

# INFORMATION MEMORANDUM

## Light Trust 2018-1

### Mortgage Backed Floating Rate Notes

\$460,000,000 Class A1 Notes

\$10,500,000 Class A2 Notes

\$16,000,000 Class AB Notes

\$8,000,000 Class B Notes

\$4,500,000 Class C Notes

\$1,000,000 Class D Notes

**Australian Central Services Pty Ltd**  
(ACN 007 968 041)

Manager

**Australian Central Credit Union Ltd, trading as People's Choice Credit Union**  
(ABN 11 087 651 125)

Originator and Servicer

**National Australia Bank Limited**  
(ABN12 004 044 937)

Arranger

**Australia and New Zealand Banking Group Limited**  
(ABN 11 005 357 522)

**National Australia Bank Limited**  
(ABN 12 004 044 937)

**Westpac Banking Corporation**  
(ABN 33 007 457 141)

Joint Lead Managers

23 April 2018

## **No Guarantee**

The Notes do not represent deposits or other liabilities of Australian Central Credit Union Ltd, trading as People's Choice Credit Union, Australia and New Zealand Banking Group Limited, National Australia Bank Limited, Westpac Banking Corporation, the Manager, the Interest Rate Swap Provider, the Basis Swap Provider, the Standby Swap Provider, the Liquidity Facility Provider, the Redraw Facility Provider, the Servicer, the Custodian, Perpetual Corporate Trust Limited in its personal capacity, as Trustee or as trustee of any other trust, P.T. Limited in its personal capacity, as Security Trustee or as trustee of any other trust, any other Approved Sellers or any of their respective associates.

None of Australian Central Credit Union Ltd, trading as People's Choice Credit Union, Australia and New Zealand Banking Group Limited, National Australia Bank Limited, Westpac Banking Corporation, the Manager, any other Approved Sellers, the Interest Rate Swap Provider, the Basis Swap Provider, the Standby Swap Provider, the Liquidity Facility Provider, the Redraw Facility Provider, the Servicer, the Custodian, P.T. Limited in its personal capacity, as Security Trustee or as trustee of any other trust, or Perpetual Corporate Trust Limited in its personal capacity, as Trustee or as trustee of any other trust, nor any of their respective associates, in any way stands behind the capital value and/or performance of the Notes or the assets of the Trust.

## **The Notes subject to Investment Risk**

The holding of Notes is subject to investment risk, including possible delays in payments or repayments and loss of income and principal invested.

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## IMPORTANT NOTICE

### Terms and definitions

References in this Information Memorandum to various parties and documents are explained in sections 1.2 and 10, respectively. Terms are defined, or their definitions referred to, in the Glossary of Terms in section 12. Section 12 should be referred to in conjunction with any review of this Information Memorandum.

### Purpose of this Information Memorandum

This Information Memorandum relates solely to the proposed issue of Notes by the Trustee as trustee of the Trust.

The purpose of this Information Memorandum is only to assist the recipient to decide whether to proceed with a further investigation of the Notes. It is only a summary of the terms and conditions of the Notes and does not purport to contain all the information a person considering investing in Notes may require. The definitive terms and conditions of the Notes are contained in the Transaction Documents. If there is any inconsistency between this Information Memorandum and the Transaction Documents, the Transaction Documents should be regarded as containing the definitive information. A copy of the Transaction Documents may be viewed at the offices of the Trustee in accordance with the procedures outlined in section 10 of this Information Memorandum.

This Information Memorandum is not, and should not be construed as, an offer or invitation to any person to subscribe for or purchase Notes, and must not be relied upon by intending purchasers of Notes.

### Limited responsibility

This Information Memorandum has been prepared solely by the Manager. The Manager has requested and authorised the distribution of this Information Memorandum and has sole responsibility for its accuracy. Whilst the Manager believes the contents of this Information Memorandum are correct, none of the Manager, the Servicer, the Custodian, the Approved Sellers, Perpetual Corporate Trust Limited in its personal capacity, as Trustee or as trustee of any other trust, P.T. Limited in its personal capacity, as Security Trustee or as trustee of any other trust, Australia and New Zealand Banking Group Limited, National Australia Bank Limited, Westpac Banking Corporation, the Interest Rate Swap Provider, the Basis Swap Provider, the Standby Swap Provider, the Liquidity Facility Provider, the Redraw Facility Provider, nor any other person (each a **Relevant Person**) makes any representation or warranty, express or implied, as to, or assumes any responsibility or liability for, the authenticity, origin, validity, accuracy or completeness of, or errors or omissions in, any information, statement, opinion or forecast contained in this Information Memorandum or in any accompanying, previous or subsequent material or presentation.

No Relevant Person has made, or otherwise purports to make, any statement or representation in this Information Memorandum, nor have any of them (other than the Manager) been involved in the preparation of any part of it or authorised or caused the issue of it. Each of Perpetual Corporate Trust Limited in its personal capacity, as Trustee or as trustee of any other trust, P.T. Limited in its personal capacity, as Security Trustee or as trustee of any other trust, the Servicer, the Custodian, the Basis Swap Provider, the Standby Swap Provider, the Approved Sellers, the Arranger, the Joint Lead Managers, the Redraw Facility Provider, the Interest Rate Swap Provider, the Liquidity Facility Provider and each other Relevant Person expressly disclaims and takes no responsibility for this Information Memorandum or any omission from it.

No recipient of this Information Memorandum can assume that any person referred to in it has conducted any investigation or due diligence concerning, or has carried out or will carry out any independent audit of, or has independently verified or will verify, the information contained in this Information Memorandum.

### Date of this Information Memorandum

This Information Memorandum has been prepared based on information available and facts and circumstances known to the Manager as at the Preparation Date. Neither the delivery of this Information Memorandum, nor any offer or issue of Notes, implies or should be relied upon as a representation or warranty that:

- (a) there has been no change since the Preparation Date in the affairs or financial condition of the Trust or any party named in this Information Memorandum; or
- (b) the information contained in this Information Memorandum is accurate, timely and complete at any time after the Preparation Date.

No Relevant Person undertakes to review the financial condition or affairs of the Trustee or the Trust at any time or to keep a recipient of this Information Memorandum or Noteholder informed of changes in, or matters arising or coming to their attention which may affect, anything referred to in this Information Memorandum.

No Relevant Person accepts any responsibility to Noteholders or prospective Noteholders to update or correct this Information Memorandum after the Preparation Date with regard to information or circumstances which come to its attention after the Preparation Date.

It should not be assumed that the information contained in this Information Memorandum is necessarily accurate or complete in the context of any offer to subscribe for or an invitation to subscribe for or buy any of the Notes at any time after the Preparation Date, even if this Information Memorandum is circulated in conjunction with the offer or invitation.

### **Authorisations**

No person is authorised to give any information or make any representation which is not expressly contained in this Information Memorandum and any information or representation which is not contained in this Information Memorandum must not be relied upon as having been authorised by or on behalf of any Relevant Person nor any other party to the Transaction Documents.

### **Intending purchasers to make independent investment decisions**

The information contained in this Information Memorandum is not a recommendation by any Relevant Person that any person subscribe for or purchase any Notes. Each intending purchaser must make its own independent assessment and investigation of the terms of issue of the Notes, and the financial condition, affairs and the credit worthiness of the Trust, as it considers appropriate and must base any decision to acquire Notes solely upon such independent assessment and investigation.

### **Distribution to professional investors only**

This Information Memorandum has been prepared on a confidential basis for distribution only to professional investors whose ordinary business includes the buying or selling of securities such as the Notes. This Information Memorandum is not intended for and should not be distributed to any other person.

### **Corporations Act 2001**

Each offer to purchase or invitation to buy Notes will not require disclosure for the purposes of Part 6D.2 or Chapter 7 of the Corporations Act 2001 as (a) the amount payable on acceptance of the offer by each person to whom the offer is made or the invitation is issued will be at least \$500,000 (disregarding any amount payable to the extent to which it is to be paid out of money lent by the person offering the Notes (as determined under Section 700(3) of the Corporations Act 2001) or an associate (as defined in Division 2 of Part 1.2 of the Corporations Act 2001)) or (b) the offer or invitation otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act 2001 and is not made to a person who is a "retail client" within the meaning of Section 761G. Accordingly, this Information Memorandum is not required to be lodged with, or registered by, the Australian Securities and Investments Commission.

### **Securities Act**

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to US tax law requirements. Subject to certain exemptions, the Notes may not be offered, sold or delivered directly or indirectly within the United States or to or for the benefit of US persons.

## Distribution

The distribution of this Information Memorandum and the offering or sale of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by each Relevant Person to inform themselves about and to observe any such restriction. Further details are set out in section 1.10 and section 9.

## Australian Financial Services Licence

The Manager holds an Australian Financial Services Licence under Part 7.6 of the Corporations Act 2001 (Australian Financial Services Licence No. 312916) in respect of its role in relation to the Light Trust 2018-1.

The Custodian holds an Australian Financial Services Licence under Part 7.6 of the Corporations Act 2001 (Australian Financial Services Licence No. 244310) in respect of its role in relation to the Light Trust 2018-1.

Perpetual Trustee Company Limited (ABN 42 000 001 007) has obtained an Australian Financial Services Licence under Part 7.6 of the Corporations Act 2001 (Australian Financial Services Licence No. 236643). Perpetual Trustee Company Limited has appointed P.T. Limited (ABN 67 004 454 666) to act as its authorised representative under that licence (Authorised Representative No. 266797).

Perpetual Corporate Trust Limited (ABN 99 000 341 533) has obtained an Australian Financial Services Licence under Part 7.6 of the Corporations Act (Australian Financial Services Licence Number 392673).

## Investors – Tax

A summary of certain material Australian tax issues are set out below and in section 8. See section 8 for more information.

## Offshore Associates not to acquire the Notes

The Notes must be issued in accordance with certain prescribed conditions set out in section 128F of the Income Tax Assessment Act 1936 (the **1936 Tax Act**) to ensure that interest and other amounts paid on those Notes will not be subject to Australian interest withholding tax. The Trustee intends to issue the Notes in a manner that will satisfy the exemption.

One of the prescribed conditions is that the Trustee must not know or have reasonable grounds to suspect that an Note, or an interest in an Note, was being, or would later be, acquired directly or indirectly by an “associate” (as defined in section 128F of the 1936 Tax Act) of the Trustee that is either:

- a non-resident of Australia which does not acquire the Note in carrying on a business at or through a permanent establishment in Australia; or
- a resident of Australia that acquires the Note in carrying on a business at or through a permanent establishment outside Australia,

(each, an **Offshore Associate**), other than in the capacity of a dealer, manager or underwriter in relation to the placement of the relevant Notes, or a clearing house, custodian, funds manager or responsible entity of a registered scheme.

The purchase by an Offshore Associate of any Notes could result in the entire issue failing the public offer test in section 128F of the 1936 Tax Act. For these purposes, an Offshore Associate of the Trustee is defined broadly and includes, but is not limited to, any offshore entity that benefits, or is capable of benefitting under, the Trust (a **Beneficiary**), either directly or indirectly through interposed entities, and any offshore entity that is an associate of a Beneficiary. Accordingly, the Notes must not be acquired by any Offshore Associate of the Trustee in its capacity as trustee of the Trust, unless an exception applies (see section 8 below).

Any investor who believes that it may be affiliated with or related to any of the above-mentioned entities or who otherwise believes it may be an Offshore Associate of the Trustee as the Issuer, should make appropriate enquiries before investing in any Notes.

The Dealers have undertaken not to offer any Notes issued by the Trustee to a known Offshore Associate of the Trustee and have undertaken not to sell any Notes to any person if, at the time of such sale, any employees of the Dealer in relation to the sale know or has reasonable grounds to suspect, that the Note or an interest in the Note was being or would be acquired by an Offshore Associate of the Trustee, other than an Offshore Associate in the capacity of a dealer, manager or underwriter in relation to the placement of the Notes, or in the capacity of a clearing house, custodian, funds manager or responsible entity of an Australian registered scheme.

### **Limited recovery**

The Trustee's liability to make payments in respect of the Notes is limited to its right of indemnity from the assets of the Trust which are from time to time available to make such payments under the Master Trust Deed, the Series Notice and the Security Trust Deed. All claims against the Trustee in relation to the Notes may only be satisfied out of the assets of the Trust except in the case of (and to the extent of) any fraud, negligence or wilful default on the part of the Trustee.

Each Noteholder is required to accept any distribution of moneys under the Security Trust Deed in full and final satisfaction of all moneys owing to it, and any debt represented by any shortfall that exists after any such final distribution is extinguished.

The Trustee shall not be liable to satisfy any obligations or liabilities from its personal assets except arising from (and to the extent of) any fraud, negligence or wilful default on the part of the Trustee.

No Relevant Person nor their respective Related Bodies Corporate guarantees payment or repayment of any moneys owing to Noteholders or the principal of Notes or the payment of interest, nor does it make any statement (including, without limitation, any representation) with respect to income tax or other taxation consequences of any investment which is made under this Information Memorandum.

### **References to ratings**

There are several references in this Information Memorandum to the credit rating of the Notes and parties. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by a Designated Rating Agency. The credit rating of the Notes addresses the likelihood of the timely payment of interest. The credit rating of the Notes does not address the expected rate of principal repayment other than the ultimate payment of principal no later than the Final Maturity Date. No Designated Rating Agency was involved in the preparation of this Information Memorandum.

### **Ratings**

The Notes are expected on issue to be assigned a AAA (sf) rating by S&P and a AAAsf rating by Fitch Ratings in respect of the Class A1 Notes, a AAA (sf) rating by S&P and a AAAsf rating by Fitch Ratings in respect of the Class A2 Notes, a AAA (sf) rating by S&P in respect of the Class AB Notes, a AA (sf) rating by S&P in respect of the Class B Notes and a A+ (sf) rating by S&P in respect of the Class C Notes. Neither of the Designated Rating Agencies is established in the European Union and neither of the Designated Rating Agencies has applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) however their credit ratings are endorsed on an ongoing basis by Standard & Poor's Credit Market Services Europe Limited and Fitch Ratings Ltd, respectively, pursuant to and in accordance with the CRA Regulation. Standard & Poor's Credit Market Services Europe Limited and Fitch Ratings Ltd are established in the European Union and registered under the CRA Regulation. References in this Information Memorandum to S&P and/or Fitch Ratings shall be construed accordingly. As such each of Standard & Poor's Credit Market Services Europe Limited and Fitch Ratings Ltd is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation (on [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs)). The European Securities and Markets Authority has indicated that ratings issued in Australia which have been endorsed by Standard & Poor's Credit Market Services Europe Limited and Fitch Ratings Ltd may be used in the EU by the relevant market participants. Please also refer to "Rating" in Section 2.6 of this Information Memorandum. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Credit ratings in respect of the Notes are for distribution only to persons who are not “retail clients” within the meaning of section 761G of the Corporations Act 2001 and are also sophisticated, professional investors or other investors in respect of whom disclosure is not required under Part 6D.2 or Part 7.9 of the Corporations Act 2001 and, in all cases, in such circumstances as may be permitted by applicable law in any jurisdiction in which an investor may be located. Anyone who is not such a person is not entitled to receive this Information Memorandum and anyone who receives this Information Memorandum must not distribute it to any person who is not entitled to receive it.

### **The Arranger and Joint Lead Managers**

The Arranger and the Joint Lead Managers do not, by reason of a Transaction Document, have a fiduciary relationship with, and is not to be taken to be an agent or trustee of or for, the Trustee or the Manager.

The Dealer Agreement does not constitute a partnership between the parties or any of them.

The Joint Lead Managers and Dealers are responsible only for marketing their respective allocations of Notes, and do not offer, market or otherwise seek subscriptions or investors for Notes other than the Notes.

National Australia Bank Limited as Arranger and Joint Lead Manager, Australia and New Zealand Banking Group Limited as Joint Lead Manager and Westpac Banking Corporation as Joint Lead Manager have no responsibility to or liability for and do not owe any duty to any person who purchases or intends to purchase Notes in respect of this transaction, including without limitation in respect of the preparation and due execution of the Transaction Documents.

### **Conflicts of interest**

Each of People's Choice, the Manager, the Arranger and the Joint Lead Managers discloses that it and its respective associates, subsidiaries, officers and employees:

- (a) may have pecuniary or other interests in the Notes and may also have interests pursuant to other arrangements; and
- (b) may pay or receive fees, brokerage or commissions, and may act as principal, in any dealing in the Notes.

Each of the Arranger, the Joint Lead Managers, the Interest Rate Swap Provider, the Standby Swap Provider and the Liquidity Facility Provider discloses that, in addition to the arrangements and interests it will or may have with respect to any other Relevant Person as described in this Information Memorandum or as contemplated in the Transaction Documents (the **Transaction Document Interests**), it, its Related Bodies Corporate, its Related Entities and its officers and employees (each a **Transaction Party**):

- (a) may from time to time be a Noteholder or have other interests with respect to the Notes and they may also have interests relating to other arrangements with respect to a Noteholder or a Note; and
- (b) may pay or receive fees, brokerage and commissions or other benefits, and act as principal with respect to any dealing with respect to any Notes

(the **Note Interests**).

Each Relevant Person and each Noteholder acknowledges these disclosures and further acknowledges and agrees that, without limiting any express obligation of any person under any Transaction Document:

- (a) each of the Transaction Parties will have the Transaction Document Interests and may from time to time have the Note Interests and is, and from time to time may be, involved in a broad range of transactions including, without limitation, banking, dealing in financial products, credit, derivative and liquidity transactions, investment management, corporate and investment banking and research (the **Other Transactions**) in various capacities in respect of any Relevant Person or any other person, both on the Transaction Party's own account and for the account of other persons (the **Other Transaction Interests**);

- (b) each Transaction Party in the course of its business (whether with respect to the Transaction Document Interests, the Note Interests, the Other Transaction Interests or otherwise) may act independently of any other Transaction Party;
- (c) to the maximum extent permitted by applicable law, the duties of each Transaction Party in respect of any Relevant Person and the Notes are limited to the contractual obligations of the Transaction Parties to the Relevant Persons as set out in the Transaction Documents and, in particular, no advisory or fiduciary duty is owed to any person;
- (d) a Transaction Party may have or come into possession of information not contained in this Information Memorandum that may be relevant to any decision by a potential investor to acquire the Notes and which may or may not be publicly available to potential investors (**Relevant Information**);
- (e) to the maximum extent permitted by applicable law, no Transaction Party is under any obligation to disclose any Relevant Information to any Relevant Person or to any potential investor and neither this Information Memorandum nor any subsequent conduct by a Transaction Party should be construed as implying that the Transaction Party is not in possession of such Relevant Information; and
- (f) each Transaction Party may have various potential and actual conflicts of interest arising in the course of its business, including in respect of the Transaction Document Interests, the Note Interests or the Other Transaction Interests. For example, the exercise of rights against a Relevant Person arising from the Transaction Document Interests (for example, by a dealer, an arranger or an interest rate swap provider) or from an Other Transaction may affect the ability of a Relevant Person to perform its obligations in respect of the Notes. In addition, the existence of a Transaction Document Interest or Other Transaction Interest may affect how a Transaction Party, in another capacity (for example, as a Noteholder) may seek to exercise any rights it may have in that capacity. These interests may conflict with the interests of a Relevant Person or a Noteholder and a Relevant Person or Noteholder may suffer loss as a result. To the maximum extent permitted by applicable law, a Transaction Party is not restricted from entering into, performing or enforcing its rights in respect of the Transaction Document Interests, the Note Interests or the Other Transaction Interests and may otherwise continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Noteholders or a Relevant Person and the Transaction Parties may in so doing act without notice to, and without regard to, the interests of any such person.

Neither the Manager nor the Trustee is required to ensure that no conflicts of the sort described in this section arises, nor to monitor any such conflict. Neither the Manager nor the Trustee will be liable in any way for any loss suffered by any person (including any Noteholder) by reason of any conflict referred to in this section).

### **European Risk Retention Requirements**

Article 405 of the Capital Requirements Regulation and Article 51 of the AIFMR (which, in each case, do not take into account any national implementing measures) restrict certain European Union regulated investors from investing in a securitisation unless the originator, sponsor or original lender in respect of that securitisation has explicitly disclosed to the investor that it will retain, on an ongoing basis, a net economic interest of not less than 5 per cent in that securitisation in the manner contemplated by those requirements. Similar requirements apply under Articles 254 to 257 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance. In this respect, People's Choice intends to retain a net economic interest in this transaction in accordance with the requirements of Article 405 of the Capital Requirements Regulation and Article 51 of the AIFMR. For further information please see Section 5.18.

### **U.S. Risk Retention**

It is intended that the Notes will be issued pursuant to an exemption to the risk retention rules set out in Section 15G of the Securities Exchange Act of 1934 of the United States of America (as amended) (the

**Exchange Act**) as added by Section 941 of the Dodd-Frank Act (**U.S. Risk Retention Rules**) regarding non-U.S. transactions that meet certain requirements. Consequently, the Notes sold in this offering may not be purchased by any person except for (a) persons that are not “U.S. persons” as defined in the U.S. Risk Retention Rules (**Risk Retention U.S. Persons**) or (b) persons that have obtained a waiver with respect to the U.S. Risk Retention Rules from the Manager (on behalf of the Trustee) (**U.S. Risk Retention Waiver**). Prospective investors should note that the definition of “U.S. person” in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of “U.S. person” in Regulation S under the Securities Act of 1933 (**Regulation S**). Each purchaser of Notes, including beneficial interests therein, in the offering will be deemed, and in certain circumstances will be required, to have made certain representations and agreements, including that it (1) either (a) is not a Risk Retention U.S. Person or (b) has received a U.S. Risk Retention Waiver from the Manager (on behalf of the Trustee), (2) is acquiring such Note for its own account and not with a view to distribution of such Note, and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in the U.S. Risk Retention Rules described in section 5.27 (**U.S. Risk Retention**)). See section 5.27 (**U.S. Risk Retention**) for further details.

### **Prohibition of sales to EEA retail investors**

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**); or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The target market assessment in respect of the Notes by the manufacturer, solely for the purpose of its product governance determination under Article 10(1) of Delegated Directive (EU) 2017/593, has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor subject to MiFID II subsequently offering, selling or recommending the Notes is responsible for undertaking its own target market assessment in respect of the Notes.

### **Selling Restrictions**

For a description of certain restrictions on offers and sales of the Notes and distribution of this Information Memorandum, please see Section 9.

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# 1. SUMMARY

This section is only a brief summary of the terms and conditions of the Notes. It should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information which appears in other parts of this Information Memorandum and in the Transaction Documents.

## 1.1 Overview

### Light Trusts

The Light Trusts securitisation programme was established pursuant to the Master Trust Deed between Australian Central Services Pty Limited (ACN 007 968 041) as Manager, Australian Central Credit Union Ltd (ABN 11 087 651 125) as Servicer and Custodian and Perpetual Corporate Trust Limited (ABN 99 000 341 533) as trustee of the trusts for the purpose of investing in pools of income-producing loans and certain other assets.

The Master Trust Deed provides for the creation of an unlimited number of trusts. Each trust will be a separate and distinct trust and will be created subject to the Master Trust Deed and a series notice establishing specific provisions of the relevant trust and the instruments to be issued by that trust. Multiple classes of Notes may be issued by the Trustee in relation to each trust that differ among themselves as to priority of repayment and credit.

### Light Trust 2018-1

The Trust was established on 26 February 2018. The detailed terms of the Trust and the Notes are as set out in the Series Notice.

The Trustee will issue the Notes to fund the purchase of a pool of residential first mortgage loans, which will be specified in Sale Notices from the Approved Sellers.

## 1.2 Parties to the Transaction

### Trustee

Perpetual Corporate Trust Limited (ABN 99 000 341 533) as trustee of the Light Trust 2018-1

### Security Trustee

P.T. Limited (ABN 67 004 454 666) as trustee of the Security Trust

### Manager

Australian Central Services Pty Ltd (ACN 007 968 041)

### Approved Sellers

Australian Central Credit Union Ltd (ABN 11 087 651 125), trading as People's Choice Credit Union

Perpetual Corporate Trust Limited (ABN 99 000 341 533) as trustee of the Light Trust Warehouse No.1

Perpetual Corporate Trust Limited (ABN 99 000 341 533) as trustee of the Light Trust 2017-2

Perpetual Corporate Trust Limited (ABN 99 000 341 533) as trustee of the Light Trust 2016-2

### Originator

Australian Central Credit Union Ltd, trading as People's Choice Credit Union

**Servicer**

Australian Central Credit Union Ltd, trading as People's Choice Credit Union

**Custodian**

Australian Central Credit Union Ltd, trading as People's Choice Credit Union

**Basis Swap Provider**

Australian Central Credit Union Ltd, trading as People's Choice Credit Union

**Interest Rate Swap Provider**

Australian Central Credit Union Ltd, trading as People's Choice Credit Union

**Standby Swap Provider**

National Australia Bank Limited (ABN 12 004 044 937)

**Liquidity Facility Provider**

National Australia Bank Limited (ABN 12 004 044 937)

**Redraw Facility Provider**

Australian Central Credit Union Ltd, trading as People's Choice Credit Union

**Designated Rating Agencies**

Standard & Poor's (Australia) Pty Limited and Fitch Australia Pty Ltd

**Arranger**

National Australia Bank Limited (ABN 12 004 044 937)

**Joint Lead Managers**

Australia and New Zealand Banking Group Limited (ABN 11 005 357 522)

National Australia Bank Limited (ABN 12 004 044 937)

Westpac Banking Corporation (ABN 33 007 457 141)

## 1.3 Issue of Notes

**Issuer of the Notes**

The Trustee as trustee of the Trust.

**Description of the Notes**

Secured, limited recourse, amortising, floating rate mortgage backed securities. The Notes are issued with the benefit of, and subject to, the Master Trust Deed, the Series Notice and the Security Trust Deed.

**Classes of Notes**

There are initially 6 Classes of Notes:

- (a) Class A1 Notes;

- (b) Class A2 Notes;
- (c) Class AB Notes;
- (d) Class B Notes;
- (e) Class C Notes; and
- (f) Class D Notes.

The Trustee may also issue RFS Notes (as a separate and distinct Class of Notes) from time to time to fund Redraws.

The Notes within a Class rank *pari passu* in respect of the payment of interest and principal.

RFS Notes and Class A1 Notes rank *pari passu* in respect of the payments of interest both before and after enforcement of the security interest under the Security Trust Deed following an Event of Default.

*ISINs*

In respect of each Class of Notes are as follows:

- (a) Class A1 Notes: AU3FN0041265;
- (b) Class A2 Notes AU3FN0041273;
- (c) Class AB Notes AU3FN0041281;
- (d) Class B Notes AU3FN0041299;
- (e) Class C Notes AU3FN0041307; and
- (f) Class D Notes AU3FN0041315.

*Interest*

Both before and after enforcement of the security interest under the Security Trust Deed following an Event of Default, in respect of the payment of interest:

- (a) RFS and Class A1 Notes rank ahead of all other Classes of Notes;
- (b) Class A2 Notes rank ahead of Class AB Notes, Class B Notes, Class C Notes and Class D Notes;
- (c) Class AB Notes rank ahead of Class B Notes, Class C Notes and Class D notes;
- (d) Class B Notes rank ahead of Class C Notes and Class D Notes; and
- (e) Class C Notes rank ahead of Class D Notes.

*Principal*

In relation to the payment of principal, before enforcement of the security interest under the Security Trust Deed following an Event of Default:

- (a) if no Trigger Event subsists:
  - (i) RFS Notes rank ahead of all other Classes of Notes;
  - (ii) Class A1 Notes rank ahead of Class A2 Notes, Class AB Notes, Class B Notes, Class C Notes and Class D Notes;

- (iii) Class A2 Notes rank ahead of Class AB Notes, Class B Notes, Class C Notes and Class D Notes;
  - (iv) Class AB Notes rank ahead of Class B Notes, Class C Notes and Class D Notes;
  - (v) Class B Notes rank ahead of Class C Notes and Class D Notes; and
  - (vi) Class C Notes rank ahead of Class D Notes; or
- (b) if a Trigger Event subsists:
- (i) RFS Notes rank ahead of all other Classes of Notes; and
  - (ii) Class A Notes, Class AB Notes, Class B Notes, Class C Notes and Class D Notes rank pari passu and rateably.

In relation to the payment of any amounts owing on the Notes, after enforcement of the security interest under the Security Trust Deed following an Event of Default:

- (a) RFS Notes and Class A1 Notes rank pari passu and rateably and ahead of all other Classes of Notes;
- (b) Class A2 Notes rank ahead of Class AB Notes, Class B Notes, Class C Notes and Class D Notes;
- (c) Class AB Notes rank ahead of Class B Notes, Class C Notes and Class D Notes;
- (d) Class B Notes rank ahead of Class C Notes and Class D Notes; and
- (e) Class C Notes rank ahead of Class D Notes.

**Initial Invested Amount**

Each Note will have an Initial Invested Amount of \$10,000.

Notes will initially be issued in minimum parcels of at least \$500,000.

**Issue Price**

Each Class of Note will be issued at par value.

**Note Issue Date**

In relation to all Notes, on or about 23 April 2018.

**Cut-Off Date**

22 February 2018.

**Payment Dates**

For all Notes the 22nd day of each month (each a **Payment Date**).

The first Payment Date for the Notes will be 22 May 2018.

The final Payment Date for each Note is the earlier of the Final Maturity Date and the Payment Date on which the Note is redeemed in full.

If any payment is due under a Transaction Document on a day which is not a Business Day, the due date will be the next Business Day, unless that day falls in the next calendar month, in which case the due date will be the preceding Business Day.

### **Collection Period**

The first Collection Period will be the period commencing on (but excluding) the Cut-Off Date and ending on (and including) 30 April 2018. The last Collection Period is the period from (but excluding) the last day of the previous Collection Period to (and including) the Termination Date of the Trust.

For every other Collection Period the period of a calendar month, commencing on (and including) the first day of that calendar month and ending on (and including) the last day of that calendar month.

### **Coupon Period**

The first Coupon Period for each Class of Note commences on and includes the Note Issue Date for that Class of Notes and ends on and includes the day immediately before the first Payment Date following that Note Issue Date.

Each succeeding Coupon Period for a Class of Notes commences on and includes a Payment Date and ends on and includes the day immediately before the next Payment Date.

The last Coupon Period for a Class of Notes ends on (and includes) the day immediately before the Final Maturity Date.

### **Final Maturity Date**

22 October 2049, subject to the Modified Following Business Day Convention.

### **Determination Date**

For a Collection Period, the date which is 2 Business Days before the Payment Date following that Collection Period.

The first Determination Date will be 18 May 2018.

### **Ratings**

The Notes have been assigned the following ratings:

- (a) the Class A1 Notes have been assigned a long term rating of AAA (sf) by S&P and AAAsf by Fitch Ratings;
- (b) the Class A2 Notes have been assigned a long term rating of AAA (sf) by S&P and AAAsf by Fitch Ratings;
- (c) the Class AB Notes have been assigned a long term rating of AAA (sf) by S&P;
- (c) the Class B Notes have been assigned a long term rating of AA (sf) by S&P;
- (d) the Class C Notes have been assigned a long term rating of A+ (sf) by S&P; and
- (e) the Class D Notes are not rated.

RFS Notes will only be issued if they are assigned a long term rating of AAA (sf) by S&P.

### **Interest on the RFS Notes, Class A1 Notes, Class A2 Notes, Class AB Notes, Class B Notes, Class C Notes and the Class D Notes**

Each Note bears interest calculated and payable in arrears in accordance with the Series Notice from the Note Issue Date to the date upon which that Note is finally redeemed.

Interest on each Note for each relevant Coupon Period will be calculated:

- (a) on a daily basis at the applicable Coupon Rate;
- (b) on the Invested Amount of that Note as at the first day of that Coupon Period; and
- (c) on the basis of the actual number of days in that Coupon Period and a year of 365 days,

and shall accrue due from day to day.

Importantly:

- (a) No interest will accrue on any Note for the period from and including the date on which the Stated Amount of that Note is reduced to zero.
- (b) No interest or principal will be payable to a Noteholder on a Payment Date unless that Noteholder was a registered Noteholder at 5 pm on the Determination Date immediately preceding the Payment Date.
- (c) No overdue or default interest will be payable on any interest which is not paid in full on the due date.
- (d) Interest will be paid on the Notes in accordance with the order of priority as set out in the Series Notice. For a more detailed description see section 6.3.

### **Principal Payments**

On each Payment Date for a Note, the Invested Amount of that Note shall be reduced by the amount of the Principal Payment made on that Payment Date in respect of that Note.

The Trustee, the Manager and the Security Trustee may treat a Noteholder as the absolute owner of any Note which the Noteholder is registered as holding (whether or not that Note is overdue and despite any notation or notice to the contrary or writing on it or any notice of previous loss or theft of it or of trust or other interest in it) for the purpose of making payment and for all other purposes.

Principal repayments will be distributed by the Trustee as provided in section 6. The priority of distribution of principal between Noteholders is as summarised in "Classes of Notes - Principal" above.

### **Calculation, Allocation and Application of Charge Offs**

The Manager must, on each Determination Date, calculate for a Collection Period the amount of all Mortgage Shortfalls for that Collection Period (the **Loss**).

Excess Spread will be applied towards Total Available Principal in payment of the Loss for that Collection Period in accordance with the order of priority as set out in section 6.5.

To the extent that the application of Excess Spread for the preceding Collection Period is insufficient to cover the Loss for the preceding Collection Period, the shortfall will be the Charge-Off for that Determination Date and will, together with any additional Charge-Off on the next Determination Date, become the Carryover Charge-Off.

Excess Spread will be applied towards Total Available Principal in payment of any Carryover Charge-Offs for that Collection Period in accordance with the order of priority as set out in section 6.5.

### **Clean up offer**

The Manager may direct the Trustee in writing, to offer (by written notice to People's Choice) to assign in favour of People's Choice or to a third party all its rights, title and interest in and to

the Purchased Mortgage Loans and related Mortgage Loan Rights (the **Clean Up Offer**) on any Payment Date on or after the Call Option Date.

## **1.4 Mortgage Loans**

### **Acquisition of the Mortgage Loans**

On the Closing Date, the proceeds of the issue of the relevant Notes will be applied by the Trustee towards paying to each Approved Seller the Purchase Price for the Mortgage Loans. The Mortgage Loans purchased by the Trust will be specified in a Sale Notice from each Approved Seller to the Trustee. The Purchase Price will equal the aggregate Unpaid Balance of the Purchased Mortgage Loans on the Cut-Off Date.

Subject to any exceptions referred to in section 4.2, it is a condition precedent that each Purchased Mortgage Loan satisfies the Eligibility Criteria as set out in section 4.2. To the extent that Purchased Mortgage Loans do not satisfy the Eligibility Criteria set out in section 4.2, those Mortgage Loans will be specified in the annexure to the relevant Sale Notice and notified to the Trustee. Each Purchased Mortgage Loan may be of a type and have the features as described in section 4.

Included in section 11 are statistics and information regarding the composition of the Mortgage Loans that may be acquired by the Trustee on the Closing Date, current as at 22 February 2018. The actual characteristics of the final pool of Purchased Mortgage Loans proposed to be acquired on the Closing Date may change from those set out in section 11. It is also noted that Mortgage Loans not in the indicative pool may be added to the final pool if the transaction is upsized. The Manager must provide to the Trustee and the Designated Rating Agencies, the Manager's Report for a Collection Period, on the Determination Date following that Collection Period.

### **Assignment of the Mortgage Loans**

On the Closing Date, the beneficial interest in the Mortgage Loan Rights consisting of the Mortgage Loans and Mortgage Loan Securities, will be offered for equitable assignment to the Trustee, pursuant to the Sale Notices issued by the Approved Sellers. The Mortgage Loan Rights offered for sale by the Approved Sellers other than People's Choice have been previously equitably assigned to the Approved Seller by People's Choice..

After the payment of the Purchase Price the Trustee will be entitled to receive Collections on the Mortgage Loans as trustee of the Trust.

### **Servicing**

People's Choice has been appointed as the Servicer under the terms of the Master Trust Deed.

### **Custody**

People's Choice has been appointed as Custodian, and will maintain custody of the documents relating to the Mortgage Loans and Mortgage Loan Securities, under the terms of the Custodian Agreement.

## **1.5 Credit Support**

RFS Noteholders and Class A1 Noteholders have the benefit of 7 levels of credit support:

- (a) the Mortgage Insurance Policy in respect of each Purchased Mortgage Loan;
- (b) the application of Excess Spread against any Loss and Carryover Charge-Offs;
- (c) the subordination of any payments of interest and (except as set out in section 6.5) principal in respect of the Class D Notes;

- (d) the subordination of any payments of interest and (except as set out in section 6.5) principal in respect of the Class C Notes;
- (e) the subordination of any payments of interest and (except as set out in section 6.5) principal in respect of the Class B Notes;
- (f) the subordination of any payments of interest and (except as set out in section 6.5) principal in respect of the Class AB Notes; and
- (g) the subordination of any payments of interest and (except as set out in section 6.5) principal in respect of the Class A2 Notes.

Class A2 Noteholders have the benefit of 6 levels of credit support, being those described in paragraphs (a) to (f) above.

Class AB Noteholders have the benefit of 5 levels of credit support, being those described in paragraphs (a) to (e) above.

Class B Noteholders have the benefit of 4 levels of credit support, being those described in paragraphs (a) to (d) above.

Class C Noteholders have the benefit of 3 levels of credit support, being those described in paragraphs (a) to (c) above.

Class D Noteholders have the benefit of 2 levels of credit support, being those described in paragraphs (a) and (b) above.

## 1.6 Liquidity Support

If the Manager determines on any Determination Date that there is a Payment Shortfall for relevant Collection Period, the Manager must direct the Trustee to apply an amount standing to the credit of the Yield Reserve up to an amount equal to the Payment Shortfall (the **Yield Reserve Draw**).

If the Manager determines on any Determination Date that the Yield Reserve Draw described in the previous paragraph is less than the Payment Shortfall in respect of a Collection Period, the Manager must direct the Trustee to apply from the Total Available Principal (to the extent available for such a purpose under the Series Notice) an amount (the **Principal Draw**) equal to the remaining Payment Shortfall.

If the Manager determines on any Determination Date that the Yield Reserve Draw and the Principal Draw are less than the Payment Shortfall for the relevant Collection Period, the Trustee must (at the direction of the Manager) on that date request, to the extent available, a Liquidity Draw under the Liquidity Facility Agreement equal to the difference between the Payment Shortfall and the sum of the Yield Reserve Draw and the Principal Draw.

A Liquidity Draw shall be made available by the Liquidity Facility Provider crediting the proceeds of that Liquidity Draw to the Collection Account by no later than 12pm on the Business Day next succeeding the Determination Date.

## 1.7 Interest Rate Risk Management

For the purposes of hedging:

- (a) the interest rate risk; and
- (b) the interest rate risk between fixed rates of interest on certain of the Mortgage Loans and the floating rate obligations of the Trust (for example, interest on the Notes),

the Trustee will enter into an Interest Rate Swap with the Interest Rate Swap Provider and the Standby Swap Provider and a Basis Swap with the Basis Swap Provider under the Hedge Agreements.

National Australia Bank Limited will act as the Standby Swap Provider in respect of the Interest Rate Swap. In certain circumstances this role will require the Standby Swap Provider to assume the rights and obligations of People's Choice as Interest Rate Swap Provider under the Interest Rate Swap.

Under the Interest Rate Swap, the Trust will pay to the Interest Rate Swap Provider collections on loans bearing a fixed rate of interest and the Interest Rate Swap Provider will pay amounts determined by reference to AUD-BBR-BBSW (as defined in the relevant Hedge Agreement) plus a margin based on the aggregate Mortgage Loan Principal in relation to all Fixed Rate Loans as at the first day of the Collection Period.

Under the Basis Swap, People's Choice will pay amounts determined by reference to the Bank Bill Rate plus a margin based on the aggregate Mortgage Loan Principal in relation to all Floating Rate Loans as at the first day of the Collection Period and the Trustee has agreed to pay the interest it receives on each Floating Rate Loan.

For more details on the Hedge Agreements see section 7.3.

A Mortgage Loan may not bear a fixed rate of interest for more than 5 years.

## **1.8 Threshold Rate**

If the Basis Swap Provider fails to comply with its obligations under the Basis Swap, then on each Determination Date after that the Manager must calculate the Threshold Rate as at that date and notify the Trustee, the Servicer and People's Choice of that Threshold Rate on the relevant Payment Date.

On each Payment Date after the Basis Swap Provider first fails to comply with its obligations under the Basis Swap, the Manager must direct the Servicer to, and the Servicer on being so directed shall, reset on that Payment Date the interest rate payable on some or all Mortgage Loans so that the weighted average of the interest rates payable on all Mortgage Loans (after taking into account any Fixed Rate Loans and payments under any Hedge Agreements) is a rate not less than the Threshold Rate and the Servicer must promptly notify the relevant Obligors of the change in accordance with the Mortgage Loan Agreements.

## **1.9 Security Trust Deed**

The Trustee has, pursuant to the Security Trust Deed, granted a security interest under the Security Trust Deed over all other Collateral, in favour of the Security Trustee.

The Security Trustee consents to the Trustee operating the Collection Account in accordance with the Transaction Documents (without the need for a release of security interest if a withdrawal is made from the Collection Account). That consent can be revoked at any time by written notice from the Security Trustee to the Trustee.

## **1.10 Further Information**

### **Transfer**

Subject to the Notes being registered in the Austraclear System (see below), the Notes may only be purchased or sold by execution and registration of a Transfer Form.

A Noteholder shall not be entitled to transfer any of its Notes unless the amount payable on acceptance of the offer by the transferee is greater than \$500,000 (disregarding any amount payable to the extent to which it is to be paid out of money lent by the person offering the Notes or an associate (as defined in Division 2 of Part 1.2 of the Corporations Act 2001)) or

the offer or invitation to the transferee by the Noteholder in relation to such Notes does not otherwise require disclosure under Part 6D.2 of the Corporations Act 2001.

None of the Trustee, the Manager, the Servicer and Custodian nor an Approved Seller is liable to any Noteholder in relation to a breach by that Noteholder of these restrictions.

### **Registration and Title**

Title to the Notes is determined by registration in the Register of Noteholders. For a more detailed description see section 2.8.

The Trustee will establish and maintain a register for each Class of Note at its office in Sydney and such other offices as approved by the Manager.

Following issue, it is intended that the Notes will be lodged with Austraclear.

### **Notes Lodged with Austraclear**

If Notes are lodged into the Austraclear System, the Trustee will enter Austraclear in the Register as the holder of those Notes. While these Notes remain in the Austraclear System:

- (a) all payments or notices required of the Trustee and the Manager in relation to these Notes will be directed to Austraclear; and
- (b) all dealings (including transfers) and payments to holders of those Notes within the Austraclear System will be governed by the Austraclear Regulations.

### **Stamp Duty**

The Manager has received advice that neither the issue, nor the transfer, of the Notes will currently attract stamp duty in any jurisdiction of Australia.

### **Withholding Tax and Tax File Numbers**

Applicable withholding taxes (including FATCA Withholding Tax) will be deducted on payments of principal and interest under the Notes. The Trustee is not obliged to pay any amounts to the Noteholders to cover any withholding taxes. Under present law, the Notes will not be subject to Australian interest withholding tax if they are offered, and interest is paid from time to time, in a manner which satisfies the exemption from Australian interest withholding tax contained in section 128F of the 1936 Tax Act, or an exemption under a double tax convention or another exemption applies. The Trustee intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the 1936 Tax Act.

The Trustee will withhold tax (currently at the rate of 47%) from payments to an Australian resident investor or a non-resident investor who holds an interest in the Notes in carrying on a business at or through a permanent establishment in Australia, who does not provide a Tax File Number (**TFN**) or Australian Business Number (**ABN**) (where applicable) or proof of a relevant exemption. (Note that the tax rate of 47% is expected to increase to 47.5% from 1 July 2019 as a result of the introduction of an increase to the Medicare levy.)

Noteholders and prospective Noteholders should obtain advice from their own tax advisers in relation to the tax implications of an investment in the Notes.

See section 8.10 below for more information.

### **Issue of Notes**

On the date of the Dealer Agreement and on the Note Issue Date, each Dealer represents and warrants that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Notes, and it will not directly or indirectly offer, sell, resell, re-offer or

deliver Notes or distribute this Information Memorandum or other Offer Material in any country or jurisdiction except under circumstances that will result in compliance with all applicable laws and regulations.

Each Dealer has acknowledged that:

- (a) no Information Memorandum or other Offer Material in relation to any Notes has been lodged with, or registered by, the Australian Securities and Investments Commission or the ASX Limited; and
- (b) the Manager requires each Dealer to act in good faith and with a view to achieving an efficient and effective distribution of Notes.

Each Dealer has undertaken that it will comply with the selling restrictions set out in section 9.

### **Governing Law**

The issue of the Notes and the terms on which each Note is issued will be governed by the laws in force in the state of New South Wales.

### **RBA repo eligibility**

The Manager has undertaken to the Joint Lead Managers to make an application to the Reserve Bank of Australia (**RBA**) for the purposes of ensuring that the Class A Notes and Class AB Notes are accepted as "eligible securities" which may be lodged as collateral in relation to a repurchase agreement entered into with the RBA.

The criteria for repo eligibility published by the RBA require, amongst other things, that certain information be provided by the Manager to the RBA at the time of seeking repo-eligibility and during the term of the Class A Notes or Class AB Notes in order for the Class A Notes or Class AB Notes to be (and to continue to be) repo eligible. No assurance can be given that the application by the Manager (if any) for the Class A Notes or Class AB Notes to be repo eligible will be successful, or that the relevant Notes will continue to be repo eligible at all times even if they are eligible at the time of their initial issue. For example, subsequent changes by the RBA to its criteria could affect whether the Class A Notes or Class AB Notes continue to be repo-eligible.

If the Class A Notes or Class AB Notes are repo-eligible at any time, Noteholders should be aware that relevant disclosures may be made by the Manager to investors and potential investors in the Class A Notes or Class AB Notes from time to time in such form as determined by the Manager as it sees fit (including for the purpose of complying with the RBA's criteria).

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## **2. DETAILS OF THE NOTES**

### **2.1 General Description of the Notes**

The Notes are debt securities issued by the Trustee in its capacity as trustee of the Trust. They are characterised as secured, amortising, limited recourse, floating rate mortgage backed securities. They are issued with the benefit of, and subject to, the Master Trust Deed, the Series Notice and the Security Trust Deed.

In the event of an enforcement under the Security Trust Deed, the obligations of the Trustee are secured by way of a first ranking security interest granted to the Security Trustee over the assets of the Trust in favour of Noteholders and other creditors of the Trust. The Security Trust Deed is described in section 8, including priorities that will apply if the Security Trust Deed is enforced.

## 2.2 Interest

### Payment

Each Note bears interest on its Invested Amount. Interest on each Note is payable monthly in arrears on the Payment Date to the person whose name is, on the Determination Date immediately preceding the Payment Date, entered in the Register as the holder at 5pm (Sydney time) of that Note, from (and including) the Note Issue Date to (and including) the day immediately before the date upon which that Note is finally redeemed.

### Calculation

Each Note bears interest calculated and payable in arrears in accordance with the Series Notice from (and including) the Note Issue Date to (and including) the day immediately before the date upon which that Note is finally redeemed.

Interest on each RFS Note, each Class A Note, each Class AB Note, each Class B Note, each Class C Note and each Class D Note for each relevant Coupon Period will be calculated:

- (a) on a daily basis at the applicable Coupon Rate;
- (b) on the Invested Amount of that Note as at the first day of that Coupon Period; and
- (c) on the basis of the actual number of days in that Coupon Period and a year of 365 days,

and shall accrue from day to day.

Importantly:

- (a) No interest will accrue on any Note for the period from and including the date on which the Stated Amount of that Note is reduced to zero.
- (b) No interest or principal will be payable to a Noteholder on a Payment Date unless that Noteholder was a registered Noteholder at 5 pm (Sydney time) on the Determination Date immediately preceding the Payment Date.
- (c) No overdue or default interest will be payable on any interest which is not paid in full on the due date.
- (d) Interest will be paid on the Notes in accordance with the order of priority as set out in the Series Notice. For a more detailed description see section 6.3.

