

1. This Application Form is completed according to the declaration/appropriate statements in the Application Form and agree to be bound by the constitution/s and the terms, conditions and contents of the PDS of the Fund.
2. The return of this Application Form with the Application Money will constitute an offer to subscribe for units.
3. I/We acknowledge that I/we have read the PDS to which this application relates and any supplementary PDS.
4. I/We consent to the Manager collecting the information provided in this document and attachments and declare that the information is true and correct. I/We agree to provide the Manager with any further information required and confirm LM may obtain further information to confirm my/our or our organisation's identity for the purpose of my/our investment or for the purposes of compliance with any laws.
5. I declare that the money invested in the Fund is not part of any money laundering or terrorist financing schemes.

Signature of Investor 1/Company Officer (please nominate office held eg. Director)

Date

Signature of Investor 2/Company Officer (please nominate office held eg. Director)

Date

If signed under Power of Attorney, the Attorney certifies that he or she has not received notice of revocation of that power. Trustees of trusts giving a power of attorney certify that they are authorised to do so by their trust deed. A certified copy of the power of attorney must be forwarded to the Manager with this Application Form including an express authority to grant the limited power of attorney as set out in this Application Form. If signing on behalf of a corporation, the party signing must indicate the capacity (i.e. director or secretary) after their signature in the above box.

19. SPECIAL INSTRUCTIONS/COMMISSION INSTRUCTIONS

20. ADVISER/INTERMEDIARY DETAILS

Title Mr ☐ Mrs ☐ Miss ☐ Other ☐ ☐ ☐ ☐ ☐ ☐

First name(s)

Last Name

AFS Licensee

Adviser Email

Telephone Number (Business)

Facsimile Number

Mobile Telephone Number

AFS Licence No

LM Adviser ID No (Optional)

Adviser Stamp

Postal Address

Australian Financial Adviser Investor Identity Verification Declaration

I certify that in accordance with the IFSA/FPA Industry Guidance Note 24 that:- (tick the appropriate box)

- ☐ 1. My licensee has an agreement in place with LM where I have collected, verified and retained the appropriate customer identification documentation to confirm the identity of all investors associated with this application to meet my obligations in respect of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ('AML/CTF laws') and agree to provide access to these records as required.
- OR
- ☐ 2. My licensee has an agreement in place with LM and as such I have attached a copy of the industry "Customer Identification Form" which confirms that I have sighted and verified all of the documentation required to identify a customer under the AML/CTF laws.
- OR
- ☐ 3. I have attached a copy of the source documents from which I have identified the customer as required by the AML/CTF laws.

If no box is marked, I agree Option 3 applies.

Adviser Signature

Date

/ /

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Direct Debit Request Form (AUD INVESTMENTS ONLY)

AUSTRALIAN BANK ACCOUNT HOLDERS ONLY

Please complete and sign this form to make your initial investment.

Direct Debit Request Form

REQUEST FOR DEBITING AMOUNTS TO ACCOUNTS BY THE DIRECT DEBIT SYSTEM

PLEASE READ ALL INSTRUCTIONS WHEN COMPLETING THIS FORM

If you are an existing investor please complete your Investor ID or LM Investment Account Number (if known)

Investor ID No. LM Investment Account No. Date / /

Name and address of financial institution at which your account is held:

Insert full name of investor: (Surname, Company Name or Business Name)

(Given Names, ACN or ABN)

Direct debit authorisation:-

I / we authorise LM Investment Management Ltd (ACPC User ID Number: 097695)

to arrange for funds to be debited from my/our account at the financial institution identified above and as prescribed through the bulk electronic clearing system (becs);

I/We have read the 'Direct Debit Customer Service Agreement' provided in this form and agree with its terms and conditions.

I/We request this arrangement remain in force in accordance with the details set out in the Schedule below and in compliance with the 'Direct Debit Customer Service Agreement'.

Signature of investor 1
or company officer

Signature

Date

 / /

Print Name

Signature of investor 2
or company officer

Signature

Date

 / /

Print Name

The Schedule

Insert name of account which is to be debited

BSB No:*

Account No:*

*Do not quote your ATM card or credit card number.

PLEASE NOTE: Direct Debiting is not available on the full range of accounts. If in doubt please refer to your financial institution.

Please complete and sign this form to make your initial investment and/or to make additional investments together with the relevant application form.

PLEASE READ ALL INSTRUCTIONS WHEN COMPLETING THIS FORM

Investor ID No. LM Investment Account No. Date / /

	/	/
--	---	---

	/	/
--	---	---

Please enter your initial investment/additional deposit/ monthly investment amount which is to be credited to:

Fund Name

[illegible][illegible]

NB: The amount deducted will be the investment amount. The credit card merchant service fee of 1.54% of that amount (GST inclusive) will be deducted by the Manager from the investment amount. The credit card merchant service fee is subject to change at anytime in line with the Merchant Service Agreement. The charge of 1.54% is current as at the date of this PDS.

7

7

[illegible]

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[illegible]

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The credit card merchant service fee may be passed onto the consumer in accordance with the Merchant Pricing Reform, 1 January 2003.

