

Dated 12 December 2017

**Issuance of A\$400,000,000 Mortgage Backed Securities and other securities by
Permanent Custodians Limited as trustee for the**

Pepper I-Prime 2017-3 Trust

Information Memorandum

A\$131,000,000 Class A1-S Notes

“AAA (sf)” by S&P Global Ratings Australia Pty Ltd

A\$189,000,000 Class A1-L Notes

“AAA (sf)” by S&P Global Ratings Australia Pty Ltd

A\$48,000,000 Class A2 Notes

“AAA (sf)” by S&P Global Ratings Australia Pty Ltd

A\$12,000,000 Class B Notes

“AA (sf)” by S&P Global Ratings Australia Pty Ltd

A\$7,000,000 Class C Notes

“A (sf)” by S&P Global Ratings Australia Pty Ltd

A\$5,500,000 Class D Notes

“BBB (sf)” by S&P Global Ratings Australia Pty Ltd

A\$3,500,000 Class E Notes

“BB (sf)” by S&P Global Ratings Australia Pty Ltd

A\$2,000,000 Class F Notes

“B (sf)” by S&P Global Ratings Australia Pty Ltd

Arranger, Joint Lead Manager and Dealer

National Australia Bank Limited (ABN 12 004 044 937)

Joint Lead Manager and Dealer

Commonwealth Bank of Australia (ABN 48 123 123 124)

Joint Lead Manager and Dealer

Westpac Banking Corporation (ABN 33 007 457 141)

IMPORTANT NOTICE

NOTES ARE NOT LIABILITIES OF ANY OF PEPPER GROUP LIMITED, PEPPER HOMELOANS PTY LIMITED, NATIONAL AUSTRALIA BANK LIMITED, COMMONWEALTH BANK OF AUSTRALIA OR WESTPAC BANKING CORPORATION OR ANY OF THEIR RESPECTIVE RELATED ENTITIES, DIRECTORS OR EMPLOYEES

The Notes issued by Permanent Custodians Limited in its capacity as trustee of the Pepper I-Prime 2017-3 Trust (the "**Trustee**") do not represent deposits or other liabilities of Pepper Group Limited, Pepper Homeloans Pty Limited, National Australia Bank Limited ("**NAB**"), Commonwealth Bank of Australia ("**CBA**") or Westpac Banking Corporation ("**Westpac**"), in any capacity, or any affiliate of them, nor does the Trustee, Permanent Custodians Pty Limited (in its personal capacity), BNY Trust Company of Australia Limited, BTA Institutional Services Australia Limited, Pepper Group Limited, Pepper Homeloans Pty Limited, NAB, CBA or Westpac in any capacity, or any affiliate of them, in any way stand behind the capital value and/or the performance of the Notes or the Trust Assets. The holding of Notes is subject to investment risk, including possible delays in repayment and loss of income and principal invested.

None of NAB, CBA, Westpac, Pepper Group Limited, Pepper Homeloans Pty Limited, Permanent Custodians Limited (in its personal capacity), BNY Trust Company of Australia Limited, BTA Institutional Services Australia Limited nor any associate of any of them, guarantees the payment of interest or repayment of principal due on the Notes or the obligations of the Trustee.

None of the obligations of the Trustee are guaranteed in any way by NAB, CBA or Westpac or any associate of them.

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1 Information Memorandum

This Information Memorandum relates solely to a proposed issue of certain classes of notes by Permanent Custodians Limited (ABN 55 001 426 384) in its capacity as trustee (the “**Trustee**”) of the Pepper I-Prime 2017-3 Trust (the “**Trust**”). The Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes are referred to in this Information Memorandum as the “**Offered Notes**”.

This Information Memorandum does not relate to, and is not relevant for, any purpose other than to assist the recipient to decide whether to proceed with a further investigation of the Offered Notes. It is only a summary of the terms and conditions of the Offered Notes and does not purport to contain all the information a person considering investing in the Offered Notes may require. The definitive terms and conditions of the Offered Notes and the Trust are contained in the Transaction Documents, which should be reviewed by any intending purchaser. With the approval of the Trust Manager, a copy of the Transaction Documents (excluding the Dealer Agreement) may be inspected by prospective purchasers or holders of Offered Notes at the offices of the Trust Manager on a confidential basis, by prior arrangement during normal business hours.

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

1.1 Terms and Definitions

References in this Information Memorandum to various parties and documents are explained in sections 1 (“Information Memorandum”) and 2 (“Summary of the Issue”). Unless defined elsewhere, all other terms used in this Information Memorandum are defined in the Glossary of Terms in section 13 (“Glossary of Terms”).

If there is any inconsistency between this Information Memorandum and the Transaction Documents, the Transaction Documents should be regarded as containing the definitive information.

1.2 Responsibility for Information

Pepper Group Limited (“**Trust Manager**”) has requested and authorised the distribution of this Information Memorandum and has sole responsibility for its accuracy.

None of Pepper Group Limited (the “**Servicer**”), Pepper Homeloans Pty Limited (the “**Originator**”), the Trustee, BNY Trust Company of Australia Limited (the “**Backup Servicer**” and “**Custodian**”), NAB, CBA or Westpac in any capacity, BTA Institutional Services Australia Limited (“**Security Trustee**”) or any of their respective Related Entities, Associates (each as defined in the Corporations Act), directors, employees, or any external adviser to any of the foregoing makes any representation or warranty, express or implied, as to, nor assumes any responsibility or liability for, the authenticity, origin, validity, accuracy or completeness of, or any errors or omissions in, any information, statement, opinion or forecast contained in this Information Memorandum or any previous, accompanying or subsequent material or presentation.

Except for having checked their respective names and addresses in this Information Memorandum, none of the Originator, the Servicer, the Trustee, the Security Trustee, the Custodian or the Backup Servicer have authorised, been involved in the preparation of, caused the issue of, or have any responsibility for, any part of this Information Memorandum.

Each of NAB, CBA and Westpac have confirmed the accuracy of its name and address in the directory of this Information Memorandum. Apart from this, neither NAB, CBA nor Westpac (in any capacity, nor any of their respective Related Entities, Associates (each as defined in the Corporations Act), directors or employees) have authorised or been involved in the

preparation of, or caused the issue of any other part of this Information Memorandum, nor has it conducted any due diligence or otherwise independently verified any of the information contained in this Information Memorandum. Accordingly, neither NAB, CBA nor Westpac (in any capacity nor any of their respective Related Entities, Associates (as defined in the Corporations Act), directors or employees) make any representation, express or implied, as to, or accept any responsibility for, the accuracy or completeness of the information contained in this Information Memorandum.

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.

1.3 Preparation Date

This Information Memorandum has been prepared based on information available and facts and circumstances known to the Trust Manager as at 12 December 2017 (the “**Preparation Date**”).

The delivery of this Information Memorandum, or any offer or issue of Offered Notes, at any time after the Preparation Date does not imply, nor should it 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, the Trustee, the Trust Manager or any other party named in this Information Memorandum; or
- (b) the information contained in this Information Memorandum is correct at such later time.

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

Neither the Trust Manager nor any other person accepts any responsibility to purchasers of the Offered Notes or intending purchasers of the Offered Notes to update 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 Offered Notes at any time after the Preparation Date, even if this Information Memorandum is circulated in conjunction with the offer or invitation.

1.4 Authorised Material

No person is authorised to give any information or to make any representation which is not expressly contained in this Information Memorandum and any information or representation not contained in this Information Memorandum must not be relied upon as having been authorised by or on behalf of the Trust Manager.

1.5 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 Offered Notes. This Information Memorandum is not intended for and should not be distributed to any person unless:

- (a) the distribution to that person does not breach the selling restrictions set out in section 12 (“Selling restrictions”); or
- (b) the prior written consent of the Trust Manager has been obtained.

1.6 Intending Purchasers to make independent investment decision

This Information Memorandum is not intended to be, and does not constitute, a recommendation by the Originator, the Servicer, the Trust Manager, the Trustee, the Security Trustee, the Custodian, the Joint Lead Managers or the Backup Servicer that any person subscribe for or purchase any Offered Notes. Accordingly, any person contemplating the subscription or purchase of the Offered Notes must:

- (a) make their own independent investigation of:
 - (i) the terms of the Offered Notes, including reviewing the Transaction Documents; and
 - (ii) the financial condition, affairs and creditworthiness of the Trust and the Parties,after taking all appropriate advice from qualified professional persons; and
- (b) base any investment decision on the investigation and advice referred to in paragraph (a) and not on this Information Memorandum.

None of the Originator, the Servicer, the Trust Manager, Permanent Custodians Limited (in its personal capacity), the Security Trustee, the Custodian, NAB, CBA, Westpac, the Backup Servicer or their respective Related Entities or Associates (each as defined in the Corporations Act), directors or employees, in any capacity, guarantees the payment or repayment of any monies owing to Noteholders or any interest or principal in respect of the Offered Notes, nor do they make any statement (including, without limitation, any representation) with respect to income tax or other taxation consequences of any investment in or holding of Offered Notes.

1.7 Offering restrictions

The Information Memorandum is not a “Prospectus”, an “Offer Information Statement” or “Product Disclosure Statement” for the purposes of the Corporations Act nor has the Information Memorandum nor any other prospectus in relation to the Offered Notes been lodged with ASIC. Accordingly, a person may not offer for subscription or purchase or issue invitations to subscribe for or buy or sell the Offered Notes, nor distribute or publish this Information Memorandum or any other offering material or advertisement relating to the Offered Notes in the Commonwealth of Australia, its territories or possessions (“**Australia**”) or to any resident of Australia, except if:

- (a) the minimum aggregate consideration payable by each offeree or invitee on acceptance of the offer is at least A\$500,000 (or its equivalent in an alternative currency) (disregarding monies lent by the offeror or its associates) or more or if the offer or invitation does not otherwise require disclosure to investors in accordance with Part 6D.2 or Part 7.9 of the Corporations Act;
- (b) the offer does not constitute an offer to a “retail client” for the purposes of Chapter 7 of the Corporations Act; and
- (c) such action complies with any other applicable laws and directives, and does not require any document to be lodged with ASIC.

The distribution of this Information Memorandum and the offer or sale of Offered Notes may be restricted by law in certain jurisdictions. The Parties do not represent that this document may be lawfully distributed, or that any Offered Notes may be lawfully offered, in compliance

with any application, registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Parties which would permit a public offering of any Offered Notes or distribution of this Information Memorandum in any jurisdiction where action for that purpose is required.

Accordingly, no Offered Notes may be offered or sold and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Persons who come into possession of this Information Memorandum or any Offered Notes must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Information Memorandum and the offer and sale of Offered Notes in Australia, the United Kingdom, Hong Kong, Singapore, the European Economic Area, and the United States of America (see section 12 (“Selling restrictions”)).

1.8 Limited Recovery

The liability of the Trustee to make payments in respect of the Offered Notes is limited to its right of indemnity from the Trust Assets as described in the Master Trust Deed (as amended by the Transaction Documents). Except in the case of, and to the extent that the Trustee’s right of indemnification against Trust Assets is reduced as a result of fraud, negligence or wilful misconduct (as further described in section 8.2(k) (“Limitation of the Trustee’s Liability”)), no rights may be enforced against the personal assets of the Trustee by any person and no proceedings may be brought against the Trustee except to the extent of the Trustee’s right of indemnity and reimbursement out of the Trust Assets. Other than in the exception previously mentioned, the personal assets of the Trustee are not available to meet payments of interest or principal on the Offered Notes.

The liability of the Trustee is limited in the manner set out in section 8.2(k) (“Limitation of the Trustee’s Liability”). Furthermore, the liability of the Security Trustee is limited in the manner set out in section 8.3(k) (“Limitation of the Security Trustee’s Liability”).

1.9 Disclosure of Interest

Each of Pepper Group Limited, NAB, CBA and Westpac in any capacity, discloses that, in addition to the arrangements and interests (the “**Transaction Document Interests**”) it will or may have with respect to any other party to a Transaction Document or any other person described in this Information Memorandum or as contemplated in the Transaction Documents (each a “**Relevant Person**”) it and its respective Related Entities or Associates (each as defined in the Corporations Act) and their respective officers and employees (each a “**Transaction Party**”):

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

(the “**Note Interests**”).

Each Relevant Person, each potential investor 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 each Transaction Party 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) subject to section 1.3 (“Preparation Date”) in relation to the Trust Manager, 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) subject to section 1.3 (“Preparation Date”) in relation to the Trust Manager, 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 or that any information in this Information Memorandum or otherwise is accurate or up to date; 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, a joint lead manager, an arranger or a provider of liquidity or other facilities) 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, potential investor, or a Noteholder and a Relevant Person, potential investor, 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, potential investor, 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 Trust 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 Trust 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).

1.10 Interest withholding tax

There will not be any deduction on payments of interest under the Offered Notes on account of interest withholding tax, where the holder of the Offered Notes is an Australian resident for

tax purposes (other than a resident who holds the Offered Notes in carrying on business at or through a permanent establishment outside Australia) or a non-resident for tax purposes that holds the Offered Notes in carrying on business at or through a permanent establishment in Australia. Under present law, the Offered Notes will not be subject to interest withholding tax if they are offered and sold in accordance with certain prescribed conditions set out in section 128F of the Australian Tax Act and they are not acquired, directly or indirectly by, Offshore Associates of the Trustee. It is intended that the Class A Notes and the Class B Notes offered under this Information Memorandum will be offered and sold in accordance with section 128F of the Australian Tax Act. Accordingly, these Notes must not be acquired by any Offshore Associate of the Trustee. However, it is not intended that the other Classes of Offered Notes will be issued, offered or sold, in a manner which satisfies the public offer test under section 128F of the Australian Tax Act. Accordingly, the exemption from interest withholding tax under section 128F of the Australian Tax Act will not be available in respect of Classes of Offered Notes other than the Class A Notes and Class B Notes.

1.11 Australian financial services licensing regime

Pursuant to section 913B of the Corporations Act 2001, the Trust Manager holds an Australian Financial Services Licence (AFS Licence), Licence No. 286655, which was issued on 23 May 2005. Under the AFS Licence, the Trust Manager is authorised to provide financial product advice in respect of and deal in securities, derivatives and certain other financial products, to wholesale clients. The AFS Licence enables the Trust Manager to perform various functions, including preparation of financial information relating to the Mortgage Loans, assisting the Joint Lead Managers in connection with the offering of the Notes and facilitating the management of interest rate risk arising in connection with the Mortgage Loans.

1.12 Capital Requirements Directive

Please refer to section 3.27 (“CRR and other EU regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Offered Notes”) for further information on the implications of the Retention Rules for certain investors in the Offered Notes.

Articles 404-410 (inclusive) of Regulation (EU) No 575/2013 of the European Parliament and Council (the “**CRR**”), as supplemented by Commission Delegated Regulation (EU) No 625/2014 and Commission Implementing Regulation (EU) No 602/2014, came into force on 1 January 2014 in the Member States of the European Union and have been implemented by national legislation in the other Member States of the European Economic Area. Article 405 of the CRR restricts ‘credit institutions’ and ‘investment firms’ (as each is defined in the CRR), and the consolidated group subsidiaries thereof (each, a “**CRR Investor**”) from investing in or being exposed to a ‘securitisation’ (as defined in the CRR) unless the originator, sponsor or original lender in respect of that securitisation has explicitly disclosed to the CRR Investor that it will retain, on an ongoing basis, a net economic interest of at least 5 per cent in that securitisation in the manner contemplated by the CRR.

Article 406 of the CRR also requires that a CRR Investor be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, the notes it has acquired and the underlying exposures, and that procedures have been established for monitoring the performance of the underlying exposures on an on-going basis. Failure to comply with one or more of the requirements set out in CRR Articles 405 and 406 may result in the imposition of a penal capital charge with respect to the investment made in the securitisation by the relevant CRR Investor.

Investors should also be aware of Article 17 of the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU), as supplemented by Section 5 of Chapter III of the Commission Delegated Regulation (EU) No 231/2013 (“**AIFMD**”), and Article 135(2) of the European Union Solvency II Directive 2009/138/EC, as supplemented by Articles 254-257 of Commission Delegated Regulation (EU) No 2015/35 (“**Solvency II**”), which introduce risk retention and due diligence requirements similar to those set out in Articles 404 – 410 of the CRR and apply, respectively, to EEA regulated alternative investment fund managers and

EEA regulated insurance/reinsurance undertakings. While such requirements are similar to those that apply under the CRR, they are not identical and, in particular, additional due diligence obligations apply to investors under the AIFMD and Solvency II. Similar requirements are also scheduled to apply in the future to investment in securitisations by undertakings for collective investment in transferrable securities (UCITS) subject to regulation by national authorities of Member States of the European Economic Area. In this Information Memorandum, all such requirements, together with Articles 404-410 of the CRR, are referred to as the “**Retention Rules**” (which, in each case, do not take into account any relevant national measures) and any investor subject to the Retention Rules is referred to as an “**Affected Investor**”.

On the Closing Date and thereafter for so long as any Offered Notes remain outstanding, Pepper will, as an originator for the purposes of the risk retention rules under the CRR, retain a material net economic interest of not less than 5% in this securitisation transaction in accordance with the text of Article 405(1) of the CRR (the “**Retention**”). As at the Closing Date, the Retention will be in the form of a pro-rata retention in each of the tranches sold or transferred to investors as provided in option (a) of paragraph 405(1) of the CRR, and will be comprised by Pepper holding 100% of the shares in the Retention Vehicles who will, between them, hold not less than 5% of the aggregate Invested Amount of each Class of Notes issued. Prospective investors should make their own independent investigation and seek their own independent advice (i) as to the requirements of the Retention Rules (and any implementing rules in relation to a relevant jurisdiction); (ii) as to whether Pepper’s exposure to the Retention Vehicles and their holding of at least 5% of the aggregate Invested Amount of each Class of Notes issued satisfies the Retention Rules; and (iii) as to the sufficiency of the information described in this Information Memorandum and otherwise which may be made available to investors for the purposes of complying with the Retention Rules. None of Pepper, the Retention Vehicles, the Arranger, the Joint Lead Managers or any other party to the Transaction Documents (i) makes any representation that the Retention commitment and the information described above or in this Information Memorandum are sufficient in all circumstances for such purposes, (ii) has any liability to any prospective investor or any other person for any insufficiency of such information or any failure of the transactions contemplated in this Information Memorandum to comply with or otherwise satisfy the requirements of the Retention Rules or any other applicable legal, regulatory or other requirements, or (iii) has any obligation to provide any further information or take any other steps that may be required by an Affected Investor to enable compliance by the Affected Investor with the requirements of the Retention Rules or any other applicable legal, regulatory or other requirements.

It should also be noted that on 30 May 2017, the European Parliament and Council and the European Commission agreed on a package that sets out criteria for a Securitisation Regulation aiming to create a harmonised securitisation framework within the European Union. While final terms are yet to be published, the Securitisation Regulation, once finalised, will repeal the risk retention requirements under each of the CRR, the AIFMD and Solvency II and replace them with a single regime that will apply to all investors subject to the Retention Rules as well as managers and funds regulated under the UCITS Directive and institutions for occupational retirement provision. Investors should be aware that there are material differences between the current risk retention and due diligence requirements and the Securitisation Regulation. Until the final version of the proposed Securitisation Regulation is agreed and adopted by the European Parliament and Council, it is not possible to tell what effect the proposed Securitisation Regulation would have on Affected Investors. The Securitisation Regulation may also enter into force in a form that differs from the published proposals and drafts. Prospective investors are themselves responsible for monitoring and assessing changes to the Retention Rules.

Each Affected Investor should consult with their own legal and regulatory advisors to determine whether, and to what extent, the information described is sufficient for such purposes and any other Retention Rules of which it is uncertain. In the event that a regulator determines that the transaction did not comply or is no longer in compliance with the Retention Rules or the Affected Investor has insufficient information to satisfy its due diligence and/or ongoing monitoring requirements under the Retention Rules, then an Affected Investor

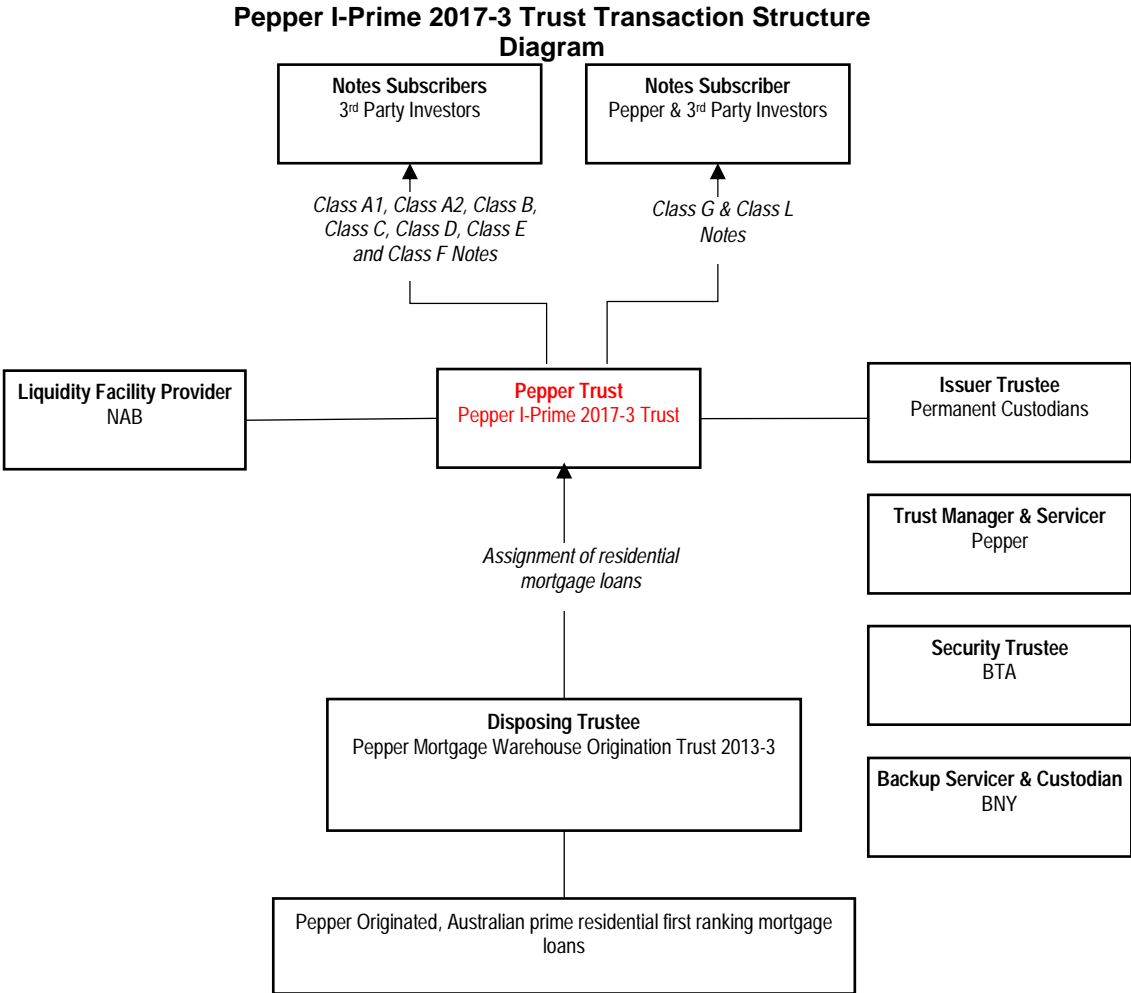
may be required by its regulator to set aside additional capital against its investment in the Notes or take other remedial measures in respect of its investment in the Notes.

There can be no assurance that the regulatory capital treatment of the Offered Notes for any investor will not be affected by any future implementation of, and changes to, the Retention Rules or other regulatory or accounting changes.

2 Summary of the Issue

The following is only a brief summary of the terms and conditions of the Notes. Prospective investors should read this summary in conjunction with the whole of this Information Memorandum and the Transaction Documents.

2.1 Transaction diagram



2.2 The Parties

Trustee	Permanent Custodians Limited (ABN 55 001 426 384) as trustee of the Pepper I-Prime 2017-3 Trust
Security Trustee	BTA Institutional Services Australia Limited (ABN 48 002 916 396)
Backup Servicer and Custodian	BNY Trust Company of Australia Limited (ABN 49 050 294 052)
Disposing Trustee	Pepper Finance Corporation Limited (ABN 51 094 317 647) as trustee of the Pepper Prime Mortgage Origination Trust 2013-3.

<i>Lender of record</i>	Pepper Finance Corporation Limited (ABN 51 094 317 647).
<i>Servicer, Trust Manager and Extraordinary Expense Reserve Loan Provider</i>	Pepper Group Limited (ABN 55 094 317 665)
<i>Originator</i>	Pepper Homeloans Pty Limited (ABN 86 092 110 079)
<i>Liquidity Facility Provider</i>	National Australia Bank Limited (ABN 12 004 044 937)
<i>Arranger</i>	National Australia Bank Limited (ABN 12 004 044 937)
<i>Joint Lead Managers and Dealers for the Offered Notes</i>	National Australia Bank Limited (ABN 12 004 044 937) Commonwealth Bank of Australia (ABN 48 123 123 124), Westpac Banking Corporation (ABN 33 007 457 141)
<i>Designated Rating Agency</i>	S&P Global Ratings Australia Pty Ltd (ABN 62 007 324 852)

2.3 Description of the Notes

General Information and Classes of Notes

On the Closing Date, the Trustee will issue eleven tranches of limited recourse, secured, amortising, floating rate, mortgage-backed debt securities backed by a mix of non-conforming and prime residential mortgage loans comprising the Class A1-S Notes ("**Class A1-S Notes**"), Class A1-L Notes ("**Class A1-L Notes**" and together with the Class A1-S Notes, the "**Class A1 Notes**"), Class A2 Notes ("**Class A2 Notes**"), Class B Notes ("**Class B Notes**"), Class C Notes ("**Class C Notes**"), Class D Notes ("**Class D Notes**"), Class E Notes ("**Class E Notes**"), Class F Notes ("**Class F Notes**"), Class G1 Notes ("**Class G1 Notes**"), Class G2 Notes ("**Class G2 Notes**" and together with the Class G1 Notes, the "**Class G Notes**") and Class L Notes ("**Class L Notes**").

The Class L Notes will be issued to Pepper Group Limited, the proceeds of which will be used to pay part or all of the Accrued Interest Adjustment to the Disposing Trustee, the Disposing Trustee's Cost of Funds and may be used to rebalance the assets and liabilities of the Trust such that after distributions on the first Payment Date (assuming there are no Losses as of that date) the aggregate Outstanding Balance of the Mortgage Loans of the Trust is equal to the Aggregate Invested Amount of the Notes. The Class L Notes do not bear interest and are to be repaid (prior to an Event of Default) from Total Available Income (defined below).

The Class A1 Notes and Class A2 Notes are collectively referred to as the "**Class A Notes**".

The Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class L Notes are collectively referred to as the "**Notes**".

The Notes are issued with the benefit of, and subject to, the Master Trust Deed, the Series Notice (and in the case of the Class G Notes, the Class G Note Supplemental Deed),

the Master Security Trust Deed and the General Security Agreement.

Offered Notes

The Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes are offered pursuant to this Information Memorandum and are referred to in this Information Memorandum as the “**Offered Notes**”. The Class G Notes and the Class L Notes are not being offered by this Information Memorandum and are described in this Information Memorandum solely for the information of investors in the Offered Notes.

Interest payment ranking for Notes before an Event of Default

See section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”)

Principal repayment ranking for Notes before an Event of Default

See section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”)

Principal repayment and interest ranking for Notes after an Event of Default

See section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”)

Ratings

It is a condition precedent to the issue of the Offered Notes that the Designated Rating Agency confirm that, upon issue, the following ratings apply to each applicable Class of Offered Notes:

Note	S&P
Class A1-S Notes	AAA (sf)
Class A1-L Notes	AAA (sf)
Class A2 Notes	AAA (sf)
Class B Notes	AA (sf)
Class C Notes	A (sf)
Class D Notes	BBB (sf)
Class E Notes	BB (sf)
Class F Notes	B (sf)
Class G Notes	not rated
Class L Notes	not rated

The rating of the Notes should be evaluated independently from similar ratings on other types of notes or securities. A rating is not a recommendation to buy, sell or hold securities, nor does it comment as to principal prepayments, market price or the suitability of securities for particular investors. A rating may be changed, suspended or withdrawn at any time by the Designated Rating Agency. The Designated Rating Agency has not been involved in the preparation of this Information Memorandum.

Aggregate Initial Invested Amount of the Notes and Initial Invested Amount for

The Aggregate Initial Invested Amount of the Notes (other than the Class L Notes) is A\$400,000,000.

<i>each Class of Notes</i>	The aggregate Initial Invested Amount of each Class of Notes is as follows: <ul style="list-style-type: none"> (a) Class A1-S Notes A\$131,000,000; (b) Class A1-L Notes A\$189,000,000; (c) Class A2 Notes A\$48,000,000; (d) Class B Notes A\$12,000,000; (e) Class C Notes A\$7,000,000; (f) Class D Notes A\$5,500,000; (g) Class E Notes A\$3,500,000; (h) Class F Notes A\$2,000,000; (i) Class G Notes A\$2,000,000; and (j) Class L Notes A\$700,000.
<i>Issue Price</i>	The Notes will be issued at par.
<i>Additional Notes</i>	No further Notes may be issued after the Closing Date.
<i>Pricing Date</i>	6 December 2017
<i>Closing Date</i>	14 December 2017
<i>Business Day for Payments</i>	A day on which banks are open for general banking business in Sydney and Melbourne (not being a Saturday, Sunday or public holiday in that place).
<i>Maturity Date</i>	The Maturity Date of all Notes will be the Payment Date occurring in May 2049.
<i>Payment Date</i>	The 18 th day of each calendar month, or if it is not a Business Day, the next Business Day. The first Payment Date will be in January 2018.
<i>Interest and Principal Payments</i>	Principal and interest will be paid from available funds on each Note by the Trustee as set out in the Cashflow Allocation Methodology.
<i>Determination Date</i>	2 Business Days before each Payment Date. The first Determination Date will be in January 2018.
<i>Record Date</i>	5 Business Days before each Payment Date.
<i>Collection Period</i>	The period from (and including) the first day of a calendar month up to (and including) the last day of that calendar month except for the first Collection Period, which commences on (but excludes) the Cut-Off Date and ends on (and includes) 31 December 2017.
<i>Denomination</i>	The Offered Notes will be issued with minimum denominations of A\$100,000, subject to a minimum

purchase price of A\$500,000.

Note Register	The Trustee must keep an up-to-date Note Register. The Trustee must enter the names and addresses of the Noteholders in the Note Register together with any additional information as required under the Master Trust Deed and the Note Deed Poll.
Cut-Off Date	31 October 2017
Austraclear	Following issue, it is intended that the Offered Notes will be lodged with Austraclear.
Selling restrictions	The offering, sale and delivery of the Notes and the distribution of this Information Memorandum and other material in relation to the Notes, are subject to restrictions as may apply in any jurisdiction in connection with the offering and sale of the Notes. See section 12 (“Selling restrictions”).
Repo eligibility	<p>Following the Closing Date, the Trust Manager intends, but is under no obligation, to make an application to the Reserve Bank of Australia (“RBA”) for the Class A Notes to be listed as “eligible securities” for RBA repurchase agreements.</p> <p>The criteria for repo eligibility published by the RBA require, amongst other things, that certain information be provided by the Trust Manager to the RBA at the time of seeking repo-eligibility and during the term of the Class A Notes in order for the Class A Notes to be (and to continue to be) repo eligible. No assurance can be given that the application by the Trust Manager (if any) for the Class A 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 continue to be repo-eligible.</p> <p>If the Class A Notes are repo-eligible at any time, Offered Noteholders should be aware that relevant disclosures may be made by the Trust Manager to investors and potential investors in Class A Notes from time to time in such form as determined by the Trust Manager as it sees fit (including for the purpose of complying with the RBA’s criteria).</p>
Listing	It is expected that the Class A Notes and the Class B Notes will be listed on the Australian Stock Exchange.