### Coupon Period

In relation to the first Coupon Period for each Class of Note, the period commencing on (and including) the Note Issue Date for that Class of Notes and ending on (and including) the day immediately before the first Payment Date following that Note Issue Date.

In relation to each succeeding Coupon Period for a Class of Notes, the period commencing on (and including) a Payment Date and ending on (and including) the day immediately before the next Payment Date.

The last Coupon Period for a Class of Notes ends on (and includes) the day immediately before the Final Maturity Date.

### Coupon Rate

The applicable Coupon Rate is:

- (a) subject to paragraph (b) below, in relation to any Coupon Period of any Class of Note, the Bank Bill Rate on the first day of that Coupon Period plus the relevant Margin for that Note; and
- (b) in relation to any Coupon Period of a Class A Note or a Class AB Note commencing on or after the Call Option Date, the Bank Bill Rate on the first day of that Coupon Period plus the Margin for that Class A Note or Class AB Note (as the case may be) plus the Step-Up Margin for that Class A Note or Class AB Note (as the case may be).

**Priority**

*Payment Dates*

If so directed by the Manager, and if sufficient Available Income is available, the interest for the Coupon Period on each RFS Note, each Class A Note, each Class AB Note, each Class B Note, each Class C Note and each Class D Note will be payable by the Trustee on each Payment Date in arrears in respect of the Coupon Period ending on that Payment Date.

*Event of Default*

The following are among the Events of Default under the Series Notice which may lead to enforcement of the security interest arising under the Security Trust Deed. The Trustee fails to pay:

- (a) any Coupon Entitlement in respect of the then most senior ranking Class of Notes outstanding determined by reference to the order of priority for distribution of Total Available Income described in section 6.3 below within 10 days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
- (b) any other Secured Moneys ranking equally or in priority to the Notes referred to in paragraph 2.2(a) above within 10 days of the due date for payment (or within any applicable grace period agreed with the Chargees).

The Events of Default and the remedies available to Noteholders are detailed in section 8.

**2.3 Principal Payments on the Notes**

On each Payment Date, prior to the enforcement of the Security Trust Deed if so directed by the Manager, the Trustee must distribute as between the Noteholders, Total Available Principal (to the extent it is available) in relation to the Collection Period ending immediately before that Payment Date as follows.

- (a) if no Trigger Event subsists:
  - (i) RFS Notes rank ahead of all other Classes of Notes;
  - (ii) Class A1 Notes rank ahead of Class A2 Notes, Class AB Notes, Class B Notes, Class C Notes and Class D Notes;
  - (iii) Class A2 Notes rank ahead of Class AB Notes, Class B Notes, Class C Notes and Class D Notes;
  - (iv) Class AB Notes rank ahead of Class B Notes, Class C Notes and Class D Notes;
  - (v) Class B Notes rank ahead of Class C Notes and Class D Notes; and
  - (vi) Class C Notes rank ahead of Class D Notes; or
- (b) if a Trigger Event subsists:

- (i) RFS Notes rank ahead of all other Classes of Notes; and
- (ii) Class A Notes, Class AB Notes, Class B Notes, Class C Notes and Class D Notes rank pari passu and rateably.

Payments of principal will be made to the person whose name is, on the Determination Date immediately preceding the Payment Date, entered in the Register as the holder at 5pm (Sydney time) of that Note from the Note Issue Date to the day that Note is finally redeemed.

See section 6 for further details.

No Noteholder will be entitled to receive aggregate principal on any Note at any time in excess of the Invested Amount for that Note at that time.

## 2.4 Final Maturity Date

The Stated Amount of each Note is expected to be repaid by the Final Maturity Date.

## 2.5 Final Redemption

Each Note shall be finally redeemed, and the obligations of the Trustee with respect to the payment of the Invested Amount of that Note shall be finally discharged, on the first to occur of:

- (a) the Final Maturity Date of that Note;
- (b) the date on which the Invested Amount of that Note is reduced to zero;
- (c) where:
  - (i) the Stated Amount of that Note is less than its Invested Amount; and
  - (ii) the Noteholders of the relevant Class of those Notes pass an Extraordinary Resolution in favour of those Notes being finally discharged,

the date which is 24 consecutive months after the Payment Date on which the Stated Amount of that Note is reduced to zero;

- (d) the date on which the relevant Noteholder renounces in writing all of its rights to any amounts payable under or in respect of that Note; and
- (e) the Payment Date immediately following the date on which the Trustee completes a sale and realisation of all Assets of the Trust and distribution of the proceeds of that sale and realisation of all Assets of the Trust in accordance with the Master Trust Deed and the Series Notice.

## 2.6 Ratings

The Class A1 Notes have been assigned a AAA (sf) long term rating by S&P and a AAAsf long term rating by Fitch Ratings, the Class A2 Notes have been assigned a AAA (sf) long term rating by S&P and a AAAsf long term rating by Fitch Ratings, the Class AB Notes have been assigned a AAA (sf) long term rating by S&P, the Class B Notes have been assigned a AA (sf) long term rating by S&P, the Class C Notes have been assigned a A+ (sf) long term rating by S&P and the Class D Notes are not rated. The Trustee will not issue RFS Notes unless the RFS Notes are rated AAA (sf) by S&P.

Ratings other than these have not been requested. There can be no assurance as to whether another rating agency will rate the Notes and if so, what ratings would be so assigned to the Notes. Any ratings so assigned could be lower than those indicated above.

The ratings of the Class A Notes, the RFS Notes, the Class AB Notes, the Class B Notes and the Class C Notes should be evaluated independently from similar ratings on other types of Notes. The ratings of the Class A Notes, the RFS Notes, the Class AB Notes, Class B Notes and the Class C Notes is not a recommendation to buy, sell or hold the Class A Notes, the RFS Notes, the Class AB Notes, the Class B Notes or the Class C Notes and may be subject to revision or withdrawal at any time by the assigning rating agency.

The ratings of the Notes do not address the expected rate of principal repayments (including prepayments) under the Mortgage Loans.

No Designated Rating Agency has been involved in the preparation of this Information Memorandum.

## **2.7 Payment**

Any amounts payable to a Noteholder will be paid in Australian dollars.

All payments in respect of Notes will be rounded down to the nearest cent.

All payments in respect of the Notes shall be made free and clear of, and without deduction for, or by reference to, any present or future Taxes of any relevant jurisdiction unless required by law (including FATCA Withholding Tax).

## **2.8 Register of Noteholders**

The Trustee will maintain a register for each Class of Notes at its offices in Sydney, or at another location as approved by the Manager. The register will include the names and addresses of the Noteholders and the Invested Amount and Stated Amount of each Note.

The Trustee shall recognise the Noteholder whose name appears in the Register as the absolute owner of the Notes registered in its name on the Register without regard to any other record or instrument.

The Trustee may close the Register from time to time but it may not do so for more than an aggregate of 30 days in any calendar year.

On each Payment Date for any Note, principal and interest will be paid to the Noteholder for that Note whose names appear in the Register on the Determination Date preceding the Payment Date.

The Register will be open for inspection by a Noteholder at any time the Register is open for public access.

Where Notes are registered on the Austraclear System, the Trustee will enter Austraclear in the Register as the holder of those Notes.

## **2.9 Registration Certificates**

Within 5 Business Days of:

- (a) the Note Issue Date; or
- (b) the registration of a transferee as the Noteholder in relation to a Note,

the Trustee shall send a Registration Certificate to the Noteholder of that Note. If the transferor of a Note remains as the Noteholder of a Note, the Trustee shall send a further Registration Certificate to that transferor if requested by it in writing. No other certificates will be issued. Registration Certificates are not documents or evidence of title.

## 2.10 Note Transfers

A Noteholder is not entitled to transfer any of its Notes unless the amount payable on acceptance of the offer by the transferee is greater than \$500,000 (disregarding any amount payable to the extent to which it is to be paid out of money lent by the person offering the Notes or an associate (as defined in Division 2 of Part 1.2 of the Corporations Act 2001)) or the offer or invitation to the transferee by the Noteholder in relation to such Notes does not otherwise require disclosure under Part 6D.2 of the Corporations Act 2001.

Every transfer of Notes shall be effected by a Transfer Form in the prescribed form.

The Trustee may, at the direction of the Manager, refuse to register any Transfer Form if:

- (a) it is not duly completed, executed and stamped (if necessary);
- (b) contravenes or fails to comply with the terms of the Master Trust Deed; or
- (c) registration of the Transfer Form would result in a contravention of or failure to observe the provisions of a Law of a state or territory of the Commonwealth of Australia, or of the Commonwealth of Australia.

If the Trustee refuses to register a Transfer Form, it must as soon as practicable after such refusal, notify the relevant transferee/s and transferor/s of its decision to do so.

The Trustee is not bound to give any reason for any refusal to register a Transfer Form and any decision by it to do so shall be final, conclusive and binding.

Upon registration, a Transfer Form shall take effect as at the beginning of the Business Day it is received by the Trustee except if the Trustee receives a Transfer Form after 4pm (Sydney time) on a Business Day, in which case the registration of the Transfer Form shall only take effect as at the beginning of the next Business Day.

## 2.11 Limits on rights of Noteholders

No Noteholder shall be entitled to:

- (a) require the Trustee to owe to it, or act in a manner consistent with, any fiduciary obligation in any capacity;
- (b) an interest in any particular part of the Trust or asset comprised in the Trust;
- (c) require the transfer to it of any asset comprised in the Trust;
- (d) interfere with or question the exercise or non-exercise of the rights or powers of the Servicer and Custodian, the Manager or the Trustee in their dealings with the Trust or any Asset;
- (e) exercise any rights, powers or privileges in respect of any Asset in the Trust;
- (f) attend meetings or take part in or consent to any action concerning any property or corporation which the Trustee as trustee of the Trust holds an interest;
- (g) except as provided for in the Master Trust Deed, seek to wind up or terminate the Trust;
- (h) seek to remove the relevant Servicer, Manager, Trustee, Custodian or any Support Facility Provider;
- (i) interfere in any way with the Trust;

- (j) lodge or enter a caveat or similar instrument in relation to the Register or claim any estate or interest in any Land over which a Mortgage Loan Security or any Related Securities are held or to which any other Asset relates in respect of the Trust;
- (k)
  - (i) except where the Noteholder is People's Choice (and is communicating in some other capacity under the Transaction Documents); or
  - (ii) the Noteholder is a Related Body Corporate of People's Choice; or
  - (iii) the Manager has otherwise consented, and subject to any provision of a Transaction Document which allows any such communication,

negotiate or otherwise communicate in any way with any Mortgagor, or Obligor or other security provider in respect of any Mortgage Loan, Mortgage Loan Security or Related Security or with any person providing a Support Facility to the Trustee or any other person who is party to any Transaction Document;
- (l) take any proceedings of any nature whatsoever in any court or otherwise to obtain any remedy of any nature (including against the Trustee, the Manager, the Security Trustee or the Servicer and Custodian or any former Trustee, Manager, Security Trustee or Servicer and Custodian or in respect of the Trust or any Asset of the Trust) provided that it shall be entitled to compel the Trustee, the Manager and any Servicer to comply with their respective duties and obligations under the Transaction Documents and, if the Noteholders are entitled to the benefit of any applicable Security Trust Deed, the Noteholders may compel the Security Trustee to comply with its duties and obligations under the Security Trust Deed; and
- (m) any recourse whatsoever to the Trustee in its personal capacity, except to the extent of any fraud, negligence or wilful default on the part of the Trustee.

## **2.12 Notices to Noteholders**

A notice, request or other communication by the Trustee, the Manager or the Servicer to Noteholders shall be deemed to be duly given or made by:

- (a) an advertisement placed on a Business Day in the Australian Financial Review or other nationally distributed newspaper in Australia; or
- (b) mail, postage prepaid, to the address of the Noteholders as shown in the Register. Any notice so mailed shall be conclusively presumed to have been duly given whether or not the Noteholder actually receives the notice.

## **2.13 Multiple Noteholders; Register paramount**

If there are more than four Noteholders of a Note, the names of only the first four noted on the relevant Transfer Form or application will be entered in the Register.

If there is more than one Noteholder of a Note, the address of only one Noteholder will be entered in the Register. If more than one address is notified to the Register, the Trustee will record the address of the Noteholder whose name first appears.

The Trustee shall recognise the Noteholder whose name appears in the Register as the absolute owner of the Notes registered in its name on the Register without regard to any other record or instrument (including any Registration Certificate or Transfer Form, whether or not marked).

No notice of any trust or other interest in any Note will be entered on the Register. The Trustee need not take notice of any trust or other interest in, or claim to, a Note, except as ordered by a court of competent jurisdiction or required by law.

## 2.14 Clean Up Offer

The Manager may direct the Trustee to offer (by written notice to People's Choice or a third person) to acquire in favour of People's Choice all its right, title and interest in and to the Purchased Mortgage Loans and related Mortgage Loan Rights. For a more detailed description see section 6.14.

## 2.15 Option to the Trustee

- (a) **(Option to Redeem):** On any Payment Date occurring on or after the Call Option Date, the Trustee may, at the direction of the Manager, repay the then Invested Amount of all of the then outstanding Notes together with any accrued and unpaid interest (to but excluding that Payment Date) on that Payment Date.
- (b) **(Redemption of Stated Amount):** Notwithstanding the foregoing, the Trustee may (as directed by the Manager) redeem the Notes at their then Stated Amount, instead of at their Invested Amount, together with any accrued and unpaid interest (to but excluding that Payment Date) on the Payment Date referred to in section 2.15(a), if approved by an Extraordinary Resolution of all the Noteholders at a meeting convened under the Security Trust Deed.
- (c) **(Notices to Noteholders):** The Manager will send notice of the proposed repayment to Noteholders not less than five Business Days prior to the relevant Payment Date (which notice is irrevocable and binding on the Manager).

## 2.16 Austraclear

It is expected that the Notes will be eligible to be lodged into the Austraclear System by registering Austraclear as the holder of record. All payments in respect of Notes lodged into the Austraclear System will be made to Austraclear. All notices in respect of Notes lodged into Austraclear will be sent to Austraclear.

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## **3. MORTGAGE ORIGATION AND UNDERWRITING**

### **3.1 People's Choice Credit Union, a trading name of Australian Central Credit Union Ltd**

People's Choice Credit Union (**People's Choice**) is one of Australia's largest credit unions with 360,000 members across Australia and branches in South Australia, Northern Territory, Victoria, Western Australia and Australian Capital Territory. People's Choice is an Authorised Deposit-taking Institution and is subject to prudential supervision under the Banking Act 1959 and regulated by APRA.

Created through the merger of Australian Central Credit Union Ltd with Savings and Loans Credit Union Limited in 2009, People's Choice has origins dating back to 1949, when a group of South Australia public servants formed the Public Servants Association Savings & Loans Society.

People's Choice has a combined network of 44 branches and advice centres as well as a national contact centre located in Adelaide.

As at 31 December 2017, People's Choice's total assets under management and advice were approximately \$10.0 billion.

People's Choice is committed to providing quality service, advice and a comprehensive range of products, with the vision of becoming the most trusted financial services provider in Australia.

### **3.2 Loan Origination**

As at 31 December 2017, approximately 91% of People's Choice loans had been originated through the branch network and national contact centre. The remaining 9% were originated via mortgage brokers. In January 2015, People's Choice acquired the TIO banking operations, from the Northern Territory government, and continued the existing broker origination arrangements that are located in the Northern Territory only.

Regardless of their origination source, all loans are subject to People's Choice's standardised origination, underwriting and servicing criteria.

All loan applications are entered into People's Choice's loan origination system at the source of acceptance of the loan application. The credit scorecard contained within the loan origination system performs an initial risk assessment. Lower risk loan applications are approved at originating source. Higher risk loan applications are referred to a centralised Loan Assessment team.

All lending staff receive National Consumer Credit Protection training prior to being authorised to sell loan products and on an ongoing basis as part of People's Choice's regular compliance testing and training Programme.

### **3.3 Credit Department**

People's Choice operates a centralised loan processing model to deliver consistency in loan decisions, a streamlined process from application to settlement and ongoing service and administration. This process is delivered as outlined below:

#### **(a) Loan Assessment**

People's Choice uses a credit scorecard to undertake a first level credit assessment with all applications scored and either approved, declined or referred. All referred applications are assigned to a centralised Credit Assessment team to ensure a prudent assessment of risk is undertaken leading to a high quality of decision.

People's Choice has developed a set of lending criteria to assist it in assessing loan applications:

- (i) **Character** – Does the applicant show a willingness to repay a loan?
- (ii) **Capacity** – Does the applicant have the ability to repay a loan?
- (iii) **Collateral** – Will the loan be adequately secured should the applicant default?
- (iv) **Capital** – Has the applicant demonstrated an ability to build wealth and what is the applicant's net asset position?

Loan application data is entered into the automated loan decision system which includes automatic credit and policy checks.

Lending staff are responsible for verifying key criteria of the lending policies prior to unconditional approval and loan funding.

(b) **Approval and Settlement**

Loan Assessors, the Team Manager(s) Credit Assessment, Manager Credit Assessment, Senior Manager Credit Operations, Chief Risk Officer, Chief Executive Officer or the Risk Committee have the authority to approve loans, depending on the complexity and/or loan value. These approval levels are documented as the Delegated Lending Authorities. Once approved all loan documents are prepared by the centralised Loan Documentation team and once executed documents are returned to Loan Documentation, who arrange and book settlement.

(c) **Document custody**

The document custody section of People's Choice is responsible for the receipt, filing and secure storage of all security documents relating to the loan. Deeds are stored in individual packets showing borrower number and name. There is a loan file packet for each borrower. All deeds are recorded on a database and are stored in a fireproof room.

People's Choice utilises a barcode based file tracking system, with the data stored on network drives which are backed up each day.

Deed and Loan packets undergo regular audits by internal and external auditors.

(d) **Arrears Management**

People's Choice's definition of Arrears – "The non payment of any part of a scheduled loan repayment, providing the loan account is not "in advance" by the amount of the loan repayment or more." A loan is not considered in arrears if the borrower has not made a payment and the "in advance" amount is greater than the scheduled loan repayment.

At day 2 of the loan being in arrears, a SMS is sent to borrowers advising that their loan account is currently in arrears and reminding them to make payment.

If the loan account is still in arrears at day 7, a letter is generated and sent to the borrower advising them of their current situation and requesting payment within 7 days.

Within 16 days of a loan account going into arrears, a second letter is generated and sent to the borrower. The borrower is also contacted via telephone by collections officers to determine the reason for default and to negotiate a repayment plan in order to rectify the account to prevent the account becoming 30 days past due.

If the loan account remains in arrears and is 30 days past due, an Issue Notice of Default and Enforcement letter is issued.

If a borrower contacts People's Choice at any time and advises that they are encountering financial hardship, People's Choice will make a suitable arrangement with the borrower based on past history, nature of the financial hardship and taking into account whether the loan is subject to Lenders Mortgage Insurance. Each arrangement will reflect the borrower's particular circumstances, must address the underlying cause of the arrears and must allow the borrower to achieve regularity at a future point.

If no response is received from the member or broken arrangements have occurred, a legal Letter of Demand or Legal Default Notice is issued.

Repossession proceedings continue if the member does not respond to the above action or breaks an arrangement that they have made with People's Choice.

Reports are sent each month to the Mortgage Insurer on all insured mortgage accounts 60 days or more in arrears.

### **3.4 Housing Loan Products**

People's Choice offers standard housing loans for owner occupied or investment purposes. Borrowers have the option of a fixed rate, variable rate or a split rate loan (these are opened as separate accounts). Interest on loans is calculated daily, and charged at the end of each month. Borrowers are required to repay principal and interest or interest only amounts at least monthly, with the option to pay weekly and fortnightly. Additional weekly, fortnightly and monthly prepayments are also permitted (subject to an annual cap on fixed rate loans above which a break cost is applied).

People's Choice also offers the following additional loan products:

- Vacant land loans \*
- Construction loans \*
- Bridging Loans \*
- Secured and Unsecured Personal loans \*
- Credit Cards \*
- Overdraft facilities \*

(\* Note: These loan types do not form part of the loan portfolio for this transaction.)

People's Choice offers an interest-offset account for eligible home loans only, where interest earned on the balance of the savings account is offset against the interest due on the loan account. The pool includes loan accounts with an interest offset feature.

### **3.5 Redraw**

A borrower may request to redraw against payments made in advance of a minimum of \$1,000 for home loans. A borrower may only redraw repayments made in excess of scheduled repayments.

### **3.6 Further Advances**

Borrowers are able to apply for a further advance on their loan at any time. Each application is assessed according to People's Choice's existing credit criteria which includes a new credit check. All new advances are allocated a new loan account number once the additional

amount is combined with the existing borrowings. The new loan account number is linked within People's Choice's core banking system that identifies and tracks the loan to its existing security. Upon funding of the additional advance the existing loan is repurchased by People's Choice and removed from Light Trust.

### **3.7 Valuations**

For housing loans where the LVR is greater than 80% People's Choice requires formal valuations to be performed for all properties that are provided as security for the loan. This requirement may be dispensed with if certain criteria, set by the relevant Mortgage Insurer are met. People's Choice requests valuations from a panel of approved valuers via the ValEx platform. Valuations may only be performed by valuers who have been approved by People's Choice and ValEx complete reviews of each panel valuer at least annually to determine competence, national coverage, professional memberships and insurance.

### **3.8 Collections**

All deposits or repayments for loans are electronically recorded in real time to People's Choice's core banking system. Each loan account has a minimum repayment specified. People's Choice allows borrowers to make payments at any time prior to the due date and once payments have been made, the computer system automatically updates the account to reflect the new loan balance.

Some borrowers choose to make extra payments (or prepayments) on their loan account, which enables them to accelerate the reduction of their loan balance, redraw funds if necessary, or defer their standard payments (until payments in excess of scheduled repayments have been exhausted).

Statements are issued for loan accounts at intervals that are at least in accordance with National Consumer Credit Protection Act requirements and are also available at any time by request. Access to transaction history is also available via internet banking.

People's Choice offers its borrowers a number of options for making loan payments:

- Branch Network and National Contact Centre
- Internet Banking and Mobile Banking
- Direct credit
- Automatic transfer from a designated savings account

Interest on loans is calculated daily and charged monthly at the end of each month.

### **3.9 Mortgage Insurance**

All mortgage insured loans are reviewed and underwritten individually by the relevant Mortgage Insurer. People's Choice holds a delegated underwriting authority issued by QBE LMI.

### **3.10 General Property Insurance**

People's Choice requires that general property insurance cover be taken out by the borrower prior to the advance of the loan. The borrower is also required to maintain general property insurance cover for the term of the loan.

### **3.11 Loan Management System**

People's Choice utilises a loan origination system ("Symtrix") tailored to its needs by the software provider. Symtrix progresses a loan from its initial application, through the approval

process, to its final destination as a loan account. The ongoing management and maintenance of loans is performed within People's Choice's core banking system.

The loan origination system is provided and supported by an external vendor in conjunction with People's Choice's Technology staff who provide first level support and configuration to meet specific business requirements. A similar model applies for the development, maintenance and support of People's Choice's core banking system. People's Choice also has a Lending Services department that manages the ongoing service and maintenance of all loans once advanced.

### **3.12 Disaster Recovery Plan/System Backup**

Disaster recovery and workplace recovery arrangements have been implemented as part of People's Choice's overall Business Continuity Management Programme.

People's Choice's core banking system is supported 24/7 and is replicated via a highly stable network link to a backup site. Critical systems are supported in accordance with Board Risk Policy.

All systems are backed up daily and backups are stored off site. In addition all critical data is replicated to a disaster recovery site. The disaster recovery arrangements have been developed in conjunction with People's Choice's Technology and Risk Division's. This is aligned to the Business Continuity Management Programme which includes business impact analysis, business continuity planning, and a review and testing programme.

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## 4. MORTGAGE LOANS

### 4.1 Origination and acquisition

People's Choice is responsible for all aspects of origination relating to review and approval of the Mortgage Loans criteria, compliance of the Mortgage Loans, arrangement of security property valuation, arrangement of lender's mortgage insurance and the provision of instructions to enable People's Choice's lawyers or staff to settle mortgage transactions.

### 4.2 Representations and Warranties and Eligibility Criteria

People's Choice will make certain representations and warranties in each Sale Notice and the Series Notice. These representations and warranties include that each Mortgage Loan acquired directly from any Approved Seller has the following characteristics (the **Eligibility Criteria**) as at the Cut-Off Date (other than (t) and (x) in the paragraph below in the case of Mortgage Loans acquired directly from an Approved Seller other than People's Choice).

The Eligibility Criteria are as follows:

- (a) each Mortgage Loan was originated, approved and documented in accordance with the relevant Guidelines and in the ordinary course of business by People's Choice and settled by and in the name of People's Choice;
- (b) the term of the Mortgage Loan is not more than 30 years;
- (c) the Mortgage Loan requires payment in full of the Mortgage Loan balance by the maturity date of that Mortgage Loan, whether by way of amortisation of principal or by bullet repayment;
- (d) each Mortgage Loan is secured by a mortgage over land which is residential property and for which the original documents have been lodged with the Custodian including the mortgage instrument, duplicate certificate of title of the land mortgaged, loan document, copies of insurance policies and certificates of currency, guarantee (if any), priority deed (if any) and power of attorney (if any);
- (e) each Mortgage Loan is secured by a first ranking mortgage registered in favour of People's Choice or a second ranking mortgage where the relevant first ranking mortgage is registered in favour of People's Choice and is sold to and held by the Trustee;
- (f) each Obligor or provider of Mortgage Loan Security (as the case may be) is the registered proprietor of and holds the entire legal and beneficial interest in the Mortgaged Property free from any Security Interest (other than as contemplated by the Transaction Documents);
- (g) the Mortgage Loan is denominated and payable only in Australian dollars in Australia;
- (h) a valuation of the Mortgaged Property has been obtained in accordance with the relevant Guidelines;
- (i) each Mortgage Loan has an LVR as at the relevant Cut-Off Date of the Mortgage Loan, of not more than 95% for a Mortgage Loan secured by residential property. Vacant land or land under development is not included as security for the purposes of calculating LVR;
- (j) the LVR and the Mortgage Loan Principal in relation to each Mortgage Loan, complies with the relevant Guidelines;

- (k) the Mortgaged Property was, at the date of origination of the relevant Mortgage Loan, insured under an Insurance Policy in accordance with the relevant Guidelines against general fire, damage and destruction by a corporation authorised to do so under the Insurance Act 1973 (Cth);
- (l) any early repayment or partial prepayment of an amount greater than \$15,000 in any one calendar year of a Mortgage Loan which is a Fixed Rate Loan, is subject to payment by the Obligor of prepayment penalties which take into account the market break costs incurred by People's Choice;
- (m) People's Choice is not aware of any legal proceedings or any other event which will entitle People's Choice to terminate any Mortgage Loan or the Mortgage Loan Security;
- (n) no payment under the Mortgage Loan Agreement has been rescheduled for a breach relating to payment irregularities or to avoid such breach;
- (o) the obligations of the Obligor under the Mortgage Loan Agreement, each guarantor with respect to the Mortgage Loan and each provider of Mortgage Loan Security, will in each case rank at least pari passu with all their respective present and future unsecured obligations, save for those obligations mandatory preferred by law;
- (p) each guarantee relating to a Mortgage Loan is a continuing security for all amounts outstanding under the Mortgage Loan Agreement and the guarantee states that:
  - (i) it is irrevocable by the guarantor before payment in full and discharge of all amounts payable under the Mortgage Loan Agreement;
  - (ii) all amounts owing by the Obligor under the Mortgage Loan Agreement are recoverable from the guarantor under the guarantee; and
  - (iii) the liability of the guarantor will not be affected by any waiver or variation of any obligation of the Obligor;
- (q) the Obligor is required to make all payments under the Mortgage Loan Agreement without any set-off or counterclaim;
- (r) the Obligor is not an employee of People's Choice or any Related Body Corporate;
- (s) all Mortgage Loan Agreements, and Mortgage Loan Security are duly stamped in accordance with applicable laws;
- (t) the Obligor is not currently more than 30 days in arrears in respect of payment of the Mortgage Loan;
- (u) the Mortgage Loan Principal of the Mortgage Loan (as at the relevant Cut-Off Date of that Mortgage Loan) does not exceed \$1,000,000;
- (v) the Mortgage Loan is made to an Obligor of at least 18 years of age where the Obligor is a natural person;
- (w) the Mortgage Loan imposes no obligation to advance further funds to the Obligor by way of top-up or further advance, but may include a redraw feature or a non-discretionary line of credit feature;
- (x) the Mortgage Loan balance, as at the Cut-Off Date, exceeds \$10,000;
- (y) other than in the case of a line of credit loan, the Mortgage Loan is subject to weekly, fortnightly or monthly payments which fully amortise the Mortgage Loan over its term or in the case of a Mortgage Loan which has an interest only period of not more than 10 years (comprising no more than 2 interest only periods of 5 years each), is subject to repayment of principal at the end of that interest only period;

- (z) where a Mortgage Loan requires all costs, fees and expenses to be paid by the Obligor, any such sums have been paid (and which costs are not liable to be refunded to the borrower under the loan) other than a deferred establishment fee;
- (aa) the Mortgage Loan was originated and has been serviced in accordance with, and the terms of the Mortgage Loan and Mortgage Loan Security comply with, all applicable laws;
- (bb) the Mortgage Loan is not partially drawn other than in the case of a line of credit loan;
- (cc) if the Mortgage Loan is a Fixed Rate Loan, (including a Mortgage Loan which converts to a Fixed Rate Loan, or the fixed interest rate period for which is extended), the fixed interest rate period is not more than 5 years; and
- (dd) if the Mortgage Loan is a line of credit loan, its revolving period does not exceed 10 years.

People's Choice will also make the following further representations and warranties in relation to the Mortgage Loans and the Mortgage Loan Securities specified in each Sale Notice, for the benefit of the Trustee as at the Cut-Off Date (unless otherwise specified in the representation or warranty):

- (a) **(Assignability)** All consents required in relation to the assignment of the Mortgage Loans specified in each Sale Notice and the related Mortgage Loan Rights have been obtained. Those Mortgage Loans and Mortgage Loan Rights are assignable.
- (b) **(Quality of Title)** It is the sole legal owner of the Mortgage Loans specified in each Sale Notice and the related Mortgage Loan Rights. Those Mortgage Loans and the related Mortgage Loan Rights, together with its interest under the Relevant Documents, are owned by it free and clear of any Security Interest (other than any Security Interest arising solely as the result of any action taken by the Trustee in connection with the Trust or any Security Interest held by an Approved Seller).
- (c) **(Eligible Receivable)** Each Mortgage Loan which is specified in each Sale Notice is an Eligible Receivable except for any exceptions indicated as such in each relevant Sale Notice or otherwise notified in writing to the Trustee and which is the subject of a Rating Notification.
- (d) **(Mortgage Loans and Mortgage Loan Securities)** Each Mortgage Loan and Mortgage Loan Security which is specified in a Sale Notice and each Related Security has been duly stamped and is legally valid, binding and enforceable against the relevant Obligor(s) in all material respects except to the extent that it is affected by laws relating to creditors rights generally, or doctrines of equity.
- (e) **(Set Off)** Once equitably assigned to the Trustee, no Mortgage Loan which is specified in a Sale Notice or the related Mortgage Loan Right will be subject to any right of rescission, set off, counterclaim or similar defence, other than any Offset Arrangement.
- (f) **(Compliance with Laws)** At the time each Mortgage Loan and Mortgage Loan Security which is specified in a Sale Notice and each Related Security was entered into and up to and including the Cut-Off Date, it complied in all material respects with applicable laws, including, without limitation, where the Consumer Credit Legislation applies, the Consumer Credit Legislation and the performance by People's Choice of its obligations in respect of each such Mortgage Loan, Mortgage Loan Security and Related Security (including without limitation, its variation, discharge, release, administration, servicing and enforcement) up to and including the Cut-Off Date complied in all material respects with applicable laws including, without limitation, where the Consumer Credit Legislation applies, the Consumer Credit Legislation.

- (g) **(Ownership)** In relation to each Mortgage Loan Security which is specified in each Sale Notice, the relevant Obligor(s) is or are the sole legal owner of the relevant Mortgaged Property and registered as the sole proprietor(s) of the relevant Mortgaged Property.
- (h) **(Mortgage Insurance Policy)** As at the relevant Closing Date, the Mortgaged Property in respect of each Mortgage Loan which is specified in each Sale Notice is the subject of a Mortgage Insurance Policy from a Mortgage Insurer for the scheduled term of that Mortgage Loan for the amount of that Mortgage Loan. The sale of each such Mortgage Loan to the Trustee is not contrary to the relevant Mortgage Insurance Policy. People's Choice has not done or omitted to do anything and nothing has otherwise occurred which might prejudicially affect or limit its rights or the rights of the Trustee under or in respect of a Mortgage Insurance Policy (including the payment of any premiums due under that Mortgage Insurance Policy) to the extent that those rights relate to that Mortgage Loan or the related Mortgage Loan Rights. On transfer to the Trustee of equitable title to a Purchased Mortgage Loan:
- (i) the Trustee will have the benefit of the relevant Mortgage Insurance Policy for that Mortgage Loan; and
  - (ii) People's Choice will procure that the Trustee receives evidence of the relevant Mortgage Insurer's acknowledgement of the transfer.
  - (iii) People's Choice has not been advised by the relevant Mortgage Insurer of any breach of the Mortgage Insurance Policy.
- (i) **(Solvency of Mortgage Insurer)** People's Choice does not have actual notice that a Mortgage Insurer under a Mortgage Insurance Policy in relation to a Mortgage Loan, or any reinsurer in respect of that Mortgage Insurer, is insolvent or will be unable to pay a valid claim.
- (j) **(Solvency of other insurers)** The officers of People's Choice who have responsibility for the transactions contemplated by the Transaction Documents do not have actual notice that any insurer under any insurance policy (other than a Mortgage Insurer under a Mortgage Insurance Policy) in relation to a Mortgage Loan is insolvent or will be unable to pay a valid claim.
- (k) **(Selection process)** There is no fraud, dishonesty, material misrepresentation or negligence on the part of People's Choice in connection with the selection and offer to the Trustee of any Mortgage Loans or Mortgage Loan Securities which is specified in a Sale Notice.
- (l) **(No void transactions)** The assignment of the Mortgage Loans which are specified in each Sale Notice and the related Mortgage Loan Rights will not be held by a court to be an undervalue transfer, a fraudulent conveyance, or a voidable preference under any law relating to insolvency.
- (m) **(Security Interest)** The sale, transfer and assignment of each Approved Seller's interest in the Mortgage Loans which are specified in each Sale Notice and the related Mortgage Loan Rights, will not constitute a breach of any Relevant Document or a breach of People's Choice's obligations or a default by People's Choice under any Security Interest.
- (n) **(Relevant Documents)** People's Choice or a solicitor engaged by or on behalf of People's Choice or a stamp duties office, a land titles office or other Government Agency (for stamping or registration purposes) holds in its possession or control all Relevant Documents that relate to the Mortgage Loans and the Mortgage Loan Securities which are specified in each Sale Notice necessary to register and enforce the provisions of and the security created by the relevant Mortgage Loan Securities.

- (o) **(Solvency)** People's Choice is solvent, is able to pay its debts as and when they become due and payable and has no notice of, nor taken any steps in relation to, any application or order for its winding up or the appointment of a receiver or liquidator to it or any of its assets.
- (p) **(No rescission, etc)** As at the relevant Cut-Off Date, none of the Mortgage Loans or none of the Mortgage Loan Securities which are specified in a Sale Notice were satisfied, cancelled, discharged or rescinded and the Mortgaged Property relating to each relevant Mortgage Loan and Mortgage Loan Security had not been released from the security of the relevant Mortgage Loan Securities.
- (q) **(Interest rate)** Except as specified in a Mortgage Loan Agreement, a Mortgage Loan Security or a Sale Notice, and subject to applicable laws, the interest rate for each such Mortgage Loan is not subject to any limitation, no consent, additional memoranda or other writing is required from the relevant Obligor to give effect to a change in that rate and any change in that rate will be effective on notice being given to that Obligor in accordance with the terms of the relevant Mortgage Loan or Mortgage Loan Security. This section does not apply to Fixed Rate Loans.
- (r) **(Compliance with procedures)** At the time each Mortgage Loan and each Mortgage Loan Security which is specified in a Sale Notice and each Related Security was entered into it complied in all material respects with the relevant Guidelines and the Mortgage Loan and each Mortgage Loan Security have been managed in accordance with the relevant Guidelines.
- (s) **(Good faith)** Each Mortgage Loan and Mortgage Loan Security which is specified in a Sale Notice and each Related Security was entered into by People's Choice in good faith.
- (t) **(Ordinary course of business)** At the time each Mortgage Loan and each Mortgage Loan Security which is specified in a Sale Notice and each Related Security was entered into, it was not purchased by People's Choice but was originated in the ordinary course of People's Choice's business.
- (u) **(First or second ranking security)** In respect of each Mortgage Loan and each Mortgage Loan Security which is specified in a Sale Notice and each Related Security:
  - (i) each related Mortgage is a valid and enforceable first ranking Mortgage secured over residential real property or a second ranking Mortgage where the relevant first ranking Mortgage is also sold to and held by the Trustee; and
  - (ii) each Mortgage Loan Security that is required to be registered with any Government Agency is registered at the relevant Cut-Off Date.
- (v) **(No notice of bankruptcy or winding up)** At the time each Mortgage Loan and each Mortgage Loan Security which is specified in a Sale Notice and each Related Security was entered into and as at the Cut-Off Date, People's Choice had not received any notice of any insolvency, bankruptcy or liquidation of each relevant Obligor, including any guarantors or providers of Mortgage Loan Security, (except that if a Mortgage Loan is in Arrears but complies with the Eligibility Criteria, the fact that it is in Arrears is not in and of itself notice of insolvency) or any notice that any such person did not have the legal capacity to enter into the relevant Mortgage.
- (w) **(Information on Mortgage Loans)** All information provided by People's Choice to the Trustee in connection with the Mortgage Loans, the Mortgage Loan Securities and the Related Securities was, when given, true and accurate in all material respects and not misleading or deceptive and did not omit to state a material fact necessary in order to make the statements therein in light of the circumstances in which they were made not misleading or deceptive.

- (x) **(No knowledge of adverse event)** As at the relevant Cut-Off Date, People's Choice was not aware of any circumstance or event that may materially and adversely affect:
  - (i) the value or enforceability of any Mortgage Loan, Mortgage Loan Security or Related Security; or
  - (ii) the ability of People's Choice to perform its obligations under the Transaction Documents.
- (y) **(Fair consideration)** People's Choice regards the consideration paid for the Mortgage Loans specified in a Sale Notice as fair and equals the outstanding principal of those Mortgage Loans on the Cut-Off Date (plus or minus \$1,000).
- (z) **(No breach of obligations)** People's Choice is not in breach of any obligation or agreement which has had or may have a Material Adverse Effect.
- (aa) **(Waiver of set-off)** People's Choice's standard form of Mortgage Loan Agreement includes a clause to the effect that the relevant Obligor waives all rights of set-off as between the Obligor and People's Choice.
- (bb) **(Deposit account)** People's Choice has not required any Obligor to establish a deposit account with it in relation to a Mortgage Loan. If an Obligor has established a deposit account (including an interest offset deposit account) with People's Choice, it has been established at the election of the Obligor.
- (cc) **(Form of Agreements)** Each Mortgage Loan and each Mortgage Loan Security was established on the terms of the form of agreements provided to the Trustee by People's Choice before the relevant Sale Notice was given.

Under the Master Trust Deed, if People's Choice, the Manager or the Trustee becomes actually aware that a representation or warranty specified in a Sale Notice or mentioned above is incorrect, it must notify the other parties and each Designated Rating Agency.

Subject to the paragraphs below, if such a representation or warranty is incorrect and the Manager does not direct that the Trustee waive that breach, or People's Choice does not remedy the breach to the satisfaction of the Manager and the Trustee (if capable of remedy) within two Business Days after People's Choice gives or receives notice of the breach, then People's Choice shall be taken to have offered to repurchase the relevant Purchased Mortgage Loans and the related Mortgage Loan Rights for an amount equal to its Unpaid Balance, and the Trustee, by not waiving the breach or agreeing to a longer time, shall be taken to have accepted that offer. People's Choice shall not be obliged to repurchase any Purchased Mortgage Loans and the related Mortgage Loan Rights from the Trustee on a day falling later than 120 days after the Note Issue Date.

On payment of the amount by People's Choice, the Trustee will cease to have any interest in the relevant Purchased Mortgage Loans and related Mortgage Loan Rights, and People's Choice will hold both the legal and beneficial interest in those Mortgage Loans and Mortgage Loan Rights and be entitled to all interest and fees that accrue in respect of them from the repurchase becoming effective.

The Trustee's only other remedy in relation to a breach of representation or warranty will be a claim for damages. The maximum amount of damages that People's Choice may become obliged to pay to the Trustee is an amount equal to the Unpaid Balance of that Mortgage Loan at the time People's Choice pays the damages. Without limiting the repurchase obligations outlined above, People's Choice will not be obliged to pay any damages or any indemnity in relation to a breach of representation or warranty unless the Trustee first establishes that there has been a breach that has caused loss, the damages or indemnity claimed represent no more than the loss incurred as a result of the breach, and the Trustee first gives People's Choice a written notice specifying the quantum of the claim and the basis of the claim. Where People's Choice is liable to pay damages, it shall make such payment within 14 Business Days of

receipt of a notice from the Trustee that complies with the requirements in relation to that notice outlined above.

Notwithstanding the paragraphs above, People's Choice shall not be obliged to repurchase any Purchased Mortgage Loans and the related Mortgage Loan Rights from the Trustee under the Master Trust Deed where:

- (a) those Purchased Mortgage Loans and Mortgage Loan Rights were acquired from People's Choice as Approved Seller on a day falling later than 120 days after the Note Issue Date; or
- (b) those Purchased Mortgage Loans and Mortgage Loan Rights were acquired from an Approved Seller other than People's Choice on a day falling later than 120 days after the relevant Warehouse Closing Date,

in the event that a representation or warranty in relation to those Purchased Mortgage Loans or Mortgage Loan Rights is incorrect. In those circumstances, the only remedy is a claim for damages as described in the paragraph above.

### **4.3 Servicing of Loans**

The Servicer is contractually obliged to administer the Mortgage Loans in accordance with the terms of the Master Trust Deed. For a more detailed description see section 8.4.

Under the Master Trust Deed, the ongoing servicing of Mortgage Loans will be performed by the Servicer.

### **4.4 Fixed Rate Loans**

Without prejudice to the Eligibility Criteria, the Servicer may only fix the interest rate payable on a Purchased Mortgage Loan for a period of up to and including 5 years or permit the extension of a Fixed Rate Loan if:

- (a) it has received prior written confirmation from the Manager that the Manager has directed the Trustee to enter into an Interest Rate Swap in respect of that interest or that interest is already hedged under an Interest Rate Swap; and
- (b) the aggregate Mortgage Loan Principal of all Fixed Rate Loans (including the Purchased Mortgage Loans the subject of this section) comprise no more than 45% of the aggregate Mortgage Loan Principal of all Purchased Mortgage Loans, unless the fixing of interest or extension has been the subject of a Rating Notification and the Manager has obtained the prior written consent of the Standby Swap Provider.

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## **5. RISK FACTORS**

This section 5 outlines some potential issues which may impact upon the ability of the Trustee to pay interest and repay Principal Payments when due in respect of Notes.

As an outline, this discussion is not intended to be an exhaustive analysis of risk factors. Prospective subscribers for Notes should make their own independent evaluations and obtain independent advice as to whether to subscribe for Notes.

This section 5 should also be read in conjunction with the other sections of this Information Memorandum.

### **5.1 Limited liability under the Notes**

The Notes are debt obligations of the Trustee as trustee of the Trust. They are issued with the benefit of, and subject to the Master Trust Deed, the Series Notice and the Security Trust Deed. The Trustee's liability in respect of the Notes is limited to the assets of the Trust available in accordance with the terms of the Master Trust Deed, the Series Notice and the Security Trust Deed to meet its obligations in relation to the Notes and, except in certain limited circumstances (as to which see section 8.1(j)), the Trustee will not be personally liable in respect of the Notes.

The assets of the Trust will consist of the Mortgage Loans and other Authorised Investments. Payments of interest or principal on the Notes will be made only if the assets of the Trust are sufficient.

### **5.2 Credit quality of Loans**

The Trustee's obligation to pay interest and to repay principal in respect of the Notes is limited by reference to, among other things, receipts from:

- (a) the Mortgage Loans (eg. from regular payment of instalments, from prepayments and from enforcement of defaulted Mortgage Loans);
- (b) any Mortgage Insurance Policy;
- (c) any Interest Rate Swaps; and
- (d) the payment of damages by (if applicable) the relevant Approved Seller, People's Choice, Manager or Servicer for breaches of specified obligations in the Transaction Documents.

Accordingly, the performance of the Mortgage Loans, the enforcement of a Mortgage Loan, the price at which the property is sold and the length of time taken to complete that sale, the performance of the relevant counterparty under the Mortgage Insurance Policy and the Interest Rate Swap, and the performance by People's Choice of any obligation to pay damages, will have a key impact on such payments in terms of both the timeliness of payments to Noteholders and the amount of such payments.

There are numerous factors which could affect the performance of the Mortgage Loans, including economic, social, legal and other matters. Prospective investors should make their own assessment of the likely performance of the Mortgage Loans having regard to the information in this Information Memorandum.

### **5.3 Term risks**

Whilst the Trustee is obliged to pay the Stated Amount of the Notes on the Final Maturity Date, principal will be passed through to Noteholders on each Payment Date from distributions of Total Available Principal in the form of Principal Payments.

There is no guarantee as to the rate at which principal will be passed through to Noteholders. Accordingly, the actual date by which Notes are repaid cannot be precisely determined.

The rate at which the Mortgage Loans may repay or prepay principal is influenced by a range of factors including:

- (a) the level of interest rates applicable to the Mortgage Loans relative to prevailing interest rates in the market;
- (b) the default rate of Obligor under the Mortgage Loans;
- (c) demographic and social factors such as unemployment, death, divorce and changes in employment of Obligor;
- (d) the rate at which Obligor change their Mortgaged Properties; and
- (e) the degree of seasoning of the Mortgage Loans.

Other factors which could result in early repayment of principal to Noteholders include:

- (a) application of Excess Spread to Total Available Principal for any Loss;
- (b) repurchase by People's Choice or a third person of Mortgage Loans as a result of the Clean Up Offer as referred to in section 1.3;
- (c) repurchase by People's Choice of Mortgage Loans as a result of a breach of representations and warranties made by People's Choice in relation to the Mortgage Loans referred to in section 4.2; and
- (d) receipt of proceeds of enforcement of the Security Trust Deed prior to the Final Maturity Date of the Notes.

## **5.4 Servicer risk**

The Servicer under the terms of the Master Trust Deed has been appointed as the Servicer of the Mortgage Loans. A failure by the Servicer to properly perform its servicing obligations may have an impact on the timing of funds received by the Trustee in respect of the Mortgage Loans.

In this regard the Master Trust Deed defines certain Servicer Transfer Events (see section 8.4(g)). The Master Trust Deed provides that following a Servicer Transfer Event the Trustee must at the direction of the Manager by notice terminate the arrangements made under Part J of the Master Trust Deed in respect of that Trust with immediate effect. Following such action the Trustee shall act as Servicer, unless and until another Servicer has been appointed to act as Servicer under the Master Trust Deed.

However, there is no guarantee that a replacement Servicer will be found who would be willing to service the Mortgage Loans on the terms of the Master Trust Deed or that it will be able to service the Mortgage Loans with the same level of skill and competence as the initial Servicer.

## **5.5 Enforcement of Security**

On the occurrence of an Event of Default, the Security Trustee will be entitled to enforce the Security Trust Deed and apply the assets of the Trust which are secured in favour of the Security Trustee for the benefit of Chargees of the Trust (which term includes the Noteholders) in accordance with the terms of the Security Trust Deed. The Security Trustee may incur costs in enforcing the Security Trust Deed, with respect to which the Security Trustee will be entitled to indemnification.