Direct Debit Authority for NEW ZEALAND INVESTORS ONLY

NEW ZEALAND BANK ACCOUNT HOLDERS ONLY

Name of Account: _____	Authority to accept Direct Debits (Not to operate as an assignment or agreement)																
CUSTOMER TO COMPLETE BANK/BRANCH NUMBER AND ACCOUNT NUMBER AND SUFFIX OF ACCOUNT TO BE DEBITED <table border="1"><tr><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td><td><input type="text"/></td></tr></table> Bank Branch Number Account Number Suffix		<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
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To: The Manager (Please print full postal address clearly for window envelope)

BANK & BRANCH: _____	AUTHORISATION CODE <table border="1"><tr><td>0</td><td>1</td><td>0</td><td>9</td><td>4</td><td>1</td><td>7</td></tr></table>	0	1	0	9	4	1	7
0		1	0	9	4	1	7	
ADDRESS (PO BOX): _____								
TOWN / CITY: _____	DATE: _____ / _____ / _____							

I / We authorise you until further notice in writing to debit my / our account with you all amounts which

L M Administration Pty Ltd

(Hereinafter referred to as the Initiator)

the registered Initiator of the above Authorisation Code, may initiate by Direct Debit.

I / We acknowledge and accept that the Bank accepts this authority only upon the conditions listed on the reverse of this form

INFORMATION TO APPEAR IN MY / OUR BANK STATEMENT (TO BE COMPLETED BY INITIATOR)

PAYER PARTICULARS	PAYER CODE	PAYER REFERENCE																																						
<table border="1"><tr><td>L</td><td>M</td><td></td><td>F</td><td>M</td><td>I</td><td>F</td><td></td><td></td><td></td><td></td></tr></table>	L	M		F	M	I	F					<table border="1"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>																	<table border="1"><tr><td>L</td><td>M</td><td></td><td>F</td><td>M</td><td>I</td><td>F</td><td></td><td></td><td></td><td></td></tr></table>	L	M		F	M	I	F				
L	M		F	M	I	F																																		
L	M		F	M	I	F																																		

NAME OF ACCOUNT: _____
AUTHORISED SIGNATURE(S): _____

Approved _____	FOR BANK USE ONLY		
	<table border="1"><tr><td>DATE RECEIVED: ____ / ____ / ____</td><td>RECORDED BY: _____</td><td>CHECKED BY: _____</td></tr></table> Original: Retain at Branch. Copy: Forward to Initiator in postage prepaid and addressed envelope provided by the Initiator	DATE RECEIVED: ____ / ____ / ____	RECORDED BY: _____
DATE RECEIVED: ____ / ____ / ____	RECORDED BY: _____	CHECKED BY: _____	

BANK STAMP

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Australian Dollar Direct Debit Customer Service Agreement

Our Responsibility

- ▶ The direct debit of your investment amount will be drawn immediately once LM Investment Management Ltd (the “Manager”) receives this form or further written instructions from you. Please ensure your investment funds are cleared and available.
- ▶ The Manager will only debit your account for your initial investment amount as stated on the Application Form or additional investment amount as advised by you in further written instructions concerning additional deposits.
- ▶ The Manager reserves the right to cancel the direct debit arrangements if three or more drawings are returned unpaid by your nominated financial institution.
- ▶ Subject to its obligations at law, the Manager will keep all information pertaining to your nominated account at the financial institution private and confidential.
- ▶ Where the due date for a drawing falls on a non-business day, the Manager will draw the amount on the next business day.
- ▶ The Manager will investigate and deal promptly with any queries, claims or complaints regarding debits providing a response within 20 business days.

Your Responsibility

- ▶ Where you consider that a drawing has been initiated incorrectly you should take the matter up directly with the Manager.
- ▶ It is your responsibility to ensure that the authorisation on the direct debit request is identical to the account signing instruction held by the financial institution of the nominated account.
- ▶ It is your responsibility to ensure at all times, that sufficient funds are available in the nominated account to meet a drawing on the due date for payment.
- ▶ It is your responsibility to advise the Manager if the account nominated by you to meet a drawing is altered, transferred or closed.
- ▶ It is your responsibility to arrange with the Manager a suitable alternate payment method if the drawing arrangements are stopped either by you or the nominated financial institution.
- ▶ It is your responsibility to meet any charges resulting from the use of the direct debit system. This may include fees charged by the Manager as a result of drawings being returned unpaid.

Your Rights

- ▶ You may request or defer or alter the drawing authority, by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date of the next drawing.
- ▶ You may cancel the direct debit arrangement at any time by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date for the next drawing.
- ▶ All transaction disputes, queries, and claims should be raised directly with the Manager. The Manager will provide a verbal or written response within 20 business days from the date you notify the Manager. If the claim/dispute is successful the Manager will reimburse you by way of electronic credit to your nominated account.

Terms and Conditions of the New Zealand Dollar Direct Debit Authority

1. The Initiator:

- (a) Has agreed to give written notice of the net amount of each Direct Debit no later than the Direct Debit is initiated.

This notice will be provided either:

- (i) in writing; or
- (ii) by electronic mail where the Customer has provided prior written consent to the Initiator.

The advance notice will include the following message:

The amount \$ _____, will be direct debited to your Bank account on (initiating date).

- (b) May, upon the relationship which gave rise to this Authority being terminated, give notice to the Bank that no further Direct Debits are to be initiated under the Authority. Upon receipt of such notice the Bank may terminate this Authority as to future payments by notice in writing to me/us.

2. The Customer may:

- (a) At any time, terminate this Authority as to future payments by giving written notice of termination to the Bank and to the Initiator.
- (b) Stop payment of any direct debit to be initiated under this authority by the Initiator by giving written notice to the Bank prior to the direct debit being paid by the Bank.