2.4 Interest on the Notes

Interest Rate	<p>The Interest Rate in respect of the Class A1 Notes and Class A2 Notes and for an Interest Period:</p> <p>(a) from (and including) the Closing Date to (but excluding) the first Call Option Date, will be equal to the Bank Bill Rate for that Interest Period plus the Note Margin for that Class of Notes; and</p>
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- (b) from (and including) the first Call Option Date, will be equal to the Bank Bill Rate for that Interest Period plus the Note Margin for that Class of Notes plus the Note Step-Up Margin for that Class of Notes.

The Interest Rate in respect of a Class of Notes (other than the Class A1 Notes, Class A2 Notes and Class L Notes) and for an Interest Period will be equal to the Bank Bill Rate for that Interest Period plus the Note Margin for that Class of Notes.

The Class L Notes do not bear interest.

Interest Rate Reset

The Interest Rate for the Notes will be reset on the first day of each Interest Period.

Interest Period

The period commencing on (and including) a Payment Date and ending on (but excluding) the next Payment Date, except that the first Interest Period will commence on (and include) the Closing Date and end on (but exclude) the first Payment Date.

Note Margin

For each Interest Period to but excluding the first Call Option Date:

- Class A1-S Notes: 0.70% per annum
- Class A1-L Notes: 1.20% per annum
- Class A2 Notes: 1.60% per annum
- Class B Notes: 1.90% per annum
- Class C Notes: undisclosed
- Class D Notes: undisclosed
- Class E Notes: undisclosed
- Class F Note: undisclosed
- Class G Note: undisclosed

Note Step-Up Margin

In respect of the Class A1 Notes and the Class A2 Notes, 0.25% per annum.

Interest Payments

Interest is payable in arrears on each Payment Date.

Calculation of Interest on a Payment Date

Subject to "Entitlement to interest" below, each Note (other than the Class L Notes) will bear interest in respect of each Interest Period calculated:

- (a) at the Interest Rate for that Class of Note for that Interest Period;
- (b) on the Invested Amount of the relevant Class of Notes on the first day of that Interest Period (after taking into account any reduction in the Invested

Amount of the Note on that day),

in each case based on the actual number of days in the Interest Period and a year of 365 days.

Entitlement to Interest

Interest will only be paid on a Payment Date to the person who is a Noteholder at the close of business in the place where the Note Register is maintained on the Record Date prior to that Payment Date.

Default Interest

If the Trustee does not pay an amount of interest on the due date, then the Trustee agrees to pay interest on the unpaid amount at the last applicable Interest Rate.

Such interest will accrue daily from (and including) the due date to (but excluding) the date the Trustee usually pays and is calculated using the Day Count Fraction.

2.5 Principal Payments

Available Principal

Available Principal received in respect of the Mortgage Loans held by the Trust will be applied, on each Payment Date, in accordance with the Cashflow Allocation Methodology. See section 7 ("Cashflow Allocation Methodology") for more information.

Entitlement to Principal

Principal will only be paid on a Payment Date to the person who is a Noteholder at the close of business in the place where the Note Register is maintained on the Record Date prior to that Payment Date.

Redemption – Call option

The Notes may be redeemed prior to the Maturity Date if the Trust Manager directs the Trustee to redeem all of the Notes on a Call Option Date (such notice to be given at least 10 days before the proposed redemption date) by paying to the Noteholders an amount equal to the aggregate of:

- (a) in the case of the Notes other than the Class L Notes, the Aggregate Invested Amount of such Notes on that day; and
- (b) in the case of all Notes (excluding the Class L Notes), all accrued and unpaid interest in respect of such Notes on (but excluding) that day.

Redemption – taxation reasons

If the Trustee is required to deduct or withhold an amount in respect of Taxes from a payment in respect of a Note, the Trust Manager may (at its option) direct the Trustee to redeem all (but not some only) of the Notes in accordance with the provisions set out in the Conditions.

Final Redemption

A Note will be finally redeemed, and the obligations of the Trustee with respect to repayment of the Invested Amount of the Notes will be finally discharged on the earlier of:

- (a) the date upon which the Invested Amount of that Note is reduced to zero and all accrued but previously unpaid interest is paid in full; and

- (b) the date on which the Trustee completes a sale and realisation of all Trust Assets in accordance with the Transaction Documents and the proceeds of that sale and realisation are applied, to the extent available, to repay the Invested Amount of that Note.

Call Option Date

In respect of each Class of Notes, means:

- (a) each Date Based Call Option Date; and
- (b) each Payment Date on which the Aggregate Invested Amount of all Notes (excluding the Class L Notes) on that Payment Date is less than 20% of the Aggregate Invested Amount of all Notes (excluding the Class L Notes) on the Closing Date.

Event of Default

After the occurrence of an Event of Default and enforcement of the General Security Agreement, amounts available for repayments under the Notes will be applied in accordance with the Master Security Trust Deed and the Series Notice (see section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”) for more information).

2.6 The Trust and Trust Assets

Trust

A trust known as the Pepper I-Prime 2017-3 Trust (the “**Trust**”) was constituted upon the execution of the Notice of Creation of Trust. The trustee of the Trust is the Trustee.

Trust Manager

On and from the date of the Series Notice, the Trust Manager is appointed, and agrees to act, as the trust manager of the Trust.

Initial Acquisition of Mortgage Loans

The Trustee must apply the proceeds of issue of the Notes (other than the Class L Notes) only towards:

- (a) the acquisition of Mortgage Loans and Related Securities; and
- (b) the investment in, or acquisition of Authorised Investments.

The Trustee must apply the proceeds of the Class L Notes towards:

- (a) paying the Accrued Interest Adjustment and the Disposing Trustee’s Cost of Funds to the Disposing Trustee; and
- (b) in respect only of:
 - (i) the first Determination Date following the Closing Date, allocating such amounts to Available Income in respect of such Determination Dates as the Trust

Manager may determine in its absolute discretion; and

- (ii) the second Determination Date following the Closing Date, allocating all remaining proceeds (which have not been applied prior to that date) to Available Income in respect of that Determination Date.

Mortgage Loans must meet Eligibility Criteria

All Mortgage Loans to be acquired by the Trust must meet the Eligibility Criteria as at the Cut-Off Date.

Mortgage Loan Servicing

On and from the date of execution of the Series Notice, the Servicer is appointed, and agrees to act, as the servicer of the Mortgage Loans and the Related Securities held by the Trust for the purposes of the Master Servicer Deed.

2.7 Interest Rate Risk Management

Interest Rates on the Mortgage Loans

The Trust Manager and the Servicer undertake to maintain the weighted average interest rate on the Mortgage Loans at a level at least equal to the Threshold Rate (or greater if necessary after taking into account any Authorised Investments, other than Mortgage Loans) to satisfy the obligations of the Trust as set out in the Transaction Documents.

2.8 Credit Support

The Cashflow Allocation Methodology has been structured to provide certain protections for each category of Noteholder as set out below. Protections in place include:

- (a) excess available income - the rates of interest payable by Obligors are required to be set at pre-determined levels in order to provide excess income;
- (b) the Amortisation Amount Ledger;
- (c) the Yield Enhancement Ledger;
- (d) the Overcollateralisation Ledger; and
- (e) subordination of certain classes of Notes.

2.9 Liquidity Support

Yield Enhancement Reserve Draw

If, on a Determination Date, there is a Yield Shortfall, then the Trust Manager must direct the Trustee to make a drawing under the Yield Enhancement Reserve Account.

The Yield Enhancement Reserve Draw for a Determination Date will be equal to the lesser of:

- (a) the Yield Shortfall; and
- (b) the credit balance of the Yield Enhancement Reserve Account on that Determination Date.

Principal Draws

The Available Principal received by the Trustee during a Collection Period will be applied on the next Payment Date, in making Principal Draws to fund Liquidity Shortfalls (if any) in priority to payments of principal to Noteholders.

The amount of the Principal Draw which can be used to meet Required Payments on a Payment Date will be equal to the lesser of:

- (a) the Liquidity Shortfall; and
- (b) the amount of Total Available Principal available for application for that purpose under section 7.5 ("Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)").

Liquidity Draws

If, on a Determination Date, there is a Further Liquidity Shortfall, then the Trust Manager on behalf of the Trustee must request a drawing under the Liquidity Facility in an amount equal to the lesser of:

- (a) that Further Liquidity Shortfall; and
- (b) the amount available to be drawn under the Liquidity Limit.

The Liquidity Limit is the lesser of:

- (a) the greater of:
 - (i) 2.2% of the aggregate Invested Amount of the Notes (other than the Class L Notes) calculated as at the relevant Determination Date; and
 - (ii) A\$880,000;
- (b) the amount agreed from time to time in writing by the Liquidity Facility Provider and the Trust Manager (in respect of which a Ratings Notification has been given); or
- (c) the amount (if any) to which the Liquidity Limit has been reduced at that time by the Trustee on the

direction of the Trust Manager by written notice to the Liquidity Facility Provider provided that the Trust Manager may not direct the Trustee to reduce the Liquidity Facility unless a Rating Notification has been given in respect of such reduction.

Extraordinary Expense Reserve Draw

If, on a Determination Date there are Extraordinary Expenses in relation to the immediately preceding Collection Period, then the Trust Manager must direct the Trustee to make a drawing from the Extraordinary Expense Reserve Account on the immediately following Payment Date, equal to the lesser of:

- (a) the aggregate of such Extraordinary Expenses in relation to that immediately preceding Collection Period; and
- (b) the balance of the Extraordinary Expense Reserve Account on that Determination Date.

Threshold Rate

The Trust Manager must direct the Servicer to reset or cause to be reset, and the Servicer must upon such direction reset or cause to be reset, as soon as possible (having regard to Consumer Credit Legislation) the interest rates on any one or more Mortgage Loans such that the weighted average interest rate on all the Mortgage Loans (expressed as a percentage rate per annum) is not less than the Threshold Rate.

2.10 Miscellaneous

Collection Account

The Trustee has established the Collection Account.

Payments into Collection Account

The Series Notice and the Master Servicer Deed require that all Collections received by or on behalf of the Trustee be paid periodically into the Collection Account.

Security

The Noteholders and other Secured Creditors of the Trust will have the benefit of a security interest over the Trust Assets granted by the Trustee in favour of the Security Trustee under the General Security Agreement and the Master Security Trust Deed.

2.11 Interest Withholding

Taxation

All payments in respect of a Note will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless such withholding or deduction is made under or in connection with, or in order to ensure compliance with, FATCA or is required by any applicable law. In that event, the Trustee will, after making such withholding or deduction, account to the relevant authorities for the amounts that are required to be withheld or deducted. The Trustee will not be obliged to make any additional payments in respect of the Notes in relation to the withholding or deduction. Immediately after becoming aware that such a withholding or deduction is or will be required, the Trustee must notify the relevant Noteholders

in the manner required by the Transaction Documents.

If a law (including FATCA) requires the Trustee to withhold or deduct payments in respect of the relevant Notes:

- (a) the Trustee will withhold or deduct such amount; and
- (b) the Trustee will pay an amount equal to the amount withheld or deducted to the relevant authority in accordance with the applicable law.

The Trustee, in its absolute discretion, may request information from a Noteholder sufficient to eliminate the imposition of or to determine the amount of FATCA Withholding Tax and/or properly completed and signed tax certifications.

If any withholding or deduction arises under or in connection with FATCA, the Trustee will not be required to pay any further amounts on account of such withholding or deduction or otherwise reimburse or compensate, or make any payment to, a Noteholder or a beneficial owner of the Notes for or in respect of any such withholding or deduction.

2.12 CRR

Retention Rules

On the Closing Date and thereafter for so long as any Offered Notes remain outstanding, Pepper will, as an originator for the purposes of the risk retention rules under the CRR, retain a material net economic interest of not less than 5% in this securitisation transaction in accordance with the text of Article 405(1) of the CRR (the "**Retention**"). As at the Closing Date, the Retention will be in the form of a pro-rata retention in each of the tranches sold or transferred to investors as provided in option (a) of paragraph 405(1) of the CRR, and will be comprised by Pepper holding 100% of the shares in the Retention Vehicles who will, between them, hold not less than 5% of the aggregate Invested Amount of each Class of Notes.

3 Certain Special Risks

The purchase, and subsequent holding, of the Offered Notes is not free from risk. The Trust Manager believes that the risks described below are some of the principal risks inherent in the transaction for Noteholders and that the discussion in relation to the Offered Notes indicates some of the possible implications for Noteholders. However, the inability of the Trustee to meet a payment on the Offered Notes may occur for other reasons and the Trust Manager does not in any way represent that the description of the risks outlined below is exhaustive. It is only a summary of some particular risks. There can be no assurance that the structural protections available to Noteholders will be sufficient to ensure that a payment or distribution of a payment is made on a timely or full basis. Prospective investors should read the Transaction Documents and the detailed information set out elsewhere in this Information Memorandum and make their own independent investigation and seek their own independent advice as to the potential risks involved in purchasing and holding the Offered Notes.

3.1 Limited Recourse

The Trustee will issue the Offered Notes in its capacity as trustee of the Trust and will be entitled to be indemnified out of the Trust Assets for all payments of interest and principal in respect of the Offered Notes. A Noteholder's recourse against the Trustee with respect to the Offered Notes is limited to the amount by which the Trustee is indemnified from the Trust Assets. Except in the case of, and to the extent that the Trustee's right of indemnification out of the Trust Assets is reduced as a result of, fraud, negligence or wilful misconduct (as further described in section 8.2(k) ("Master Trust Deed").), no rights may be enforced against the Trustee by any person and no proceedings may be brought against the Trustee except to the extent of the Trustee's right of indemnity and reimbursement out of the Trust Assets. Except in those limited circumstances, the assets of the Trustee in its personal capacity are not available to meet payments of interest or principal in respect of the Offered Notes. The limitation of the Trustee's liability is described more fully in section 8.2(k) ("Master Trust Deed").

If the Trustee is denied indemnification from the Trust Assets (and the circumstances are not rectified to the reasonable satisfaction of the Security Trustee within 30 days of the Security Trustee requiring the Trustee in writing to rectify them), the Security Trustee will be entitled to enforce the security interest granted under the General Security Agreement and apply the Trust Assets which are charged in favour of the Security Trustee for the benefit of the Secured Creditors of the Trust (including the Noteholders). The Security Trustee may incur costs in enforcing the security interest granted under the General Security Agreement, with respect to which the Security Trustee will be entitled to indemnification. Any such indemnification will reduce the amounts available to pay interest on and repay principal of the Offered Notes.

3.2 Limited Assets

The Trust Assets primarily consist of the Mortgage Loans and Related Securities.

If the Trust Assets are not sufficient to make payments of interest or principal in respect of the Offered Notes, then payments to Noteholders will be reduced.

3.3 Secondary Market Risk

There is currently no active secondary market for the Offered Notes. There is no assurance that any secondary market will develop or, if one does develop, that it will provide liquidity of investment or that such liquidity will continue for the life of the Offered Notes. The development and liquidity of any secondary market for the Offered Notes may be affected by the fact that the Offered Notes are being privately placed. The liquidity of the secondary market for a Class of Offered Notes will also be affected by the Aggregate Initial Invested Amount of that Class of Offered Notes. Classes of Offered Notes that have lower Aggregate Initial Invested Amounts will contain fewer Offered Notes that can be sold in the secondary market, making it even less likely that a liquid secondary market will develop for those Classes of Offered Notes. No assurance can be given that it will be possible to effect a sale

of the Offered Notes, nor can any assurance be given that, if a sale takes place, it will not be at a discount to the acquisition price or the face value of any Offered Notes.

Over the past several years, major disruptions in the global financial markets have caused a significant reduction in liquidity in the secondary market for asset-backed securities. While there has been some improvement in conditions in the global financial markets and the secondary markets, there can be no assurance that future events will not occur that could have an adverse effect on secondary market liquidity for asset-backed securities. If illiquidity of investment increases for any reason, including as described above, it could adversely affect the market value of your Offered Notes and/or limit your ability to resell your Offered Notes.

In addition, the Offered Notes are subject to certain restrictions on sale and transfer as set out in section 12 ("Selling restrictions"). As a result of these restrictions on transfer, there can be no assurance that a meaningful secondary market for the Offered Notes will develop or, if a secondary market does develop with respect to the Offered Notes, that it will provide the Offered Noteholders with liquidity of investment or that it will continue for the life of the Offered Notes.

3.4 Prepayment Considerations

Principal collections in respect of the Mortgage Loans will be paid to Noteholders on each Payment Date and will reduce the principal balance of the Offered Notes. Principal collections will consist of the principal component of scheduled payments and partial or full prepayments in respect of the Mortgage Loans. Principal collections may be utilised to meet payment shortfalls in priority to payment of principal to Noteholders. There can be no assurances as to the amount of principal collections to be received in any Collection Period or the amount retained to meet payment shortfalls.

Mortgage Loans are expected to mature prior to the Maturity Date of the Offered Notes. In addition, an Obligor in respect of a Mortgage Loan may choose to make a repayment, in part or in full, of the amount outstanding under the Mortgage Loan prior to the scheduled maturity profile of the Mortgage Loan. The reasons for the early payment may include, but are not limited to, the level of interest rates, general economic conditions, legal and political conditions, availability of more competitive funding alternatives, changes in the funding requirements of the Obligor, the overall economic circumstances of the Obligor, or receipts from disposal of assets as part of enforcement proceeds.

Various other factors make it difficult to reliably predict the actual rate of prepayment of the Mortgage Loans or the rate and timing of payments of principal on the Offered Notes. Those factors include, without limitation, the effectiveness of the servicing of the loans and the amount, frequency of any Further Advances. There is no guarantee that the actual rate of prepayment on the Mortgage Loans, or the actual rate of prepayments on the Offered Notes will conform to any particular model or that a Noteholder will achieve the yield expected on an investment in the Offered Notes. If the Noteholder bought the Offered Notes for more than their face amount, the yield on the Offered Notes will drop if principal payments on the Offered Notes occur at a faster rate than expected. If the Noteholder bought the Offered Notes for less than their face amount, the yield on the Offered Notes will drop if principal payments on the Offered Notes occur at a slower rate than expected.

Prospective Noteholders, to whom a projection of the weighted average life or maturity is relevant, in determining the price of a Note, should be aware that these Offered Notes are subject to maturity and prepayment risk based on the principal payment behaviour of the Mortgage Loans which may change. Prospective Noteholders need to undertake their own analysis in this regard as no guidance is given by the Trust Manager on this issue.

3.5 Ability to Determine the Variable Interest Rate

The interest rates on the variable rate Mortgage Loans are not tied to an objective interest rate index, but are set by the Servicer upon direction from the Trust Manager. If the Servicer increases the interest rates on the variable rate Mortgage Loans (including as a result of its

obligations as described in section 2.9 (“Liquidity Support”) under the heading “Threshold Rate”), borrowers may be unable to make their required payments under the Mortgage Loans, and accordingly, may become delinquent or may default on their payments. In addition, if the interest rates are raised above market interest rates, borrowers may refinance their loans with another lender to obtain a lower interest rate. This could cause higher rates of principal prepayment than prospective Noteholders expected and affect the yield on the Offered Notes.

3.6 Reinvestment Risk

If a prepayment is received on a Mortgage Loan during a Collection Period then, to the extent that it is not applied towards funding Redraws where permitted at any time, interest at the then existing 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 repaid will be deposited into the Collection Account or invested in Authorised Investments until the next Payment Date, and may earn interest at a rate less than the then existing rate on the Mortgage Loan. Interest will, however, continue to be payable in respect of the Invested Amount of the Offered Notes until the next Payment Date. Accordingly, this may affect the ability of the Trustee to pay interest in full on the Offered Notes. The Trustee may have access to Principal Draws and the amount available under the Liquidity Facility to finance such shortfalls.

3.7 Delinquency/Default Risk

The failure by Obligor to make payments on the Mortgage Loans when due may ultimately result in the Trustee having insufficient funds available to it to make full payments of interest and principal to the Noteholders.

The Trustee’s obligation to pay interest and to repay principal in respect of the Offered Notes is limited to:

- (a) the Collections in respect of the Mortgage Loans and Related Securities; and
- (b) in the case of interest only, the amount available under the Liquidity Facility.

A wide variety of factors of legal, economic, political or other nature could affect the performance of Obligor in making payments of interest and principal under the Mortgage Loans. In particular, if interest rates or unemployment rates increase, Obligor may experience distress and increased default rates on the Mortgage Loans may result. In addition, in some circumstances, a court may order a Mortgage Loan to be varied on the grounds of hardship.

If a Obligor defaults on payments under a Mortgage Loan and the Servicer, on behalf of the Trustee, enforces the Mortgage Loan and takes possession of the relevant Property, many factors may affect the price at which the Property is sold and the length of time taken to complete that sale. Any delay or loss incurred in this process may affect the ability of the Trustee to make payments, and the timing of those payments, in respect of the Offered Notes, notwithstanding any amounts that may be claimed under the Insurance Policies or be available under the Liquidity Facility.

3.8 No lender’s mortgage insurance

None of the Mortgage Loans are covered by a lender’s mortgage insurance (“LMI”) policy. Accordingly, if an Obligor defaults in the payment of amounts owing under a Mortgage Loan, neither the Trustee nor any other person has any ability to make a claim under an LMI policy to recover the amount of any missed payment. Further, in the event that the Trust Manager enforces the Related Security in respect of a Mortgage Loan by realising the underlying Property, neither the Trustee nor any other person has any right to make a claim under an LMI policy to recover the amount of any shortfall between the gross proceeds of realisation of the Property and the amount owing to the Trustee under that Mortgage Loan.

3.9 Equitable Assignment

The Mortgage Loans and Related Securities will be assigned from the Disposing Trustee to the Trustee, on the Closing Date, in accordance with the procedures set out in the Sale Deed.

However, legal title to the Mortgage Loans and Related Securities will continue to be held by the Disposing Trustee.

The consequences of the Trustee not holding a legal interest in the Mortgage Loans include:

- (a) the Obligor will be entitled to make payments and obtain a good discharge from the holder of the legal title rather than directly to, and from, the Trustee. Upon the giving of notice of the assignment to the Obligor, however, subject to section 80(7) of the PPSA (described below), the Obligor will only be entitled to make payments and obtain a good discharge from the Trustee;
- (b) the Trustee's rights to any Mortgage Loan are subject to:
 - (i) the terms of the Mortgage Loan between the relevant Obligor and the holder of the legal title, and any equity, defence, remedy or claim arising in relation to the Mortgage Loan (including a defence by way of a right of set-off); and
 - (ii) any other equity, defence, remedy or claim of the relevant Obligor against the holder of the legal title (including a defence by way of a right of set-off) that accrues before the first time when payment by the relevant Obligor to the relevant holder of the legal title no longer discharges the obligation of the relevant Obligor under subsection 80(8) of the PPSA to the extent of the relevant payment; and
- (c) the Trustee may have to join the holder of the legal title as a party to any legal action which the Trustee may wish to take against any related Obligor.

Unless the relevant Obligor has otherwise agreed, a modification of, or substitution for, the Mortgage Loan between a Obligor and the relevant holder of the legal title is effective against the Trustee if:

- (a) the relevant Obligor and the holder of the legal title have acted honestly in modifying or substituting the relevant Mortgage Loan;
- (b) the manner in which the modification or the substitution is made is commercially reasonable; and
- (c) the modification or substitution does not have a material adverse effect on:
 - (i) the Trustee's rights under the relevant Mortgage Loan; or
 - (ii) the ability of the holder of the legal title to perform the relevant Mortgage Loan.

In addition, section 80(7) of the PPSA provides that a Obligor will be entitled to make payments and obtain a good discharge from the holder of the legal title rather than directly to, and from, the Trustee until such time as the Obligor receives a notice of the assignment that complies with the requirements of section 80(7)(a) of the PPSA, including, without limitation, a statement that payment is to be made to the Trustee, unless the Obligor requests the Trustee to provide proof of the assignment and the Trustee fails to provide that proof within 5 business days of the request, in which case the Obligor may continue to make payments to the holder of the legal title. Accordingly, an Obligor may nevertheless make payments to the holder of the legal title and obtain a good discharge from the holder of the legal title notwithstanding the legal assignment of a Mortgage Loan to the Trustee, if the Trustee fails to comply with these requirements. .

Pepper Finance Corporation Limited has granted a power of attorney to Permanent Custodians Limited to deal with the relevant Mortgage Loans and Related Securities and, if necessary, to perfect title to such Mortgage Loans and Related Securities. In addition, under the Series Notice, if a Title Perfection Event occurs in respect of Pepper Finance Corporation Limited, the Trust Manager has agreed to give notice to each relevant Obligor and any other relevant person of the assignment of the relevant Mortgage Loan to the Trustee and direct the Trustee to execute all such documents and do all such acts and things as the Trust Manager may reasonably require to assist the Trustee to protect or perfect the Trustee's interest in and title to the Mortgage Loans in respect of which legal title is then held by Pepper Finance Corporation Limited.

3.10 Termination of Appointment of Trust Manager or the Servicer

The appointment of each of the Trust Manager and the Servicer may be terminated in certain circumstances. If the appointment of the Trust Manager is terminated, a successor will need to be found to perform the relevant role for the Trust. The appointment of a successor will not have effect until the substitute has executed a deed under which it agrees to be bound by the Transaction Documents for the Trust. There is no guarantee that such a successor will be found or that the successor will be able to perform its duties with the same level of skill and competence.

If the appointment of the Servicer is terminated, until the earlier of:

- (a) the appointment of a replacement servicer in respect of the Trust; or
- (b) the retirement of the Backup Servicer in respect of the Mortgage Loans and the Related Securities under the Backup Servicer Deed,

the Backup Servicer (or any other person appointed by the Backup Servicer to act as its agent) must act as Servicer in accordance with the Transaction Documents. There can be no guarantee that the Backup Servicer will have the same degree of skill and experience as the Servicer. This may affect the effectiveness of the Backup Servicer and Collections recovered from Obligors which may in turn affect the amount available to make payments due to Noteholders.

The appointment of a successor Servicer will only take effect once the successor Servicer has become bound by the Transaction Documents for the Trust.

3.11 Master Security Trust Deed

If an Event of Default occurs while any Offered Notes are outstanding, the Security Trustee may, and if directed to do so by an Extraordinary Resolution of Secured Creditors must, enforce the security interest granted under the General Security Agreement in accordance with the terms of the Master Security Trust Deed and the General Security Agreement. The enforcement of the General Security Agreement may include the sale of the Trust Assets.

Following the enforcement of the General Security Agreement and sale of the Trust Assets, the Security Trustee will be required to apply monies otherwise available for distribution in the order of priority set out in the Cashflow Allocation Methodology. No assurance can be given that the Security Trustee will be in a position to sell the Trust Assets for an amount equal to or greater than the then outstanding amount under the Mortgage Loans held in the Trust. Accordingly, the Security Trustee may not be able to realise the full value of the underlying Mortgage Loans.

The Security Trustee is not obliged to exercise any of its rights under the Master Security Trust Deed (including enforcing the General Security Agreement) unless it has been indemnified by the Secured Creditors or funds equivalent to the amount which the Security Trustee determines may become liabilities of the Security Trustee have been given to the Security Trustee.

The monies available to the Security Trustee for distribution may not be sufficient to satisfy in full the claims of all or any of the Secured Creditors and this may have an impact upon the Trustee's ability to repay all amounts outstanding in relation to the Offered Notes.

Neither the Security Trustee nor the Trustee will have any liability to the Secured Creditors in respect of any such deficiency.

3.12 Nature of Security

Under the Master Security Trust Deed and the General Security Agreement, the Trustee grants a security interest over all the Trust Assets in favour of the Security Trustee to secure the payment of monies owing to Secured Creditors of the Trust, including, among others, the Noteholders, the Trust Manager, the Servicer, the Backup Servicer, the Liquidity Facility Provider and the Custodian. The character of the security interest and its effect on Trust Assets differs depending on whether or not that Trust Asset is "personal property" as defined in the PPSA.

As described in section 3.22 ("Application of the Personal Property Securities Act"), the nature, characterisation and priority of the security interest will be affected by the operation of the PPSA.

3.13 Ratings

The credit ratings of the Offered Notes should be evaluated independently from similar ratings on other types of notes or securities. A credit rating by the Designated Rating Agency is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, qualification or withdrawal at any time by the Designated Rating Agency. A revision, suspension, qualification or withdrawal of the credit rating of the Offered Notes may adversely affect the price of the Offered Notes. In addition, the credit ratings of the Offered Notes do not address the expected timing of principal repayments under the Offered Notes, only that principal will be received no later than the Maturity Date of that Offered Note. The Designated Rating Agency has been involved in the preparation of this Information Memorandum.

If the Designated Rating Agency changes its rating or withdraws its rating, no one has any obligation to provide additional credit enhancement or restore the original rating.

The Designated Rating Agency has not been involved in the preparation of this Information Memorandum.

3.14 Goods and Services Tax

The goods and services tax in Australia may decrease the funds otherwise available to the Trust to make payments on the Offered Notes.

A goods and services tax is payable on a taxable supply which is made by an entity which is registered or required to be registered for GST. Some service providers that provide services to the Trust would be liable for GST in respect of such supplies and may charge an additional cost to the Trust on account of that GST where it has a contractual entitlement to do so. To the extent that the Trust cannot recoup the amount it pays to a service provider on account of GST by way of an equivalent input tax credit, there would be less funds available to meet its obligations. If the Trust is entitled to a full input tax credit or a reduced input tax credit (generally equal to 75% of the amount of GST payable by the supplier to the Australian Taxation Office, but in some circumstances equal to 55% of the amount of GST payable by the supplier to the Australian Taxation Office), the amount of any income tax deductions otherwise available to the Trust would be reduced by this input tax credit or reduced input tax credit amount. See paragraph 11.2(j) in section 11 ("Taxation considerations") for an outline of GST and the Trust.

3.15 Taxation of the Trust

The net income of the Trust will be subject to Australian income 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 Offered Notes). It is anticipated that there should not be any net 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. Rather, the taxable income of the Trust is intended to be allocated to, and taxed in the hands of, the Participation Unitholder of the Trust. Accordingly, the taxation of the Trust's income should not result in a decrease in the funds available to the Trustee to make payments on the Offered Notes. See also 11.2(p) ("Taxation considerations – tax consolidation rules").

3.16 Interest Withholding Tax

There will not be any deduction from payments of interest under the Offered Notes on account of Australian interest withholding tax, where the holder of the Offered Notes is an Australian resident for tax purposes (other than a resident who holds the Offered Notes in carrying on business at or through a permanent establishment outside Australia) or a non-resident for tax purposes that holds the Offered Notes in carrying on business at or through a permanent establishment in Australia.

Interest withholding tax will be deducted on payments of interest under the Offered Notes to any person who is an Australian resident that holds the Offered Notes in carrying on a business at or through a permanent establishment outside Australia or a non-resident holder of an Offered Note (other than a non-Australian resident that holds the Offered Notes in carrying on business at or through a permanent establishment in Australia) unless either:

- (a) the Offered Notes are offered, and interest is paid from time to time, in a manner which satisfies the exemption from interest withholding tax contained in section 128F of the Australian Tax Act (see section 11 ("Taxation considerations") for further information). As described in section 11 ("Taxation considerations"), it is only intended that the 128F Notes will be issued, offered or sold in a manner which satisfies the exemption from interest withholding tax under section 128F of the Australian Tax Act. Accordingly, the exemption from interest withholding tax under section 128F of the Australian Tax Act will not be available in respect of any other Classes of Offered Notes; or
- (b) the holder of the Offered Notes is a resident of a Specified Country (as defined in section 11 ("Taxation considerations")) that is entitled to the benefit of the interest withholding tax exemption in the relevant double tax agreement (see section 11 ("Taxation considerations") for further information).