The rights of the Chargees as Unitholders under the Security Trust are restricted. For a more detailed description see section 8.3.

If the Security Trust Deed becomes enforceable and some or all of the Mortgage Loans are sold, there is no guarantee that the Security Trustee would be able to sell the Mortgage Loans for their then Unpaid Balance. This may adversely impact the Trustee's ability to repay all amounts outstanding in relation to the Notes.

## **5.6 Breach of representation and warranty**

People's Choice will make certain representations and warranties to the Trustee in relation to the Mortgage Loans to be assigned to the Trustee as at the Cut-Off Date (see section 4.2). The Trustee has not investigated or made any enquiries regarding the accuracy of the representations and warranties. Under the Master Trust Deed, People's Choice has agreed to repurchase any Purchased Mortgage Loan and related Mortgage Loan Rights in respect of which it is discovered that any one of the representations or warranties given by People's Choice is incorrect in the circumstances disclosed in section 4.2. The only other remedy available to the Trustee in relation to a breach of representation or warranty is a claim for damages for any loss caused. However, the damages claimed cannot be more than the Unpaid Balance of the relevant Mortgage Loan. The rights of the Trustee in respect of any representation or warranty being incorrect are described in more detail in section 4.2.

## **5.7 Recent Origination of the Mortgage Loans**

The Mortgage Loans have all been originated in a period from December 1995 to the Cut-Off Date. Accordingly, there may be some Mortgage Loans that are not fully seasoned and may display different characteristics (including payment and repayment characteristics, and default risk) until they are fully seasoned.

## **5.8 Mortgage insurance risk**

The liability of the Mortgage Insurers are governed by the terms of the relevant Mortgage Insurance Policies, which contain certain exclusions that may allow the Mortgage Insurers to reduce a claim or terminate its cover in respect of a Mortgage Loan in certain circumstances.

The ability of the Mortgage Insurers to pay claims is dependent on the financial status, condition and credit-worthiness of those Mortgage Insurers at the time the claim was made.

The availability of a Mortgage Insurance Policy as credit support will ultimately be dependent on the financial strength of the relevant Mortgage Insurer. If a Mortgage Insurer encounters financial, regulatory or other difficulties which impede or prohibit the performance of its obligations under a Mortgage Insurance Policy, the Trustee may not have sufficient funds to pay the full amount of principal and interest due on the Notes.

## **5.9 Reinvestment risk**

If a prepayment is received on a Mortgage Loan during the period between one Payment Date and the next, interest at the then rate on the Mortgage Loan will cease to accrue on that part of the Mortgage Loan prepaid from the date of the prepayment.

The amount prepaid will be invested in Authorised Investments for the balance of the Collection Period at a rate that may be less than the then rate on the Mortgage Loan. Interest will, however, continue to be payable in respect of a corresponding amount of principal on the Notes until the next Payment Date following the prepayment.

Accordingly, this may affect the ability of the Trustee to pay interest in full on the Notes from Total Available Income, but the Trustee has access to Principal Draws and the Liquidity Facility.

## **5.10 Consumer Credit Legislation**

The National Credit Code took effect in all states and territories of Australia on 1 July 2010. The National Credit Code was implemented as part of the National Consumer Credit

Protection Act 2009 (Cth) and largely replicates the UCCC which previously applied in the states and territories of Australia.

Under the National Credit Code, ASIC or an Obligor may have a right to apply to a court to:

- (a) vary the terms of their Mortgage Loan on the grounds of hardship or that it is an unjust contract;
- (b) annul or reduce any:
  - (i) interest rate change;
  - (ii) establishment fee;
  - (iii) early termination fee; or
  - (iv) fee or charge for prepayment of an amount,payable on a Mortgage Loan if the court is satisfied that the change, fee or charge is unconscionable;
- (c) if a credit activity has been engaged in without a licence and no relevant exemption applies, issue an order it considers appropriate to compensate for loss and to prevent loss. This could include an order declaring a contract, or part of a contract, to be void, varying the contract, refusing to enforce, ordering a refund of money or return of property, payment for loss or damage or being ordered to supply specified services;
- (d) have certain provisions of the Mortgage Loan or Mortgage Loan Security which are in breach of the legislation declared unenforceable; or
- (e) obtain restitution or compensation from the Trustee in relation to any breach of the National Credit Code.

Applications may also be made to a relevant external dispute resolution scheme which has the power to resolve disputes where the amount in dispute is \$500,000 or less. There is no ability to appeal from an adverse determination by an external dispute resolution scheme, including on the basis of bias, manifest error or want of jurisdiction.

Where a systematic contravention affects contract disclosures across multiple Mortgage Loans, there is a risk of a representative or class action under which a civil penalty could be imposed in respect of all affected loan agreements. If Obligors suffer any loss, orders for compensation may be made.

Under the National Credit Code, ASIC will be able to make an application to vary the terms of a contract or a class of contracts on the above grounds if this is in the public interest (rather than limiting these rights to affected debtors).

Any such order may affect the timing or amount of interest, fees and charges or principal repayments under the relevant Mortgage Loan which may in turn affect the timing or amount of payment of interest or principal repayments under the Notes.

In addition, if a Title Perfection Event occurs, the Trustee will be subject to the penalties and compensation provisions under the National Credit Code. To the extent that the Trustee is unable to claim damages from the Servicer where the Trustee suffers a loss in connection with a breach of the National Credit Code, the Assets of the Trust will be applied to indemnify the Trustee in priority to any payments in respect of the Notes.

The National Credit Code also has significant consequences for a wide range of participants in the credit industry, including credit providers, finance brokers and other intermediaries. In particular, the National Credit Code:

- (a) introduced a national licensing regime, which requires credit providers and certain other intermediaries to apply to ASIC for an Australian Credit Licence (**ACL**) (all persons engaging in credit activities will need to be licensed from 1 July 2011);
- (b) imposes responsible lending requirements on ACL holders and others designed to protect consumers from being offered loans that are unsuitable for them or that they cannot afford; and
- (a) imposes new disclosure obligations on ACL holders and others.

Other issues to consider include the Trade Practices Amendment (Australian Consumer Law) Act 2010 (**Consumer Act**), which came into force on 1 July 2010. The Consumer Act introduced into the Trade Practices Act 1974 (Cth) (which was subsequently amended and renamed the Competition and Consumer Act 2010 (Cth)) a national unfair terms regime whereby a term of a standard-form consumer contract entered into or varied on or after 1 July 2010 will be unfair, and therefore void, if it causes a significant imbalance in the parties' rights and obligations under the contract, is not reasonably necessary to protect the supplier's legitimate interests and it would cause detriment to a party if applied or relied on.

In New South Wales, the unfair terms regime (contained in Part 5G of the Fair Trading Act 1987 (NSW)) was enacted on 1 July 2010 which mirrors the unfair terms regime set out in the TPA Act. These provisions will apply to loans which are originated or varied on or after 1 July 2010.

In June 2009, Victoria extended its unfair terms regime (contained in Part 2B of the Fair Trading Act 1999 (Vic)) to apply to UCCC regulated credit contracts, which had previously been excluded. Under the Victorian regime, a term in a consumer contract is unfair and therefore void if it is a prescribed unfair term or if a court or Tribunal determines that in all circumstances it causes a significant imbalance in the parties' rights and obligations arising under the contract to the detriment of the consumer. Under the transitional provisions, the legislation will apply to existing loans in the loan pool to the extent a term of a loan contract is varied on or after 11 June 2009, but only to the extent of the variation. Victoria amended Part 2B of the Fair Trading Act 1999 to align with the new national legislation and has stated that its intention is that Part 2B will be repealed (with the Federal unfair contract terms regime still applying) when Victoria adopts the full Australian Consumer Law.

Western Australia has implemented the unfair terms regime set out in the TPA Act with effect from 1 January 2011 by enactment of a new single act – Fair Trading Act 2010 (WA) – that will replace the existing Consumer Affairs Act 1971 (WA), Fair Trading Act 1987 (WA) and Door to Door Trading Act 1987 (WA).

To the extent that the new provisions apply to existing loans, the operation of the TPA Act and the Victorian, New South Wales and Western Australian unfair terms regime may affect the services of an entity, or its ability to collect funds, in relation to existing consumer credit arrangements and ultimately this may result in a delay or decrease in the amounts a Noteholder receives.

## 5.11 Interest rate risk

As at its Cut-Off Date, a Mortgage Loan will be subject to a discretionary variable rate which may be adjusted by People's Choice from time to time or a fixed rate.

The Servicer may only fix the interest rate payable on a Mortgage Loan for periods which are no longer than 5 years or permit the extension of a Fixed Rate Loan if it has received prior written confirmation from the Manager that the Manager has directed the Trustee to enter into an Interest Rate Swap in respect of that interest or that interest is already hedged under an Interest Rate Swap and other conditions are met.

To hedge the risk between the fixed rate received by the Trustee from the Mortgage Loans and the interest rate payable by the Trustee to Noteholders, the Trustee will enter into an Interest Rate Swap under the Hedge Agreements.

See section 7.3 for more information on the Hedge Agreements.

## **5.12 Equitable Assignment**

Unless and until a Title Perfection Event occurs, People's Choice will hold legal title to the Mortgage Loans, and the Trustee will hold an equitable interest in the Mortgage Loans. Notice of the equitable assignment will not be given to the borrowers.

Accordingly:

- (a) the interest of the Trustee in the Mortgage Loans could be postponed to another equitable interest or legal interests in the Mortgage Loans that are created by People's Choice or arise by operation of law;
- (b) the borrowers can repay the Mortgage Loans by making payment to People's Choice;
- (c) until a borrower, guarantor or security provider has notice of the assignment, rights of set-off or counterclaim may accrue in favour of the borrower, guarantor or security provider against its obligations under the Mortgage Loans which may result in the Trustee receiving less money than expected from the Mortgage Loans; and
- (d) for so long as the Trustee holds only an equitable interest in the Mortgage Loans, People's Choice must be a party to any legal proceedings against any borrower, guarantor or security provider in relation to the enforcement of any Mortgage Loan. In this regard, the Servicer undertakes to service (including enforce) the Mortgage Loans in accordance with the Master Trust Deed and the Guidelines (see section 8.4).

## **5.13 Are the Notes an appropriate investment?**

The Notes may only be an appropriate investment for those investors who:

- (a) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Notes and the rights attaching to the Notes;
- (b) are acquiring the Notes for their own account for investment and not with a view to resell, distribute or otherwise dispose of the Notes;
- (c) understand that there may not be a secondary market for the Notes and they therefore may not be able to transfer the Notes for a substantial period of time, if at all; and
- (d) are capable of bearing the economic risk of an investment in the Notes for an indefinite period of time.

## **5.14 Secondary Market Risk**

There is no assurance that any secondary market for the Notes will develop or, if one does develop, that it will provide liquidity of investment or will continue for the life of the Notes.

Further, secondary market risk is amplified during major disruptions in the capital markets and such disruptions may occur as a result of contagion from sectors which appear unrelated to the Notes. Certain financial disruptions, political disruptions and acts of God have led to disruptions in the credit and equity markets. If these events continue or were to occur it would impact on the ability to sell Notes.

There is no certainty that the secondary market in relation to the Notes will recover or whether the price of the Notes will be affected by matters which are unrelated to the credit quality of the Notes.

No assurance can be given that it will be possible to effect a sale of the Notes, nor can any assurance be given that, if a sale takes place, it will not be at a discount to the acquisition price.

## 5.15 Australian Anti-Money Laundering and Counter-Terrorism Financing Act

An entity has obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (the **AML/CTF Act**), where it provides a designated service which includes:

- opening or providing certain accounts, allowing any transaction in relation to such an account or receiving instructions to transfer money in and out of such an account;
- making loans to a borrower or allowing a transaction to occur in respect of that loan in certain circumstances;
- providing a custodial or depository service;
- issuing or selling a security in certain circumstances; and
- exchanging one currency for another in certain circumstances.

These obligations will include undertaking customer due diligence before a designated service is provided. The obligations also include, but are not limited to, conducting on-going customer due diligence and reporting of suspicious and other transactions.

The obligations placed upon an entity can affect the services of an entity or the funds it provides and ultimately may result in a delay or decrease in the amounts an investor receives

## 5.16 Personal Property Securities Act

A new personal property securities regime commenced operation throughout Australia on 30 January 2012 pursuant to the Personal Property Securities Act (**PPS Act**). The PPS Act adopts a "functional approach" to security interests. This means that the PPS Act regulates any interest in relation to personal property that, in substance, secures payment or performance of an obligation. In addition, the PPS Act regulates security interests which are deemed to arise upon the transfer of certain types of assets (including loans), these are generally referred to as "deemed security interests". The PPS Act does not regulate the granting of security interests in land.

The PPS Act applies not only to security interests which come into existence after 30 January 2012, but also to security interests evidenced by agreements that were already in existence as at 30 January 2012. This type of security interest is referred to as a "transitional security interest". Generally, in order to be perfected under the PPS Act, a security interest, whether or not it is a transitional security interest, should be registered on the register maintained pursuant to the PPS Act (the **PPS Register**). Where a transitional security interest was already registered on an existing public register, such as under the Corporations Act 2001 charges registration regime, as at 30 January 2012 that security interest should have been migrated by the Australian federal government to the PPS Register and thereby perfected under the PPS Act. Transitional security interests which were not registered on any existing public register as at 30 January 2012 (such as any deemed security interest arising before 30 January 2012) were temporarily perfected under the PPS Act for a period of 2 years from 30 January 2012 and needed to be registered within that 2 year period in order to preserve priority rights.

If the details held by the relevant existing public register in relation to a transitional security interest are incorrect or insufficient or if, as a result of human or systemic error those details were not properly migrated to the PPS Register, or there is not a separate registration within the two year period, there is a risk that other persons with competing interests in the personal property may take free of that security interest because it will not have been perfected. However, transitional relief for a period of 60 months commencing from 30 January 2012 will

apply to mitigate any such risk in relation to an error in respect of details on the PPS Register arising solely as a result of human or systemic error in the migration process. In addition, if the security interest is unperfected, the holder of the security interest or the owner of the personal property may not be able to enforce that security interest or claim title to the personal property (as the case may be) if the lessee or other trustee becomes insolvent.

Additionally, as the personal property security regime is new to the Australian security landscape, there is uncertainty as to its implementation from a legal and practical perspective. There is a risk that, in some circumstances, the priority of an interest under the personal property security regime is different from its priority under the previous regime. As a result, there could be delays and/or reductions in collections on the Housing Loans available to make payments on the Notes.

Although the Trustee is required under the Security Trust Deed to, upon the reasonable request of the Security Trustee, take such actions to, among other things, more satisfactorily assure or secure the Collateral to the Security Trustee, and the Manager agrees to direct the Trustee or the Security Trustee to do anything the Manager reasonably requires or considers necessary to permit the Security to be perfected by registration on the PPS Register and to otherwise perfect the Trustee's interest in the Assets of the Trust in the context of the PPS Act, there can be no assurance that such actions will be successful in achieving such perfection.

On 4 April 2014 the Attorney General announced a review of the PPS Act as required by the Act itself. A Final Report was prepared in March 2015 and includes a recommendations on improvements to the PPS Act. At this stage the impact of any such proposals, if adopted, on the Trust is not clear but it would not be anticipated to be materially prejudicial to Noteholders.

## 5.17 FATCA

The Foreign Account Tax Compliance Act (the **FATC Act**) was enacted by the United States Congress in March 2010 as part of its efforts to improve compliance with their tax laws. The FATC Act is aimed at detecting US taxpayers who use accounts with offshore (non-US) financial institutions to conceal income and assets from the US Internal Revenue Service (**IRS**). The relevant provisions are contained in the US Internal Revenue Code 1986 and are supplemented by extensive US Treasury Regulations that were issued on 17 January 2013 (and have been subject to subsequent amendment). The FATC Act started applying from 1 July 2014.

The FATC Act focuses on reporting by:

- (a) US taxpayers about certain foreign financial accounts and offshore assets; and
- (b) foreign (non-US) financial institutions about financial accounts held by US taxpayers or foreign entities in which US taxpayers hold a substantial ownership interest (**US Persons**).

The objective of the FATC Act is the reporting to the IRS of foreign (non-US) financial accounts; withholding at 30 per cent on US source income is the penalty for failure to comply with the FATC Act. Compliance with the FATC Act imposes certain due diligence and reporting obligations on foreign (non-US) financial institutions. To avoid being withheld upon, a foreign financial institution must generally register with the IRS, obtain a Global Intermediary Identification Number (**GIIN**), undertake due diligence on its customers and report certain information on accounts held by US Persons to the IRS on an annual basis. Where, however, a jurisdiction enters into an Intergovernmental Agreement (a **FATCA Agreement**) with the US to implement the FATC Act, the reporting and other compliance burdens on the financial institutions in that jurisdiction may be simplified.

On 28 April 2014 the Treasurer, on behalf of the Australian Government, and the US Ambassador to Australia, on behalf of the US Government, signed a FATCA Agreement. Under the FATCA Agreement between Australia and the United States:

- (a) Reporting Australian Financial Institutions (**Reporting AFIs**) will report to the Commissioner of Taxation (and not the IRS) and that information will be made available to the IRS by the Commissioner of Taxation;
- (b) Certain Australian financial institutions and accounts will be deemed compliant or exempt from the FATC Act (e.g. superannuation funds);
- (c) Reporting AFIs, that is, Australian Financial Institutions that are not deemed compliant or exempt, will need to:
  - (i) register with the IRS and obtain a GIIN; and
  - (ii) undertake due diligence procedures on accounts existing on 1 July 2014 as well as accounts opened after that date, identify where those accounts are held by US Persons and report certain information on those accounts to the Commissioner of Taxation each year; and
- (d) There will be no withholding on the US source income of Reporting AFIs, unless there is significant non-compliance by a Reporting AFI with its FATCA Agreement obligations, and after following the procedures set out in the FATCA Agreement, the Reporting AFI is treated by the IRS as a non-participating financial institution.

To implement the FATCA Agreement between Australia and the United States, Australian domestic legislation in the form of Tax Laws Amendment (Implementation of the FATCA Agreement) Act 2014 (Cth), which received Royal Assent on 30 June 2014, introduces new Division 396 to Schedule 1 to the Taxation Administration Act 1953 (Cth). With effect from 1 July 2014, those amendments require Reporting AFIs to collect and retain information about their customers, conduct ongoing due diligence, and from 2015, provide that information to the Commissioner of Taxation, who will, in turn, provide that information to the IRS. For the 2015 and 2016 calendar years, Reporting AFIs must also give the Commissioner of Taxation information about payments made to "Nonparticipating Financial Institutions."

It is expected that the Trust will be classified as a Financial Institution under the FATC Act and the terms of the FATCA Agreement will apply to it accordingly.

In the event that the Trustee or any other person is required to withhold amounts under or in connection with FATC Act from any payments made in respect of the Notes, Noteholders and beneficial owners of the Notes will not be entitled to receive any gross up or additional amounts to compensate them for such withholding. If any other jurisdiction introduces legislation which has or may have a similar effect as FATCA such that the Trustee or any other person is required by that legislation to withhold amounts from any payments made in respect of any Notes, the Noteholders and beneficial owners of the Notes will not be entitled to receive any gross up or other additional amounts to compensate them for such withholding.

Future guidance issued by the ATO or the IRS may affect the application of the FATC Act to the Notes. For instance, the ATO has released detailed guidance material on the FATC Act to assist with compliance, which is updated from time to time.

## 5.18 European Risk Retention Requirements

Investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings and UCITS funds and institutions for occupation retirement. Amongst other things, such requirements restrict a relevant investor from investing in asset-backed securities unless: (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator; and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the investor that it will retain, on an

ongoing basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures.

Articles 404 to 410 of the Capital Requirements Regulation, Articles 50 to 56 of the AIFMR and Articles 254 to 257 of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (**Solvency II**) (**the Solvency II Delegated Regulation**) (together, **the Articles**) apply where certain European Union-regulated investors become exposed to the credit risk of a securitisation position (such as the Notes) and impose certain restrictions and requirements on such investors.

Failure to comply with one or more of the restrictions or requirements set out in the Articles may result in the imposition of a penal regulatory capital charge on the Notes acquired by the relevant investor, the investor being required to take corrective action and/or an adverse effect on the liquidity of the Notes. Therefore, investors which are European Union-regulated should make themselves aware of the requirements of the Articles (and any implementing rules in their local jurisdiction). There remains a level of uncertainty with respect to construction of the Articles and it is not clear what is required to demonstrate compliance to national regulators. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory capital charges or being required to take corrective action for non-compliance with the relevant EU risk retention and due diligence requirements (and any implementing rules in their local jurisdiction) should seek guidance from their regulator.

In accordance with the Article 405 of the Capital Requirements Regulation and Article 51 of the AIFMR, People's Choice will retain, on an ongoing basis, a net economic interest of at least 5 per cent. in the nominal value of the securitisation on the Closing Date. As at the Closing Date such net economic interest will be comprised of an interest in randomly selected exposures equivalent to no less than 5 per cent. of the aggregate Principal Outstanding of the securitised exposures in accordance with paragraph (1)(c) of Article 405 of the Capital Requirements Regulation. People's Choice will confirm its ongoing retention of the net economic interest described above in the monthly investor reports and any change to the manner in which such interest is held will be notified to Noteholders. Such retention by People's Choice will be subject to any requirement of law and People's Choice will not be in breach of its risk retention undertaking where it cannot comply due to events, actions or circumstances beyond People's Choice's control.

Each prospective investor that is required to comply with the Articles (as implemented in each jurisdiction) is required to independently assess and determine the sufficiency of the information described above and in this Information Memorandum generally for the purposes of complying with the Articles and none of People's Choice, Australia and New Zealand Banking Group Limited, National Australia Bank Limited, Westpac Banking Corporation, the Trustee, the Security Trustee or the Manager makes any representation that the information described above or in this Information Memorandum generally is sufficient in all circumstances for such purposes. In addition, each prospective Noteholder should ensure that they comply with the implementing provisions in respect of the Articles in their relevant jurisdiction. Investors in the Notes are responsible for analysing their own regulatory position and none of People's Choice, Australia and New Zealand Banking Group Limited, National Australia Bank Limited, Westpac Banking Corporation, the Trustee or the Security Trustee makes any representation to any prospective Noteholders regarding the regulatory capital treatment of their investment (or the liquidity of such investment as a result thereof) now or at any time in the future.

It should also be noted that on 20 November 2017, the Council of the European Union approved the final versions of the EU Securitisation Regulation and the associated CRR Amending Regulation (the **Securitisation Regulations**), and on 28 December 2017 the Securitisation Regulations were published in the Official Journal of the European Union. The majority of the Securitisation Regulations will not apply as it will apply only to securitisations, the securities of which are issued, on or after 1 January 2019. However, the CRR Amending Regulation will apply to securities issued prior to 1 January 2019.

The EU risk retention and due diligence requirements described above and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market. Such requirements may also change over time, such that there can be no assurance that investors' holdings of Notes will be, or will remain, compliant with relevant requirements or changes thereto. Such requirements may also change over time, such that there can be no assurance that investors' holdings of Notes will be, or will remain, compliant with relevant requirements or changes thereto.

#### **5.19 Subordination of the Notes only limited protection against losses**

The subordination of any Class of Notes to a more senior Class of Notes is intended to increase the likelihood of payment on that more senior Class. However, the amount of credit enhancement provided to that more senior Class of Notes through the subordination of other Notes is limited and could be depleted prior to the payment in full of that more senior Class. If the Invested Amount of the subordinated Class is reduced to zero, the Noteholders of that more senior Class may suffer losses on their Notes.

#### **5.20 The concentration of Mortgage Loans in specific geographic areas may increase the possibility of losses on the Notes**

If the Mortgaged Property for Mortgage Loans in the Trust have a high concentration secured by properties located in a particular location or State, any decline in the real estate values or the economy of those locations or States (as the case may be) could result in higher rates of delinquencies, foreclosures and loss than expected on the Mortgage Loans. This may result in losses for Noteholders.

#### **5.21 Natural disasters or change in environmental circumstances may increase the possibility of losses on the Notes**

If the Mortgaged Property for Mortgage Loans in the Trust have a high concentration in a location or State that experiences, or may experience, natural disasters (such as fires or floods) or change in environmental circumstances which result in property damage (and those properties are not fully insured against the type of natural disaster which occurs or the insurers do not pay under the policies), it could result in higher rates of delinquencies, foreclosures and losses than expected on the Mortgage Loans. This may result in losses for Noteholders.

#### **5.22 A decline in Australian economic conditions may lead to losses on the Notes**

If the Australian economy were to experience a significant downturn, a substantial increase in interest rates, an increase in unemployment, a sharp fall in property values or any combination of these factors, delinquencies or losses on the Mortgage Loans may increase, which may cause losses on the Notes.

#### **5.23 Implementation of and/or changes to the Basel Framework**

The Basel Committee on Banking Supervision (the **Basel Committee**) approved significant changes to the Basel II regulatory capital and liquidity framework (such changes being commonly referred to as **Basel III**) in 2011 to 2014, including certain revisions to the securitisation framework. In particular, Basel III provides for a substantial strengthening of existing prudential rules, including requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and to establish certain liquidity ratios (referred to as the **Liquidity Coverage Ratio** and the **Net Stable Funding Ratio**). It is intended that member countries will implement the new capital standards with a phased approach ending with full implementation by 1 January 2019 and the Net Stable Funding Ratio from January 2018,

whilst member states should already have started implementing the new Liquidity Coverage Ratio (with provision for phased implementation, meaning that the measures will not apply in full until January 2019). Implementation of Basel III requires national legislation and therefore the final rules and the timetable for its implementation in each jurisdiction may be subject to some level of national variation.

The Basel Committee has also published certain proposed revisions to the securitisation framework, including changes to the approaches to calculating risk weights and a new risk weight floor of 15 per cent. In July 2016 the Basel Committee published an updated standard for the regulatory capital treatment of securitisation exposures that includes reducing the risk weight floor from 15 per cent to 10 per cent in respect of senior exposures which comply with the "simple, transparent and comparable" securitisation criteria outlined by the Basel Committee.

In the EU, the Securitisation Regulations provide, in a securitisation context, that qualifying simple, transparent and standardised (**STS**) securitisations should be subject to more benign regulatory treatment, including reduced risk weightings for EU-regulated credit institution and investment firm investors. At this point, no assurances can be given that the securitisation pursuant to which the Notes are being issued will qualify as a STS securitisation at any time in the future. Notably, the risk weights attached to securitisation exposures for EU-regulated credit institutions and investment firms will in general increase substantially under the new securitisation framework implemented under the Securitisation Regulations and these new risk weights will apply from 1 January 2019 or 1 January 2020, depending on the features of the particular securitisation exposure

In Australia, APRA has implemented prudential standards, practice guides and reporting requirements to give effect to these reforms. The new Australian Prudential Standard 120 (**APS 120**) and related Australian Prudential Practice Guide 120 (**APG 120**) commenced application to securitisation transactions with effect from 1 January 2018. These new rules represent the culmination of a number of years of consultation in relation to the proposed new rules and the implementation date is in line with the determination by the Basel Committee on when the Basel III securitisation framework should come into effect.

The changes approved by the Basel Committee and the new APS 120 and APG 120 may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework or APS 120 and, as a result, they may affect the liquidity and/or value of the Notes.

In general, investors should consult their own advisers as to the regulatory capital requirements in respect of the Notes and as to the consequences for and effect on them of any changes to the Basel framework, APS 120 or APG 120 and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

## 5.24 The proposed financial transaction tax

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and the FTT could, if introduced, apply to certain dealings in financial instruments (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in financial instruments where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating

Member State, or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the proposed FTT remains subject to negotiation between participating Member States. Additional EU member states may decide to participate. It may therefore be altered prior to any implementation, the timing of which remains unclear.

Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

## 5.25 Common Reporting Standard

The Common Reporting Standard (**CRS**) formally known as the Standard for Automatic Exchange of Financial Account Information in Tax Matters, is a single global standard for the collection, reporting and exchange of financial account information on foreign tax residents.

Broadly, under the CRS, banks and other financial institutions will need to collect and report to the Australian Taxation Office (the ATO) on the financial account information of non-residents. The ATO will exchange this information with the participating foreign tax authorities of those non-residents. The ATO will receive financial account information on Australian residents from other countries' tax authorities. Specifically, the CRS is designed to facilitate the detection of taxpayers that utilise accounts with foreign financial institutions to avoid their domestic tax obligations.

The CRS was implemented by various bilateral treaties as well as the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. Australia became a signatory to the Convention in 2011.

The obligation on relevant Australian entities to comply with the CRS is now contained in new Subdivision 396-C of the Taxation Administration Act 1953 (Cth). The provisions commenced from 1 July 2017. From that date, "Reporting Financial Institutions" are required to complete due diligence and report information to the ATO on accounts held by foreign tax residents. The first report, covering the period 1 July 2017 to 31 December 2017, will need to be lodged with the ATO by 31 July 2018. Following reports will cover the full calendar year due annually by 31 July.

To minimise business and tax administrations' implementation and compliance costs, the CRS draws extensively on the intergovernmental approach to implementing FATCA for due diligence procedures and reporting. Despite this, there are a few salient differences between the FATCA and CRS regimes of note. Importantly:

- (a) the CRS does not impose a withholding tax as the cost of not reporting. Rather, the CRS applies administrative penalties for:
  - (i) failure to provide a report to the Commissioner that contains the information required by the CRS;
  - (ii) failure to obtain "self-certification";
  - (iii) failure to keep and maintain records in accordance with the CRS; and
  - (iv) providing a self-certification that is false or misleading;
- (b) the CRS does not make allowance for non-disclosure of account information where the account contains funds below certain thresholds; and
- (c) the CRS does not require registration. There is no CRS equivalent to the GIIN required for FATCA compliance.

The CRS only places an obligation to report the accounts of jurisdictions that participate in the regime. The implementation of the CRS in Australia has extended this concept in the

expectation that other jurisdictions will ultimately adopt the CRS. Section 396-120(3) defines Reportable Jurisdiction as any jurisdiction (other than Australia). Accordingly, if an account holder is a resident for tax purposes of a jurisdiction, other than Australia, then details of the account will need to be forwarded to the ATO.

It is expected that the Trust will be classified as an "Australian Financial Institution" under the CRS and the CRS will apply to it accordingly.

To assist financial institutions with implementing the CRS, the ATO has developed guidance material that will be updated from time to time as the ATO receives and responds to further questions from industry.

## 5.26 **Ipsa facto moratorium**

On 18 March 2017, the Treasury Laws Amendment (2017 Enterprise Incentives No. 2) Act 2017 which reforms Australian insolvency laws received Royal Assent. The reforms include the introduction of a regime in respect of so-called "ipso facto" clauses. Under the legislation, a right under a contract, agreement or arrangement (which would include termination, amendment or payment acceleration) by reason of the appointment of a voluntary administrator, managing controller over all or substantially all of a company's property or where a company is undertaking a scheme of arrangement for the purpose of avoiding being wound up in insolvency would not be enforceable for a period of time.

In the context of securitisations, the stay regime potentially affects (a) the subordination of payments due to a swap provider under a securitisation cashflow waterfall (so-called "flip" clauses); and (b) terminating the appointment of a service provider.

However, the stay regime only relates to a limited range of insolvency events, and in particular does not apply where the company has failed to meet its payment or other obligations under the contract or where a receiver has been appointed. Further, the reforms only apply to rights under a contract, agreement or arrangement entered into after 1 July 2018. The Transaction Documents described in section 10 will all be entered into before that date. Also, an exposure draft has been released of the relevant regulations that set out contract types that are prescribed to be excluded from the stay provisions, which include "a contract, agreement or arrangement that is a derivative" and "a contract, agreement or arrangement of which a special purpose vehicle is a party". The explanatory statement released with the exposure draft regulations confirms that the reference to arrangements with special purpose vehicles would include special purpose vehicles used in connection with an asset securitisation arrangement. Based on these materials it is not expected that securitisation transactions will be impacted by these arrangements but until the regulations are passed this is not certain.

## 5.27 **U.S. Risk Retention**

The U.S. Risk Retention Rules came into effect on 24 December 2016 with respect to transactions such as this offering and generally require the "securitizer" of a "securitization transaction" to retain at least 5 per cent. of the "credit risk" of "securitized assets", as such terms are defined for purposes of the U.S. Risk Retention Rules, and generally prohibit a securitizer from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

**PCCU does not undertake to retain at least 5 per cent. of the credit risk of the Mortgage Loan Rights for the purposes of the U.S. Risk Retention Rules.** It is intended that PCCU will rely on an exemption provided for in the U.S. Risk Retention Rules regarding non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the securities are issued) of all classes of securities issued in the securitization transaction are sold or transferred to U.S. persons (in each case, as defined in the U.S. Risk Retention Rules) or for the account or benefit of U.S. persons (as defined in the U.S. Risk Retention Rules and

referred to in this Information Memorandum as **Risk Retention U.S. Persons**); (3) neither the sponsor nor the issuer of the securitization transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25 per cent. of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised or located in the United States.

The Notes may not be purchased by or transferred to U.S. persons unless such limitation is waived by the Manager (on behalf of the Trustee). Prospective investors should note that the definition of U.S. person in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of U.S. person under Regulation S.

The Notes may not be purchased by, and will not be sold to any person except for (a) persons that are not Risk Retention U.S. Persons or (b) persons that have obtained a U.S. Risk Retention Waiver from the Manager (on behalf of the Trustee). Each holder of a Note or a beneficial interest therein acquired in the initial syndication of the Notes, by its acquisition of a Note or a beneficial interest in a Note, will be deemed to represent to the Trustee, PCCU, the Manager, the Arranger and the Joint Lead Managers that it (1) either (a) is not a Risk Retention U.S. Person or (b) has received a waiver with respect to the U.S. Risk Retention rules from the Manager (on behalf of the Trustee), (2) is acquiring such Note for its own account and not with a view to distribution of such Note, and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in the U.S. Risk Retention Rules described above. Neither the Manager nor the Trustee is obliged to provide any waiver in respect of the U.S. Risk Retention rules.

The Manager, PCCU, the Trustee, the Arranger and the Joint Lead Managers have agreed that none of the Manager, PCCU, the Trustee, the Arranger or the Joint Lead Managers or any person who controls any of them or any director, officer, employee, agent or Affiliate of the Manager, PCCU, the Trustee, the Arranger or the Joint Lead Managers shall have any responsibility for determining the proper characterisation of potential investors for such restriction or for determining the availability of the exemption provided for in the U.S. Risk Retention Rules, and none of the Manager, PCCU, the Trustee, the Arranger or the Joint Lead Managers or any person who controls any of them or any director, officer, employee, agent or Affiliate of any of the Manager, PCCU, the Trustee, the Arranger or the Joint Lead Managers accepts any liability or responsibility whatsoever for any such determination, it being understood by the Manager, PCCU, the Trustee, the Arranger and the Joint Lead Managers that the characterisation of potential investors for such restriction or for determining the availability of the exemption provided for in the U.S. Risk Retention Rules shall be made on the basis of certain representations that are deemed to be made by each prospective investor.

There can be no assurance that the exemption provided for in the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. In particular, investment by Risk Retention U.S. Persons may not be limited to no more than 10 per cent. This may result from misidentification of Risk Retention U.S. Person investors as non-Risk Retention U.S. Person investors, or may result from market movements or other matters that affect the calculation of the 10 per cent. value on the Closing Date.

Failure to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) could give rise to regulatory action which may adversely affect the Notes. Furthermore, the impact of the U.S. Risk Retention Rules on the securitisation market generally is uncertain, and a failure by a transaction to comply with the U.S. Risk Retention Rules could negatively affect the market value and secondary market liquidity of the Notes.

In addition, after the Closing Date, the U.S. Risk Retention Rules may have adverse effects on the Trustee and/or the holders of the Notes. Unless the exemption provided for in the U.S. Risk Retention Rules regarding non-U.S. transactions or another exemption is available, the U.S. Risk Retention Rules would apply to a refinancing of the Notes or in connection with material amendments to the terms of the Notes.

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## **6. CASHFLOW ALLOCATION METHODOLOGY**

### **6.1 General**

This section describes the methodology for the calculation of the amounts to be paid by the Trustee on each Payment Date to, among others, the Noteholders.

The Series Notice provides for Collections to be allocated and paid on each Payment Date, in accordance with a set order of priorities, to satisfy the Trustee's obligations in relation to the Trust. Those priorities are detailed in this section 6.

### **6.2 Collections and Payment**

The Trustee will open an account in New South Wales with an Approved Bank. The account will be maintained in accordance with the Master Trust Deed.

Collections will be received during each Collection Period. Primarily, Collections are derived from interest and principal for each Purchased Mortgage Loan and include Finance Charge Collections.

The Manager must deposit or use its best endeavours to procure that the Servicer deposits, into the Collection Account all Collections received for a Collection Period by no later than 11am (Sydney time) on the Business Day after any such amount is received.

The Manager must direct the Trustee to apply amounts credited to the Collection Account in making payments in discharge of the Trustee's obligations and make any applications and reinstatements required or contemplated, in each case, under and in accordance with the Series Notice.

On each Determination Date, the Manager will calculate or otherwise ascertain the Collections received for the Collection Period, expenses that have accrued during that Collection Period and other calculations necessary to make allocations and distributions as described in the Series Notice (including the relevant interest payable to Noteholders for the relevant Coupon Period).

### **6.3 Interest and other payments – distribution of Total Available Income**

- (a) Subject to paragraphs (b) and (c) and section 8.19, on each Payment Date, and based on the calculations, instructions and directions provided to it by the Manager on the Determination Date immediately preceding that Payment Date, the Trustee must pay or cause to be paid out of Total Available Income for the Collection Period ending immediately before that Payment Date, the following amounts in the following order of priority:
- (i) first, at the Manager's discretion, up to \$1 to the Residual Income Unitholder to be dealt with, and held by, the Residual Income Unitholder in its absolute discretion;
  - (ii) second, to the relevant Approved Seller the Accrued Interest Adjustment;
  - (iii) third, Taxes;
  - (iv) fourth, after application of section 6.21(e), Trust Expenses including all fees (other than the Custodian Fee, the Servicing Fee and any amounts payable to the Dealers under the Dealer Agreement including liabilities owing under any indemnity granted to the Dealers) payable in relation to the Trust for that Collection Period;
  - (v) fifth, the Custodian and Servicing Fee;

- (vi) sixth, pari passu and rateably to the relevant Swap Providers any Net Swap Settlement payable by the Trustee for the Collection Period, any Net Swap Settlement due but unpaid by the Trustee with respect to previous Collection Periods and any amounts due and payable by the Trustee to the Standby Swap Provider in accordance with the Interest Rate Swap except (in each case) to the extent that the Swap Provider is the Defaulting Party;
- (vii) seventh, to the relevant Interest Rate Swap Provider any break costs in respect of an Interest Rate Swap in respect of Purchased Mortgage Loans which have been prepaid or which have been Charged Off and which has not previously been paid, but only to the extent of Break Payments that have been received by the Trustee and except to the extent that the Interest Rate Swap Provider is the Defaulting Party;
- (viii) eighth, in or towards repayment of any Liquidity Draw, payment of interest on any Liquidity Draw and payment of any fees due under the Liquidity Facility Agreement which are due and remain unpaid by the Trustee;
- (ix) ninth, pari passu and rateably:
  - A. to pay to the Class A1 Noteholders (pari passu and rateably), the Coupon Entitlement (including any previously accrued but unpaid Coupon Entitlement) on the Class A1 Notes for the Coupon Period ending on that Payment Date;
  - B. to pay to the RFS Noteholders (pari passu and rateably), the Coupon Entitlement (including any previously accrued but unpaid Coupon Entitlement) on the RFS Notes for the Coupon Period ending on that Payment Date; and
  - C. payment of interest on any Redraw Advance and payment of any commitment fees due under the Redraw Facility Agreement which are due and remain unpaid by the Trustee;
- (x) tenth, to pay the Class A2 Noteholders (pari passu and rateably), the Coupon Entitlement (including any previously accrued but unpaid Coupon Entitlement) on the Class A2 Notes for the Coupon Period ending on that Payment Date;
- (xi) eleventh, to pay the Class AB Noteholders (pari passu and rateably), the Coupon Entitlement (including any previously accrued but unpaid Coupon Entitlement) on the Class AB Notes for the Coupon Period ending on that Payment Date;
- (xii) twelfth, to pay the Class B Noteholders (pari passu and rateably), the Coupon Entitlement (including any previously accrued but unpaid Coupon Entitlement) on the Class B Notes for the Coupon Period ending on that Payment Date;
- (xiii) thirteenth, to pay the Class C Noteholders (pari passu and rateably), the Coupon Entitlement (including any previously accrued but unpaid Coupon Entitlement) on the Class C Notes for the Coupon Period ending on that Payment Date;
- (xiv) fourteenth, to pay the Class D Noteholders (pari passu and rateably), the Coupon Entitlement (including any previously accrued but unpaid Coupon Entitlement) on the Class D Notes for the Coupon Period ending on that Payment Date;

- (xv) fifteenth, to repay any Principal Draws outstanding on that Determination Date;
  - (xvi) sixteenth, to the Principal Repayment Pool an amount equal to the Charge Offs determined on that Determination Date;
  - (xvii) seventeenth, to the Principal Repayment Pool an amount equal to any Carryover Charge Offs;
  - (xviii) eighteenth, if the Yield Reserve Trapping Conditions are satisfied on the Determination Date immediately preceding that Payment Date, to the Yield Reserve up to the then Yield Reserve Limit (if any);
  - (xix) nineteenth, to the Extraordinary Expenses Reserve up to the amount of the Extraordinary Expenses Reserve Shortfall on that Payment Date;
  - (xx) twentieth, pari passu and rateably, any liabilities owing under any indemnity granted to the Dealers, the Security Trustee or the Servicer under the Transaction Documents;
  - (xxi) twenty-first, pari passu and rateably:
    - A. in payment to the Redraw Facility Provider and the Liquidity Facility Provider of any amounts payable under the Redraw Facility Agreement and the Liquidity Facility Agreement (as applicable) and not otherwise payable under sub-paragraphs 6.3(a)(viii) and 6.3(a)(ix)C above (as applicable) on that Payment Date and any such amounts remaining unpaid from prior Payment Dates; and
    - B. to the relevant Interest Rate Swap Provider any break costs in respect of an Interest Rate Swap in respect of Purchased Mortgage Loans to the extent not covered by sub-paragraph (vii);
  - (xxii) twenty-second, to the relevant Swap Provider of any Net Swap Settlement for the Collection Period to the extent not covered by sub-paragraph (vi); and
  - (xxiii) twenty-third, subject to section 6.4, to the Residual Income Unitholder.
- (b) **(Limit)** The Trustee shall only make a payment under any of sub-paragraphs (a)(i) to (a)(xxiii) (inclusive) if it is directed in writing to do so by the Manager on the Determination Date immediately preceding the relevant Payment Date and only to the extent that any Total Available Income remains from which to make the payment after amounts with priority to that payment have been distributed.
- (c) On each Payment Date, and based on the calculations, instructions and directions provided to it by the Manager on the Determination Date immediately preceding that Payment Date, the Trustee must pay or cause to be paid to People's Choice the amount for that Collection Period referred to in paragraph (B) of the definition of Available Income.

## 6.4 Excess Distribution

The Trustee may not recover any Excess Distributions from the Residual Income Unitholder once they are paid to the Residual Income Unitholder.

**6.5 Principal Payments**

- (a) **(No Trigger Event)** Subject to paragraph (c) and section 8.19, on each Payment Date on which no Trigger Event is subsisting, and based on the calculations, instructions and directions provided to it by the Manager on the Determination Date immediately preceding that Payment Date, the Trustee must distribute or cause to be distributed out of Total Available Principal for the Collection Period ending immediately before that Payment Date, the following amounts in the following order of priority:
  - (i) first, to fund any Principal Draws;
  - (ii) second, to repay any Redraws provided by People's Choice in accordance with section 6.9 to the extent that it has not previously been reimbursed in relation to those Redraws;
  - (iii) third, to repay any Redraw Advances under the Redraw Facility Agreement that are outstanding;
  - (iv) fourth, to RFS Noteholders (pari passu and rateably in relation to the RFS Notes in order of the oldest to the newest Tranche issued) as RFS Principal Payments until the RFS Stated Amounts have been reduced to zero;
  - (v) fifth, to the Class A1 Noteholders (pari passu and rateably) as Class A1 Principal Payments until the Class A1 Stated Amounts have been reduced to zero;
  - (vi) sixth, to the Class A2 Noteholders (pari passu and rateably) as Class A2 Principal Payments until the Class A2 Stated Amounts have been reduced to zero;
  - (vii) seventh, to the Class AB Noteholders (pari passu and rateably) as Class AB Principal Payments until the Class AB Stated Amounts have been reduced to zero;
  - (viii) eighth, to the Class B Noteholders (pari passu and rateably) as Class B Principal Payments until the Class B Stated Amounts have been reduced to zero;
  - (ix) ninth, to the Class C Noteholders (pari passu and rateably) as Class C Principal Payments until the Class C Stated Amounts have been reduced to zero; and
  - (x) tenth, to the Class D Noteholders (pari passu and rateably) as Class D Principal Payments until the Class D Stated Amounts have been reduced to zero.
  
- (b) **(Trigger Event)** Subject to paragraph (c) and section 8.19, on each Payment Date on which a Trigger Event is subsisting, and based on the calculations, instructions and directions provided to it by the Manager on the Determination Date immediately preceding that Payment Date, the Trustee must distribute or cause to be distributed out of Total Available Principal for the Collection Period ending immediately before that Payment Date, the following amounts in the following order of priority:
  - (i) first, to fund any Principal Draws calculated as described in section 6.10(b);
  - (ii) second, to repay any Redraws provided by People's Choice in accordance with section 6.9 to the extent that it has not previously been reimbursed in relation to those Redraws;

- (iii) third, to repay any Redraw Advances under the Redraw Facility Agreement that are outstanding;
  - (iv) fourth, to RFS Noteholders (pari passu and rateably in relation to the RFS Notes in order of the oldest to the newest Tranche issued) as RFS Principal Payments until the RFS Stated Amounts have been reduced to zero; and
  - (v) fifth, pari passu and rateably:
    - A. to the Class A Noteholders (pari passu and rateably) as Class A Principal Payments until the Class A Stated Amounts have been reduced to zero;
    - B. to the Class AB Noteholders (pari passu and rateably) as Class AB Principal Payments until the Class AB Stated Amounts have been reduced to zero;
    - C. to the Class B Noteholders (pari passu and rateably) as Class B Principal Payments until the Class B Stated Amounts have been reduced to zero; and
    - D. to the Class C Noteholders (pari passu and rateably) as Class C Principal Payments until the Class C Stated Amounts have been reduced to zero; and
    - E. to the Class D Noteholders (pari passu and rateably) as Class D Principal Payments until the Class D Stated Amounts have been reduced to zero.
- (c) **(Limit)** The Trustee shall only make a payment under any of sub-paragraphs 6.5(a)(i) to 6.5(a)(x) (inclusive) or 6.5(b)(i) to 6.5(b)(v) (inclusive) if it is directed in writing to do so by the Manager on the Determination Date immediately preceding the relevant Payment Date and only to the extent that any Total Available Principal remains from which to make the payment after amounts with priority to that payment have been distributed.
- (d) If the Manager determines on any Determination Date that the Total Available Principal for a Collection Period is insufficient to make a payment under section 6.5(a)(ii) or 6.5(b)(ii) (as the case may be), the Manager must give a Note Issue Direction to the Trustee directing that the Trustee:
- (i) issue as trustee of the Trust a sufficient number of RFS Notes such that the proceeds of that Issue will not be less than an amount equal to:
    - A. the amount payable to People's Choice under section 6.5(a)(ii) or 6.5(b)(ii) (as the case may be); minus
    - B. the Total Available Principal remaining after payment of the amount referred to in section 6.5(a)(i) or 6.5(b)(i) (as the case may be); and
  - (ii) utilise the proceeds of that Issue for the purpose of making a payment under section 6.5(a)(ii) or 6.5(b)(ii) (as the case may be),
- but only to the extent that Redraw Advances are not available under section 6.9(b).
- (e) A Note Issue Direction issued under section 6.5(d) does not need to contain the information referred to in clauses 6.2(a)(ix), 6.2(a)(x) and 6.2(d)(ii) of the Master Trust Deed.