3. The Customer acknowledges that:

- (a) This authority will remain in full force and effect in respect of all direct debits made from me/our account in good faith notwithstanding my/our death, bankruptcy or other revocation of this authority until actual notice of such event is received by the Bank.
- (b) In any event this authority is subject to any arrangement now or hereafter existing between me/us and the Bank in relation to my/our account.
- (c) Any dispute as to the correctness or validity of an amount debited to my/our account shall not be the concern of the Bank except in so far as the direct debit has not been paid in accordance with this authority. Any other disputes lie between me/us and the Initiator.
- (d) Where the Bank has used reasonable care and skill in acting in accordance with this authority, the Bank accepts no responsibility or liability in respect of:
 - the accuracy of information about Direct Debits on Bank statements;
 - any variations between notices given by the Initiator and the amounts of Direct Debits.
- (e) The Bank is not responsible for, or under any liability in respect of the Initiator's failure to give written advance notice correctly nor for the non-receipt or late receipt of notice by me/us for any reason whatsoever. In any such situation the dispute lies between me/us and the Initiator.

4. The Bank may:

- (a) In its absolute discretion conclusively determine the order of priority of payment by it of any monies pursuant to this or any other authority, cheque or draft properly executed by me/us and given to or drawn on the Bank.
- (b) At any time terminate this authority as to future payments by notice in writing to me/us.
- (c) Charge its current fees for this service in force from time-to-time.

Credit Card Customer Service Agreement

Our Responsibility

- ▶ The credit card payment of your investment amount will be drawn immediately once LM Investment Management Ltd (the "Manager") receives this form or further written instructions from you. Please ensure your investment funds are cleared and available.
- ▶ The Manager will only debit your account for your initial investment amount as stated on the Application Form or additional investment amount as advised by you in further written instructions concerning additional deposits. The credit card merchant service fee will be deducted from your initial investment amount or additional investment amount/s.
- ▶ The Manager reserves the right to cancel the credit card arrangements if three or more drawings are returned unpaid by your nominated financial institution.
- ▶ Subject to its obligations at law, the Manager will keep all information pertaining to your nominated account at the financial institution private and confidential.
- ▶ Where the due date for a drawing falls on a non-business day, the Manager will draw the amount on the next business day.
- ▶ The Manager will investigate and deal promptly with any queries, claims or complaints regarding debits providing a response within 20 business days.

Your Responsibility

- ▶ Where you consider that a drawing has been initiated incorrectly you should take the matter up directly with the Manager.
- ▶ It is your responsibility to ensure that the authorisation on the credit card payment request is identical to the account signing instruction held by the financial institution of the nominated account.
- ▶ It is your responsibility to ensure at all times that sufficient funds are available in the nominated account to meet a drawing on the due date for payment.
- ▶ It is your responsibility to ensure your bank will allow drawings on a credit card transaction without the card present.
- ▶ It is your responsibility to advise the Manager if the account nominated by you to meet a drawing is altered, transferred or closed.
- ▶ It is your responsibility to arrange with the Manager a suitable alternate payment method if the drawing arrangements are stopped either by you or the nominated financial institution.
- ▶ It is your responsibility to meet any charges resulting from the use of the credit card system. This may include fees charged by the Manager as a result of drawings being returned unpaid.

Your Rights

- ▶ You may request or defer or alter the drawing authority, by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date of the next drawing.
- ▶ You may cancel the credit card arrangement at any time by giving written notice to the Manager. The Manager must receive such notice at least 5 business days prior to the date for the next drawing.
- ▶ All transaction disputes, queries, and claims should be raised directly with the Manager. The Manager will provide a verbal or written response within 20 business days from the date you notify the Manager. If the claim/dispute is successful the Manager will reimburse you by way of electronic credit to your credit card account.



LM Investment Management Ltd

- > Manager and Responsible Entity
ABN 68 077 208 461
Responsible Entity & AFSL No. 220281
- > **AUSTRALIA HEAD OFFICE**
Level 4 9 Beach Rd
Surfers Paradise Qld 4217 Australia
T +61 7 5584 4500 **Freecall** 1800 062 919
F +61 7 5592 4116
E mail@LMaustralia.com
- > **SYDNEY**
LM House 333 Sussex St
Sydney NSW 2000 Australia
T +61 2 8268 0100
F +61 2 8268 0199
E sydney@LMaustralia.com
- > **HONG KONG**
Suite 2506 One International Finance Centre
1 Harbour View St Central Hong Kong
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F +852 2530 1076
E hongkong@LMaustralia.com
- > **LONDON**
Golden Cross House
8 Duncannon St London WC2N 4JF
T +44 20 7 484 5054
F +44 20 7 484 5100
E london@LMaustralia.com
- > **NEW ZEALAND**
Level 27 PWC Tower
188 Quay St Auckland 1010 New Zealand
T +64 9 363 2901 **Free Phone** 0800 255 628
F +64 9 363 2938
E newzealand@LMaustralia.com

www.LMaustralia.com

Adviser's Stamp

Application Form

LM First Mortgage Income Fund

ARSN 089 343 288 AFSL No. 220281

Units in the Fund will only be issued on receipt of this Application Form, issued together with the PDS for the Fund dated **10 April 2008**.

Please phone the Manager's Treasury Services Department on +617 5584 4500 or free call 1800 062 919 (Australia only) or your adviser with any enquiries.

