

First Mortgage Investments

ARSN 089 600 920

**PRODUCT DISCLOSURE
STATEMENT**

MANAGED BY

FIRST MORTGAGE MANAGED INVESTMENTS LIMITED

ACN 089 507 899

AUSTRALIAN FINANCIAL SERVICES LICENCE NO. 227931

CORPORATE DIRECTORY

MANAGER AND RESPONSIBLE ENTITY

First Mortgage Managed Investments Limited

ACN 089 507 899

AFSL No. 227931

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IMPORTANT NOTICE

First Mortgage Managed Investments Limited (Manager), is the Manager and responsible entity of First Mortgage Investments ('Scheme') and the issuer of this Product Disclosure Statement ('PDS').

The PDS is dated 24th May 2010.

This PDS is an important document and should be read in its entirety.

No person is authorised to provide any information or to make any representation in connection with the offer of Units in the Scheme ('Offer') which is not in this PDS. Any information or representation not in this PDS may not be relied on as having been authorised in connection with this Offer.

Investments in the Scheme are not deposits with or liabilities of the Manager and are subject to investment and other risks, including possible loss of income or loss of income and capital invested. Neither the Manager, FMI or their officers or related entities, guarantee the repayment of any capital or the performance of the Scheme or that any of the investment objectives stated in this PDS will be achieved.

This is not investment advice. You should seek your own financial advice.

The Offer does not take into account the investment objectives, financial situation and particular needs of Investors. It is important that you read the entire PDS before making any decision to invest in the Scheme. In particular, in considering the prospects of the Scheme, it is important that you consider the risk factors that could affect the financial performance of the Scheme. You should carefully consider these factors in light of your particular investment needs, objectives and financial circumstances (including financial and taxation issues) and seek professional advice from your own professional advisors before deciding to invest. Some of the risk factors that should be considered are set out in section 8.

This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

A number of words and terms used in this PDS have defined meanings which appear in the Glossary.

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GLOSSARY

To assist you in reading this PDS, the following terms are explained:

Applicant	a person or entity who has completed and submits an Application Form with the Manager, and has paid the Application Money
Application Form	an application form attached to this PDS
Application Money	the money received by the Manager pursuant to this PDS multiplied by the number of Units applied for
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
Board	the board of Directors of the Manager
Compliance Plan	the compliance plan for the Scheme
Constitution	the constitution of the Scheme as amended from time to time
Corporations Act	the Corporations Act 2001 and the Corporations Regulations 2001
Distribution Period	each calendar month
Directors	the directors of the Manager
First Mortgage Investments or Scheme	First Mortgage Investments ARSN 089 600 920
FMI	First Mortgage Investments Pty Ltd ACN 062 665 712
Income	a distribution from the Scheme to Investors
Income Protection Plan	the plan described in section 4.4
Investor, you or your	an investor to whom offers of Units are made under this PDS (and includes the holder of a Unit)
LVR	loan to value ratio, which is the ratio calculated by dividing the total amount of the mortgage or loan by the appraised value of the Property
Manager, we, us or our	First Mortgage Managed Investments Limited ACN 089 507 899
Mortgage Epitome	a summary provided to specific Investors for their investment in the Scheme
Mortgage Investment	the loan facility secured by a registered mortgage as described in each Mortgage Epitome issued by the Manager from time to time
Offer	the Offer of Units under this PDS
p.a.	per annum
PDS	this Product Disclosure Statement
Property	the property over which security has been, or is intended to be taken, to secure the funds advanced to the borrower
Term	the term of a Mortgage Investment and is set out in the Mortgage Epitome
Unit	a fully paid ordinary unit in the Scheme

1. ASIC BENCHMARKS FOR MORTGAGE SCHEMES

The Australian Securities & Investments Commission (**ASIC**) has introduced a *Regulatory Guide 45: Mortgage schemes – improving disclosure for retail investors*. This regulatory guide sets out ASIC’s guidelines for improved disclosure to investors to help them understand and assess investment in the Scheme, whilst also retaining flexibility in the public fundraising process.

In particular, the regulatory guide sets benchmarks that can assist retail investors in assessing the risk-reward prospects of investment in the Scheme. Listed below are the required disclosures by the Manager and describes these benchmarks and whether the Manager satisfies them. In view that First Mortgage Investments is a contributory mortgage scheme, not all of the benchmarks apply.

Explanation	Has benchmark been met?	If not, why not?	PDS Reference
<p>Benchmark 1: Liquidity</p> <p>The responsible entity of a mortgage scheme should have cash flow estimates for the scheme for the next three months and ensure that at all times the scheme has cash or cash equivalents sufficient to meet its projected cash needs over the next three months. It should also disclose its policy on balancing the maturity of its assets and liabilities.</p>	N/A	The Scheme is not required by ASIC to comply with this benchmark because it is a contributory mortgage scheme.	N/A
<p>Benchmark 2: Scheme borrowing</p> <p>If a scheme expects to, or has borrowed funds, it should disclose the amount owing under such loans and whether they rank ahead of an Investor’s interests in the Scheme as well as the purpose for which the funds have or will be borrowed. If external loan facilities are due to mature within 12 months, the Manager should disclose the prospects of refinancing or possible alternative actions in relation to sources of finance. The Manager should explain any risks associated with the debt and credit facility maturity profile adopted by the Scheme.</p>	Yes	<p>The Scheme does not undertake borrowings secured against the full portfolio of Mortgage Investments. The Manager has no current intention to borrow funds secured against a Mortgage Investment.</p> <p>If the Scheme undertakes any borrowings the disclosure in relation to this benchmark will be updated.</p>	N/A

Explanation	Has benchmark been met?	If not, why not?	PDS Reference
<p>Benchmark 3: Portfolio diversification</p> <p>A scheme which is a pooled mortgage scheme should disclose the current nature of its investment portfolio, including specific information about the loans.</p> <p>The scheme should also disclose its policy on investing in unlisted mortgage schemes.</p>	N/A	<p>The Scheme is not required by ASIC to comply with this benchmark because it is a contributory mortgage scheme. Particulars of the Mortgage Investment are detailed in the Mortgage Epitome applicable to the Mortgage Investment. The Scheme does not invest in other unlisted mortgage schemes.</p>	Section 3.11
<p>Benchmark 4: Related party transactions</p> <p>Any related party transaction should be disclosed, as well as the scheme's policy on related party transactions and how the process and arrangements are monitored to ensure that policy is followed.</p>	Yes	<p>The Manager complies with this benchmark.</p> <p>The Manager has not and does not enter into any related party transactions where Investors' funds are used for loans to related parties of the Manager.</p> <p>The Manager has entered into a services agreement with First Mortgage Investment Pty Ltd (FMI) a related party of the Manager under which the Manager has engaged FMI to provide certain administrative services to the Scheme. The terms of the services agreement are reviewed annually in order to ensure the agreement remains on arms length terms.</p> <p>FMI may also advance funds where a borrower has defaulted in meeting their interest repayments in order to ensure that the Scheme can make Income payments to Investors. In consideration for this, the Scheme will pay FMI the difference between interest paid to the Scheme by a borrower and any default interest which may be paid by the borrower to the Scheme.</p> <p>The Manager and related parties of the Manager such as the Directors may hold Units from time to time. Where this occurs, those Units will be acquired on the same terms and conditions as any other Investors in the Scheme.</p>	Section 9.4

Explanation	Has benchmark been met?	If not, why not?	PDS Reference
<p>Benchmark 5: Valuation policy</p> <p>There should be a clear policy on how often valuations will be obtained. With contributory mortgage schemes, the disclosure need only be in relation to valuations of properties which that Investor has or is being offered an interest in.</p>	Yes	<p>The Manager's valuation policy can be summarised as follows:</p> <ul style="list-style-type: none"> (a) valuation reports for any loan must not be older than six months before the loan is considered by the Manager; (b) each valuation report must be prepared by a registered valuer who has experience relevant to the Property being valued; (c) the Manager will obtain a new valuation report where the Manager considers it in the best interests of members of the Scheme to revalue the mortgage investment; (d) the Manager ensures that valuers (where applicable) are registered under one of the state/territory valuer registration regimes; (e) the Manager has a panel of authorised valuers which it believes have appropriate qualifications and experience; (f) the Manager rotates valuers, so that no one valuer conducts more than one-third of the Scheme's valuation work; (g) the Manager has, over time, developed relationships with certain valuers which, in the Manager's opinion, are best qualified to provide valuation reports; and (h) the Manager requires its valuers to include a statement in their valuation report on whether the valuation complies with all relevant industry standards. 	Sections 4 and 8