- (f) The Manager must not give a Note Issue Direction under section 6.5(d) unless it has received written confirmation from each Designated Rating Agency that the issue of the RFS Notes would not result in a downgrading or withdrawal of a rating of any Note then outstanding.
- (g) A Note Issue Direction given under section 6.5(d):
  - (i) must be given no later than the Business Day before the proposed Note Issue Date of the relevant RFS Notes, or any other date agreed by the Trustee and the Manager; and
  - (ii) must specify the Margin, the aggregate Initial Invested Amount, Initial Invested Amount, issue price and Final Maturity Date of the relevant RFS Notes.

## **6.6 Allocation of Carryover Charge Offs**

If the Manager determines on any Determination Date that there are Carryover Charge Offs, the Manager must, on and with effect from the Payment Date immediately following that Determination Date, allocate those Carryover Charge Offs in the following order:

- (a) first, to the Class D Notes until the Class D Stated Amounts are reduced to zero;
- (b) second, to the Class C Notes until the Class C Stated Amounts are reduced to zero;
- (c) third, to the Class B Notes until the Class B Stated Amounts are reduced to zero;
- (d) fourth, to the Class AB Notes until the Class AB Stated Amounts are reduced to zero;
- (e) fifth, to the Class A2 Notes until the Class A2 Stated Amounts are reduced to zero; and
- (f) sixth, pari passu and rateably:
  - (i) to the Class A1 Notes until the Class A1 Stated Amounts are reduced to zero; and
  - (ii) to the RFS Notes until the RFS Stated Amounts are reduced to zero.

## **6.7 Reinstatement of Carryover Charge Offs**

To the extent that on any Payment Date, an allocation is made in accordance with section 6.3(a)(xvii) from Total Available Income to the Principal Repayment Pool to reimburse Carryover Charge Offs, then the Trustee must apply such amount in the following order of priority:

- (a) first, pari passu and rateably:
  - (i) to reinstate the Class A1 Stated Amounts; and
  - (ii) to reinstate the RFS Stated Amounts;
- (b) second, reinstate the Class A2 Stated Amounts;
- (c) third, reinstate the Class AB Stated Amounts;
- (d) fourth, reinstate the Class B Stated Amounts;
- (e) fifth, reinstate the Class C Stated Amounts; and
- (f) sixth, reinstate the Class D Stated Amounts.

## 6.8 Payment that reduces Stated Amount below zero

A payment to an Noteholder will only be made to the extent that the Stated Amount of the relevant Note remains above or equal to zero after that payment.

## 6.9 Redraws

- (a) The Trustee and the Manager irrevocably authorise People's Choice to deduct from the Total Available Principal received by it (whether in its capacity as Servicer or otherwise) the total amount of all Redraws provided by People's Choice in relation to Purchased Mortgage Loans, to the extent that People's Choice has not previously been reimbursed in relation to any Redraws provided that:
  - (i) where such deduction would occur on a date that is not a Payment Date the Manager has confirmed to People's Choice that the Manager is satisfied that, after such deduction, the Trustee will have sufficient Total Available Principal to make all payments under section 6.5(a)(i) or 6.5(b)(i) (as the case may be) on the following Payment Date; and
  - (ii) no redraw may be provided by People's Choice, and no direction may be given by the Manager in accordance with this section 6.9, if at the time of the relevant Redraw the Mortgage Loan is more than 30 days in Arrears.
- (b) If the Manager determines on any Determination Date that there is a Redraw Shortfall, it must direct the Trustee to and the Trustee must on that date make a drawing under the Redraw Facility Agreement for an amount equal to the lesser of the Redraw Shortfall and the amount which the Trustee is permitted to draw under clause 3.1(c)(ii) of the Redraw Facility Agreement.
- (c) The Trustee shall direct the Redraw Facility Provider to pay the proceeds of each Redraw Advance to People's Choice. People's Choice undertakes to the Trustee, the Manager and each other party to the Series Notice to use the proceeds of each Redraw Advance to provide the Redraw, and for no other purpose.
- (d) The Trustee shall not be in default under any Transaction Document (and in particular it shall not be an Event of Default under the Series Notice) if People's Choice is not reimbursed for Redraws in relation to Purchased Mortgage Loans funded by People's Choice because moneys are not available for that purpose under the Series Notice. This paragraph (d) does not limit People's Choice's rights under the Security Trust Deed, or to the extent that moneys subsequently become available for that purpose, in respect of those Redraws.

## 6.10 Determination Date – Payment Shortfall

- (a) If the Manager determines on any Determination Date that there is a Payment Shortfall for the relevant Collection Period, the Manager must direct the Trustee to apply the amount standing to the credit of the Yield Reserve up to an amount equal to the Payment Shortfall (the **Yield Reserve Draw**).
- (b) If the Manager determines on any Determination Date that the Yield Reserve Draw required under paragraph (a) is less than the Payment Shortfall for the relevant Collection Period, the Manager must direct the Trustee to apply from the Total Available Principal, to the extent available in accordance with sections 6.5(a)(i) and 6.5(b)(i) as an initial principal distribution, an amount (the **Principal Draw**) equal to that insufficiency.
- (c) If the Manager determines on any Determination Date that the Yield Reserve Draw and the Principal Draw are less than the Payment Shortfall for the relevant Collection Period, it must direct the Trustee to and the Trustee must on that date request, to the extent available, a Liquidity Draw equal to the difference between

the Payment Shortfall and the sum of the Yield Reserve Draw and the Principal Draw.

- (d) The Manager directs the Trustee to request that the proceeds of the Liquidity Draw be deposited or transferred into the Collection Account by no later than 11am on the Business Day next succeeding the Determination Date (in case of a drawing under the Liquidity Facility Agreement) or such later time/date as agreed between the Trustee and the Manager and which is subject to a Rating Notification. The Manager must deal with the amount so deposited in accordance with this section 6.

## **6.11 Determination Date - calculations**

- (a) On each Determination Date, the Manager will, in respect of the current Collection Period calculate or otherwise ascertain:
- (i) any Accrued Interest Adjustment;
  - (ii) the Available Income;
  - (iii) all Carryover Charge Offs (if any);
  - (iv) all Charge Offs (if any);
  - (v) the Yield Reserve Draw (if any);
  - (vi) the Collections;
  - (vii) any Loan Offset Interest Amounts;
  - (viii) the Forecasted Offset Amounts (if any);
  - (ix) the Coupon Rate and coupon payable to the Noteholders;
  - (x) the Excess Distribution (if any);
  - (xi) the Finance Charge Collections;
  - (xii) the Finance Charge Loss (if any);
  - (xiii) the Liquidation Loss (if any);
  - (xiv) the fee payable to the Standby Swap Provider under the Interest Rate Swap (if any);
  - (xv) the Liquidity Draw (if any) for that Collection Period, together with all Liquidity Draws made before the start of that Collection Period and not repaid;
  - (xvi) the Payment Shortfall (if any);
  - (xvii) the Loss (if any);
  - (xviii) the Mortgage Shortfall (if any);
  - (xix) the Net Swap Settlement;
  - (xx) the Principal Draw (if any) for that Collection Period, together with all Principal Draws made before the start of that Collection Period and not repaid;
  - (xxi) the Principal Loss (if any);

- (xxii) the Principal Payments payable to the Noteholders;
  - (xxiii) the aggregate of all Redraws made during that Collection Period;
  - (xxiv) the Required Payments;
  - (xxv) the Total Available Income;
  - (xxvi) the Total Available Principal;
  - (xxvii) the Trust Expenses;
  - (xxviii) the Taxes payable in relation to the Trust;
  - (xxix) the Threshold Rate; and
  - (xxx) all other calculations necessary to make allocations and distributions in accordance with this section.
- (b) The Manager must:
- (i) notify the Trustee of each of the amounts calculated by it in paragraph (a) by 11am (Sydney time) on each Determination Date; and
  - (ii) instruct the Trustee in writing as to the payments to be made by the Trustee on the relevant Payment Date.
- (c) In the absence of manifest error, the Trustee is entitled to rely conclusively on (and will rely on) the Manager's calculations and notifications and is not required to (and it will not) investigate the accuracy of them.

## 6.12 Insurance claims

- (a) If, on any Determination Date, the Manager determines that there is a Liquidation Loss in relation to a Purchased Mortgage Loan for the immediately preceding Collection Period, the Manager shall direct the Servicer (if the Servicer has not already done so), promptly, and in any event so that the claim is made within the time limit specified in the relevant Mortgage Insurance Policy for that Purchased Mortgage Loan without the amount of the claim becoming liable to be reduced by reason of delay, to make a claim under the relevant Mortgage Insurance Policy.
- (b) Upon receipt of any amount under or in respect of a Mortgage Insurance Policy in payment of a claim referred to in paragraph (a), the Manager must determine which part of the amount is attributable to interest, fees and other amounts in the nature of income, and which part of that amount is attributable to principal.

## 6.13 Allocating Liquidation Loss

On each Determination Date, the Manager must determine, in relation to the aggregate of all Liquidation Losses arising during that Collection Period:

- (a) the amount of those Liquidation Losses attributable to interest, fees and expenses in relation to the relevant Purchased Mortgaged Loans (**Finance Charge Loss**); and
- (b) the amount of those Liquidation Losses attributable to principal in relation to the relevant Purchased Mortgage Loans (**Principal Loss**),

on the basis that all Liquidation Proceeds actually received by or on behalf of the Trustee in relation to Purchased Mortgaged Loans are applied first against interest, fees and other Enforcement Expenses relating to those Purchased Mortgage Loans, and then against the

Mortgage Loan Principal and Property Restoration Expenses relating to those Purchased Mortgage Loans.

#### **6.14 Clean Up Offer**

- (a) Subject to paragraph (c), the Manager may direct the Trustee to offer (by written notice) to assign to People's Choice or a third person all its right, title and interest in and to the Purchased Mortgage Loans and related Mortgage Loan Rights (the Clean Up Offer) on any Payment Date on or after the Call Option Date.
- (b) If any Notes are outstanding, the Manager may not give a direction under paragraphs (a) or (b) unless the amount paid by People's Choice or the third person to the Trustee for the Trustee's right, title and interest in and to the Purchased Mortgage Loans and related Mortgage Loan Rights pursuant to the Clean Up Offer will be sufficient to redeem those Notes in full in accordance with section 2.15 (unless otherwise approved by an Extraordinary Resolution of the Noteholders).
- (c) People's Choice or the relevant third person may accept the Clean Up Offer from the Trustee under paragraph (a) by paying to the Trustee on a Payment Date the amount determined by the Manager:
  - (i) in the case of performing Purchased Mortgage Loans, the Unpaid Balance of the relevant Purchased Mortgage Loans; and
  - (ii) in the case of non-performing Purchased Mortgage Loans, their Fair Market Value, as at the last day of the immediately preceding Collection Period of the Purchased Mortgage Loans.

In each case, the Servicer, in consultation with the Trustee, is to determine whether a Purchased Mortgage Loan is performing or non-performing.

#### **6.15 Loan Offset Interest Amount**

- (a) In the case of Purchased Mortgage Loans the subject of a Sale Notice from People's Choice only (but without limiting paragraph (b) and (c)), on each Determination Date, People's Choice shall pay to the Trustee an amount (if positive) equal to all Loan Offset Interest Amounts for those Purchased Mortgage Loans for the Collection Period immediately preceding that Determination Date minus all amounts paid by People's Choice in accordance paragraph (c) for that Collection Period for those Purchased Mortgage Loans.
- (b) The Trustee has also acquired the right to payments by People's Choice of similar amounts from each other Approved Seller under the documents for those relevant securitisation arrangements. People's Choice shall comply with those arrangements for the benefit of the Trustee provided that to the extent that the amount payable by People's Choice in respect of those assigned rights in relation to any Purchased Mortgage Loans will be reduced by, and taken to be satisfied to the extent of, any amounts paid by People's Choice in accordance with section 6.15(c) for that Collection Period for those Purchased Mortgage Loans.
- (c) If at any time People's Choice's long term credit rating from S&P is less than A-2 (short term) and BBB (long term) by S&P (or less than BBB+ by S&P if People's Choice does not have a short term credit rating from S&P). People's Choice must deposit any Forecasted Offset Amounts with respect to each Collection Period within two Business Days of the commencement of that Collection Period to the Collections Account.

#### **6.16 Loan Offset Deposit Accounts**

If at any time there is no current Basis Swap in place, or there is a default by the Basis Swap Provider under the Basis Swap, the Servicer and People's Choice must ensure that the

interest rates applicable to the Loan Offset Deposit Accounts are such that, if People's Choice does not meet any of its obligations under section 6.15, the Servicer will not be required, as a direct result of that non payment, to increase the Threshold Rate under section 6.17.

## 6.17 Setting Threshold Rate

On each Payment Date after the Basis Swap Provider first fails to comply with its obligations under the Basis Swap, the Manager must direct the Servicer to, and the Servicer on being so directed shall, reset on that Payment Date the interest rate payable on some or all Mortgage Loans so that the weighted average of the interest rates payable on all Mortgage Loans (after taking into account any Fixed Rate Loans) is a rate not less than the Threshold Rate and the Servicer must promptly notify the relevant Obligors of the change in accordance with the Mortgage Loan Agreements.

## 6.18 Consolidated Groups

It is in the interests of all parties, including the Trustee, the Noteholders and the Unitholders, that:

- (a) the Trustee always be in a position to pay any Tax liability when due;
- (b) the payment of Tax by the Trustee must not affect the amount of principal or interest payable on the Notes or the timing of such payments; and
- (c) the rating of the Notes be maintained,

(each the **Objective**).

## 6.19 Group Tax Liabilities

- (a) If the Trust becomes a member of a consolidated tax group and the head company of that consolidated tax group does not at that time, or at any subsequent time, provide evidence to the satisfaction of the Trustee and the Joint Lead Managers (each of whom may rely upon the advice of tax lawyers, amongst others) that the tax liabilities of the consolidated tax group are covered by a valid tax sharing agreement being one which is consistent with regulations made, or guidelines published by the Commissioner of Taxation, concerning the allocation of group tax liabilities of a consolidated tax group amongst members of that group or which is otherwise accepted by the Commissioner of Taxation as allocating the group tax liabilities of the consolidated tax group amongst the members of the group on a reasonable basis which is on terms that are acceptable to the Trustee, then without limiting the Manager's obligation or liabilities under this section:
  - (i) the Trustee and the Manager shall, as soon as is practicable, take steps to ensure that the Trust ceases to be a member of that consolidated tax group;
  - (ii) the Manager shall promptly consult with the Trustee and the Joint Lead Managers to determine what changes, if any, are necessary to the cashflow methodology in clause 6 to achieve the Objective and issue a Rating Notification in respect of such changes; and
  - (iii) within two months of such consultations commencing (or such longer time as the Trustee permits), the Manager and the Joint Lead Managers shall use reasonable endeavours to provide a written recommendation to the Trustee and a draft deed amending the Series Notice that, if executed, will achieve the Objective; and
  - (iv) upon the Trustee and the Joint Lead Managers being notified that the draft deed amending the Series Notice will achieve the Objective (and in this regard the Trustee may rely, amongst others, upon advice of tax

lawyers), and each of the other parties to the Series Notice being reasonably satisfied that they will not be adversely affected by the proposed amendments to the Series Notice, each party to the Series Notice shall execute that amendment deed.

- (b) The Manager shall procure that the head company of a consolidated tax group of which the Trust becomes a member will:
  - (i) ensure that the group tax liabilities of that consolidated tax group are covered by a valid tax sharing agreement that apportions those tax liabilities to the Trustee on a basis acceptable to the Trustee (and the Trustee acknowledges that a nil allocation of group liabilities will be acceptable to it provided that the allocation is reasonable);
  - (ii) provide evidence of such a tax sharing agreement being in place for the purposes of section 6.19(a):
    - A. at the time the Trust becomes a member of the consolidated tax group; and
    - B. on each occasion that there is any alteration, amendment or replacement of a tax sharing agreement covering the tax liabilities of the consolidated tax group; and
- (c) permit the Trustee to provide a copy of the tax sharing agreement to the Commissioner of Taxation if the Commissioner of Taxation issues a notice under section 721-25(3) as its agent.
- (d) However, it is intended that the Residual Capital Unit will be held by a party that will not be part of any consolidated tax group of which the Residual Income Unit holder is a member. Further, the Residual Capital Unit is not transferable, and therefore it is not expected that the Trust will become a member of a consolidated tax group.

## 6.20 GST Group and indirect tax sharing agreement

If the Trust becomes a member of a GST Group under the GST Act (**GST Group**), then whilst the Trust is a member of that GST Group, the Manager must procure that at all times the representative member of that GST Group:

- (a) will ensure that any amount payable under the indirect tax law by the representative member of the GST Group (within section 444-90(1) of Schedule 1 to the Taxation Administration Act 1953 (Cth)) (**Indirect Tax Liability**) is covered by a valid indirect tax sharing agreement for the purposes of section 444-90 of Schedule 1 to the Taxation Administration Act 1953 (Cth) that allocates those Indirect Tax Liabilities amongst the members of the GST Group on a reasonable basis which is on terms that are acceptable to the Trustee (and the Trustee acknowledges that a nil allocation of the Indirect Tax Liabilities to the Trust will be acceptable to it provided that the allocation is reasonable);
- (b) provides evidence of such an indirect tax sharing agreement being in place on each occasion that there is any alteration, amendment or replacement of an indirect tax sharing agreement covering the Indirect Tax Liabilities of the GST Group; and
- (c) permits the Trustee to provide a copy of the indirect tax sharing agreement to the Commissioner of Taxation if the Commissioner of Taxation issues a notice under the Taxation Administration Act 1953 (Cth).

The Trustee will, at the direction of the Manager, enter into or accede to an indirect tax sharing agreement referred to in this section 6.20 and will perform all of the Trust's obligations under such indirect tax sharing agreement. The Trustee is not responsible for the terms of any such indirect tax sharing agreement nor will it be liable to any Noteholders for any loss, costs,

liabilities or expenses incurred as a result of the Trustee entering into or performing its obligations under any such indirect tax sharing agreement or because of any unusual or unusually harsh or onerous provisions of any such indirect tax sharing agreement.

If upon request by the Manager the representative member of the GST Group does not provide evidence to the satisfaction of the Manager that the Indirect Tax Liabilities of the GST Group are covered, or will be covered (within a reasonable period of time), by a valid indirect tax sharing agreement, which provides for an allocation of Indirect Tax Liabilities of the GST Group to the Trust that is acceptable to the Manager (acting reasonably) then the Manager shall, as soon as practicable, take steps to ensure that the Trust ceases to be a member of that GST Group.

## **6.21 Extraordinary Expenses Reserve**

- (a) The Manager must on behalf of the Trustee on or by the first Note Issue Date establish as a separate ledger of the Collection Account an Extraordinary Expenses Reserve to which amounts may be credited, or from which amounts may be drawn, in accordance with this section 6.21.
- (b) On or by the first Note Issue Date, People's Choice must deposit, or procure the deposit of, not less than \$150,000 in the Extraordinary Expenses Reserve.
- (c) The Manager must direct the Trustee to invest, and the Trustee must on receipt of that direction invest, amounts standing to the credit of the Extraordinary Expenses Reserve in Authorised Investments (other than those referred to in paragraph (a) of the definition of Authorised Investments) (as determined by the Manager in its absolute discretion, and without any obligation on the Manager to provide any investment advice to the Trustee or to achieve any particular return on any investment) maturing not later than the Payment Date following the date of investment.
- (d) The Manager must not direct the Trustee to, and the Trustee must not, make any withdrawal from the Extraordinary Expenses Reserve except:
  - (i) under section 8.19;
  - (ii) under paragraph (e);
  - (iii) under paragraph (f); or
  - (iv) under paragraph (g).
- (e) If at any time the Trustee incurs any Extraordinary Expenses, the Manager must direct the Trustee to, and on that direction the Trustee must pay, those Extraordinary Expenses from the Extraordinary Expenses Reserve (to the extent moneys are available to do so).
- (f) On each Payment Date the Manager must direct the Trustee to apply, and the Trustee must on receipt of that direction apply, any interest received by the Trustee in respect of the Extraordinary Expenses Reserve for the relevant Collection Period as Available Income on that Payment Date.
- (g) On the final Payment Date (and after application of paragraphs 6.21(d)(ii) and 6.21(d)(iii) on that Payment Date) the Manager must direct the Trustee to pay, and the Trustee must on receipt of that direction pay, all amounts standing to the credit of the Extraordinary Expenses Reserve to the Extraordinary Expenses Reserve Lender towards repayment of outstanding Extraordinary Expenses Reserve Loans.
- (h) The Manager must not direct the Trustee to issue any Notes on the first Note Issue Date unless on or by the first Note Issue Date the amount standing to the credit of the Extraordinary Expenses Reserve is not less than \$150,000.

## 6.22 Yield Reserve

- (a) The Manager must on behalf of the Trustee on or by the first Note Issue Date establish as a separate ledger of the Collection Account a Yield Reserve to which amounts may be credited, or from which amounts may be drawn, in accordance with this section 6.22.
- (b) The Manager must direct the Trustee to invest, and the Trustee must on receipt of that direction invest, amounts standing to the credit of the Yield Reserve in Authorised Investments (other than those referred to in paragraph 6.22(a) of the definition of Authorised Investments) (as determined by the Manager in its absolute discretion, and without any obligation on the Manager to provide any investment advice to the Trustee or to achieve any particular return on any investment) maturing not later than the Payment Date following the date of investment.
- (c) The Manager must not direct the Trustee to, and the Trustee must not, make any withdrawal from the Yield Reserve except:
  - (i) under section 6.10(a);
  - (ii) under section 8.19;
  - (iii) under paragraph 6.22(d); or
  - (iv) under paragraph 6.22(e).
- (d) On each Payment Date the Manager must direct the Trustee to apply, and the Trustee must on receipt of that direction apply, any interest received by the Trustee in respect of the Yield Reserve for the relevant Collection Period as Available Income on that Payment Date.
- (e) On the final Payment Date (and after application of paragraphs 6.22(c)(i) and, 6.22(c)(iii) on that Payment Date) the Manager must direct the Trustee to apply, and the Trustee must on receipt of that direction apply, all amounts standing to the credit of the Yield Reserve as Total Available Income on that Payment Date.

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## 7. SUPPORT FACILITIES

### 7.1 General

As at the Closing Date, the relevant **Support Facilities** in relation to the Trust are:

- (a) the Mortgage Insurance Policies;
- (b) the Liquidity Facility Agreement;
- (c) the Hedge Agreements;
- (d) the Redraw Facility Agreement; and

any other security, support, rights or benefits in support of or substitution for an Authorised Investment or the income or benefit arising thereon on the Authorised Investment, for the financial management, credit enhancement or liquidity support of the assets and liabilities of the Trust, entered into by the Trustee for the Trust.

### 7.2 Mortgage Insurance Policies

#### General

Each Mortgage Loan is insured by a Mortgage Insurer under a Mortgage Insurance Policy entered into with a Mortgage Insurer.

Each Mortgage Loan is insured under one of the following:

- (a) an individual Mortgage Insurance Policy issued by a Mortgage Insurer to People's Choice (the **Individual Policy**); or
- (b) a pool Mortgage Insurance Policy issued by a Mortgage Insurer to People's Choice and the Trustee (the **Pool Policy**).

This section contains a summary of some of the provisions of the Mortgage Insurance Policies.

Each Approved Seller has assigned to the Trustee (the **Insured**) the benefit of each Individual Policy in respect of the Purchased Mortgage Loans.

#### Period of Cover

The Mortgage Insurance Policies terminate on the earliest of the following:

- (a) transfer of the Mortgage Insurance Policy to a person other than a person who is or becomes an Insured;
- (b) repayment in full of the Mortgage Loans;
- (c) the expiry date of the Mortgage Insurance Policy, however if within 14 days after the expiry date of the Mortgage Insurance Policy notice is given of default under the Mortgage Loan, the Mortgage Insurance Policy will continue solely for the purposes of a claim on that default;
- (d) the date of payment of a claim for loss under the Mortgage Insurance Policy; or
- (e) cancellation of the Mortgage Insurance Policy in accordance with the Insurance Contracts Act 1984.

## Cover for Losses

Subject to the exclusions outlined below, the Mortgage Insurers must pay the Insured's loss in respect of a Mortgage Loan. The loss is generally calculated as being the aggregate of the following amounts owed to the Insured:

- (a) the balance of the loan account at the settlement date;
- (b) interest on the balance of the loan account from the settlement date to the date of claim up to a maximum of 30 days; and
- (c) costs incurred on sale of the Mortgaged Property which generally include:
  - (i) costs properly incurred for insurance premiums, rates, land tax (calculated on a single holding basis) and other statutory charges on the Mortgaged Property;
  - (ii) reasonable and necessary legal fees and disbursements incurred in enforcing or protecting rights under the Mortgage Loan;
  - (iii) reasonable and necessary costs incurred in maintaining (but not restoring) the Mortgaged Property;
  - (iv) sales agent's commission, advertising costs, valuation costs and other reasonable costs relating to the sale of the Mortgaged Property;
  - (v) any amounts applied with the prior written consent of the Mortgage Insurer to discharge a security interest having priority over the Mortgaged Loan; and
  - (vi) any GST incurred on the sale or transfer of the Mortgaged Property to a third party in or towards the satisfaction of any debt owed by the Mortgagor under the loan account, and any GST properly incurred in respect of any of the costs, fees, disbursements or commissions specifically identified under paragraphs (i) to (v) above,

less the following deductions:

- (d) the gross proceeds of sale of the Mortgage Property; and
- (e) the following amounts to the extent they have not already been applied to the credit of the loan account:
  - (i) compensation received for any part of the Mortgaged Property or any collateral security that has been resumed or compulsorily acquired;
  - (ii) early repayment fees, in the case of the Pool Policy;
  - (iii) break funding costs, in the case of the Pool Policy;
  - (iv) all rents collected and other profits received relating to the Mortgaged Property or any collateral security;
  - (v) any sums received under any insurance policy relating to the Mortgaged Property not applied to restoration of the Mortgaged Property following damage or destruction;
  - (vi) all amounts recovered from exercising rights relating to any collateral security;

- (vii) any other amount received relating to the Mortgage Loan or any collateral security including any amounts received from the Mortgagor, any guarantor or prior mortgagee; and
- (viii) any amount incurred by the Insured in respect of GST relating to the Mortgaged Property or any collateral security to the extent for which the Insured is entitled to claim an Input Tax Credit.

In general, amounts owed to the Insured for the purposes of paragraphs (a) to (c) of the above calculations do not include the following amounts:

- (a) interest charged in advance;
- (b) default rate interest;
- (c) any higher interest rate payable because of failure to make prompt payment;
- (d) fines, fees or charges debited to the loan account;
- (e) early repayment fees, in the case of the Individual Policy;
- (f) break funding costs, in the case of the Individual Policy;
- (g) cost of restoration following damage to or destruction of the Mortgaged Property;
- (h) costs of removal, clean up and restoration arising from contamination of the Mortgaged Property;
- (i) additional funds advanced to the Mortgagor without the Mortgage Insurer's written consent;
- (j) amounts paid by the Insured in addition to the Mortgage Loan to complete improvements;
- (k) cost overruns;
- (l) any civil or criminal penalties imposed on the Insured under legislation including the Consumer Credit Legislation;
- (m) in the case of the Individual Policy, the Insured's loss (including all legal costs and disbursements) attributable to any breach or non compliance of the Managed Investments Act 1998 (Cth) (the **MIA Act**) and or an MIA Scheme (as defined in the MIA Act) however arising in relation to the Mortgaged Property; and
- (n) the fact that the Insured Loan Contract, and Mortgage Guarantee or any Collateral Security is void or unenforceable.

#### **Reduction in Claim Amount**

The amount of a claim under a Mortgage Insurance Policy may be reduced by the amount by which the loss is increased due to:

- (a) the Insured making a false or misleading statement, assurance or representation to the Mortgagor or any guarantor;
- (b) in the case of the Individual Policy, any breach or non compliance of the MIA Act and/or an MIA Scheme however arising in relation to the Mortgaged Property; or
- (c) the Insured consenting to, without the written approval of the Mortgage Insurer:
  - (i) the creation of any lease, licence, easement, restriction or other notification affecting the Mortgaged Property; or

- (ii) an increase in or acceleration of the payment obligation of the Mortgagor under any security interest having priority over the Mortgage Loan.

### **Consumer Credit Legislation Implications**

If the Consumer Credit Legislation applies to a Mortgage Loan or a Mortgage Loan Security then the insured is insured for a loss resulting from:

- (a) a credit tribunal or court ordering postponement of enforcement proceedings under section 96 of the National Credit Code; or
- (b) a change to the Mortgage Loan or loan account or both in a manner set out in section 72 of the National Credit Code:
  - (i) which is agreed to by People's Choice with the Mortgage Insurer's prior written consent; or
  - (ii) ordered by a court under section 74 of the National Credit Code.

The Mortgage Insurer generally will not pay for a loss resulting from a credit tribunal or court:

- (a) which reopens an unjust Mortgage Loan or relevant Mortgage Loan Security under section 76 of the National Credit Code; or
- (b) annuls or reduces any unconscionable interest rate change, fee or charge under section 78 of the National Credit Code.

### **Submission for Payment of Claims**

The Insured must generally submit a claim for losses providing all documents and information reasonably required by the Mortgage Insurer within 30 days of:

- (a) settlement of the sale of the corresponding Mortgaged Property;
- (b) notification by the Mortgage Insurer to submit a claim for loss; or
- (c) when the mortgagee under a prior mortgage has completed the sale of the mortgaged property.

## **7.3 Hedge Agreements**

### **(a) General**

The Trustee will enter into the following Hedge Agreements:

- (i) the Basis Swap; and
- (ii) the Interest Rate Swap.

### **Basis Swap**

Under the Basis Swap, the Basis Swap Provider has agreed, on each Payment Date, to pay an amount for each Coupon Period calculated by reference to the Bank Bill Rate plus a margin based on the aggregate Mortgage Loan Principal in relation to all Floating Rate Loans as at the first day of the Collection Period.

The Trustee has agreed, on each Payment Date, to pay an amount for each Collection Period equal to the amounts in the nature of interest received by the Trustee from any Debtor in respect of any Floating Rate Loan during that Collection Period.

The terms of the Basis Swap provide for netting of swap payments.

### **Interest Rate Swap**

Under the Interest Rate Swap, the Interest Rate Swap Provider has agreed, on each Payment Date, to pay an amount for each Coupon Period calculated by reference to AUD-BBR-BBSW (as defined in the relevant Hedge Agreement) plus a margin based on the aggregate Mortgage Loan Principal in relation to all Fixed Rate Loans as at the first day of the Collection Period.

The Trustee has agreed, on each Payment Date, to pay an amount for each Collection Period equal to the amounts in the nature of interest received by the Trustee from any Debtor in respect of any Fixed Rate Loan during that Collection Period.

The terms of the Interest Rate Swap provide for netting of swap payments.

### **Standby Swap Provider for Interest Rate Swap**

In the event of a payment default by People's Choice as the Interest Rate Swap Provider, the Standby Swap Provider will, following notice of such default, pay the defaulted amount to the Trustee on the due date for such payment, in which case such failure will not give rise to an event of default under the relevant Hedge Agreement. People's Choice is required to reimburse the Standby Swap Provider for that payment. If People's Choice fails to do so or it fails to comply with the collateral arrangements it has entered into with the Standby Swap Provider under the terms of the relevant Hedge Agreement, the rights and obligations of People's Choice as Interest Rate Swap Provider will be automatically novated to the Standby Swap Provider who from that date (the **Novation Date**) will become the Interest Rate Swap Provider.

The standby swap arrangements will cease to have effect from the earlier of the Novation Date and the date People's Choice as the Interest Rate Swap Provider is assigned credit ratings that meet the minimum requirements set out in the relevant Hedge Agreement.

The Standby Swap Provider receives a fee from the Trustee for its commitment under the standby swap arrangements.

#### **(b) Term**

The Basis Swap and the Interest Rate Swap commence on the date specified in the relevant confirmation (the **Effective Date**) and terminates on the earlier of:

- (i) the date which is one month after the Notes have been redeemed in full in accordance with the Series Notice;
- (ii) the date on which the Trustee enters into a swap transaction to replace the Interest Rate Swap, as previously notified to the Designated Rating Agency, and the subject of a Rating Notification;
- (iii) for the Basis Swap only, a Payment Date elected by the Manager or the Basis Swap Provider in the event they do not agree to a new spread for the purposes of calculating payments by the Basis Swap Provider under the Basis Swap in circumstances where the rate used to calculate those payments (less such spread) is less than the applicable Threshold Rate; or
- (iv) the Final Maturity Date.

#### **(c) Downgrade of Interest Rate Swap Provider**

While the standby swap arrangements described in paragraph (a) above are in place, if, as a result of the withdrawal or downgrade of the Standby Swap Provider's

credit rating by any Designated Rating Agency, the Standby Swap Provider does not have the ratings specified in the Hedge Agreement, the Standby Swap Provider must within certain prescribed time periods specified in the relevant Hedge Agreement at its cost take certain steps in accordance with the relevant Hedge Agreement (for example, lodging collateral or seeking a guarantor or replacement swap counterparty). If the Standby Swap Provider subsequently acquires the ratings specified in the relevant Hedge Agreement or otherwise enters into alternative support arrangements in accordance with the relevant Hedge Agreement, all collateral (or the equivalent thereof, as appropriate) transferred by the Standby Swap Provider will be retransferred to the Standby Swap Provider and the Standby Swap Provider will not be required to transfer any additional collateral.

If the Standby Swap Provider lodges collateral with the Trustee, any interest or income on that cash collateral will be paid to the Standby Swap Provider, provided that any such interest or income will only be payable to the extent that any payment will not reduce the balance of the collateral to less than the amount required to be maintained.

The Trustee may only make withdrawals of the collateral in accordance with the relevant Hedge Agreement.

#### **7.4 Liquidity Facility Agreement**

- (a) If the Manager determines on any Determination Date that the Yield Reserve Draw and the Principal Draw (if any) for that Payment Date are less than the Payment Shortfall (if any) for the relevant Collection Period, the Manager must direct the Trustee to, and following such direction the Trustee must on that date request, to the extent available, a Liquidity Draw equal to the difference between the Payment Shortfall and the sum of the Yield Reserve and the Principal Draw.
- (b) The Manager directs the Trustee to request that the proceeds of the Liquidity Draw be deposited or transferred into the Collection Account by no later than 11am on the Business Day next succeeding the Determination Date (in case of a drawing under the Liquidity Facility Agreement) or such later time/ date as agreed between the Trustee and the Manager and which is subject to a Rating Notification. The Manager must deal with the amount so deposited in accordance with the Liquidity Facility Agreement.

#### **7.5 Redraw Facility Agreement**

- (a) The Trustee and the Manager irrevocably authorise People's Choice to deduct from the Total Available Principal received by it to the total amount of all Redraws provided by People's Choice in relation to Purchased Mortgage Loans, in accordance with section 6.5(a)(ii) and to the extent that People's Choice has not previously been reimbursed in relation to any Redraws.
- (b) If the Manager determines on any Determination Date that there is a Redraw Shortfall in relation to the Collection Period ending immediately prior to that Determination Date, the Manager must direct the Trustee to, and following such direction the Trustee must on that date make a Redraw Advance under the Redraw Facility Agreement for an amount equal to the lesser of the Redraw Shortfall and the Available Redraw Amount, being the Redraw Limit at that time less the Redraw Outstandings at that time.
- (c) The Trustee shall direct the Redraw Facility Provider to pay the proceeds of each Redraw Advance to People's Choice. People's Choice undertakes to the Trustee, the Manager and each other party to the Series Notice to use the proceeds of each Redraw Advance to provide the Redraw of that Redraw Advance, and for no other purpose.

- (d) The Trustee will not be in default under any Transaction Document (and in particular it shall not be an Event of Default under the Series Notice) if People's Choice is not reimbursed for Redraws in relation to Purchased Mortgage Loans funded by People's Choice because moneys are not available for that purpose under the Series Notice. This paragraph (d) does not limit People's Choice's rights under the Security Trust Deed and the Series Notice, or to the extent that moneys subsequently became available for that purpose, in respect of those Redraws.

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## **8. THE TRUST**

### **8.1 The Trust**

(a) **Creation of the Trust**

The Trust is established by the Notice of Creation of Trust entered into under the Master Trust Deed. The specific terms of the Trust are governed by the Series Notice. The assets of the Trust are not available to meet the liabilities of any other trust. The assets of any other trust formed under the Master Trust Deed are not available to meet the liabilities of this Trust.

(b) **The Role of the Trustee**

The Trustee is appointed as trustee of the Trust on the terms set out in the Master Trust Deed and the Series Notice.

(c) **Powers**

Subject to the Master Trust Deed, the Transaction Documents, and any rights and powers of the Trustee arising under any law (which are hereby expressed to apply to the Trustee) the Trustee has all the rights, powers and discretion over and in respect of the Assets of the Trust which it could exercise if it were the absolute and beneficial owner of those Assets provided that it will take no action without a direction from the Manager, or omit to take any action without a direction from the Manager, that could reasonably be expected to give rise to a Rating Downgrade Event. These powers include but are not limited to the ability to invest in Authorised Investments (including the Mortgage Loans and Mortgage Loan Securities), to issue Notes and to enter into Support Facilities.

Full details of Trustee powers are outlined in the Master Trust Deed.

(d) **Duties**

The Trustee is required to act continuously as trustee of the Trust until the Trust is terminated as provided by the Master Trust Deed or the Trustee has retired or been removed from office in the manner detailed below.

The Trustee is required:

- (i) to act honestly and in good faith and comply with all relevant material laws in the performance of its duties and in the exercise of its discretion under the Master Trust Deed;
- (ii) to exercise such diligence and prudence as a prudent person of business would exercise in performing its express functions and in exercising its discretion under the Master Trust Deed, having regard to the interests of the Unitholders, the Noteholders and the other Creditors in accordance with its obligations under the relevant Transaction Documents;
- (iii) to use its best endeavours to carry on and conduct its business in so far as it relates to the Master Trust Deed in a proper and efficient manner;
- (iv) to keep, or ensure that the Manager keeps, accounting records which correctly record and explain all amounts paid and received by the Trustee in its capacity as trustee of the Trust;
- (v) to keep the Trust separate from other trusts which are constituted under the Master Trust Deed and from all other assets of the Trustee

in any capacity other than as Trustee of the Trust and account for Assets and liabilities of the Trust separately from those of other trusts and all other assets and liabilities of the Trustee in any capacity other than as Trustee of the Trust and maintain any books, Accounts, and financial statements of the Trust accordingly;

- (vi) to do everything and take all such actions which are necessary (including obtaining all appropriate Authorisations which relate to it in its capacity as trustee of the Trust and taking all actions necessary to assist the Manager to obtain all other appropriate Authorisations) to ensure that it is able to exercise all its powers and remedies and perform all its obligations under the Master Trust Deed, the Transaction Documents and all other deeds, agreements and other arrangements entered into by the Trustee under the Master Trust Deed;
- (vii) not, in its capacity as trustee of the Trust, engage in any business or activity in respect of the Trust except as contemplated or required by the Transaction Documents in respect of the Trust;
- (viii) except as contemplated or required by the Transaction Documents, maintain an independent and arm's length relationship with its Related Bodies Corporate in relation to dealings affecting the Trust;
- (ix) except as contemplated or required by the Transaction Documents in respect of the Trust, not, in respect of the Trust, guarantee or become obligated for the debts of any other entity or hold out its credit as being available to settle the obligations of others other than the Notes or the Support Facilities;
- (x) except in accordance with the Transaction Documents, to:
  - A. not determine the Trust;
  - B. ensure that there is no resettlement, setting aside or transfer of any Asset of the Trust;
  - C. ensure that there is no merger of the Trust with any other person or entity,until all Borrowings have been repaid in full;
- (xi) not to terminate a Transaction Document to which it is a party except in accordance with the relevant Transaction Documents; and
- (xii) not to act or hold itself out as acting in another capacity when it performs its duties as Trustee.

In particular the Trustee has the duty to maintain a Register of Noteholders.

(e) **Trustee's liability**

Each Noteholder acknowledges that the Trustee is not under any obligation to:

- (i) make any enquiries in respect of Mortgage Loans and related Mortgage Loan Rights and any other Assets which a prudent purchaser of such assets would be expected to make;
- (ii) conduct any investigation to determine if the representations and warranties given by each Approved Seller in relation to the Mortgage Loans, Mortgage Loan Securities and Related Securities are incorrect; or

- (iii) to test the truth of those representations and warranties,

and is entitled to conclusively accept and rely entirely on the Mortgage Loans satisfying the Eligibility Criteria and on the accuracy of the representations and warranties made by the Servicer or each Approved Seller, unless the Trustee has actual notice of any event to the contrary.

Whenever any certificate, notice, proposal, direction, instruction, document or other communication is to be given to the Trustee, the Trustee may assume:

- (i) the authenticity and validity of any signature in any such document and that such document has been duly authorised; and
- (ii) the accuracy of any information contained in any such documents,

in either case unless the officers of the Trustee responsible for the day to day administration of the Trust are actually aware to the contrary.

The Trustee shall not be responsible for any loss arising from any forgery or lack of authenticity or any act, neglect, mistake or discrepancy of any Relevant Party or any officer, employee, agent or delegate of any Relevant Party in preparing any such document or in compiling, verifying or calculating any matter or information contained in any such document, if the officers of the Trustee responsible for the administration of the Trust are not actually aware of such forgery, lack of authenticity or validity, act, neglect, mistake or discrepancy.

In the absence of fraud, negligence or wilful default, the Trustee is not personally liable for any losses, costs, liabilities or claims arising from the failure to pay moneys on the due date for payment to any Noteholder or any other person or for any loss howsoever caused in respect of the Trust or to any Noteholder or other person.

In the absence of fraud, negligence or wilful default, the Trustee is not personally liable:

- (i) for any losses, costs, liabilities or expenses arising out of the exercise or non exercise of its discretion (or by the Manager of its discretion);
- (ii) for any losses, costs, liabilities or expenses caused by its acting on any instructions, information or directions given to it by:
  - A. any Relevant Party under the Master Trust Deed, any other Transaction Document or any other document;
  - B. by any person under a Support Facility, Mortgage Loan or Mortgage Loan Security; or
  - C. an Obligor;
- (iii) for any Manager's Default, Servicer Transfer Event or Title Perfection Event;
- (iv) for any act, omission or default of the Servicer in relation to its servicing duties or its obligations under the Master Trust Deed;
- (v) for any act, omission or default of the Custodian in relation to its custodial duties or its obligations under the Master Trust Deed;
- (vi) for the failure of a person to carry out an agreement with the Trustee in connection with the Trust; or

- (vii) for any losses, costs, liabilities or expenses caused by the Trustee's failure to check any calculation, information, document, form or list supplied or purported to be supplied to it by the Manager, Approved Seller or Servicer.

The Master Trust Deed contains other provisions which regulate the Trustee's liability.

(f) **Delegation**

In exercising its powers and performing its obligations and duties under the Master Trust Deed, the Trustee may, with the approval of the Manager (not to be unreasonably withheld) and subject always to the covenants on the part of the Trustee contained in the Master Trust Deed, in writing appoint one or more corporations each being:

- (i) the Manager;
- (ii) a corporation which is a Related Body Corporate of the Trustee; and
- (iii) which is a trustee company or trustee corporation for the purposes of any State or Territory legislation governing the operation of trustee companies,

as its delegate (or, where two or more such corporations are appointed as its delegate, jointly and severally) to undertake, perform or discharge any or all of the duties, powers, discretion or other functions of the Trustee under the Master Trust Deed or otherwise in relation to the Trust except unless expressly specified in the Series Notice any duties, powers, discretion or other functions in connection with:

- (i) the receipt or payment of money by the Trustee;
- (ii) any powers of enforcement in relation to the Master Trust Deed or any other Transaction Document.

The Trustee and/or the delegate (as the case may be) may by the terms of any such appointment insert such provisions for the protection and convenience of those dealing with any such corporation as the Trustee and/or the delegate thinks fit but the Trustee shall despite any such appointment remain liable for any act or omission of any such corporation as if any such act or omission were an act or omission of the Trustee.

The Trustee shall be responsible for payment of the fees and expenses of any delegate so appointed.

The Trustee may in carrying out and performing its duties and obligations contained in the Master Trust Deed appoint any person to be its attorney, agent or delegate for such purposes and with such powers, authorities and discretion (not exceeding those vested in the Trustee) as the Trustee thinks fit including:

- (i) power for the attorney or agent to delegate or sub-delegate any such powers, authorities or discretion;
- (ii) power to authorise the issue in the name of the Trustee of documents bearing facsimile signatures of the Trustee or of the attorney or agent (either with or without proper manuscript signatures of their officers); and
- (iii) such provisions for the protection and convenience of those dealing with any such attorney, agent, delegate or sub-delegate as they may think fit,

but except as provided for in any Transaction Document excluding the obligation to receive or make payments.

The Trustee is not liable or responsible for the acts or omissions of any attorney, agent or delegate except:

- (i) to the extent of losses, costs, claims or damages caused by the Trustee's fraud, negligence or wilful default;
- (ii) where the Trustee did not appoint that person in good faith or failed to exercise reasonable care in selecting that person;
- (iii) where the Trustee expressly instructs that person to do or omit to do the relevant act;
- (iv) where the Trustee is aware of the default of that person and does not take the action available to it under the relevant Transaction Document to remedy that person's act or omission; or
- (v) where the Transaction Documents expressly provide that the Trustee is so liable.

(g) **Trustee fees and expenses**

The Trustee is entitled to a fee, inclusive of GST.

The Trustee shall pay, or be reimbursed, from the Trust all Expenses that relate to the Trust properly incurred by the Trustee, in accordance with the Series Notice.

(h) **Removal of the Trustee**

The Trustee shall retire as trustee of the Trust if and when directed to do so by the Manager in writing (which direction must be copied to the Servicer and each Designated Rating Agency).

A direction may only be given on the occurrence of one or more of the following events (each a **Trustee's Default**):

- (i) **(Insolvency Event)** an Insolvency Event has occurred and is continuing in relation to the Trustee in its personal capacity;
- (ii) **(rating downgrade)** any action is taken in relation to the Trustee in its personal capacity which may give rise to a Rating Downgrade Event;
- (iii) **(breach by the Trustee)** the Trustee, or any employee or officer of the Trustee, breaches any obligation or duty imposed on the Trustee under the Master Trust Deed or any other Transaction Document in relation to the Trust where the Manager reasonably believes it may have a Material Adverse Effect and the Trustee fails or neglects after 20 Business Days' notice from the Manager, if capable of remedy, to remedy that breach unless the breach is the subject of a Rating Notification;
- (iv) **(merger or consolidation)** the Trustee merges or consolidates with another entity unless:
  - A. the Manager consents to the merger or consolidation (which consent shall not be unreasonably withheld); or
  - B. within 5 Business Days of the merger or consolidation has been the subject of a Rating Notification; or

- (v) **(Other Trust)** any of the above occurs in relation to any other trust constituted under the Master Trust Deed.

If a direction is given on the occurrence of an event above in section 8.1(h)(i) to 8.1(h)(iv) that direction must specify a date for the Trustee to retire which is not less than 6 months from the date of that direction, provided that the Manager may at its discretion direct that the Trustee be paid the equivalent amount of the Trustee's fee in lieu of this notice period.

Within 20 Business Days' of the Manager so directing the Trustee to retire in writing, the Manager shall have the right to and shall by deed poll executed by the Manager remove the Trustee from its office as trustee of the Trust.

On such retirement or removal of the Trustee, the Manager shall be entitled to appoint in writing some other trustee company to be the Trustee of the Trust provided that:

- (i) the appointment of that successor Trustee has been the subject of a Rating Notification; and
- (ii) in the reasonable opinion of the Manager the appointment of that successor Trustee will not materially prejudice the interests of any Noteholders.