Office use only

Please complete this form using **BLACK INK** and print well within the boxes in **CAPITAL LETTERS**. Mark appropriate answer boxes with a cross like the following ☒. Start at the left of each answer space and leave a gap between words.

1. INVESTMENT DETAILS

Type of investment

☐ AUD Investment ☒ Non-AUD Investment

☐ EXISTING INVESTOR - New Investment

Existing Investor ID ☐☐☐☐☐☐

If any of your details have changed please complete them below, otherwise go to **Section 11**.

Investor Type

☒ **Individual / Joint Investors** - complete details in section 2 and then go to Section 7 and complete all sections

☐ **Sole Trader Investors** - complete details in section 3 and then go to Section 7 and complete all sections

☐ **Company Investors** - complete details in section 4 and then go to Section 7 and complete all sections

☐ **Superannuation Fund/ Trust Investors** - complete details in section 5 and then go to Section 7 and complete all sections

☐ **Partnership Investors** - complete details in section 6 and then go to Section 7 and complete all sections

Please ensure appropriate investor identity verification documents are attached to this Application Form – refer to the Anti-Money Laundering procedures on pages 36 - 37 of this PDS.

If you are an investor from a country other than Australia or New Zealand please ensure the appropriate Anti-Money Laundering Form which is available from the Manager's website at www.LMaustralia.com is completed with this Application Form.

2. INDIVIDUAL/JOINT INVESTOR DETAILS

Investor 1 Title Mr ☒ Mrs ☐ Miss ☐ Other ☐☐☐☐☐

First Name(s)

R O G E R ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Last Name

S H O T T O N ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Date of Birth

1 0 1 0 1 1 4 9

Gender

Male ☒ Female ☐

Current Occupation

R E G I O N A L T E C H N I C A L A D V I S O R ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Investor 2 Title Mr ☐ Mrs ☐ Miss ☐ Other ☐☐☐☐☐

First Name(s)

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Last Name

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Date of Birth

☐☐ / ☐☐ / ☐☐

Gender

Male ☐ Female ☐

Current Occupation

☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Partner 2

First Name(s)

Last Name

Date of Birth

Gender

Male ☐ Female ☐

Residential or Principal Street Address

Suburb

State

Country

7. POLITICALLY EXPOSED PERSONS

Are you or anyone named on this form or any of your or their close personal or business relationships, associates or family members politically exposed persons e.g. Heads of State, senior politicians, judicial or military officers, senior executives of state owned corporations?

Yes ☐ No ☒

If yes please provide details _____

8. INVESTOR CONTACT DETAILS

Contact Name

Postal Address

Email

Phone (Business/Home)

Phone (Mobile)

Please indicate your preferred method of receiving correspondence

☒ Email ☐ Post OR ☐ All correspondence to Adviser only

Financial statements are available on the Manager's website.

Do you wish to receive financial statements of the Fund

☐ Yes ☒ No

If Yes – do you wish to receive the financial statement by email

☐ Yes ☐ No

9. RESIDENTIAL / PRINCIPAL BUSINESS STREET ADDRESS OF INVESTOR/S

Individual investors must provide their residential street address and if sole trader their principal business address (if different). Company, partnership, superannuation fund, association or trust investors must provide their principal business street address and registered office address (if different). Post office boxes are not acceptable.

INVESTOR 1 / COMPANY / TRUST / SUPERANNUATION FUND / PARTNERSHIP / ASSOCIATION / SOLE TRADER

Residential / Principal Business Street

R I V E R M A N S I O N S , F L A T 6 A

Suburb

2 3 P R A A T H I T R O A D

State

P H R A N A K H O R N , B A N G K O K

Country

T H A I L A N D 1 0 2 0 0

INVESTOR 2 / INCORPORATED REGISTERED ADDRESS (if applicable)

Residential / Principal Business Street

Suburb

State

Country

10. INVESTOR TAX FILE NUMBER OR EXEMPTION DETAILS

INVESTOR 1 / COMPANY PARTNERSHIP / SUPERANNUATION FUND / TRUST

Tax File Number

OR Exemption

If a foreign resident for tax purposes, specify country of residence

T H A I L A N D

INVESTOR 2

Tax File Number

OR Exemption

If a foreign resident for tax purposes, specify country of residence

11. INVESTMENT DETAILS (continued)

LM FIRST MORTGAGE INCOME FUND CURRENCY HEDGED INVESTMENT OPTIONS

The investor may use this Application Form to select either one or a diversified range of currency investments. (Investment may be arranged for most currencies. For clarification on hedging a specific currency, contact the Manager.)

Payment MUST be made to "PTAL acf LM First Mortgage Income Fund"

FIXED TERM INVESTMENT OPTIONS

Specify Term – 1, 3, 6 or 12 Month Term

<input checked="" type="checkbox"/> USD	Amount \$	260000.00	6 MONTHS
<input type="checkbox"/> GBP	Amount \$		
<input type="checkbox"/> EUR	Amount \$		
<input type="checkbox"/> JPY	Amount \$		
<input type="checkbox"/> CAD	Amount \$		
<input type="checkbox"/> HKD	Amount \$		
<input type="checkbox"/> SGD	Amount \$		
<input type="checkbox"/> NZD	Amount \$		
<input type="checkbox"/> Other Specify:	Amount \$		

Interest distribution (Income Only) on Maturity of Investment Term (please tick appropriate box)

► Credit to my Fund Account

Yes



No



If No the interest distribution will be credited to the bank account nominated in Section 15

12. MATURITY/ROLLOVER INSTRUCTIONS FOR CURRENCY HEDGED INVESTMENT TERMS ONLY

Please tick the appropriate instructions. NB if this section is not completed and no written instructions are received by the Manager at least 5 business days prior to this investment's maturity date then at maturity of each investment the investor's original investment and interest distribution is automatically reinvested in the original nominated currency for further 1 month investment terms until the investor notifies the Manager of a longer reinvestment term or a withdrawal notice is received.