Explanation	Has benchmark been met?	If not, why not?	PDS Reference
<p>Benchmark 6: Lending principles – loan-to-valuation ratios</p> <p>For loans made by the scheme where the loan relates to property development – 70% on the latest ‘as if complete’ valuation. However, in all other cases – 80% on the latest market valuation.</p>	Yes	<p>As at 31 March 2010 the average loan to valuation ratio of the Scheme was 58.98% based upon current market valuations of secured properties.</p> <p>The Manager will not approve loans which exceed 80% of the Property’s current market valuation and for property development loans, 70% of the latest ‘as if complete’ valuation, as determined by an approved valuer. However, most loans are between 50% and 70% of the mortgaged Property’s valuation.</p> <p>From the date of this PDS the Scheme will only advance funds for new loans where the loan to value ratio meets the requirements set out in the Regulatory Guide.</p> <p>No draw downs are authorised on development or construction loans unless we are completely satisfied that all work is complete, as verified by a valuer, quantity surveyor or other appropriately qualified person.</p>	Sections 4 and 8
<p>Benchmark 7: Distribution practices</p> <p>The responsible entity should disclose the expected source for each distribution, as well as details of circumstances in which a lower return may be payable, together with details of how that lower return will be determined.</p>	Yes	<p>The rate payable by the borrower and the management fees are set out in the Mortgage Epitome. Distributions will be funded from interest repayments made by borrowers. In the event that a borrower defaults in making an interest repayment FMI may advance funds equivalent to the Income payment due to Investors. However, this is subject to FMI having sufficient funds available to meet Income payments at any time. If a significant percentage of the Scheme’s loans were in default it is unlikely that FMI would have sufficient funds available to meet all Income payments. As a result, Income payments would be delayed until the borrower had met its repayment obligations.</p> <p>The Scheme does not use borrowings to pay Investors Income distributions.</p>	Section 3

<p>Benchmark 8: Withdrawal arrangements</p> <p>Details of whether Investors will have the ability to withdraw from the scheme should be disclosed. If a fixed redemption unit price is provided for, the scheme should disclose details of circumstances in which a lower amount may be payable and how that amount may be determined.</p>	<p>Yes</p>	<p>A Mortgage Investment must be treated as a fixed term investment. Generally, Investors will not be entitled to withdraw their investment until the borrower has repaid the loan. However, if an emergency arises, provided we are able to find another Investor to take your place, we may repay your money before the end of the Term.</p> <p>The Constitution of the Scheme provides that Units are to be redeemed at \$1 unless the Manager considers that this does not adequately reflect the value of the Unit.</p> <p>The Unit price may need to be calculated by reference to the Unit's net asset backing (which could be less than \$1 per Unit) if for any reason the Scheme's ability to secure the full repayment of its loans was impaired. For example, this may occur if a borrower defaults on their repayment or the underlying value of the Property is less than the amount secured.</p>	<p>Sections 3.7 and 3.8</p>
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2. OVERVIEW OF YOUR INVESTMENT

Scheme Objective	The objective of the Scheme is to enable Investors to access monthly Income distributions from loans secured by first mortgages over Property.
The Offer	Investors are invited to invest funds in the Scheme. We will lend the money to borrowers which will be secured by a registered first mortgage over the borrower's Property. Importantly, an Investor's funds will be applied to a specific Property so the Investor will hold an interest in that mortgage rather than a portfolio of mortgages.
Term	Usually 12 or 24 months. Investors can renew their investment at the end of their investment term.
Return on Investment	Historically between 7.50% and 9% per annum. Past performance is not a reliable guide to future performance. The rate payable by the borrower is fixed at the time of investment and is set out in the Mortgage Epitome.
Distributions	Are paid monthly, directly into the Investor's nominated account by electronic funds transfer.
Minimum Investment	\$5,000 and then in multiples of \$5,000.
Entry Fees	Nil.
Management costs	Between 1.5%pa and 4%pa of the Investor's funds invested. The actual management costs are disclosed in the Mortgage Epitome.
Diversified Property for Security	As at 31 March 2010, the Scheme held mortgages over an array of different types of Property, including residential, commercial, rural, construction and vacant land.
Exit Strategy	Due to the nature of the investment, Investors are not permitted to withdraw their investment prior to expiry of the fixed investment Term. However, investments can be transferred at the discretion of the Manager in emergency situations and provided a replacement Investor can be found. In which case, payment of an administrative fee of 0.50% of the funds withdrawn will apply.
Loan Amounts	Most loans to borrowers are for less than \$450,000. The average loan amount as at 31 March 2010 was \$411,498.
Investment Risks	Risk factors which may affect the financial performance of an investment in the Scheme include specific risks relating to mortgage investment schemes, fluctuations in the property market, general economic risks and general investments risks. For further details refer to section 8.
How to Apply	You can invest in the Scheme simply by completing the Application Form at the back of this PDS and returning it to our office with your investment funds.

To make an informed decision whether to invest, Investors should read the entire PDS.

3. INVESTOR INFORMATION

The following information is provided as a guide to investment in the Scheme.

3.1 What are the benefits of investing in a Mortgage Investment

- **Security** – Your investment is secured by a registered first mortgage over real property
- **Fixed return** – Your return (subject to the borrower meeting these commitments) is fixed during the term of your investment
- **Monthly Income** – You are paid a monthly Income directly into your nominated account
- **Term** – Your investment is for a term of between 12 and 24 months
- **No entry fees** – You pay no entry fees and all mortgage establishment costs are paid by the borrower

3.2 What distinguishes us from other providers of Mortgage Investments?

- **Residential, Not Commercial / Development** – The majority of our loans are over residential and rural/residential homes and properties.
- **Under \$450,000** – The majority of our loans are under \$450,000 and the average loan amount as at 31 March 2010 was \$411,498.

3.3 Is a Mortgage Investment secure?

A Mortgage Investment is considered to have a high level of security because:

- a **maximum of 80%** of the market value of the mortgaged Property is lent depending on the nature of the Property;
- a valuation of the mortgaged Property is undertaken by an **approved valuer** from our expert panel;

- a **first registered mortgage** means the monies owed by the borrower in respect of the mortgaged Property has **priority over all other** debts (other than statutory charges) in respect of the Property;
- a **range of property searches** are carried out on the mortgaged Property to protect your investment;
- each borrower undergoes a **thorough credit assessment** including a credit enquiry through Veda Advantage;
- your money is lent on a **specific Property** and not pooled in a mortgage fund; and
- you benefit from the **professional skills** acquired during our many years of involvement in the mortgage lending industry.

3.4 How will I obtain information about the Mortgage Investment in which my money is invested?

All Investors are sent a Mortgage Epitome prior to their funds being invested by us in a Mortgage Investment. A Mortgage Epitome includes details of:

- the borrower/mortgagor offering the mortgage;
- the total loan amount;
- the Property details including the address and type of the security taken by the Manager to secure the Mortgage Investment;
- the amount of money to be contributed by the particular member to whom the Mortgage Epitome is addressed;
- the valuation details including the name of the valuation firm, the date of

the valuation, the valuation amount of the security Property, the valuation methodology, the loan to valuation ratio and the basis of the valuation;

- the loan interest rate and indicative monthly Income distribution the Investor is likely to receive from the Mortgage Investment;
- the term of the Mortgage Investment;
- the loan details including the type and purpose of the loan, the interest rates payable by the borrower, upper credit limit, source of repayment and assessment of financial position of borrower; and
- any other appropriate information.

3.5 What returns are anticipated?

The Income rate under the Mortgage Investment to be paid to you will be set out in the Mortgage Epitome. The Income Rate can vary depending on various factors, including general market conditions, the performance of the borrower, interest rates, government monetary policy, your requirements, the amount of your investment, and movements in real estate values.

For the half year ended 31 March 2010 returns to Investors were between 7.75% and 8.50% per annum.

Past performance should not be relied upon as indicative of future performance.

3.6 What amount do you need to invest?

\$5,000 is the minimum investment. Additional investments of a minimum of \$5,000 each may be made at any time. At our discretion we may accept other amounts.

3.7 What is the term of your investment?

A Mortgage Investment is usually for a term between 12 and 24 months. The maximum term is 24 months. The Mortgage Investment in which your money is invested may be changed by us at any time. This may occur, for example, if a borrower pays out a loan

prematurely and we find a suitable alternative Mortgage Investment in which to place your money. In the event that this occurs you will be sent a new Mortgage Epitome prior to your monies being invested in a new Mortgage Investment. You should anticipate that your money will be committed for a further period of up to 24 months.

3.8 What if you need your money in the case of an emergency?

A Mortgage Investment must be treated as a fixed term investment. However, if an emergency arises, provided we are able to find another Investor to take your place, we may repay your money before the end of the Term. An administrative fee of 0.50% of the amount you withdraw, is payable if you require your money to be withdrawn early. We may waive this fee at our discretion.