(i) **Voluntary Retirement of the Trustee**

The Trustee may retire on giving to the Manager (with a copy to each Designated Rating Agency) not less than 3 months' notice in writing (or such other period as the Manager and the Trustee may agree) of its intention to do so.

The Trustee must not so retire unless:

- (i) either:
  - A. it procures that, before the date on which that termination becomes effective, another person assumes all of the obligations of the Trustee under the Transaction Documents as its successor, and executes such documents as the Manager reasonably requires to become bound by the Transaction Documents, with effect from that date, as if it had originally been a party to the Transaction Documents as the Trustee; or
  - B. the Manager elects to perform itself the obligations and functions which the Transaction Documents contemplate being performed by the Trustee;
- (ii) the appointment of that successor Trustee has been the subject of a Rating Notification;
- (iii) the appointment of the successor Trustee, or (as the case may be) the election of the Manager, will not materially prejudice the interests of any Noteholders; and
- (iv) in the case of the appointment of a successor Trustee, the appointment is approved by the Manager.

(j) **Limitation on Trustee's liability**

- (i) *Liability limited to right of indemnity*

- A. The Master Trust Deed and the Series Notice apply to the Trustee only in its capacity as trustee of the Trust and in no other capacity. Subject to sub-paragraph (j)(i)(C) below, a liability arising under or in connection with the Master Trust Deed, the Series Notice or the Trust is limited to and can be enforced against the Trustee only to the extent to which it can be satisfied out of the Assets of the Trust which are available to satisfy the right of the Trustee to be exonerated or indemnified for the liability. This limitation of the Trustee's liability applies despite any other provision of the Master Trust Deed or the Series Notice and extends to all liabilities and obligations of the Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Master Trust Deed, the Series Notice or the Trust.
- B. Subject to sub-paragraph (j)(i)(C) below, no person (including any Relevant Party) may take action against the Trustee in any capacity other than as trustee of the Trust or seek the appointment of a receiver (except under the Security Trust Deed), or a liquidator, an administrator or any similar person to the Trustee or prove in any liquidation, administration or arrangement of or affecting the Trustee.
- C. The provisions of this sub-paragraph (j)(i) shall not apply to any obligation or liability of the Trustee to the extent that it is not satisfied because under a Transaction Document or by operation of law there is a reduction in the extent of the Trustee's indemnification or exoneration out of the Assets of the Trust as a result of the Trustee's fraud, negligence or wilful default.
- D. It is acknowledged that the Relevant Parties are responsible under the Transaction Documents for performing a variety of obligations relating to the Trust. No act or omission of the Trustee (including any related failure to satisfy its obligations or breach of representation or warranty under the Master Trust Deed or the Series Notice) will be considered fraud, negligence or wilful default of the Trustee for the purpose of sub-paragraph (j)(i)(C) above to the extent to which the act or omission was caused or contributed to by any failure by any Relevant Party to fulfil its obligations relating to the Trust or by any other act or omission of a Relevant Party.
- E. No attorney, agent, delegate, receiver or receiver and manager appointed in accordance with the Master Trust Deed or the Series Notice has authority to act on behalf of the Trustee in a way which exposes the Trustee to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of the Trustee for the purpose of sub-paragraph (j)(i)(C) above.

(ii) *Right of indemnity – general*

- A. Subject to the Master Trust Deed and without prejudice to the right of indemnity given by law to the Trustee, the Trustee will be indemnified out of the Assets of the Trust against all losses and liabilities properly incurred by the Trustee in performing any of its duties or exercising any of its powers under the Master Trust Deed in relation to the Trust.

- B. The Trustee's right to be indemnified in accordance with sub-paragraph (j)(ii)(A) and to effect full recovery out of the Assets of the Trust, will apply in relation to any liabilities to Creditors of the Trust notwithstanding any failure by the Trustee to exercise a degree of care, diligence and prudence required of the Trustee having regard to the powers, authorities and discretion conferred on the Trustee under the Master Trust Deed or any other act or omission which may not entitle the Trustee to be so indemnified and/or effect such recovery (including fraud, negligence or wilful default).
- C. If the Trustee fails to exercise the degree of care and diligence required of a trustee having regard to the powers, authorities and discretion conferred on the Trustee by the Master Trust Deed or if any other act or omission occurs which may not entitle the Trustee to be indemnified in accordance with sub-paragraph (j)(ii)(A) above or to effect full recovery out of the Trust (including fraud, negligence or wilful default):
  - 1) the Trustee may not receive or hold or otherwise have the benefit of the indemnity in sub-paragraph (j)(ii)(A) otherwise than on behalf of and on trust for Creditors in relation to the Trust; and
  - 2) the Trustee may only be indemnified to the extent necessary to allow it to discharge its liability to Creditors in relation to the Trust.
- D. The Trustee shall call upon any indemnities contained in any relevant Origination Agreement or any relevant Servicing Agreement before it calls upon the indemnity in paragraph (j)(ii)(A).

(iii) *Consumer Credit Code*

- A. People's Choice in relation to the Mortgage Loans acquired by the Trustee from People's Choice and all Related Security in relation to those Mortgage Loans, indemnifies the Trustee in relation to each relevant Trust, free of any set off or counterclaim, against all Penalty Payments which the Trustee is required to pay personally or in its capacity as trustee of that Trust in performing any of its duties or exercising any of its powers under the security trust deed in relation to that Trust.
- B. In accordance with the Transaction Documents the Trustee may rely on the Manager, the Originator or the Servicer as applicable in relation to compliance with any obligations in Consumer Credit Legislation.

In this section **Penalty Payment** means:

- (i) any civil or criminal penalty incurred by the Trustee under any Consumer Credit Legislation;
- (ii) any money ordered by a court or other judicial, regulatory or administrative body or any other body which may bind the Trustee to be paid by the Trustee in relation to any claim against the Trustee under Consumer Credit Legislation;

- (iii) a payment by the Trustee in settlement of a liability or alleged liability under any Consumer Credit Legislation,
- (iv) and includes any legal costs incurred by the Trustee or which the Trustee is ordered by a court or other judicial, regulatory or administrative body or any other body which may bind the Trustee to pay (in each case charged at the usual commercial rates of the relevant legal services provider) in connection with (i) to (iii) above.

## 8.2 Role of the Manager

### (a) General

The Manager is appointed as Manager of the Trust on the terms set out in the Master Trust Deed and the Series Notice.

### (b) Powers

Subject to the Transaction Documents, the Manager shall carry out and perform the duties and obligations on its part contained in the Master Trust Deed and the Series Notice and shall have full and complete powers of management of the Trust, including the conduct of the day to day operation of the Trust and the administration and servicing of the Assets (which are not serviced by the Servicer), Borrowings and other liabilities of the Trust (including concluding the commercial terms of the Borrowings and the Hedge Agreements to be entered into by the Trustee).

The Manager has the following additional express powers which may be exercised only in accordance with the relevant Transaction Documents:

- (i) to negotiate with any Joint Lead Manager (on behalf of itself and any dealers) in relation to the issue of relevant Notes;
- (ii) to invite bids from any Joint Lead Manager for relevant Notes on behalf of the Trustee; and
- (iii) to accept any such bid on behalf of the Trustee.

The Manager shall, in respect of the Trust, act in the interests of each Unitholder and the Noteholders in relation to the Trust on, and subject to, the terms and conditions of the Master Trust Deed. In the event of any conflict of interests, the interests of the Noteholders will prevail.

The Manager shall take such action as is consistent with its powers under the Master Trust Deed to assist the Trustee to perform its obligations under the Master Trust Deed. The obligation of the Manager to act in the interests of the Noteholders is a contractual, not a fiduciary, obligation and arises out of the contractual relationship existing between the Manager, the Trustee and the Noteholders under the Notes and the Master Trust Deed.

### (c) Delegation

The Manager may in carrying out and performing its duties and obligations contained in the Master Trust Deed:

- (i) **(delegate to employees)** delegate to any of the Manager's officers and employees any act, matters and things (whether or not requiring or involving the Manager's judgement or discretion);
- (ii) **(appoint attorneys and agents)** appoint any person to be its attorney, agent, delegate or sub-contractor for such purposes and with such powers, authorities and discretion (not exceeding those vested in the Manager) as the Manager thinks fit but which are not a material

part of the Manager's duties or obligations in relation to the Trust including:

- A. power for the attorney, agent, delegate or sub-contractor to sub-delegate any such powers, authorities or discretion;
  - B. power to authorise the issue in the name of the Manager of documents bearing facsimile signatures of the Manager or of the attorney, agent, delegate or sub-contractor (either with or without proper manuscript signatures of its officers); and
  - C. such provisions for the protection and convenience of those dealing with any such attorney, agent, delegate, sub-contractor or sub-delegate as they may think fit; and
- (iii) **(remove agents and delegates)** supersede or suspend any such agent, delegate, sub-contractor or sub-delegate for such cause or reason as the Manager may in its sole discretion think sufficient with or without assigning any cause or reason and either absolutely or for such time as it may think proper,

but despite any delegation or appointment, the Manager shall remain liable for the acts or omissions of any such officer, employee, attorney, delegate, agent, sub-delegate, sub-contractor or sub-agent and shall be solely responsible for the fees and expenses of such officer, employee, attorney, agent, delegate, sub-delegate, sub-contractor or sub-agent.

(d) **Manager's fee and expenses**

The Manager is entitled to a fee inclusive of GST.

The Manager shall be indemnified out of the Trust in respect of any cost or expense properly incurred by it in its capacity as Manager of the Trust.

(e) **Removal of the Manager**

The Manager shall retire from the management of the Trust if and when directed to do so by the Trustee in writing.

A direction may only be given on the occurrence of one or more of the following events (each, a **Manager's Default**):

- (i) **(Collections and distributions)** The Manager fails to pay any amounts received by it in respect of the Trust to the Collection Account or fails to make or instruct the Trustee to make any payment required from it within the time period specified in a Transaction Document, and that failure is not remedied within 2 Business Days of receipt from the Trustee of notice of that failure.
- (ii) **(Insolvency Event)** An Insolvency Event has occurred and is continuing in relation to the Manager.
- (iii) **(Breach by the Manager)**
  - A. The Manager breaches any material obligation or duty imposed on the Manager under the Master Trust Deed, any other Transaction Document or any other deed, agreement or arrangement entered into by the Manager under the Master Trust Deed in relation to the Trust;
  - B. the Manager fails after 21 Business Days' notice from the Trustee (which notice specifies the breach with reasonable

particularity and requires rectification) to remedy that breach, if capable of remedy, or pay compensation to the Trustee for its loss from such breach,

except, in each case, where the Manager has relied on information provided, or other action taken, by the Servicer or any other person or has not received information from the Servicer or any other person which the Manager requires to comply with the obligation or duty and the Servicer's or any other person's action or inaction as the case may be, is not due to the Manager's fraud, negligence or wilful default.

- (iv) **(Misrepresentation)** A representation, warranty or statement by or on behalf of the Manager in a Transaction Document or a document provided under or in connection with a Transaction Document, is not true in a material respect or is misleading or deceptive when repeated and, if capable of remedy, is not remedied to the Trustee's reasonable satisfaction within 60 Business Days after notice from the Trustee, acting on appropriate expert advice, where (as determined by the Trustee) it has a Material Adverse Effect.

If the Manager fails to retire within 20 Business Days of the Trustee in writing so directing the Manager to retire, the Trustee may by deed poll executed by the Trustee remove the Manager from the management of the Trust.

On such retirement or removal of the Manager, the Trustee shall be entitled to appoint some other corporation to be the Manager of the Trust provided that:

- (i) the appointment of that successor Manager has been the subject of a Rating Notification; and
- (ii) in the reasonable opinion of the Trustee the appointment of that successor Manager will not materially prejudice the interests of any Noteholders.

Until that appointment is complete the Trustee must, subject to the Master Trust Deed and to any approval required by law, act as Manager and will be entitled to the Manager's fee for the period it acts as Manager.

The Trustee will not be responsible for, and will not be liable for, any inability to perform, or deficiency in performing, its duties and obligations as Manager if the Trustee is unable to perform those duties and obligations:

- (i) due to the state of affairs of the Manager and its books and records, upon the retirement or removal of the Manager; or
- (ii) if the Trustee is unable, after using its reasonable endeavours, to obtain copies of all paper and electronic files, information and other materials which it requires and which are reasonably necessary for it to perform those duties and obligations.

(f) **Voluntary Retirement of the Manager**

The Manager may, in respect of the Trust, retire on giving to the Trustee (with a copy to each Designated Rating Agency) not less than 3 months' notice in writing (or such other period as the Manager and the Trustee may agree) of its intention to do so.

The Manager must not so retire unless:

- (i) it procures that, before the date on which that termination becomes effective, another person assumes all of the obligations of the Manager under the Transaction Documents as its successor, and

executes such documents as the Trustee requires to become bound by the Transaction Documents, with effect from that date, as if it had originally been a party to the Transaction Documents as the Manager;

- (ii) a Rating Notification has been obtained in relation to the appointment of that successor Manager;
- (iii) the appointment of the successor Manager will not materially prejudice the interests of any Noteholders; and
- (iv) the appointment is approved by the Trustee.

(g) **Limitation on Manager's Liability**

The principle limits on the Manager's liability are set out in the Master Trust Deed. These include the following limits.

- (i) The Manager shall be indemnified out of the Trust in respect of any liability properly incurred by it in its capacity as Manager of the Trust.
- (ii) The Manager may rely on and act on the opinion or statement or certificate or advice of or information obtained from the Servicer, barristers or solicitors (whether instructed by the Trustee or the Manager), bankers, accountants, brokers, valuers and other persons believed by it in good faith to be expert or properly informed in relation to the matters on which they are consulted and the Manager shall not be liable for anything done or suffered by it in good faith in reliance on such opinion, statement, certificate, advice or information except to the extent of losses, costs, claims or damages caused or contributed to by its breach of its obligations under any Transaction Document.
- (iii) The Manager shall not be responsible for any act, omission, misconduct, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of any Relevant Party or agent appointed by the Trustee or the Manager or on whom the Manager is entitled to rely under the Master Trust Deed (other than a Related Body Corporate), attorney, banker, receiver, receiver and manager, barrister, solicitor, agent or other person acting as agent or adviser to the Trustee or the Manager except:
  - A. to the extent of losses, costs, claims or damages caused by or contributed to by its breach of its obligations under any Transaction Document;
  - B. where the Manager did not appoint that person in good faith or failed to exercise reasonable care in selecting that person;
  - C. where the Manager expressly instructs that person to do or omit to do the relevant act;
  - D. where the Manager is aware of the default of that person and does not take the action available to it under the relevant Transaction Document to remedy that person's act or omission; or
  - E. where the Transaction Documents expressly provide that the Manager is so liable.

## **8.3 Unitholders**

(a) **Issue of Residual Units**

- (i) The beneficial interest in the Trust is constituted by 11 units, 10 Residual Capital Units and a Residual Income Unit (each a **Residual Unit**).
- (ii) Each Unitholder holds their beneficial interest in the Trust in accordance with the Master Trust Deed and the Series Notice.
- (iii) The Manager must, on receipt of the issue price of the Residual Units specified below, issue the relevant Unit by registering:
  - A. in respect of the Residual Income Unit, People's Choice;
  - B. in respect of 1 of the Residual Capital Units, CU Securitisation Services 3 Pty Limited and in respect of 9 of the Residual Capital Units, People's Choice,

in the register kept in relation to this section 8.3.

A failure by the Manager to issue a Residual Unit does not affect each Unitholder's rights as a Unitholder of the Trust under the Master Trust Deed and the Series Notice.

(b) **Residual Income Unit**

The Residual Income Unitholder is People's Choice.

The issue price of the Residual Income Unit is the amount of \$10, paid on establishment of the Trust.

The beneficial interest held by the holder of the Residual Income Unit is limited to the Trust and each Asset of the Trust subject to and in accordance with the Master Trust Deed and the Series Notice.

The holder of the Residual Income Unit has no right to receive distributions in respect of the Trust other than:

- (i) the right to receive distributions in respect of the Trust under the Master Trust Deed and the Series Notice to the extent that Excess Distributions are available for distribution under the Master Trust Deed and the Series Notice; and
- (ii) the right to receive on the termination of the Trust the entire beneficial interest of the Trust other than the amount payable to the holder of the Residual Capital Unit.

The Residual Income Unit may not be redeemed at any other time or in any other way.

The Residual Income Unit is transferable provided that it is not transferred to a trustee and the transfer would not otherwise result in a Rating Downgrade Event.

Additional Residual Income Units shall only be issued for a price determined on the basis of net asset value, according to Australian accounting principles, of the Trust at the time of issue of those Residual Income Units.

(c) **Residual Capital Unit**

CU Securitisation Services 3 Pty Limited is the holder of 1 Residual Capital Unit and People's Choice is the holder of 9 Residual Capital Units.

The issue price of each Residual Capital Unit is the amount of \$10, paid by CU Securitisation Services 3 Pty Limited and People's Choice under the Notice of Creation of Trust on establishment of the Trust.

The beneficial interest and entitlements held by a holder of a Residual Capital Unit in the Trust and the Assets of the Trust are limited to the amount (if any) held by the Trustee which represents the entitlement of the holder of the Residual Capital Unit on termination of the Trust to receive a distribution of up to \$10 on each Residual capital Unit it holds. Other than by payment of the distribution of up to \$10 on termination of the Trust, the Residual Capital Unit may not be redeemed at any other time or in any other way.

A Residual Capital Unit is not transferable.

Additional Residual Capital Units shall only be issued for a price determined on the basis of net asset value, according to Australian accounting principles, of the Trust at the time of issue of those Residual Capital Units.

(d) **Unit register**

- (i) The entitlement of any person to a Residual Unit will be evidenced by registration in the register maintained in relation to this section 8.3.
- (ii) The Manager will keep a unit register at its registered office in a form that it considers appropriate and will enter the following particulars.
  - A. Whether the Residual Unit is a Residual Income Unit or a Residual Capital Unit.
  - B. The name and address of the relevant Unitholder.
  - C. The date on which the name of the relevant Unitholder is entered in the Unit Register.
  - D. The date on which the Unitholder ceases to be registered as a Unitholder.
  - E. The subscription moneys initially paid for the Residual Unit.
  - F. Any other details which the Manager may consider necessary or desirable.
- (iii) The relevant Unitholder shall promptly notify the Manager in writing of any change of name or address and the Manager will alter the unit register accordingly.
- (iv) Without limiting paragraph (a), the interest of the relevant Unitholder will be constituted by registration in the register in relation to this section 8.3.

(e) **Limit on rights**

Each Unitholder is subject to, and bound by, the provisions of the Master Trust Deed and the Series Notice.

## **8.4 The Servicer**

(a) **Appointment as Servicer**

Under the Master Trust Deed, and by executing the Series Notice, People's Choice shall be taken to have accepted its appointment as Servicer and agrees to perform the role of Servicer in relation to the Trust.

(b) **Duties and standard of care**

The Servicer shall service the Mortgage Loans:

- (i) in accordance with the Master Trust Deed;
- (ii) in accordance with the applicable Guidelines as that is interpreted and applied by the Servicer in the ordinary course of its business; and
- (iii) to the extent not covered by sub-paragraphs (b)(i) or (b)(ii), by exercising the degree of diligence and care expected of an appropriately qualified Servicer of the relevant financial products.

(c) **Powers**

The Servicer has the express power to the extent such action will not cause a Material Adverse Effect:

- (i) to waive any fees and break costs which may be collected in the ordinary course of servicing the Mortgage Loans or arrange the rescheduling of interest due and unpaid following a default under any Mortgage Loans;
- (ii) in its discretion, to waive any right in respect of any Mortgage Loans and Mortgage Loan Securities in the ordinary course of servicing the Mortgage Loans and Mortgage Loan Securities (including in accordance with its normal collection procedures); and
- (iii) to grant an extension of maturity beyond 30 years from the date any Mortgage Loan that relates to a mortgage loan was made, when required to do so by Law or a Government Agency. The restriction on granting extensions that will not have a Material Adverse Effect shall not apply where the extension is required by Law or a Government Agency.

(d) **Delegation by the Servicer**

The Servicer is entitled to, with the prior written consent of the Trustee, delegate its duties under the Master Trust Deed. The Servicer at all times remains liable for the acts or omissions of any delegate.

(e) **Servicer undertakings**

Under the Master Trust Deed, the Servicer undertakes to:

- (i) **(notice of default)** promptly give notice in writing to the Trustee, the Manager and each Designated Rating Agency after it becomes aware of the occurrence of any Servicer Transfer Event, Title Perfection Event and material misrepresentations;
- (ii) **(compliance with law)**
  - A. maintain in effect all qualifications, consents, licenses, permits, approvals, exemptions, filings and registrations as may be required under any applicable law in order to properly service the Mortgage Loans and Mortgage Loan Rights and to perform or comply with its obligations under the Master Trust Deed;
  - B. comply with all Laws in connection with servicing the Mortgage Loans and Mortgage Loan Rights where failure to do so would have a Material Adverse Effect;

- C. comply with the Consumer Credit Legislation in connection with servicing the Mortgage Loans and Mortgage Loan Rights so that the Trustee does not personally or in its capacity as trustee of the Trust become liable to pay any Penalty Payments;
- (iii) **(Relevant Documents to Custodian)** should the Servicer cease to also be the Custodian, unless the Servicer is required to hold a Relevant Document for the purpose of performing its duties as Servicer in relation to the related Mortgage Loan or otherwise comply with its obligations under the Transaction Documents, each Relevant Document shall be delivered promptly to the Custodian to be dealt with in accordance with the Custodian Agreement;
- (iv) **(Collections)**
    - A. in relation to Mortgage Loans of which the Servicer or People's Choice is the legal owner, collect all moneys due under those Mortgage Loans and the Mortgage Loan Rights; and
    - B. in relation to Mortgage Loans of which the Trustee is the legal owner, collect all moneys due under those Mortgage Loans and Mortgage Loans Rights,

and pay them into the relevant Collection Account;
  - (v) **(Material Default)** if a Material Default occurs in respect to a Mortgage Loan:
    - A. take such action in accordance with the Servicer's normal enforcement procedures to enforce the relevant Mortgage Loan and the Mortgage Loan Right to the extent that the Servicer determines that enforcement procedures should be taken; and
    - B. not knowingly take any action or fail to take action, if the action or failure will interfere with the enforcement procedures of any Mortgage Loan, Mortgage Loan Security or Related Security;
  - (vi) **(Mortgage Insurance Policies)**
    - A. act in accordance with the terms of any Mortgage Insurance Policies;
    - B. not do or omit to do anything which, or the omission of which, as the case may be, could be reasonably expected to prejudicially affect or limit its rights or the rights of the Trustee under or in respect of a Mortgage Insurance Policy to the extent those rights relate to a Mortgage Loan and the Mortgage Loan Rights;
    - C. promptly make a claim under any Mortgage Insurance Policy when it is required to do so in accordance with:
      - 1) the relevant Guidelines;
      - 2) the Transaction Documents; and
      - 3) the terms of the Mortgage Insurance Policy;

- D. promptly notify the Manager and the Trustee when circumstances arise that would entitle it to make a claim under a Mortgage Insurance Policy;
- (vii) **(Mortgaged Property insurance)** use reasonable endeavours by reference to Australian market practice to ensure that a current policy of general insurance is maintained in respect of each Mortgaged Property;
- (viii) **(no Security Interests)** not consent to the creation or existence of any Security Interest in favour of a third party in relation to any Mortgaged Property in connection with a Mortgage Loan and the Mortgage Loan Rights:
  - A. unless priority arrangements are entered into with that third party under which the third party acknowledges that the Mortgage Loan and Mortgage Loan Rights rank ahead in priority to the third party Security Interest on enforcement for an amount not less than the Unpaid Balance of the Mortgage Loan plus such other amount as the Servicer determines in accordance with the relevant Guidelines or its ordinary course of business; or
  - B. which would rank before or pari passu with the relevant Mortgage Loan and Mortgage Loan Rights;
- (ix) **(release of debt or vary terms)** not, except as required by Law:
  - A. release an Obligor from any amount owing in respect of a Mortgage Loan, unless the Servicer pays out of its own funds an amount equal to such amount into the Collection Account prior to granting such waiver;
  - B. otherwise discharge any Mortgage Loan or Mortgage Loan Right;
  - C. vary any Mortgage Loan or Mortgage Loan Right if it would have a Material Adverse Effect; or
  - D. enter into any agreement or arrangement which has the effect of altering the amount payable in respect of a Mortgage Loan or Mortgage Loan Right where it would have a Material Adverse Effect;
- (x) **(binding provisions and orders of a competent authority)** release any Mortgage Loan or Mortgage Loan Right, reduce the amount outstanding under or vary the terms of any Mortgage Loan or grant other relief to an Obligor, if required to do so by any Law or if ordered to do so by a court, tribunal, authority, ombudsman or other entity whose decisions are binding on the Servicer. If the order is due to the Servicer breaching any applicable Law then the Servicer must indemnify the Trustee for any loss the Trustee may suffer by reason of the order. The amount of the loss is to be determined by agreement with the Trustee or failing this, by the Servicer's external auditors;
- (xi) **(other miscellaneous things)** attend to the stamping and registration of all Relevant Documents for the Trust (including documents which became or become Relevant Documents) following any amendment, consolidation or other action, and in the case of any registration of any Mortgage that registration must result in the Mortgage having the ranking referred to in the Eligibility Criteria in the Series Notice. In relation to any Mortgage that is not registered at the relevant Closing

Date, the Servicer shall ensure that it is lodged for registration not later than 120 days after that Closing Date;

- (xii) **(setting the interest rate)**
  - A. the Servicer shall set the interest rate on the Mortgage Loans in accordance with the requirements of the Series Notice; and
  - B. subject to the Series Notice, if the Trustee has perfected its title to the Mortgage Loans or Mortgage Loan Rights and the Trustee is entitled to vary the interest rate in accordance with the terms of the Mortgage Loans, the Servicer shall, in accordance with the terms of the Mortgage Loans, set and maintain the interest rate on the relevant Mortgage Loans at or above the relevant Threshold Rate or margin as advised by the Manager in accordance with the Master Trust Deed and the Series Notice and promptly notify the relevant Obligors;
- (xiii) **(notification)** notify:
  - A. the Trustee, the Security Trustee and the Manager of any event which it reasonably believes is likely to have a Material Adverse Effect within 2 Business Days after becoming aware of such event; and
  - B. the Manager of anything else which the Manager reasonably requires regarding any proposed modification to any Mortgage Loan or Mortgage Loan Security and the Services;
- (xiv) **(provide information and access on request)** subject to the provisions of any Law, provide information reasonably requested by the Trustee or the Manager, with respect to all matters relating to the Trust, the assets of the Trust or the operations of the Servicer, and which the Trustee or the Manager believes reasonably necessary for it to perform its obligations under the relevant Transaction Documents, and upon reasonable notice and at reasonable times permit the Trustee to inspect the Data Base in relation to the Trust;
- (xv) **(comply with other obligations)** comply with all its obligations under any Transaction Document to which it is a party;
- (xvi) **(pay Taxes)** subject to receiving payment from, or being reimbursed by, the relevant Obligor or being indemnified by the Trustee, pay all Taxes that relate to the Services (other than any Tax on or referable to the income of the Trust or of the Servicer) or ensure those Taxes are paid or where such Taxes are incurred due to the default or breach of duty by the Servicer, pay those Taxes or ensure that those Taxes are paid;
- (xvii) **(negative pledge)** not sell or otherwise dispose of, or create or allow to exist any Security Interest in any Mortgage Loan Right or its bank accounts, except as expressly permitted in any Transaction Document;
- (xviii) **(not claim)** not claim any Security Interest over any Asset;
- (xix) **(comply with Series Notice)** comply with any undertaking specified as an additional Servicer undertaking in the Series Notice, including, without limitation, providing the Manager with any information referred to in that Series Notice;

- (xx) **(update Mortgage Loans Register)** update the Mortgage Loans Register and give a copy to the Manager and the Trustee:
  - A. within 1 month of the Closing Date for the Trust;
  - B. within 10 Business Days after the last Business Day of each calendar quarter during the Term; and
  - C. within 5 Business Days of a written request by the Trustee;
- (xxi) **(switches)** notify the Manager immediately of each request by an Obligor to switch its Mortgage Loan to another product offered by People's Choice;
- (xxii) **(comply with Trust Back)** apply any moneys it receives in relation to any Other Secured Liability in accordance with the Trust Back in accordance with the directions of the Trustee;
- (xxiii) **(consolidation & merger etc)** not consolidate or amalgamate with or merge with or into, or transfer all or substantially all of its assets to another entity unless:
  - A. the resulting, surviving or transferee entity assumes all of the obligations of the Servicer under the Series Notice for the Trust and each other Transaction Document; and
  - B. the consolidation, amalgamation or merger has been the subject of a Rating Notification;
- (xxiv) **(no set-off)** not do anything which would render any Mortgage Loan subject to any set-off counterclaim or similar defence;
- (xxv) **(information to the Designated Rating Agencies)** provide each Designated Rating Agency with complete, accurate and timely information on request from that Designated Rating Agency;
- (xxvi) **(Security Trustee)** provide the Security Trustee with complete, accurate and timely information on request from the Security Trustee;
- (xxvii) **(audit of Servicer's records)** if the Security Trustee notifies the Servicer that an event has occurred or a circumstance has arisen which it reasonably considers may have a Material Adverse Effect, or the Security Trustee receives a notice under paragraph (xiii), the Servicer will permit the Security Trustee and its officers, agents and auditors (at the Servicer's expense) to audit its records and systems to determine whether or not the Servicer is complying with its obligations under the Transaction Documents in such a way as to ensure that a Material Adverse Effect does not occur; and
- (xxviii) **(Break Payments)** it will not waive any Break Payments due by an Obligor at any time without the Interest Rate Swap provider's prior consent; and
- (xxix) **(Originator and Servicer undertaking - verification of identity)** keep all records in relation to identifying the mortgagor under Loan Security for which it is responsible as required in accordance with Verification of Identity Principles applicable in respect of a Mortgage Loan that is an Asset of the Trust and give access to those records to the Trustee on request if required by the Trustee to comply with those provisions.

(f) **Servicer's fees and expenses**

The Servicer is entitled to a fee, inclusive of GST.

Under the Master Trust Deed, the Trustee will reimburse the Servicer for all legal and selling expenses relating to the enforcement and recovery of the Mortgage Loans which the Servicer reasonably spends or incurs in relation to the enforcement or sale, provided that where the consent of an insurer under a Mortgage Insurance Policy is required in order for an expense to be reimbursable by that insurer, the Servicer will only be reimbursed where it has obtained that consent.

(g) **Servicer Transfer Event and Removal**

If a Servicer Transfer Event occurs in respect of the Trust, the Trustee must at the direction of the Manager by notice terminate the Servicer arrangements made under the Master Trust Deed in respect of the Trust with immediate effect.

A **Servicer Transfer Event** means the occurrence of any of the following:

- (i) an Insolvency Event occurs with respect to the Servicer;
- (ii) the Servicer fails to pay any amount in accordance with any Transaction Document within 3 Business Days of receipt of a notice to do so from either the Trustee or the Manager;
- (iii) the Servicer fails to comply with any of its other obligations under any Transaction Document and such action has had, or, if continuing will have, a Material Adverse Effect and the Servicer does not remedy that failure within 10 Business Days;
- (iv) any representation, warranty or certification made by the Servicer is incorrect when made and is not waived by the Trustee or remedied to the Trustee's reasonable satisfaction within 10 Business Days after notice from the Trustee, and the Trustee determines that breach would have a Material Adverse Effect;
- (v) the Servicer fails to prepare and submit to the Manager in a timely fashion any information so required under the Transaction Documents and such failure will have a Material Adverse Effect and, if capable of remedy, is not remedied within 5 Business Days of notice delivered to the Servicer by the Trustee or the Manager;
- (vi) it is unlawful for the Servicer to perform any of its obligations under any Transaction Document;
- (vii) two consecutive Adverse Audit Reports are received in relation to the performance by the Servicer of its obligations under the Transaction Documents;
- (viii) any event has occurred which has a material adverse effect on the business of the Servicer and which has a Material Adverse Effect;
- (ix) the Servicer breaches its obligations in relation to the amendments to, and provision of copies of, the relevant Guidelines and such breach gives rise to a Rating Downgrade Event;
- (x) the Servicer fails to reset the variable rates on the Mortgage Loans as required under the Transaction Documents and such failure is not remedied within 5 Business Days (or such longer period as the Trustee may agree to) of notice delivered to the Servicer by the Trustee or the Manager; or

- (xi) any of the above occurs with respect to any other trust.

Following such action:

- (i) If a Servicer Transfer Event occurs and is subsisting, the Servicer immediately must deliver all Relevant Documents which it has in its possession to the Trustee, or as it directs. If the Servicer has not done so within 10 Business Days (or such longer period as the Trustee in its reasonable discretion permits) the Trustee must enter any premises where the Relevant Documents are kept, take possession of and remove the Relevant Documents. The Servicer shall assist in doing so and will take or perform any acts which the Trustee reasonably directs it to do in relation to the Trustee taking possession of and removing the Relevant Documents. If the Trustee does not have possession of all of the Relevant Documents within that period it may, to the extent that it has information available to it to do so, lodge caveats in relation to the Mortgage Loans and Mortgage Loan Rights for which it does not hold the Relevant Documents; and
- (ii) the Servicer must promptly transfer at its own cost to the Trustee or as the Trustee directs the relevant information in the Data Base held or maintained by the Servicer in relation to the Master Trust Deed, the Mortgage Loans or Mortgage Loan Rights.

No other person will be appointed to perform all or part of the obligations the Servicer has undertaken to perform in respect of the Trust or to service any of the Mortgage Loans which form part of the Assets of the Trust unless:

- (i) the Trustee has terminated the Servicer arrangements made under the Master Trust Deed in accordance with the relevant provisions of the Master Trust Deed; or
- (ii) the Servicer has retired in accordance with the Master Trust Deed as described below; and

in all circumstances that person must be an Eligible Servicer or the Trustee.

The Servicer indemnifies the Trustee against all costs and expenses incurred as a result of a:

- (i) Servicer Transfer Event;
- (ii) failure by the Servicer to perform its duties under the Master Trust Deed or any other Transaction Document;
- (iii) any failure to comply with any Laws where the Trustee considers that failure will have a Material Adverse Effect; or
- (iv) any error or omission in any instructions or information given by the Servicer to any other person where the Trustee considers that error or omission will have a Material Adverse Effect.

(h) **Retirement**

- (i) The Servicer shall not retire from its appointment under the Trust without first giving 180 days' notice to each Designated Rating Agency, the Manager and the Trustee. The Manager and the Trustee shall use reasonable endeavours to procure the appointment of a successor Servicer which is an Eligible Servicer. The Servicer shall assist the Manager and the Trustee in procuring such appointment if requested.

- (ii) When a notice of retirement is given, the Trustee and the Manager shall be entitled to appoint some other corporation to be the Servicer of the Trust on any terms the Trustee sees fit (including the amount of fee that would be payable to the successor Servicer at market rates) provided that the terms of that appointment will not give rise to a Rating Downgrade Event and that corporation is an Eligible Servicer.

(i) **Trustee to act as Servicer**

- (i) Pending appointment of a new Eligible Servicer following the retirement or removal of the Servicer as described in sections 8.4(g) and 8.4(h), the Trustee will act as Servicer and will be entitled to receive the relevant fee payable to the Servicer.
- (ii) In acting as Servicer as described above, the Trustee will not be responsible for, and will not be liable for, amongst other things, any inability to perform, or deficiency in performing, its duties and obligations as Servicer if the Trustee is unable to or is impaired in performing those duties and obligations due to:
  - A. a breach by the outgoing Servicer of its obligations or any fraud, negligence or wilful default on its part;
  - B. the state of affairs of the outgoing Servicer or its books and records of the state of any documents or files delivered by it to the Trustee; or
  - C. the Trustee is unable, after using reasonable endeavours, to obtain files, information and other materials from, or use or access the premises or systems of, the outgoing Servicer which it requires and which are reasonably necessary for it to perform those duties and obligations.

## **8.5 The Custodian**

### **Appointment of Custodian**

The Custodian is to receive and deal with the Relevant Documents solely on the terms of the Custodian Agreement, and subject to clause 3.1(e)(iii) of the Custodian Agreement, the Security Trust Deed.

### **Duties and standard of care**

The Custodian (in that capacity) holds the Relevant Documents as bailee only and not as trustee.

In performing its obligations and exercising its powers as custodian of the Relevant Documents, the Custodian undertakes:

- (a) to act honestly and in good faith, and to show the degree of care and diligence which would reasonably be required of an appropriately qualified custodian;
- (b) to hold, and account for, the Relevant Documents separate from any other assets or property owned, held or administered by it;
- (c) not to sell or otherwise dispose or part with possession of (except to the extent contemplated by the Custodian Agreement) or grant any Security Interest (other than in favour of the Security Trustee) over, any part of the Relevant Documents;
- (d) to keep and maintain a register of all Relevant Documents held by it together with all additions, substitutions or releases of Relevant Documents and the location of the Relevant Documents, and to make the register available for inspection by the

Trustee, the Security Trustee, each Approved Seller and any other person authorised in writing by the Trustee or the Security Trustee;

- (e) to receive and get in, hold, deal with and release the Relevant Documents in accordance with:
  - (i) the Custodian Procedures;
  - (ii) subject to the Custodian Procedures, clause 3.2 of the Custodian Agreement; and
  - (iii) any instructions of:
    - A. the Trustee; or
    - B. if advised by the Security Trustee in writing that the Security Trustee is enforcing the Security Trust Deed, the Security Trustee (instead of the Trustee);
- (f) to keep all Relevant Documents in a single fire safe, secure location approved by the Trustee, which approval shall not be unreasonably withheld;
- (g) to mark all boxes in which Relevant Documents are stored so as to distinguish them from boxes of any other documents kept at the location referred to in paragraph (f) and to keep the boxes in which the Relevant Documents are stored separate from any other boxes of documents kept at that location;
- (h) to grant access to the location referred to in paragraph (f) only to representatives of the Trustee or the Security Trustee and those persons nominated in writing by the Custodian and approved by the Trustee and the Manager, which approval shall not be unreasonably withheld; and
- (i) to provide to the Trustee or the Security Trustee promptly upon request such information about the Relevant Documents as either may require to take any action in accordance with the Custodian Agreement.

### **Fees and expenses**

The Custodian is entitled to a fee, inclusive of GST.

The Custodian shall be responsible for all costs and expenses of the Custodian performing its obligations under the Custodian Agreement.

### **Limitation of Liability**

The Custodian indemnifies the Trustee and the Security Trustee from and against any expense, loss, damage or liability which the Trustee or the Security Trustee may suffer or incur as a consequence of a Custody Transfer Event or a failure by the Custodian to perform its duties under the Custodian Agreement.

The Custodian shall not be liable under that indemnity:

- (a) in connection with anything done by it in good faith in reliance upon any document, form or list provided by or on behalf of the Trustee except when it has actual knowledge, or ought reasonably know, that the document, form or list is not genuine; or
- (b) if it fails to do anything because it is prevented or hindered from doing it by any Law.

In addition the Custodian is not liable:

- (a) for any loss, cost, liability or expense arising out of the exercise or non-exercise of a discretion by the Trustee or the act or omission of the Trustee except to the extent that it is caused by a breach by the Custodian of the Custodian Agreement, or the Custodian's own fraud, negligence or breach of duty; or
- (b) for any loss, cost, liability or expense caused by its failure to check any information, document, form or list supplied or purported to be supplied to it by the Trustee except to the extent that the loss is caused by a breach by the Custodian of the Custodian Agreement, or the Custodian's own fraud, negligence or breach of duty.

### **Retirement and Removal**

The Custodian may, with the consent of the Trustee and the Security Trustee, retire as custodian by giving not less than 90 days prior notice to the Trustee, the Manager, the Security Trustee and each Designated Rating Agency.

Following the occurrence of a Custody Transfer Event, the Trustee may, with the consent of the Security Trustee, remove the Custodian as custodian by giving not less than 10 days' prior notice to the Custodian.

The Trustee (at the direction of the Manager), following receipt of a notice of retirement or removal shall as soon as reasonably practicable to do so, appoint a new custodian acceptable to each Approved Seller, the Manager and the Security Trustee.

A new custodian appointed shall accept its appointment by execution and delivery of a deed in which it undertakes to act as custodian under the Custodian Agreement from the date on which the previous Custodian's retirement or removal takes effect as if it were a party to the Custodian Agreement. It will then become the Custodian, as if it were a party to the Custodian Agreement, on the date on which the previous Custodian's retirement or removal so takes effect.

A retirement takes effect on the later to occur of:

- (a) the retirement date specified in the notice; and
- (b) the execution and delivery by a replacement custodian of the deed.

A removal takes effect on the later to occur of:

- (a) the removal date specified in the notice; and
- (b) the execution and delivery by a replacement custodian of the deed.

## **8.6 Duration of the Trust**

The Trust shall continue until, and shall terminate on the later of:

- (a) the Termination Date for the Trust;
- (b) the date on which the provisions in section 8.7 have been satisfied; and
- (c) the date on which the Trustee ceases to hold any Trust Back Assets in relation to the Trust.

## **8.7 Termination and winding up of the Trust**

- (a) Subject to the terms of the Master Trust Deed and the Transaction Documents, immediately following the Termination Date of the Trust the Trustee at the direction of the Manager or the Unitholders, to the extent either has title to the Assets of the Trust following that Termination Date, must:

- (i) sell and realise the Assets of the Trust (having obtained appropriate expert advice prior to the sale of any Mortgage Loan or Mortgage Loan Security); and
  - (ii) so far as reasonably practicable and reasonably commercially viable, and subject to this section, complete the sale within 180 days after the Termination Date for the Trust.
- (b) Where People's Choice has a first right of refusal in relation to those Mortgage Loans or Mortgage Loan Securities under the terms of the Master Trust Deed, the Trustee or the Unitholders (as the case may be) must comply with those terms.
- (c) During the 180 day period after the Termination Date of the Trust, the Trustee or a Unitholder (as the case may be) must not (subject to paragraph (d)) and the Manager must not direct it to, sell any Mortgage Loans and the related Mortgage Loan Rights for an amount less than:
  - (i) in the case of Performing Mortgage Loans, their Unpaid Balance; or
  - (ii) in the case of Non-performing Mortgage Loans, their Fair Market Value.
- (d) The Trustee or a Unitholder (as the case may be) may not, and the Manager must not direct it to, at any time sell any performing Mortgage Loan for less than its Fair Market Value without the consent of, if any Notes have been issued, an Extraordinary Resolution of the relevant Noteholders and any other person as specified in the Series Notice.  
Any purported sale without that approval will be ineffective.
- (e) The Trustee or the Unitholders (as the case may be) must not, and the Manager must not direct it to, sell any performing Mortgage Loan and the related Mortgage Loan Rights for less than the Unpaid Balance of the performing Mortgage Loan without the consent of:
  - (i)
    - A. if the Invested Amount of each Note is greater than zero, and if any Notes have been issued, an Extraordinary Resolution of the relevant Noteholders; or
    - B. if the Invested Amount of each Note is zero, the relevant Unitholder; and
  - (ii) any other person as specified in the Series Notice.
 Any purported sale without that approval will be ineffective.
- (f) The provisions of the Master Trust Deed will continue to apply to the Trust for the period between the Termination Date of the Trust and the date on which the Assets of the Trust have been realised and distributed, notwithstanding the occurrence of the Termination Date.
- (g) Subject to the Security Trust Deed, the Manager must direct the Trustee or the Unitholders (as the case may be) to, and the Trustee or the Unitholders (as the case may be) must, pay or provide for all Taxes, Expenses, claims and demands due or incurred, or which the Trustee or the Unitholders (as the case may be) believes should be provided for, in connection with or arising out of the administration or winding up of the Trust, including the fees of any consultants or advisers employed in connection with the administration or winding up of the Trust.
- (h) The Manager shall direct the Trustee or the Unitholders (as the case may be) to distribute the proceeds of realisation of the Assets of the Trust (after deducting the amounts paid or provided for under paragraph (g)) in accordance with the cashflow

allocation methodology set out in the Series Notice and in accordance with any directions given to it by the Manager. The Trustee or the Unitholders (as the case may be) shall comply with that direction.

- (i) If all Notes relating to the Trust have been fully and finally redeemed and the Creditors paid in full, the Trustee must at the direction of the Manager distribute all or part of the Assets to the Unitholders (without recourse to the Trustee or the Unitholders (as the case may be) and without any representation or warranty by the Trustee or the Unitholders (as the case may be)).

## **8.8 Costs of winding up the Trust**

During the winding up of the Trust under section 8.7:

- (a) the Trustee shall be entitled to the continued payment of the Trustee's fee;
- (b) the Manager shall be entitled to the continued payment of the Manager's fee;
- (c) the Servicer shall be entitled to the continued payment of the Servicer's fee;
- (d) the Servicer in its capacity as Custodian shall be entitled to the continued payment of its fee for the performance of its duties and obligations under the Custodian Agreement; and
- (e) the Trustee or the Unitholders (as the case may be) and the Manager shall be entitled to reimbursement for all Expenses incurred, made or apprehended in relation to the Trust (including for these purposes all Taxes, costs, charges, expenses, claims and demands incurred, made or apprehended in connection with the winding up of the Trust).

## **8.9 Audit and Accounts**

The auditor of the Trust shall be a person nominated by the Manager (being a firm of chartered accountants some of whose members are Registered Company Auditors as defined in the Corporations Act 2001). The terms and conditions of the appointment of the auditor shall be agreed between the Trustee and the Manager. The auditor must audit the annual accounts prepared by the Manager within three months of the end of each financial year in respect of the Trust and provide a written report detailing the results of the audit to the Trustee, the Security Trustee and each Designated Rating Agency.

A copy of the audited accounts of the Trust and any Auditor's report shall be available for inspection, but not copying, by the Noteholders in relation to the Trust at the offices of the Manager.

## **8.10 Income Tax**

*The following is a summary of the material Australian tax consequences of the purchase, ownership and disposition of the Notes by Noteholders who purchase securities on original issuance at the stated offering price and hold the Notes as capital assets.*

*This summary represents the basis of Australian law as in effect on the date of this Information Memorandum, which is subject to change, possibly with retroactive effect and should be treated with appropriate caution.*

*The following summary is not, and is not intended to be, exhaustive and does not deal with the position of all classes of Noteholders (including, dealers in securities, custodians or other third parties who hold Notes on behalf of any Noteholders and RFS Noteholders).*

*None of the Parties accepts any responsibility or makes any representation as to the tax consequences of investing in the Notes.*

*In particular, an Australian resident in receipt of interest through a permanent establishment outside Australia or a non-Australian resident (other than a non-Australian resident in receipt of interest through a permanent establishment in Australia) who holds Notes may be subject to restrictions on transfer of Notes and other constraints, risk or liabilities.*

*Such persons into whose possession this Information Memorandum comes are required to inform themselves about, and observe, all such restrictions.*

### **The Trust will be subject to Australian tax**

The Trustee is entitled under current tax laws to deduct, against the Trust's income, all expenses incurred by it in deriving that income (including interest paid or accrued on account of the Notes). It is anticipated that there should not be any income of the Trust as at the end of each of the Trust's tax years in respect of which the Trustee could be personally liable for income tax (but rather the taxable income of the Trust is intended to be allocated to, and taxed in the hands of, People's Choice, as the Residual Income Unitholder of the Trust.)

### **Australian interest withholding tax**

Generally, payments of principal and interest on the Notes made by the Trustee to a Noteholder that is not a resident of Australia for Australian tax purposes (other than one deriving the interest in carrying on business in Australia at or through a permanent establishment in Australia) will not be subject to Australian taxes or duties other than IWT at a rate of 10% of the amount of an interest payment. However, interest withholding tax will not be payable if an exemption applies.

For interest withholding tax purposes, "interest" is defined to include amounts in the nature of, or paid in substitution for, interest and certain other amounts. Any premium or issue discount would be interest for these purposes.

There are also specific rules that can apply to treat a portion of the purchase price of the Notes as interest for interest withholding tax purposes when Notes that are originally issued at a discount, or with a maturity premium, or which do not pay interest at least annually, are sold by a Non-Resident (other than one holding the Notes as part of a business carried on by it at or through a permanent establishment in Australia) to:

- a resident of Australia for Australian tax purposes that does not acquire them in carrying on business at or through a permanent establishment in a country outside Australia; or
- a Non-Resident that acquires them in carrying on business in Australia at or through a permanent establishment in Australia.