☐ On maturity of each investment term **continue to roll the investment and interest distribution (income) amount for further investment terms of the same length until notified otherwise by the investor** by the appropriate notice.

EG On maturity of USD 12 Month Term the interest distribution will be credited to the investor's investment account and principal investment amount and the interest distribution will be rolled for further USD 12 Month Terms until notified otherwise by the investor.

☐ On maturity of each investment term **continue to roll the original investment amount on maturity for further investment terms of the same length until notified otherwise by the investor** by the appropriate notice **AND electronically credit the interest distribution (income) amount to the Investor's Account nominated in Section 15 of this Application Form.**

EG On maturity of USD 12 Month Term the principal investment amount will be rolled for further USD 12 Month Terms and the interest distribution will be electronically credited to the investor's account nominated in Section 15 of the Application Form until notified otherwise by the investor.

☐ On maturity **redeem the investor's investment and interest distribution (income) amount** and electronically credit the Investor's Account nominated in Section 15 of this Application Form.

Note: See page 17 of this PDS ("How to Withdraw") for details of the notice periods required and the restrictions on breaking an investment term, which also apply to investment terms resulting from a rollover.

Note: Investors should consult with their adviser to obtain details of the latest PDS prior to reinvestment. The latest PDS is also available from the Manager's website at www.LMaustralia.com or by telephoning the Manager on +617 5584 4500.

13. PAYMENT DETAILS

How will this investment be made? NOTE: Cash is not acceptable

AUSTRALIAN DOLLAR PAYMENT OPTIONS:-

- Cheque** ☐ Make cheque payable to the Fund:- **PTAL acf LM First Mortgage Income Fund**;
- Direct Debit** ☐ Make sure you also complete the relevant Direct Debit Form for Australian Dollar Investments attached to this Application Form. Your investment will be directly debited from your nominated Australian financial institution account.
- BPay** ☐ Please attach a copy of the BPay receipt to the Application Form. For details on how to BPay Australian dollar investment funds please refer to Page 14 of this PDS.
- Electronic Direct Credit or Telegraphic Transfer** ☒ Please attach a copy of the electronic direct credit receipt or telegraphic transfer to the Application Form and provide the electronic direct credit reference code provided by the bank or telegraphic transfer reference code provided by the bank:- _____
Please see details on how to electronically direct credit or telegraphically transfer investment funds on page 14 of this PDS.
- Credit Card** ☐ Make sure you complete the Credit Card Payment Form attached to this Application Form.

NON-AUSTRALIAN DOLLAR CURRENCY HEDGED PAYMENT OPTIONS:-

Payment must be made by telegraphic transfer.

Please attach a copy of the telegraphic transfer to the Application Form and provide the telegraphic transfer reference code provided by the bank:- _____. Please see details on how to telegraphically transfer investment funds on page 15 of this PDS.

NEW ZEALAND investors can also

- ▶ choose to have NZD investments direct debited from their bank account. Please complete the New Zealand Direct Debit Form that follows this Application Form

OR

- ▶ Investors living in New Zealand can make NZD deposits in person at an ANZ bank or electronically direct credit investment funds to the ANZ Bank (Bank details are shown on page 15 of this PDS).

Direct Credit – If funds are being remitted by direct credit please supply the banking reference number or copy of credit receipt provided by the remitting bank _____.

THIRD PARTY PAYMENTS

The Manager expects funds to come from the investor's own account. Please provide an explanation if payment is made from a third party. We may require additional information in respect of the third party payment if accepted.

14. SOURCE OF INVESTMENT FUNDS – Must be completed for Anti-Money Laundering Requirements

Please tick the appropriate box to provide information on where funds for this investment came from.

- ☒ Savings ☐ Sale of Assets ☐ Profit ☐ Other please specify e.g. gift, donation:- _____

15. INVESTOR ACCOUNT DETAILS (for payment of interest distributions and withdrawals from a Fund)

Account Name

ROGER SHOTTON

Bank Name

UNITED NATIONS FEDERAL CREDIT UNION

Bank Address

UNFCU, COURTS SQUARE PLACE
24-01 44TH ROAD, LONG ISLAND CITY
NY, NY 11001-4651, USA

BSB Number (Australia Only)

Bank Account Number

1281180

Currency

USD

Swift Code

Sort Code

Routing Code/Fedwire (US banks only)

226 078609

IBAN Number

Intermediary Bank Name (For overseas bank accounts using an intermediary bank, if applicable)

Intermediary Bank Address

Intermediary Swift Code

Intermediary Sort Code

Intermediary Account Number

16. PERSONAL INFORMATION

The privacy of an investor's personal information is important to the Manager. The purpose of collecting investor information on the Application Form is to process the application and manage an investor's investment in the Fund. If the information an investor gives is not complete or accurate, the Manager may not be able to provide the products and services applied for.