Finding an alternative Investor will be difficult where the borrower whose loan you have invested in is in default or if there has been a rise in interest rates since you invested your money. Accordingly, finding an alternative Investor cannot be guaranteed, however we will endeavour to assist.

3.9 What are the costs of a Mortgage Investment?

There are no entry fees when you invest in a Mortgage Investment. The borrower pays all establishment, legal costs and expenses associated with the loan.

Fees and charges are detailed in section 7.

3.10 Can you choose where your money is invested?

In view of our experience and expertise we decide in which Mortgage Investment your money is placed. You do not have to worry about making this assessment.

If you are not happy with the Mortgage Investment in which your money is placed, you must notify us in writing within 14 days of receipt of the Mortgage Epitome, otherwise you will remain in that Mortgage Investment for the investment Term.

In the event that you request that your money be withdrawn from a particular Mortgage

Investment, we will use our best endeavours to place your money in another Mortgage Investment within 60 days of receipt of your written notification of withdrawal, in which case we will provide you with another Mortgage Epitome. If we are unable to place your money in another Mortgage Investment within 90 days your money will be returned to you.

3.11 What is the composition of the Mortgage Investments existing?

The following information is provided as at 31 March 2010

Value of loans \$ 45,264,800

Number of loans 110

Number of borrowers 107

Loans lent to 1 borrower which represent in excess of 5% of Scheme assets One (1)

Number of loans secured by first mortgage
110 – only first mortgage security offered

Type of security by percentage of loan monies

Residential	61.56%
Rural	7.58%
Construction	1.39%
Vacant Land	18.50%
Commercial	10.97%

Locality of assets secured by loans

State	No. of Properties	Percentage of total loans
Queensland	90	64.75%
New South Wales	39	28.06%
Victoria	10	7.19%
TOTAL	139 properties	100%

Interest rates payable on loans

10.50% p.a. to 13% p.a. with average rate being 11.48% p.a.

The interest rates payable on loans varies with each individual loan and is only relevant to investors in their particular Mortgage Investment. The interest rate payable by a borrower on a loan is disclosed in each Mortgage Epitome.

Past performance is not a reliable indicator of future performance.

3.12 Updated information

The information on the Mortgage Investment portfolio will change from time to time. To the extent that the change in information is not materially adverse to you it will be updated (on a quarterly basis) and a copy can be provided upon request by you.. You can at any time obtain this information by:

- contacting us on 07 5535 6020; or
- writing to us at PO Box 310, Burleigh Heads, Qld 4220.

Investors will be posted a copy of the Scheme's audited annual financial reports before 30 September each year.

In addition, updated information will be sent to you free of charge on request. If there is new information that is materially adverse a replacement or supplementary product disclosure statement will be issued.

4. FIRST MORTGAGE INVESTMENTS

4.1 What attracts a borrower to the Scheme?

We provide finance for people wishing to borrow against the security of their real property for the purpose of personal, investment or business use.

Some reasons why people borrow from us rather than going to traditional financial institutions are:

- we provide greater flexibility and accessibility;
- we enable borrowers to access the equity in their real property for use in personal and business ventures; and
- we offer faster approval procedures than those offered by traditional financial institutions.

4.2 How do we monitor cash flows?

The Manager has implemented procedures and systems so that it can regularly monitor that borrowers are making their repayments in accordance with the loan agreement which aim to ensure that there is sufficient cash flow to pay Investors their Income entitlements. If a loan falls into arrears the Scheme's Income Protection Plan, explained in section 4.4 of the PDS will activate.

The Manager has procedures in place for managing loans which fall into arrears.

4.3 What happens to late paying borrowers and to borrowers that default?

In the event of a borrower defaulting under a Mortgage Investment we will at our discretion issue a default notice. A number of factors will be considered as to whether a default notice should be issued such as the loan to valuation ratio, the mortgaged Property type and its location, the borrower's ability to rectify the default in the future, the financial position of any guarantors and any collateral security held.

The default management process will vary depending upon the type of loan, the location of the Property, the type of borrower and what statutes and regulations apply.

Generally, if a borrower's loan repayments are more than 60 days in arrears then a default notice will be issued. If a default notice is issued most borrowers will remedy the default immediately. However, in the event the borrower does not remedy the default within 30 days after the issue of a default notice, we may instruct lawyers to commence loan recovery proceedings.

If a borrower fails to rectify a default we may apply to the Courts to sell the mortgaged Property in order to recover money owing under the law.

4.4 What is an Income Protection Plan?

An enhancement we offer is an arrangement by which the Manager endeavours to ensure the payment of Income to Investors by way of the Income Protection Plan.

In the event that a borrower defaults or is late in making interest repayments, FMI, a related party of the Manager, may advance funds equivalent to Income payments due to Investors under the Mortgage Investment.

In consideration for this service, the Manager will reimburse FMI for any payments it makes to Investors once it receives reciprocal interest repayments from the borrower. In addition to this, the Manager will also pay to FMI the amount of margin between the Income paid to the Investor and any default interest or early redemption interest which may be paid to the Scheme by a borrower.

For further details regarding the terms upon which FMI has been engaged by the Manager Investors should refer to section 9.4

As a further measure, FMI has provided the Manager with a bank guarantee in the sum of \$100,000 to support the payment of Income to Investors. The bank guarantee is unconditional and the Manager may, in its absolute discretion, call upon this money at anytime. However, since inception of the Scheme the Manager has never had cause to call upon the bank guarantee.

The Income Protection Plan is a service but is not a guarantee by the Manager in relation to the payment of Income or return of your capital investment. The Income Protection Plan does not extend to the repayment of capital.

The value of the Income Protection Plan must be assessed by Investors in light of the financial position of the Manager as disclosed in the Schemes most recent financial reports (a copy of which can be obtained upon request) and the \$100,000 limit of the bank guarantee. The Directors believe the Manager has sufficient financial resources and arrangements to support the Income Protection Plan.

In the event the Manager ceases to offer the Income Protection Plan or is unable to continue paying Income when a borrower defaults, you will be notified in writing within 3 business days of the borrower remaining in default for 14 days under the Mortgage Investment.

4.5 How does a general interest rate rise or fall affect your return?

Your Mortgage Investment as disclosed in the Mortgage Epitome has a fixed Income rate for the Term of that particular Mortgage Investment. This means that your return is not affected if there is a general interest rate rise or fall.

4.6 How and when is your Income paid?

Income is paid monthly directly into your nominated account by electronic funds transfer.

We do not make Income payments by cash or cheque.

4.7 How long does it take to invest your money?

Application Money will be held in a designated bank account that complies with section 1017E of the Corporations Act.

If we are unable to find a suitable Mortgage Investment for your money within 30 days your money will be returned to you on request.

4.8 What is the redemption price of a Unit?

The Constitution provides that Units are to be redeemed at \$1.00 unless the Manager considers that this does not adequately reflect the value of a Unit. To this end, the Manager has implemented a unit pricing policy which provides that investments will be valued at cost unless the Manager is advised or considers that a particular investment has decreased in value. A copy of the unit pricing policy is available free of charge on request.

5. INVESTMENT PROFILE

5.1 What are our investment objectives?

We invest your money in a Mortgage Investment with the aim of protecting the value of your capital investment while achieving a regular return. There can be no guarantee that the Scheme will achieve its stated investment objectives.

5.2 What type of mortgages are involved and how much is lent?

We invest in registered first mortgages over residential, rural, vacant land and commercial Properties located predominantly in Queensland and New South Wales. Occasionally we will invest in registered first mortgages in other States and over Properties which require construction funding.

Approximately 69% of our registered first mortgages are over residential or rural Properties. The Scheme will not invest in second mortgages or other mezzanine financing arrangements.

The registered mortgage is executed by the owner of the Property and is registered with the relevant state titles office. The registered mortgage secures the repayment of all monies owing under the loan and in certain circumstances allows the Manager to sell the mortgaged Property to recover the outstanding monies subject to compliance with applicable laws regarding exercising power of sale as mortgagee in possession.

As at 31 March 2010, approximately 53% of our loans are for amounts less than \$300,000. However, from time to time we lend up to and occasionally over \$1 million in appropriate circumstances.

5.3 What are the usual steps involved?

- We receive an application on behalf of a borrower which provides us with all relevant information.
- We assess the application and make an offer of finance on terms and conditions which we consider appropriate.
- We assess the loan against our criteria in accordance with our prudential lending guidelines.
- If the security is satisfactory, we obtain a valuation of the Property from an approved valuer. If the valuation and credit checks of the proposed borrower prove satisfactory, we arrange for the mortgage documentation to be prepared for signing by the borrower and obtain all necessary searches in respect of the mortgaged Property.
- After settlement we arrange to register the security documentation.
- We monitor the borrower's progress in making loan repayments until the loan is fully repaid.