3.17 Consumer Credit Legislation

The majority of the Mortgage Loans are regulated by the Consumer Credit Legislation.

The Consumer Credit Legislation requires anyone that engages in a credit activity, including providing credit and persons exercising the rights and obligations of credit providers, to be appropriately authorised to do so. This requires those persons to either hold an Australian Credit Licence, be exempt from this requirement or be a credit representative of a licensed person.

The Consumer Credit Legislation imposes a range of disclosure and conduct obligations on persons engaging in a credit activity. For example any increase of the credit limit of a regulated Mortgage Loan must be considered and made in accordance with the responsible lending obligations of the Consumer Credit Legislation.

Failure to comply with the Consumer Credit Legislation may mean that court action is brought by the borrower or by ASIC to:

- (a) vary the terms of a Mortgage Loan on the grounds of hardship or that it is an unjust contract;
- (b) reduce or cancel any interest rate payable on a Mortgage Loan if the interest rate is changed in a way which is unconscionable;
- (c) reduce or cancel establishment fees or fees payable on prepayment or early termination if they are unconscionable;
- (d) have certain provisions of a Mortgage Loan which are in breach of the legislation declared unenforceable;
- (e) obtain an order for a civil penalty against the Trustee in relation to a breach of certain key requirements of the Consumer Credit Legislation, the amount of which may be set off against any amount payable by the borrower under the applicable Mortgage Loan; or
- (f) obtain additional restitution or compensation from the Trustee in relation to breaches of the Consumer Credit Legislation in relation to a Mortgage Loan or a mortgage.

The Trustee is liable for compliance with the Consumer Credit Legislation. In particular, it may become liable for criminal fines in relation to breaches of the Consumer Credit Legislation.

In addition, a mortgagee's ability to enforce a mortgage which is subject to the Consumer Credit Legislation is limited by various demand and notice procedures which are required to be followed. For example, as a general rule enforcement cannot occur unless the relevant default is not remedied within 30 days after a default notice is given. Borrowers may also be entitled to initiate negotiations with the mortgagee for a postponement of enforcement proceedings.

Any order under the Consumer Credit Legislation may affect the timing or amount of interest or principal payments or repayments under the relevant Mortgage Loan, which might in turn affect the timing or amount of interest or principal payments or repayments to you under the Offered Notes.

In some circumstances the Trustee may have the right to be indemnified and to claim damages from the Servicer, where the Trustee suffers a loss in connection with a breach of the Consumer Credit Legislation which is caused by a breach of a relevant representation or undertaking or a responsible lending obligation under the Consumer Credit Legislation which has been delegated to the Servicer.

3.18 Geographic Concentration of Mortgage Loans

To the extent that the Trust contains a high concentration of Mortgage Loans secured by Property located within a single state or region within Australia, any deterioration in the values of Property or the economy of any of those states or regions could result in higher rates of delinquencies, foreclosures and losses than expected on the Mortgage Loans.

None of the Trustee, the Trust Manager or the Servicer can quantify whether there has been a decline in the value of Property since the settlement of the Mortgage Loans or the extent to which there may be a decline in the value of Property in the future.

3.19 Economic Conditions

If the Australian economy were to experience a decline in economic conditions (for example house prices experience a material decline as some commentators predict), delinquencies or losses on the Mortgage Loans might increase, which might cause losses on the Offered Notes.

3.20 Australian AMIT Legislation

With effect from 1 July 2016, amendments were made to the Australian Tax Act to introduce a new managed investment trust regime. These amendments only apply to qualifying attribution managed investment trusts (“**AMIT**”). On the basis of the character of the unitholders of the Trust, it is not expected that the Trust would qualify as an AMIT.

With effect from 1 July 2016, Division 6B of the Australian Tax Act was repealed, and the definition of exempt entities for the purpose of identifying a public unit trust for the purposes of Division 6C of the Australian Tax Act was amended. Neither of these changes should adversely affect the Trust or the Noteholders.

3.21 Australian Anti-Money Laundering and Counter-Terrorism Financing Regime

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the “**AML/CTF Act**”) regulates the anti-money laundering and counter-terrorism financing obligations on financial services providers.

Under the AML/CTF Act, if an entity has not met obligations under the AML/CTF Act, that entity will be prohibited from providing a designated service which includes:

- (a) opening or providing an account, allowing any transaction in relation to an account or receiving instructions to transfer money in and out of the account;
- (b) making loans to a borrower or allowing a transaction to occur in respect of that loan in certain circumstances;
- (c) providing a custodial or depository service;
- (d) issuing, dealing, acquiring, disposing of, cancelling or redeeming a security; and
- (e) exchanging one currency for another.

These obligations will include undertaking customer identification procedures before a designated service is provided and receiving information about international and domestic institutional transfers of funds. Until these obligations have been met an entity will be prohibited from providing funds or services to a party or making any payments on behalf of a party.

The obligations placed upon an entity could affect the services of an entity or the funds it provides and ultimately may result in a delay or decrease in the amounts received by an Offered Noteholder.

3.22 Application of the Personal Property Securities Act

A personal property securities regime commenced operation throughout Australia on 30 January 2012 pursuant to the Personal Property Securities Act 2009 (“**PPSA**”). The PPSA has established a national system for the registration of security interests in personal property and introduced with new rules for the creation, priority and enforcement of security interests in personal property.

Security interests for the purposes of the PPSA include traditional securities such as charges and mortgages over personal property. However, they also include transactions that, in substance, secure payment or performance of an obligation but may not have previously been legally classified as securities. Further, certain other interests are deemed to be security interests whether or not they secure payment or performance of an obligation - these deemed security interests include assignments of certain monetary obligations.

A person who holds a security interest under the PPSA will need to register (or otherwise perfect) the security interest to ensure that the security interest has priority over competing

interests (and in some cases, to ensure that the security interest survives the insolvency of the grantor). If they do not do so, the consequences include the following:

- another security interest may take priority;
- another person may acquire an interest in the assets which are subject to the security interest free of their security interest; and
- they may not be able to enforce the security interest against a grantor who becomes insolvent.

The security granted by the Trustee under the General Security Agreement and the assignment of the Mortgage Loans from the Disposing Trustee to the Trustee are security interests under the PPSA. The Trust Manager intends to effect registrations of these security interests by way of a registration on the Personal Property Securities Register. The Transaction Documents may also contain other security interests.

The Trust Manager has undertaken in the Series Notice that if it determines that any other such security interests arise and that failure to perfect those security interests could have material adverse effect upon Secured Creditors that it will give directions to the Trustee and the Security Trustee to take appropriate action to perfect such security interests under the PPSA.

There is uncertainty on aspects of the PPSA regime because the PPSA significantly alters the law relating to secured transactions. There are issues and ambiguities in respect of which a market view or practice will evolve over time.

Under the Master Security Trust Deed and the General Security Agreement, the Trustee grants a security interest over all the Trust Assets in favour of the Security Trustee to secure the payment of moneys owing to the Secured Creditors (including, among others, the Offered Noteholders).

Under the General Security Agreement, the Trustee has agreed not to create or allow another interest in any Collateral unless expressly permitted by the Transaction Documents or unless the Security Trustee consents. The Trustee may create or allow another interest in, or dispose of, any Mortgage Loan (which is at that time a Revolving Asset (as defined in the General Security Agreement)) in the ordinary course of its business and if permitted by the Transaction Documents or if the Security Trustee consents.

However, under Australian law:

- dealings by the Trustee with the Mortgage Loans in breach of such undertaking may nevertheless have the consequence that a third party acquires title to the relevant Mortgage Loans free of the security interest created under the General Security Agreement or another security interest over such Mortgage Loans has priority over that security interest; and
- contractual prohibitions upon dealing with the Mortgage Loans (such as those contained in the General Security Agreement) will not of themselves prevent a third party from obtaining priority or taking such Mortgage Loans free of the security interest created under the General Security Agreement (although the Security Trustee would be entitled to exercise remedies against the Trustee in respect of any such breach by the Trustee).

Whether this would be the case, depends upon matters including the nature of the dealing by the Trustee, the particular Mortgage Loan concerned and the actions of the relevant third party.

3.23 Unfair Terms

On 1 July 2010, the Trade Practices Amendment (Australian Consumer Law) Act (No.1) 2010 (“**UCT Law**”) commenced. The UCT Law introduces a national unfair terms regime whereby a term of a standard-form consumer contract 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. The UCT Law will apply to a term of the Mortgage Loans to the extent that those contracts are renewed, or the term is varied, after commencement of the UCT Law.

Also on 1 July 2010, Victoria amended its unfair terms regime (contained in Part 2B of the Fair Trading Act 1999 (Vic)) to follow the wording in the Commonwealth’s UCT Law. Victoria’s unfair terms regime had applied to certain Mortgage Loans since 10 June 2009.

Any finding that a term of a Mortgage Loan is unfair and therefore void may, depending on the relevant term, affect the timing or amount of principal repayments under the relevant Mortgage Loans which may in turn affect the timing or amount of interest and principal payments under the Offered Notes.

3.24 NAB performance

NAB is the Liquidity Facility Provider. If NAB fails to perform its obligations under the Liquidity Facility Agreement, Noteholders will be exposed to the risk that the Trustee will not have sufficient funds to pay amounts due on the Offered Notes in full and on time. To that extent, payments on the Offered Notes are dependent on the creditworthiness and liquidity position of NAB and its willingness to perform its obligations.

3.25 U.S. Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 (“**FATCA**”), in an effort to assist the United States Internal Revenue Service (“**IRS**”) in enforcing U.S. taxpayer compliance, establish a new due diligence, reporting and withholding regime.

Under FATCA, a 30% withholding may be imposed (i) in respect of certain U.S. source payments, (ii) from 1 January 2019 in respect of gross proceeds from the sale of assets that give rise to U.S. source interest or dividends and (iii) from 1 January 2019, at the earliest, in respect of “foreign passthru payments” (a term which is not yet defined under FATCA), which are, in each case, paid to or in respect of entities that fail to meet certain certification or reporting requirements or do not comply with FATCA (“**FATCA withholding**”).

The Trustee and other financial institutions through which payments on the Offered Notes are made may be required to withhold on account of FATCA. A withholding may be required if (i) an investor does not provide information sufficient for the Trustee or the relevant financial institution to determine whether the investor is subject to FATCA withholding or (ii) a foreign financial institution (“**FFI**”) to or through which payments on the Offered Notes are made is a “non-participating FFI”.

FATCA withholding is not expected to apply if, in respect of foreign passthru payments only, the Offered Notes are treated as debt for U.S federal income tax purposes and the obligation is issued on or before the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register.

The Australian Government and U.S. Government signed an intergovernmental agreement with respect to FATCA (“**IGA**”) on 28 April 2014. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the Australian IGA (“**Australian Amendments**”).

Australian financial institutions which are Reporting Australian Financial Institutions under the IGA must follow specific due diligence procedures to identify their account holders (e.g. the Noteholders) and provide information about financial accounts held by U.S. persons and recalcitrant account holders to the Australian Taxation Office (“ATO”). The ATO is required to provide such information to the IRS.

Depending on the nature of the relevant FFI, FATCA withholding may not be required from payments made with respect to the Offered Notes other than in certain prescribed circumstances.

The Noteholders may be requested to provide certain certifications and information to the Trust and/or the Trustee and any other financial institutions through which payments on the Offered Notes are made in order for the Trust and/or the Trustee and such other financial institutions to comply with their FATCA obligations. If a payment to the Trust is subject to withholding as a result of FATCA, there will be no optional redemption of the Offered Notes. Additionally, if a payment to a Noteholder is subject to withholding as a result of FATCA, there will be no “gross up” (or any additional amount) payable by way of compensation to the Noteholder for the withheld or deducted amount.

FATCA is particularly complex legislation.

Investors should consult their own tax advisers to determine how these rules may apply to them under the Offered Notes.

3.26 Common Reporting Standard

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (“**CRS**”) will require certain financial institutions to report information regarding certain accounts (which may include the Offered Notes) to their local tax authority and follow related due diligence procedures. Offered Noteholders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed a CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS. The CRS applies to Australian financial institutions with effect from 1 July 2017.

3.27 CRR and other EU regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Offered Notes

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Offered Notes are responsible for analysing their own regulatory position and none of the Trustee, the Arranger, the Joint Lead Managers or the Trust Manager makes any representation to any prospective investor or purchaser of the Offered Notes regarding the regulatory capital treatment of their investment on the Closing Date or at any time in the future.

In particular, investors should be aware of Articles 404-410 (inclusive) of Regulation (EU) No 575/2013 of the European Parliament and Council (the “**CRR**”), as supplemented by Commission Delegated Regulation (EU) No 625/2014 and Commission Implementing Regulation (EU) No 602/2014, which came into force on 1 January 2014 in the Member States of the European Union and has been implemented by national legislation in other Member States of the European Economic Area. Article 405 of the CRR restricts ‘credit institutions’ and ‘investment firms’ (as each is defined in the CRR), and the consolidated group subsidiaries thereof (each, a “**CRR Investor**”) from investing in or being exposed to a ‘securitisation’ (as defined in the CRR) unless the originator, sponsor or original lender in

respect of that securitisation has explicitly disclosed to the CRR Investor that it will retain, on an ongoing basis, a net economic interest of at least 5 per cent in that securitisation in the manner contemplated by the CRR.

Article 406 of the CRR also requires that a CRR Investor be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, the notes it has acquired and the underlying exposures, and that procedures have been established for monitoring the performance of the underlying exposures on an on-going basis. Failure to comply with one or more of the requirements set out in CRR Articles 405 and 406 may result in the imposition of a penal capital charge with respect to the investment made in the securitisation by the relevant CRR Investor.

Investors should also be aware of Article 17 of the EU Alternative Investment Managers Directive (Directive 2011/61/EU), as supplemented by Section 5 of Chapter III of Commission Delegated Regulation (EU) No 231/2013 (“**AIFMD**”), and Article 135(2) of the European Union Solvency II Directive 2009/138/EC, as supplemented by Articles 254-257 of Commission Delegated Regulation (EU) No 2015/35 (“**Solvency II**”), which introduce risk retention and due diligence requirements similar to those set out in Articles 404-410 of the CRR and apply, respectively, to EEA regulated alternative investment fund managers and EEA regulated insurance/reinsurance undertakings. While such requirements are similar to those that apply under the CRR, they are not identical and, in particular, additional due diligence obligations apply to investors under the AIFMD and Solvency II. It is anticipated that the risk retention requirements in the Securitisation Regulation referred to below (once adopted) will apply also to investments in securitisations by EEA management companies and funds regulated pursuant to the Undertakings for Collective Investment in Transferable Securities Directive (the “**UCITS Directive**”) and institutions for occupational retirement provision as defined in EU Directive 2003/41/EC. In this Information Memorandum, all such requirements, together with Articles 404-410 of the CRR, are referred to as the “**Retention Rules**” (which, in each case, do not take into account any relevant national measures) and any investor subject to the Retention Rules is referred to as an “**Affected Investor**”.

On the Closing Date and thereafter for so long as any Offered Notes remain outstanding, Pepper will, as an originator for the purposes of the risk retention rules under the CRR, retain a material net economic interest of not less than 5% in this securitisation transaction in accordance with the text of Article 405(1) of the CRR (the “**Retention**”). As at the Closing Date, the Retention will be in the form of a pro-rata retention in each of the tranches sold or transferred to investors as provided in option (a) of paragraph 405(1) of the CRR, and will be comprised by Pepper holding 100% of the shares in the Retention Vehicles who will, between them, hold not less than 5% of the aggregate Invested Amount of each Class of Notes issued.

Prospective investors should make their own independent investigation and seek their own independent advice (i) as to the requirements of the Retention Rules (and any implementing rules in relation to a relevant jurisdiction); (ii) as to whether Pepper’s exposure to the Retention Vehicles and their holding of at least 5% of the aggregate Invested Amount of each Class of Notes issued satisfies the Retention Rules; and (iii) as to the sufficiency of the information described in this Information Memorandum and otherwise which may be made available to investors for the purposes of complying with the Retention Rules. None of Pepper, the Retention Vehicles, the Arranger, the Joint Lead Managers or any other party to the Transaction Documents (i) makes any representation that the Retention commitment and the information described above or in this Information Memorandum are sufficient in all circumstances for such purposes, (ii) has any liability to any prospective investor or any other person for any insufficiency of such information or any failure of the transactions contemplated in this Information Memorandum to comply with or otherwise satisfy the requirements of the Retention Rules or any other applicable legal, regulatory or other requirements, or (iii) has any obligation to provide any further information or take any other steps that may be required by an Affected Investor to enable compliance by the Affected Investor with the requirements of the Retention Rules or any other applicable legal, regulatory or other requirements.

It should also be noted that on 30 May 2017, the European Parliament and Council and the European Commission agreed on a package that sets out criteria for a Securitisation

Regulation aiming to create a harmonised securitisation framework within the European Union. While final terms are yet to be published, the Securitisation Regulation, once finalised, will repeal the risk retention requirements under each of the CRR, the AIFMD and Solvency II and replace them with a single regime that will apply to all investors subject to the Retention Rules as well as managers and funds regulated under the UCITS Directive and institutions for occupational retirement provision. Investors should be aware that there are material differences between the current risk retention and due diligence requirements and the Securitisation Regulation. Until the final version of the proposed Securitisation Regulation is agreed and adopted by the European Parliament and Council, it is not possible to tell what effect the proposed Securitisation Regulation would have on Affected Investors. The Securitisation Regulation may also enter into force in a form that differs from the published proposals and drafts. Prospective investors are themselves responsible for monitoring and assessing changes to the Retention Rules.

Each Affected Investor should consult with their own legal and regulatory advisors to determine whether, and to what extent, the information described is sufficient for such purposes and any other Retention Rules of which it is uncertain. In the event that a regulator determines that the transaction did not comply or is no longer in compliance with the Retention Rules or the Affected Investor has insufficient information to satisfy its due diligence and/or ongoing monitoring requirements under the Retention Rules, then an Affected Investor may be required by its regulator to set aside additional capital against its investment in the Notes or take other remedial measures in respect of its investment in the Notes.

There can be no assurance that the regulatory capital treatment of the Offered Notes for any investor will not be affected by any future implementation of, and changes to, the Retention Rules or other regulatory or accounting changes.

3.28 Collections Trust arrangements present certain risks

The Collections Trust has been designed to provide a framework for the remittance of Collections on the Mortgage Loans through a series of accounts to the Collection Account. These arrangements have been established so that the Collections on the Mortgage Loans are received by Pepper Finance Corporation Limited as the trustee of the Collections Trust and distributed to the Collection Account on a daily basis, in accordance with the provisions of the Collections Trust Trust Deed. The Trust will accede as a Beneficiary to the Collections Trust under the Sale Deed.

While the framework is designed to withstand the insolvency risk of the parties in whose name each account is held there remain risks associated with the arrangements. For instance there may be administrative errors in identifying the Mortgage Loans to which Collections relate, there may be delays in identifying and remitting Collections, the insolvency of the trustee of the relevant bank accounts may lead to a challenge to the arrangements and possible delays and errors may occur in the processing of instructions in relation to the Collections. If any risks such as these materialise it could lead to delays or losses in relation to payment of amounts to Noteholders.

3.29 Ruling Secured Creditors must act to enforce the General Security Agreement

If an Event of Default occurs and is continuing, the Security Trustee must convene a meeting of the Secured Creditors to obtain directions as to what actions the Security Trustee is to take under the General Security Agreement and the Master Security Trust Deed. Any meeting of Secured Creditors will be held in accordance with the terms of the Master Security Trust Deed. However, only the Ruling Secured Creditors are entitled to vote at a meeting of Secured Creditors or to otherwise direct or give instructions or approvals to the Security Trustee in accordance with the Transaction Documents.

Accordingly, if the Ruling Secured Creditors have not directed the Security Trustee to do so, enforcement of the General Security Agreement will not occur, other than where in the opinion of the Security Trustee, the delay required to obtain instructions from the Ruling Secured Creditors would be materially prejudicial to the interests of those Ruling Secured Creditors

and the Security Trustee has determined to take action (which may include enforcement) without instructions from them.

If at any time there is a conflict between a duty the Security Trustee owes to a Secured Creditor, or a class of Secured Creditor, of the Trust and a duty the Security Trustee owes to another Secured Creditor, or class of Secured Creditor, of the Trust, the Security Trustee must give priority to the duties owing to the Ruling Secured Creditors.

3.30 Global regulatory reforms may have a negative impact

Changes in the global financial regulation or regulatory treatment of asset-backed securities may negatively impact the regulatory position of affected investors and have an adverse impact on the value and liquidity of asset-backed securities such as the Offered Notes. You should consult with your own legal, regulatory, tax, business, financial, accounting and investment advisors regarding the potential impact on you and the related compliance issues.

No assurance can be given that any regulatory reforms will not have a significant impact on the regulation of the Trust or Pepper Group Limited.

3.31 Ipso facto moratorium

On 28 March 2017, the federal government in Australia released draft legislation proposing reforms to Australian insolvency laws, including the introduction of an “ipso facto” moratorium. On 18 September 2017, the draft legislation received royal assent. The legislation proposes that a right under a contract (such as a right to terminate or to accelerate payments) will not be enforceable, for a certain period of time, if the reason for enforcement is the occurrence of certain insolvency events or the company’s financial position. Such stay on enforcing rights is expressed to be subject to specific exclusions including a right contained in a kind of contract, agreement or arrangement prescribed by regulations.

The federal government has released an explanatory document which notes that the government proposes to make regulations setting out the types of contracts and contractual rights which will be excluded from the general stay on the operation of ipso facto clauses. The government has sought feedback on the appropriateness of the proposed exclusions, which are expressed to include securitisation arrangements involving special purpose vehicles.

However, until the regulations have been released, the scope of the proposed “ipso facto” moratorium and exclusions remains uncertain.

4 The Pepper I-Prime 2017-3 Trust

4.1 Master Trust Deed

The Trust was established in accordance with the Master Trust Deed. The Master Trust Deed provides for the creation of an unlimited number of trusts and establishes the general framework under which trusts may be established from time to time. It does not actually establish any trusts (a trust is created by the execution of a notice of creation of trust in the manner contemplated by the Master Trust Deed). The Trust is separate and distinct from any other trust established under the Master Trust Deed. The Trust Assets are not available to meet the liabilities of any other trust and the assets of any other trust are not available to meet the liabilities of the Trust.

4.2 Constitution of the Trust

The Trust was established by the execution of a Notice of Creation of Trust on 14 November 2017 under the laws of New South Wales, Australia. The Trust is established as a common law trust. The Trust is not a separate legal person under the laws of New South Wales, Australia.

The Trust may only act through the Trustee as trustee of the Trust. Accordingly, references to actions or obligations of the Trustee refer to such actions or obligations of the Trust.

The Trust will terminate on the earlier of:

- (a) the day before the eightieth anniversary of the date it begins;
- (b) the date of termination of the Trust under the Master Trust Deed or the Series Notice; and
- (c) the date on which the Trust Manager notifies the Trustee that it is satisfied that the Secured Money of the Trust has been unconditionally and irrevocably repaid in full.

4.3 Capital

The beneficial interest in the Trust is represented by:

- (a) ten Residual Units; and
- (b) one Participation Unit.

Pepper is the holder of the Participation Unit and the ten Residual Units.

5 Description of the Trust Assets

5.1 Trust Assets

The “**Trust Assets**” of the Trust means all the Trustee’s rights, property and undertaking which are the subject of that Trustee and will include the Trustee’s right, title and interest in the following:

- (a) the Mortgage Loans and Related Securities (and certain other rights relating to such Mortgage Loans and Related Securities) to be acquired by the Trustee in respect of the Trust on the Closing Date;
- (b) the Collection Account;
- (c) any Authorised Investments acquired by the Trustee in respect of the Trust; and
- (d) the Transaction Documents.

Collections on the Mortgage Loans and Related Securities prior to the Cut-Off Date will not be Trust Assets.

5.2 Transfer of the Mortgage Loans

The Mortgage Loans and Related Securities have been originated by the Originator in the name of the Disposing Trustee (that is, legal title to the Mortgage Loans and Related Securities is held by the Disposing Trustee).

The Mortgage Loans and Related Securities will be assigned from the Disposing Trustee to the Trustee, on the Closing Date, in accordance with the procedures set out in the Sale Deed.

Such assignment will constitute an equitable assignment of all of the Disposing Trustee’s right, title and interest in the relevant Mortgage Loans and Related Securities to the Trustee, with legal title to such Mortgage Loans and Related Securities continuing to be held by the Disposing Trustee.

As a result of such assignment, the Trustee will become entitled to all Collections in respect of the Mortgage Loans and Related Securities with effect from the Closing Date.

In connection with such assignment:

- (a) the Trustee agrees to pay to the Disposing Trustee, between the Closing Date and the first Determination Date, an amount equal to the Accrued Interest Adjustment relating to the Mortgage Loans;
- (b) the Trustee agrees to pay to the Disposing Trustee, on the Closing Date, an amount equal to the Disposing Trustee’s Cost of Funds; and
- (c) the Disposing Trustee agrees to pay to the Trustee, within 5 Business Days of the Closing Date, an amount equal to the Principal Adjustment relating to the Mortgage Loans.

If the amount referred to in paragraph (c) is greater than the amount referred to in paragraph (a) and (b), the Trustee and the Disposing Trustee have agreed that such excess amount will reduce the purchase price for the Mortgage Loans otherwise payable by the Trustee to the Disposing Trustee on the Closing Date.

5.3 Title Perfection

As described in section 5.2 (“Transfer of the Mortgage Loans”), immediately following the assignment of the Disposing Trustee’s right, title and interest in the relevant Mortgage Loans and Related Securities to the Trustee, legal title to such Mortgage Loans and Related Securities will continue to be held by the Disposing Trustee.

If a Title Perfection Event occurs in respect of the Disposing Trustee, the Trust Manager will direct the Trustee to take the following action in respect of each Mortgage Loan (where legal title to such Mortgage Loan is held by the Disposing Trustee):

- (a) give notice to each relevant Obligor and any other relevant person of the assignment of the relevant Mortgage Loans to the Trustee; and
- (b) execute all such documents and do all such acts and things as the Trust Manager may reasonably require to assist the Trustee to protect or perfect the Trustee’s interest in and title to the relevant Mortgage Loans.

A “**Title Perfection Event**” will occur in respect of the Disposing Trustee if the Disposing Trustee becomes Insolvent.

5.4 Eligibility Criteria

The Trust Manager will represent and warrant to the Trustee that each Mortgage Loan which is assigned to the Trustee on the Closing Date will satisfy the following eligibility criteria (“**Eligibility Criteria**”) on the Cut-Off Date:

- (a) the Mortgage Loan is denominated, and only payable, in Australian dollars;
- (b) the Mortgage Loan conforms to one of the Prime Loan Products;
- (c) the Debtor is a natural person or a corporation domiciled in Australia;
- (d) the Property secured under the relevant Related Security must be located in either New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania, Northern Territory or the Australian Capital Territory;
- (e) the maximum term of the Mortgage Loan is 30 years from its settlement date and it matures at least 18 months prior to the Maturity Date of the Notes;
- (f) the Mortgage Loan is a legal, valid and binding obligation of the Obligor, enforceable in accordance with its terms against the Obligor;
- (g) the Outstanding Balance of the Mortgage Loan as at the Cut-Off date does not exceed A\$2,000,000;
- (h) the Current LVR of the Mortgage Loan as at the Cut-Off Date does not exceed 95%;
- (i) the Mortgage Loan requires either:
 - (i) monthly or fortnightly payments sufficient to pay interest and fully amortise principal over the term of the Mortgage Loan; or
 - (ii) monthly or fortnightly payments sufficient to pay interest only for an initial period not exceeding 5 years and then sufficient to pay interest and fully amortise principal over the remaining term of the Mortgage Loan;
- (j) the Mortgage Loan is secured by a valid and enforceable:
 - (i) first mortgage; or

- (ii) second mortgage (where the Trustee holds the first mortgage and the first mortgage will also be an Asset of the Trust),

over real residential property (owner occupied or investment and includes vacant Property) which has either been registered or is in the process of being registered or immediately following settlement will be registered, and to the best of the Trust Manager's knowledge and belief, no other person has done anything to prevent registration;

- (k) there is no obligation to fund Redraws or Further Advances under the Mortgage Loan;
- (l) each Related Security that is required to be registered with, or stamped by, any Governmental Agency is or will be registered and stamped;
- (m) the Obligor has no right to convert from a variable rate to a fixed rate in respect of the Mortgage Loan;
- (n) there has not been, in respect of the Mortgage Loan (including their execution and entry), any failure to comply in any material respect with any applicable law (including, without limitation, the Consumer Credit Legislation);
- (o) the Mortgage Loan is not a construction loan;
- (p) at the time the Mortgage Loan and Related Security were entered into, the Mortgage Loan and Related Security complied in all material respects with all applicable laws;
- (q) the Mortgage Loan and the Related Security were entered into in good faith;
- (r) payments of interest by the Obligor in respect of the Mortgage Loan are based on a variable rate of interest;
- (s) the Mortgage Loan was originated by the Originator in accordance with the Mortgage Origination Deed either directly or via a Sub Originator which has originated the Mortgage Loan in accordance with the relevant Sub-Origination Deed;
- (t) the Mortgage Loan was originated, underwritten, processed and settled in all material respects in accordance with the Credit Manual;
- (u) prior to making the initial advance to the relevant Obligor in relation to the Mortgage Loan, a Valuation of the Property the subject of the relevant Related Security was undertaken by or on behalf of the Disposing Trustee or the Originator (or any of their respective solicitors);
- (v) the Mortgage Loan is governed by the laws of a State or Territory of Australia;
- (w) the Trust Manager is not aware of any breach (except for arrears in the ordinary course of business) by the Obligor in relation to the Mortgage Loan of any of the material terms governing the Mortgage Loan or its Related Security;
- (x) to the best of the knowledge, information and belief of the Trust Manager, there was no fraud on the part of any person in connection with the origination of the Mortgage Loan;
- (y) to the best of the knowledge, information and belief of the Trust Manager, the Mortgage Loan is not the subject of any material dispute, litigation or claim which has a significant risk of being adversely determined or which calls into question the title, value or enforceability of the Mortgage Loan or the Related Security; and
- (z) at the time the Mortgage Loan was entered into, the Property the subject of the Related Security was insured under a General Insurance Policy.

The Trust Manager will also represent and warrant to the Trustee that the matters set out below in respect of each Mortgage Loan and Related Security which is assigned to the Trustee on the Closing Date are correct on the Cut-Off Date and the Closing Date:

- (a) the Mortgage Loans and Related Securities are assignable and will be assigned to the Trust free from Encumbrance. All consents required in relation to the assignment of the Mortgage Loans and Related Securities have been obtained;
- (b) the Disposing Trustee is, and the Trustee will become on the Closing Date, the sole beneficial owner of the relevant Mortgage Loans and the Related Securities;
- (c) the Title Documents held by the Custodian or Approved Solicitor are the only documents necessary to enforce the provisions of the Mortgage Loan and the Related Securities;
- (d) there is no fraud, dishonesty, material misrepresentation or negligence on the part of the Trust Manager in connection with the selection of the Mortgage Loans or Related Securities;
- (e) the assignment of the Mortgage Loans and the Related Securities to the Trustee 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;
- (f) each Related Security that is required to be registered with, or stamped by, any Governmental Agency is either registered and stamped at the Closing Date or will be registered and stamped prior to the Outstanding Documents Date;
- (g) at the time each Mortgage Loan and each Related Security was entered into and as at the Closing Date, it had not received any notice of any insolvency, bankruptcy or liquidation of any relevant Obligor (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 the relevant Obligor did not have the legal capacity to enter into the Related Security;
- (h) it is not aware of any circumstance or event that may materially and adversely affect the value or enforceability of any Mortgage Loan or Related Security;
- (i) it has selected the Mortgage Loans and Related Securities in good faith;
- (j) (in respect of the Closing Date only) to the extent that the assignment of the Mortgage Loans and the Related Securities by the Disposing Trustee to the Trust is a security interest as defined in section 12(3)(a) of the PPS Act, that security interest will be perfected for the purposes of the PPSA; and
- (k) (in respect of the Closing Date only) immediately following the assignment of the Mortgage Loans and the Related Securities to the Trustee in accordance with the Sale Deed, no such Mortgage Loan or Related Security will be subject to any right of rescission, set-off or counterclaim.