In processing the application and managing investors' investments in the Fund, the Manager may disclose personal information to other parties such as an investor's financial adviser and/or IT service providers of financial advisers, the financial adviser's licensee or as required by law.

Investors are entitled to request reasonable access to their personal information. The Manager reserves the right to charge an administration fee for collating the information requested.

For further details on the Manager's Privacy Policy please visit the Manager website at www.LMaustralia.com.

18. SIGNING AREA

I/We declare that:-

1. This Application Form is completed according to the declaration/appropriate statements in the Application Form and agree to be bound by the constitution/s and the terms, conditions and contents of the PDS of the Fund.
2. The return of this Application Form with the Application Money will constitute an offer to subscribe for units.
3. I/We acknowledge that I/we have read the PDS to which this application relates and any supplementary PDS.
4. I/We consent to the Manager collecting the information provided in this document and attachments and declare that the information is true and correct. I/We agree to provide the Manager with any further information required and confirm LM may obtain further information to confirm my/our or our organisation's identity for the purpose of my/our investment or for the purposes of compliance with any laws.
5. I declare that the money invested in the Fund is not part of any money laundering or terrorist financing schemes.

Signature of Investor 1/Company Officer (please nominate office held eg. Director)



Date

26 1 06 108

Signature of Investor 2/Company Officer (please nominate office held eg. Director)



Date

26 1 06 108

If signed under Power of Attorney, the Attorney certifies that he or she has not received notice of revocation of that power. Trustees of trusts giving a power of attorney certify that they are authorised to do so by their trust deed. A certified copy of the power of attorney must be forwarded to the Manager with this Application Form including an express authority to grant the limited power of attorney as set out in this Application Form. If signing on behalf of a corporation, the party signing must indicate the capacity (i.e. director or secretary) after their signature in the above box.

19. SPECIAL INSTRUCTIONS/COMMISSION INSTRUCTIONS

20. ADVISER/INTERMEDIARY DETAILS

Title Mr ☐ Mrs ☐ Miss ☐ Other ☒ MS ☐ ☐ ☐ ☐

First name(s)

J U D Y ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Last Name

B L A I R ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

AFS Licensee

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Adviser Email

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Telephone Number (Business)

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Facsimile Number

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Mobile Telephone Number

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AFS Licence No

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LM Adviser ID No (Optional)

☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐

Postal Address

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Adviser Stamp

C/O Infinity Marketing Solutions (Thailand) Co., Ltd.
 Unit 3924 B B Building, 9th Floor, Sukhumvit 21, Asoke
 Wattana, Bangkok 10110, Thailand
 T + 66 (0) 2 261 1571 F + 66 (0) 2 261 1577
 LOFSA License No. BS200548

Australian Financial Adviser Investor Identity Verification Declaration

I certify that in accordance with the IFSA/FPA Industry Guidance Note 24 that:- (tick the appropriate box)

- ☐ 1. My licensee has an agreement in place with LM where I have collected, verified and retained the appropriate customer identification documentation to confirm the identity of all investors associated with this application to meet my obligations in respect of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 ('AML/CTF laws') and agree to provide access to these records as required.
 OR
☐ 2. My licensee has an agreement in place with LM and as such I have attached a copy of the industry "Customer Identification Form" which confirms that I have sighted and verified all of the documentation required to identify a customer under the AML/CTF laws.
 OR
☐ 3. I have attached a copy of the source documents from which I have identified the customer as required by the AML/CTF laws.

If no box is marked, I agree Option 3 applies.

Adviser Signature



Date

27 / 06 / 2008



119002/98/000364

Roger Shotton
c/o Judy Blair
B Building
UNIT 3924 B FLOOR 9 Sukhumvit 21, Asoke
Wattana
BANGKOK 10110
THAILAND

30 September 2011

Investor ID: 131395

Account No: 100261130

Please retain this statement for your records.

As at 30 June 2011

Unit Holding	Unit Price	Account Value
269,427.34	USD 0.8000	USD 215,541.87

LM First Mortgage Income Fund 6 Month Term**Consolidated Distribution Statement for 1 July 2010 to 30 June 2011****INCOME INFORMATION**

	Cash Distribution	Tax Paid or Tax Offsets	Taxable Amount
Australian Income			
Interest	USD 0.00	USD 0.00	USD 0.00
	USD 0.00	USD 0.00	USD 0.00
Non-Taxable Income			
Tax Deferred	USD 1,883.08	USD 0.00	USD 0.00
	USD 1,883.08	USD 0.00	USD 0.00
Less Withholding Tax	USD 188.31		
Net Distribution	USD 1,694.77		

Should you have any queries in relation to this Consolidated Distribution Statement, please refer to your Financial Adviser or Accountant.



LM Investment Management Ltd

The global pathway to Australian investment solutions

20 December 2012

Dear Sir / Madam,

We wrote to investors 16 November with details of our "go forward" strategy for the LM First Mortgage Income Fund (Fund). We are pleased to set out below further details of this strategy.

LM's Strategy for the Fund: Orderly Asset Sell Down

LM has conducted a detailed review of all aspects of the LM First Mortgage Income Fund and its operations, and has listened to the wishes of investors. After consideration of all factors, we have determined that it is in the best interests of investors to continue the sales program, with an orderly sale of all remaining Fund assets.