An exemption from Australian interest withholding tax imposed under Division 11A of Part III of the 1936 Tax Act is available in respect of the Notes issued by the Trustee under section 128F of the 1936 Tax Act if the following conditions are met:

- (a) the Trustee is a company as defined in section 128F(9) (where the only person capable of benefiting under the trust is a company other than a company in the capacity of trustee) and is either a resident of Australia or a non-resident carrying on business at or through a permanent establishment in Australia when it issues those Notes and when interest (as defined in section 128A(1AB) of the 1936 Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;
- (b) those Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that the Notes are offered for issue. In summary, the five methods are:
  - (i) offers to 10 or more unrelated financiers or securities dealers;

- (ii) offers to 100 or more investors;
  - (iii) offers of listed Notes;
  - (iv) offers via publicly available information sources; and
  - (v) offers to a dealer, manager or underwriter who offers to sell those Notes within 30 days by one of the preceding methods;
- (c) the Trustee does not know, or have reasonable grounds to suspect, at the time of issue, that those Notes or interests in the Notes were being, or would later be, acquired, directly or indirectly by an Offshore Associate of the Trustee, other than in the capacity of a dealer, manager or underwriter in relation to the placement of the relevant Notes, or a clearing house, custodian, funds manager or responsible entity of a registered scheme (refer to section 128F(5) of the 1936 Tax Act); and
- (d) at the time of the payment of interest, the Trustee does not know, or have reasonable grounds to suspect, that the payee is an Offshore Associate of the Trustee, other than an Offshore Associate who receives the payment in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme (refer to section 128F(6) of the 1936 Tax Act).

#### *Offshore Associates*

Where, as in this case, the Trustee is a trustee of a trust, the entities that are associates of the Trustee for the purposes of section 128F of the 1936 Tax Act include:

- any entity that benefits, or is capable of benefiting, under the trust (**Beneficiary**), either directly or through any interposed entities; and
- any entity that is an associate of a Beneficiary. An associate of a Beneficiary for these purposes includes an entity which controls or is controlled by the Beneficiary and any trusts under which those entities benefit.

However, for the purposes of sections 128F(5) and (6) of the 1936 Tax Act (see paragraphs (c) and (d) above), an "Offshore Associate" means an "associate" of the Trustee (as defined in section 128F(9) of the 1936 Tax Act and as summarised above), where the "associate" is either:

- (a) a non-resident of Australia that does not acquire the Notes or an interest in Notes in carrying on a business at or through a permanent establishment of the associate in Australia; or
- (b) a resident of Australia that acquires Notes or an interest in Notes in carrying on a business in a country outside Australia at or through a permanent establishment of the associate in that country.

The purchase by an Offshore Associate of the Trustee in its capacity as trustee of any Notes could result in the entire issue failing the public offer test in section 128F of the 1936 Tax Act. Accordingly, the Notes should not be acquired by any Offshore Associate of the Trustee in its capacity as trustee of the Trust (except in the circumstances listed above).

The section 128F exemption also does not apply to interest paid by the Trustee to an Offshore Associate.

#### *Compliance with section 128F of the 1936 Tax Act*

The Trustee intends to issue the Notes in a manner which will satisfy the requirements of section 128F of the 1936 Tax Act.

### *Noteholders in Specified Countries*

The Australian Government has signed a number of new or amended double tax conventions (**Treaties**) with certain countries including the United States of America, the United Kingdom, Norway, Finland, France, Japan, South Africa, New Zealand, Switzerland and Germany (**Specified Countries**). The Treaties may apply to interest derived by a resident of a Specified Country in relation to a Note.

The Treaties effectively prevent withholding tax applying to interest derived by:

- (a) the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; and
- (b) certain unrelated banks, and financial institutions which substantially derive their profits by carrying on a business of raising and providing finance, which are resident in the Specified Country, and which are dealing wholly independently with the Trust,

by reducing the interest withholding tax rate to zero.

Under the Treaties, back-to-back loans and economically equivalent arrangements will not obtain the benefit of the reduction in interest withholding tax.

All Treaties listed above are currently in effect. The treatment of each Noteholder under a double tax treaty may differ as between particular countries' treaties and depending on the particular circumstances of each Noteholder. Therefore, each Noteholder will need to consider the specific terms of any applicable double tax treaty.

### **Other tax matters**

Under Australian laws as presently in effect:

- (a) *income tax - offshore Noteholders* - assuming the requirements of section 128F of the 1936 Tax Act are satisfied with respect to the Notes, payment of principal and interest to a holder of those Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes; and
- (b) *gains on disposal of Notes - offshore Noteholders* - a holder of the Notes, who is a non-resident of Australia will not be subject to Australian income tax or capital gains tax on gains realised during that year on sale or redemption of the Notes, provided such gains do not have an Australian source, or the non-resident does not hold the Notes in the course of carrying on business at or through a permanent establishment of the non-resident in Australia. A gain arising on the sale of Notes by a non-Australian resident holder to another non-Australian resident where the Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia would not be regarded as having an Australian source; and
- (c) *income tax - Australian Noteholders* - Australian residents or non-Australian residents that hold the Notes through a permanent establishment in Australia (**Australian Holders**), will be assessable for Australian tax purposes on income either received or accrued due to them. Whether income will be recognised on a cash receipts or accruals basis will depend upon the tax status of the particular Noteholder. Special rules apply to the taxation of Australian residents that hold the Notes in the course of carrying on business through a permanent establishment outside Australia, which may vary depending on the country in which that permanent establishment is located; and
- (d) *gains on disposal of Notes - Australian Noteholders* - Australian Holders will be required to include any gain or loss on disposal of the Notes in their taxable income.

Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which may vary depending on the country in which that permanent establishment is located; and

- (e) *death duties* - no Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death; and
- (f) *other withholding taxes on payments in respect of Notes* - section 12-140 of the Taxation Administration Act 1953 of Australia (**Taxation Administration Act**) imposes a type of withholding tax (currently at the rate of 47%), on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number (**TFN**), (in certain circumstances) an Australian Business Number (**ABN**) or proof of some other exception (as appropriate). (Note that the tax rate of 47% is expected to increase to 47.5% from 1 July 2019 as a result of the introduction of an increase to the Medicare levy.) Assuming the requirements of section 128F of the 1936 Tax Act are satisfied with respect to the Notes, the requirements of section 12-140 should not apply to payments to a holder of those Notes who is not a resident of Australia and not holding those Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of Notes may be subject to a withholding where the holder of those Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate); and
- (g) *ABN withholding tax* - payments in respect of the Notes can be made free and clear of the "ABN withholding tax" imposed under section 12-190 of the Taxation Administration Act; and
- (h) *debt/equity rules* - Division 974 of the Income Tax Assessment Act 1997 (Cth) (the **1997 Tax Act**) contains tests for characterising debt (for all entities) and equity (for companies) for Australian tax purposes, including for the purposes of dividend withholding tax and interest withholding tax. As the Trust is not a company, the "equity test" could not apply to re-characterise the Notes as equity. As such, returns paid on the Notes should be "interest" for the purpose of section 128F of the 1936 Tax Act. Accordingly, Division 974 will not affect the Australian tax treatment of holders of Notes.

### **Thin capitalisation**

The thin capitalisation rules (contained in Division 820 of the 1997 Tax Act) deal with Australian resident groups and other Australian resident entities with overseas operations, where the relevant Australian resident entities are deemed to have excessive debt.

Under section 820-39 of the 1997 Tax Act certain bona fide securitisation vehicles are exempt from the thin capitalisation rules. An entity will fall within the exemption where the following conditions are met:

- (a) the entity is established for the purpose of managing some or all of the economic risk associated with assets, liabilities or investments (whether the entity assumes the risk from another entity or creates the risk itself);
- (b) at least 50% of the entity's assets are funded by debt interests; and
- (c) the entity is an insolvency remote special purpose entity according to the criteria of an internationally recognised rating agency applicable to the entity's circumstances.

The Trust is expected to satisfy the above conditions (and thus be exempt from the thin capitalisation rules).

## **Tax Consolidation Rules**

The tax consolidation rules establish a system of tax consolidation of wholly owned groups of companies and trusts.

Under the tax consolidation rules, the Trust will not form part of a consolidatable group (and, as such, the consolidation rules will not adversely apply to it or the Trustee). The Trust will not constitute a head company for consolidation purposes (as the Trust is not a company). The Trust will not constitute an Australian subsidiary member, as no entity owns all the beneficial interests in the Trust.

## **Impact of GST Grouping**

The Trust may become a member of the GST group of which PCCU is the representative member. If that occurs, supplies and acquisitions between members of that GST group will be effectively disregarded for GST purposes. Supplies and acquisitions which will be effectively disregarded for GST purposes on the basis of grouping include supplies made by the Manager and the Servicer to the Trust (whilst they are all members of that GST group).

An additional effect of grouping for GST is that the GST in respect of any taxable supplies made by members of the GST group is payable by the representative member of that group. Where the Trust joins the GST group of which PCCU is a representative member, PCCU will be liable to pay the GST on any taxable supply made by the Trust while it is a member of that GST group.

Notwithstanding the obligations on the representative member to pay GST as outlined above, members of a GST group are jointly and severally liable to pay any indirect tax amount that is payable by a representative member under an indirect tax law unless the members of a GST group enter into an indirect tax sharing agreement that complies with section 444-90 of Schedule 1 to the Taxation Administration Act 1953 (Cth). Where a valid indirect tax sharing agreement is in place, the liability of a particular member of the group to pay an indirect tax amount is limited to a "contribution amount" determined under the indirect tax sharing agreement.

The GST group of which PCCU is representative member has an indirect tax sharing agreement in place and the Trustee will accede to that indirect tax sharing agreement if it becomes a member of that GST group.

## **Non-resident withholding tax**

The tax legislation contains certain obligations to withhold an amount in respect of certain payments and non-cash benefits that are made to foreign residents. These rules apply to "payments" as prescribed by regulations. Regulations introduced to date (covering casino gaming junket arrangements, entertainment and sports activities and construction contracts) will not affect the Trust. This is consistent with the non-resident withholding provisions which provide that the regulations will not apply to interest and other payments which are already subject to the current withholding tax rules.

Furthermore, regulations may only be made where the Minister is satisfied that the payment could reasonably be related to assessable income of foreign residents.

Accordingly, the regulations should not apply to repayments of principal under the Notes as such amounts will generally not be reasonably related to assessable income of foreign residents.

## **8.11 Amendments to the Master Trust Deed or the Series Notice**

The Trustee, the Manager and the Servicer may by way of supplemental deed alter, add to or modify the Master Trust Deed or the Series Notice so long as such alteration, addition or modification is:

- (a) to correct a manifest error or ambiguity or is of a formal, technical or administrative nature only;
- (b) necessary to comply with the provisions of any statute or regulation or with the requirements of any government agencies;
- (c) appropriate or expedient as a consequence of an amendment to any statute or regulation or altered requirements of any government agencies;
- (d) in the reasonable opinion of the Trustee, the Manager and the Servicer desirable to enable the provisions of the Master Trust Deed to be more conveniently, advantageously, profitably or economically administered or is otherwise desirable for any reason; or
- (e) not prejudicial or likely to be prejudicial to the interests of the Creditors of the Trust and provided that the amendment has been the subject of a Rating Notification.

Where in the opinion of the Trustee a proposed alteration, addition or modification to the Master Trust Deed is prejudicial or likely to be prejudicial to the interests of the Noteholders or a Class of Noteholders or the Unitholders of the Trust, such alteration, addition or modification may only be effected by the Trustee with the prior consent of the Noteholders or a Class of Noteholders (as the case may be) under an Extraordinary Resolution of the Noteholders or a Class of Noteholders (as the case may be) or with the prior written consent of the Unitholders (as the case may be).

## **8.12 Meetings of Noteholders**

### **Who can convene meetings**

The Trustee or the Manager may at any time convene a meeting of the Noteholders of the Trust or Class of Noteholders of the Trust.

Noteholders of the Trust or a Class of Noteholders holding in aggregate not less than 5% of the Invested Amounts of all Notes issued by the Trust or in that Class, may at any time convene a meeting of the Noteholders of the Trust or Class, as the case may be.

### **Meetings by instantaneous communication technology**

The Noteholders may meet together either in person or by the use of the following technology:

- (a) video;
- (b) telephone;
- (c) electronic mail;
- (d) any other form of instantaneous communication technology which permits each Noteholder to communicate with every other Noteholder; or
- (e) any combination of the technologies described in the above paragraphs.

Where the Noteholders are not all in attendance at one place and are holding a meeting using technology described in paragraph (a) above and each Noteholder can communicate with the other Noteholders:

- (a) the participating Noteholders shall, for the purpose of the Master Trust Deed concerning meetings of the Noteholders, be taken to be assembled together at a meeting and to be present at that meeting; and
- (b) all proceedings of those Noteholders conducted in that manner shall be as valid and effective as if conducted at a meeting at which all of them were present.

## **Notice of meetings**

At least 5 Business Days' notice (inclusive of the day on which the notice is given and of the day on which the meeting is held) must be given to the relevant Noteholders of a meeting unless 95% of the holders of the then outstanding Notes of the Trust or the Class (as the case may be) agree on a shorter period of time.

The notice must specify the day, time and place of the proposed meeting, the agenda, the terms of any proposed resolution, that persons appointed to maintain the Register of Noteholders for the purpose of determining those entitled to attend may not register any transfer of a Note in the period of 2 Business Days prior to the meeting, that appointments of proxies must be lodged no later than 24 hours prior to the time fixed for the meeting and such additional information as the person giving the notice thinks fit.

Accidental omission to give notice or the non-receipt of notice by any Noteholder will not invalidate the proceedings at any meeting.

## **Quorum**

At any meeting any two or more persons present in person being Noteholders holding, or Representatives holding or representing, in the aggregate not less than 67% of the Invested Amounts of all Notes issued in relation to the Trust or constituting the Class (as the case may be) and then outstanding shall form a quorum for the transaction of business.

No business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

## **Voting Procedures**

Every resolution submitted to a meeting will be decided in the first instance by show of hands and, in case of equality of votes, the chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he or she may be entitled as a Noteholder or as a Representative.

At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded, a declaration by the chairman that a resolution has been carried by a particular majority or lost or not carried by any particular majority is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

If at any meeting a poll is demanded by the chairman, the Trustee or the Manager or by one or more persons being Noteholders holding, or being Representatives holding or representing, in aggregate not less than 2% of the Notes issued by the Trust or constituting the Class (as the case may be) and then outstanding, it shall be taken in such manner and (subject to this section) either at once or after such an adjournment as the chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

Any poll demanded at any meeting on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment.

At any meeting:

- (a) on a show of hands, every person present being a Noteholder holding, or being a Representative holding or representing, then outstanding Notes issued by the Trust shall have one vote; and
- (b) on a poll, every person present shall have one vote for each Note issued by the Trust and then outstanding that he or she holds or in respect of which he or she is a

Representative as stated in the Register at the date the notices are dispatched to Noteholders for the meeting.

Any person entitled to more than one vote need not use all his or her votes or cast all his or her votes to which he or she is entitled in the same way.

### **Powers of a Meeting of Noteholders**

The powers of a meeting of Noteholders exercisable by Extraordinary Resolution are specified in the Master Trust Deed (including to sanction action which the Trustee, Manager or Servicer propose to take to enforce the provisions of any Transaction Document relating to the Trust, and (subject to the rights of the Support Facility Providers) to consent to the amendment of Transaction Documents proposed by the Trustee or the Manager).

A meeting of Noteholders does not have the power to:

- (a) remove the Servicer or the Manager from office;
- (b) interfere with the management of the Trust;
- (c) wind up or terminate the Trust;
- (d) alter the Authorised Investments of the Trust;
- (e) amend any Transaction Document (except to consent to amendments as described above); or
- (f) alter the Payment Dates, the Margin, or other terms of the Series Notice (other than to sanction the exchange or substitution of Notes for, or the conversion of Notes into, other obligations or securities).

### **Binding Resolutions**

An Extraordinary Resolution passed at a meeting duly convened and held shall be binding on all the Noteholders of the Trust or of the Class whether or not present at such meeting.

### **Written Resolutions**

A resolution of the Noteholders of the Trust or any Class (including an Extraordinary Resolution) may be passed, without any meeting or previous notice being required, by an instrument in writing which has in the case of a resolution (including an Extraordinary Resolution) of the Noteholders of the Trust or any Class, been signed by all Noteholders of the Trust or the Class (as the case may be) when presented to the Trustee for entry into the records.

## **8.13 Liability of Trustee limited to its right of indemnity**

- (a) The Trustee enters into each Transaction Document only in its capacity as trustee of the Trust and in no other capacity. Notwithstanding any other provisions of any Transaction Document, a liability arising under or in connection with any Transaction Document is limited to and can be enforced against the Trustee only to the extent to which it can be satisfied out of the Assets of the Trust out of which the Trustee is actually indemnified for the liability. This limitation of the Trustee's liability applies despite any other provision of any Transaction Document and extends to all liabilities and obligations of the Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to any Transaction Document or the Trust.
- (b) The parties other than the Trustee may not sue the Trustee in any capacity other than as trustee of the Trust, including seek the appointment of a receiver (except in relation to the Assets of the Trust), a liquidator, an administrator or any similar

person to the Trustee or prove in any liquidation, administration or arrangement of or affecting the Trustee (except in relation to the Assets of the Trust).

- (c) The provisions of this section 8.13 shall not apply to any obligation or liability of the Trustee to the extent that it is not satisfied because under a Transaction Document or by operation of law there is a reduction in the extent of the Trustee's indemnification out of the Assets of the Trust, as a result of the Trustee's fraud, negligence or wilful default in relation to the Trust.
- (d) It is acknowledged that the Relevant Parties of the Trust are responsible under the Transaction Documents for performing a variety of obligations relating to the Trust. No act or omission of the Trustee (including any related failure to satisfy its obligations or breach of representation or warranty under any Transaction Document) will be considered fraud, negligence or wilful default of the Trustee for the purpose of paragraph (c) of this section 8.13 to the extent to which the act or omission was caused or contributed to by any failure by any Relevant Party or any other person to fulfil its obligations relating to the Trust or by any other act or omission of any Relevant Party or any other person.
- (e) No attorney, agent, delegate, receiver or receiver and manager appointed in accordance with a Transaction Document has authority to act on behalf of the Trustee in a way which exposes the Trustee to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of the Trustee for the purpose of paragraph (c) of this section 8.13.
- (f) The Trustee is not obliged to do or refrain from doing anything under any Transaction Document (including incur any liability) unless the Trustee's liability is limited in the same manner as set out in this section 8.13.

#### **8.14 Trustee's right of indemnity**

- (a) People's Choice indemnifies the Trustee in relation to the Trust, free of any set off or counterclaim, against all Title Penalty Payments which the Trustee is required to pay personally or in its capacity as trustee of the Trust in performing any of its duties or exercising any of its powers under a Transaction Document in relation to the Trust.
- (b) In this section 8.14, **Title Penalty Payment**, in relation to an Asset of the Trust, means:
  - (i) any civil or criminal penalty incurred by the Trustee under;
  - (ii) any money to be paid by the Trustee in relation to any claim against the Trustee under; or
  - (iii) a payment by the Trustee, with the consent of the Manager (such consent not to be unreasonably withheld). in settlement of a liability or alleged liability under,

the Consumer Credit Legislation or any Verification of Identity Principles and includes any legal costs incurred by the Trustee or which the Trustee is to pay (in each case charged at the usual commercial rates of the relevant legal services provider) in connection with paragraphs (i) to (iii) above.

#### **8.15 Security Interest**

Under the Security Trust Deed, the Trustee has granted a security interest, to be registered on the Personal Property Securities Register, over all of the present and future Assets of the Trust and undertakings of the Trust (except as specifically described in the Security Trust Deed) in favour of the Security Trustee as trustee for the Chargees.

The Chargees are the Security Trustee (in relation to its rights under the Security Trust Deed), the Noteholders (in relation to its rights under the Class of Notes held by them), each Approved Seller (in relation to any relevant Accrued Interest Adjustment), People's Choice (in relation to any Redraws), the Trustee (in relation to its rights as Trustee under the Transaction Documents), the Manager (in relation to its rights as Manager under the Transaction Documents), the Servicer (in relation to its rights as Servicer under the Transaction Documents), any Dealer (in relation to its rights as Dealer under the Transaction Documents), the Extraordinary Expenses Reserve Lender (in relation to the outstanding Extraordinary Expenses Reserve Loans made by it), any Support Facility Provider (in relation to its rights under each Support Facility (other than a Mortgage Insurance Policy) to which it is a party) and any swap provider under a Hedge Agreement (in relation to its rights under that Hedge Agreement) and the Standby Swap Provider.

However, security interest is subject to the Trustee's right of indemnity under the Master Trust Deed in respect of liabilities incurred from (and its security interests over) the assets of the Trust in respect of the Expenses due to the Trustee in relation to the Trust.

## 8.16 Security Trustee

The Security Trustee is appointed to act as trustee on behalf of the Chargees on the terms and conditions of the Security Trust Deed. It holds the benefit of the charge, the secured property and the benefit of each of the Transaction Documents to which it is a party on trust for each Chargee in accordance with the terms and conditions of the Security Trust Deed.

The Security Trustee shall, as regards the exercise of all discretion vested in it by the Transaction Documents, except where expressly provided otherwise, have regard to the interest of the Chargees.

If there is at any time, with respect to enforcement, a conflict between a duty owed by the Security Trustee to any Chargee or class of Chargees, and a duty owed by it to another Chargee or class of Chargees, the Security Trustee must give priority to the interests of the Voting Chargees.

Provided that the Security Trustee acts in good faith, it shall not incur any liability to any Chargee for so doing.

## 8.17 Events of Default

Each of the following is an Event of Default (whether or not it is within the control of the Trustee) in relation to the Trust:

- (a) **(Failure to pay)** The Trustee fails to pay:
  - (i) any Coupon Entitlement in respect of the then most senior ranking Class of Notes outstanding determined by reference to the order of priority for distribution of Total Available Income as described in section 6.11(a) within 10 days of the Payment Date on which the Coupon Entitlement was due to be paid, together with all interest accrued and payable on that Coupon Entitlement; or
  - (ii) any other Secured Moneys ranking equally or in priority to the Notes referred to in sub-paragraph 8.17(a)(i) above within 10 days of the due date for payment (or within any longer grace period agreed with the Voting Chargees).
- (b) **(Breach of obligation)** The Trustee fails to perform or observe any other provisions (other than an obligation referred to in paragraph (a)) of the Security Trust Deed or a Transaction Document where such failure will have an Adverse Payment Effect (excluding for the purposes of this paragraph (b), an Adverse Payment Effect in respect of a Support Facility Provider (other than People's Choice and the Support Facility Providers for Enhancement) who ranks below the then

most senior ranking Class of Notes) and that default (if in the opinion of the Security Trustee is capable of remedy) is not remedied within 10 Business Days after written notice (or such longer period as may be specified in the notice) from the Security Trustee requiring the failure to be remedied.

- (c) **(Misrepresentation)** A representation or warranty by or on behalf of the Trustee in a Transaction Document is not true in a material respect or is misleading in a material respect when made or repeated and is likely to have an Adverse Payment Effect (excluding for the purposes of this paragraph (c), an Adverse Payment Effect in respect of a Support Facility Provider (other than People's Choice and the Support Facility Providers for Enhancement) who ranks below the then most senior ranking Class of Notes) and that default (if in the opinion of the Security Trustee is capable of remedy) is not remedied within 10 Business Days after written notice (or such longer period as may be specified in the notice) from the Security Trustee requiring the failure to be remedied.
- (d) **(Insolvency)** An Insolvency Event occurs in relation to the Trustee in its capacity as Trustee. So long as the Trustee is replaced within 60 days after the Manager becomes aware of that occurred in accordance with section 8.1(h), the occurrence of an Insolvency Event in respect of the Trustee in its personal capacity will not constitute an Event of Default.
- (e) **(Security interest)** The security interest under clause 3.1 of the Security Trust Deed is not or ceases to be valid and enforceable or the Trustee breaches the terms in clause 4.3(a)(i) of the Security Trust Deed where such breach will have an Adverse Payment Effect (where the words "allow to exist" in clause 4.3(a)(i) shall be interpreted as allowing a Security Interest to exist for a period of time of more than 10 Business Days).
- (f) **(Enforcement of Security Interest)** Any Security Interest over the Assets of the Trust is enforced.
- (g) **(Vitiation of Transaction Documents)**
  - (i) All or any part of any Transaction Document (other than the Dealer Agreement, the Custodian Agreement, the Redraw Facility Agreement, the Basis Swap or any Enhancement) is terminated or is or becomes void, illegal, invalid, unenforceable or of limited force and effect; or
  - (ii) a party becomes entitled to terminate, rescind or avoid all or part of any Transaction Document (other than the Dealer Agreement, the Custodian Agreement, the Redraw Facility Agreement, the Basis Swap or any Enhancement) (except where that party waives its right to terminate, rescind or avoid the relevant Transaction Documents),

and in each case such event is likely to have an Adverse Payment Effect (excluding for the purposes of this paragraph (g), an Adverse Payment Effect in respect of a Support Facility Provider (other than People's Choice and the Support Facility Providers for Enhancement) who ranks below the then most senior ranking Class of Notes).

- (h) **(Trust)** Without the prior consent of the Security Trustee:
  - (i) the Trust is wound up, or the Trustee is required to wind up the Trust under the Master Trust Deed or applicable law, or the winding up of the Trust commences;
  - (ii) the Trust is held or is conceded by the Trustee not to have been constituted or to have been imperfectly constituted; or
  - (iii) unless another trustee is contemporaneously and immediately appointed to the Trust under the Transaction Documents, the Trustee

ceases to be authorised under the Trust to hold the property of the Trust in its name and to perform its obligations under the Transaction Document.

The Trustee and the Manager must promptly notify the Chargees, the Security Trustee and each Designated Rating Agency and each other if, to the knowledge of its officers who are responsible for the administration of the Trust if it becomes aware of the occurrence of an Event of Default, Trustee's Default, Servicer Transfer Event, Custody Transfer Event (as defined in the Custodian Agreement), Title Perfection Event or Manager's Default (as the case may be).

At any time after an Event of Default occurs, the Security Trustee may:

- (i) declare security interest granted under the Security Trust Deed immediately enforceable;
- (ii) declare the Secured Moneys immediately due and payable;
- (iii) give a notice crystallising the security interest granted under the Security Trust Deed in relation to any or all of the circulating assets under the Security Trust Deed;
- (iv) appoint a Receiver over the Assets of the Trust, or exercise the powers that a Receiver would otherwise have if appointed under the Security Trust Deed; and/or
- (v) take any other action if so directed by a Chargee Extraordinary Resolution of the Voting Chargees.

However, the Security Trustee may not take any action referred to in (a) to (d) above (inclusive) unless directed to do so by a Chargee Extraordinary Resolution of the Voting Chargees or unless in the opinion of the Security Trustee it is necessary to do so to protect the interests of the Chargees (including the Security Trustee in its personal capacity).

Importantly, except as provided in the Security Trust Deed, the powers, rights and remedies conferred on the Security Trustee are exercisable by the Security Trustee only, and no Chargee is entitled without the written consent of the Security Trustee to exercise the same or any of them. Without limiting the generality of the foregoing, no Chargee is entitled to enforce security interest or the provisions of the Security Trust Deed or to appoint or cause to be appointed a Receiver to any of the Collateral or otherwise to exercise any power conferred by the terms of any applicable law on chargees except as provided in the Security Trust Deed.

## **8.18 Enforcement**

- (a) The Security Trustee must, on becoming actually aware of an event of default occurring, promptly convene a meeting of the Voting Chargees at which it shall seek directions from the Voting Chargees by way of a Chargee Extraordinary Resolution of the Voting Chargees regarding the action it should take including, amongst other things, whether to appoint a receiver over the Assets of the Trust.
- (b) The Security Trustee shall take all action necessary to give effect to any Chargee Extraordinary Resolution of the Voting Chargees and shall comply with all directions contained in or given pursuant to any Chargee Extraordinary Resolution of the Voting Chargees.
- (c) The obligation of the Security Trustee under paragraph (b) is subject to:
  - (i) the Security Trust Deed; and

- (ii) the Security Trustee being adequately indemnified from the property held on trust under the terms of the Security Trust Deed or the Security Trustee receiving from the Voting Chargees an indemnity in a form reasonably satisfactory to the Security Trustee (which may be by way of a Chargee Extraordinary Resolution of the Voting Chargees) against all actions, proceedings, claims and demands to which it may render itself liable, and all costs, charges, damages and expenses which it may incur, in giving effect to a Chargee Extraordinary Resolution of the Voting Chargees.

The Security Trustee shall first claim on its indemnity from the property held on trust under the terms of the Security Trust Deed before it claims on any indemnity from the Chargees.

- (d) If the Security Trustee becomes bound to take steps and/or proceed under the Security Trust Deed and it fails to do so within a reasonable time and such failure is continuing, the Voting Chargees may exercise such powers as they determine by Chargee Extraordinary Resolution and then only if and to the extent the Voting Chargees are able to do so under Australian law.
- (e) Where a direction has been given to the Security Trustee to act and the Security Trustee does not act due to the Voting Chargees refusing to grant the requested indemnity and put the Security Trustee in funds, then the Security Trustee will not be obliged to act in relation to that enforcement. In those circumstances, the Voting Chargees may exercise such powers as they determine by Chargee Extraordinary Resolution.
- (f) The Security Trustee and the Trustee may with the written approval of the Manager, by way of supplemental deed alter, add to or modify the Security Trust Deed so long as such alteration, addition or modification has the benefit of a Rating Notification and is:
  - (i) to correct a manifest error or ambiguity or is of a formal, technical or administrative nature only;
  - (ii) in the opinion of the Security Trustee necessary to comply with the provisions of any law or regulation or with the requirements of any Government Agency;
  - (iii) in the opinion of the Security Trustee appropriate or expedient as a consequence of an amendment to any law or regulation or altered requirements of any Government Agency;
  - (iv) in the opinion of only the Manager, desirable to enable the provisions of the Security Trust Deed to be more conveniently, advantageously, profitably, or economically administered or is otherwise desirable for any reason; or
  - (v) in the opinion of the Security Trustee and in accordance with the Security Trust Deed neither prejudicial nor likely to be prejudicial to the interest of the Chargees as a whole or any class of Chargee.
- (g) Where in the opinion of the Security Trustee a proposed alteration, addition or modification to the Security Trust Deed is prejudicial or likely to be prejudicial to the interest of Chargees as a whole or any class of Chargees (including a Support Facility Provider), the Security Trustee, the Trustee and the Manager may only make such alteration, addition or modification if sanctioned by a Chargee Extraordinary Resolution of the Voting Chargees (in the case of prejudice or likely prejudice to the interests of Chargees as a whole) or that class of Chargees (or that Support Facility Provider as applicable).

- (h) The Security Trustee may (with the prior written consent of the Voting Chargees) agree, on any terms and conditions as it may deem expedient, having first given notice to each Designated Rating Agency, but without the consent of the other Chargees and without prejudice to its rights in respect of any subsequent breach, to any waiver or authorisation of any breach or proposed breach of any of the terms and conditions of the Transaction Documents or any of the provisions of the Security Trust Deed which is not, in the reasonable opinion of the Security Trustee, materially prejudicial to the interests of the Chargees and may determine that any event that would otherwise be an Event of Default shall not be treated as an Event of Default for the purpose of the Security Trust Deed.

No such waiver, authorisation or determination shall be made in contravention of any directions contained in a Chargee Extraordinary Resolution of Voting Chargees.

Any such waiver, authorisation or determination shall, if the Security Trustee so requires, be notified to the Voting Chargees by the Manager as soon as practicable thereafter in accordance with the Security Trust Deed.

## **8.19 Priorities under the Security Trust Deed**

Subject to section 8.15, the proceeds from the enforcement of the security interest granted under the Security Trust Deed are to be applied in the following order of priority, subject to any other priority which may be required by statute or law:

- (a) first, to the extent required by law, to pay the holder of any prior ranking Security Interest over Assets of the Trust of which the Security Trustee has notice, the amount properly secured by the Security Interest;
- (b) second, to pay (pari passu and rateably):
- (i) all costs, charges, expenses and disbursements properly incurred in the exercise of any power by the Security Trustee, a Receiver or an Attorney or other amounts payable to the Security Trustee under the Security Trust Deed;
  - (ii) any fees due to the Security Trustee;
  - (iii) any fees, and unpaid Expenses, due to the Trustee; and
  - (iv) the Receiver's remuneration;
- (c) third, to pay any unpaid Accrued Interest Adjustment due to an Approved Seller;
- (d) fourth, all Secured Moneys owing to the Support Facility Providers (including any break costs in respect of an Interest Rate Swap in respect of Purchased Mortgage Loans which have been prepaid or which have been Charged Off and which has not previously been paid, but only to the extent of Break Payments that have been received by the Trustee) (except in respect of any Enhancement and except in respect of any amounts owing to a Swap Provider where that Swap Provider is the Defaulting Party under the relevant Hedge Agreement);
- (e) fifth, to pay (pari passu and rateably):
- (i) all Secured Moneys owed by the Trustee to the RFS Noteholders;
  - (ii) all Secured Moneys owed by the Trustee to the Class A1 Noteholders; and
- (f) sixth, to pay all Secured Moneys owed by the Trustee to the Class A2 Noteholders;

- (g) seventh, to pay all Secured Moneys owed by the Trustee to the Class AB Noteholders;
- (h) eighth, to pay all Secured Moneys owed by the Trustee to the Class B Noteholders;
- (i) ninth, to pay all Secured Moneys owed by the Trustee to the Class C Noteholders;
- (j) tenth, to pay all Secured Moneys owed by the Trustee to the Class D Noteholders;
- (k) eleventh, to the Extraordinary Expenses Reserve Lender towards repayment of outstanding Extraordinary Expenses Reserve Loans;
- (l) twelfth, to pay (pari passu and rateably):
  - (i) any amounts not covered above or below owing to any Chargee under any Transaction Document including any amounts owing to a Swap Provider where that Swap Provider is the Defaulting Party under the relevant Hedging Agreement;
  - (ii) to the relevant Interest Rate Swap Provider any break costs in respect of an Interest Rate Swap in respect of Purchased Mortgage Loans to the extent not covered by sub-paragraph 8.19(d);
- (m) thirteenth, to pay the holder of any subsequent Security Interest over Assets of the Trust of which the Security Trustee has notice the amount properly secured by the Security Interest; and
- (n) fourteenth, to pay any surplus to the Trustee to be distributed in accordance with the Master Trust Deed.

The surplus will not carry interest. If the Security Trustee pays the surplus to the credit of an account in the name of the Trustee with any bank carrying on business in Australia, the Security Trustee, Receiver, Chargee or Attorney (as the case may be) will be under no further liability in respect of it.

Any Collateral provided to the Trustee as collateral by a Support Facility Provider pursuant to a Support Facility will not be available for distribution in accordance with the priority of payments set out above following the enforcement of the security interest. Any such collateral or amount (as the case may be) shall be returned to the relevant Support Facility Provider except to the extent that the relevant Support Facility requires it to be applied to satisfy any obligation owed to the Trustee by the Support Facility Provider.

## **8.20 Security Trustee fee and expenses**

The Trustee shall reimburse the Security Trustee for all costs and expenses of the Security Trustee properly incurred in acting as Security Trustee.

The Trustee indemnifies the Security Trustee against any loss, cost, liability, expense or damage under or in relation to the Transaction Documents, except to the extent that they arise from the Security Trustee's fraud, negligence or wilful default.

## **8.21 Retirement and removal**

The Security Trustee may retire, subject to the Transaction Documents to which it is a party and the appointment of a successor Security Trustee as provided in the Security Trust Deed, at any time upon giving not less than 3 months' notice (or such shorter period as the parties may agree) in writing to the Trustee, the Manager and each Designated Rating Agency without assigning any reason and without being responsible for any costs occasioned by such retirement.

The Security Trustee may be removed, subject to the Transaction Documents to which it is a party and the appointment of a successor Security Trustee as provided in the Security Trust Deed:

- (a) by the Manager if any of the following occurs in relation to the Security Trustee:
  - (i) an Insolvency Event occurring in relation to the Security Trustee in its personal capacity;
  - (ii) the cessation by the Security Trustee of its business; or
  - (iii) the Security Trustee fails to comply with any of its obligations under any Transaction Document and such action has had, or, if continued will have, a Material Adverse Effect, and, if capable of remedy, that failure is not remedied within 10 Business Days; or
- (b) at any time by Chargee Extraordinary Resolution of the Voting Chargees.

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## 9. SELLING RESTRICTIONS

### 9.1 General

Each Dealer represents, warrants and agrees that it will:

- (a) observe all applicable laws and regulations in any jurisdiction in which it may offer, sell, or deliver Notes for which it has an allocation (including those set out in this section (as amended from time to time by agreement between the Trustee (at the direction of the Manager) and the Dealers); and
- (b) not directly or indirectly offer, sell, resell, re-offer or deliver Notes for which it has an allocation or distribute the Information Memorandum or any Offer Material in any country or jurisdiction except under circumstances that will result in compliance by it and the Trustee with all applicable laws and regulations and not require lodgement or registration of any disclosure document.

The Dealers will have allocations for all Notes.

### 9.2 Australia

- (a) Each Dealer acknowledges that:
  - (i) no offering circular, prospectus or other disclosure document in relation to any Notes has been lodged with the Australian Securities and Investments Commission or ASX Limited;
  - (ii) none of the Trustee, the Manager or the Approved Sellers has or will take any action or seek any Authorisation to enable the offer or sale of any Notes, or the distribution of the Information Memorandum or Offer Material relating to the Notes, in any other jurisdiction;
- (b) Each Dealer has agreed not to offer for issue, or invite applications for the issue of any Notes or offer any Notes for sale or invite offers to purchase any Notes to a person:
  - (i) where the offer or invitation is received by that person in Australia, unless the minimum amount payable for those Notes (as determined under sections 10 to 17 of the Corporations Act) on acceptance of the offer by that person is at least A\$500,000 or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act;
  - (ii) who is a "retail client" within the meaning of section 761G of the Corporations Act; and
  - (iii) directly or indirectly:
    - A. offer for subscription or purchase, or issue invitations to subscribe for or buy, or sell or deliver any Notes; or
    - B. distribute this Information Memorandum, any prospectus, circular, advertisement or any other offering or other material issued by or on behalf of that Dealer, the Manager or the Trustee, relating to any Notes,

in any jurisdiction outside Australia except in accordance with all laws applicable in that jurisdiction.

- (c) Each Dealer represents, warrants and agrees that:
- (i) no Notes are to be offered, issued or sold to a person who is in the United States or to any U.S. Person (each term as defined in the Securities Act of 1933 of the United States (the **Securities Act**)), or who is acting for the account or benefit of such a person, except in accordance with Regulation S of the Securities Act;
  - (ii) subject to sub-paragraph (i), each Dealer must observe applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Notes for which it has an allocation;
  - (iii) subject to sub-paragraph (i), no Dealer may directly or indirectly, offer, sell or deliver Notes or distribute any Information Memorandum or any Offer Material relating to the Notes in any jurisdiction except under circumstances that result in compliance with any applicable Authorisations, law and regulations; and
  - (iv) the Trustee and the Manager require each Dealer to act in good faith and with a view to achieving an efficient and effective distribution of the Notes for which it has an allocation.

### 9.3 United States

Each Dealer acknowledges that the Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act.

Without limiting the paragraph above, each Dealer represents and agrees that it has not offered and sold and will not offer and sell Notes in the United States or to, or for the account or benefit of, U.S. persons:

- (a) as part of their distribution at any time; or
- (b) otherwise until 40 days after the completion of the distribution of the Notes (as determined and notified to the Dealers by the Trustee following notification by each Dealer to the Trustee of completion of distribution of the Notes purchased by or through the Dealer) (the **Restricted Period**),

except in accordance with Rule 903 of Regulation S under the Securities Act. Each Dealer represents and agrees that neither such Dealer, its affiliates (if any) nor any person acting on behalf of the Dealer or its affiliates has engaged or will engage in any "directed selling efforts" (as that term is defined in Rule 902 of the Securities Act) with respect to the Notes, and each Dealer, its affiliates (if any) and any person acting on behalf of the Dealer or its affiliates has complied and will comply with the offering restrictions requirements of Regulation S.

Each Dealer agrees that, at or prior to confirmation of sale of Notes, it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from the Dealer or through the Dealer during the Restricted Period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been registered under the United States Securities Act of 1933 as amended (**Securities Act**) and may not be offered and sold within the United States or to, or for the account or benefit of, US persons:

- (i) as part of their distribution at any time: or
- (ii) otherwise until 40 days after the completion and distribution of the Notes, as determined and certified by the Dealers, except in either case in accordance with

Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

## 9.4 United Kingdom

Each Dealer represents and agrees that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## 9.5 New Zealand

No action has been taken to permit the Notes to be directly or indirectly offered or sold to any retail investor, or otherwise under any regulated offer, in terms of the Financial Markets Conduct Act 2013 of New Zealand (the **NZ FMCA**). In particular, no product disclosure statement under the NZ FMCA has been or will be prepared or lodged in New Zealand in relation to the Notes.

Accordingly, each Dealer has represented and agreed that it has not directly or indirectly offered, sold or delivered and will not directly or indirectly offer, sell or deliver any Notes in New Zealand and it will not distribute any offering memorandum or advertisement (as defined in the NZ FMCA) in relation to any offer of Notes, in New Zealand other than to "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the NZ FMCA, being a person who is:

- (a) an "investment business";
- (b) "large"; or
- (c) a "government agency",

in each case as defined in Schedule 1 to the NZ FMCA. For the avoidance of doubt, the Notes may not be directly or indirectly offered, sold, or delivered to, among others, any "eligible investors" (as defined in clause 41 of Schedule 1 to the NZ FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the NZ FMCA, meets the investment activity criteria specified in clause 38 of that Schedule.

In addition, no person may distribute any offering material or advertisement (as defined in the NZ FMCA) in relation to any offer of Notes in New Zealand other than to such permitted persons as referred to in the paragraph above.

## 9.6 European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer represents and agrees that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Information Memorandum to the public in that Relevant Member State other than :

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted by the Prospectus Directive, subject to obtaining the prior consent of the Dealer(s) nominated by the Trustee for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Trustee or a Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of the above, the expression **an offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

Each Dealer represents and agrees that it has not offered, sold or otherwise made available and will not, offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Information Memorandum to any retail investor in the European Economic Area. For these purposes:

(a) a retail investor means a person who is one (or more) of:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (**MiFID II**);
- (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**).

Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The target market assessment in respect of the Notes by the manufacturer, solely for the purpose of its product governance determination under Article 10(1) of Delegated Directive (EU) 2017/593, has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor subject to MiFID II subsequently offering, selling or recommending the Notes is responsible for undertaking its own target market assessment in respect of the Notes.

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## 10. TRANSACTION DOCUMENTS

The following documents are the Transaction Documents in relation to the Trust.

- (a) Master Trust Deed between the Manager, the Trustee and People's Choice dated 26 July 2007 (the **Master Trust Deed**).
- (b) Notice of Creation of Trust for the Trust dated 26 February 2018 issued by the Manager and People's Choice to the Trustee (the **Notice of Creation of Trust**).
- (c) Series Notice between the Trustee, the Manager, People's Choice and the Security Trustee dated 20 April 2018 (the **Series Notice**).
- (d) Security Trust Deed between the Trustee, the Manager and the Security Trustee dated 19 April 2018 (the **Security Trust Deed**).
- (e) Liquidity Facility Agreement between the Trustee, the Liquidity Facility Provider and the Manager dated 20 April 2018 (the **Liquidity Facility Agreement**).
- (f) Redraw Facility Agreement between the Trustee, the Redraw Facility Provider and the Manager dated 20 April 2018 (the **Redraw Facility Agreement**).
- (g) Custodian Agreement between the Trustee, the Servicer, the Manager and the Custodian dated 20 April 2018 (the **Custodian Agreement**).
- (h) Dealer Agreement between the Trustee, the Manager and the Joint Lead Managers dated 9 April 2018 (the **Dealer Agreement**).
- (i) The ISDA Master Agreement between People's Choice, the Manager and the Trustee and the Schedule relating to it dated 20 April 2018 and the Confirmation dated 20 April 2018 issued under it (the **Basis Swap**).
- (j) The ISDA Master Agreement between the Interest Rate Swap Provider, the Manager, the Standby Swap Provider and the Trustee and the Schedule and Credit Support Annexes relating to it dated 20 April 2018 and the Confirmation issued under it dated 20 April 2018 (the **Interest Rate Swap**).
- (k) The Sale Notice from Perpetual Trustee Company Limited as trustee of the Light Trust 2016-2 to the Trustee dated 20 April 2018, the Sale Notice from the Perpetual Corporate Trust Limited as trustee of the Light Trust Warehouse No.1 to the Trustee dated 20 April 2018, the Sale Notice from Perpetual Corporate Trust Limited as trustee of the Light Trust 2017-2 to the Trustee dated 20 April 2018 and the Sale Notice from People's Choice to the Trustee dated 20 April 2018 (each a **Sale Notice**).
- (l) The Seller Powers of Attorney granted by People's Choice in respect of the Trusts (as defined in the Master Trust Deed) dated 16 December 2014 (the **Seller Powers of Attorney**).
- (m) Each Note or document evidencing a Note.
- (n) the Mortgage Insurance Policies.
- (o) Note Issue Direction from the Manager to the Trustee dated 20 April 2018 (the **Note Issue Direction**).

Noteholders may inspect a copy of the Master Trust Deed, the Series Notice and the Security Trust Deed at the offices of the Trustee during normal business hours, but shall not be entitled to a copy of any of them.

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## 11. LIGHT TRUST 2018-1 POOL DATA AS 22 February 2018

The actual characteristics of the final pool of Purchased Mortgage Loans proposed to be acquired on the Closing Date may change from those set out below. It is also noted that Mortgage Loans not in the indicative pool may be added to the final pool if the transaction is upsized.