5.4 What criteria do we use to assess a loan?

The following criteria must be satisfied where:

- the loan must be for not more than 70% of the 'as if' complete value of the mortgaged Property, where the loan relates to property development and in all other cases not more than 80% of the market value of a mortgaged Property as assessed by our approved valuer;
- the borrower provides us with a registered first mortgage over the mortgaged Property;
- the registered mortgage must be over real property;
- a suitable mortgage credit analysis must be obtained; and
- the loans secured by the mortgages are interest only, the principal is repayable on expiration of the loan.

5.5 What is our loan to valuation policy in relation to mortgaged property?

We will not approve loans which exceed 70% of the 'as if' complete value of the mortgaged Property, where the loan relates to property development and in all other cases not more than 80% of the mortgaged Property's valuation determined by an approved valuer. However, most loans are between 50% and 70% of the mortgaged Property's valuation. As at 31 March 2010 the average loan to valuation ratio of the Scheme was 58.98%.

5.6 How do we ensure the valuations are reliable?

The valuation policy we adopt is that we use a panel of approved valuers. This panel is comprised of approved valuers which have been used by us over many years and/or who satisfy our experience and qualification criteria.

A valuation represents an estimate of the Property value by a professional. The accuracy of the report is dependant upon the integrity and competency of the approved valuer and the processing of the data involved. The basis of the valuation we obtain is that of the current market value for mortgaged Properties. For property development loans we will also obtain an 'as if complete' valuation which assesses the value of the Property following completion of construction.

At the time of the approval of a Mortgage Investment the valuation must be dated not more than 6 months before consideration by the Manager.

Each valuation report provided by an approved valuer specifies the basis of the valuation. Generally this will be the current market value for mortgage security purposes.

To ascertain the current market value of commercial and industrial properties, consideration may be given to any arms length leasing agreements, vacancy factors, letting up periods and outgoings. Generally, an approved valuer will utilise a capitalisation rate to ascertain this value.

Where the mortgaged Property is residential, the current market value is the estimated value which the mortgaged Property should achieve after proper marketing.

Any development or construction loans are carefully considered by us. No draw downs are authorised on development or construction loans unless we are completely satisfied that all work is complete, as verified by a valuer, quantity surveyor or other appropriately qualified person or alternatively in accordance with progress draw recommendations contained in the building contract.

5.7 What loans are in default?

As at 31 March 2010 of the 110 Mortgage Investments, a total of 15 loans were in default, details for which are as follows:-

Total Fund Size	\$ 45,264,800
Number of loans where interest is in arrears for more than 90 days	12
Total value of interest arrears for loans in arrears more than 90 days	\$ 1,773,262.86
Total principal of loans in arrears for more than 90 days	\$8,577,500
Arrears as a percentage of the total Scheme value	3.9%
Loans where the Manager has taken possession of the mortgaged Property	5
Amount of loans where the Manager has taken possession of the mortgaged Property	\$4,077,500
Principal as a percentage of the total Fund of loans where the Manager has taken possession of the mortgaged property	9.00%

Past performance is not a reliable indication of future performance.

All Income payments under these Mortgage Investments are currently being met under the Income Protection Plan. The Income Protection Plan is a service provided by the Manager and does not constitute a guarantee by the Manager in relation to the payment of Income distributions or return of your capital investment. The Income Protection Plan does not extend to the repayment of capital.

6. THE MANAGER

6.1 First Mortgage Managed Investments Limited

First Mortgage Managed Investments Limited is the responsible entity and manager of the Scheme. The Manager holds Australian Financial Services Licence No. 227931.

First Mortgage Managed Investments Limited is an unlisted public company that was established in 1999 and specialises in offering first mortgage investments to Investors.

The collective skill and diversified experience of the Directors forge what the Directors believe to be an expert team in the identification of suitable borrowers and securities, suitable structuring of mortgage facilities for investment, and management of the mortgages for the benefit of borrowers and Investors alike.

6.2 Directors of the Manager

MICHAEL BOYCE LLB, FPPP, DML - DIRECTOR

Michael Boyce is a solicitor admitted to practice in the Supreme Court of Queensland, New South Wales and the High Court of Australia. Michael was admitted to practice in 1985 and established his own practice three years later in 1988.

In his capacity as a solicitor, Michael has acted for a number of building societies and lenders, including the Scheme, in relation to mortgage funds.

Michael has extensive experience in all facets of mortgage lending having managed mortgage funds of Investors and lending to borrowers since 1980. The combination of legal skill and understanding of the mortgage funds market has allowed Michael to specialise in preliminary investigation, credit and valuation analysis, drafting and advising on legal documentation, settlements and mortgage defaults in relation to the Scheme.

Michael also holds a certificate of Financial Planning Principles and Practice (SIA) and Diploma of Mortgage Lending (SIA) with the Securities Institute of Australia.

DAVID WILSON - DIRECTOR

David Wilson has an extensive financial background having been in the employ of the National Australia Bank Limited for 28 years commencing in 1970. Upon retiring from his position with the National Australia Bank in 1998, David joined the Manager.

David plays an integral role in the pre-settlement stage and performing risk management analysis which is required to be completed as part of the loan process.

KAREN SCOTT - DIRECTOR DML

Karen Scott commenced working in the mortgage industry in 1987 and has been continuously involved in mortgage transactions since that time. Karen's role in the Scheme principally involves handling Investor enquiries as well as management of the Investor's portfolios in first mortgages.

In addition, Karen has significant experience with borrowers under first mortgage facilities and their requirements and is skilled at mortgage transactions between Investors and borrowers for the mutual benefit of all parties concerned.

Karen has successfully completed a Diploma of Mortgage Lending with the Securities Institute of Australia.

6.3 The Manager's Role

The Manager is responsible for the efficient management of the Scheme. Our duties, responsibilities and powers are set out in the Constitution and also the Corporations Act.

Broadly, we are responsible for:

- the day to day management of the Scheme, which includes the obligation to source Mortgage Investments, and to keep and maintain an up to date register of Investors;
- assessing loan applications in accordance with the Scheme's loan approval policy;
- operating the Scheme in the best interests of Investors;
- the appointment of an independent auditor of the Scheme; and
- resolving disputes.

7. FEES AND CHARGES PAYABLE

7.1 Fees and other costs

Consumer advisory warning

The warning below is required by law in the form that it appears, to alert investors to the compounding impact of fees and charges on the value of their investment over time.

The fees and other costs associated with investing in the Scheme are described in this section.

DID YOU KNOW?
Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.
For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).
You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.
You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.
TO FIND OUT MORE
If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

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

Taxes are set out in section 9.8.

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

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE SCHEME		
<i>Establishment fee:</i> The fee to open your investment.	Nil	Not applicable
<i>Contribution fee:</i> The fee on each amount contributed to your investment .	Nil	Not applicable
<i>Withdrawal fee:</i> The fee on each amount you take out of your investment.	0.50% of the amount withdrawn	Paid at the time of the withdrawal. Deducted from your investment amount.
<i>Termination fee:</i> The fee to close your investment.	Nil	Not applicable

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
MANAGEMENT COSTS^{1,2.}		
The fees and costs for managing your investment.		
Management fee Fee payable to the Manager for operating the Scheme.	Between 1.5%pa and 4% p.a. (inclusive of the net effect of GST) of Investor's funds invested. From the management fee the Manager pays all Scheme expenses.	This fee is paid monthly in arrears from borrowers' interest repayments. The actual management fee is disclosed in the Mortgage Epitome.
Performance Bond (Business Investment Loans Only)	Equivalent to the Borrowers lower monthly payment.	Paid by the Borrower either at the time of the default or upon pre-payment of the Loan.
Interest in Lieu of Notice (Business Investment Loans only)	Equivalent to the Borrowers higher monthly payment.	Paid by the Borrower at the time of repayment should sufficient notice as required by the Loan Agreement not be given.
Higher Rate of Interest Margin (Business Investment Loans only) If an event of default occurs under a loan, the borrower's interest repayments will be calculated at a higher default rate.	Up to 5% p.a. of the amount loaned.	This fee is paid monthly in arrears from borrowers' interest repayments but only when an event of default occurs under a loan.
SERVICE FEES		
<i>Investment Switching fee:</i> The fee for changing investment options.	Nil	Not applicable

¹This fee encompasses all of the income of Scheme that exceeds the minimum rates of return and is calculated as the difference between the interest payable by borrowers to the Scheme and the minimum rate payable to an Investor as set out in the Mortgage Epitome.