If at any time the Trustee notifies the Trust Manager that any representation or warranty from the Trust Manager referred to in this section 5.4 has been breached in respect of a Mortgage Loan or Related Security or the Trust Manager otherwise becomes aware of such breach (in which case it must advise the Trustee), then the Trust Manager must, on demand from the Trustee, pay to the Trustee the amount which is determined by the Trustee to be the Trustee's loss as a result of the breach of the representation and warranty and in respect of which a Rating Notification has been given. However, until the Trustee becomes actually aware that the Trust Manager has breached a representation or warranty referred to in this section 5.4 in respect of any Mortgage Loan or Related Security, the Trustee may assume that no such breach has occurred and that the Trust Manager is complying with all such representations and warranties and need not enquire whether that is, in fact, the case.

The Transaction Documents contain the remedy mechanics set forth in the above for the breach of a representation or warranty with respect to the Mortgage Loans or Related Security in certain circumstances.

5.5 Other Features of the Mortgage Loans

The Mortgage Loans will generally have one or more of the following features:

Variable Interest Rate

All of the Mortgage Loans will be charged a rate of interest which can be varied at any time at the discretion of the Servicer. The Trust Manager and the Servicer are obligated to ensure that interest rates on the Mortgage Loans are set so that the weighted average interest rate on all Mortgage Loans complies with the Threshold Rate requirements.

Interest on each Mortgage Loan is calculated on the outstanding principal balance of the loan on a daily basis and is capitalised to the loan account balance monthly on the anniversary day in the month on which the loan settled, or next business day if this day falls on a weekend or public holiday.

"Principal and Interest" Mortgage Loans

These are Mortgage Loans where the Obligor's monthly loan repayment instalment is calculated to fully amortise the balance of the loan over the contractual term of the loan.

"Interest Only" Mortgage Loans

These are Mortgage Loans where the Obligor's monthly loan repayment obligation is to pay one twelfth of the annual amount of interest calculated based on the initial loan balance during an initial period of up to 5 years from settlement (i.e. the "interest only" period) and to thereafter pay the instalment amount that will fully amortise the balance of the loan over the remaining contractual term of the loan.

Split Loans

Mortgage Loan facilities may comprise two or more sub-accounts with different loan characteristics.

Redraws

The Mortgage Loans assigned to the Trust may have a redraw feature. Under the redraw feature an Obligor is able to redraw an amount equal to the difference between the scheduled principal balance of the Mortgage Loan and the outstanding principal balance of the Mortgage Loan.

Obligors may request a Redraw at any time. The Servicer may, in its absolute discretion, refuse to allow a Redraw.

Alt Doc Loans

Some of the Mortgage Loans to be acquired by the Trust are alternative documentation loans originated on or after October 2009. For such loan types, the debtor is required to supply the lender with a declaration of financial position, an ABN registration and GST registration, plus either one of the following, as applicable to the relevant loan product: (a) six months' business bank statements; (b) six months' business activity statements; or (c) a Pepper approved accountant's letter.

A Pepper Credit Assessor will confirm income and self-employment details provided by the borrower via a phone call for all Alt Doc products.

Loan Repayment Methods

The vast majority of Obligors make their Loan repayments by direct debit from their accounts, together with other repayment methods, including salary crediting through their employer, BPAY or a direct credit from the Obligors, and are credited either directly to the Collections Account held by the Trustee or to a deposit account held by Pepper Finance Corporation Limited on trust for the Trust in accordance with the Collections Trust Trust Deed. At the time of Origination each Obligor is required to sign a direct debit form. Loan Repayments are due monthly on the anniversary day in each month on the day on which the loan settled, but may be payable either weekly, fortnightly or monthly.

Early Repayment

Obligors may discharge their Mortgage Loan early upon the repayment of all principal, accrued interest, a discharge fee and other amounts due under the Mortgage Loan.

Substitution of Security

Obligors may request the Servicer to substitute or release a property securing a Mortgage Loan, which request may be accepted or rejected in the Servicer's sole discretion. The Servicer will only consider approving such a request if each of the following conditions is satisfied (where applicable):

- a satisfactory valuation is obtained in respect of the substitute security property;
- the Obligor pays all costs relating to the substitution or release of property;
- the substitution is simultaneous with the release of the security property; and
- if required, a permanent reduction is made in the approved maximum principal amount of the loan to achieve a Current LVR which is acceptable to the Servicer.

Governing law

The Mortgage Loans will be governed by the laws of the Commonwealth of Australia and one of the following Australian States or Territories:

- New South Wales;
- Victoria;
- Western Australia;
- Queensland;
- South Australia;
- Tasmania;
- Northern Territory; or
- the Australian Capital Territory.

5.6 Collections and Collection Account

A Collection Account has been opened with an Eligible Bank into which the Collections from the Mortgage Loans and Related Securities will be deposited.

If the bank with whom the Collection Account is maintained is no longer an Eligible Bank, the Trust Manager must, upon becoming aware of the occurrence of that event, direct the Trustee to establish and the Trustee on that direction must immediately establish a new Collection Account and transfer to it the balance of the old Collection Account.

The Trust will also accede as a beneficiary to the Collections Trust.

6 Description of the Notes

6.1 General Description of the Notes

The Notes constitute debt securities issued by the Trustee in its capacity as trustee of the Trust. Eleven Classes of Notes will be issued - Class A Notes (comprising the Class A1-S Notes, Class A1-L Notes and Class A2 Notes), Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes (comprising the Class G1 Notes and Class G2 Notes) and Class L Notes. The Notes (other than the Class L Notes) are characterised as secured, limited recourse, amortising, floating rate debt securities. The Class L Notes are characterised as secured, limited recourse, amortising, non-interest bearing debt securities.

Prior to an Event of Default the Class L Notes are repayable from Total Available Income after payment of interest due on the Class G Notes. After an Event of Default, the Class L Notes are repayable only after all amounts owing on the Class G Notes have been paid in full. The Class L Notes have therefore been excluded from the summary below in this section 6 .

The Trustee's liability to pay interest and repay principal on the Notes will be limited to the Trust Assets. The Notes are issued with the benefit of, and subject to, the Master Trust Deed, the Master Security Trust Deed, the Series Notice and the General Security Agreement.

Prior to an Event of Default and enforcement of the General Security Agreement, and for so long as the Stepdown Criteria are not satisfied:

- the Class A1 Notes will rank first in relation to the payment of interest and the Class A1-S Notes will rank first in relation to the repayment of principal;
- the Class A2 Notes will rank behind the Class A1 Notes in relation to the payment of interest and:
 - prior to the first Call Option Date equal to the Class A1-L Notes for the repayment of principal; and
 - on and from the first Call Option Date, behind the Class A1-L Notes for the repayment of principal;
- the Class B Notes will rank behind the Class A1 Notes and the Class A2 Notes in relation to the payment of interest and for the repayment of principal;
- the Class C Notes will rank behind the Class A1 Notes, the Class A2 Notes and the Class B Notes in relation to the payment of interest and for the repayment of principal;
- the Class D Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes and the Class C Notes in relation to the payment of interest and for the repayment of principal;
- the Class E Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes and the Class D Notes in relation to the payment of interest and for the repayment of principal;
- the Class F Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes in relation to the payment of interest and for the repayment of principal; and
- the Class G Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes in relation to the payment of interest and for the repayment of principal.

Prior to an Event of Default and enforcement of the General Security Agreement, and for so long as the Stepdown Criteria are satisfied:

- the Class A1 Notes will rank first in relation to the payment of interest and the Class A1-L Notes will rank equal to the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes for the repayment of principal;
- the Class A2 Notes will rank behind the Class A1 Notes, in relation to the payment of interest and equal to the Class A1-L Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes for the repayment of principal;
- the Class B Notes will rank behind the Class A1 Notes and the Class A2 Notes in relation to the payment of interest and equal to the Class A1 Notes, the Class A2 Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes for the repayment of principal;
- the Class C Notes will rank behind the Class A1 Notes, the Class A2 Notes and the Class B Notes in relation to the payment of interest and equal to the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class D Notes, the Class E Notes and the Class F Notes for the repayment of principal;
- the Class D Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes and the Class C Notes in relation to the payment of interest and equal to the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class E Notes and the Class F Notes for the repayment of principal;
- the Class E Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes and the Class D Notes in relation to the payment of interest and equal to the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, Class D Notes and the Class F Notes for the repayment of principal;
- the Class F Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes in relation to the payment of interest and equal to the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes for the repayment of principal; and
- the Class G Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes in relation to the payment of interest and for the repayment of principal.

After an Event of Default and enforcement of the General Security Agreement:

- the Class A1 Notes will rank first in relation to the payment of interest and for the repayment of principal;
- the Class A2 Notes will rank behind the Class A1 Notes in relation to the payment of interest and for the repayment of principal;
- the Class B Notes will rank behind the Class A1 Notes and the Class A2 Notes in relation to the payment of interest and for the repayment of principal;
- the Class C Notes will rank behind the Class A1 Notes, the Class A2 Notes and the Class B Notes in relation to the payment of interest and for the repayment of principal;

- the Class D Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes, and the Class C Notes in relation to the payment of the interest and for the repayment of principal;
- the Class E Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes and the Class D Notes in relation to the payment of the interest and for the repayment of principal;
- the Class F Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes in relation to the payment of the interest and for the repayment of principal; and
- the Class G Notes will rank behind the Class A1 Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes in relation to the payment of the interest and for the repayment of principal.

6.2 Interest on the Notes

Interest on a Note (other than the Class L Notes and, in circumstances referred to below, the Class G Notes) is payable monthly in arrears on each Payment Date and accrues from (and including) the Closing Date of that Note and ceases to accrue interest on (but excluding) the earliest of:

- (a) the date on which the Aggregate Invested Amount of that Note is reduced to zero; or
- (b) the date on which the Trustee completes a sale and realisation of all Trust Assets in accordance with the Transaction Documents and the proceeds of that sale and realisation are applied, to the extent available, to repay the Invested Amount of that Note.

The Notes (other than the Class L Notes) will bear a floating rate of interest at the Interest Rate for the relevant Class of Notes. The Class L Notes do not bear interest and are not entitled to any payments of interest.

The first payment of interest on the Notes will occur on the first Payment Date.

6.3 Calculating Interest

Interest on each Class of Notes (other than the Class L Notes) is calculated for an Interest Period by multiplying the Interest Rate for the Interest Period, the Invested Amount of the Note (taking into account any reduction in the Invested Amount of that Note on that day) and the Day Count Fraction.

All percentages resulting from the determination or calculation above must be rounded to the nearest one hundred-thousandth of a percentage point (with 0.0000005 per cent being rounded up to 0.00001 per cent).

6.4 Interest Period

The amount of time that a Note accrues interest is divided into periods (each an “**Interest Period**”).

The first Interest Period for the Notes commences on (and includes) the Closing Date and ends on (but excludes) the first Payment Date thereafter. Each succeeding Interest Period is the period from (and including) a Payment Date and up to (but excluding) the next Payment Date. The final Interest Period ends on (but excludes) the date on which the Notes are redeemed in full in accordance with the Series Notice.

6.5 Interest Rate for the Notes

The rate of interest (“**Interest Rate**”) for:

- (a) the Class A1 Notes and the Class A2 Notes:
 - (i) for each Interest Period ending prior to the Call Option Date, is the aggregate of:
 - (A) the Bank Bill Rate for that Interest Period; plus
 - (B) the applicable Note Margin in relation to the relevant Class of Notes; and
 - (ii) for each Interest Period ending on or after the Call Option Date, is the sum of:
 - (A) the Bank Bill Rate for that Interest Period; plus
 - (B) the applicable Note Margin in relation to the relevant Class of Notes; and
 - (C) the applicable Step-Up Margin in relation to the relevant Class of Notes;
- (b) a Class of Notes (other than the Class A1 Notes, the Class A2 Notes and the Class L Notes) for each Interest Period, is the aggregate of:
 - (i) the Bank Bill Rate for that Interest Period; plus
 - (ii) the applicable Note Margin in relation to the relevant Class of Notes.

There is no maximum Interest Rate for the Notes.

The Class L Notes do not bear interest.

The Interest Rate applicable for the first Interest Period for each Class of Notes (but only if that Interest Period is longer than one month) will be set on the Closing Date and will be determined by reference to the linear interpolation of the Bank Bill Rates for one month and two months. The first rate must be determined on the first day of that Interest Period in accordance with the definition of BBSW. The second rate must be determined on the first day of that Interest Period as if each reference to “one month” in the definition of the Bank Bill Rate were a reference to “two months”).

6.6 Interest Payments for the Notes

If available funds are sufficient for this purpose in accordance with the Series Notice, interest on the Notes (other than the Class L Notes) will be paid on each Payment Date in arrears in respect of the Interest Period ending on (but excluding) that Payment Date.

6.7 Principal Repayment in respect of the Notes

On each Payment Date, the Available Principal will be applied generally for the purpose of making principal repayments under the Notes (other than the Class L Notes) and also for providing support for the payment of Redraws, Servicer Advances and for Principal Draws.

As described in sections 6 (“General Description of Notes”) and 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”), principal on the Class L Notes will be repayable from Total Available Income on each Payment Date after payment of any interest due on the Class G Notes.

The Class G Notes will receive no principal while any other Notes (excluding the Class L Notes) are outstanding.

6.8 Payments

The Trustee will pay:

- (a) interest and amounts of principal (other than a payment due on the Maturity Date), to the person who is the Noteholder at the close of business in the place where the Note Register is maintained on the Record Date; and
- (b) amounts due on the Maturity Date to the person who is the Noteholder at 2.00pm in the place where the Note Register is maintained on the due date.

The Trustee will make payments in respect of a Note:

- (a) if the Note is held in a Clearing System, by crediting on the Payment Date, the amount due to the account previously notified by the Clearing System to the Trustee and the Registrar in accordance with the Clearing System's rules and regulations in the country of the currency in which the Note is denominated; and
- (b) if the Note is not held in a Clearing System, subject to the below, by crediting on the Payment Date, the amount due to an account previously notified by the Noteholder to the Trustee and the Registrar in the country of the currency in which the Note is denominated.

If a Noteholder has not notified the Trustee of an account to which payments to it must be made by close of business in the place where the Note Register is maintained on the Record Date, the Trustee may make payments in respect of the Notes held by that Noteholder by cheque.

6.9 Limit on Rights

Neither the Master Trust Deed and Master Security Trust Deed nor the General Security Agreement confers any right, power, or authority on the Noteholders to:

- (a) seek to remove the Trust Manager, or the Trustee; or
- (b) seek to terminate or wind up the Trust; or
- (c) interfere with the Trust or rights or powers of the Trust Manager, Trustee or a Servicer under the Master Trust Deed or the Series Notice; or
- (d) exercise a right in respect of an Asset of the Trust or lodge a caveat or other notice affecting an Asset of the Trust or otherwise claim any interest in an Asset of the Trust; or
- (e) subject to the Transaction Documents, require the transfer to it of any Asset of the Trust; or
- (f) have any recourse whatsoever to the Trustee or the Trust Manager in its personal capacity except in the case of wilful misconduct, fraud or negligence on the part of the Trustee or the Trust Manager.

6.10 Registry

The Trustee will maintain a register of Noteholders ("**Register**") at its offices at Level 2, 1 Bligh Street, Sydney, NSW 2000. Amongst other details, the Register will record in respect of

all Notes issued the name and address of each Noteholder, the Class of Notes issued, the Initial Invested Amount and current principal balance of each holding of Notes.

The Trustee may close the Note Register for a Trust from 3.30pm on each Record Date for any Note of that Trust. The Trustee must reopen the Note Register at the opening of business on the Business Day immediately following the Payment Date immediately following that Record Date. The Trustee also may close the Register at any other time, without prior notice to Noteholders, for such period as it may determine (but no longer than 30 days in aggregate in any calendar year).

6.11 Registration and Transfer

The Register will be conclusive as to the ownership of and entitlements under the Notes. No certificates will be issued in respect of the Notes unless the Trust Manager determines that certificates should be issued or they are required by law.

A Noteholder may transfer its Notes provided the Notes are transferred in whole but not in part. As at the date of this Information Memorandum, the minimum aggregate consideration payable on each transfer of Notes within, to or from Australia must be at least A\$500,000 (disregarding amounts lent by the transferor or its associates to the transferee) or the offer or invitation resulting in transfer must not otherwise require disclosure to be made in accordance with Part 6D.2 or Part 7.9 of the Corporations Act.

No Note may be offered or transferred in a manner which may constitute an offer or invitation to a "retail client" under Chapter 7 of the Corporations Act.

Notes that are transferred entirely in a jurisdiction outside of Australia may only be transferred in accordance with the laws of the jurisdiction in which transfer takes place.

Interests in Notes held in Austraclear may only be transferred in accordance with Austraclear Regulations.

6.12 Austraclear

It is expected that the Offered Notes will be eligible to be lodged into the Austraclear system by registering Austraclear Limited as the holder of record, for custody in accordance with the Austraclear rules. All payments in respect of the Notes lodged into Austraclear will be made to Austraclear Limited, for transfer in accordance with the Austraclear rules.

If the Offered Notes are lodged into the Austraclear system, Austraclear Limited will become the registered holder of those Notes in the Register of Note Noteholders. While those Notes remain in the Austraclear system:

- (a) all payments and notices required of the Trustee and the Trust Manager in relation to those Notes will be directed to Austraclear Limited; and
- (b) all dealings and payments in relation to those Notes within the Austraclear system will be governed by the Austraclear Limited Regulations.

6.13 Call Option

- (a) The Trust Manager may (at its option, but subject to paragraph (c) below) direct the Trustee to redeem all (but not some only) of the Notes before the Maturity Date of the Notes and upon receipt of such direction the Trustee must redeem the Notes by paying to the Noteholders on the redemption date an amount equal to the aggregate of:
 - (i) in the case of the Notes other than the Class L Notes, the Aggregate Invested Amount of such Notes on that day; and

- (ii) in the case of all Notes (excluding the Class L Notes), all accrued and unpaid interest in respect of such Notes on (but excluding) that day.
- (b) The Trust Manager may only direct the Trustee to redeem the Notes under paragraph (a) if:
 - (i) at least 10 days before the proposed redemption date, the Trust Manager notifies the proposed redemption to the Noteholders and any stock exchange on which the Notes are listed; and
 - (ii) the proposed redemption date is a Call Option Date.
- (c) If the Trust Manager gives a notice of the proposed redemption to the Noteholders in accordance with paragraph (a), then the Trust Manager must exercise its option under paragraph (a) above to direct the Trustee to redeem all (but not some) of the Notes on the relevant Call Option Date.

Notwithstanding the foregoing, the Trustee may redeem the Notes of a Class of Notes at their Stated Amount, instead of at their Invested Amount, together with all accrued and unpaid interest on (but excluding) the date of redemption, if so approved by an Extraordinary Resolution of the Noteholders of that Class of Notes.

7 Cashflow Allocation Methodology

7.1 Collections

The Servicer is obliged to collect all Collections on behalf of the Trustee during each Collection Period and pay such Collections into the Collection Account within two Business Days of receipt by the Servicer.

“**Collections**” means, in respect of a Collection Period, all amounts received by, or on behalf of, the Trustee in respect of the Mortgage Loans during that Collection Period including, without limitation:

- (a) all principal, interest and fees;
- (b) the proceeds of sale or Reallocation of any Mortgage Loans;
- (c) any proceeds recovered from any enforcement action;
- (d) any amount received as damages in respect of a breach of any representation or warranty;
- (e) any Prepayment Costs paid by the Obligors;
- (f) any proceeds received under any General Insurance Policy or Title Insurance Policy; and
- (g) any Recoveries received in respect of a Mortgage Loan or its Related Security,

after deduction of all Taxes (other than any Taxes payable in relation to the Trust) and bank and government charges.

7.2 Distributions made during a Collection Period

Subject to the paragraph below, prior to the occurrence of an Event of Default and enforcement of the General Security Agreement, the Trust Manager may, on any day during a Collection Period other than on a Payment Date, direct the Trustee to apply (and the Trustee must, on that direction, apply) all Collections, interest earned on Authorised Investments (other than any Authorised Investments purchased from Cash Collateral) and Other Income received during that Collection Period towards payment of any of the following amounts:

- (a) to fund Redraws or repayments of any Servicer Advance; and
- (b) to pay Trust Expenses which are due and payable.

The aggregate of such amounts for a Collection Period are the “**Collection Period Distributions**”.

The Trust Manager must not direct the Trustee to make:

- (a) a Collection Period Distribution from an amount that would constitute part of the Available Income for that Collection Period unless it is satisfied that there will be sufficient Total Available Income on the next Payment Date to make the Required Payments under section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”); or
- (b) a Collection Period Distribution to fund a Redraw:

- (i) if the aggregate of such payments would exceed the aggregate Available Principal received up to that point in time in respect of the Collection Period; and
 - (ii) unless the Trust Manager is satisfied that there will be sufficient Total Available Principal on the next Payment Date to fund any required Principal Draw under section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) on that Payment Date; or
- (c) a Collection Period Distribution to pay Trust Expenses which are due and payable if the aggregate of such Collection Period Distributions would exceed the aggregate Available Income received up to that point in time in respect of that Collection Period.

7.3 Determination of Available Principal

On each Determination Date in respect of the immediately preceding Collection Period (and on any day as required for the purpose of calculations under section 7.2 (“Distributions made during a Collection Period”) above), the Trust Manager will determine the Available Principal for that Collection Period (in the case of a Determination Date) or up to and including the prior Business Day (in the case of calculations required under section 7.2 (“Distributions made during a Collection Period”) above).

The “**Available Principal**” will be equal to:

- (a) the aggregate Collections in respect of that Collection Period (in the case of a Determination Date) or up to and including the prior Business Day (in the case of calculations required under section 7.2 (“Distributions made during a Collection Period”)); minus
- (b) all Finance Charge Collections received by, or on behalf of, the Trustee during that Collection Period (in the case of a Determination Date) or up to and including the prior Business Day (in the case of a calculation required for a Collection Period Distribution); minus
- (c) the aggregate of all Collection Period Distributions, to fund Redraws or repayments of Servicer Advances, made during the Collection Period (in the case of a Determination Date) or up to and including the prior Business Day (in the case of calculations required under section 7.2 (“Distributions made during a Collection Period”) above).

7.4 Determination of Total Available Principal

On each Determination Date, the Trust Manager will determine the Total Available Principal that will be available for application on the immediately following Payment Date.

The “**Total Available Principal**” will be equal to the aggregate of:

- (a) the Available Principal on that Determination Date in respect of the immediately preceding Collection Period;
- (b) (without double counting) any other amounts received by the Trustee in respect of the Trust Assets during the immediately preceding Collection Period which are, in the reasonable opinion of the Trust Manager, in the nature of principal;
- (c) the amount (if any) of Total Available Income to be applied in accordance with section 7.16(o)(i) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) on the immediately following Payment Date in respect of any Losses for the immediately preceding Collection Period;

- (d) the amount (if any) of Total Available Income to be applied in accordance with section 7.16(o)(ii) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) on the immediately following Payment Date in respect of any Carryover Charge-Offs;
- (e) the amount (if any) of Total Available Income to be applied in accordance with section 7.16(n) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) on the immediately following Payment Date in respect of the funding of any Principal Draws;
- (f) (in the case of the first Determination Date only) all proceeds received from the Authorised Investments (if any) acquired on the Closing Date (excluding any interest earned on such Authorised Investments) from any amount received by the Trustee upon the initial issue of Notes (excluding the Class L Notes) in excess of the purchase price of Mortgage Loans;
- (g) any Amortisation Reserve Draw for that Determination Date; and
- (h) the amount (if any) to be applied from Total Available Income in accordance with section 7.16(q)(ii) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) on the immediately following Payment Date in respect of any Overcollateralisation Amount for that Payment Date.

7.5 Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)

On each Determination Date prior to the occurrence of an Event of Default and enforcement of the General Security Agreement, the Trust Manager must direct the Trustee to pay (and the Trustee must pay) the following amounts out of Total Available Principal on the next Payment Date in the following order of priority:

- (a) first, to fund any Principal Draw required under 7.13 (“Principal Draw”);
- (b) next, to fund any Redraws or repayments of Servicer Advances;
- (c) next:
 - (i) if the Stepdown Criteria are not satisfied on that Payment Date, in the following order of priority:
 - (A) first, to the Class A1-S Noteholders, until the Aggregate Invested Amount of the Class A1-S Notes has been reduced to zero;
 - (B) next, if the Payment Date is:
 - (aa) prior to the first Call Option Date, pari passu and rateably based on the Aggregate Stated Amount outstanding of the relevant Classes of Notes:
 - (i) to the Class A1-L Noteholders until the Aggregate Invested Amount of the Class A1-L Notes is reduced to zero; and
 - (ii) to the Class A2 Noteholders, until the Aggregate Invested Amount of the Class A2 Notes has been reduced to zero;
 - (ab) on or after the first Call Option Date, to be paid in the following order of priority:

- (i) to the Class A1-L Noteholders until the Aggregate Invested Amount of the Class A1-L Notes is reduced to zero; and
 - (ii) to the Class A2 Noteholders, until the Aggregate Invested Amount of the Class A2 Notes has been reduced to zero;
 - (C) next, to the Class B Noteholders, until the Aggregate Invested Amount of the Class B Notes has been reduced to zero;
 - (D) next, to the Class C Noteholders, until the Aggregate Invested Amount of the Class C Notes has been reduced to zero;
 - (E) next, to the Class D Noteholders, until the Aggregate Invested Amount of the Class D Notes has been reduced to zero;
 - (F) next, to the Class E Noteholders, until the Aggregate Invested Amount of the Class E Notes has been reduced to zero;
 - (G) next, to the Class F Noteholders, until the Aggregate Invested Amount of the Class F Notes has been reduced to zero; and
 - (H) next, to the Class G Noteholders, until the Aggregate Invested Amount of the Class G Notes has been reduced to zero, in accordance with the Class G Note Supplemental Deed;
- (ii) if the Stepdown Criteria are satisfied on that Payment Date, in the following order of priority:
- (A) an amount equal to the Class A1-L Note Principal Allocation in respect of that Payment Date, to be applied to the Class A1-L Noteholders, until the Aggregate Invested Amount of the Class A1-L Notes has been reduced to zero;
 - (B) an amount equal to the Class A2 Note Principal Allocation in respect of that Payment Date, to be applied to the Class A2 Noteholders, until the Aggregate Invested Amount of the Class A2 Notes has been reduced to zero;
 - (C) an amount equal to the Class B Note Principal Allocation in respect of that Payment Date, to be applied to the Class B Noteholders, until the Aggregate Invested Amount of the Class B Notes has been reduced to zero;
 - (D) an amount equal to the Class C Note Principal Allocation in respect of that Payment Date, to be applied to the Class C Noteholders, until the Aggregate Invested Amount of the Class C Notes has been reduced to zero;
 - (E) an amount equal to the Class D Note Principal Allocation in respect of that Payment Date, to be applied to the Class D Noteholders, until the Aggregate Invested Amount of the Class D Notes has been reduced to zero;
 - (F) an amount equal to the Class E Note Principal Allocation in respect of that Payment Date, to be applied to the Class E Noteholders, until the Aggregate Invested Amount of the Class E Notes has been reduced to zero;

- (G) an amount equal to the Class F Note Principal Allocation in respect of that Payment Date, to be applied to the Class F Noteholders, until the Aggregate Invested Amount of the Class F Notes has been reduced to zero; and
 - (H) an amount equal to the Class G Note Principal Allocation in respect of that Payment Date, to be applied as the Turbo Principal Allocation as described in section 7.7 (“Distribution of Turbo Principal Allocation”); and
- (d) next, as to any surplus, to the Participation Unitholder.

7.6 Stepdown Criteria

The Stepdown Criteria will be satisfied on a Payment Date if:

- (a) that Payment Date falls:
 - (i) on or after the second anniversary of the Closing Date; and
 - (ii) prior to the first Call Option Date;
- (b) the Subordinated Note Percentage (Class A2) as at the Determination Date immediately preceding that Payment Date is equal to or greater than 16%;
- (c) the Average Arrears Ratio on the Determination Date immediately preceding that Payment Date does not exceed 4%;
- (d) there are no unreimbursed Charge-Offs in respect of any Class of Notes as at the Determination Date immediately preceding that Payment Date; and
- (e) there are no Class A1-S Notes outstanding.

7.7 Distribution of Turbo Principal Allocation

On each Determination Date prior to the occurrence of an Event of Default and enforcement of the General Security Agreement, the Trust Manager must direct the Trustee to pay (and the Trustee must pay) on the next Payment Date the Turbo Principal Allocation (if any) in respect of that Determination Date, after the application of the Total Available Principal under section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”), in the following order of priority:

- (a) first, to the Class F Noteholders, until the Aggregate Invested Amount of the Class F Notes is reduced to zero;
- (b) next, to the Class E Noteholders, until the Aggregate Invested Amount of the Class E Notes is reduced to zero;
- (c) next, to the Class D Noteholders, until the Aggregate Invested Amount of the Class D Notes is reduced to zero;
- (d) next, to the Class C Noteholders, until the Aggregate Invested Amount of the Class C Notes is reduced to zero;
- (e) next, to the Class B Noteholders, until the Aggregate Invested Amount of the Class B Notes is reduced to zero;
- (f) next, to the Class A2 Noteholders, until the Aggregate Invested Amount of the Class A2 Notes is reduced to zero;

- (g) next, the Class A1-L Noteholders, until the Aggregate Invested Amount of the Class A1-L Notes is reduced to zero; and
- (h) to the Class G Noteholders, until the Aggregate Invested Amount of the Class G Notes is reduced to zero, in accordance with the Class G Note Supplemental Deed.

7.8 Distribution of Yield Enhancement Reserve Account

On the first Determination Date following the date on which the Aggregate Invested Amount of the Class A Notes is reduced to zero, if no Event of Default has occurred resulting in the enforcement of the General Security Agreement, the Trust Manager must direct the Trustee to pay (and the Trustee must pay) on the next Payment Date, after application of the Total Available Principal as described in section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”) and application of the Turbo Principal Allocation as described in section 7.7 (“Distribution of Turbo Principal Allocation”) and after making any Yield Enhancement Reserve Draws on that Payment Date as described in section 7.12 (“Yield Enhancement Reserve Draw”), the balance of the Yield Enhancement Reserve Account in the following order of priority:

- (a) first, to the Class F Noteholders, until the Aggregate Stated Amount of the Class F Notes is reduced to zero;
- (b) next, to the Class E Noteholders, until the Aggregate Stated Amount of the Class E Notes is reduced to zero;
- (c) next, to the Class D Noteholders, until the Aggregate Stated Amount of the Class D Notes is reduced to zero;
- (d) next, to the Class C Noteholders, until the Aggregate Stated Amount of the Class C Notes is reduced to zero;
- (e) next, to the Class B Noteholders, until the Aggregate Stated Amount of the Class B Notes is reduced to zero; and
- (f) next, any remaining amounts to the Participation Unitholder.