### Summary Pool Statistics as at 22 February 2018

No. of Loans (Consolidated):	2,238
No. of Loans (Unconsolidated):	2,785
Aggregate Pool Current Balance:	\$499,810,248
Total Valuation of Properties	\$928,479,556
Maximum Loan Balance (Consolidated):	\$961,228
Average Loan Balance (Consolidated):	\$223,329

### Loan Seasoning / Term to Maturity

Maximum Remaining Term to Maturity (months):	360.0
WAVE Remaining Term to Maturity (months):	302.8
WAVE Seasoning (months):	37.8

### Loan to Value Ratio (LVR)

Maximum Current LVR (Consolidated):	91.8%
WAVE Current LVR:	62.6%
>80% Current LVR:	11.0%

<b>Current Balance (Consolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
\$0 to \$100,000	476	21.3%	25,009,898.14	5.0%
\$100,000 to \$150,000	252	11.3%	31,509,760.79	6.3%
\$150,000 to \$200,000	318	14.2%	55,754,653.35	11.2%
\$200,000 to \$250,000	328	14.7%	73,734,410.91	14.8%
\$250,000 to \$300,000	293	13.1%	80,073,891.67	16.0%
\$300,000 to \$350,000	227	10.1%	73,806,168.33	14.8%
\$350,000 to \$400,000	138	6.2%	51,485,271.02	10.3%
\$400,000 to \$450,000	61	2.7%	25,801,669.31	5.2%
\$450,000 to \$500,000	53	2.4%	25,119,355.91	5.0%
\$500,000 to \$750,000	81	3.6%	48,175,236.66	9.6%
\$750,000+	11	0.5%	9,339,931.95	1.9%
<b>Total</b>	<b>2238</b>	<b>100%</b>	<b>499,810,248.04</b>	<b>100%</b>

<b>Current LVR (Consolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
0% to 50%	871	38.9%	112,669,441.11	22.5%
50% to 55%	170	7.6%	42,276,281.16	8.5%
55% to 60%	180	8.0%	49,631,664.82	9.9%
60% to 65%	133	5.9%	36,125,091.34	7.2%
65% to 70%	155	6.9%	43,334,748.05	8.7%
70% to 75%	193	8.6%	59,399,018.35	11.9%
75% to 80%	331	14.8%	101,388,176.95	20.3%
80% to 85%	110	4.9%	30,602,246.98	6.1%
85% to 90%	92	4.1%	23,541,215.99	4.7%
90% to 95%	3	0.1%	842,363.29	0.2%
95%+	0	0.0%	-	0.0%
<b>Total</b>	<b>2238</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Property Valuation (Consolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
\$0 to \$100,000	48	2.1%	1,561,349.69	0.3%
\$100,000 to \$200,000	202	9.0%	15,010,438.76	3.0%
\$200,000 to \$300,000	476	21.3%	66,186,410.69	13.2%
\$300,000 to \$400,000	552	24.7%	112,561,576.06	22.5%
\$400,000 to \$500,000	379	16.9%	98,089,895.63	19.6%
\$500,000 to \$600,000	222	9.9%	64,182,793.63	12.8%
\$600,000 to \$700,000	122	5.5%	39,480,648.01	7.9%
\$700,000 to \$800,000	95	4.2%	33,743,965.06	6.8%
\$800,000 to \$900,000	56	2.5%	25,003,782.04	5.0%
\$900,000 to \$1,000,000	29	1.3%	13,223,448.56	2.6%
\$1,000,000 to \$1,500,000	51	2.3%	27,355,095.59	5.5%
\$1,500,000+	6	0.3%	3,410,844.32	0.7%
<b>Total</b>	<b>2238</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Security State (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
ACT	21	0.8%	4,971,567.95	1.0%
NSW	58	2.1%	12,650,149.38	2.5%
NT	238	8.5%	52,812,618.84	10.6%
QLD	21	0.8%	4,681,031.99	0.9%
SA	2203	79.1%	373,230,146.42	74.7%
TAS	5	0.2%	788,768.74	0.2%
VIC	218	7.8%	46,258,172.00	9.3%
WA	21	0.8%	4,417,792.72	0.9%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Geographic Region (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
Metropolitan	1928	69.2%	368,782,465.23	73.8%
Non-metropolitan	840	30.2%	127,441,829.71	25.5%
Inner City	17	0.6%	3,585,953.10	0.7%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Geographic Distribution (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
SA - Inner City	12	0.4%	2,512,592.80	0.5%
SA - Metropolitan	1520	54.6%	273,437,281.32	54.7%
SA - Non metropolitan	671	24.1%	97,280,272.30	19.5%
NT - Inner City	0	0.0%	-	0.0%
NT - Metropolitan	181	6.5%	41,923,937.44	8.4%
NT - Non metropolitan	57	2.0%	10,888,681.40	2.2%
WA - Inner City	0	0.0%	-	0.0%
WA - Metropolitan	18	0.6%	3,874,438.62	0.8%
WA - Non metropolitan	3	0.1%	543,354.10	0.1%
VIC - Inner City	3	0.1%	816,990.90	0.2%
VIC - Metropolitan	147	5.3%	35,174,609.62	7.0%
VIC - Non metropolitan	68	2.4%	10,266,571.48	2.1%
QLD - Inner City	0	0.0%	-	0.0%
QLD - Metropolitan	3	0.1%	933,705.07	0.2%
QLD - Non metropolitan	18	0.6%	3,747,326.92	0.7%
NSW - Inner City	0	0.0%	-	0.0%
NSW - Metropolitan	36	1.3%	8,008,069.21	1.6%
NSW - Non metropolitan	22	0.8%	4,642,080.17	0.9%
ACT - Inner City	0	0.0%	-	0.0%
ACT - Metropolitan	21	0.8%	4,971,567.95	1.0%
ACT - Non metropolitan	0	0.0%	-	0.0%
TAS - Inner City	2	0.1%	256,369.40	0.1%
TAS - Metropolitan	2	0.1%	458,856.00	0.1%
TAS - Non metropolitan	1	0.0%	73,543.34	0.0%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Interest Rate (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
0.00% to 5.00%	2442	87.7%	465,257,620.88	93.1%
5.00% to 5.25%	228	8.2%	20,520,102.99	4.1%
5.25% to 5.50%	35	1.3%	5,354,746.60	1.1%
5.50% to 5.75%	46	1.7%	5,953,158.07	1.2%
5.75% to 6.00%	23	0.8%	1,848,341.99	0.4%
6.00% to 6.25%	11	0.4%	876,277.51	0.2%
6.25% to 6.50%	0	0.0%	-	0.0%
6.50% to 6.75%	0	0.0%	-	0.0%
6.75% to 7.00%	0	0.0%	-	0.0%
7.00% to 7.25%	0	0.0%	-	0.0%
7.25% to 7.50%	0	0.0%	-	0.0%
7.50% to 7.75%	0	0.0%	-	0.0%
7.75% to 8.00%	0	0.0%	-	0.0%
8.00% to 8.25%	0	0.0%	-	0.0%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Loan Seasoning (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
0 to 6 months	0	0.0%	-	0.0%
6 to 12 months	448	16.1%	87,444,267.46	17.5%
12 to 18 months	502	18.0%	101,635,427.29	20.3%
18 to 24 months	282	10.1%	55,015,877.74	11.0%
24 to 30 months	230	8.3%	50,755,468.83	10.2%
30 to 36 months	242	8.7%	48,183,609.64	9.6%
36 to 42 months	83	3.0%	17,249,426.22	3.5%
42 to 48 months	75	2.7%	14,054,111.98	2.8%
48 to 54 months	87	3.1%	17,708,871.79	3.5%
54 to 60 months	104	3.7%	20,767,057.24	4.2%
60 to 66 months	77	2.8%	16,149,057.61	3.2%
66 to 72 months	45	1.6%	7,779,124.48	1.6%
72+ months	610	21.9%	63,067,947.76	12.6%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Remaining Loan Term (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
0 years	0	0.0%	-	0.0%
0 to 2 years	1	0.0%	15,413.64	0.0%
2 to 4 years	15	0.5%	341,898.19	0.1%
4 to 6 years	28	1.0%	1,661,218.48	0.3%
6 to 8 years	35	1.3%	2,799,772.30	0.6%
8 to 10 years	75	2.7%	3,934,929.66	0.8%
10 to 12 years	22	0.8%	1,734,988.30	0.4%
12 to 14 years	61	2.2%	4,915,058.70	1.0%
14 to 16 years	111	4.0%	9,022,158.57	1.8%
16 to 18 years	136	4.9%	12,821,003.74	2.6%
18 to 20 years	301	10.8%	38,790,655.52	7.8%
20 to 22 years	121	4.3%	17,555,611.44	3.5%
22 to 24 years	212	7.6%	42,847,841.84	8.6%
24 to 26 years	348	12.5%	72,130,049.73	14.4%
26 to 28 years	481	17.3%	107,502,964.99	21.5%
28 to 30 years	838	30.1%	183,736,682.94	36.8%
30+ years	0	0.0%	-	0.0%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Repayment Method (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
Interest Only	172	6.2%	36,300,447.61	7.3%
Principal & Interest	2613	93.8%	463,509,800.43	92.7%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Interest Only Remaining Term (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
0 to 12 months	2	0.1%	503,833.42	0.1%
12 to 24 months	5	0.2%	1,184,597.55	0.2%
24 to 36 months	6	0.2%	1,472,208.85	0.3%
36 to 48 months	0	0.0%	-	0.0%
48 to 60 months	9	0.3%	1,785,670.06	0.4%
60 to 72 months	18	0.6%	3,441,825.15	0.7%
72 to 84 months	17	0.6%	3,364,852.72	0.7%
84 to 96 months	33	1.2%	6,216,065.18	1.2%
96 to 108 months	55	2.0%	11,547,184.61	2.3%
108 to 120 months	27	1.0%	6,784,210.07	1.4%
120+ months	0	0.0%	-	0.0%
Principal & Interest	2613	93.8%	463,509,800.43	92.7%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Interest Rate Type (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
Fixed	841	30.2%	171,408,129.99	34.3%
Variable	1944	69.8%	328,402,118.05	65.7%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Remaining Fixed Period (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
0 to 6 months	181	6.5%	36,744,992.40	7.4%
6 to 12 months	168	6.0%	35,169,178.76	7.0%
12 to 24 months	318	11.4%	67,769,363.07	13.6%
24 to 36 months	150	5.4%	28,765,018.95	5.8%
36 to 48 months	13	0.5%	1,541,039.48	0.3%
48 to 60 months	11	0.4%	1,418,537.33	0.3%
60+ months	0	0.0%	-	0.0%
Variable	1944	69.8%	328,402,118.05	65.7%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Occupancy (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
Owner/Occupier	2406	86.4%	428,396,663.20	85.7%
Investment	379	13.6%	71,413,584.84	14.3%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Loan Documentation (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
Full Documentation	2785	100.0%	499,810,248.04	100.0%
Low Documentation	0	0.0%	-	0.0%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

<b>Mortgage Insurer (Unconsolidated)</b>				
	<b>No. of Accounts</b>	<b>% by No. Accounts</b>	<b>Current Balance</b>	<b>% by Current Balance</b>
QBE	2785	100.0%	499,810,248.04	100.0%
Uninsured	0	0.0%	-	0.0%
<b>Total</b>	<b>2785</b>	<b>100.0%</b>	<b>499,810,248.04</b>	<b>100.0%</b>

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## 12. GLOSSARY OF TERMS

<b>Accounts</b>	means profit and loss accounts, balance sheets and cashflow statements together with any statements, reports (including any directors' and auditors' reports) and notes attached to and intended to be read with any of them.
<b>Accrued Interest Adjustment</b>	means, in relation to an Approved Seller and Purchased Mortgage Loans acquired by the Trustee from that Approved Seller, all interest and fees accrued on those Purchased Mortgage Loans up to (but excluding) the relevant Closing Date.
<b>Adverse Payment Effect</b>	means an event which materially and adversely affects the amount of any payment to the Voting Chargees (other than an Excluded Payment) or materially and adversely affects the timing of such a payment.
<b>AIFMR</b>	means Commission Delegated Regulation (EU) No. 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositories, leverage, transparency and supervision.
<b>Annualised Rolling Average Charge-Off Percentage</b>	means at any time, the rolling 12 month average of the Charge Offs, expressed as a percentage of the aggregate Mortgage Loan Principal of all Purchased Mortgage Loans.
<b>Approved Bank</b>	means any Bank for so long as it has the relevant Designated Rating or otherwise is the subject of a Rating Notification.
<b>Approved Seller</b>	means People's Choice, Perpetual Trustee Company Limited as trustee of the Light Trust 2016-2, Perpetual Corporate Trust Limited as trustee of the Light Trust Warehouse No.1 or Perpetual Corporate Trust Limited as trustee of the Light Trust 2017-2.
<b>APRA</b>	means the Australian Prudential Regulation Authority.
<b>Arranger</b>	means National Australia Bank Limited.
<b>Arrears</b>	subsist in relation to a Mortgage Loan at any time if, at that time, the principal outstanding under that Mortgage Loan is greater than the Scheduled Balance for that Mortgage Loan.
<b>Asset</b>	in relation to the Trust, has the meaning in the Master Trust Deed and includes any Mortgage Loan specified in a Sale Notice from time to time and any Mortgage Loan Rights with respect thereto which is acquired by the Trustee for the Trust or any Authorised Investment acquired by the Trustee.
<b>Austraclear</b>	means Austraclear Limited or its successor.
<b>Austraclear Regulations</b>	means the regulations known as the Austraclear System Regulations established by Austraclear to govern the use of the Austraclear System.
<b>Austraclear System</b>	means the system operated by Austraclear for the registration, issue and redemption of notes in accordance with the Austraclear Regulations.

**Authorisation**

includes:

- (a) any consent, authorisation, registration, filing, lodgement, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a Government Agency; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Government Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

**Authorised Investments**

in respect of the Trust, means any investments which at their date of acquisition are of the following types:

- (a) Mortgage Loans, Mortgage Loan Securities, Related Securities and Mortgage Loan Rights;
- (b) cash on hand;
- (c) bonds, debentures, stock, notes, treasury bills or other securities of any government of an Australian Jurisdiction which have the Designated Rating;
- (d) debentures or stock of any public statutory body constituted under the law of any Australian Jurisdiction where the repayment of the principal secured and the interest payable thereon is guaranteed by the Australian Jurisdiction which have the Designated Rating;
- (e) deposits with, or the acquisition of certificates of deposit (whether negotiable, convertible or otherwise), issued by, an Approved Bank; and
- (f) bills of exchange accepted or endorsed by an Approved Bank which at the time of acquisition have a remaining term to maturity of not more than 200 days;

and which satisfy the following conditions:

- (i) each proposed investment falling within categories (c), (d), (e) and (f) must mature by the earlier of the following dates:
  - (A) the Payment Date following the date on which it was acquired; or
  - (B) such other date as the Trustee and the Manager may determine to be necessary to enable the Trustee to have sufficient cash to meet any Expenses which may be payable prior to that Payment Date;
- (ii) all Authorised Investments must be denominated in Australian currency and held in Australia; and
- (iii) all Authorised Investments must be held in the name of the Trustee or in the name of such other person or persons as approved by the

Trustee from time to time and notified to the Designated Rating Agencies,

but excluding any debt securities which constitutes a securitisation exposure or a resecuritisation exposure (as defined in Prudential Standard APS 120 dated January 2018 issued by the Australian Prudential Regulation Authority, including any amendment or replacement of that Prudential Standard).

**Available Income**

means for a Collection Period, the amount equal to:

- (a) the Finance Charge Collections for that Collection Period; plus
- (b) amounts received by or on behalf of the Trustee during any previous Collection Period in respect of any interest which has been paid in advance by the relevant Obligors on the Purchased Mortgage Loans (to the extent that such interest accrues during that Collection Period in accordance with the relevant Mortgage Loan Agreement); plus
- (c) if any Net Swap Settlement for that Collection Period is payable to the Trustee, the relevant Net Swap Settlement; plus
- (d) any interest income received by or on behalf of the Trustee during that Collection Period in respect of any moneys credited to the Collection Account in relation to the Trust (including as contemplated under sections 6.21(f) and 6.22(d)); plus
- (e) the amounts paid by People's Choice under section 6.15 in relation to that Collection Period plus
- (f) any Other Income for that Collection Period; less
- (g) amounts received by or on behalf of the Trustee during that Collection Period in respect of any interest which has been paid in advance by the relevant Obligors on the Purchased Mortgage Loans (to the extent that such interest accrues during a period outside that Collection Period in accordance with the relevant Mortgage Loan Agreement),

but excluding

- A. any interest on any collateral provided by the Liquidity Facility Provider under the Liquidity Facility Agreement; and
- B. the amount (if positive) equal to the amount paid by People's Choice under section 6.15(c) in relation to that Collection Period minus the Loan Offset Interest Amounts for that Collection Period.

**Bank**

means:

- (a) a corporation authorised under the Banking Act, 1959 to carry on general banking business in Australia or a corporation formed or incorporated under an Act of the Parliament of an Australian Jurisdiction to carry on the

general business of banking; or

- (b) where any Transaction Document requires money to be deposited by the Trustee outside Australia, a corporation authorised by the banking legislation of the relevant jurisdiction to carry on the general business of banking in that jurisdiction.

**Bank Bill Rate**

on any date means the rate expressed as a percentage per annum designated "AVGMID" and published on the Thomson Reuters Screen BBSW Page at approximately 10:30am Sydney time, on that date for bank bills and certificates of deposit having a tenor of 1 month (or, in the case of the first Coupon Period, if it is longer than 1 month, the rate determined by linear interpolation between the rate published for bank bills and certificates of deposit having a tenor of 1 month and such bank bills and certificates of deposit having a tenor of 2 months). If on that date the relevant rate is not published on the Thomson Reuters Screen BBSW Page in accordance with the foregoing, then the rate for that date will be determined by the Manager in good faith and in a commercially reasonable manner having regard to comparable indices then available.

**Basis Swap**

means, an interest rate swap under a Hedge Agreement under which the Basis Swap Provider agrees to pay floating rate amounts and the Trustee agrees to pay the interest it receives on each Floating Rate Loan.

**Basis Swap Provider**

means People's Choice.

**Borrowing**

means, in relation to the Trust, any Financial Indebtedness of the Trustee in its capacity as trustee of the Trust but does not include any Financial Indebtedness of the Trustee in any other capacity or in respect of any other Trust. Borrow has an equivalent meaning.

**Break Payment**

means any amount owed by an Obligor under a Fixed Rate Loan and which amount is owed following payment by that Obligor of any principal before the due date for that principal, in accordance with the terms of the relevant Mortgage Loan Agreement.

**Business Day**

means any days, (other than a Saturday, Sunday or public holiday in New South Wales, Victoria or South Australia), on which Banks are open for business in Sydney, Melbourne and Adelaide.

**Call Option Date**

means the first Payment Date on which the aggregate Invested Amount of the Notes is less than 10% of the aggregate Initial Invested Amount of the Notes.

**Capital Requirements Regulation**

means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 as supplemented by Commission Delegated Regulation (EU) No 625/2014 and Commission Implementing Regulation (EU) No 602/2014.

**Carryover Charge Off**

means, on any Determination Date, the amount, if positive, calculated using the following formula:

$$A + B - C$$

where:

A is the Carryover Charge Off for the previous Determination

Date (if any);

B is the Charge Off for that Determination Date (if any); and

C is the amount (if any) of the Total Available Income available to be applied in accordance with section 6.3(a)(xvii)

but, in any event, an amount no greater than the amount equal to A plus B.

**Certificate of Title**

means, in relation to a Mortgaged Property, the certificate of title (or, if one is not issued, the registration confirmation statement or similar document) (if any) to that Mortgaged Property issued under any relevant legislation (and, in the case of Land, issued under any Real Property Legislation).

**Charge Off**

means, on any Determination Date, the amount equal to the amount by which:

(a) the Loss for the preceding Collection Period (if any); exceeds

(b) the amount (if any) of the Total Available Income to be applied under section 6.3(a)(xvi) for the preceding Collection Period.

**Charged Off**

in relation to a Mortgage Loan, means a Mortgage Loan that has been the subject of a Liquidation Loss.

**Chargee**

means, in relation to the Security Trust Deed:

(a) the Security Trustee in relation to its rights (held in its own right or for the benefit of other Chargees) under the Security Trust Deed;

(b) any Class A Noteholder in relation to its rights under the Class A Notes held by it;

(c) any Class AB Noteholder in relation to its rights under the Class AB Notes held by it;

(d) any Class B Noteholder in relation to its rights under the Class B Notes held by it;

(e) any Class C Noteholder in relation to its rights under the Class C Notes held by it;

(f) any Class D Noteholder in relation to its rights under the Class D Notes held by it;

(g) each Approved Seller in relation to any relevant Accrued Interest Adjustment;

(h) the Trustee in relation to its rights as Trustee under the Transaction Documents;

(i) the Manager in relation to its rights as Manager under the Transaction Documents;

(j) the Servicer in relation to its rights as Servicer under the Transaction Documents;

- (k) the Custodian in relation to its rights as Custodian under the Transaction Documents;
- (l) any Support Facility Provider in relation to its rights under each Support Facility to which it is a party;
- (m) any swap provider under a Hedge Agreement in relation to its rights under that Hedge Agreement and the Standby Swap Provider;
- (n) the Extraordinary Expenses Reserve Lender in relation to outstanding Extraordinary Expenses Reserve Loans made by it; or
- (o) any Dealer in relation to its rights as Dealer under the Transaction Documents.

**Chargee Extraordinary Resolution**

means in relation to the Voting Chargees:

- (a) a resolution passed at a meeting of the Voting Chargees duly convened and held in accordance with the provisions set out in the Security Trust Deed by a majority consisting of not less than three quarters of the votes capable of being cast at that meeting by Voting Chargees present in person or by proxy; or
- (b) a resolution in writing pursuant to clause 38.15 of the Security Trust Deed signed by all the Voting Chargees.

**Class**

in relation to Notes issued, or to be issued, in respect of the Trust means Notes having as amongst themselves the same rights or restrictions with regard to the payment of interest, the repayment of principal, voting or otherwise.

**Class A Note**

means the Class A1 Notes and the Class A2 Notes.

**Class A Noteholder**

means, at any time, a Noteholder of a Class A Note.

**Class A Principal Payment**

means the Class A1 Principal Payment and the Class A2 Principal Payment,

**Class A Stated Amount**

means the Class A1 Stated Amount and the Class A2 Stated Amount.

**Class A1 Initial Invested Amount**

means, in relation to any Class A1 Note, the Initial Invested Amount of that Class A1 Note.

**Class A1 Note**

means any Note issued as a Class A1 Note by the Trustee with the characteristics of a Class A1 Note.

**Class A1 Noteholder**

means, at any time, a Class A1 Noteholder.

**Class A1 Principal Payment**

means each payment to the Class A1 Noteholders in accordance with section 6.5(a)(v) or 6.5(b)(v)A.

**Class A1 Stated Amount**

means, at any time and from time to time in relation to a Class A1 Note, an amount equal to:

- (a) the Invested Amount of that Class A1 Note on that Determination Date; less
- (b) the aggregate Carryover Charge Off to be allocated to

	that Class A1 Note under section 6.6(f)(i); plus
	(c) the amount of any Principal Repayment Pool notionally applied in reinstating the Class A1 Stated Amount under section 6.7(a)(i).
<b>Class A2 Initial Invested Amount</b>	means, in relation to any Class A2 Note, the Initial Invested Amount of that Class A2 Note.
<b>Class A2 Note</b>	means any Note issued as a Class A2 Note by the Trustee with the characteristics of a Class A2 Note.
<b>Class A2 Noteholder</b>	means, at any time, a Class A2 Noteholder.
<b>Class A2 Principal Payment</b>	means each payment to the Class A2 Noteholders in accordance with section 6.5(a)(vi) or 6.5(b)(v)A.
<b>Class A2 Stated Amount</b>	means, at any time and from time to time in relation to a Class A2 Note, an amount equal to: <ul style="list-style-type: none"> <li>(a) the Invested Amount of that Class A2 Note on that Determination Date; less</li> <li>(b) the aggregate Carryover Charge Off to be allocated to that Class A2 Note under section 6.6(e); plus</li> <li>(c) the amount of any Principal Repayment Pool notionally applied in reinstating the Class A2 Stated Amount under section 6.7(b).</li> </ul>
<b>Class AB Initial Invested Amount</b>	means, in relation to any Class AB Note, the Initial Invested Amount of that Class AB Note.
<b>Class AB Note</b>	means any Note issued as a Class AB note by the Trustee with the characteristics of a Class AB Note.
<b>Class AB Noteholder</b>	means, at any time, a Noteholder of a Class AB Note.
<b>Class AB Principal Payment</b>	means each payment to the Class AB Noteholders in accordance with section 6.5(a)(vii) or 6.5(b)(v)B.
<b>Class AB Stated Amount</b>	means, at any time and from time to time in relation to a Class AB Note, an amount equal to: <ul style="list-style-type: none"> <li>(a) the Invested Amount of that Class AB Note on that Determination Date; less</li> <li>(b) the aggregate Carryover Charge Off to be allocated to that Class AB Note under section 6.6(d); plus</li> <li>(c) the amount of any Principal Repayment Pool notionally applied in reinstating the Class AB Stated Amount under section 6.7(c).</li> </ul>
<b>Class B Initial Invested Amount</b>	means, in relation to any Class B Note, the Initial Invested Amount of that Class B Note.
<b>Class B Note</b>	means any Note issued as a Class B Note by the Trustee with the characteristics of a Class B Note.
<b>Class B Noteholder</b>	means, at any time, a Noteholder of a Class B Note.

<b>Class B Principal Amount</b>	means each payment to the Class B Noteholders in accordance with section 6.5(a)(viii) or 6.5(b)(v)C.
<b>Class B Stated Amount</b>	means, at any time and from time to time in relation to a Class B Note, an amount equal to: <ul style="list-style-type: none"> <li>(a) the Invested Amount of that Class B Note on that Determination Date; less</li> <li>(b) the aggregate Carryover Charge Off to be allocated to that Class B Note under section 6.6(c); plus</li> <li>(c) the amount of any Principal Repayment Pool notionally applied in reinstating the Class B Stated Amount under section 6.7(d).</li> </ul>
<b>Class C Initial Invested Amount</b>	means, in relation to any Class C Note, the Initial Invested Amount of that Class C Note.
<b>Class C Note</b>	means any Note issued as a Class C Note by the Trustee with the characteristics of a Class C Note.
<b>Class C Noteholder</b>	means, at any time, a Noteholder of a Class C Note.
<b>Class C Principal Payment</b>	means each payment to the Class C Noteholders in accordance with section 6.5(a)(ix) or 6.5(b)(v)D.
<b>Class C Stated Amount</b>	means, at any time and from time to time in relation to a Class C Note, an amount equal to: <ul style="list-style-type: none"> <li>(a) the Invested Amount of that Class C Note on that Determination Date; less</li> <li>(b) the aggregate Carryover Charge Off to be allocated to that Class C Note under section 6.6(b); plus</li> <li>(c) the amount of any Principal Repayment Pool notionally applied in reinstating the Class C Stated Amount under section 6.7(e).</li> </ul>
<b>Class D Initial Invested Amount</b>	means, in relation to any Class D Note, the Initial Invested Amount of that Class D Note.
<b>Class D Note</b>	means a Note issued as a Class D Note by the Trustee with the characteristics of a Class D Note.
<b>Class D Noteholder</b>	means, at any time, a Noteholder of a Class D Note.
<b>Class D Principal Payment</b>	means each payment to the Class D Noteholders in accordance with section 6.5(a)(x) or 6.5(b)(v)E.
<b>Class D Stated Amount</b>	means, at any time and from time to time in relation to a Class D Note, an amount equal to: <ul style="list-style-type: none"> <li>(a) the Invested Amount of that Class D Note on that Determination Date; less</li> <li>(b) the aggregate Carryover Charge Off to be allocated to that Class D Note under section 6.6(a); plus</li> <li>(c) the amount of any Principal Repayment Pool notionally applied in reinstating the Class D Stated Amount under</li> </ul>

section 6.7(f).

<b>Clean Up Offer</b>	has the meaning given in section 6.14.
<b>Closing Date</b>	means, in relation to a sale of Mortgage Loans and related Mortgage Loan Rights under the relevant Sale Notice, the date on which the Future Agreement in respect of that Sale Notice is formed.
<b>Collateral</b>	means the property and rights in which a security interest is granted under the Security Trust Deed and any Security Interest, Guarantee or other document or agreement at any time created or entered into in favour of the Security Trustee as security for any Secured Moneys.
<b>Collection Account</b>	means, in relation to the Trust, any account opened and maintained by the Trustee in relation to the Trust with an Approved Bank.
<b>Collection Period</b>	means a calendar month except that the first Collection Period will be the period commencing on (but excluding) the Cut-Off Date and ending on (and including) 30 April 2018. The last Collection Period is the period from (but excluding) the last day of the previous Collection Period to (and including) the Termination Date of the Trust.
<b>Collections</b>	means, for a period, all amounts received during that period by the Trustee in respect of the Mortgage Loan Rights for each Purchased Mortgage Loan, including Finance Charge Collections and any amount received by the Trustee with respect to that period attributable to principal, less the Government Charges collected by or on behalf of the Trustee for that Collection Period.
<b>Conditions</b>	means the conditions of the Notes as set out in the Master Trust Deed, as supplemented and amended by the provisions set out in the Series Notice and the Note Issue Direction.
<b>Consumer Credit Legislation</b>	means any legislation relating to consumer credit including: <ul style="list-style-type: none"><li>(a) the UCCC;</li><li>(b) the National Consumer Credit Protection Act 2009 (Cth), including the National Credit Code;</li><li>(c) the National Consumer Credit Protection (Fees) Act 2009 (Cth);</li><li>(d) the National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009 (Cth);</li><li>(e) any acts or other legislation enacted in connection with any of the acts set out in paragraphs (a) to (d) (inclusive) and any regulations made under any of the acts set out in paragraphs (a) to (d) (inclusive);</li><li>(f) Division 2 of Part 2 of the Australian Securities and Investments Commission Act 2001, so far as it relates to the obligations of any of the Manager, the Servicer, the Originator or the Trustee in respect of an Australian Credit Licence issued under the National Consumer Credit Protection (Transitional and Consequential Provisions) Act; and</li><li>(g) any other consumer credit legislation of any Australian jurisdiction</li></ul>

<b>Corporations Act 2001</b>	means the Corporations Act 2001 (Cth).
<b>Coupon Entitlement</b>	in relation to a Note and a Payment Date means the amount of interest accrued in respect of that Note and due for payment on that Payment Date, determined in accordance with section 2.2.
<b>Coupon Period</b>	means each period as follows: <ul style="list-style-type: none"> <li>(a) the first Coupon Period for each Class of Note commences on (and includes) the Note Issue Date for that Class of Notes and ends on (and includes) the day immediately before the first Payment Date following that Note Issue Date;</li> <li>(b) each succeeding Coupon Period for a Class of Notes commences on (and includes) a Payment Date and ends on (and includes) the day immediately before the next Payment Date; and</li> <li>(c) the last Coupon Period for a Class of Notes ends on (and includes) the day immediately before the Final Maturity Date.</li> </ul>
<b>Coupon Rate</b>	means: <ul style="list-style-type: none"> <li>(a) subject to paragraphs (b) and (c) below, in relation to any Coupon Period of any Class of Note, the Bank Bill Rate on the first day of that Coupon Period plus the relevant Margin for that Note;</li> <li>(b) in relation to any Coupon Period of a Class A Note commencing on or after the Call Option Date, the Bank Bill Rate on the first day of that Coupon Period plus the Margin for that Class A Note plus the Step-Up Margin for that Class A Note; and</li> <li>(c) in relation to any Coupon Period of a Class AB Note commencing on or after the Call Option Date, the Bank Bill Rate on the first day of that Coupon Period plus the Margin for that Class AB Note plus the Step-Up Margin for that Class AB Note.</li> </ul>
<b>Creditor</b>	in relation to the Trust means a creditor of the Trustee (including the Noteholders, the Origination Facility Provider, the Security Trustee, each Approved Seller, the Trustee in its capacity as trustee of another Trust, the Servicer, the Custodian, the Support Facility Providers, the Joint Lead Managers and the Manager in relation to the Trust) in its capacity as trustee of the Trust.
<b>Custodian</b>	in relation to the Trust means People's Choice in its capacity as the custodian of the Trust or any substitute person appointed in its place under the terms of the Custodian Agreement.
<b>Custodian Agreement</b>	means an agreement in respect of the Trust so entitled between the Trustee, the Manager, the Custodian and the Servicer.
<b>Custodian and Servicing Fee</b>	means the fee payable to the Servicer in accordance with section 8.4(f) or the fee payable to the Custodian in accordance with section 8.5.
<b>Custodian Procedures</b>	means those policies and procedures of the Custodian relating to the receipt, holding, dealing and release of documents (including the

Relevant Documents) as those policies and procedures are amended from time to time in the Custodian's ordinary course of business.

**Custody Transfer Event**

means any of the following events:

- (a) a subsisting Servicer Transfer Event;
- (b) a subsisting Title Perfection Event;
- (c) an audit referred to in clause 2 of the Custodian Agreement which results in an adverse audit report;
- (d) any failure by the Custodian to comply with any of its obligations under the Custodian Agreement which (if capable of remedy) has subsisted for at least 5 Business Days;
- (e) an Insolvency Event in relation to the Custodian;
- (f) any notice by the Trustee or Security Trustee to the Custodian that it believes that, in the interests of the Chargees (as defined in the Security Trust Deed), a transfer of the Relevant Documents is necessary; or
- (g) any notice by the Security Trustee to the Custodian that it is enforcing its Security Interests created under the Security Trust Deed.

**Cut-Off Date**

means, in respect of Mortgage Loans and related Mortgage Loan Rights to be acquired under a Sale Notice, on or about the date specified in section 1.3.

**Data Base**

in relation to the Trustee, the Manager, the Servicer and the Custodian means all information, data and records collected, held or stored in any way or in any medium (including computer retention and storage) by or for the Trustee, the Manager, the Servicer and the Custodian respectively relating to and including any Mortgage Loan, Mortgage Loan Security or Related Securities which are given, made available or transferred to the Trustee under or as contemplated by the Master Trust Deed.

**Dealer**

means each of Australia and New Zealand Banking Group Limited, National Australia Bank Limited and Westpac Banking Corporation.

**Dealer Agreement**

means the agreement so entitled dated 6 April 2018 between the Arranger and Joint Lead Managers, the Manager, the Trustee and People's Choice.

**Defaulting Party**

has, in relation to a Hedge Agreement, the meaning given in that Hedge Agreement.

**Designated Rating**

means, in relation to:

- (a) an Approved Bank, a short term rating of A-1 by S&P and a short term rating of F1 or a long term rating of A by Fitch Ratings; or
- (b) an Authorised Investment in paragraph (c) or (d) of the definition of "Authorised Investment":

- (i) in relation to Fitch Ratings a credit rating of:
  - (A) A (long term) or F1 (short term) by Fitch Ratings, in relation to the Authorised Investments which have a maturity of up to 30 days; and
  - (B) AA- (long term) or F1+ (short term), in relation to all other Authorised Investments;
- (ii) in relation to S&P a credit rating of:
  - (A) A-1 (short-term) by S&P, in relation to Authorised Investments which have a maturity of 60 days or less; and
  - (B) AA- (long-term) or A-1+ (short-term) by S&P, in relation to all other Authorised Investments,,

except where any Approved Bank or Authorised Investment not so rated has been the subject of a Rating Notification.

**Designated Rating Agency**

means S&P or Fitch Ratings.

**Determination Date**

means, for a Collection Period, the date which is 2 Business Days before the Payment Date following that Collection Period. The first Determination Date will be 18 May 2018.

**Eligible Receivable**

means a Mortgage Loan or Mortgage Loan Security (as the case may be) which meets the Eligibility Criteria for that Mortgage Loan or Mortgage Loan Security.

**Eligible Servicer**

means any suitably qualified person whose appointment as Servicer in respect of the Trust:

- (a) will not materially prejudice the interests of the Noteholders; and
- (b) which has the benefit of a Rating Notification.

**Eligibility Criteria**

means, in respect of the Purchased Mortgage Loans acquired from People's Choice as Approved Seller, the criteria specified in section 4.2, and in relation to Purchased Mortgage Loans acquired from the other Approved Sellers, has the meaning given in the relevant securitisation documents relating to those Approved Sellers..

**Enforcement Expenses**

means the costs and expenses incurred by or on behalf of People's Choice or the Servicer in connection with the enforcement of any Purchased Mortgage Loans or the related Mortgage Loan Rights referred to in clause 29.2 of the Master Trust Deed. It does not include Property Restoration Expenses.

**Enhancement**

means a Mortgage Insurance Policy and any other policy of insurance, security, support, rights or benefits in support of or substitution for a Mortgage Loan or Mortgage Loan Security or other Authorised Investment or the income or benefit arising thereon.

**Excess Distribution**

means, for any Collection Period, the amount (if any) applied in accordance with section 6.3(a)(i) and 6.3(a)(xxiii) on each

Determination Date relating to that Collection Period.

**Excess Spread**

means, for any Collection Period, the amount (if any) available to be applied under section 6.3(a) on that Payment Date after all payments under section 6.3(a)(i) to 6.3(a)(xv) (inclusive) on that Payment Date.

**Excluded Payment**

means a payment under or referred to in section 6.3(a)(xx), (xxi), (xxii) or (xxiii).

**Expenses**

in relation to the Trust means all costs, charges and expenses incurred by the Trustee or the Manager in the administration and operation of the Trust under the Transaction Documents for that Trust.

**Extraordinary Expense**

means, in relation to a Collection Period, any out of pocket expenses properly and reasonably incurred by the Trustee in relation to the Trust in respect of that Collection Period which are:

- (a) not contemplated by the Transaction Documents; and
- (b) not incurred in the ordinary course of business of the Trust.

**Extraordinary Expenses Reserve**

means the ledger established as set out in section 6.21.

**Extraordinary Expenses Reserve Lender**

means any person who has made an Extraordinary Expenses Reserve Loan.

**Extraordinary Expenses Reserve Loan**

means any amount provided as set out in section 6.21(b) which has not been repaid as set out in section 6.21(g).

**Extraordinary Expenses Reserve Shortfall**

at any time means:

- (a) \$150,000; minus
- (b) all amounts standing to the credit of the Extraordinary Expenses Reserve at that time (other than accrued interest on the Extraordinary Expenses Reserve).

**Extraordinary Resolution**

in relation to the Noteholders of the Trust or any Class, subject to the provisions of the Series Notice and Security Trust Deed in respect of the relevant Trust, means a resolution passed at a duly convened meeting of the Noteholders of that Trust or Class (as the case may be) by a majority consisting of not less than 75% of the votes capable of being cast at that meeting, by:

- (a) until all Secured Money (as defined in the relevant Security Trust Deed) is fully and finally paid or repaid to the Noteholders of any rated Notes of that Trust or Class (as the case may be), the Noteholders of any rated Notes of that Trust or Class (as the case may be); and
- (b) at any other time, the holders of any unrated Notes of that Trust or Class (as the case may be).

**Fair Market Value**

means:

- (a) in relation to a Purchased Mortgage Loan and the related Mortgage Loan Rights, the fair market value of that Purchased Mortgage Loan and those Mortgage Loan Rights agreed between the Trustee (acting on appropriate

expert advice) and People's Choice, or in the absence of such agreement as determined by the Auditor within 10 Business Days of being appointed to determine the fair market value; or

- (b) in relation to any other Mortgage Loan and the related Mortgage Loan Rights, the fair market value of that Mortgage Loan and those Mortgage Loan Rights determined by the Manager (acting on appropriate expert advice, including where relevant the Auditor),

in all cases as reflecting the status of the Mortgage Loan as a Performing or Non-Performing Mortgage Loan and any benefit in respect of that Mortgage Loan which the intended purchaser will have under any relevant Support Facility. Where the purchase price offered to the Trustee for a Purchased Mortgage Loan and the related Mortgage Loan Rights is equal to or exceeds the relevant Unpaid Balance, the purchase price is deemed to be equal to, or be in excess of the Fair Market Value of that Purchased Mortgage Loan and the related Mortgage Loan Rights.

**FATCA Act**

means sections 1471-1474 of the United States Internal Revenue Code or any provisions of any legislation of any jurisdiction of similar purpose or effect, and any related regulations or guidance, or any of the following in connection with those sections or provisions: any legislation adopted by any other jurisdiction, any agreement with any Governmental Agency or any intergovernmental agreement.

**FATCA Withholding Tax**

means any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Section 1471 through 1474 of the Code and any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto or any withholding or deduction required pursuant to the legislation of any other jurisdiction which has or may have a similar effect as the Code.

**Final Maturity Date**

means 22 October 2049, subject to the Modified Following Business Day Convention.

**Finance Charge Collections**

means, for a period, any Collections which are:

- (a) amounts received by or on behalf of the Trustee during that period in respect of interest, fees and other amounts in the nature of income payable under or in respect of the Purchased Mortgage Loans and the related Mortgage Loan Rights, to the extent not included within any other paragraph of this definition, including:
  - (i) any Liquidation Proceeds on account of interest;
  - (ii) any receipts from a Mortgage Insurer in payment of a claim determined to be attributable to interest, fees and other amounts in the nature of income in accordance with section 6.12(b);
  - (iii) any payments by People's Choice to the Trustee on the repurchase of a Purchased Mortgage Loan under the Master Trust Deed

during that period which are attributable to interest; and

- (iv) any Break Payments received during that period which are attributable to interest, fees and other amounts in the nature of income.
- (b) amounts in respect of interest, fees and other amounts in the nature of income, received by or on behalf of the Trustee during that period including:
- (i) from People's Choice in respect of any breach of a representation, warranty or undertaking contained in the Master Trust Deed or the Series Notice;
  - (ii) from People's Choice under any obligation under the Master Trust Deed or the Series Notice to indemnify or reimburse the Trustee for any amount;
  - (iii) from the Servicer in respect of any breach of a representation, warranty or undertaking contained in the Master Trust Deed;
  - (iv) from the Servicer under any obligation under the Master Trust Deed to indemnify or reimburse the Trustee for any amount;
  - (v) from the Custodian in respect of any breach of a representation, warranty or undertaking contained in the Custodian Agreement;
  - (vi) from the Custodian under any obligation under the Custodian Agreement to indemnify or reimburse the Trustee for any amount;
  - (vii) from the Trustee in its personal capacity in respect of any breach of a representation, warranty or undertaking in respect of which it is not entitled to be indemnified out of the Assets of the Trust, or any indemnity from the Trustee in its personal capacity contained in the Transaction Documents; and
  - (viii) from the Manager in respect of any breach of a representation, warranty or undertaking of the Manager in respect of a breach of which it is not entitled to be indemnified out of the Assets of the Trust, or any indemnity from the Manager, contained in the Transaction Documents,
  - (ix) in each case which are determined by the Manager to be in respect of interest, fees and other amounts in the nature of income payable under the Purchased Mortgage Loans and the related Mortgage Loan Rights;
- (c) Recoveries in the nature of income received by or on behalf of the Trustee during that period;

- (d) amounts received by or on behalf of the Trustee during that period pursuant to the sale of any Asset during the winding up of the Trust in the nature of interest, fees and other amounts in the nature of income; and
- (e) any Loan Offset Interest Amounts received by the Trustee from People's Choice during that Collection Period,

but excluding any interest on any collateral provided by the Liquidity Facility Provider under the Liquidity Facility Agreement.

**Finance Charge Loss**

means, for a Collection Period in relation to a Purchased Mortgage Loan, the amount of any Liquidation Loss for that Collection Period for that Purchased Mortgage Loan referred to in section 6.13(a).

**Financial Indebtedness**

means any indebtedness, present or future, actual or contingent in respect of moneys borrowed or raised or any financial accommodation whatever. It includes indebtedness under or in respect of a negotiable or other financial instrument (including any Note), guarantee, interest, gold or currency exchange, hedge or arrangement of any kind, redeemable share, share the subject of a guarantee, discounting arrangement, finance or capital lease, hire purchase, deferred purchase price (for more than 90 days) of an asset or service or an obligation to deliver goods or other property or provide services paid for in advance by a financier or in relation to another financing transaction.

**Fitch Ratings**

means Fitch Australia Pty Ltd and its permitted successors and assigns.

**Fixed Rate Loan**

means, at any time, any Purchased Mortgage Loan which bears a fixed rate of interest at that time.

**Floating Rate Loan**

means, at any time, any Mortgage Loan which bears a variable rate set, as permitted by the relevant Mortgage Loan Agreement, at the discretion of the lender of record.

**Forecasted Offset Amounts**

means, in respect of a Collection Period and the Mortgage Loans, the Loan Offset Interest Amounts which People's Choice forecasts (with confirmation in writing to the Manager of that forecast) will be applicable for the relevant Collection Period and Mortgage Loans.

**Further Advance**

means, in relation to any Collection Period, an amount provided by an Obligor by People's Choice under a Mortgage Loan in that Collection Period which increases the principal amount of that Mortgage Loan and which is not a Redraw (notwithstanding that the Scheduled Balance is required to be increased by reason of the provision of that amount).

**Future Agreement**

means the agreement formed between an Approved Seller and the Trustee if the Trustee accepts a Sale Notice given by that Approved Seller.

**Government Agency**

means:

- (a) any body politic or government in any jurisdiction, whether federal, state, territorial or local;
- (b) any minister, department, office, commission, instrumentality, agency, board, authority or organisation of any government or in which any government is interested;

(c) any corporation owned or controlled by any government.

**Government Charges**

means, for any Collection Period, the aggregate of all amounts collected by the Servicer or People's Choice in that Collection Period in respect of the Purchased Mortgage Loans and the related Mortgage Loan Rights representing bank accounts debit tax or similar Taxes.

**GST**

means any goods and services tax, broad based consumption tax or value added tax imposed by any Government Agency and includes any goods and services tax payable under the GST Act and related legislation.

**GST Act**

A New Tax System (Goods and Services Tax) Act 1999 (Cth).

**Guidelines**

for the purpose of the Master Trust Deed and the Series Notice includes the Servicer's Lending Procedures and such other guidelines for the servicing of the Purchased Mortgage Loans and the Purchased Mortgage Loan Securities, as agreed between the Servicer and the Manager..

**Hedge Agreement**

means either:

- (a) the master agreement, swap schedule and swap confirmation dated on or about the date of the Series Notice made between the Trustee as trustee of the Trust, the Manager and People's Choice as Basis Swap Provider on the terms of the ISDA Master Agreement (with amendments thereto); or
- (b) the master agreement, swap schedule, credit support annexes and swap confirmation dated on or about the date of the Series Notice made between the Trustee as trustee of the Trust, People's Choice as Interest Rate Swap Provider and the Standby Swap Provider on the terms of the ISDA Master Agreement (with amendments thereto).

**Initial Invested Amount**

means, in respect of a Note, \$10,000.

**Insolvency Event**

in relation to the Trustee (in its personal capacity or as trustee of the Trust) or any other person (each a **relevant corporation**) means the happening of any of the following events:

- (a) except for the purpose of a solvent reconstruction or amalgamation:
  - (i) an application or an order is made, proceedings are commenced, a resolution is passed or proposed in a notice of meeting or an application to a court or other steps (other than frivolous or vexatious applications, proceedings, notices and steps) are taken for:
    - (A) the winding up, dissolution or administration of the relevant corporation; or
    - (B) the relevant corporation entering into an arrangement, compromise or composition with or assignment for the benefit of its creditors or a class

of them,

and is not dismissed, ceased or withdrawn within 10 Business Days; or

- (ii) the relevant corporation ceases, suspends or threatens to cease or suspend the conduct of all or substantially all of its business or disposes of or threatens to dispose of substantially all of its assets;
- (b) the relevant corporation is, or under applicable legislation is taken to be, unable to pay its debts (other than as the result of a failure to pay a debt or claim the subject of a good faith dispute) or stops or suspends or threatens to stop or suspend payment of all or a class of its debts (except, in the case of the Trustee, where this occurs only in relation to another trust of which it is the trustee);
- (c) a receiver, receiver and manager or administrator is appointed (by the relevant corporation or by any other person) to all or substantially all of the assets and undertaking of the relevant corporation or any part thereof (except, in the case of the Trustee where this occurs in relation to another trust of which it is the trustee); or
- (d) anything analogous to an event referred to in paragraphs (a) to (c) (inclusive) or having substantially similar effect occurs with respect to the relevant corporation.

<b>Insurance Policy</b>	means in relation to a Mortgage Loan, any fire and/or risks insurance policy or other general insurance policy in force in respect of that Mortgage Loan or the related Mortgaged Property.
<b>Insurance Proceeds</b>	means any payments received by the designated beneficiary of an Insurance Policy.
<b>Interest Rate Swap</b>	means, an interest rate swap under the Hedge Agreement under which the Interest Rate Swap Provider agrees to pay floating rate amounts and the Trustee agrees to pay fixed rate amounts.
<b>Interest Rate Swap Provider</b>	means People's Choice (or any replacement thereof appointed in accordance with the Transaction Documents including the Standby Swap Provider if the Interest Rate Swap is novated to the Standby Swap Provider in accordance with its terms).
<b>Invested Amount</b>	means, on any date in relation to a Note, the Initial Invested Amount of that Note minus the aggregate of Principal Payments made in respect of the Note on or before that date.
<b>Investment Direction</b>	means: <ul style="list-style-type: none"><li>(a) a Note Issue Direction; or</li><li>(b) an Origination Trust Direction.</li></ul>
<b>ISDA Definitions</b>	means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. as supplemented from time to time.
<b>ISDA Master Agreement</b>	has the meaning given in the ISDA Definitions.