²This does not include loan establishment fees which the Manager or an associated entity is entitled to receive on the establishment of a loan. These fees are payable by a borrower and are not an additional cost to Investors in the Scheme.

7.2 Additional Explanation of the fees and costs

Management costs

Management costs include the fees payable to the Manager for managing the Scheme and the operating expenses incurred in relation to the operations of the Scheme for which the Manager is entitled to be reimbursed.

Currently the management fee, deducted from borrowers interest repayments, will be between 1.50%pa to 4% pa (inclusive of the net effect of GST). The management fee may vary depending upon

the Mortgage Investment. Actual management fees will be set out in the Mortgage Epitome relevant to the Mortgage Investment.

Under the constitution, the Manager may pay all properly incurred expenses in relation to the operation of the Scheme from the Scheme's assets. For example, day to day operating expenses associated with the Scheme and other costs such as legal fees associated with preparing mortgage documents are paid by the Manager from the management fee.

The Manager is entitled to pay management costs from the Scheme before Income payments are made to Investors.

Higher rate of interest margin

If an event of default occurs under a loan, the borrower's interest repayments will be calculated at a higher default rate. The default rate charged may be up to 5.0% p.a. of the total amount outstanding under the loan. The Manager will be entitled to the difference between the default rate paid by a borrower under a loan less the management costs payable to the Manager and Income payments payable to Investors.

The Manager will only be entitled to the higher rate of interest margin where default interest is paid by a borrower and after all Income entitlements have been paid to Investors.

Worked example

The example set out below illustrates how the fees and costs associated with the Scheme are calculated in order of priority. The example is provided for illustrative purposes only and is not a forecast of the actual fees or Income rates that will apply to a Mortgage Investment. Estimated fees and indicative Income rates will be set out in the Mortgage Epitome applicable to each Mortgage Investment.

Non-defaulting loan	p.a.
Concessionary interest rate for the loan	12.5%
Management fees	4%
Distribution rate	8.5%

Defaulting loan	p.a.
Default interest rate for the loan	17.50%
Management fees	4%
Distribution rate	8.5%
Higher rate of interest margin paid to FMI	5.0%

In circumstances where the loan is in default, the Income Protection Plan will activate and may make Income payments to Investors.

The Income Protection Plan is a service provided by the Manager and does not constitute a guarantee by the Manager in relation to the payment of Income or return of your capital investment. The Income Protection Plan does not extend to the repayment of capital.

In consideration of FMI attending to payment of Investors' Income in circumstances where a loan falls into arrears, the Manager will pay the higher rate of interest margin to FMI.

GST and stamp duty

All fees stated in this PDS include (if applicable) GST less any reduced inputs tax credits.

Fee changes

The management costs disclosed in section 7 of this PDS are estimates and can change.

Adviser Remuneration

The Manager does not pay commissions or adviser remuneration.

Loan establishment fees

The Manager may charge borrowers a loan establishment fee calculated as up to 1.50% of the principal advanced. These fees are included in the management fee payable to the Manager disclosed in section 7 of this PDS.

Performance Bond

Performance Bond is the equivalent of one month's interest at the lower rate. This is deducted from the loan drawdown and is retained in the Scheme's bank account until the borrower repays the loan. If the borrower complies with all conditions of the loan, the borrower will receive a credit for this amount on their payout figure. If the borrower has not complied with all conditions of the loan, the performance bond is forfeited and paid to FMI as Mortgage Manager. This is only applicable for business/investment loans.

Interest in Lieu of Notice

The mortgage loan documentation provides that the borrower must provide at least one month's written notice prior to repaying the loan in full. If the borrower does not provide this notice, the Manager is entitled to charge a fee equivalent to one month's interest at the higher rate and this is included in any payout figure. This is only applicable in the case of business/investment loans.

Withdrawal fee

If you seek to withdraw your investment prior to expiry of the Term in an emergency situation and the Manager agrees to process your withdraw request, you may be charged a withdrawal fee of 0.5% of the amount you withdraw. For example, if you withdraw \$5,000 from the Scheme prior to the expiry of the Term you will incur a withdrawal fee of \$25.

Example of calculation of fees

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

Example		Balance of \$50,000 with total contributions of \$5,000 during year
Contribution fees		For every \$5,000 you put in, you will be charged \$Nil
PLUS management costs	Between 1.5% to 4%	And, for every \$50,000 you have in the Scheme, you will be charged (indirectly) between \$750 and \$2,000 each year which is deducted from Scheme assets.
EQUALS cost of Scheme investment		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged (indirectly) fees of between \$750 and \$2,000 each year which is deducted from Scheme assets .

8. INVESTMENT RISKS

8.1 What risks are associated with a Mortgage Investment?

You should be aware that an investment in the Scheme carries particular risks and that future income and return of capital may be influenced by a number of factors that may or may not be beyond our control. The nature of an investment in the Scheme means that the risks associated with each loan are apportioned according to your contribution to a particular loan.

Careful consideration should be given to the following risk factors and this PDS should be read in its entirety before an investment decision is made.

GENERAL RISKS

General economic conditions

The Scheme will be lending to companies and other persons engaged in a wide variety of industries and activities. The general state of the Australian and international economies may therefore influence the ability of some borrowers to meet loan obligations.

The ability of borrowers to meet their loan obligations may be influenced by a variety of general economic and business conditions including inflation levels, interest rates, performance of other investments and government fiscal monetary and regulatory policies. Prolonged deterioration in general economic conditions including increases in interest rates or a downturn in property markets could be expected to have a corresponding adverse impact on borrowers ability to meet their loan obligations.

BORROWERS

There are various reasons why a person may prefer to borrow money from the Scheme as opposed to from larger institutional financiers such as banks and credit unions.

Generally, some of the typical reasons why borrowers may prefer to lend from the Scheme as opposed to traditional lenders

include: the ability of the Scheme to review and approve loans in a shorter time frame than traditional lenders, the Schemes ability to provide loan advances up to a maximum of 80% of the market value of the mortgaged Property compared with traditional lending ceiling imposed by the traditional lenders and that the borrower may not meet the lending criteria of traditional lenders.

Therefore the risk associated with providing finance to these borrowers may, in some cases, be higher than those accepted by traditional lenders.

LOAN DEFAULTS

When default occurs we may issue a default notice, to obtain possession and proceed to sell the mortgaged Property.

Delays may be encountered where a borrower is in default and legal proceedings are required to obtain possession or an order for sale. The length of these delays cannot be estimated and will be dependent upon the type of action and other factors prevailing at the time.

It is possible that your funds may be placed into only one Mortgage Investment (depending on the amount of the investment) which means that in the event a borrower defaults, the full amount of your investment may be affected.

Default and possible delays may affect your returns.

VALUATIONS AND MARKET CONDITIONS

Valuations are provided by an approved valuer and are an opinion of the market value of a mortgaged Property. Valuations can vary between different valuers and also according to fluctuations in the market and demand for the Property. For this reason we only accept valuations that are performed within 6 months of the borrower making an application to the Scheme for mortgage finance. Even this does not guarantee the accuracy of the valuation at the time the Mortgage Investment is made.

If a valuer fails to accurately assess the market value of a Property or there is a severe downturn in property markets, the proceeds of sale for a secured Property may be less than the principal and interest outstanding under the loan. This may result in both a loss of income and capital for Investors.

No guarantee can be given that the valuation amount will be obtained if a Property is sold by the Manager as mortgagee in possession.

A change in market conditions and general real estate fluctuations will affect the end value of a mortgaged Property. As a result, valuations can also vary between the time that they are made and the date upon which a sale by mortgagee or otherwise is effected.

ILLIQUID NATURE OF UNDERLYING SECURITY

The Scheme invests in Mortgage Investments which are a non-liquid style of investment that are not capable of being easily traded.

Repayment of funds invested in the Scheme will generally only be obtained when the borrower repays their loan or where the mortgaged Property is sold by the Manager.

There may be a delay in obtaining repayment of your investment at the expiration of the Mortgage Investment if the borrower is unable to repay the money owing under the loan or the Manager is required to sell a Property as mortgagee in possession.

CAPITALISATION OF INTEREST

In some cases, the Scheme may allow borrowers to capitalise interest, which means that interest payments are deducted from the initial loan amount and held by the Manager for distribution to the Investors in that Mortgage Investment. With capitalised loans, there is a risk that the borrower will have insufficient funds available to repay the principal amount when the loan matures or alternatively make further interest payments if the loan term exceeds its maturity date.