7.9 Distribution of Amortisation Reserve Account

On the Determination Date immediately preceding the first Call Option Date, if no Event of Default has occurred resulting in the enforcement of the General Security Agreement, the Trust Manager must direct the Trustee to pay (and the Trustee must pay) on that Call Option Date, after application of the Total Available Principal as described in section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”), the balance of the Amortisation Reserve Account in the following order of priority:

- (a) first, to the Class F Noteholders, until the Aggregate Stated Amount of the Class F Notes is reduced to zero;
- (b) next, to the Class E Noteholders, until the Aggregate Stated Amount of the Class E Notes is reduced to zero;
- (c) next, to the Class D Noteholders, until the Aggregate Stated Amount of the Class D Notes is reduced to zero;
- (d) next, to the Class C Noteholders, until the Aggregate Stated Amount of the Class C Notes is reduced to zero;

- (e) next, to the Class B Noteholders, until the Aggregate Stated Amount of the Class B Notes is reduced to zero;
- (f) next, to the Class A2 Noteholders, until the Aggregate Stated Amount of the Class A2 Notes is reduced to zero;
- (g) next, pari passu and rateably to:
 - (i) the Class A1-S Noteholders, until the Aggregate Stated Amount of the Class A1-S Notes is reduced to zero; and
 - (ii) the Class A1-L Noteholders, until the Aggregate Stated Amount of the Class A1-L Notes is reduced to zero; and
- (h) next, any remaining amounts to the Participation Unitholder.

7.10 Determination of Available Income

On each Determination Date in respect of the immediately preceding Collection Period and on any day as required for the purpose of calculations under section 7.2 (“Distributions made during a Collection Period”), the Trust Manager will determine the Available Income for that Collection Period (in the case of a Determination Date) or up to and including the prior Business Day (in the case of calculations required under “Distributions made during a Collection Period” above).

The “**Available Income**” will be equal to:

- (a) all Finance Charge Collections received by, or on behalf of, the Trustee during that Collection Period (in the case of a Determination Date) or up to and including the prior Business Day (in the case of calculations required under “Distributions made during a Collection Period” above); plus
- (b) any interest earned on Authorised Investments (other than Authorised Investments purchased from Cash Collateral) for the relevant Collection Period (in the case of a Determination Date) or up to and including the prior Business Day (in the case of calculations required under “Distributions made during a Collection Period” above); plus
- (c) the Other Income for the relevant Collection Period (in the case of a Determination Date) or up to and including the prior Business Day (in the case of calculations required under “Distributions made during a Collection Period” above); plus
- (d) any proceeds of the issuance of Class L Notes allocated to Available Income (as described in the “Initial Acquisition of Mortgage Loans” in section 2.6 (“The Trust and Trust Assets”) on the relevant Determination Date; plus
- (e) (without double counting) any interest received by the Trustee in respect of the Yield Enhancement Reserve Account, the Amortisation Reserve Account and the Extraordinary Expense Reserve Account during that Collection Period (in the case of a Determination Date) or up to and including the prior Business Day (in the case of calculations required under “Distributions made during a Collection Period” above); plus
- (f) any Extraordinary Expense Reserve Draw for the following Payment Date; minus
- (g) in the case of the first Determination Date only, the aggregate of any Finance Charge Collections received by, or on behalf of, the Trustee during that Collection Period, which have been applied on or prior to that Determination Date towards payment of any Accrued Interest Adjustment.

On each Determination Date the “**Finance Charge Collections**” for the immediately preceding Collection Period will be calculated by the Trust Manager as the aggregate of the following items:

- (a) any interest and other amounts in the nature of interest or income (including any previously capitalised interest) received in respect of any Mortgage Loan, or any similar amount which is, in the reasonable opinion of the Trust Manager, in the nature of income or interest, including without limitation amounts of that nature:
 - (i) recovered from the enforcement of a Mortgage Loan or its Related Security;
 - (ii) paid to the Trustee upon the sale or Reallocation of a Mortgage Loan; and
 - (iii) paid in respect of a breach of a representation or warranty contained in the Transaction Documents in respect of a Mortgage Loan or under any obligation to indemnify or reimburse the Trustee; and
- (b) any Recoveries received in respect of a Mortgage Loan or its Related Security.

7.11 Extraordinary Expense Reserve Draw

If, on any Determination Date, there are any Extraordinary Expenses in relation to the immediately preceding Collection Period, then the Trust Manager must direct the Trustee to withdraw an amount from the Extraordinary Expense Reserve Account (an “**Extraordinary Expense Reserve Draw**”) on the immediately following Payment Date equal to the lesser of:

- (a) the aggregate of such Extraordinary Expenses in relation to that immediately preceding Collection Period; and
- (b) the balance of the Extraordinary Expense Reserve Account on that Determination Date.

7.12 Yield Enhancement Reserve Draw

If, on any Determination Date, there is a Yield Shortfall, then the Trust Manager must direct the Trustee to make a drawing from the Yield Enhancement Reserve Account (a “**Yield Enhancement Reserve Draw**”) on the immediately following Payment Date equal to the lesser of:

- (a) the Yield Shortfall; and
- (b) the credit balance of the Yield Enhancement Reserve Account on that Determination Date.

7.13 Principal Draw

If, on any Determination Date, the Yield Shortfall exceeds the amount of the Yield Enhancement Reserve Draw (a “**Liquidity Shortfall**”), then the Trust Manager must direct the Trustee to apply an amount of Total Available Principal (a “**Principal Draw**”) (in accordance with the application of Total Available Principal under section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”) on the immediately following Payment Date equal to the lesser of:

- (a) the Liquidity Shortfall; and
- (b) the amount of Total Available Principal available for application for that purpose on that Payment Date in accordance with section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

7.14 Liquidity Draw

If, on any Determination Date, the Liquidity Shortfall exceeds the amount of the Principal Draw (a "**Further Liquidity Shortfall**"), then the Trust Manager on behalf of the Trustee must request a drawing under the Liquidity Facility (a "**Liquidity Draw**"), equal to the lesser of:

- (a) that Further Liquidity Shortfall; and
- (b) the amount available to be drawn for that purpose on the immediately following Payment Date in accordance with the Liquidity Facility Agreement.

7.15 Determination of Total Available Income

On each Determination Date, the Trust Manager will determine "**Total Available Income**" as the aggregate of:

- (a) the Available Income for that Determination Date;
- (b) any Yield Enhancement Reserve Draw for that Determination Date;
- (c) any Principal Draw for that Determination Date; and
- (d) any Liquidity Draw for that Determination Date.

7.16 Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)

On each Determination Date prior to the occurrence of an Event of Default and enforcement of the General Security Agreement, the Trust Manager must direct the Trustee to pay (and the Trustee must pay) on the immediately following Payment Date the following amounts out of the Total Available Income in respect of the immediately preceding Collection Period (in the following order of priority):

- (a) first, A\$10 to each Participation Unitholder;
- (b) next, any Accrued Interest Adjustment (to the extent not already paid) payable to the Disposing Trustee in respect of the assignment of the Mortgage Loans to the Trust on the Closing Date;
- (c) next, any Taxes payable in relation to the Trust for that Collection Period (after the application of the balance of the Tax Account towards payment of such Taxes);
- (d) next, pari passu and rateably:
 - (i) the Trustee's fees for that Collection Period;
 - (ii) the Security Trustee's fees for that Collection Period;
 - (iii) the Trust Expenses for that Collection Period which remain unreimbursed at that Payment Date;
 - (iv) the Servicer's fee for that Collection Period;
 - (v) the Trust Manager's fees for that Collection Period;
 - (vi) the Custodian's fees for that Collection Period; and
 - (vii) the Backup Servicer's fees for that Collection Period;

- (e) next, to the extent not paid previously, towards any interest and fees payable on or prior to that Payment Date to the Liquidity Facility Provider under the Liquidity Facility;
- (f) next, to the Liquidity Facility Provider, towards payment of all outstanding Liquidity Draws;
- (g) next, pari passu and rateably to the Class A1 Noteholders, towards payment of the Interest on the Class A1 Notes for the Interest Period ending on (but excluding) that Payment Date and any unpaid Interest on the Class A1 Notes in respect of previous Interest Periods;
- (h) next, pari passu and rateably, to the Class A2 Noteholders, towards payment of the Interest on the Class A2 Notes for the Interest Period ending on (but excluding) that Payment Date and any unpaid Interest on the Class A2 Notes in respect of previous Interest Periods;
- (i) next, pari passu and rateably to the Class B Noteholders, towards payment of the Interest on the Class B Notes for the Interest Period ending on (but excluding) that Payment Date and any unpaid Interest on the Class B Notes in respect of previous Interest Periods;
- (j) next, pari passu and rateably to the Class C Noteholders, towards payment of the Interest on the Class C Notes for the Interest Period ending on (but excluding) that Payment Date and any unpaid Interest on the Class C Notes in respect of previous Interest Periods;
- (k) next, pari passu and rateably to the Class D Noteholders, towards payment of the Interest on the Class D Notes for the Interest Period ending on (but excluding) that Payment Date and any unpaid Interest on the Class D Notes in respect of previous Interest Periods;
- (l) next, pari passu and rateably to the Class E Noteholders, towards payment of the Interest on the Class E Notes for the Interest Period ending on (but excluding) that Payment Date and any unpaid Interest on the Class E Notes in respect of previous Interest Periods;
- (m) next, pari passu and rateably to the Class F Noteholders, towards payment of the Interest on the Class F Notes for the Interest Period ending on (but excluding) that Payment Date and any unpaid Interest on the Class F Notes in respect of previous Interest Periods;
- (n) next, to be applied towards Total Available Principal, up to an amount equal to any unreimbursed Principal Draws;
- (o) next (in the following order of priority):
 - (i) first, to be applied towards Total Available Principal, up to an amount equal to any Losses in respect of that Collection Period; and
 - (ii) next, to be applied towards Total Available Principal, up to an amount equal to any Carryover Charge-Off (as calculated on the previous Determination Date) in respect of the Notes in accordance with section 7.18 ("Re-instatement of Carryover Charge-Offs");
- (p) next, if the Yield Enhancement Test is satisfied for that Payment Date, an amount equal to the Yield Enhancement Amount in respect of that Payment Date as a deposit to the Yield Enhancement Reserve Account;
- (q) next, if that Payment Date is:

- (i) on or prior to the first Call Option Date and an Amortisation Reserve Trigger Event is subsisting, as a deposit to the Amortisation Reserve Account until the balance of the Amortisation Reserve Account equals the Amortisation Reserve Target Balance; or
- (ii) after the first Call Option Date, to be applied towards Total Available Principal, up to an amount equal to the Overcollateralisation Amount in respect of that Payment Date;
- (r) next, as a deposit to the Extraordinary Expense Reserve Account until the balance of the Extraordinary Expense Reserve Account equals the Extraordinary Expense Reserve Target Balance;
- (s) next, pari passu and rateably:
 - (i) any other amounts payable on or prior to that Payment Date to the Liquidity Facility Provider under the Liquidity Facility Agreement to the extent not paid under section 7.16(e) and section 7.16(f); and
 - (ii) any indemnity amount payable on or prior to that Payment Date to the Dealers under clause 10.2 (“Indemnity by the Trust Manager”) or clause 10.3 (“Indemnity by the Trustee”) of the Dealer Agreement;
- (t) next, to retain in the Tax Account an amount equal to the Tax Shortfall (if any) for that Payment Date;
- (u) next, to retain in the Tax Account an amount equal to the Tax Amount (if any) for that Payment Date;
- (v) next, interest and prior unpaid interest to the Class G Notes in accordance with the Class G Note Supplemental Deed;
- (w) next, in payment of any amounts outstanding under the Extraordinary Expense Reserve Loan Agreement;
- (x) next, to reduce, pari passu and rateably, the Invested Amount of the Class L Notes until the Invested Amount of the Class L Notes is reduced to zero;
- (y) next, to pay any indemnity amount payable by the Trustee on or prior to that Payment Date under the Class G Note Supplemental Deed; and
- (z) last, to the Participation Unitholder by way of distribution of the remaining income of the Trust.

7.17 Allocation of Charge-Offs

On each Determination Date the Trust Manager must determine if there is a Charge-Off in respect of that Determination Date and must allocate any such Charge-Off on the immediately following Payment Date in the following order of priority:

- (a) first, to reduce the balance of the Amortisation Amount Ledger until the balance of the Amortisation Amount Ledger reaches zero;
- (b) next, to reduce the balance of the Yield Enhancement Ledger until the balance of the Yield Enhancement Ledger reaches zero;
- (c) next, to reduce the balance of the Overcollateralisation Ledger until the balance of the Overcollateralisation Ledger reaches zero;

- (d) next, to reduce the Aggregate Stated Amount of the Class G Notes until the Aggregate Stated Amount of the Class G Notes reaches zero (such reduction to be applied amongst such Class G Notes pari passu and rateably);
- (e) next, to reduce the Aggregate Stated Amount of the Class F Notes until the Aggregate Stated Amount of the Class F Notes reaches zero (such reduction to be applied amongst such Class F Notes pari passu and rateably);
- (f) next, to reduce the Aggregate Stated Amount of the Class E Notes until the Aggregate Stated Amount of the Class E Notes reaches zero (such reduction to be applied amongst such Class E Notes pari passu and rateably);
- (g) next, to reduce the Aggregate Stated Amount of the Class D Notes until the Aggregate Stated Amount of the Class D Notes reaches zero (such reduction to be applied amongst such Class D Notes pari passu and rateably);
- (h) next, to reduce the Aggregate Stated Amount of the Class C Notes until the Aggregate Stated Amount of the Class C Notes reaches zero (such reduction to be applied amongst such Class C Notes pari passu and rateably);
- (i) next, to reduce the Aggregate Stated Amount of the Class B Notes until the Aggregate Stated Amount of the Class B Notes reaches zero (such reduction to be applied amongst such Class B Notes pari passu and rateably);
- (j) next, to reduce the Aggregate Stated Amount of the Class A2 Notes until the Aggregate Stated Amount of the Class A2 Notes reaches zero (such reduction to be applied amongst such Class A2 Notes pari passu and rateably); and
- (k) next, to reduce the Aggregate Stated Amount of the Class A1 Notes until the Aggregate Stated Amount of the Class A1 Notes reaches zero (such reduction to be applied amongst such Class A1 Notes pari passu and rateably).

7.18 Re-instatement of Carryover Charge-Offs

To the extent that on any Payment Date amounts are available for allocation as described under section 7.16(o)(ii) ("Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)"), then an amount equal to these amounts shall be applied on that Payment Date to reinstate respectively:

- (a) first, the Aggregate Stated Amount of the Class A1 Notes until it reaches the Aggregate Invested Amount of the Class A1 Notes (such reinstatement to be applied amongst such Class A1 Notes pari passu and rateably);
- (b) next, the Aggregate Stated Amount of the Class A2 Notes until it reaches the Aggregate Invested Amount of the Class A2 Notes (such reinstatement to be applied amongst such Class A2 Notes pari passu and rateably);
- (c) next, the Aggregate Stated Amount of the Class B Notes until it reaches the Aggregate Invested Amount of the Class B Notes (such reinstatement to be applied amongst such Class B Notes pari passu and rateably);
- (d) next, the Aggregate Stated Amount of the Class C Notes until it reaches the Aggregate Invested Amount of the Class C Notes (such reinstatement to be applied amongst such Class C Notes pari passu and rateably);
- (e) next, the Aggregate Stated Amount of the Class D Notes until it reaches the Aggregate Invested Amount of the Class D Notes (such reinstatement to be applied amongst such Class D Notes pari passu and rateably);

- (f) next, the Aggregate Stated Amount of the Class E Notes until it reaches the Aggregate Invested Amount of the Class E Notes (such reinstatement to be applied amongst such Class E Notes pari passu and rateably);
- (g) next, the Aggregate Stated Amount of the Class F Notes until it reaches the Aggregate Invested Amount of the Class F Notes (such reinstatement to be applied amongst such Class F Notes pari passu and rateably); and
- (h) next, the Aggregate Stated Amount of the Class G Notes until it reaches the Aggregate Invested Amount of the Class G Notes (such reinstatement to be applied amongst such Class G Notes pari passu and rateably).

7.19 Application of proceeds following an Event of Default and enforcement of the General Security Agreement

Following the occurrence of an Event of Default and enforcement of the General Security Agreement, the Security Trustee must apply all moneys received by it in respect of the Collateral in the following order of priority:

- (a) first, to any person with a prior ranking Encumbrance (of which the Security Trustee is aware) to the extent of the claim under that Encumbrance;
- (b) next, to itself for its fees, costs and any liabilities, losses, costs, claims, expenses, actions, indemnity payments, damages, demands, charges, stamp duties and other taxes and other amounts owing to the Security Trustee (including all Secured Moneys) due to it for its own account in connection with its role as security trustee in relation to the Trust and any other outgoings and liabilities that the Security Trustee has incurred under or in respect of a Transaction Document;
- (c) next, to pay all fees and any liabilities, losses, costs, claims, expenses, actions, indemnity payments, damages, demands, charges, stamp duties and other taxes owing to the Trustee and any other outgoings and liabilities that the Trustee has incurred under or in respect of a Transaction Document;
- (d) next, to any Receiver appointed to the Collateral for its costs and remuneration in connection with exercising, enforcing or preserving rights (or considering doing so) in connection with the Transaction Documents;
- (e) next, pari passu and rateably to pay:
 - (i) the Backup Servicer for its fees and all other Secured Moneys owing to it; and
 - (ii) the Custodian for its fees and all other Secured Moneys owing to it;
- (f) next, pari passu and rateably to pay:
 - (i) the Servicer for its fees and all other Secured Moneys owing to it; and
 - (ii) the Trust Manager for its fees and all other Secured Moneys owing to it;
- (g) next, to pay all Secured Moneys owing to the Liquidity Facility Provider;
- (h) next, to pay pari passu and rateably, all Secured Moneys owing to the Class A1 Noteholders;
- (i) next, to pay pari passu and rateably, all Secured Moneys owing to the Class A2 Noteholders:

- (j) next, to pay pari passu and rateably all Secured Moneys owing to the Class B Noteholders;
- (k) next, to pay pari passu and rateably all Secured Moneys owing to the Class C Noteholders;
- (l) next, to pay pari passu and rateably all Secured Moneys owing to the Class D Noteholders;
- (m) next, to pay pari passu and rateably all Secured Moneys owing to the Class E Noteholders;
- (n) next, to pay pari passu and rateably all Secured Moneys owing to the Class F Noteholders;
- (o) next, to pay pari passu and rateably all Secured Moneys owing to the Class G Noteholders in accordance with the Class G Note Supplemental Deed;
- (p) next, to pay pari passu and rateably all Secured Moneys owing to the Class L Noteholders;
- (q) next, to pay pari passu and rateably, all Secured Money owing to the Secured Creditors to the extent not paid under the preceding paragraphs; and
- (r) next, to pay any surplus to the Trustee to be distributed in accordance with the terms of the Master Trust Deed.

7.20 Cash Collateral

The proceeds of any Cash Collateral will not be treated as Collateral available for distribution by the Security Trustee in accordance with section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”).

Following an Event of Default and enforcement of the General Security Agreement, any such Cash Collateral shall be returned to the Liquidity Facility Provider.

For the avoidance of doubt, Cash Collateral does not form part of Total Available Principal.

7.21 Amortisation Reserve Account

- (a) On or prior to the Closing Date, the Trustee (at the direction of the Trust Manager) must establish the Amortisation Reserve Account with an Eligible Bank.
- (b) If, on any Determination Date, there is a Loss Shortfall, the Trust Manager must direct the Trustee to make a drawing from the Amortisation Reserve Account (a “**Amortisation Reserve Draw**”) on the immediately following Payment Date in an amount equal to the lesser of:
 - (i) the Loss Shortfall; and
 - (ii) the credit balance of the Amortisation Reserve Account on that Determination Date.
- (c) If the Trustee becomes aware that the Bank with which the Amortisation Reserve Account is maintained is no longer an Eligible Bank, the Trustee must immediately establish a new Amortisation Reserve Account with an Eligible Bank and transfer the funds standing to the credit of the old Amortisation Reserve Account to the new Amortisation Reserve Account.

- (d) Amounts will only be released from the Amortisation Reserve Account by the Trustee or the Trust Manager (on behalf of the Trustee):
 - (i) on a Payment Date, for the purposes of making an Amortisation Reserve Draw in accordance with paragraph (b) above;
 - (ii) to transfer the balance to a new Amortisation Reserve Account in accordance with paragraph (c) above; and
 - (iii) on the first Call Option Date, for application as described in section 7.9 (“Distribution of Amortisation Reserve Account”).
- (e) For the avoidance of doubt, any amount of interest credited to the balance of the Amortisation Reserve Account during a Collection Period will form part of Available Income in respect of that Collection Period.

7.22 Extraordinary Expense Reserve Account

- (a) On or prior to the Closing Date, the Extraordinary Expense Reserve Loan Provider must deposit an amount equal to the Extraordinary Expense Reserve Target Balance into the Extraordinary Expense Reserve Account.
- (b) If the Trustee becomes aware that the Bank with which the Extraordinary Expense Reserve Account is maintained is no longer an Eligible Bank, the Trustee must immediately establish a new interest bearing Extraordinary Expense Reserve Account with an Eligible Bank and transfer the funds standing to the credit of the old Extraordinary Expense Reserve Account to the new Extraordinary Expense Reserve Account.
- (c) Amounts will only be released from the Extraordinary Expense Reserve Account by the Trustee or the Trust Manager (on behalf of the Trustee):
 - (i) on a Payment Date for the purpose of making an Extraordinary Expense Reserve Draw in accordance with section 7.11 (“Extraordinary Expense Reserve Draw”);
 - (ii) to transfer the balance to a new Extraordinary Expense Reserve Account in accordance with paragraph (b);
 - (iii) once the Notes have been repaid in full or all amounts available for that purpose in accordance with the Transaction Documents have been exhausted:
 - (A) first, to the Extraordinary Expense Reserve Loan Provider (to the extent that they have not already been paid under paragraph (y) of 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”)),; and
 - (B) second, any remaining proceeds to the Participation Unitholder.
- (d) The balance of the Extraordinary Expense Reserve Account will not be treated as Collateral available for distribution by the Security Trustee in accordance with 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”).

7.23 Yield Enhancement Reserve Account

- (a) On or prior to the Closing Date the Trustee (at the direction of the Trust Manager) must establish the Yield Enhancement Reserve Account with an Eligible Bank.

- (b) If the Trustee becomes aware that the Bank with which the Yield Enhancement Reserve Account is maintained is no longer an Eligible Bank, the Trustee must immediately establish a new interest bearing Yield Enhancement Reserve Account with an Eligible Bank and transfer the funds standing to the credit of the old Yield Enhancement Reserve Account to the new Yield Enhancement Reserve Account.
- (c) Amounts will only be released from the Yield Enhancement Reserve Account by the Trustee or the Trust Manager (on behalf of the Trustee):
 - (i) on a Payment Date for the purpose of making a Yield Enhancement Reserve Draw in accordance with section 7.12 (“Yield Enhancement Reserve Draw”);
 - (ii) to transfer the balance to a new Yield Enhancement Reserve Account in accordance with paragraph (b); or
 - (iii) on the first Payment Date following the date on which the Aggregate Invested Amount of the Class A Notes has been reduced to zero, for application as described in section 7.8 (“Distribution of Yield Enhancement Reserve Account”).
- (d) For the avoidance of doubt, any amount of interest credited to the balance of the Yield Enhancement Reserve Account during a Collection Period will form part of Available Income in respect of that Collection Period.

7.24 Amortisation Amount Ledger

The Trust Manager will keep a ledger account (the “**Amortisation Amount Ledger**”), which will record on each Payment Date:

- (a) as a credit, the amount (if any) applied from the Amortisation Reserve Account on the first Call Option Date in accordance with section 7.9 (“Distribution of Amortisation Reserve Account”);
- (b) as debits, the amount of any Charge-Offs allocated to reduce the Amortisation Amount Ledger in accordance with section 7.17(a) (“Allocation of Charge-Offs”) on that Payment Date.

7.25 Yield Enhancement Ledger

The Trust Manager will keep a ledger account (the “**Yield Enhancement Ledger**”) which will record on each Payment Date:

- (a) as a credit, the amount (if any) applied from the Yield Enhancement Reserve Account on the first Payment Date following the date on which the Aggregate Invested Amount of the Class A Notes has been reduced to zero, in accordance with section 7.8 (“Distribution of Yield Enhancement Reserve Account”);
- (b) as debits, the amount of any Charge-Offs allocated to reduce the Yield Enhancement Ledger in accordance with section 7.17(b) (“Allocation of Charge-Offs”).

7.26 Overcollateralisation Ledger

The Trust Manager will keep a ledger account (the “**Overcollateralisation Ledger**”), which will record on each Payment Date:

- (a) as credits, all sums paid under section 7.16(q)(ii) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) on that Payment Date; and

- (b) as debits, the amount of any Charge-Offs allocated to reduce the Overcollateralisation Ledger in accordance with section 7.17(c) (“Allocation of Charge-Offs”) on that Payment Date.

7.27 Accrued Interest Adjustment

In respect of the first Collection Period only, the Trust Manager may, on any day during the period from (and including) the start of that Collection Period to (and including) the Determination Date immediately following the end of that Collection Period, direct the Trustee to apply (and the Trustee must apply on that direction) any Finance Charge Collections received during that Collection Period towards payment of any Accrued Interest Adjustment (to the extent not already paid) payable to the Disposing Trustee in respect of the transfer of the Mortgage Loans and Related Securities to the Trust. The Trust Manager will only give such a direction to the Trustee to the extent the proceeds of the issue of the Class L Notes are insufficient to pay the Accrued Interest Adjustment in full.

7.28 Reallocation or Sale – Further Advances and Fixed Interest Rates

If, in respect of a Mortgage Loan, the relevant Obligor requests:

- (a) that a Further Advance be provided in respect of that Mortgage Loan and the Servicer notifies the Trust Manager that it proposes to consent to the making of such Further Advance;
- (b) that the variable interest rate on that Mortgage Loan be converted to a fixed rate of interest and the Servicer notifies the Trust Manager that it proposes to consent to such conversion; or
- (c) that the Mortgage Loan be varied in any other way (including by the inclusion of any additional product feature with respect to the Mortgage Loan) where such variation would result in the Mortgage Loan ceasing to satisfy the Eligibility Criteria (were such Eligibility Criteria to be retested at that time) and the Servicer notifies the Trust Manager that it proposes to consent to such variation,

then the Trust Manager must (subject to the satisfaction of certain conditions) direct the Trustee to deliver a Reallocation Notice or Offer to Sell Back (as applicable) in respect of that Mortgage Loan in accordance with the Master Trust Deed or the Sale Deed (as applicable) and the Servicer must not consent to the relevant request prior to that Mortgage Loan ceasing to be a Trust Asset. See risk factor described in section 3 (“Certain Special Risks”) under “- The features of the Mortgage Loans may change, which could affect the timing and amount of payments to you”.

7.29 Redraws

On a request by an Obligor for a Redraw, the Servicer may (but is not obliged to) apply its own funds towards funding that Redraw on behalf of the Trustee (a “**Servicer Advance**”).

Each Servicer Advance shall constitute a non-interest bearing loan from the Servicer to the Trustee.

On each Payment Date, the Trustee will repay so much of each Servicer Advance (which remains outstanding as at the immediately preceding Determination Date) as there are funds available for this purpose in accordance with section 7 (“Cashflow Allocation Methodology”).

The Trustee may (if directed to do so by the Trust Manager) repay any Servicer Advance (in full or in part) on any day as a Collection Period Distribution in accordance with section 7.2 (“Distributions made during a Collection Period”).

The Trust Manager must not direct the Trustee to fund a Redraw if there is insufficient Available Principal available to fund that Redraw, as determined by the Trust Manager in accordance with section 7("Cashflow Allocation Methodology").

8 Description of the Transaction Documents

The following summary describes the material terms of certain of the key Transaction Documents. The summary does not purport to be complete and is subject to the provisions of the Transaction Documents. All of the Transaction Documents are governed by the laws of New South Wales, Australia.

8.1 General Features of the Trust

The Pepper I-Prime 2017-3 Trust is a trust established under the laws of the New South Wales in accordance with the Master Trust Deed and Notice of Creation of Trust. The Trust may only act through the Trustee, Permanent Custodians Limited, as trustee of the Trust. Accordingly references to actions or obligations of the Trustee refer to such actions or obligations of the Trust.

(a) Constitution of the Trust

The terms of the Trust are primarily governed by the Master Trust Deed, the Master Security Trust Deed and the Series Notice for the Trust. An unlimited amount of trusts may be established under the Master Trust Deed. The Trust is separate and distinct from any other trust established under the Master Trust Deed.

The Trust is a common law trust which was established under the laws of New South Wales on 14 November 2017, by the execution of the Notice of Creation of Trust.

The Trust may only act through the Trustee as trustee of the Trust.

The Trust will terminate on the earlier of:

- (i) the day before the eightieth anniversary of the date it begins;
- (ii) the date of termination of the Trust under the Master Trust Deed or the Series Notice; and
- (iii) the date which the Trust Manager notifies the Trustee that it is satisfied that the Secured Money of the Trust has been unconditionally and irrevocably repaid in full.

(b) Capital

The beneficial interest in the Trust is represented by:

- (i) ten Residual Units; and
- (ii) one Participation Unit.

Pepper is the current holder of the Residual Units and the Participation Unit.

(c) Entitlement of holders of the Residual Units and holders of the Participation Units

The beneficial interest in the Trust Assets is vested in the Residual Unitholder and the Participation Unitholders of the Trust in accordance with the terms of the Master Trust Deed and the Series Notice for the Trust.

(d) Entitlement to payments

The Residual Unitholders and the Participation Unitholders have the right to receive distributions only to the extent that funds are available for distribution to them in accordance with the Series Notice.

Subject to this, the Residual Unitholders and the Participation Unitholders have no right to receive distributions other than a right to receive on the termination of the Trust the amount of the initial investment it made in respect of the Trust and any other surplus Trust Assets on its termination in accordance with the terms of the Series Notice and the Master Trust Deed.

(e) Transfer

The Residual Units and the Participation Units may be transferred in accordance with the Master Trust Deed. The Residual Units and the Participation Units may only be transferred if the Trustee agrees.

(f) Ranking

The rights of the Secured Creditors of the Trust under the Transaction Documents rank in priority to the interests of the Residual Unitholders and the Participation Unitholders.

(g) Restricted rights

The Residual Unitholders and the Participation Unitholders are not entitled to:

- (i) exercise a right or power in respect of, lodge a caveat or other notice affecting, or otherwise claim any interest in, any Trust Asset; or
- (ii) require the Trustee or any other person to transfer a Trust Asset to it; or
- (iii) interfere with any powers of the Trust Manager or the Trustee under the Transaction Documents; or
- (iv) take any step to remove the Trust Manager or the Trustee; or
- (v) take any step to end the Trust; or
- (vi) interfere in any way with any other trust; or
- (vii) have recourse against the Trustee in its personal capacity except in accordance with the Master Trust Deed.

8.2 Master Trust Deed

The Trustee is appointed as trustee of the Trust, pursuant to the Notice of Creation of Trust, on the terms set out in the Master Trust Deed and the Series Notice. The Trustee is paid a regular periodic fee (as agreed from time to time between the Trustee and the Trust Manager).

(a) Powers of the Trustee

The Trustee is appointed as trustee of the Trust in accordance with the terms of the Master Trust Deed. The Trustee will issue the Notes in its capacity as trustee of the Trust.