<b>Issue</b>	means each issue of Notes under a Note Issue Direction in accordance with the Master Trust Deed and the Series Notice.
<b>Joint Lead Manager</b>	means each of Australia and New Zealand Banking Group Limited, National Australia Bank Limited and Westpac Banking Corporation.
<b>Land</b>	means: <ul style="list-style-type: none"> <li>(a) any estate or interest whether at law or in equity in freehold, leasehold land or crown leasehold land (in each case, with a lease term of at least 15 years longer than the term of the relevant Mortgage Loan secured by such leasehold land), including all improvements on such land; and</li> <li>(b) any parcel and any lot, common property and land comprising a parcel within the meaning of the Strata Schemes (Freehold Development) Act 1973 or the Community Land Development Act, 1989 (New South Wales) or any equivalent legislation in any other Australian Jurisdiction.</li> </ul>
<b>Law</b>	means any statute, rule, regulation, ordinance, order or decree of any Government Agency, and includes, where applicable, the Code of Banking Practice (2013).
<b>Liquidation Loss</b>	means, for a Collection Period, the amount (if any) by which the Unpaid Balance of a Purchased Mortgaged Loan (together with the Enforcement Expenses relating to the Purchased Mortgage Loan and the related Mortgage Loan Rights and Property Restoration Expenses in respect of the relevant Mortgaged Property) exceeds the Liquidation Proceeds in relation to the Purchased Mortgage Loan.
<b>Liquidation Proceeds</b>	means, in relation to a Purchased Mortgage Loan and the related Mortgage Loan Rights which have been or are being enforced, all amounts recovered in respect of the enforcement of that Purchased Mortgage Loan and the related Mortgage Loan Rights and includes all amounts recovered in respect of that Purchased Mortgage Loan.
<b>Liquidity Draw</b>	means a draw made by the Trustee under the Liquidity Facility Agreement to fund Payment Shortfalls in accordance with section 6.10(c).
<b>Liquidity Facility Agreement</b>	means the agreement so entitled dated on or about the date of the Series Notice between the Trustee, the Manager and the Liquidity Facility Provider.
<b>Liquidity Facility Provider</b>	means, in relation to the Trust, National Australia Bank Limited.
<b>Liquidity Limit</b>	means, on any day, the amount which is the lesser of: <ul style="list-style-type: none"> <li>(a) the amount equal to the greater of: <ul style="list-style-type: none"> <li>(i) 1.50% multiplied by the aggregate Invested Amount; and</li> <li>(ii) 0.15% of the liquidity limit on the Closing Date (after issue of the Notes on that date); and</li> </ul> </li> <li>(b) the amount agreed in writing between the Liquidity Facility Provider and the Manager provided that such amount is</li> </ul>

the subject of a Rating Notification.

- Loan Offset Deposit Account** means any deposit account maintained by an Obligor under a Purchased Mortgage Loan which is subject to an Offset Arrangement with People's Choice where an amount equal to the interest which would otherwise accrue on that account is offset against moneys owed by that Obligor under that Purchased Mortgage Loan, in accordance with the relevant Loan Agreement.
- Loan Offset Interest Amount** means, in relation to any Obligor under a Purchased Mortgage Loan, the amount of any interest which would be payable by People's Choice to that Obligor on amounts standing to the credit of the Obligor's Loan Offset Deposit Account, if interest was payable on that account.
- Loss** means, in relation to any Collection Period, the aggregate of all Mortgage Shortfalls for that Collection Period.
- LVR** means, for a Mortgage Loan, the loan-to-value ratio based on the Scheduled Balance, divided by the aggregate value of the Mortgaged Property subject to the related first ranking Mortgage for that Mortgage Loan (as evidenced by the most recent valuation report of that Mortgaged Property), expressed as a percentage. If the Mortgaged Property subject to the related first ranking Mortgage for a Mortgage Loan secures more than one Mortgage Loan, the LVR for any of those Mortgage Loans is the loan-to-value ratio based on the aggregate of:
- (a) the Mortgage Loan Principal of those Mortgage Loans which are secured by that Mortgaged Property and which are to be sold to the Trustee; and
  - (b) the amounts (if any) which are available to be drawn down by way of Redraw or otherwise by the Obligors of those Mortgage Loans referred to in paragraph (a) above,
- divided by the aggregate value of that Mortgaged Property (as evidenced by the most recent valuation report of that Mortgaged Property), expressed as a percentage.
- Vacant land or land under development shall be excluded as security for the purposes of calculating LVR.
- Manager** in relation to the Trust means Australian Central Services Pty Limited, or, in the event of the retirement or removal of Australian Central Services Pty Limited as Manager of that Trust, the substitute person appointed in its place under the Master Trust Deed, and includes the Trustee when acting as the Manager of that Trust in accordance with the Master Trust Deed.
- Margin** The following percentages per annum in respect of each Class of Notes:
- (a) for the Class A1 Notes – 1.15% per annum;
  - (b) for the RFS Notes, the margin determined at the relevant Note Issue Date;
  - (c) for the Class A2 Notes - 1.35% per annum;
  - (d) for the Class AB Notes - 1.65% per annum;

- (e) for the Class B Notes - 2.00% per annum;
- (f) for the Class C Notes - 2.90% per annum; and
- (g) for the Class D Notes - 5.90% per annum.

**Material Adverse Effect**

means, in relation to the Trust, an event which will materially and adversely affect the amount of any payment to be made to any Noteholder or will materially and adversely affect the timing of such payment.

**Material Default**

means, with respect to a Mortgage Loan:

- (a) a failure by an Obligor to pay any amount pursuant to the relevant Mortgage Loan which failure causes the Mortgage Loan to be in arrears and which failure to pay continues for a period longer than the relevant Material Default Period; or
- (b) the occurrence of an event of default, howsoever described (other than a failure by an Obligor to pay an amount under the relevant Mortgage Loan) under that Mortgage Loan or Mortgage Loan Security unless the Servicer reasonably determines that such event of default is of a minor or technical nature and will not result in a Material Adverse Effect.

**Modified Following Business Day Convention**

has the meaning given to it in the ISDA Definitions and for the purpose of the ISDA Definitions Business Day has the meaning given to it in the Series Notice.

**Mortgage**

means a registered (or pending registration, registrable) mortgage over Land, situated in any Australian Jurisdiction, granted to or originated by the Trustee under the Master Trust Deed or transferred from an Approved Seller to the Trustee and securing the repayment of the principal amount of a Mortgage Loan and all other moneys payable under the Mortgage Loan.

**Mortgage Insurance Policy**

means a policy of insurance under which a Mortgage Insurer insures the Trustee in its capacity as trustee of the Trust against loss under a Purchased Mortgage Loan.

**Mortgage Insurance Proceeds**

means any amounts received by the Trustee (or a Servicer on its behalf) under any Mortgage Insurance Policy.

**Mortgage Insurer**

means:

- (a) QBE Lenders' Mortgage Insurance Limited; or
- (b) any other mortgage insurance for which there is a Rating Notification.

**Mortgage Loan**

means in relation to the Trust:

- (a) the rights of the Trustee in respect of any loans originated in the name of the Trustee; or
- (b) the rights of the relevant Approved Seller or the Trustee (as the case may require) constituted upon acceptance of that Approved Seller's loan contract for any of its mortgage loan products (or any variation of those products after a Sale Notice is or was given as varied in

accordance with clause 27 of the Master Trust Deed (unless that variation would make that Mortgage Loan cease to comply with the Eligibility Criteria),

as the case may be, and includes any such rights of an Approved Seller before acceptance by the Trustee of a Sale Notice in respect of the relevant Mortgage Loan.

**Mortgage Loan Agreement**

means in relation to a Mortgage Loan, any agreement or arrangement entered into between an Obligor and People's Choice under which that Obligor incurs obligations to the Trustee, the Servicer or People's Choice (as the case may be) with respect to the Mortgage Loan and, in the case of an agreement entered into by the Servicer or People's Choice, in substantially the form provided to the Trustee by the relevant Approved Seller before the Sale Notice with respect to that Mortgage Loan is given.

**Mortgage Loan Principal**

means, in relation to a Mortgage Loan, the principal amount of that Mortgage Loan from time to time.

**Mortgage Loan Rights**

means, in relation to a Mortgage Loan all of an Approved Seller's or the Trustee's (as the context requires) right, title, benefit and interest (present and future) in, to, under or derived from:

- (a) the Mortgage Loans and Mortgage Loan Securities specified in the relevant Sale Notice; and
- (b) such of the following as relate to those Mortgage Loans and Mortgage Loan Securities:
  - (i) the Related Securities;
  - (ii) the Collections; and
  - (iii) all other moneys, present, future, actual or contingent, owing at any time by an Obligor (whether alone or with another person) or any other person (other than each Approved Seller or People's Choice) under or in connection with a Related Security, including all principal, interest, reimbursable costs and expenses and any other amounts incurred by or payable to each Approved Seller or People's Choice, irrespective of whether such amounts relate to advances made or other financial accommodation provided by each Approved Seller or People's Choice to any Obligor before or after the Closing Date,

but does not include:

- (c) any Other Secured Liability; and
- (d) in relation to the Mortgage Loans and Mortgage Loan Securities specified in a Sale Notice:
  - (i) any interest or finance charges accrued up to (but excluding) the Closing Date or any other date specified for that purpose in the Sale Notice; and
  - (ii) any principal received by each Approved Seller

or People's Choice before the Cut-Off Date (or any other date specified for that purpose in the Sale Notice),

unless otherwise specified in the Sale Notice.

**Mortgage Loan Security**

means, in relation to a Mortgage Loan, a Mortgage or any other Security Interest, guarantee or indemnity granted in respect of, or in connection with, that Mortgage Loan.

**Mortgage Loans Register**

means a register of Mortgage Loans for each Trust maintained by the Servicer and stored on computer disk or other electronic form.

**Mortgaged Property**

means:

- (a) in relation to a Mortgage, the Land the subject of that Mortgage; and
- (b) in relation to any other Mortgage Loan Security, the property subject to that Mortgage Loan Security.

**Mortgage Shortfall**

means, in relation to a Purchased Mortgage Loan, the amount (if a positive number) equal to the Principal Loss for that Purchased Mortgage Loan minus the aggregate of:

- (a) the total amount recovered or recoverable in respect of that Purchased Mortgage Loan under the Mortgage Insurance Policies, determined to be attributable to principal in accordance with section 6.12(b); and
- (b) the total amount recovered or recoverable by the Trustee from People's Choice, the Servicer or the Custodian (as the case may be) in respect of that Purchased Mortgage Loan (by way of damages or otherwise) under or in respect of the Master Trust Deed, the Series Notice, or the Custodian Agreement (as the case may be), determined by the Manager to be attributable to principal.

For the purposes of:

- (a) this definition, an amount shall be regarded as not recoverable upon the earlier of:
  - (i) a determination being made, in the case of paragraph (a), by the Manager, and in the case of paragraph (b), by the Trustee and in each case upon the advice of such suitably qualified expert advisers as the Manager or the Trustee (as the case may be) thinks fit, that there is no such amount, or that such amount is not likely to be recovered (including because the relevant Mortgage Insurance Policy has been terminated, the Mortgage Insurer is entitled to reduce the amount of the claim or the Mortgage Insurer defaults in payment of the claim); and
  - (ii) the date which is 2 years after the Determination Date upon which the relevant Principal Loss was determined in accordance with section 6.13(b); and

(b) the Series Notice, a Mortgage Shortfall arises on the date upon which there are no further amounts recoverable in respect of the relevant Purchased Mortgage Loan.

<b>Mortgagor</b>	means the security provider under a Mortgage Loan Security.
<b>National Credit Code</b>	means the National Credit Code that comprises Schedule 1 to the National Consumer Credit Act 2009 (Cth).
<b>Net Swap Settlement</b>	means, in relation to the Interest Rate Swap or the Basis Swap for a Collection Period, the net amount payable or received (as the context requires) by or on behalf of a party to the Interest Rate Swap or the Basis Swap (as the case may be) in respect of that Collection Period.
<b>Non-Performing Mortgage Loan</b>	means a Mortgage Loan in respect of which any scheduled payment under the Mortgage Loan Agreement is more than 90 days overdue.
<b>Non-Performing Purchased Mortgage Loan</b>	means a Purchased Mortgage Loan in respect of which any scheduled payment under the Mortgage Loan Agreement is more than 90 days overdue. The Servicer will determine whether a Purchased Mortgage Loan is a Non-Performing Purchased Mortgage Loan.
<b>Non-Resident</b>	means a person, company or other entity that is "not a resident of Australia" within the meaning given to that term in subsection 6(1) of the Income Tax Assessment Act 1936 (Cth).
<b>Note</b>	means the Notes and Classes of Notes referred to in section 1.3.
<b>Note Issue Date</b>	means, in relation to the issue of Notes, the date agreed by the Manager, the Trustee and the Arranger and Joint Lead Managers pursuant to the Dealer Agreement, to be that date.
<b>Note Issue Direction</b>	means the document entitled Note Issue Direction dated on or about the date of the Series Notice.
<b>Noteholder</b>	means at any time the person then appearing in the Register as the holder of a Note.
<b>Noteholders</b>	means, in relation to the Trust, the several persons who are for the time being holders of the Notes with respect to that Trust. The words holder and holders shall (where appropriate) be construed accordingly.
<b>Notice of Creation of Trust</b>	means the document entitled Notice of Creation of Trust dated on 26 February 2018, issued by the Manager.
<b>Obligor</b>	means, in relation to a Mortgage Loan, the person who is obliged to make payments with respect to that Mortgage Loan, whether as a principal or secondary obligation, and includes where the context requires, any other person obligated to make payments with respect to that Mortgage Loan (including any guarantor or other provider of Mortgage Loan Security).
<b>Offer Material</b>	means any offering circular, memorandum, prospectus (as defined in the Corporations Act 2001), advertisement, publication, document, material or statement (oral or written) relating to the marketing, issue or sale of the Notes prepared by or for, or used or to be used by, the Dealers, but does not include the Information Memorandum.
<b>Offset Arrangements</b>	means any agreement or arrangement between People's Choice and a borrower under which the amount of interest which would (but for

such agreement or arrangement) have been payable under or in respect of a Mortgage Loan is reduced by reference to any credit balance on any deposit account in the name of a borrower (whether alone or jointly with another person) which is kept with People's Choice.

<b>Offshore Associate</b>	means an associate (as defined in section 128F(9) of the Income Tax Assessment Act 1936 (Cth)) of the Trustee that is either a non-resident of Australia that does not acquire Notes in carrying on a business at or through a permanent establishment in Australia or, alternatively, a resident of Australia that acquires Notes in carrying on a business at or through a permanent establishment outside of Australia.
<b>Origination Facility Agreement</b>	means, in relation to the Trust, any facility specified as an Origination Facility Agreement in the Series Notice for that Trust, under which one or more financial institutions or other persons agree to make available financial accommodation to the Trustee to enable it to originate or acquire Mortgage Loans.
<b>Origination Facility Provider</b>	means, in relation to the Trust, a person who has entered into or agreed to make available an Origination Facility Agreement to the Trustee in relation to that Trust.
<b>Origination Trust</b>	means: <ul style="list-style-type: none"><li>(a) the Trust under which the Trustee originates or acquires Mortgage Loans using the proceeds of financial accommodation provided under an Origination Facility Agreement, some or all of which Mortgage Loans may subsequently be acquired by one or more other Trusts; or</li><li>(b) the Trust which is otherwise specified in the Notice of Creation of the Trust to be an Origination Trust.</li></ul>
<b>Origination Trust Direction</b>	means a direction by the Manager to the Trustee substantially in the form of Schedule 4 of the Master Trust Deed or in such other form as may from time to time be agreed between the Trustee and the Manager.
<b>Other Income</b>	means, for a Collection Period, the interest and other income in respect of Authorised Investments (other than the Purchased Mortgage Loans and the related Mortgage Loan Rights), and any other miscellaneous income, received by the Trustee during that Collection Period.
<b>Other Secured Liability</b>	means a loan, financial obligation or other liability that is at any time secured by a Purchased Mortgage Loan Security, other than a Purchased Mortgage Loan and any amounts payable under any relevant Mortgage Loan Agreement or otherwise payable in connection with a Purchased Mortgage Loan.
<b>Payment Date</b>	has the meaning given in section 1.3.
<b>Payment Shortfall</b>	means, for any Collection Period, the amount (if a positive number) equal to: <ul style="list-style-type: none"><li>(a) the Required Payments for that Collection Period; minus</li><li>(b) the Available Income for that Collection Period.</li></ul>

<b>Penalty Payment</b>	has the meaning given in section 8.1(j)(iii).
<b>People's Choice</b>	means Australian Central Credit Union (ABN 11 087 651 125), trading as People's Choice Credit Union.
<b>Performing Mortgage Loan</b>	means a Mortgage Loan which is not a Non-Performing Mortgage Loan.
<b>Performing Purchased Mortgage Loan</b>	means a Purchased Mortgage Loan which is not a Non-Performing Purchased Mortgage Loan. The Servicer will determine whether a Purchased Mortgage Loan is a Performing Purchased Mortgage Loan.
<b>Personal Information</b>	means any personal information in relation to an Obligor as that term is defined in the Privacy Act 1988 (Cth) that is provided by People's Choice or the Manager to the Trustee.
<b>Portfolio of Mortgage Loans</b>	means the Mortgage Loans specified by the Manager in the relevant Investment Direction or acquired by the Trustee under a Sale Notice.
<b>PPS Act</b>	Personal Property Securities Act 2009 (Cth) and any regulation made at any time under that Act (each as amended from time to time).
<b>PPS Register</b>	Means the register of security interests maintained in accordance with the PPS Act.
<b>PPSA Security Interest</b>	means, the meaning given to "security interest" in the PPS Act.
<b>Preparation Date</b>	means 23 April 2018.
<b>Principal Amortisation Date</b>	means, in relation to a Note for the purposes of the Master Trust Deed, each Payment Date.
<b>Principal Collections</b>	means for a Collection Period, the amount equal to: <ul style="list-style-type: none"> <li>(a) the Collections for that Collections Period; less</li> <li>(b) the Finance Charge Collections for that Collection Period,</li> </ul> or, if the amount so calculated above is a negative number, zero.
<b>Principal Draw</b>	means, for a Collection Period, the amount calculated in accordance with section 6.10(b) in relation to that Collection Period.
<b>Principal Loss</b>	means, for a Collection Period in relation to a Purchased Mortgage Loan, the amount of any Liquidation Loss for that Collection Period for that Purchased Mortgage Loan referred to in section 6.13(b).
<b>Principal Payment</b>	means a Class A Principal Payment, an RFS Principal Payment, a Class AB Principal Payment, Class B Principal Payment, a Class C Principal Payment or a Class D Principal Payment.
<b>Principal Repayment Pool</b>	means the amount applied in accordance with section 6.3(a)(xvi) or 6.3(a)(xvii).
<b>Privacy Act</b>	means the Privacy Act 1988 (Commonwealth) or any equivalent law of any Australian Jurisdiction.
<b>Property Restoration Expenses</b>	means costs and expenses incurred by or on behalf of the Trustee or by the Servicer under the Guidelines in repairing, maintaining or restoring to an appropriate state of repair and condition any

Mortgaged Property, in exercise of a power conferred on the mortgagee under the Purchased Mortgaged Loan and Relevant Documents relating thereto.

**Purchase Price**

means, in relation to Mortgage Loans and related Mortgage Loan Rights offered for sale under a Sale Notice, the principal amounts of such Mortgage Loans or such other amount specified as the Purchase Price in the relevant Sale Notice as adjusted (where relevant) in accordance with that Sale Notice.

**Purchased Mortgage Loan**

means a Mortgage Loan referred to in a Sale Notice which is accepted by the Trustee unless the Trustee has ceased to have an interest in that Mortgage Loan.

**Purchased Mortgage Loan Security**

means a Mortgage Loan Security referred to in a Sale Notice which is accepted by the Trustee, unless the Trustee has ceased to have an interest in that Mortgage Loan Security.

**Rating**

means:

- (a) Class A1 Notes: AAA (sf) long term credit rating from S&P and AAAsf long term credit rating from Fitch Ratings;
- (b) Class A2 Notes: AAA (sf) long term credit rating from S&P and AAAsf long term credit rating from Fitch Ratings;
- (c) Class AB Notes: AAA (sf) long term credit rating from S&P;
- (d) Class B Notes: AA (sf) long term credit rating from S&P;
- (e) Class C Notes: A+ (sf) long term credit rating from S&P;
- (f) Class D Notes: not rated; and
- (g) RFS Notes: see section 2.6.

**Rating Downgrade Event**

means, in relation to the Trust, any actual or proposed downgrade or withdrawal of the rating for any Notes of the Trust.

**Rating Notification**

in relation to an event or circumstance means that the Manager has notified each Designated Rating Agency of the event or circumstance and that the Manager is satisfied that the event or circumstance is unlikely to result in a downgrade or withdrawal of rating of any Note.

**Real Property Legislation**

means any law relating to the registration, priority or effectiveness of any mortgage over land in any Australian Jurisdiction.

**Recovery**

means any amount received by the Servicer under or in respect of a Purchased Mortgage Loan and the related Mortgage Loan Rights at any time after a Finance Charge Loss or Principal Loss has arisen in respect of that Purchased Mortgage Loan, provided that amount is not otherwise payable to a Mortgage Insurer under a Mortgage Insurance Policy after and to the extent the Mortgage Insurer has made payments under the Mortgage Insurance Policy.

**Redraw**

means, at any time, an amount provided to an Obligor by People's Choice under a Purchased Mortgage Loan in accordance with the terms of the relevant Mortgage Loan Agreement such that the outstanding balance of that Purchased Mortgage Loan at that time does not exceed the Scheduled Balance at that time.

<b>Redraw Advance</b>	has the meaning given in the Redraw Facility Agreement.
<b>Redraw Facility Agreement</b>	means the agreement so entitled dated on or about the time of the Series Notice between the Trustee, the Manager and People's Choice as the Redraw Facility Provider.
<b>Redraw Facility Provider</b>	means, in relation to the Trust, People's Choice.
<b>Redraw Limit</b>	means, at any time: <ul style="list-style-type: none"> <li>(a) the greater of: <ul style="list-style-type: none"> <li>(i) the amount equal to 0.8% multiplied by the aggregate Invested Amount; and</li> <li>(ii) the amount equal to 10.0% of the Redraw Limit on the Closing Date (after issue of the Notes on that date); or</li> </ul> </li> <li>(b) any lesser amount as agreed in writing between the Redraw Facility Provider and the Manager,</li> </ul> as reduced or cancelled under the Redraw Facility Agreement.
<b>Redraw Outstandings</b>	means, at any time, the total principal amount of all outstanding Redraw Advances at that time.
<b>Redraw Shortfall</b>	means, in relation to a Collection Period the total amount (if any) of Redraws made by People's Choice which remain outstanding after applying Total Available Principal towards the funding of those Redraws in accordance with sections 6.5(a)(ii), 6.5(b)(ii) and 6.9.
<b>Register</b>	means, in relation to the Trust, the register of Noteholders for the Trust maintained by or on behalf of the Trustee under clause 35 of the Master Trust Deed.
<b>Related Body Corporate</b>	has the meaning given to that term in the Corporations Act 2001.
<b>Related Entity</b>	means, in relation to an entity (the first entity): <ul style="list-style-type: none"> <li>(a) a Subsidiary of the first entity;</li> <li>(b) an entity of which the first entity is a Subsidiary; or</li> <li>(c) a Subsidiary of another entity of which the first entity is also a Subsidiary.</li> </ul>
<b>Related Mortgage Loan</b>	means, in relation to a Mortgage Loan Security, the Mortgage Loan secured by that Mortgage Loan Security.
<b>Related Security</b>	in relation to a Mortgage Loan means: <ul style="list-style-type: none"> <li>(a) any Relevant Document for that Mortgage Loan;</li> <li>(b) any Insurance Policy or Insurance Proceeds with respect to the Mortgage Loan; and</li> <li>(c) any Mortgage Insurance Policy or Mortgage Insurance Proceeds with respect to the Mortgage Loan; or</li> <li>(d) any other agreement specified as a Related Security for</li> </ul>

the Mortgage Loan in the relevant Series Notice.

**Relevant Document**

means, with respect to a Mortgage Loan:

- (a) the Mortgage Loan Agreement relating to that Mortgage Loan;
- (b) the mortgage document in relation to each Mortgage Loan Security for that Mortgage Loan;
- (c) the Certificate of Title for the Mortgaged Property secured by each Mortgage Loan Security;
- (d) any document creating or evidencing any other Mortgage Loan Securities or Related Securities relating to that Mortgage Loan, including any guarantee;
- (e) the most recent valuation report obtained in connection with the Mortgaged Property relating to that Mortgage Loan;
- (f) any amendment or replacement of such documents and any other document which is entered into by or executed in favour of relevant Approved Seller or the Trustee (as the case may be) in connection with that Mortgage Loan after the Cut-Off Date; or
- (g) any other document specified as a Relevant Document in the relevant Series Notice,

but does not include any document or agreement which relates only to an Other Secured Liability.

**Relevant Party**

means each of the Manager, the Servicer, the provider of a Support Facility, the Custodian and each Approved Seller.

**Required Payments**

means, for any Collection Period:

- (a) if, as at the Determination Date immediately following the end of that Collection Period, the Class AB Stated Amount is when expressed as a percentage of the Invested Amount of the Class AB Notes is less than 50%, all amounts to be paid by the Trustee in accordance with sections 6.3(a)(i) to (x) (inclusive) on the Payment Date following that Collection Period;
- (b) if, paragraph (a) above does not apply and as at the Determination Date immediately following the end of that Collection Period, the Class B Stated Amount is less than the Invested Amount of the Class B Notes, all amounts to be paid by the Trustee in accordance with sections 6.3(a)(i) to (xi) (inclusive) on the Payment Date following that Collection Period;
- (c) if, paragraphs (a) and (b) above do not apply and as at the Determination Date immediately following the end of that Collection Period, the Class C Stated Amount is less than the Invested Amount of the Class C Notes, all amounts to be paid by the Trustee in accordance with sections 6.3(a)(i) to (xii) (inclusive) on the Payment Date following that Collection Period;
- (d) if paragraphs (a), (b) and (c) above do not apply and the Call

Option Date has occurred or, as at the Determination Date immediately following the end of that Collection Period, the Class D Stated Amount is less than the Invested Amount of the Class D Notes, all amounts to be paid by the Trustee in accordance with sections 6.3(a)(i) to (xiii) (inclusive) on the Payment Date following that Collection Period; or

- (e) otherwise, all amounts to be paid by the Trustee under sections 6.3(a)(i) to (xiv) (inclusive) on the Payment Date following that Collection Period.

**Residual Capital Unit** has the meaning described in sections 8.3(a) and 8.3(c).

**Residual Capital Unitholder** means, in relation to the Trust the holder of a unit representing an interest as beneficiary of that Trust and which entitles that holder to receive on termination of that Trust the amount paid as the issue price for that unit. Other than the right to receive the issue price of that unit on termination of the Trust, the Residual Capital Unitholder has no right to receive distributions in respect of the Trust.

**Residual Income Unit** has the meaning described in sections 8.3(a) and 8.3(b).

**Residual Income Unitholder** means, in relation to the Trust, the holder of a unit representing an interest as beneficiary of the Trust and which entitles that holder to receive:

- (a) distributions in respect of the Trust under the Master Trust Deed and the Series Notice to the extent that Excess Distribution is available for distribution under the Master Trust Deed and the Series Notice; and
- (b) on termination of the Trust the entire beneficial interest of the Trust subject to the rights of the Residual Capital Unitholder.

Other than the right to receive distributions as set out in paragraphs (a) and (b), the Residual Income Unitholder has no right to receive distributions in respect of the Trust.

**RFS Note** means a Note issued as an RFS Note by the Trustee with the characteristics of an RFS Note under the Series Notice.

**RFS Noteholder** means a Noteholder of an RFS Note.

**RFS Principal Payment** means each payment to the RFS Noteholders in accordance with section 6.5(a)(iv).

**RFS Stated Amount** means, on a Determination Date in relation to an RFS Note, an amount equal to:

- (a) the Invested Amount of that RFS Note on that Determination Date; less
- (b) the aggregate Carryover Charge Offs to be allocated to that RFS Note in accordance with section 6.6(f)(ii); plus
- (c) the amount of any Principal Repayment Pool notionally applied in reinstating the RFS Stated Amount in accordance with section 6.7(a)(ii).

**S&P** means S&P Global Ratings (Australia) Pty Limited.

<b>Sale Notice</b>	means any document so entitled which may be given by an Approved Seller to the Trustee as trustee of the Trust pursuant to the Master Trust Deed.
<b>Scheduled Balance</b>	means at any time in relation to a Mortgage Loan, the amount that would be owing on that Mortgage Loan at that time had that Mortgage Loan been fully drawn down and the Obligor had made prior to that date the minimum payments required under that Mortgage Loan.
<b>Secured Moneys</b>	means all money which the Trustee (whether alone or with another person) is or at any time may become actually or contingently liable to pay to or for the account of any Chargee (whether alone or with another person) for any reason whatever under or in connection with a Transaction Document. Additionally: <ul style="list-style-type: none"> <li>(a) it includes money by way of principal, interest, fees, costs, indemnities, Guarantee, charges, duties or expenses, or payment of liquidated or unliquidated damages under or in connection with a Transaction Document, or as a result of any breach of or default under or in connection with, a Transaction Document; and</li> <li>(b) where the Trustee would have been liable but for its Liquidation, it will be taken still to be liable.</li> </ul>
<b>Security Interest</b>	includes any mortgage, pledge, lien, charge, encumbrance, hypothecation, title retention, preferential right or trust arrangement.
<b>Security Trust</b>	means the trust established under the Security Trust Deed.
<b>Security Trust Deed</b>	means the deed so entitled dated on or before the date of the Series Notice between the Trustee, the Manager and the Security Trustee.
<b>Security Trustee's Fee</b>	means the fee payable in accordance with section 8.20.
<b>Seller Power of Attorney</b>	has the meaning given to that term in section 10.
<b>Servicer</b>	means People's Choice.
<b>Servicer's Lending Procedures</b>	means, for the purpose of the Master Trust Deed and the Series Notice in respect of the Purchased Mortgage Loans and the Purchased Mortgage Loan Securities, the lending procedures as agreed between the Servicer and the Manager.
<b>Servicer Transfer Event</b>	means the occurrence of any of the following: <ul style="list-style-type: none"> <li>(a) an Insolvency Event occurs with respect to the Servicer;</li> <li>(b) the Servicer fails to pay any amount in accordance with any Transaction Document within 3 Business Days of receipt of a notice to do so from either the Trustee or the Manager;</li> <li>(c) the Servicer fails to comply with any of its other obligations under any Transaction Document and such action has had, or, if continuing will have, a Material Adverse Effect and the Servicer does not remedy that failure within 10 Business Days;</li> <li>(d) any representation, warranty or certification made by the Servicer is incorrect when made and is not waived by the</li> </ul>

Trustee or remedied to the Trustee's reasonable satisfaction within 10 Business Days after notice from the Trustee, and the Trustee determines that breach would have a Material Adverse Effect;

- (e) the Servicer fails to prepare and submit to the Manager in a timely fashion any information so required under the Transaction Documents and such failure will have a Material Adverse Effect and, if capable of remedy, is not remedied within 5 Business Days of notice delivered to the Servicer by the Trustee or the Manager;
- (f) it is unlawful for the Servicer to perform any of its obligations under any Transaction Document;
- (g) two consecutive Adverse Audit Reports are received in relation to the performance by the Servicer of its obligations under the Transaction Documents;
- (h) any event has occurred which has a material adverse effect on the business of the Servicer and which has a Material Adverse Effect;
- (i) the Servicer breaches its obligations in relation to the amendments to, and provision of copies of, the Guidelines and such breach gives rise to a Rating Downgrade Event;
- (j) the Servicer fails to reset the variable rates on the Mortgage Loans as required under the Transaction Documents and such failure is not remedied within 5 Business Days (or such longer period as the Trustee may agree to) of notice delivered to the Servicer by the Trustee or the Manager; or
- (k) any of the above occurs with respect to any other Trust.

**Standby Swap Provider**

means National Australia Bank Limited, or any replacement Standby Swap Provider appointed in accordance with the Transaction Documents.

**Stated Amount**

means a Class A1 Stated Amount, Class A2 Stated Amount, an RFS Stated Amount, a Class AB Stated Amount, Class B Stated Amount, a Class C Stated Amount or a Class D Stated Amount.

**Step-Up Margin**

means, in relation to:

- (a) a Class A1 Note, 0.25% per annum;
- (b) a Class A2 Note, 0.25% per annum; or
- (c) a Class AB Note, 0.25% per annum.

There is no Step-Up Margin for Class B Notes, Class C Notes or Class D Notes.

**Subscription Amount**

in relation to any proposed Notes means the total amount payable by the proposed Noteholders as specified in the corresponding Note Issue Direction.

**Subsidiary**

has the meaning given in the Corporations Act 2001, but as if *body corporate* includes any entity. It also includes an entity whose profit or loss is required by current accounting practice to be included in

the consolidated annual profit and loss statements of that entity or would be required if that entity were a corporation.

**Support Facility**

has the meaning given in section 7.1.

**Support Facility Provider**

means, in relation to the Trust, the provider of any Support Facility.

**Swap Provider**

means the Basis Swap Provider or the Interest Rate Swap Provider or each of them, as the context requires.

**Tax and Taxes**

means any tax, levy, impost, deduction, charge, rate, GST, stamp duty, bank accounts debit tax or any other tax, withholding or remittance of any nature which is now or later payable or required to be remitted to, or imposed or levied, collected or assessed by a Government Agency, together with any interest, penalty, charge, fee or other amount imposed or made in respect thereof but does not include any tax on the overall net personal income of the Trustee.

**Term**

means, in relation to the Trust, the duration of the Trust which commences from the date the Trust is constituted and ends on the later of:

- (a) its Termination Date; and
- (b) the date on which the provisions of clause 3.5 of the Master Trust Deed have been satisfied.

**Termination Date**

in relation to the Trust means the earliest of the following dates in relation to the Trust:

- (a) the eightieth anniversary of the date of creation of the Trust under the Master Trust Deed; or
- (b) the date upon which the Trust terminates by operation of statute or by the application of general principles of law; or
- (c) if Notes have been issued by the Trustee in its capacity as trustee of the Trust the earliest of:
  - (i) the Business Day immediately following the date upon which the Trustee pays in full all moneys due or which may become due, whether contingently or otherwise, to Creditors of the Trust (as determined by the Auditor, that determination to be conclusive); or
  - (ii) following the occurrence of an Event of Default under any Security Trust Deed, the Security Trustee has enforced to the fullest extent that it is able to do so all of its powers under the Security Trust Deed which arise on the occurrence of that Event of Default or on the Security Trust Deed becoming enforceable, and has distributed all of the amounts which it is required to distribute under the Security Trust Deed (as determined by the Auditor, that determination to be conclusive); or
- (d) if Notes have not been issued by the Trustee of the Trust, the date appointed by the Manager as the Termination Date by notice in writing to the Trustee (which, if the Trust is an Origination Trust, must be after the date on which all

amounts have been fully and finally repaid under the relevant Origination Facility Agreement).

In respect of paragraphs (c)(i), (c)(ii) and (d) the relevant date shall be postponed until the date the Trustee receives confirmation from the Australian Taxation Office that the Trustee has lodged its final tax return in relation to the Trust.

**Threshold Rate**

means, on any Determination Date, the minimum weighted average rate of interest that must be set on all Purchased Mortgage Loans where permitted under the relevant Mortgage Loan Agreement which will be sufficient (assuming that all relevant parties comply with their obligations at all times under the Transaction Documents, the Purchased Mortgage Loans and the related Mortgage Loan Rights), when aggregated with the income produced by the rate of interest on all other Purchased Mortgage Loans and Authorised Investments, to ensure that the Trustee will have available to it sufficient Collections to enable it to comply with its obligations under the Transaction Documents relating to the Trust for the next Coupon Period as they fall due including the repayment of any Principal Draws by the Final Maturity Date of all Notes.

**Title Documents**

means, in relation to the Authorised Investments of the Trust, the documents of title and other documents contemplated under the Custodian Agreement in relation to the Trust.

**Title Perfection Event**

means, in relation to the Trust and the Portfolio of Mortgage Loans for the Trust, each of the events referred to in clause 12.9(a) of the Master Trust Deed.

**Total Available Income**

means, for a Collection Period, the amount equal to the sum of:

- (a) the Available Income for that Collection Period;
- (b) the Principal Draw (if any) which the Trustee is required to allocate in accordance with section 6.10(b) on or before the Payment Date for that Collection Period; and
- (c) the Liquidity Draw (if any) which the Trustee is required to allocate in accordance with section 6.10(c) on or before the Payment Date for that Collection Period;
- (d) the Yield Reserve Draw (if any) which the Trustee is required to allocate in accordance with section 6.10(a) on or before the Payment Date for that Collection Period; and
- (e) the amount to be applied from the Yield Reserve in accordance with section 6.22(e).

**Total Available Principal**

means, for a Collection Period, the amount equal to the sum of:

- (a) the Principal Collections for that Collection Period;
- (b) the amount (if any) of the Total Available Income to be applied towards repayment of Principal Draws in accordance with section 6.3(a)(xv) for that Collection Period;
- (c) the amount (if any) of the Total Available Income to be applied towards any Charge Offs in accordance with section 6.3(a)(xvi) for that Collection Period;

- (d) the amount (if any) of the Total Available Income to be applied towards Carryover Charge Offs in accordance with section 6.3(a)(xvii) for that Collection Period;
- (e) any proceeds of Notes which were not utilised for the acquisition of Mortgage Loans or Mortgage Loan Securities on the relevant Closing Date; and
- (f) any amount received by or on behalf of the Trustee during that Collection Period as proceeds from the issue of any RFS Notes or any drawing under a Redraw Facility Agreement.

**Total Initial Invested Amount**

means, in relation to each Class of Notes:

- (a) Class A1 Notes – aggregate of the Initial Invested Amounts of the Class A1 Notes at the relevant Note Issue Date, being \$460,000,000;
- (b) Class A2 Notes – aggregate of the Initial Invested Amounts of the Class A2 Notes at the relevant Note Issue Date, being \$10,500,000;
- (c) Class AB Notes – aggregate of the Initial Invested Amounts of the Class AB Notes at the relevant Note Issue Date, being \$16,000,000;
- (d) Class B Notes – aggregate of the Initial Invested Amounts of the Class B Notes at the relevant Note Issue Date, being \$8,000,000;
- (e) Class C Notes – aggregate of the Initial Invested Amounts of the Class C Notes at the relevant Note Issue Date, being \$4,500,000;
- (f) Class D Notes – aggregate of the Initial Invested Amounts of the Class D Notes at the relevant Note Issue Date, being \$1,000,000; and
- (g) RFS Series – aggregate of the Initial Invested Amounts of the RFS Notes at the relevant Note Issue Date.

**Tranche**

means all of the Notes of the same Class comprised in an Issue and issued on the same Note Issue Date.

**Transaction Document**

means each Transaction Document (as defined in the Master Trust Deed) to the extent that it relates to the Trust or the Notes, and includes the Notice of Creation of Trust, each Sale Notice, each Note Issue Direction and the Seller Power of Attorney granted by People's Choice in relation to the Trust. Refer to section 10 for further details.

**Transfer of Mortgage Loan Security**

means:

- (a) in relation to a Mortgage or other Related Security that is a registered mortgage of Land, a transfer of mortgage relating to that Mortgage or Related Security under the Real Property Legislation which, on registration, would result in the Trustee being the registered mortgagee of that Mortgage or Related Security; and
- (b) in relation to any other Mortgage Loan Security and if required by relevant legislation or practices a transfer of

Security Interest relating to that Mortgage Loan Security which, on registration, would result in the Trustee being the registered holder of that Mortgage Loan Security.

**Trigger Event**

subsists on any Payment Date if:

- (a) on that Payment Date the aggregate Invested Amounts of the Class A2 Notes, the Class AB Notes and Class B Notes, the Class C Notes and the Class D Notes at that time is 16% or more of the aggregate Invested Amount of all Notes at that time;
- (b) on that Payment Date (after allocation of amounts under section 6.6 on that Payment Date) the Invested Amount of the Class D Notes at that time equals the Stated Amount of the Class D Notes at that time;
- (c) on the Determination Date immediately preceding that Payment Date the average of the principal amounts of all Mortgage Loans which were 60 days or more in Arrears during the 3 months immediately preceding that Payment Date is less than 4% of the average of the principal amounts of all Mortgage Loans over that time;
- (d) on that Payment Date (after application of section 6.5(a) on that Payment Date) the aggregate Invested Amounts of all Notes at that time is greater than or equal to 10% of the aggregate Initial Invested Amounts of all Notes, and
- (e) the Determination Date immediately preceding that Payment Date falls on or after the second anniversary of the Closing Date.

**Trust**

means the Light Trust 2018-1 constituted under the Master Trust Deed and the Notice of Creation of Trust.

**Trust Account**

means each of:

- (a) the Collection Account; and
- (b) the account (if any) opened and operated for each Trust under and in accordance with clause 21.1(b) of the Master Trust Deed.

**Trust Back**

means, in relation to the Trust, the trust (if any) referred to in clause 12.4 of the Master Trust Deed for the Trust.

**Trust Back Assets**

means, in relation to the Trust, such right under or interest in the Mortgage Loans and Mortgage Loan Securities specified in the Sale Notice relating to the Trust and the related Collections to the extent that such right or interest relates to (but only to the extent that it relates to) any Other Secured Liabilities of which the Trustee is actually aware.

**Trust Expenses**

means, for any Collection Period (and in the following order of priority):

- (a) first, any fees payable to the Trustee or the Security Trustee;
- (b) second, any other Expenses properly incurred relating to the Trust for that Collection Period which are not covered

by (c) below; and

- (c) third, any costs, charges or expenses (other than fees) incurred by, and any liabilities owing under any indemnity granted to, a Joint Lead Manager, the Security Trustee or the Servicer under the Transaction Documents, for that Collection Period, to the extent not covered in (a) above.

**Trustee's Indemnity**

means, in relation to the Trust:

- (a) the Trustee's right of indemnity from the Assets of the Trust in respect of liabilities incurred by the Trustee acting in its capacity as trustee of the Trust; and
- (b) all equitable liens and other Security Interests which the Trustee has over the Assets of the Trust.

**UCCC**

means the consumer credit code set out in the Appendix to the Consumer Credit (Queensland) Act 1994 as in force or applied as a law of any Australian Jurisdiction.

**Unitholder**

means, in relation to the Trust:

- (a) the Residual Capital Unitholder; or
- (b) the Residual Income Unitholder.

**Unpaid Balance**

means in relation to any Mortgage Loan at any time:

- (a) the sum of:
  - (i) the unpaid principal amount of that Mortgage Loan; and
  - (ii) the unpaid amount of all finance charges, interest payments and other amounts accrued on or payable under or in connection with that Mortgage Loan or the related Mortgage Loan Rights at that time; or
- (b) the amount otherwise stated to be the Unpaid Balance for that Mortgage Loan in the relevant Series Notice.

**Verification of Identity Principles**

means, where applicable, any or all of the following:

- (a) sections 11A and 11B of the Land Title Act 1994 (Qld) and sections 288A and 288B of the Land Act 1994 (Qld);
- (b) Part 2 [2-2005] and 60 [60-0390 and 60-2000] of the Land Titles Practice Manual (Queensland) prepared by, among others, the Registrar of Titles and Registrar of Water Allocations;
- (c) rule 6.5 of the Participation Rules (Queensland) dated 27 May 2015, determined by the Registrar of Titles (Queensland), pursuant to the Electronic Conveyancing National Law (Queensland) Act 2013 (Qld);
- (d) sections 87A and 87B of the Transfer of Land Act 1958 (Vic);
- (e) rule 6.5 of the Participation Rules dated 30 September

2015, determined by the Registrar of Titles (Victoria), pursuant to the Electronic Conveyancing (Adoption of National Law) Act 2013 (Vic);

- (f) requirement 3 of the Registrar's requirements for paper conveyancing transactions determined pursuant to section 106A of the Transfer of Land Act 1958 (Vic);
- (g) section 56C of the Real Property Act 1900 (NSW);
- (h) Rule 4 of the Conveyancing Rules made by the Registrar General pursuant to section 12E of the Real Property Act 1900 (NSW);
- (i) Rule 6.5 of the NSW Participation Rules for Electronic Conveyancing made by the Registrar General pursuant to section 23 of the appendix to the Electronic Conveyancing (Adoption of National Law) Act 2012 (NSW);
- (j) Chapter 14 of the Land Titles Registration Practice Manual as issued by Landgate in February 2018;
- (k) rule 6.5 of the WA Participation Rules dated 22 July 2017, determined by the Registrar of Titles (WA), pursuant to the Electronic Conveyancing Act 2014 (WA);
- (l) section 273A of the Real Property Act 1886 (SA);
- (m) rule 6.5 of the SA Participation Rules dated 27 May 2017, determined pursuant to section 23 of the Electronic Conveyancing National (South Australia) Act 2013 (SA);
- (n) the Verification of Identity, Registrar-General's Verification of Identity Requirements (South Australia), dated 27 May 2017; and
- (o) all other similar provisions enacted or in force in any applicable Australian jurisdiction (including on or after the date of the Series Notice).

**Voting Chargee**

means:

- (a) whilst any Notes remain outstanding, the Noteholders of the most senior ranking class of Notes (determined by reference to the order of priority described in section 6.3 for the application of Total Available Income) and each Support Facility Provider (other than People's Choice and the Support Facility Providers for Enhancement); or
- (b) otherwise, each other Chargee.

**Warehouse Closing Date**

means in relation to a Mortgage Loan and related Mortgage Loan Rights sold by an Approved Seller other than People's Choice, the date on which the Approved Seller acquired them from People's Choice.

**Warehouse Cut-Off Date**

means in relation to a Mortgage Loan and related Mortgage Loan Rights sold by an Approved Seller other than People's Choice, the date the purchase price for those Mortgage Loans was struck when the Approved Seller acquired those Mortgage Loans from People's Choice.

**wilful default**

means any wilful failure to comply with, or wilful breach of the Trustee of any of its obligations under the Master Trust Deed or any other Transaction Document, other than a failure or breach which:

- (a) is caused by a failure by another person to act where that act is a precondition to the act of that person except where that failure to act was caused by the Trustee;
- (b) is in accordance with a lawful court order or direction or required by law; or
- (c) is in accordance with a proper instruction or direction of the relevant Manager.

**Yield Reserve**

means the ledger established in accordance with section 6.22.

**Yield Reserve Draw**

has the meaning given to it in section 6.10(a)

**Yield Reserve Limit**

means:

- (a) on any Payment Date before the Call Option Date, \$1,200,000;
- (b) on any Payment Date on or after the Call Option Date, infinity; and
- (c) on the Final Maturity Date, zero.

**Yield Reserve Trapping Conditions**

will be satisfied on each Determination Date if any of the following are subsisting on that Determination Date:

- (a) the average of the principal amounts of all Mortgage Loans which were 60 days or more in Arrears during the 3 months immediately preceding that Payment Date is greater than 4% of the average of the principal amounts of all Mortgage Loans over that time; and
- (b) a Servicer Transfer Event has occurred (whether subsisting or not); or
- (c) the Class D Stated Amounts are less than the Invested Amount of the Class D Notes.

## **DIRECTORY**

### **MANAGER**

Australian Central Services Pty Ltd  
50 Flinders Street  
Adelaide SA 5000

### **TRUSTEE**

Perpetual Corporate Trust Limited  
Level 18, 123 Pitt Street  
Sydney NSW 2000

### **ORIGINATOR AND SERVICER**

Australian Central Credit Union Ltd, trading as People's Choice Credit Union  
50 Flinders Street  
Adelaide SA 5000

### **SECURITY TRUSTEE**

P.T. Limited  
Level 18, 123 Pitt Street  
Sydney NSW 2000

### **ARRANGER**

National Australia Bank Limited  
Level 29, 500 Bourke Street  
Melbourne Victoria 3000

### **JOINT LEAD MANAGERS**

Australia and New Zealand Banking Group Limited  
Level 4, 242 Pitt Street  
Sydney NSW 2000

National Australia Bank Limited  
Level 25, 255 George Street  
Sydney NSW 2000

Westpac Banking Corporation  
Level 2, 275 Kent Street  
Sydney NSW 2000

### **SOLICITORS FOR THE MANAGER**

Clayton Utz  
Level 15, 1 Bligh Street  
Sydney NSW 2000