As previously advised, the liquidity mechanism proposed in May 2012 will not proceed. The Fund will not be split, and there will no longer be the options for investors to "sell" or "hold" their investment in the Fund. Instead, all remaining assets will be sold, and all investors will share pro-rata in the liquidity provided through this sales program. This strategy is for an orderly, commercial sale and not a fire sale of assets.

We have been actively selling assets of the Fund since before its closure to new investors and are continuing with this to see investors' investment capital returned as quickly as commercially possible.

We estimate that this program could take up to three years to complete. During this period, available liquidity will be returned to all investors from any asset sales by way of periodic pro-rata capital distributions, as described below.

Periodic Capital Distributions for Investors

March 2013 First pro-rata capital distribution to all investors.

We expect that by March 2013, the initial distribution of capital should be paid to all investors, pro-rata to their respective holdings in the Fund.

We intend repaying capital to all investors on a periodic basis, which is likely to be each quarter. Repayments will occur as and when liquidity is available from the sales program, after paying or making such provision that we reasonably determine for liabilities of the Fund.

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F +61 7 5592 2505 E mail@LMaustralia.com ABN 68 077 208 461 Responsible Entity & AFSL No. 220281

Unit Price

The current unit price for the Fund is 59 cents, as reflected in the latest audited financial statements for the year ending 30 June 2012.

There will be no change to the number of units that you hold in the Fund as at the date of this letter. Every investor will automatically receive their pro-rata share of any capital distribution made from the Fund, without having to lodge a withdrawal request.

Investor Income Catch Up

The income catch up applies only to those investors who have not reinvested income in the LM First Mortgage Income Fund. Across the LM Currency Protected Australian Income Fund and the LM Institutional Currency Protected Australian Income Fund, income has been reinvested to the investor account.

With respect to the LM Wholesale First Mortgage Income Fund, LM is no longer the responsible entity of that fund and all decisions regarding distributions to be made to investors in that fund are a matter for the new responsible entity of that fund.

January 2013 *Monthly distribution catch up for period to 30 December 2010 commences with two months of payments (for those investors who did not reinvest their income).*

Background to the Current Unit Price

In the financial crisis across the industry generally, many funds were forced to close to protect assets. On the closure of this Fund, many of the assets were forced into default positions, when due to the credit crunch and its constraints, the majority of the Fund's borrowers were unable to meet the Fund's request for repayment of the loan at maturity. LM, utilising the strong legal position afforded by the Fund's first mortgage security over the assets, has successfully taken control of the majority of assets on behalf Fund investors as required.

Upon default, it was necessary to capitalise interest due to the Fund from many loans. In addition to accruing this interest to the original loan amount, the legal and recovery costs also had to be added to the loan. As a result, the originally approved terms of the loan with respect to the loan to valuation ratio requirements has been exceeded. This, in addition to some softening in property prices across all assets, resulted in the current unit price of 59 cents.

Proper Determination of the Unit Price

The assets of the Fund are valued twice a year, in full accordance with LM's statutory and general law duties. The valuation methodology utilised is consistent with the Fund's constitution, compliance plan and applicable accounting standards. Ernst & Young independently reviews the values of each asset at a minimum of every six months, as part of the Fund's regular audit program. The unit price reflects market values which are substantiated throughout this process.

Deutsche Bank Facility

We are pleased to announce that we have successfully renegotiated the facility with Deutsche Bank to 30 June 2014, with an option to further extend to 30 June 2015, if required. The facility, which is currently drawn to approximately A\$29 million will not be redrawn, and from May next year it will be capped at A\$25 million.

The revised facility provides certainty to the Fund and its investors for the maintenance of cash flows. Once the facility reaches A\$25 million, there will be no ongoing required payment/reduction to Deutsche Bank out of the sales price on the sale of each asset.

The Deutsche Bank facility is an important component of the Fund's orderly sales program, as it will allow the Fund to extend the required capital to those assets identified for additional development or enhancement, to potentially achieve a more favourable sales price. The renegotiation of the facility means that the Fund can immediately begin the catch up of investor income and program in capital distributions, which otherwise would have gone to the repayment of the Deutsche Bank facility.

The periodic capital distributions will be pro-rata to all investors in the LM First Mortgage Income Fund, the LM Currency Protected Australian Income Fund, the LM Institutional Currency Protected Australian Income Fund and the LM Wholesale First Mortgage Income Fund.

Independent Report on Fund Assets: BIS Shrapnel Report

As promised, we are providing a copy of the BIS Shrapnel report to investors in the Fund. We are waiting on one further outstanding component of the report and expect to distribute it by early in the New Year.

RG45 Report

We are currently finalising the RG45 Report and will be providing a copy of this report to all investors by January 2013. This will also be accessible from the LM website. The full details of the renegotiated Deutsche Bank facility will be included in this document. This report is for the purposes of ASIC's Regulatory Guide 45 Mortgage Schemes, improving disclosure for retail investors.

Ensure We Hold Your Current Bank Account Details

As advised above, periodic capital distributions and catch up income distributions will commence shortly. Please ensure that you have provided us with your most recent bank account details for payment. We will make the payments to the bank account nominated in your application form or most recently provided by you.

Further Technical Information

(i) Suspension of Redemptions and Fund Liquidity

Redemption requests have been suspended since mid-2009. We have now determined that the Fund is not "liquid" for the purposes of the withdrawal provisions under the Corporations Act 2001. As a consequence, we can no longer process redemption requests in accordance with the redemption provisions in the Fund's Constitution. The only way we can process redemption requests is to make a "withdrawal" offer to all investors pursuant to the Corporations Act 2001, and we currently do not intend to make such an offer. Instead, we intend to return capital to investors by making periodic pro-rata capital distributions, as outlined above.