The Trustee has all the powers of a natural person or corporation in connection with the exercise of its rights and compliance with its obligations in connection with the Trust Business of the Trust.

Subject to its obligation to carry on the Trust Business, the Trustee may exercise its rights and comply with its obligations in connection with the Trust Business in any manner it thinks fit.

(b) Duties of the Trustee

Pursuant to the Transaction Documents the Trustee undertakes to (among other things):

- (i) comply with its obligations under the Transaction Documents to which it is a party;
- (ii) to carry on the Trust Business in accordance with the Transaction Documents and the directions of the Trust Manager;
- (iii) not to do anything to create any Encumbrances over the Collateral (other than as contemplated by the Transaction Documents);
- (iv) if it becomes aware that an Event of Default or Potential Event of Default in respect of the Trust has occurred, to notify the Trust Manager and Security Trustee giving full details of the event and any steps taken or proposed to remedy it unless the Trust Manager has already notified the Security Trustee;
- (v) without the Security Trustee's consent, not to do anything which is not part of the Trust Business;
- (vi) comply with all laws and requirements of authorities affecting it or the Trust Business and to comply with its other obligations in connection with its rights and obligations under the Transaction Documents;
- (vii) take (at the direction of the Trust Manager) the action that a prudent, diligent and reasonable person would take to ensure that:
 - (A) each counterparty complies with its obligations in connection with the Transaction Documents; and
 - (B) each counterparty which does not comply with any of its obligations in connection with the Transaction Documents pays to the Trustee or the Security Trustee an amount equal to any liability, loss or Costs suffered or incurred by either the Trustee or the Security Trustee which is caused or contributed to by that non-compliance;
- (viii) not to commingle the Collateral of the Trust with any of its other assets (including the collateral of any other trust) or the assets of any other person;
- (ix) without the Security Trustee's consent, not to amend any Transaction Document of the Trust; and
- (x) not assign or otherwise deal with its rights under any Transaction Document or allow any interest in them to arise or be varied, in each case, without the Security Trustee's consent.

(c) Trustee to act in the interests of Noteholder

The Trustee has agreed in the Series Notice to act in the interests of the Noteholders of the Trust on the terms and conditions of the Transaction Documents.

If there is a conflict between the interests of the Unitholders (on the one hand) and the Noteholders (on the other), subject to the other Transaction Documents, the Trustee is empowered to, and must, act in the interests of the Noteholders.

Nothing in the two preceding paragraphs creates a fiduciary relationship between the Trustee and the Noteholders.

(d) Delegation by Trustee

- (i) Subject to paragraphs (ii) and (iii), the Trustee may employ agents and attorneys and may delegate any of its rights or obligations as trustee without notifying any person of the delegation.
- (ii) The Trustee is not responsible or liable to any Unitholder or Secured Creditor for any act or omission of any delegate appointed by the Trustee if:
 - (A) the delegate is a recognised clearing system; or
 - (B) the Trustee is obliged to appoint the delegate pursuant to an express provision of a Transaction Document or pursuant to an instruction given to the Trustee in accordance with a Transaction Document; or
 - (C) the Trustee appoints the delegate in good faith and using reasonable care and the delegate is not:
 - (aa) a Related Entity of the Trustee;
 - (ab) an officer or employee of the Trustee or a Related Entity of the Trustee; or
 - (ac) the Trust Manager consents to the delegation in accordance with paragraph (c).
- (iii) The Trustee agrees that it will not:
 - (A) delegate a material part of its rights or obligations under the Master Trust Deed; or
 - (B) appoint any Related Entity of it as its delegate,

unless it has received the prior written consent of the Trust Manager.

(e) Trustee's voluntary retirement

The Trustee may retire as trustee of the Trust by giving the Trust Manager at least 90 days' notice of its intention to do so. The retirement of the Trustee as Trustee of the Trust takes effect when:

- (i) a successor trustee is appointed for the Trust;
- (ii) the successor trustee obtains title to, or obtains the benefit of, the Master Trust Deed and each other Transaction Documents of the Trust to which the Trustee is a party as trustee; and
- (iii) the successor trustee and each other party to the Transaction Documents of the Trust to which the Trustee is a party as trustee have the same rights and obligations among themselves as they would have had if the successor trustee had been party to them at the dates of those documents.

(f) Mandatory Retirement

The Trustee must retire as trustee of the Trust if:

- (i) the Trustee becomes Insolvent;
- (ii) required by law;

- (iii) if the Trustee is an entity other than Pepper Finance Corporation Limited (ABN 51 094 317 647), the Trustee ceases to carry on business as a professional trustee; or
- (iv) the Trustee merges or consolidates with another entity unless that entity assumes the obligations of the Trustee under the Transaction Documents and Rating Notification is provided in respect of that merger or consolidation.

In addition, the Trustee must retire as trustee of the Trust if the Trustee does not comply with a material obligation under the Transaction Documents and, if the non-compliance can be remedied, the Trustee does not remedy the non-compliance within 30 days after becoming aware of it.

(g) Costs of Retirement

If the Trustee retires or is otherwise removed everything it is required to do under the relevant provisions of the Master Trust Deed is a Trust Expense (other than, in limited circumstances only, the costs of the Trustee's legal advisers which is a personal expense of the Trustee).

(h) Trustee's fees and expenses

In consideration of the Trustee performing its functions and duties in respect of the Trust it will receive a fee, in an amount and calculated in such manner as may be agreed between the Trustee and the Trust Manager from time to time.

All expenses incurred by the Trustee in connection with the Trust in accordance with the Transaction Documents or in exercising their powers under the Transaction Documents are payable or reimbursable out of the Trust Assets.

(i) Indemnity

The Trustee is indemnified out of the Trust Assets against any liability or loss arising from, and any costs properly incurred in connection with, complying with its obligations or exercising its rights under the Transaction Documents.

To the extent permitted by law, this indemnity applies despite any reduction in value of, or other loss in connection with, the Trust Assets as a result of any unrelated act or omission by the Trustee or any person acting on its behalf.

The indemnity does not extend to any liabilities, losses or costs to the extent that they are due to the Trustee's fraud, negligence or wilful misconduct.

(j) Legal Costs

The costs referred to above include all legal costs in accordance with any written agreement as to legal costs or, if no agreement, on whichever is the higher of a full indemnity basis or solicitor and own client basis.

These legal costs include any legal costs which the Trustee incurs in connection with proceedings brought against it alleging fraud, negligence or wilful misconduct on its part in relation to the Trust. However, the Trustee must repay any amount paid to it in respect of those legal costs under the above paragraph if and to the extent that a court determines that the Trustee was fraudulent, negligent or in wilful misconduct in relation to the Trust or the Trustee admits it.

(k) Limitation of the Trustee's Liability

The limitation of the Trustee's liability applies despite any other provisions of the Transaction Documents extends to all Obligations (as defined below) of the Trustee in

any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Transaction Documents.

- (i) The Trustee enters into the Transaction Documents as trustee of the Trust and in no other capacity.
- (ii) The parties other than the Trustee acknowledge that the Trustee incurs the Obligations solely in its capacity as trustee of the Trust and that the Trustee will cease to have any obligation under the Transaction Documents if the Trustee ceases for any reason to be trustee of the Trust.
- (iii) Except in the case of and to the extent of fraud, negligence or wilful misconduct on the part of the Trustee, the Trustee will not be liable to pay or satisfy any Obligations except out of the Trust Assets against which it is actually indemnified in respect of any liability incurred by it as trustee of the Trust.
- (iv) Except in the case of and to the extent of fraud, negligence or wilful misconduct on the part of the Trustee, the parties other than the Trustee may enforce their rights against the Trustee arising from non-performance of the Obligations only to the extent of the Trustee's right of indemnity out of the Trust Assets.
- (v) Except in the case of and to the extent of fraud, negligence or wilful misconduct on the part of the Trustee, if any party other than the Trustee does not recover all money owing to it arising from non-performance of the Obligations it may not seek to recover the shortfall by:
 - (A) bringing proceedings against the Trustee in its personal capacity; or
 - (B) applying to have the Trustee put into administration or wound up or applying to have a receiver or similar person appointed to the Trustee or proving in the administration or winding up of the Trustee.
- (vi) Except in the case of and to the extent of fraud, negligence or wilful misconduct on the part of the Trustee, the parties other than the Trustee waive their rights and release the Trustee from any personal liability whatsoever, in respect of any loss or damage:
 - (A) which they may suffer as a result of any:
 - (aa) breach by the Trustee of any of its Obligations; or
 - (ab) non-performance by the Trustee of the Obligations; and
 - (B) which cannot be paid or satisfied out of the Trust Assets of which the Trustee is entitled to be indemnified in respect of any liability incurred by it as trustee of the Trust.
- (vii) The parties other than the Trustee acknowledge that the whole of the Transaction Documents is subject to the limitation of liability provision and the Trustee shall in no circumstances be required to satisfy any liability of the Trustee arising under, or for non-performance or breach of any Obligations under or in respect of, the Transaction Documents or under or in respect of any other document to which it is expressed to be a party out of any funds, property or assets other than the Trust Assets under the Trustee's control and in its possession as and when they are available to the Trustee to be applied in exoneration for such liability PROVIDED THAT if the liability of the Trustee is not fully satisfied out of the Trust Assets as referred to in this limitation of liability provision, the Trustee will be liable to pay out of its own

funds, property and assets the unsatisfied amount of that liability but only to the extent of the total amount, if any, by which the Trust Assets have been reduced by reasons of fraud, negligence or wilful misconduct by the Trustee in the performance of the Trustee's duties as trustee of the Trust.

- (viii) The parties agree that no act or omission of the Trustee (including any related failure to satisfy any Obligations) will constitute fraud, negligence or wilful misconduct of the Trustee for the purposes of this limitation of liability provision to the extent to which the act or omission was caused or contributed to by any failure of the Trust Manager or any other person to fulfil its obligations relating to the Trust or by any other act or omission of the Trust Manager or any other person.
- (ix) No attorney, agent or other person appointed in accordance with the Transaction Documents has authority to act on behalf of the Trustee in a way which exposes the Trustee to any personal liability (except in accordance with the provisions of clause 17 ("Delegation and reliance on advice") of the Master Trust Deed), and no act or omission of such a person will be considered fraud, negligence or wilful misconduct of the Trustee for the purposes of this section.
- (x) Notwithstanding any provision of the Transaction Documents to the contrary, including, without limitation, any indemnity made by the Trustee in the Transaction Documents, the Trustee will not in any event be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), whether or not foreseeable, even if the Trustee has been advised of the likelihood of such loss or damage and regardless of whether the claim for loss or damage is made in negligence, for breach of contract or otherwise.
- (xi) In this section the "**Obligations**" means all obligations and liabilities of whatever kind undertaken or incurred by, or devolving upon, the Trustee under or in respect of the Transaction Documents.

(l) Liability must be limited and must be indemnified

The Trustee is not obliged to do or not do anything in connection with the Transaction Documents (including enter into any transaction or incur any liability) unless:

- (i) the Trustee's liability is limited in a manner which is consistent with the description in "Limitation of the Trustee's Liability" above; and
- (ii) it is indemnified against any liability or loss arising from, and any costs properly incurred in connection with, doing or not doing that thing in a manner which is consistent with the description in "Indemnity and limitation of liability" above.

(m) Exoneration

Neither the Trustee nor any of its directors, officers, employees, agents or attorneys will be taken to be fraudulent, negligent or in wilful misconduct for the purposes of the limited liability of the Trustee because:

- (i) any person other than the Trustee does not comply with its obligations under the Transaction Documents; or
- (ii) of the financial condition of any person other than the Trustee;
- (iii) any statement, representation or warranty of any person other than the Trustee in a Transaction Document is incorrect or misleading;

- (iv) of any omission from or statement or information contained in any information memorandum or any advertisement, circular or other document issued in connection with any Notes;
 - (v) of the lack of effectiveness, genuineness, validity, enforceability, admissibility in evidence or sufficiency of the Transaction Documents or any document signed or delivered in connection with the Transaction Documents (except to the extent such liability arises directly as a result of an act or omission of the Trustee and provided that this paragraph (e) does not limit any representation or warranty given by the Trustee in any Transaction Document as to the validity or enforceability of the Trustee's obligations under the Transaction Documents);
 - (vi) of acting, or not acting, in each case in accordance with instructions of:
 - (A) the Trust Manager; or
 - (B) any other person permitted to give it instructions or directions under the Transaction Documents;
 - (vii) of acting, or not acting, in good faith in reliance on any advice, direction or order obtained and relied on from its legal, accounting, taxation or other professional advisers;
 - (viii) it is prevented or hindered from doing something by law or order;
 - (ix) of any payment made by it in good faith to a fiscal authority in connection with Taxes (including Taxes assessed on the income of the Trust) or other charges in respect of the Trust even if the payment need not have been made;
 - (x) of any error of law or any matter done or omitted to be done by it in good faith in the event of the liquidation or dissolution of a company;
 - (xi) of the exercise or non-exercise of a discretion on the part of the Trust Manager or any other party to the Transaction Documents; or
 - (xii) of a failure by the Trustee to check any calculation, information, document, form or list supplied or purported to be supplied to it by the Trust Manager under any Transaction Document.
- (n) No supervision

Except as expressly set out in the Transaction Documents, the Trustee has no obligation to supervise, monitor, or investigate the performance of the Trust Manager or any other person.

8.3 Master Security Trust Deed

- (a) Powers of the Security Trustee

BTA Institutional Services Australia Limited is appointed to act as security trustee for the Secured Creditors and hold the benefit of the General Security Agreement on trust for the Secured Creditors and otherwise act in accordance with the Master Security Trust Deed.

The Security Trustee has all the powers of a natural person or corporation in connection with the exercise of its rights and compliance with its obligations under the Transaction Documents.

The Master Security Trust Deed contains provisions that govern the performance by the Security Trustee of its duties and obligations and the protections afforded to the Security Trustee in doing so. In addition, it contains provisions which govern the steps that are to be taken by the Security Trustee upon the occurrence of an Event of Default. In general, if an Event of Default occurs, and the Security Trustee has not waived the Event of Default pursuant to the Master Security Trust Deed, the Security Trustee must notify the applicable Secured Creditors and seek instructions of the Ruling Secured Creditor, or (if there is no Ruling Secured Creditor) convene a meeting of the Secured Creditors of the Trust to obtain directions as to what actions the Security Trustee should take in respect of the Collateral. Any meeting of Secured Creditors will be held in accordance with the terms of the Master Security Trust Deed.

The Security Trustee will be under no obligation to act unless it is adequately indemnified.

(b) Delegation by the Security Trustee

- (i) Subject to paragraphs (ii) and (iii), the Security Trustee may employ agents and attorneys and may delegate any of its rights or obligations in its capacity as security trustee without notifying any person of the delegation.
- (ii) The Security Trustee is not responsible or liable to any Secured Creditor for any act or omission of any delegate appointed by the Security Trustee if:
 - (A) the delegate is a clearing system;
 - (B) the Security Trustee is obliged to appoint the delegate pursuant to an express provision of a Transaction Document or pursuant to an instruction given to the Security Trustee in accordance with a Transaction Document;
 - (C) the Security Trustee appoints the delegate in good faith and using reasonable care and, the delegate is not:
 - (aa) a Related Entity of the Security Trustee; or
 - (ab) an officer or employee of the Security Trustee or a Related Entity of the Security Trustee; or
 - (D) the Trust Manager consents to the delegation in accordance with paragraph (iii).
- (iii) The Security Trustee agrees that it will not in respect of the Trust:
 - (A) delegate a material part of its rights or obligations under the Master Security Trust Deed; or
 - (B) appoint any Related Entity of it as its delegate,unless it has received the prior written consent of the Trust Manager.

(c) Security Trustee's undertakings

The Security Trustee agrees to exercise its rights and comply with its obligations under the Transaction Documents reasonably, in each case having regard to:

- (i) the interests of the Secured Creditors as a whole; and
- (ii) its fiduciary obligations as trustee of the Security Trust.

If at any time there is a conflict between a duty the Security Trustee owes to a Secured Creditor, or a class of Secured Creditors, and a duty the Security Trustee owes to another Secured Creditor, or another class of Secured Creditors, of the same Trust, the Security Trustee must give priority:

- (A) first, to the duties to the Ruling Secured Creditor (if any); and
- (B) thereafter, to the duties according to the order in which moneys are to be distributed to the relevant Secured Creditors or classes of Secured Creditor, under the Series Notice.

Provided that the Security Trustee acts in good faith, it shall not incur any liability to any Secured Creditor for doing so.

(d) Waivers and certain determinations

The Security Trustee may:

- (i) waive any breach or other non-compliance (or any proposed breach or non-compliance) with obligations by the Trustee in connection with a Transaction Document or any Event of Default; or
- (ii) determine that any Event of Default has been remedied,

if, in the reasonable opinion of the Security Trustee, the waiver or determination is not materially prejudicial to the interests of the Secured Creditors of the Trust as a whole.

Subject to the terms of the Transaction Documents, any other waiver or determination must be approved by the Ruling Secured Creditor or the Secured Creditors of the Trust in accordance with the Master Security Trust Deed.

(e) Security Trustee's voluntary retirement

The Security Trustee may retire as security trustee of the Security Trust by giving the Trustee at least 90 days' written notice of its intention to do so or such lesser time as the Trustee and Trust Manager agree.

(f) Mandatory retirement

The Security Trustee must retire as trustee of the Security Trust if:

- (i) the Security Trustee becomes Insolvent;
- (ii) required by law; or
- (iii) the Security Trustee ceases to carry on business as a professional trustee.

In addition, the Security Trustee must retire as security trustee of the Security Trust if the Security Trustee does not comply with a material obligation under the Transaction Documents and, if the non-compliance can be remedied or is otherwise waived by the Ruling Secured Creditor (if any) or, if there is no Ruling Secured Creditor, by Extraordinary Resolution of the Secured Creditors of the Trust:

- (i) the Security Trustee does not remedy the non-compliance within 30 days after becoming aware of it; or
- (ii) the non-compliance is not waived by the Ruling Secured Creditor (if any) or, if there is no Ruling Secured Creditor, by Extraordinary Resolution of the Trust within 30 days of the breach,

as the case may be.

(g) Removal by Ruling Secured Creditor or Secured Creditors

The Ruling Secured Creditor (if any) or, if there is no Ruling Secured Creditor, the Secured Creditors of the Trust may remove the Security Trustee as security trustee of the Security Trust in respect of that Trust with the approval of the Ruling Secured Creditor (if any) or, if there is no Ruling Secured Creditor, by Extraordinary Resolution of the Secured Creditors of that Trust.

(h) Removal by Trustee

The Trustee may remove the Security Trustee as security trustee of the Security Trust by giving the Security Trustee 90 days' written notice. However, the Trustee may only give notice if at the time it gives the notice:

- (i) no Event of Default is continuing in respect of the Trust; and
- (ii) the Designated Rating Agency has been notified of the proposed removal of the Security Trustee.

The Trustee or the Trust Manager may remove the Security Trustee by written notice with immediate effect if the Security Trustee fails to retire when required to in accordance with the Master Security Trust Deed.

(i) When retirement or removal takes effect

The retirement or removal of the Security Trustee takes effect when:

- (i) a successor security trustee is appointed for the Security Trust;
- (ii) the successor security trustee obtains title to, or obtains the benefit of, the Master Security Trust Deed and each other Transaction Document to which the Security Trust relates and to which the Security Trustee is a party in its capacity as security trustee; and
- (iii) the successor security trustee and each other party to the Transaction Documents to which the Security Trust relates and to which the Security Trustee is a party as trustee of the Security Trust have the same rights and obligations among themselves as they would have had if the successor security trustee had been party to them at the dates of those documents.

(j) Costs of retirement

If the Security Trustee retires or is otherwise removed everything it is required to do under the relevant provisions of the Master Security Trust Deed is at the Trustee's expense (other than, in limited circumstances only, the costs of the Security Trustee's legal advisers which is a personal expense of the Security Trustee).

(k) Limitation of the Security Trustee's Liability

This limitation of the Security Trustee's liability applies despite any other provisions of the Transaction Documents and extends to all Obligations (as defined below) of the Security Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Transaction Documents and to the extent of any inconsistency between the operation of this section and any other provision of the Transaction Documents, the terms of this section will prevail.

- (i) The Security Trustee enters into the Transaction Documents as trustee of the Security Trust and in no other capacity.

- (ii) The parties other than the Security Trustee acknowledge that the Security Trustee incurs the Obligations solely in its capacity as trustee of the Security Trust and that the Security Trustee will cease to have any obligation under the Transaction Documents if the Security Trustee ceases for any reason to be trustee of the Security Trust.
- (iii) Except in the case of and to the extent of fraud, negligence or wilful misconduct on the part of the Security Trustee, the Security Trustee will not be liable to pay or satisfy any Obligations except out of the Security Trust Fund against which it is actually indemnified in respect of any liability incurred by it as trustee of the Security Trust.
- (iv) Except in the case of and to the extent of fraud, negligence or wilful misconduct on the part of the Security Trustee, the parties other than the Security Trustee may enforce their rights against the Security Trustee arising from non-performance of the Obligations only to the extent of the Security Trustee's right of indemnity out of the Security Trust Fund.
- (v) Except in the case of and to the extent of fraud, negligence or wilful misconduct on the part of the Security Trustee, if any party other than the Security Trustee does not recover all money owing to it arising from non-performance of the Obligations it may not seek to recover the shortfall by:
 - (A) bringing proceedings against the Security Trustee in its personal capacity; or
 - (B) applying to have the Security Trustee put into administration or wound up or applying to have a receiver or similar person appointed to the Security Trustee or proving in the administration or winding up of the Security Trustee.
- (vi) Except in the case of and to the extent of fraud, negligence or wilful misconduct on the part of the Security Trustee, the parties other than the Security Trustee waive their rights and release the Security Trustee from any personal liability whatsoever, in respect of any loss or damage:
 - (A) which they may suffer as a result of any:
 - (aa) breach by the Security Trustee of any of its Obligations; or
 - (ab) non-performance by the Security Trustee of the Obligations; and
 - (B) which cannot be paid or satisfied out of the Security Trust Fund of which the Security Trustee is entitled to be indemnified in respect of any liability incurred by it as trustee of the Security Trust.
- (vii) The parties other than the Security Trustee acknowledge that the whole of the Transaction Documents is subject to this section and the Security Trustee shall in no circumstances be required to satisfy any liability of the Security Trustee arising under, or for non-performance or breach of any Obligations under or in respect of, the Transaction Documents or under or in respect of any other document to which it is expressed to be a party out of any funds, property or assets other than the Security Trust Fund under the Security Trustee's control and in its possession as and when they are available to the Security Trustee to be applied in exoneration for such liability PROVIDED THAT if the liability of the Security Trustee is not fully satisfied out of the Security Trust Fund as referred to in this section, the Security Trustee will be liable to pay out of its own funds, property and assets the unsatisfied amount of that liability but only to the extent of the total amount, if any, by which the

Security Trust Fund have been reduced by reasons of fraud, negligence or wilful misconduct by the Security Trustee in the performance of the Security Trustee's duties as trustee of the Security Trust.

- (viii) The parties agree that no act or omission of the Security Trustee (including any related failure to satisfy any Obligations) will constitute fraud, negligence or wilful misconduct of the Security Trustee for the purposes of this section to the extent to which the act or omission was caused or contributed to by any failure of the Trust Manager or any other person to fulfil its obligations relating to the Security Trust or by any other act or omission of the Trust Manager or any other person.
- (ix) No attorney, agent or other person appointed in accordance with the Transaction Documents has authority to act on behalf of the Security Trustee in a way which exposes the Security Trustee to any personal liability (except in accordance with the provisions of clause 7 ("Delegation and reliance on advice") of the Master Security Trust Deed), and no act or omission of such a person will be considered fraud, negligence or wilful misconduct of the Security Trustee for the purposes of this section.
- (x) In no event shall the Security Trustee be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond the Security Trustee's control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, embargo, labour dispute, any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by the Transaction Documents, inability to obtain or the failure of equipment, or interruption of communications or computer facilities, and other causes beyond the Security Trustee's control whether or not of the same class or kind as specifically named above.
- (xi) Notwithstanding any provision of the Transaction Documents to the contrary, including, without limitation, any indemnity made by the Security Trustee in the Transaction Documents, the Security Trustee will not in any event be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), whether or not foreseeable, even if the Security Trustee has been advised of the likelihood of such loss or damage and regardless of whether the claim for loss or damage is made in negligence, for breach of contract or otherwise.
- (xii) In this section the "**Obligations**" means all obligations and liabilities of whatever kind undertaken or incurred by, or devolving upon, the Security Trustee under or in respect of the Transaction Documents.

(l) Liability must be limited and must be indemnified

The Security Trustee is not obliged to do or not do any thing in connection with the Transaction Documents (including enter into any transaction or incur any liability) unless:

- (i) the Security Trustee's liability is limited in a manner which is consistent with the description in "Limitation of the Security Trustee's Liability" above; and
- (ii) it is indemnified against any liability or loss arising from, and any Costs properly incurred in connection with, doing or not doing that thing in a manner which is consistent with the description in "Indemnity" in the immediately following paragraph below.

(m) Indemnity

The Security Trustee is indemnified out of the Security Trust Fund against any liability or loss arising from, and any Costs properly incurred in connection with, complying with its obligations or exercising its rights under the Transaction Documents. To the extent permitted by law, this indemnity applies despite any reduction in value of, or other loss in connection with, the Security Trust Fund as a result of any unrelated act or omission by the Security Trustee or any person acting on its behalf. This indemnity does not extend to any liabilities, losses or Costs to the extent that they are due to the Security Trustee's fraud, negligence or wilful misconduct.

(n) No supervision

Except as expressly set out in the Transaction Documents, the Security Trustee has no obligation to supervise, monitor or investigate the performance of the Trust Manager or any other person.

8.4 General Security Agreement

The Noteholders have the benefit of a security interest over all the Trust Assets under the General Security Agreement and the Master Security Trust Deed. The Security Trustee holds this security interest on behalf of the Secured Creditors (including the Noteholders) pursuant to the Master Security Trust Deed and may enforce the General Security Agreement upon the occurrence of an Event of Default (as defined below).

(a) Events of Default

An "**Event of Default**" means the occurrence of any of the following events in respect of the Trust:

- (i) the Trustee does not pay any amount payable by it in respect of the Senior Obligations on time and in the manner required under the Transaction Documents unless, in the case of a failure to pay on time, the Trustee pays the amount within 3 Business Days of the due date;
- (ii) the Trustee:
 - (A) does not comply with any other obligations relating to the Trust under any Transaction Document where such non-compliance will have a Material Adverse Payment Effect; and
 - (B) if the Trust Manager determines that the non-compliance can be remedied, does not remedy the non-compliance within 20 Business Days;
- (iii) the Trustee becomes Insolvent (unless the event which causes it to become Insolvent only affects assets or liabilities of the Trustee which do not relate to the Trust and the Trustee is replaced in accordance with the Master Trust Deed within 60 days of becoming Insolvent);
- (iv) a Transaction Document, or a transaction in connection with it, is or becomes (or is claimed to be) wholly or partly void, voidable or unenforceable or does not have (or is claimed not to have) the priority the Security Trustee intended it to have, where such event will have a Material Adverse Payment Effect ("claimed" in this paragraph means claimed by the Trustee or anyone on its behalf);
- (v) the Trustee is (for any reason) not entitled to fully exercise the right of indemnity conferred on it under the Master Trust Deed against the Trust Assets to satisfy any liability to a Secured Creditor and the circumstances are

not rectified to the reasonable satisfaction of the Security Trustee within 30 days of the Security Trustee requiring the Trustee in writing to rectify them;

(vi) the General Security Agreement (or the security interest created under the General Security Agreement) is not or ceases to be valid and enforceable or the Trustee breaches the terms in clause 4.1 ("Restricted dealings with any of the Collateral") of the General Security Agreement where such breach will have a material and adverse effect on the amount or timing of any payment to a Secured Creditor (other than a Class L Noteholder) or a material and adverse effect on the rights of the Secured Creditors under the Transaction Documents. Under clause 4.1 ("Restricted dealings with any of the Collateral") of the General Security Agreement, unless the Trustee is expressly permitted to do so under the Transaction Documents or the Security Trustee (at the direction of the Ruling Secured Creditors) consents, the Trustee may not, and may not agree, attempt or take any step to, do any of the following:

(A) create or allow to exist another Encumbrance over the Collateral other than any Permitted Encumbrance; or

(B) assign or otherwise deal in any way with the General Security Agreement or any interest in it, or allow any interest in it to arise or be varied.

For the purposes of this paragraph (vi) only, the words "allow to exist" in paragraph (vi)(A) shall be interpreted as allowing an Encumbrance to exist for a period of time of more than 10 Business Days; or

(vii) the Trust is found, or conceded, to be improperly established.

(b) Fees

The Trustee, under the Master Security Trust Deed, agrees to pay to the Security Trustee a fee on terms agreed for the Trust in writing between the Security Trustee, the Trustee and the Trust Manager from time to time.

(c) Restrictions on dealings

Under the General Security Agreement, the Trustee has agreed not to sell, transfer or otherwise dispose of the Mortgage Loans or Related Security except in the ordinary course of the Trustee's business (including the Trust Business), unless the Security Trustee notifies the Trustee that it may not do so. The Security Trustee may give such notice to the Trustee only if the Security Trustee reasonably considers that it is necessary to do so to protect its rights under the General Security Agreement or if an Event of Default has occurred. If, however, the Trustee disposes of any Mortgage Loan, other than in accordance with the Transaction Documents, the person acquiring the property could nevertheless, in certain circumstances, take that Mortgage Loan free of the security created in favour of the Security Trustee or hold a security interest that ranks in priority over that Mortgage Loan to the security interest created in favour of the Security Trustee under the General Security Agreement. Whether this would be the case, depends upon matters including the nature of the dealing by the Trustee; the particular Mortgage Loan concerned and the actions of the relevant third party. For example, under the PPSA, for certain classes of assets, a security interest (the other security interest) may take priority over a registered security interest in relation those assets if the holder of the other security interest has possession of or control over those assets. Further, in certain circumstances, if the Trustee were to transfer a Mortgage Loan or create a security interest over such a Mortgage Loan in breach of the Transaction Documents it is possible that the Security Trustee would need under the PPSA to take protective action (such as filing additional registrations or giving notices) in order to preserve the continuous perfection and priority of its security over

that Mortgage Loan. Under the Master Security Trust Deed, if an Event of Default occurs or the Trustee breaches its undertakings in relation to dealings with certain Trust Assets, the Security Trustee will have the right to enforce the security and/or declare that the Trustee is prohibited from future dealings with Trust Assets except with the consent of the Security Trustee unless otherwise expressly permitted in accordance with the Transaction Documents.

(d) Actions following Event of Default

If an Event of Default has occurred and the Security Trustee does not waive the Event of Default, the Security Trustee may do any one or more of the following if it is instructed to do so by the Ruling Secured Creditor (if any) or, if there is no Ruling Secured Creditor, the Secured Creditors of the Trust:

- (i) declare at any time by notice to the Trustee that an amount equal to the Secured Money is either:
 - (A) payable on demand; or
 - (B) immediately due for payment; or
- (ii) take any action which it is permitted to take under the Master Security Trust Deed or the General Security Agreement.

If, in the opinion of the Security Trustee, the delay required to obtain instructions from the Ruling Secured Creditor or the Secured Creditors of the Trust (as the case may be) would be materially prejudicial to the interests of the Ruling Secured Creditor or those Secured Creditors (as the case may be), the Security Trustee may do these things without instructions from them.