COSTS AND EXPENSES

In a mortgage default, costs and expenses are deducted from the sale proceeds prior to payment of your principal and interest. This will include, for example, expenses associated with engaging lawyers to commence loan recovery proceedings, advertising the Property, auction costs and real estate agent commission.

Statutory charges such as local authority rates and land tax are payable to government departments by the borrower. In the event of default these charges are paid from sale proceeds before the principal and accrued Income is paid to you.

EQUITY LENDING

We as an equity lender rely on credit assessments of the borrower, valuations by approved valuers and other risk management measures referred to in this PDS. However, an associated risk is that the borrower may not be in a position to repay the monies owing under the mortgage from their own financial resources and may rely upon the sale of the mortgaged Property to repay the monies owing.

DEVELOPMENT & CONSTRUCTION LOANS

The Scheme will lend on very few development and construction properties, since the risk associated with these types of loans is higher. Risks associated with development and construction loans include:

- (a) escalation in the construction cost beyond that provisioned for by the borrower;
- (b) delays in completion of construction may expose borrowers to additional expenses including interest repayments which were not appropriately provisioned for by the borrower; and
- (c) most development and construction projects require planning approval from relevant authorities and there is a risk that such approvals may not be obtained within expected timeframes,

granted in the form anticipated or not granted at all.

We have put into place specific procedures to monitor pre and post settlement conditions to ensure that the Scheme's security position is maintained and risk is mitigated.

Specifically, and in addition to the usual mortgage lending criteria adopted by us where appropriate, we ensure that:

- no advances for construction finance are made without evidence of development and building approvals;
- there is close management of progress draws to ensure appropriate funds remain to complete the development;
- construction progress inspections and reports are made by appropriately qualified person/s before further advances are approved; and
- where appropriate, quantity surveyor's certificates are obtained.

DOCUMENTATION RISK

Documentation risk is the risk that there is a deficiency in the Scheme's documents such as loan agreements or mortgages which could in certain circumstances adversely affect the Scheme's ability to enforce a loan and its security interest in a Property.

WHAT STEPS ARE TAKEN TO MITIGATE RISK?

- The Scheme has adopted and we enforce stringent guidelines prior to lending any funds to a borrower to ensure that the risk of default is minimised.
- We endeavour to select properties that are realistically valued with minimal exposure to external market factors.

- Specialised and highly speculative loans where values are sometimes dependent upon completion, marketing and sales are avoided.
- Quality, accurate valuations of properties from approved valuers are obtained.
- The loan secured by the first mortgage does not exceed 70% of LVR for property development loans and in all other cases 80% of LVR.
- Appropriate searches and enquiries to ascertain prior sale amounts of each Property are conducted, including credit reference checks, bankruptcy searches, conveyancing and other Property searches.
- Confirmation from borrowers that suitable insurance cover over the Property is in place.
- A registered first mortgage over the Property to ensure security of the full amount lent is registered.
- Loans are monitored on a regular monthly basis.
- You are not required to outlay any costs associated with recovery of money from borrowers in the event of default.
- A compliance committee has been established which is comprised of members that are external to us and the Scheme. The compliance committee members have credentials in management, law and property. The committee monitors our compliance with the Constitution and Compliance Plan and the Corporations Act and reports breaches to us and to ASIC as appropriate. A summary of the terms of the Constitution is set out in section 9.2.

9. ADDITIONAL INFORMATION

9.1 Material Documents

The material documents summarised in this section are available for you to view at our offices during normal business hours or may be provided free of charge upon request.

9.2 Constitution

The Constitution governs the operation of the Scheme and the relationship between you and us. This includes rights to receive Income, attend meetings, register complaints and participate in a winding up.

In addition, the Constitution deals with a variety of general matters, including:

- the issue of Units and options (if any);
- the creating and transfer of Units and options;
- the valuation of the Scheme assets; and
- the duration of the Scheme.

Investors can obtain a copy of the Constitution from the Manager free of charge.

AMENDMENT OF THE CONSTITUTION

The Constitution may be varied at any time in accordance with the provisions of the Constitution and the Corporations Act:

- (a) by us where we reasonably consider that your rights will not be adversely affected by the amendment; or
- (b) by special resolution of the Investors.

ATTORNEY PROVISIONS

Clause 4.6 of the Constitution provides that each Applicant who completes an Application Form accepted by us acquires an interest in the Scheme and appoints the Manager and any director, officer or attorney of the Manager, as the Applicant's attorney with rights and powers to, among other things:

- sign and complete or otherwise arrange any mortgage and all other documents required in respect of a Mortgage Investment;

- execute any document or take any action, which in the opinion of the Manager, is necessary to protect the interests of Investors or the Manager in respect to a Mortgage Investment;
- conduct or deal with any security Property where the borrower under a Mortgage Investment, defaults;
- exercise any rights, including the right to exercise power of sale, pursuant to any mortgage and or any law, and execute any document or instrument required;
- incur any debts in relation to any Property offered as security for a Mortgage Investment and generally manage the Scheme property on behalf of the Investors; and
- do everything and anything which is necessary or expedient to enable the exercise of any of your rights under the Mortgage Investment.

LIMITATION OF LIABILITY OF MANAGER AND INVESTORS

The Manager is indemnified out of the assets of the Scheme in respect of all debts, liabilities, damages, costs, taxes, charges, expenses and outgoings properly incurred in the performance of its functions and duties and the Manager is not liable for anything done in good faith in the performance of its functions and duties under the Constitution.

You are not responsible for or subject to any claim in respect of a liability incurred in respect of another Investor's Mortgage Investment. However in Mortgage Investments where a number of Investors' monies have been combined liability may be shared between Investors in such a manner as in our opinion is fair and equitable.

COMPLAINTS AND DISPUTE RESOLUTION

Under the Constitution, we have established a mechanism for dealing with complaints and disputes.

If you have a complaint, you must notify us in writing. We will then appoint a dispute resolution officer, who will endeavour to resolve the complaint or dispute referred within 30 business days of notification of the complaint.

OMBUDSMAN

If at any time you are dissatisfied with the complaints and dispute process, you may lodge a complaint with the Financial Ombudsman Service (FOS), an external complaints resolution service approved by ASIC. We are a member of FOS. FOS's contact details are:

Financial Ombudsman Service
GPO Box 3
Melbourne Vic 3001
Telephone 1300 780 808
Website www.fos.org.au

9.3 Compliance Plan

We have established a Compliance Plan for the Scheme which sets out the principles and procedures we will adhere to, to ensure the Scheme is compliant with the Corporations Act, its Constitution and ASIC policy.

In particular, the Compliance Plan establishes practices which assist to ensure that:

- each Investor's interest is clearly identified and distinguishable from interests of any other Investors;
- a Property valuation is performed on each Property, by an approved valuer, before a loan is approved; and
- we keep adequate records.

A compliance committee has been established to monitor our compliance with the Compliance Plan. The compliance committee will convene regular meetings to assess compliance.

A copy of the Compliance Plan is available for inspection at our office during business hours and will be provided free of charge upon request.

9.4 Agreement with First Mortgage Investments Pty Ltd

We have entered into a non-exclusive agreement ('Services Agreement') dated 3 December 1999 with FMI (as amended from time to time), whereby FMI, provides certain services to the Scheme on our behalf until such date as agreed by the parties, or until termination by written notice in accordance with the Services Agreement.

Under the Services Agreement, FMI is responsible as an independent contractor for the efficient and economic provision of services to the Scheme in accordance with the Constitution, the Corporations Act, and any instructions received from us.

FMI is to be reimbursed for all costs and expenses incurred in providing the services to the Scheme. FMI is to act in the best interests of the Scheme and the Investors at all times. All information provided by either party to the other party under the agreement is confidential, and may not be disclosed without the other party's prior written consent.

FMI may advance funds to us equivalent to Income payments due to Investors for which we will reimburse FMI when a matching interest payment is made by a borrower.

In consideration for services provided under the Services Agreement, we will pay to FMI the amount of the margin between the interest paid to the Scheme by a borrower and the Income amount paid to the Investors, and any default interest, early redemption interest or performance bond which may be paid to the Scheme by a borrower.

Services to be provided by FMI include:

- maintenance of the register of Investors;
- provision of Investor information;
- administration of the Scheme;
- compliance with the Scheme's reporting obligations;
- provision of Mortgage Epitome to Investors;
- provision of financial and statistical reports;
- receiving and accounting for investments;

- provision of periodic statement to Investors;
- calculation of payments, management of funds and payment of accounts;
- calculation of PAYG requirements and contribution returns;
- provision of general day-to-day assistance; and
- administration of Investor funds.