We will still consider any redemption requests that are lodged with us on hardship grounds in accordance with ASIC hardship relief.

(ii) Distribution Reinvestment Program is Closed

We have closed the Fund's distribution reinvestment program, and will no longer be offering investors the option to reinvest their monthly income distributions (as the Fund is not declaring any).

Investors Should Obtain Professional Advice

Your financial adviser or intermediary will be able to assist you with any information required regarding your investment in the Fund. We are happy also to provide any information on the Fund, and can be contacted at mail@LMaustralia.com or +61 7 5584 4500.

Please find attached for your information the LM First Mortgage Income Fund Asset Progress Report dated December 2012, providing an update on the orderly sell down of assets within the Fund.

We look forward to commencing the investor distributions next year, and will report further on the closed fund strategy in the New Year.

Yours Faithfully,

The Directors
LM INVESTMENT MANAGEMENT LTD

The LM products are solely for distribution via financial advisers and intermediaries. LM requests investors consult a financial adviser before making any decisions on their investment. This communication is general information on the LM funds issued by LM Investment Management Ltd.



LM Investment Management Ltd

The global pathway to Australian investment solutions

LM First Mortgage Income Fund

Asset Progress Report December 2012

Location	No. of Assets
Central/North QLD	3
South East QLD	3
Brisbane/Surrounds QLD	3
NSW	6
ACT	1
VIC	2
TAS	1
WA	3
Sold Since November 2012 Report	
	2

	Land Subdivision, Grouped Housing, Aged Care South Western Australia Staged Construction and Sell Down Albany Property Brokers	Asset Type Location Status Agent		Industrial Complex Sydney, New South Wales Preparing Asset for Sale	Asset Type Location Status
	Beachfront Residential Central/North Queensland Tenders to be sought from Agents for Sale	Asset Type Location Status		Retail Shop Northern New South Wales Final Sell Down: 2 Remaining PRD	Asset Type Location Status Agent
	Independent Retirement Living Tasmania Marketed for Sale in One Line Harrison Humphreys	Asset Type Location Status Agent		Residential Land North East Queensland Progressive Sell Down of Current Stage: 111 Sold, 21 Remaining Yeppoon Real Estate	Asset Type Location Status Agent
	Residential Apartments Australian Capital Territory Preselling Stage One Release: 34 Presold, 66 Remaining LJ Hooker	Asset Type Location Status Agent		Supported Retirement Living Brisbane/Surrounds Queensland Progressive Sell Down of Current Stage: 21 Sold, 43 Remaining Specialist Aged Care Operator, Tall Trees	Asset Type Location Status Agent
	Supported Retirement Living Northern New South Wales Selling Down: 55 Sold, 27 Remaining Specialist Aged Care Operator, Tall Trees	Asset Type Location Status Agent		Mixed Use Retirement, Residential and Commercial Brisbane/Surrounds Queensland Progressive Sell Down of Current Stage: 19 Sold, 20 Remaining Specialist Aged Care Operator, Tall Trees	Asset Type Location Status Agent

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ABN 68 077 208 461 Responsible Entity & AFSL No. 220281

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 <div>66% SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Supported Retirement Living Brisbane/Surrounds Queensland Selling Down: 41 Sold, 21 Remaining Specialist Aged Care Operator, Tail Trees</p>	 <div>57% SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Residential Apartments South East Queensland Selling Down: 68 Sold, 51 Remaining CBRE</p>
 <div>COMPLETION OF STAGED CONSTRUCTION & SELL DOWN</div>	<p>Asset Type Location Status Agent</p>	<p>Independent Retirement Living Melbourne, Victoria Completion of Staged Construction and Sell Down IMG</p>	 <div>SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Hotel Far North Queensland Sold CBRE</p>
 <div>90% SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Retail Office Sydney, New South Wales Selling Down: 38 Sold, 4 Remaining South Sydney Commercial</p>	 <div>INCOME GENERATING</div>	<p>Asset Type Location Status</p>	<p>Residential Hotel South East Queensland Generating Income for the Fund</p>
 <div>95% SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Industrial North West Sydney, New South Wales Selling Down: 28 Sold, 2 Remaining Westside Industrial</p>	 <div>20% SOLD</div>	<p>Asset Type Location Status</p>	<p>Residential Apartments Far North Queensland 14 Sold, 57 Remaining</p>
 <div>20% SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Commercial New South Wales Selling Down: 17 Sold, 66 Remaining CBRE</p>	 <div>CURRENT STAGE 84% SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Residential Townhouses South East Queensland Progressive Construction and Sell Down : 13 Sold, 2 Remaining LJ Hooker</p>
 <div>SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Student Accommodation Far North Queensland Sold in One Line CBRE</p>	 <div>97% SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Residential Apartments Perth, Western Australia Final Sell Down of Current Stage: 31 Sold, 1 Remaining Dempsey Real Estate</p>
 <div>80% SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Self Storage Melbourne, Victoria Appointing Agent to Complete Sell Down: 90 Sold, 61 Remaining New Agent Pending Appointment</p>	 <div>50% SOLD</div>	<p>Asset Type Location Status Agent</p>	<p>Residential Apartments South Western Australia Selling Down: 6 Sold, 6 Remaining Harcourts</p>