(e) Call meeting if an Event of Default has occurred

If the Security Trustee becomes aware that an Event of Default has occurred and the Security Trustee does not waive the Event of Default, the Security Trustee agrees to do the following as soon as possible and in any event within 5 Business Days of the Security Trustee becoming aware of the Event of Default:

- (i) notify all Secured Creditors of the Trust of:
 - (A) the Event of Default;
 - (B) any steps which the Security Trustee has taken, or proposes to take, under the Master Security Trust Deed; and
 - (C) any steps which the Trustee or the Trust Manager has notified the Security Trustee that it has taken, or proposes to take, to remedy the Event of Default; and
- (ii) seek instructions of the Ruling Secured Creditor or, if there is no Ruling Secured Creditor, call a meeting of the Secured Creditors of the Trust. However, if the Security Trustee calls a meeting and before the meeting is held the Event of Default ceases to continue, the Security Trustee may cancel the meeting by giving notice to each person who was given notice of the meeting.

(f) Security Trustee not liable for loss on Enforcement

Neither the Security Trustee nor any of its directors, officers, employees, agents or attorneys will be taken to be fraudulent, negligent or in wilful misconduct for the purposes of the Master Security Trust Deed because:

- (i) any person other than the Security Trustee does not comply with its obligations under the Transaction Documents;
 - (ii) of the financial condition of any person other than the Security Trustee;
 - (iii) any statement, representation or warranty of any person other than the Security Trustee in a Transaction Document is incorrect or misleading;
 - (iv) of any omission from or statement or information contained in any information memorandum or any advertisement, circular or other document issued in connection with any Notes;
 - (v) of the lack of effectiveness, genuineness, validity, enforceability, admissibility in evidence or sufficiency of the Transaction Documents (including any security interest constituted by or arising under the Transaction Documents) or any document signed or delivered in connection with the Transaction Documents (except to the extent such liability arises directly as a result of an act or omission of the Security Trustee and provided that this paragraph (e) does not limit any representation or warranty given by the Security Trustee in any Transaction Document as to the validity or enforceability of the Security Trustee's obligations under the Transaction Documents);
 - (vi) of acting, or not acting, in each case in accordance with instructions of the Ruling Secured Creditor or the Secured Creditors (as applicable);
 - (vii) of acting, or not acting, in good faith in reliance on:
 - (A) any communication or document that the Security Trustee believes to be genuine and correct and to have been signed or sent by the appropriate person; or
 - (B) any opinion or advice of any professional advisers used by it in relation to any legal, accounting, taxation or other matters; or
 - (viii) of any error in the Note Register.
- (g) Meetings of Secured Creditors

The Master Security Trust Deed contains provisions for convening meetings of the Secured Creditors to, among other things, enable the Secured Creditors to direct or consent to the Security Trustee taking or not taking certain actions under the Master Security Trust Deed; for example to enable the Secured Creditors, following the occurrence of an Event of Default, to direct the Security Trustee to declare the Notes immediately due and payable and/or to enforce the General Security Agreement.

However, if a Transaction Document expressly provides for the passing of an Extraordinary Resolution or an Ordinary Resolution by a class of Secured Creditors only (but not all Secured Creditors), then the Secured Creditors of that class will be entitled to vote in respect of that Extraordinary Resolution or Ordinary Resolution (as applicable).

If at any time there is a conflict between a duty the Security Trustee owes to a Secured Creditor, or a class of Secured Creditors, of the Trust and a duty the Security Trustee owes to another Secured Creditor, or another class of Secured Creditors, of the Trust, the Security Trustee must give priority:

- (i) first, to the duties to the Ruling Secured Creditor (if any); and

- (ii) thereafter, to the duties according to the order in which moneys are to be distributed to the relevant Secured Creditors, or classes of Secured Creditors, at that time.

Provided that the Security Trustee acts in good faith, it shall not incur any liability to any Secured Creditor for doing so.

(h) Special Quorum Resolutions

Under the Master Security Trust Deed, certain matters require either the approval of the Ruling Secured Creditor (if any) or, if there is no Ruling Secured Creditor the passing of a Special Quorum Resolution of Secured Creditors. These include (but are not limited to):

- (i) the exchange or substitution of any Notes for, or the conversion of those Notes into, other debt or equity securities or other obligations, other than an exchange, substitution or conversion which is expressly provided for in the Transaction Documents;
 - (ii) a variation of the date on which any payment is due on any Notes, other than a variation which is expressly provided for in the Transaction Documents;
 - (iii) a variation of the amount of any payment in respect of the Notes or a variation to the method of calculating such an amount, in each case, other than a variation which is expressly provided for in the Transaction Documents; and
 - (iv) a variation of the due currency of any payment in respect of the Notes.
- (i) Post-Event of Default Order of Application

Following the occurrence of an Event of Default and enforcement of the General Security Agreement, the Security Trustee must apply all moneys received by it in respect of the Collateral in the order described in section 7.19 ("Application of proceeds following an Event of Default and enforcement of the General Security Agreement").

8.5 Master Management Deed

Pepper Group Limited has been appointed as Trust Manager to carry on the day to day administration, supervision and management of the Trust.

(a) Trust Manager's duties

Under the Master Management Deed, the Trust Manager may (among other things) direct the Trustee in relation to how to carry on the Trust Business, including:

- (i) the Trustee entering into any documents in connection with the Trust (including the Transaction Documents) and the form of those documents;
- (ii) the Trustee issuing Notes or incurring other liabilities;
- (iii) the Trustee originating, acquiring, disposing of, or otherwise dealing with any Trust Assets;
- (iv) the Trustee acquiring, disposing of or otherwise dealing with any Authorised Investments; and
- (v) the Trustee exercising its rights or complying with its obligations under the Transaction Documents.

Any directions given by the Trust Manager may be general or specific.

The Master Management Deed contains various provisions relating to the Trust Manager's exercise of its powers and duties under the Master Management Deed, including provisions entitling the Trust Manager to act on expert advice.

(b) Delegation by the Trust Manager

The Trust Manager may employ agents and attorneys and may delegate any of its rights or obligations in its capacity as Trust Manager. The Trust Manager agrees to notify the Trustee and the Security Trustee in writing of the delegation of any material rights or obligations.

The Trust Manager agrees to exercise reasonable care in selecting delegates. The Trust Manager is responsible for and remains liable for any loss arising due to any acts or omissions of any person appointed under the paragraph immediately above and for the payment of any fees of that person.

The Trust Manager remains responsible for its obligations under the Transaction Documents, notwithstanding any delegation by it.

(c) Trust Manager's fees and expenses

The Trust Manager is entitled to a fee for administering and managing the Trust, as agreed from time to time in writing between the Trustee and the Trust Manager (but not to be increased without the consent of the Designated Rating Agency).

The Trustee has agreed to pay or reimburse the Trust Manager for the Trust Manager's cost, charges and expenses in connection with the Transaction Documents and the ongoing administration of the Transaction Documents and any taxes and fees.

(d) Trust Manager's voluntary retirement

The Trust Manager may retire from the management of the Trust upon giving 90 days' written notice to the Trustee (or such lesser period as the Trust Manager and the Trustee may agree).

(e) Mandatory Retirement

The Trust Manager must retire as manager of the Trust:

- (i) if the Trust Manager becomes Insolvent; or
- (ii) is required by law.

(f) Removal of the Trust Manager

A "**Trust Manager Default**" occurs in respect of the Trust if:

- (i) the Trust Manager:
 - (A) fails to comply with any of its obligations under the Transaction Documents of the Trust to direct the Trustee to make a payment when due by the Trustee in accordance with the Transaction Documents of the Trust and the Trust Manager does not remedy the non-compliance within 5 Business Days after the Trust Manager becoming aware of it;

- (B) does not comply with any of its obligations under the Transaction Documents and such non-compliance is likely to have a Material Adverse Payment Effect; and
- (C) if the non-compliance can be remedied, the Trust Manager does not remedy the non-compliance within 30 days after the Trust Manager becoming aware of it; or
- (ii) any representation or warranty made by the Trust Manager under the Transaction Documents is incorrect or misleading when made and such failure is likely to have a Material Adverse Payment Effect, unless such failure is remedied within 30 days after the Trust Manager becoming aware of it.

The Trustee may remove the Trust Manager as manager of the Trust Business of the Trust by giving the Trust Manager 30 days' written notice. However, the Trustee may only give notice if at the time it gives the notice:

- (iii) a Trust Manager Default is continuing in respect of the Trust; and
- (iv) the Designated Rating Agency of the Trust has been notified of the proposed removal of the Trust Manager.
- (g) When retirement or removal takes effect

The retirement or removal takes effect when the appointment of a successor Trust Manager takes effect for that Trust.

- (h) Appointment of successor Trust Manager

If the Trust Manager retires or is removed as manager of the Trust, the retiring Trust Manager agrees to use its best endeavours to ensure a successor Trust Manager is appointed as soon as possible. If a successor manager is not appointed within 90 days after notice of retirement or removal is given, the Trustee (in the case of mandatory or voluntary retirement) or retiring Trust Manager (in the other cases) may appoint a successor Trust Manager for the Trust. The appointment of a successor Trust Manager will only take effect once the successor manager has become bound by the Transaction Documents.

- (i) Costs of retirement

If the Trust Manager is required to retire or is removed for a failure to retire, everything it is required to do under the Master Management Deed is at the Trustee's expense. However if the Trust Manager otherwise retires or is otherwise removed, everything that it is required to do under the Master Management Deed in respect of that removal or retirement is at the Trust Manager's own expense.

8.6 Master Servicer Deed

- (a) Appointment of Servicer

The Servicer and the Trustee have entered into the Master Servicer Deed under which the Servicer agrees to service the Mortgage Loans in accordance with the requirements of that deed and the relevant Servicing Guidelines.

- (b) Duties of Servicer

The Master Servicer Deed requires the Servicer to (among other things):

- (i) service the Trust Assets in accordance with the Servicing Guidelines;

- (ii) remit Collections received in respect of the Trust Assets to the Collection Account within two Business Days of receipt;
- (iii) take all reasonable action to:
 - (A) protect or enforce the terms of any Trust Assets (including taking all action to enforce any rights against the relevant Obligor in respect of a Trust Asset to the extent permitted by the terms of that Trust Asset); and
 - (B) otherwise exercise any rights, in respect of any Trust Assets, conferred at law or under the terms of such Trust Assets;
- (iv) manage all Collections in respect of the Trust Assets in accordance with the Servicing Guidelines, including, where applicable, setting up direct debt arrangements and/or performing the obligations of the Trustee under direct debit arrangements;
- (v) comply with its obligations under the Transaction Documents; and
- (vi) not do anything which would render a Trust Asset subject to any set-off, counterclaim or similar defence.

(c) Threshold Rate

Pursuant to the Series Notice the Trust Manager must, on any Payment Date, direct the Servicer to reset or cause to be reset, and the Servicer must upon such direction reset or cause to reset, as soon as possible (having regard to the Consumer Credit Legislation), the interest rates on any one or more Mortgage Loans so that the weighted average interest rate on the Mortgage Loans is not less than the Threshold Rate.

(d) Servicing Guidelines

The Servicer and the Trust Manager may amend the Servicing Guidelines from time to time.

However, the Trust Manager and the Servicer agree:

- (i) to ensure that the Servicing Guidelines comply with all laws applicable to the Trust Assets;
- (ii) not to amend the Servicing Guidelines for which Trust Assets include Regulated Receivables in a manner which would breach the Consumer Credit Laws to the extent they apply to the relevant Trust Assets; and
- (iii) not to amend the Servicing Guidelines in a manner which would materially change the rights or obligations of the Trustee, without the prior written approval of the Trustee.

(e) Delegation

The Servicer may employ agents and attorneys and may delegate any of its rights or obligations in its capacity as servicer. The Servicer agrees to notify the Trustee, the Trust Manager and the Custodian in writing of the delegation of any material rights or obligations.

The Servicer is responsible for and remains liable for any loss arising due to any acts or omissions of any delegate and for the payment of any fees of that person. The

Servicer remains responsible for its obligations under the Transaction Documents, notwithstanding any delegation by it.

(f) Mandatory Retirement of the Servicer

The Servicer must immediately retire as servicer of the Trust if:

- (i) required by law; or
- (ii) a Servicer Default in respect of that Trust occurs (unless otherwise waived by the Trustee).

It is a “**Servicer Default**” if:

- (A) the Servicer does not (except where at the express written instructions of the Trust Manager when the Trust Manager is not a Related Entity of the Servicer) pay any amount payable by it in respect of the Trust under any Transaction Document on time and in the manner required under the relevant Transaction Document unless, in the case of a failure to pay on time, the Servicer pays the amount within 10 Business Days of notice from any of the Trust Manager, the Trustee or the Security Trustee;
- (B) the Servicer:
 - (aa) does not comply with any other obligation relating to the Trust under any Transaction Document and such non-compliance is likely to have a Material Adverse Effect in respect of the Trust; and
 - (ab) if the non-compliance can be remedied, does not remedy the non-compliance within 30 Business Days of the Servicer receiving a notice from the Trustee or the Security Trustee requiring its remedy;
- (C) the Servicer becomes Insolvent; or
- (D) any representation or warranty made by the Servicer in connection with the Transaction Documents is incorrect or misleading when made and such failure is likely to have a Material Adverse Effect in respect of the Trust, unless such failure is remedied to the satisfaction of the Trustee within 30 Business Days of the Servicer receiving a notice from the Trustee.

The Trustee may agree to waive the occurrence of any event which would otherwise constitute a Servicer Default:

- (i) while the Trust Manager is not the Servicer (or a Related Entity of the Servicer), at the direction of the Trust Manager; or
- (ii) otherwise, at its own discretion,

provided that a Rating Notification has been given.

(g) Voluntary Retirement of Servicer

The Servicer may retire as servicer of the Trust by giving the Trustee at least 90 days’ written notice of its intention to do so (or such lesser time as the Servicer, the Trust Manager and the Trustee agree).

(h) When retirement takes effect

The retirement of the Servicer as servicer of the Trust takes effect when the appointment of a successor servicer takes effect.

(i) Appointment of successor servicer

If the Servicer:

(i) retires as servicer of the Trust, the retiring Servicer, or

(ii) otherwise retires as servicer of the Trust, the Trustee,

agrees to use its best endeavours to ensure a successor servicer is appointed as soon as possible.

If a successor servicer is not appointed within 90 days after notice of retirement or removal is given, the Trustee (in the case of paragraph (i) above) or the retiring Servicer (in the case of paragraph (ii) above) may appoint a successor Servicer for the Trust.

The appointment of a successor Servicer for the Trust will only take effect once the successor Servicer has become bound by the Transaction Documents.

The Backup Servicer has been appointed in accordance with the Backup Servicer Deed (see section 8.7 ("The Backup Servicer Deed")).

(j) Servicer to provide full co-operation

If the Servicer retires as servicer in respect of the Trust, it must promptly deliver to the successor servicer (or as the Trustee or Trust Manager may direct) all original documents in its possession relating to the Trust and the Trust Assets and any other documents and information in its possession relating to the Trust and the Trust Assets as are reasonably requested by the Trustee (where the Trustee is acting as Servicer) or the successor servicer.

The Servicer also agrees to do anything the Trustee or successor servicer reasonably asks (such as obtaining consents, and signing, producing and delivering documents including a retirement and appointment document) to give effect to the retirement and the appointment of the successor service.

(k) Notification to Designated Rating Agency

The Trust Manager agrees to notify the Designated Rating Agency if:

(i) the Servicer retires as servicer in respect of the Trust; or

(ii) it is proposed that a successor servicer be appointed.

(l) Costs of retirement

If the Servicer is required to retire under the Master Servicer Deed for a failure to retire when required to do so, everything it is required to do under the Master Servicer Deed is at the Trustee's expense. However, if the Servicer otherwise retires or is otherwise removed, everything it is required to do under the Master Servicer Deed in respect of that retirement is at the Servicer's own expense.

(m) Servicer's fees and expenses

The Trustee agrees to pay fees to the Servicer on terms agreed for the Trust in writing between the Servicer, the Trust Manager and the Trustee from time to time.

The Trustee agrees to pay or reimburse the Servicer for:

- (i) all costs incurred by the Servicer in connection with:
 - (A) performing its duties and exercising its powers under the Transaction Documents to which it is a party, except where the Costs incurred are as a result of fraud, negligence or wilful misconduct on the part of the Servicer; and
 - (B) the enforcement and recovery of defaulted Trust Assets, including Costs relating to any court proceedings, arbitration or other dispute; and
- (ii) Taxes and fees (including registration fees) and fines and penalties in respect of fees paid, or that the Servicer reasonably believes are payable, in connection with any Transaction Document or a payment or receipt or any other transaction contemplated by any Transaction Document. However, the Trustee need not pay a fine or penalty in connection with Taxes or fees to the extent that it has placed the Servicer in sufficient cleared funds for the Servicer to be able to pay the Taxes or fees by the due date.

(n) Indemnity

The Servicer indemnifies the Trustee from and against any loss arising from or incurred in connection with:

- (i) a representation or warranty given by it under a Transaction Document being incorrect;
- (ii) a failure by the Servicer to perform any obligation under any the Master Servicer Deed or any other Transaction Document to which it is a party in connection with the Trust (including any title penalty payments incurred);
- (iii) a Servicer Default in respect of the Trust; and
- (iv) the Trustee acting, or not acting, in good faith in reliance on written, facsimile, email or telephone instructions that the Trustee believes to be genuine and to have been given by an appropriate officer of the Servicer.

8.7 The Backup Servicer Deed

(a) Appointment of Backup Servicer

The Trust Manager, Servicer, Trustee, Security Trustee and Backup Servicer have entered into the Backup Servicer Deed under which the Backup Servicer agrees to act as servicer of the Mortgage Loans if the Servicer retires or is removed as servicer in accordance with the Master Servicer Deed.

(b) Duties of the Backup Servicer

The Backup Servicer Deed requires the Backup Servicer to, from the date of its appointment as Backup Servicer (among other things):

- (i) take action to protect or enforce the terms of any Mortgage Loan and Related Securities or otherwise exercise any rights conferred under documentation or

at law in relation to the Mortgage Loans and Related Securities and take such action and incur such expenses as are necessary for such protection, enforcement or exercise of rights as would reasonably be expected by a Prudent Lender;

- (ii) set the interest rate charged (if that rate is a variable rate) on or any fees payable in respect of a Mortgage Loan and Related Security held on the instructions of the Trust Manager;
- (iii) prepare and collate all performance statistics of the Mortgage Loans and Related Securities as reasonably requested by the Trust Manager from time to time;
- (iv) provide to the Trustee promptly from time to time such information, documents, records, reports or other information relating to the Mortgage Loans and Related Securities or the operations of the Backup Servicer as may be reasonably requested by the Trustee;
- (v) subject to the terms of the Backup Servicer Deed, collect all Collections in respect of each Mortgage Loan and Related Security and deposit any such Collections during each Collection Period into the Collection Account not later than one Business Day after receipt; and
- (vi) maintain any loan account in respect of any Mortgage Loan and Related Security and give all notices, documents or statement required to be given by a Prudent Lender to the relevant Obligor.

(c) Limited Liability of the Backup Servicer

If the Backup Servicer is appointed as servicer in respect of the Trust under the Backup Servicer Deed, the Backup Servicer will not be liable for any inability to perform, or any deficiency in performing, its duties and obligations as servicer if the Backup Servicer is unable to perform those duties and obligations:

- (i) because of anything done or not done by it in good faith in reliance upon any communication, document, form or list provided by or on behalf of the Servicer, the Trust Manager, the Trustee or the Security Trustee;
- (ii) because of the financial condition of any person other than the Backup Servicer (and its Related Entities and delegates);
- (iii) without limiting its specific obligations as Backup Servicer, because of the performance or non-performance of any Obligor under the Mortgage Loans or Related Securities;
- (iv) because it is prevented or hindered from doing it by any applicable law;
- (v) because a person fails to carry out an agreement with a party to a Transaction Document (except when the failure is due to the Backup Servicer's (or any of the delegates, officers, employees, agents or Related Entities of the Backup Servicer) fraud, negligence or wilful misconduct);
- (vi) as a direct result of any Third Party Failure;
- (vii) because of any statement, representation or warranty of any person (other than the Backup Servicer or a Related Entity) in a Transaction Document being untrue, incorrect or misleading whether by omission or otherwise;

- (viii) because of the form, content or unsuitability or unenforceability of any Transaction Document or any document incidental to any Transaction Document, whether arising from statute, law or the decision of any court; or
- (ix) because the Backup Servicer is unable, after using reasonable endeavours, to obtain sufficient information and documents which it requires and which are reasonably necessary for it to perform those duties and obligations.

In no circumstances, however, will the Backup Servicer be personally liable for any indirect, incidental, consequential, punitive or special damages (including, without limitation, lost profits) of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought (except to the extent that there is a final determination by a non-appealable court of law of fraud by the Backup Servicer).

“Third Party Failure” means:

- (i) a failure resulting from the Backup Servicer relying in good faith on communications, directions, documents, deeds, computer tapes or other data or information provided to it by the originator, the Servicer, the Trust Manager or the Trustee or any officer, employee, agent, delegate or Related Entity of any of them in relation to the Trust where it would be reasonable to expect that a prudent servicer would have acted in a similar manner;
- (ii) the failure by any person (other than an officer, employee, agent, delegate or a Related Entity of the Backup Servicer or the Backup Servicer itself) to provide to the Backup Servicer accurate, complete or timely information, documents, deeds, computer tapes or other data in relation to the Mortgage Loans and Related Securities, that is necessary for the Backup Servicer to perform its obligations under the Backup Servicer Deed;
- (iii) any inability of the Backup Servicer to perform (or deficiency of the Backup Servicer’s performance of) its obligations under the Backup Servicer Deed as a consequence of any action, omission, or breach by or the state of affairs of:
 - (A) the Trust; or
 - (B) any party (other than an officer, employee, agent, delegate or a Related Entity of the Backup Servicer) to a Transaction Document or the Backup Servicer Deed or any of their respective officers, employees, agents or delegates,

or, in either case, their books and records (including accounting records, Tax returns, financial statements and any documents, files, computer tapes) and other information, systems or administrative or operating procedures provided by the originator, the Servicer, the Trust Manager or the Trustee or any officer, employee, agent, delegate or Related Entity of any of them in connection with the Transaction Documents other than where such inability arises as a direct result of a breach by the Backup Servicer of the Backup Servicer Deed; or
- (iv) any act or omission by a party involved in the origination of the Mortgage Loans.
- (d) Voluntary Retirement of the Backup Servicer

The Backup Servicer may retire as Backup Servicer for the Trust (whether before or after the date of appointment of the Backup Servicer):

- (i) immediately by written notice to the Trustee, the Trust Manager and the Security Trustee and the Designated Rating Agency if a Receiver is appointed to the Trust (unless the Receiver notifies the Backup Servicer that it requires the Backup Servicer to continue acting and the Receiver provides all reasonable cooperation to enable the Backup Servicer to continue so acting); or
 - (ii) for any reason, by not less than three months' written notice to the Trustee, the Trust Manager and the Security Trustee and the Designated Rating Agency (or such other period as may be agreed between the Backup Servicer, the Trustee and the Trust Manager).
- (e) Nomination of Appropriate Backup Servicer Corporation

If the Trust Manager has not appointed a new Backup Servicer for the Trust in accordance with the provisions above paragraphs within two months of the Backup Servicer giving written notice to the Trust Manager as described in paragraph (a) above, the Backup Servicer may nominate in writing an Appropriate Backup Servicer Corporation as Backup Servicer for the Trust.

The nomination of the Appropriate Backup Servicer Corporation is subject to the:

- (i) approval of the Trust Manager (which approval must not be unreasonably withheld); and
- (ii) Trust Manager providing a Ratings Notification in respect of the Appropriate Backup Servicer Corporation;

If:

- (A) the Trustee does not appoint a Backup Servicer; or
- (B) the Trust Manager refuses to approve the nomination of a replacement Backup Servicer appointed by the Trustee,

either the Backup Servicer or the Trust Manager may apply to a court of competent jurisdiction for an Appropriate Backup Servicer Corporation to be appointed as Backup Servicer for the Trust.

“Appropriate Backup Servicer Corporation” means a company that (other than where to be determined by a court in accordance with the Backup Servicer Deed) the Trust Manager in its absolute discretion determines:

- (i) is not a competitor of the Trust Manager; and
 - (ii) is a reputable company and has the experience, skill and resources to service assets located in Australia similar to the Mortgage Loans.
- (f) Effect of retirement

The purported retirement of the Backup Servicer and the purported appointment of a new Backup Servicer has no effect until the new Backup Servicer executes a deed under which it covenants to act as Backup Servicer in accordance with the Backup Servicer Deed.

- (g) Backup Servicer's fees and expenses

The Backup Servicer is entitled to a fee for performing its functions and duties in respect of the Trust in an amount and calculated in such manner as may be agreed between the Trustee and the Backup Servicer from time to time.

(h) Indemnity

The Trustee and the Trust Manager indemnify the Backup Servicer (or its agent) against liability or loss arising from, and any costs, charges and expenses incurred in connection with the Backup Servicer exercising any powers or rights, or performing its obligations or duties as Backup Servicer under the Backup Servicer Deed and the Master Servicer Deed except to the extent the costs, charges or expenses arose from the Backup Servicer's (or its agent's) fraud, negligence or wilful misconduct.

8.8 Liquidity Facility Agreement

(a) General

The Liquidity Facility Provider grants to the Trustee a loan facility in Australian Dollars in respect of the Trust in an amount equal to the Liquidity Limit.

The Liquidity Facility will be available to be drawn to fund Liquidity Draws up to an aggregate amount equal to the Liquidity Limit.

(b) Liquidity Advances

If, on any Determination Date during the Availability Period, the Trust Manager determines that there is a Further Liquidity Shortfall in respect of that Determination Date, the Trust Manager must request that the Liquidity Facility Provider make a Liquidity Advance under the Liquidity Facility ("**Liquidity Advance**") on the Payment Date immediately following that Determination Date in accordance with the Liquidity Facility Agreement and equal to the lesser of:

- (i) the Further Liquidity Shortfall; and
- (ii) the Available Liquidity Amount on that day.

(c) Interest

Interest is to be calculated for each Liquidity Interest Period. Interest accrues from day to day and is to be calculated on actual days elapsed and a 365 day year. Interest is payable in arrears on each Payment Date. The rate of interest paid to the Liquidity Facility Provider in respect of a Liquidity Interest Period is the sum of the Bank Bill Rate (as defined below) on the first day of that Liquidity Interest Period (rounded to 4 decimal places) and 1.20% per annum (or such other rate as the Trust Manager and the Liquidity Facility Provider may agree from time to time, provided that Rating Notification has been provided).

The "**Bank Bill Rate**" for the purposes of a Liquidity Interest Period means the rate designated as the "AVG MID" for prime bank eligible securities having a tenor closest to the Liquidity Interest Period as displayed on the "BBSW" page of the Bloomberg service on the first day of that Liquidity Interest Period. However, if such rate is not displayed by 10.30 am on that day, or if it is displayed but the Liquidity Facility Provider determines that there is an obvious error in that rate, "Bank Bill Rate" means the rate set by the Liquidity Facility Provider in good faith at approximately 10.30 am on that day, having regard, to the extent possible, to the mid rate of the rates otherwise bid and offered for prime bank eligible securities of that tenor at or around that time.

A "**Liquidity Interest Period**" in respect of a Liquidity Advance commences on (and includes) its Drawdown Date and ends on (but excludes) the next Payment Date or when such Liquidity Advance is repaid in full. Each subsequent Liquidity Interest Period will commence on (and include) a Payment Date and end on (but exclude) the next Payment Date.

(d) Downgrade of Liquidity Facility Provider

- (i) If at any time (for so long as the Notes are outstanding) the Liquidity Facility Provider does not have a rating by S&P equivalent to or higher than:
- (A) a long term rating of BBB+; or
 - (B) a long term rating of BBB, together with a short term rating of A-2; or
 - (C) a short term rating of A-2 (if the Liquidity Facility Provider does not have any long term rating from S&P),

or such other credit rating or ratings by the Designated Rating Agency as may be agreed by the Trust Manager and the Liquidity Facility Provider from time to time (and notified in writing by the Trust Manager to the Trustee) provided that the Trust Manager has delivered to the Trustee a Rating Notification in respect of such other credit rating or ratings (the "**Required Liquidity Rating**"), the Liquidity Facility Provider must within 30 calendar days (or such longer period as may be agreed by the Trust Manager and the Liquidity Facility Provider and provided Rating Notification has been given in respect of that longer period) of such downgrade do one of the following (as determined by the Liquidity Facility Provider in its discretion):

- (A) procure a replacement liquidity facility; or
 - (B) request the Trust Manager to make a Collateral Advance Request for an amount equal to the Available Liquidity Amount ("**Collateral Advance Request**"); or
 - (C) implement such other structural changes so that the downgrading of the Liquidity Facility Provider does not have an Adverse Rating Effect.
- (ii) The Liquidity Facility Provider agrees to deposit in the Liquidity Collateral Account the amount of any Collateral Advance in immediately available funds by 12.00 noon on the relevant day that the Trust Manager requires the Collateral Advance.
- (iii) If, on any Determination Date after a Collateral Advance has been made, the Trust Manager would, but for the fact that the Liquidity Facility has been fully drawn, be required to request a Liquidity Advance in accordance with section 7.14 ("Liquidity Draw") (and the Liquidity Facility Provider would, but for the fact that the Liquidity Facility has been fully drawn, be required to provide that Liquidity Advance), the Trust Manager must direct the Trustee to transfer from the Liquidity Collateral Account into the Collection Account an amount equal to the lesser of:

- (A) the Liquidity Advance; and
- (B) the Liquidity Collateral Account Balance,

by no later than 12.00 noon on the immediately following Payment Date.

Any withdrawal from the Liquidity Collateral Account in accordance with this paragraph (iii) will be deemed to be a Liquidity Advance.

- (iv) If at any time after a Collateral Advance has been made:
- (A) the Liquidity Facility Provider obtains the Required Liquidity Rating (or, if the credit rating of the Liquidity Facility Provider continues to

be less than the Required Liquidity Rating, but the Trust Manager determines that it may give a direction under this paragraph (iv) and it has provided Rating Notification in respect of that direction);

- (B) the Liquidity Facility Provider complies with sub-paragraph (i)(aa) or (ac) above; or
- (C) the Liquidity Facility granted under the Liquidity Facility Agreement is terminated in accordance with the Liquidity Facility Agreement (other than as a result of the occurrence of the Availability Termination Date),

then the Liquidity Facility Provider must notify the Trust Manager of that event and the Trust Manager must then direct the Trustee to, and the Trustee must, repay to the Liquidity Facility Provider the Liquidity Collateral Account Balance (if any) within 1 Business Day of being so directed by the Trust Manager such amount to be applied towards repayment of the then outstanding Collateral Advances.

- (v) Subject to this paragraph (v), all interest or other returns accrued (net of all costs properly incurred by the Trustee in respect of the operation of the Collateral Account under the Liquidity Facility Agreement) on the Liquidity Collateral Account Balance or on any Authorised Investments purchased with the Liquidity Collateral Account Balance, which have been credited to the Liquidity Collateral Account must be paid by the Trustee to the Liquidity Facility Provider on each Payment Date. However, if losses are realised on any Authorised Investments purchased with the Liquidity Collateral Account Balance, no interest or other returns will be paid to the Liquidity Facility Provider under this paragraph (v) until the aggregate of such interest or other returns exceeds the aggregate of such losses, in which case the Liquidity Facility Provider will be entitled only to receive such excess amount.

A “**Collateral Advance**” is the principal amount of an advance made by the Liquidity Facility Provider pursuant to a Collateral Advance Request, or the balance of such advance outstanding from time to time, as the context requires and includes any deemed Collateral Advances.