9.5 Privacy Principles

The Privacy Act 1988 (Privacy Act) and amendments made to the Privacy Act by the Privacy Amendment (Private Sector) Act 2000 govern the use of an individual's personal information gained by an organisation from dealings with the individual. The National Privacy Principles of the Privacy Act govern the way in which organisations should treat personal information.

We are committed to managing and only using personal information in ways that comply with the Privacy Act. We seek to comply with the National Privacy Principles in respect of all information you provide in making an application for investment in the Scheme.

The information we obtain from the Application Form is used to evaluate Applications for investment, as well as to issue and manage the investment. We will retain the information provided for record keeping purposes. However, once personal information is no longer required, we will either destroy it, or retain it in a way that does not identify the person or entity it relates to.

You have a right to know the information we hold and to require us to correct any errors. In this regard, you can assist us to keep details up to date by advising us of any information that appears to be incorrect. You can call us or write to us at the address listed in the Directory in this PDS to obtain details about the information we hold.

As well as reporting about the investment in the Scheme, we may use the contact details to let you know about other investment opportunities. If you prefer not to receive these communications, you should telephone or write to us. If we are obliged to do so by law, we will pass personal

information to other parties strictly in accordance with the relevant legal requirements.

If you wish to complain about any breach or potential breach of this privacy policy or the National Privacy Principles, you should contact us.

Complaints will be considered within 7 days and responded to accordingly. It is our intention to use our best endeavours to resolve any complaint. However, if you are unhappy with the response, you are entitled to contact the Privacy Commissioner who may investigate the complaint further.

9.6 Consents and Disclaimers of Responsibility

The Directors of the Manager have consented to and authorised the issue of this PDS.

McCullough Robertson Lawyers has given and not withdrawn prior to the issue of this PDS its written consent to be named in this PDS as the Corporate Lawyers to the Manager in the form and context in which it is named. McCullough Robertson Lawyers takes no responsibility for any part of this PDS and has not caused or authorised the issue of this PDS.

KPMG has given and has not withdrawn prior to the issue of this PDS its written consent to being named in this PDS as the Auditor of the Manager, the Compliance Plan and the Scheme in the form and context in which it is named. KPMG takes no responsibility for any part of this PDS and has not caused or authorised the issue of this PDS.

Boyce Lawyers has given and has not withdrawn prior to the issue of this PDS its written consent to be named in this PDS as Lawyers to the Manager in the form and context in which it is named. Boyce Lawyers takes no responsibility for any part of this PDS and has not caused or authorised the issue of this PDS.

9.7 Disclosure of Interests

- Some of the Directors have a beneficial interest in the Manager and will benefit from any fees derived by it.
- The Directors may receive an amount of up to \$20,000 as Directors' fees for each calendar year. This fee is paid by the Manager from the management fee.

- Boyce Lawyers may provide legal services for the Scheme or for the Manager as permitted under the Corporations Act. Michael Boyce, a Director, is the principal of Boyce Lawyers and as such may benefit from the association.
- FMI, a company associated with Michael Boyce, will receive fees in return for the provision of certain services. (Refer section 9.4).
- The Manager and its associates may hold units in the Scheme, and where this occurs they will be acquired on the same terms as other Investors.

9.8 Taxation

On the basis of current legislation it is intended that all income under a Mortgage Investment to which an Investor is entitled will be distributed to Investors and will be taxable in the hands of Investors at their respective marginal rates. It is not expected that there will be any capital gains tax implications for Investors as the amount of capital returned to an Investor when exiting this Scheme will generally be equal to the amount initially invested by the Investor. Tax will be withheld from Distributions to non-resident Investors and resident Investors who have not quoted a tax file number or exemption at the highest margin tax rate plus the Medicare levy.

The issue and redemption of Units will not be subject to GST. GST is not payable in respect of a transfer of Units by Investors. However, GST may be incurred on services acquired in relation to the acquisition, disposal or redemption of Units (such as legal or accounting advice).

Fees and costs charged for the management of the Scheme by the Manager will be inclusive of GST. Other fees (including administrative costs) may also be subject to GST. The Scheme may be entitled to recover input tax credits or reduced input tax credits in respect to these services.

GST is not payable on Income distributions made to Investors.

The transfer of Units may attract transfer duty, depending upon the application of applicable state and territory laws. Discharging obligations in relation to the payment of stamp duty will be the

responsibility of outgoing and incoming Investors involved in the transfer and will not be the responsibility or liability of the Manager.

We are not responsible for taxation or penalties incurred by Investors. Investors should obtain their own advice considering taxation implications arising from their investment in the Scheme.

9.9 Cooling-off period

A 'cooling-off' period applies to an investment in the Scheme. After investing in the Scheme, you have 14 days, commencing from the date you receive the Mortgage Epitome in which to change your mind and to elect to cancel the investment. If you wish to cancel your investment during the cooling off period, you must make a request in writing to us, and comply with any other requirements to exercise your cooling off rights.

9.10 Investment considerations

The Corporations Act requires us to comment on the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of an investment made by the Scheme. Having regard to the nature of the proposed investments of the Scheme, we have considered that it will be unnecessary to take the standards into account, labour standards on environmental, social or ethical considerations.

9.11 Continuous Disclosure

The Scheme is a disclosing entity for Corporations Act purposes and as such is subject to regular reporting and disclosure obligations. This requires the Manager to prepare annual and half yearly financial reports for the Scheme and disclose information to Investors which may have a material effect on the price or value of Units or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of Units. Copies of documents lodged with ASIC in relation to the Scheme may be obtained from, or inspected at, an ASIC office.

In addition to this, Investors have a right to obtain a copy of the following documents free of charge:

- the annual financial report for the Scheme; and

- any half-yearly financial reports or continuous disclosure notices given by the Scheme after the lodgement of the annual report and before the date of the PDS.

In addition, section 1017B of the Corporations Act requires that the Manager must advise Investors of material changes to matters specified in this PDS or significant events that affect those matters.

ASIC has released Regulatory Guide 198 (RG198), which sets what ASIC considers to be good practice in relation to continuous disclosure for unlisted disclosing entities. The Manager will not post continuous disclosure information on a website, as permitted by RG198, on the basis that the Manager is of the view that the costs involved in establishing and maintaining a website would be an unnecessary expense for the Scheme and Investors, as most Investors in the Scheme do not currently communicate with the Manager through the world wide web. The Manager has decided to review this approach annually and in the interim will continue to lodge continuous disclosure notices with ASIC.

9.12 Identity verification documents

All Investors are required to supply valid identity verification documents when you invest. The actual documents required will depend on whether you are an individual Investor or a non-individual Investor such as a superannuation fund, a trust or a company.

If any document you supply is not in English, it must be accompanied by an original copy of an English translation prepared by an accredited translator.

If we do not receive all the required valid customer identity verification documents with your application form or we are unable to verify your identity at any time, we may not be able to commence your investment or may not process any future withdrawal requests until we receive the required document. We will contact you as soon as possible if we require more information.

9.13 What identity documents are usually required?

The table below summarises some of the requirements of the Rules to the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (AML/CTF Act), commonly used to establish identification of Investors.

Type of Investor	Identity Documents Required
Individuals	A certified copy of an Australian driver's licence of the Applicant containing a photograph or a certified copy of the Applicant's passport.
Companies	For Australian companies An ASIC database company search. For foreign companies The equivalent of the above as produced by the foreign corporate regulator equivalent to ASIC.
Trusts, trustees and funds	Non regulated trusts A certified copy of the trust deed to which the Applicant's authority is sourced. Regulated trusts or funds A certified copy of data produced by ASIC, APRA or ATO, as appropriate, to establish existence and identification of the trust or fund.
Partnerships	A certified copy of the partnership agreement.
Associations	A certified copy of the constitution establishing the Applicant association in the State of its identified office address or a certified register extract maintained by a government agency responsible for incorporation of associations evidencing the incorporation or registration of the Applicant.
Registered cooperatives	A certified copy of an extract of a register maintained by the government agency responsible for incorporation of cooperatives evidencing the incorporation or registration of the Applicant.
Government bodies	A certified copy of an extract from the body's website affirming the government body's existence or a certified copy of a legislation extract affirming the government body's existence.

If an individual is a trustee, the individual as well as the trust, must produce identity documents.

If a company is a trustee, the company, as well as the trust, must produce identity documents.

In instances where the Applicant is not able to supply certified documents that meet these requirements, then it will be acceptable for the Applicant to produce alternative documents recognised for identity purposes under the AML/CTF Act or under the Rules made under the AML/CTF Act.

9.14 Who can certify

An identity verification document may be certified as a true and correct copy of an original document by one of the persons in Australia listed below. Please ensure that each page of the relevant document is certified. The person certifying must state their capacity (from the list below) and state on each page that the document is a 'true and correct copy of the original'.

- (a) Justice of the Peace
- (b) Police officer
- (c) Officer with two or more continuous years of service with one or more financial institutions (for the purposes of the Statutory Declaration Regulations 1993 (Cth))
- (d) Finance company officer with two or more continuous years of service with one or more finance companies (for the purposes of the Statutory Declaration Regulations 1993 (Cth))
- (e) Officer with, or authorised representative of, a holder of an Australian financial services licence, having two or more continuous years of service with one or more licensees
- (f) Member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with two or more years of continuous membership, i.e. an accountant
- (g) Judge of a court
- (h) Magistrate

- (i) A person who is enrolled on the roll of the Supreme Court of a State or Territory, or the High Court of Australia, as a legal practitioner (however described), i.e. an Australian lawyer
- (j) Agent of the Australian Postal Corporation who is in charge of an office supplying postal services to the public
- (k) Permanent employee of the Australian Postal Corporation with two or more years of continuous service who is employed in an office supplying postal services to the public
- (l) Chief executive officer of a Commonwealth court
- (m) Registrar or deputy registrar of a court
- (n) Australian consular officer or an Australian diplomatic officer (within the meaning of the Consular Fees Act 1955 (Cth))
- (o) Notary public (for the purposes of the Statutory Declaration Regulations 1993 (Cth)).

10. HOW TO APPLY TO THE SCHEME

Applications may only be made on the Application Form attached to this PDS. We have the right to accept or reject any application in whole or in part.

ITEM 1 – EXISTING MEMBERS ONLY

If you are an existing Investor, you may tick the box in item 1 of the Application Form. Please also complete the name that the Units are held in. If an individual, please also provide your date of birth. If a company, please also provide your ACN or ABN as applicable.

ITEM 2 – NEW MEMBERS ONLY

The minimum investment amount is \$5,000. All investments must be made in increments of \$5,000. We may accept other amounts at our discretion. Please provide your full name and date of birth if an individual. If a company, partnership or scheme, please provide your ACN or ABN as applicable.

ITEM 3 – POSTAL ADDRESS

Please provide the preferred address for all correspondence.

ITEM 4 – CONTACT DETAILS

Please provide the contact name and telephone number if the member is a company, partnership or scheme.

ITEM 5 – TAX FILE NUMBERS

You may provide your TFN or exemption. If you choose not to advise us of your TFN or exemption, tax may be deducted at the highest marginal rate plus the Medicare levy from Income distributions. If you are exempt from quoting a TFN, please state the reason for the exemption or your exemption number. Collection of your TFN is authorised, and its use and disclosure are strictly regulated by tax laws and the Privacy Act.

ITEM 6 – NON-RESIDENTS

A non-resident is a person who does not reside in Australia and who does not hold a tax file number issued by the Australian Taxation Office. Investors in this category are required to pay non-resident withholding tax.

ITEM 7 – BANK ACCOUNT DETAILS

You must provide these details to enable us to credit interest payments to you.

CHEQUES

Cheques must be made payable to '*First Mortgage Managed Investments Limited – the Scheme Account*'. Your cheque must be drawn on an Australia bank or other financial institution.

DECLARATION

You have read and understood the Declaration.

SIGNING THE APPLICATION FORM

The Application Form must be signed. Submission of the Application Form constitutes an irrevocable offer, which is deemed to be accepted upon the issue of the Units. In the case of:

- joint applicants – all applicants must sign;
- company applications – can be signed in any one of the following 3 ways:
 - under common seal (ie affixation of the seal and signature of either 2 directors or a director and secretary witnessing the affixation); or
 - signature of either 2 directors or a director and secretary; or
 - if the Investor is a proprietary company which has a sole director who is also the sole company secretary, only one signature of that person as director is required (plus a statement that the person is both the sole director and secretary); or
- signed under power of attorney (in which case a certified copy of the power of attorney and notice of non-revocation must accompany the Application Form).

RETURNING THE APPLICATION FORM AND ACCOMPANYING DOCUMENTS

Please mail the completed Application Form and all accompanying documents to:

First Mortgage Managed Investments Limited
PO Box 310
BURLEIGH HEADS QLD 4220

ENQUIRIES

Contact Michael Boyce or Karen Scott on (07) 5535 6020 or Tollfree 1800 557 991 or by email – admin@fmimi.com.au

CORRECT FORMS OF REGISTRABLE NAMES

Note that only legal entities are allowed to hold interests. Applications must be in the name(s) of natural persons, registered companies or other legal entities acceptable to us. At least one given name in full and the surname is required for each natural person.

11. APPLICATION FORM

First Mortgage Investments ARSN 089 600 920

**Managed by First Mortgage Managed Investment Limited ACN 089 507 899
AFSL No. 227931**

1. EXISTING MEMBERS ONLY

<input type="checkbox"/>	I/We wish to reinvest all of my/our funds currently under management of First Mortgage Managed Investments Limited together with all other monies forwarded from time to time under this PDS.		
Mr/Mrs/etc	Surname	Given names	Date of birth
Mr/Mrs/etc	Surname	Given names	Date of birth
Company Name/Partnership Name/Scheme Name (if applicable)			
ACN/ABN (if applicable)			
Please sign overleaf. No other information is required. If you wish to alter your bank account details please complete item 7			

2. NEW MEMBERS ONLY

I/We wish to invest –

\$	together with all other monies forwarded from time to time under this PDS		
Mr/Mrs/etc	Surname	Given names	Date of birth
Mr/Mrs/etc	Surname	Given names	Date of birth
Company Name/Partnership Name/Scheme Name (if applicable)			
ACN/ABN (if applicable)			

3. POSTAL ADDRESS

Street number and street name (or PO Box details)		
Suburb	State	Postcode
Country (if not Australia)		

4. CONTACT DETAILS

Home telephone number (including area code)	Work telephone number (including area code)
Mobile telephone number	E-mail address

5. TAX FILE NUMBERS ('TFN')

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Tax file number for Applicant 1

Tax file number for Applicant 2

I do not wish to quote a TFN or TFN Exemption Number

(Please tick if applicable)

If you are exempt from providing a TFN, please state the reason for the exemption or your exemption number.

6. NON-RESIDENTS

Please tick if investment is made by a person or corporation who does not reside in Australia and does hold an Australian Tax File Number

7. ACCOUNT DETAILS FOR CREDIT OF DISTRIBUTION PAYMENTS

--

Insert name of account which is to be credited

--

Bank

Branch

--	--

Branch number / BSB

Account number

DECLARATION

I/We acknowledge, agree and declare that:

- I/we have read and understood the PDS to which this application is attached and agree to be bound by the provisions of the PDS.
- The Manager may accept or reject this application in whole or in part
- If my/our application is accepted I/we agree to be bound by the Constitution
- The amount of my/our investment may be invested by the Manager in one or more Mortgage Investments of its choice to be made at its discretion in the terms of the PDS. The Mortgage Investment may be changed by the Manager at its discretion during the term of the Mortgage Investment so that money is invested up to a maximum of 2 years, subject to the Manager providing a Mortgage Epitome
- I/we acknowledge that I/we will be provided with a Mortgage Epitome setting out particulars of information disclosed in the PDS which will relate to each Mortgage Investment in which my/our money is invested
- I/We agree to irrevocably assign to the Manager all my/our rights, title and interest to receive default interest from a defaulting borrower
- Signed under Power of Attorney, the Attorney declares that he or she has not received a notice of revocation of that power (**copy to be attached**)
- You are not a foreign person for the purposes of the **Foreign Acquisition and Takeovers Act (Cth)**. You will immediately give written notice to the Manager if you at any time become or may become a foreign person for the purposes of this Act.
- You have not relied in any way on any statement made by the Manager or any of its servants, agents, employees or representatives in relation to this investment.

By this instrument, I/we jointly or severally appoint the Manager and any director, officer, attorney or substitute nominated by the Manager as my/our attorney with all rights and powers conferred under the Scheme constitution

EXECUTED as a deed

--

Signature

--

Date

--

Signature

--

Date

--

Common Seal (if a company)

--

Date

When you make an investment in the Scheme, the Manager may collect personal information about you, including your name, address, phone/fax numbers, your investment instructions, your tax file number, your income payment instructions, your account details and your acknowledgement of the terms and conditions of this Application Form. Personal information may be disclosed by the Managers to your nominated financial institution where you operate an account, or to the Australian Taxation Office or other government authorities or agencies as required by law. Such information may also be disclosed to your accountants, financial advisers and others with your authority. You may access personal information we hold about you. If you require further information, please contact the Manager at the address set out in the Corporate Directory of the PDS.

V5 May 2010