The “**Liquidity Collateral Account**” is a segregated account opened at the direction of the Trust Manager in the name of the Trustee with an Eligible Bank to which the proceeds of any Collateral Advance are to be deposited.

The “**Liquidity Collateral Account Balance**” means, at any time, the balance of the Liquidity Collateral Account at that time plus, if any amount from the Liquidity Collateral Account has been invested in Authorised Investments, the face value of such Authorised Investments.

- (e) Availability Fee

The Trustee will pay to the Liquidity Facility Provider an availability fee of 0.95% per annum on the then un-utilised portion of the Liquidity Limit. The fee will be paid monthly in arrears on each Payment Date in accordance with the Series Notice.

- (f) Liquidity Event of Default

A “**Liquidity Event of Default**” occurs if:

- (i) the Trustee fails to pay:
 - (A) subject to paragraph (ii) below, any amount owing under the Liquidity Facility Agreement where funds are available for that purpose in

accordance with the order of priority described in 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”); or

- (B) any amount due in respect of interest, any availability fee due on the un-utilised portion of the Liquidity Limit or any Liquidity Advance, in the manner contemplated by the Liquidity Facility Agreement, in each case within 3 Business Days of the due date for payment of such amount;
- (ii) the Trustee alters or the Trust Manager instructs it to alter the priority of payments under the Transaction Documents without the consent of the Liquidity Facility Provider or the Trustee breaches any of its undertakings under the Liquidity Facility Agreement and that breach has a Material Adverse Liquidity Effect in respect of the Liquidity Facility Provider;
- (iii) an Event of Default occurs and the Security Trustee enforces the General Security Agreement;
- (iv) the Trustee becomes Insolvent (unless the event which causes it to become Insolvent only affects assets or liabilities of the Trustee which do not relate to the Trust and the Trustee is replaced in accordance with the Master Trust Deed within 60 days of becoming Insolvent); or
- (v) a representation or warranty made or taken to be made by the Trustee in connection with Liquidity Facility Agreement is found to have been incorrect or misleading when made or taken to be made and that breach has a Material Adverse Liquidity Effect in respect of the Liquidity Facility Provider.

If a Liquidity Event of Default occurs, then the Liquidity Facility Provider may, without being obliged to do so and notwithstanding any waiver of any previous default:

- (i) declare at any time that the Liquidity Principal Outstanding, interest on the Liquidity Principal Outstanding, and all other amounts actually or contingently payable under the Liquidity Facility Agreement are immediately due and payable; and/or
- (ii) terminate the Liquidity Facility Provider’s obligations in respect of the Liquidity Facility.

The Liquidity Facility Provider may do either or both of these things with immediate effect.

(g) Termination and Extension of Liquidity Facility

The Liquidity Facility will terminate on the earlier of:

- (i) the Liquidity Facility Termination Date; and
- (ii) the Liquidity Facility Provider Termination Date.

The “**Liquidity Facility Termination Date**” is the earliest of:

- (i) the Availability Termination Date;
- (ii) the date which is one month after the date upon which all Notes have been fully and finally redeemed in full in accordance with the Transaction Documents, and the Trust Manager has notified the Trustee that it does not intend that any further Notes will be issued in respect of the Trust;

- (iii) the date on which the Liquidity Facility Provider terminates the Liquidity Facility where, as a result of any change in law, regulation, code of practice or an official directive which has the force of law or compliance with which is in accordance with the practice of responsible bankers in the jurisdiction concerned, or in their interpretation or administration after the date of the Liquidity Facility Agreement, the Liquidity Facility Provider determines that it is or has become apparent that it will become contrary to that official directive, impossible or illegal for the Liquidity Facility Provider to fund, provide or maintain financial accommodation or otherwise observe its obligations under the Liquidity Facility Agreement;
- (iv) the date upon which the Liquidity Limit is cancelled or reduced to zero by written notice from the Trustee (provided that the Trust Manager may not direct the Trustee to cancel or reduce the Liquidity Facility unless a Rating Notification has been given in respect of such cancellation or reduction, as applicable); and
- (v) the date upon which the Liquidity Facility Provider terminates the Liquidity Facility following the occurrence of a Liquidity Event of Default.

The “**Liquidity Facility Provider Termination Date**” is the later of:

- (i) the Payment Date declared by the Trust Manager (by notice of the Liquidity Facility Provider and the Trustee) as the date upon which the Liquidity Facility Provider will be replaced by a Substitute Liquidity Facility Provider and the Liquidity Facility will terminate (provided the Trust Manager has provided Rating Notification in respect of such replacement and termination); and
- (ii) the date upon which the Trustee has paid or repaid to the Liquidity Facility Provider all Liquidity Advances outstanding on the Payment Date declared in accordance with paragraph (a) above together with all accrued but unpaid interest and all other money outstanding under the Liquidity Facility Agreement.

If all amounts due as described above are not paid or repaid in full on the Payment Date immediately following the Liquidity Facility Termination Date, the Trustee will repay so much of such amounts on succeeding Payment Dates as is available for that purpose in accordance with the Master Trust Deed and the Series Notice until all such amounts are paid or repaid in full and, in any event, all such amounts must be paid or repaid in full by the Maturity Date of the Notes.

The “**Liquidity Availability Period**” means the period from the date of the Liquidity Facility Agreement to the Payment Date following the Maturity Date of the Notes.

The “**Availability Termination Date**” means the last day of the Liquidity Availability Period.

- (h) Liquidity Limit

The “**Liquidity Limit**” at any time will be the lesser of:

- (i) the greater of
 - (A) 2.2% of the aggregate of the Aggregate Invested Amount of the Notes (excluding the Class L Notes) at that time; and
 - (B) A\$880,000;

- (ii) the amount agreed from time to time in writing by the Liquidity Facility Provider and the Trust Manager (in respect of which a Rating Notification has been given); or
- (iii) the amount (if any) to which the Liquidity Limit has been reduced at that time by the Trustee on the direction of the Trust Manager by written notice to the Liquidity Facility Provider provided that the Trust Manager may not direct the Trustee to reduce the Liquidity Facility unless a Rating Notification has been given in respect of such reduction.

8.9 Custody Deed

(a) Appointment of Custodian

The Trustee has appointed the Custodian to provide custodial services in respect of the Title Documents for the Trust.

(b) Duties of the Custodian

The Custody Deed requires the Custodian to:

- (i) comply with its obligations under the Transaction Documents to which it is a party;
- (ii) hold the Title Documents delivered to the Custodian by or as directed by the Trust Manager or the Servicer, on behalf of the Trustee and for the Trustee;
- (iii) ensure that Title Documents are segregated and clearly distinguishable from its own documents, the documents relating to any other trust and the documents relating to any other person;
- (iv) hold all Title Documents in accordance with its professional safekeeping practices;
- (v) maintain up to date and accurate records of the location of all Title Documents;
- (vi) promptly notify the Trustee upon written request of the location of any of the Title Documents;
- (vii) at the direction of the Trust Manager, promptly cure any breach of its obligations raised or noted in any investigation or audit of its obligations under the Custody Deed and notified to the Custodian in writing;
- (viii) comply with all reasonable written instructions from the Trust Manager, the Servicer or the Trustee given in accordance with the Custody Deed or another Transaction Document to which the Custodian is a party as to the manner of dealing with the Title Documents;
- (ix) provide the Trustee with any information reasonably requested by the Trustee from time to time in relation to all Title Documents where that information is required for the Trustee to comply with any law;
- (x) comply with any obligations imposed on it by any applicable law or regulation that relates to it acting as Custodian under the Transaction Documents to which the Custodian is a party;
- (xi) allow the Trustee (personally or through an appointed auditor or other advisers) to audit (at the expense of the Trustee) some or all of the Title Documents for the Trust (as the Trust Manager may determine, at the

direction of the Trust Manager) on a six monthly basis on reasonable notice to ascertain the compliance by the Custodian with its obligations under the Custody Deed;

- (xii) properly maintain records relating to the Title Documents in the form agreed between the Trustee and the Custodian;
- (xiii) provide the Trustee with the reports and statements relating to the Title Documents described in the Transaction Documents to which the Custodian is a party, and at the times specified in the Transaction Documents to which the Custodian is a party;
- (xiv) allow the Trustee itself or by its solicitors, auditors, actuaries or any other nominee on reasonable notice and at reasonable times to inspect and take copies of the records relating to the Title Documents or the Custody Deed which it or they reasonably require; and
- (xv) do any other matter or thing it agrees to do in any other Transaction Document to which it is a party.

(c) Delegation

The Custodian may employ agents and attorneys and may delegate any of its non-material rights or obligations in its capacity as Custodian without notifying any person of the delegation.

(d) Voluntary Retirement of the Custodian

The Custodian may retire as Custodian by giving the Trustee at least 90 days' notice of its intention to do so.

(e) Mandatory Retirement of the Custodian

Subject to the description in "When retirement takes effect" below, the Custodian must immediately retire as custodian of the Trust if:

- (i) required by law; or
- (ii) a Custodian Default in respect of the Trust occurs (unless otherwise waived by the Trustee in accordance with the Custody Deed).

It is a "**Custodian Default**" if:

- (i) the Custodian does not prepare and submit to the Trustee or the Trust Manager any information required under the Custody Deed on time and in the manner required and such failure will have a Material Adverse Effect in respect of the Trust and, if capable of remedy, is not remedied within seven Business Days of written notice from either the Trustee or the Trust Manager;
- (ii) the Custodian:
 - (A) does not comply with any other obligation relating to the Trust under any Transaction Document and such non-compliance is likely to have a Material Adverse Effect in respect of the Trust; and
 - (B) if the non-compliance can be remedied, does not remedy the non-compliance within 10 Business Days of the Custodian receiving a notice from the Trustee or the Security Trustee requiring its remedy;
- (iii) the Custodian becomes Insolvent;

- (iv) any representation or warranty made by the Custodian in connection with the Transaction Documents to which it is a party in respect of the Trust is incorrect or misleading when made and such failure is likely to have a Material Adverse Effect in respect of the Trust, unless such failure is remedied to the satisfaction of the Trustee within seven Business Days of the Custodian receiving a written notice from the Trustee; or
- (v) the Custodian ceases or threatens to cease all or a substantial part of its business in Australia relating to the custody of documents similar to the Title Documents in Australia.

The Trustee may agree to waive the occurrence of any event which would otherwise constitute a Custodian Default in respect of the Trust:

- (A) while the Trust Manager is not the Custodian (or a Related Entity of the Custodian), at the direction of the Trust Manager; or
- (B) otherwise, at its own discretion.

In determining whether to waive the occurrence of any event which would otherwise constitute a Custodian Default in respect of the Trust:

- (A) the Trustee may rely on opinions and statements of any legal, accounting, taxation or other professional advisers as contemplated by the Master Trust Deed; and
- (B) the Trustee will not be taken to be fraudulent, negligent or in wilful misconduct because of acting in good faith in reliance on any such opinion or statements.

(f) When retirement takes effect

The retirement of the Custodian as custodian of the Trust takes effect when the appointment of a successor Custodian takes effect.

(g) Appointment of successor Custodian

If the Custodian retires as custodian of the Trust, the Trustee agrees to use its best endeavours to ensure a successor Custodian is appointed for the Trust as soon as possible.

If a successor Custodian is not appointed within 90 days after notice of retirement or removal is given, the retiring Custodian may appoint a successor Custodian for the Trust or deliver the Title Documents to the Trustee, in which case the Trustee will act as successor Custodian and the Trustee will have the same obligations and be entitled to the same rights under the Transaction Documents to which the Custodian is a party that it would have had if it had been party to them as Custodian (including without limitation, the right to any fees payable to the Custodian) until a successor Custodian is appointed by the Trustee.

Other than where the successor Custodian is the Trustee, the appointment of a successor Custodian for the Trust will only take effect once the successor Custodian has become bound by the Transaction Documents to which the Custodian is a party.

(h) Notification to Designated Rating Agency

The Trust Manager agrees to give notice to the Designated Rating Agency for the Trust if:

- (i) the Custodian retires as custodian in respect of the Trust; or

(ii) it is proposed that a successor Custodian be appointed.

(i) Costs of retirement

If the Custodian is required to retire (other than as set out in "Mandatory Retirement of the Custodian" above), everything it is required to do under the relevant provisions of the Custody Deed is at the Trustee's expense (other than the costs of the Custodian's legal advisers which is a personal expense of the Custodian). If the Custodian is removed as set out in "Mandatory Retirement of the Custodian" above, the costs of the Custodian's legal advisers are at the Trustee's expense.

(j) Fees

The Trustee agrees to pay fees to the Custodian in respect of the Trust on terms agreed in writing between the Custodian, the Trust Manager and the Trustee from time to time.

(k) Indemnity

The Custodian indemnifies the Trustee against any Loss that the Trustee may incur arising from or in connection with the fraud, negligence or wilful misconduct of the Custodian in respect of the Trust.

The Trustee shall indemnify the Custodian against any Loss that the Custodian may incur arising from or in connection with the performance of its obligations under the Custody Deed, except to the extent any such Loss is due to the fraud, negligence or wilful default of the Custodian.

8.10 Extraordinary Expense Reserve Loan Agreement

(a) General

The Extraordinary Expense Reserve Loan Provider grants to the Trustee a loan facility in Australian Dollars in respect of the Trust in an amount equal to the Extraordinary Expense Reserve Target Balance.

(b) Drawing

The loan facility under the Extraordinary Expense Reserve Loan Agreement will be available to be provided by way of a single loan advance on or before the Closing Date.

The Trustee must deposit the proceeds of the drawing under the Extraordinary Expense Reserve Loan Agreement directly to the Extraordinary Expense Reserve Account.

(c) Repayment

The amount drawn under the Extraordinary Expense Reserve Loan Agreement will be repaid out of Total Available Income.

(d) Interest

There is no interest payable on the amount drawn provided under the Extraordinary Expense Reserve Loan Agreement.

9 The Originator, Trust Manager and Servicer

9.1 Corporate History and Pepper Group Structure

Pepper Group Limited (formerly Pepper Australia Pty Limited) (“**PGL**”) and its subsidiaries (collectively, for the purposes of this Section 9 only, “**Pepper**”) is a diversified financial services group with businesses in Australia, New Zealand, Asia and Europe. Pepper commenced business in Australia as a provider of home loans to consumers who fall just outside the lending criteria of traditional bank and non-bank lenders, otherwise known in Australia as the non-conforming or specialist mortgage market. Pepper has subsequently broadened its Australian business activities to also include the origination of prime mortgages, auto and equipment leases and personal loans, third party loan servicing and trust management and the provision of corporate real estate advisory services, and has businesses in 6 countries.

PGL is the holding company and main operating company for the group’s activities. PGL also acts as Trust Manager and Servicer of the group’s trust structure. The company was incorporated as a limited liability company in New South Wales on 30 August 2000. PGL listed on the Australian Securities Exchange (ASX: PEP) on 31 July 2015. On 10 August 2017, PGL announced that it has entered into a scheme implementation deed with Red Hot Australia Bidco Pty Ltd (“**Bidco**”), an entity owned by certain funds, clients or accounts managed or advised by KKR Credit Advisors (US) LLC or its affiliates, under which it is proposed that Bidco will acquire all the PGL shares by way of a scheme of arrangement (“**Scheme**”). PGL Shareholders voted in favour of the Scheme at a meeting which was held on 15 November 2017. The Scheme was approved by the Federal Court of Australia on 20 November 2017 and became legally effective on 21 November 2017. The implementation date for the Scheme is 4 December 2017.

Pepper Homeloans Pty Limited (“**PHL**”) is a wholly-owned subsidiary of PGL. It is the group’s dedicated residential mortgage and personal loan origination vehicle and is responsible for administering its commercial sales and distribution relationships. The company was incorporated as a limited liability company in New South Wales on 21 March 2000.

Pepper Finance Corporation Limited (“**PFCL**”) is also a wholly-owned subsidiary of PGL. This entity is the group’s lender of record and holds the legal title to all loans originated under the Pepper Homeloans name (other than those originated in the name of Well Nigh Capital No. 1 Pty Ltd (“**Well Nigh**”). The company was incorporated as a limited liability company in New South Wales on 30 August 2000.

PGL holds 100% of the shares in Well Nigh.

PGL established its first warehouse facility in March 2001 and completed its first term securitisation issue in April 2003. PGL has now completed 19 public term residential mortgage-backed securities (“**RMBS**”) issues of its residential non-conforming mortgage loans and 5 RMBS issues of Australian prime residential mortgage loans. The securities issued in these transactions have totalled A\$10.29 billion. PGL has exercised the call options in respect of all 11 issues that have thus far reached their call date.

Pepper’s Australian and New Zealand mortgage lending, auto and equipment leasing, personal loans and third-party servicing operations are managed from its headquarters in North Sydney and its primary service centre based at Parramatta.

9.2 Portfolio and Business Acquisitions

In August 2011, Pepper acquired GE Capital’s Australian and New Zealand mortgage lending businesses which included a portfolio of approximately A\$5.0 billion of Australian and New Zealand prime and non-conforming residential mortgages.

In May 2012, Pepper completed the acquisition of an auto and equipment finance portfolio of approximately A\$150 million from an Australian bank.

In March 2013, Pepper acquired an A\$250 million small balance commercial mortgage portfolio from Citigroup.

In July 2014, Pepper completed the acquisition of an A\$230 million portfolio of residential mortgages from an Australian bank.

9.3 Servicing and Business Acquisitions

In May 2004, Pepper acquired the loan servicing system used by Baycorp Advantage Lending Solutions, which had been providing loan administration services to Pepper since April 2001.

Since January 2008, Pepper has been awarded a number of contracts to service a number of third-party originated loan portfolios, including commercial and auto leases, auto loans, residential mortgages, commercial mortgages, equipment leases, small business loans and managed investment schemes.

In June 2012, Pepper acquired the Irish mortgage business of GE Capital which included €600 million in receivables. The company has been renamed Pepper Ireland.

In July 2012, Pepper acquired Grant Samuel Holdings Limited's Australian real estate advisory business, which has been renamed Pepper Property.

In February 2013, Pepper acquired the Spanish consumer loan business of Celeris Servicios Financieros, S.A., which included a portfolio of approximately €290 million in receivables. This business was renamed Pepper Spain and commenced lending in May 2014.

In September 2013, Pepper acquired Oakwood Global Finance ("**Oakwood**"), a United Kingdom based servicer of both prime and non-conforming residential mortgage loans in Europe. This business was renamed Pepper UK at that time and commenced lending in January 2015.

Also in September 2013, Pepper acquired Evergreen Savings Bank in Korea, which has been renamed Pepper Savings Bank.

In May 2015, Pepper acquired a 12% stake in PrimeCredit Limited and Shenzhen PrimeCredit Limited, two consumer finance lenders in the Hong Kong and southern China markets.

In July 2017, PGL signed a share purchase agreement to acquire 100% of Portuguese consumer finance bank, Banco Primus S.A Lisbon from parent company Credit Foncier de France. The transaction remains subject to a standard change of control approval from Bank of Portugal and the European Central Bank and is expected to complete during first quarter of 2018.

9.4 Origination

The Mortgage Loans to be assigned to the Trust on the Closing Date will be Mortgage Loans originated by Pepper Homeloans Pty Limited. The Trust Manager will represent and warrant to the Trustee as at the Cut-Off Date that each Mortgage Loan meets the Eligibility Criteria on the Cut-Off Date.

Distribution Channel

Pepper has a network of aggregation groups who are accredited by Pepper to submit loan applications for approval by Pepper ("Introducers").

In order for Pepper to give accreditation to an Introducer, a representative of the Introducer must meet with a Pepper sales representative and in addition, provide the following to Pepper:

- proof of a valid Australian Credit License;

- evidence of their business name;
- a copy of their most recent Professional Indemnity (PI policy);
- confirmation of their membership to Mortgage and Finance Association of Australia (“MFAA”) or Finance Brokers Association of Australia (“FBAA”);
- evidence that the entity is a member of an approved “External Dispute Resolution Scheme”, either the Financial Ombudsman Service or Credit and Investment Ombudsman; and
- a completed Pepper introducer agreement.

Loan Origination

Mortgage loan applications are sourced through accredited third party mortgage intermediaries throughout Australia. Pepper accredited intermediaries include, amongst others, Mortgage Choice, Australian Finance Group and Aussie Homeloans Limited. All intermediaries must complete the Pepper online training prior to submitting a loan application. Ongoing training and education is provided by a sales representative of Pepper.

In addition to these intermediaries, applications are also sourced from the public by Pepper’s own in-house Lending Specialists.

All loans are assessed and underwritten in accordance with Pepper’s Credit Manual, which is regularly reviewed by the Pepper Credit Committee and modified from time to time. The Credit Manual and all product guides are readily available to staff via the Pepper intranet.

Loan applications are submitted to Pepper electronically by mortgage intermediaries via the Pepper Nextgen Origination System. This online application process captures the information traditionally completed in a paper loan application.

A return message is sent to the intermediary which include 1 of 3 options:

- Decline;
- Refer; or
- Approved Conditionally.

When conditionally approved a PDF document is sent to the intermediary providing details of the approval (loan size, interest rate, term and fees) along with all conditions that need to be met prior to the issuance of loan documents.

The intermediary will also supply the following:

- Evidence of income including payslips, letter of employment, accounts, financial statements and business activity statements (as applicable to the circumstances of the applicant and product type);
- Evidence of loan/credit card repayments – 6 months statements for mortgages and 3 months for all other debts (where applicable);
- Identification to comply with Pepper’s AML/CTF requirements;
- Purchase contract and/or evidence of property ownership;
- Evidence of deposit/funds to complete; and

- Any other specific documentation requested by the underwriter.

Once the application has passed the integrity checks, it is submitted to a Pepper underwriter for assessment. A credit bureau enquiry and fraud check is obtained on all borrowers and guarantors and assessed against Pepper's Credit Manual.

The Pepper underwriter assesses the application against a number of criteria, including a serviceability calculation, maximum loan amount and maximum loan term check. Serviceability is confirmed using the verified data from the income evidence supplied and living expenses provided by the customer or from figures based on the Henderson Poverty Index. The higher figure is utilised. The applicant's details are verified including employment/accountant checks and telephone contact, where applicable, are undertaken with the customer. If the applicant is self-employed or the application is from a company borrower, Pepper undertakes a search of the Australian Business Registry.

The security location is also checked for eligibility via a Pepper postcode guide.

The documentation is assessed by an underwriter and further checks, including employment/accountant checks and telephone contact, where applicable, are undertaken with the customer. Serviceability is confirmed using the approved data from the income evidence supplied and living expenses provided by the customer or from figures based on the Henderson Poverty Index. The higher figure is utilised.

A full property valuation is received on every security property irrespective of LVR via Valuation Exchange (Valex), Pepper's valuation panel manager.

Upon receipt of the valuation, if acceptable to the underwriter and all other conditions are satisfied, the loan is unconditionally approved and the intermediary notified.

Loan Documentation and Settlement Process

Following unconditional approval a quality check is performed on the data by a team separate to the underwriters. Once passed, the Pepper settlements team produces the loan agreement and solicitor instructions and forwards them, together with supporting documents such as the valuation and purchase contract to the Pepper panel solicitor.

The panel solicitor produces the mortgage and together with the loan agreement and terms and conditions, sends them to the customer. The customer executes the necessary documents and returns them to the panel solicitors along with evidence of satisfactory building insurance, a direct debit authority and any other loan specific conditions.

Once Pepper's panel solicitor has satisfied all of the legal and documentation requirements, a solicitor's short form certificate is sent to Pepper requesting settlement funds on a specific date.

The settlements team prepares settlement and the funds are transferred to the panel solicitor's trust account for settlement on the appropriate day. Settlement is notified by the solicitor to Pepper and the loan account is made live on Pepper's loan management system.

The panel solicitor arranges for the mortgage to be registered and stamped where applicable. The original documents are then forwarded to Pepper's security custodian BNY Mellon. BNY Mellon performs a check to ensure all documents are present and correct and provides confirmation to Pepper.

9.5 Approach to Credit Assessment

Pepper's underwriting philosophy and credit procedures have been developed on the basis of more than twenty years of mortgage lending experience. In addition, Pepper also ensures they meet their responsible lending conduct obligations.

Pepper is solely responsible for all aspects of the underwriting and credit assessment process. No decision making is delegated to introducers or any other external parties.

Pepper's credit criteria is designed for prime and non-conforming lending. It is based on a 'pricing for risk' model, requiring assessment of each borrower's circumstances on a case-by-case basis, investigation of the borrower's credit history through independent credit information bureau checks, and property valuation assessment.

Pepper employs a risk banding hierarchy for all loan products, and prices each commensurately.

Loan portfolio analysis is undertaken on a continuous basis to ensure that an appropriate risk/reward profile is maintained across the book at all times. Pool characteristics including the weighted average interest rate, loan to value ratio ("LVR"), borrower employment status, geographical concentrations, loan product mix, loan documentation levels (full income verification and alternative income verification) and weighted average net interest margin are monitored on a monthly basis.

The resulting information is used by Pepper's management team to determine whether changes are required to any aspect (including pricing) of existing loan product specifications. The data is also utilised for ongoing product development purposes and to monitor the suitability of established underwriting guidelines.

Specific to Pepper's non-conforming portfolio, some customers will have one or more elements of 'non-conformity' in their borrower profile, however the company does not lend against high risk, 'non-conforming' collateral. In addition, Pepper always underwrites loans on the borrower's ability to pay, not merely on the value of the collateral.

Furthermore, Pepper adopts an ethical approach to all aspects of its lending activities by endeavouring to ensure that its underwriting procedures are not 'predatory' or prejudicial against any individual customer or category of customers.

9.6 Servicing

Pepper was first ranked by S&P as an "above average" residential sub-prime loan servicer in May 2004. This "above average" rating was upgraded in December 2011 to "STRONG" and was most recently affirmed in January 2017. Pepper was also assigned a "STRONG" prime servicer rating in March 2014, which was also affirmed in January 2017. Pepper is included on Standard & Poor's Global Select Servicer List.

Philosophy and process

Pepper has managed collections for 16 years through the servicing of both its own and third party loan and lease portfolios.

Pepper's management team has substantial experience in banking, loan origination, loan processing, collections, debt recovery, and systems development to support development of the loan servicing operation. Pepper's management experience extends across all aspects of loan origination, processing and post-settlement services, with a particular emphasis on collections and loss recovery which is important in the non-conforming mortgage sector.

The general principles underpinning Pepper's approach to arrears management are best summarised as: early detection, quick response and identification and implementation of the best solution. Whenever possible, Pepper seeks to find an acceptable solution to an arrears case without resorting to actual possession and sale of the underlying collateral. In the event that disposal of the collateral as "mortgagee in possession" is required, Pepper has developed controls and procedures to reduce recovery times and maximise returns.

Pepper instigates regular customer contact by telephone in its collections process. This approach is strengthened by ensuring where possible the same collector is responsible for an

account until the arrears are cleared or the property is repossessed. This “cradle-to-grave” approach ensures that the same individual collectors retain responsibility for individual loan accounts throughout the life of the loan, regardless of the ageing of arrears.

Pepper’s collectors access their respective workflow daily, along with performance updates on their allocated loan portfolio sub-sets. These updates identify ‘loans in’ and ‘loans out’ within each time based arrears bucket (ie 0-30 days, 31-60 days, 61-90 days, 91 days +).

Monthly “cure” targets are established by the Collections Leadership team for each collector on a portfolio basis. Monthly quality assurance (**QA**) is also undertaken on each collector to assess their individual performance against targets. The QA procedures also assess the quality of each collector’s system diary notes, the number and quality of customer telephone calls, and their adherence to responsible lending and collections guideline.

Systems

Pepper currently uses the former GE Capital “Jackson” loan management system for loan servicing. Jackson is a fully featured, end to end mortgage origination, servicing and collections reporting system. It currently supports portfolios in Australia and New Zealand using the same code base running over distinct database instances. Loans which were originally managed on the ARM Net system were migrated to the Jackson system in July 2015.

Arrears management is undertaken on a purpose built collections platform named ICM. ICM interfaces with Pepper’s core loan systems, including Jackson, and provides an enhanced feature suite to ensure compliance with regulations, more efficient processing, and workflow management.

Enforcement

Litigation is coordinated by Pepper’s in-house enforcement team, whose members are segregated from the collection teams, in consultation with Pepper senior management. The enforcement team is responsible for coordinating strategies for each arrears case, instructing panel lawyers and managing the mortgagee sale process (where necessary).

Litigation activity initiated by the enforcement team is conducted in parallel with the collectors’ calling activity on a case-by-case basis, with the ultimate aim of reaching a mutually beneficial outcome for all parties.

Pepper uses a panel of solicitors for repossession and litigation actions. Pepper has on-line access to the solicitors’ diary systems to obtain progress reports whenever required.

Sales prices (including private treaty and auction reserve prices) for properties sold under mortgagee sale are determined by Pepper senior management – using a current property valuation report, a ‘forced sale’ valuation figure, two real estate agent valuation appraisals and buyers’ opinion. Pepper management typically adopts a sale price in the higher range as the ‘reserve’ price at auction.

If the proceeds of sale from the property do not cover all amounts outstanding under the mortgage then Pepper will continue to pursue the borrowers for the shortfall unless Pepper concludes that the cost of continuing the process will likely outweigh the prospects of recovery.

Hardship

Pepper has policies and procedures in place to identify and assist Obligors experiencing hardship. Pepper can identify hardship at any stage through the collections process. Assistance with respect to repayments of a Mortgage Loan is considered by Pepper on a case by case basis. A condition to approval of a hardship assistance application by Pepper is that

any assistance provided is expected to enable the Obligor to overcome their current hardship and recommence regular repayments of the Mortgage Loan as soon as possible.

Pepper may agree to provide hardship assistance in one of the following ways:

- a suspension of or reduction in regular loan repayments;
- conversion of repayments to interest only for a defined short term period;
- capitalisation of arrears; or
- allowing the Obligor sufficient time to facilitate the orderly sale of the Property.

Where warranted, assistance can be made available to the same Obligor more than once over the life of a Mortgage Loan. Where the provision of hardship assistance has been successful, Pepper will, where applicable, capitalise the arrears onto the principal balance of the Mortgage Loan at the conclusion of the hardship assistance period. The Obligor is then advised the new repayment amount to extinguish the relevant Mortgage Loan within the original term.

10 The Mortgage Loans

10.1 General Loan Characteristics

The Mortgage Loans are loans secured by first registered mortgages over residential real estate. Scheduled payments are made by direct debit from the accounts of the respective borrowers, and are credited to a deposit account established and controlled by the Trustee.

From time to time the interest rate on the Mortgage Loans will be reset so that the weighted average interest rate on all Mortgage Loans equals or exceeds the Threshold Rate.

The Mortgage Loans are prepayable in full or in part at any time.

10.2 Pool statistics

The information in the following tables set out various details relating to the Mortgage Loans forming part of the Mortgage Loan pool. The information is provided as of the close of business on 31 October 2017.

These details may not reflect the Mortgage Loan pool to be assigned to the Trustee in respect of the Trust on the Closing Date because the Trust Manager may substitute mortgage loans from the Mortgage Loan pool with other eligible mortgage loans or add additional eligible mortgage loans. The Trust Manager may do this if, for example, a mortgage loan originally included in the Mortgage Loan pool is repaid early.

Terms used in the following tables have the following meanings:

- (a) Full Time refers to an employee that is employed on a full-time basis and is subject to the Australian “pay as you go” tax arrangements; and
- (b) Part Time refers to an employee that is employed on a part-time basis and is subject to the Australian “pay as you go” tax arrangements.

DISTRIBUTION BY DOCUMENTATION LEVEL

Loan Documentation	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
Full Doc	338,281,847	750	84.57%	87.21%	4.62%	2.70	1.66%	44.15%	26.67%	18.09%	4.82%	3.77%	0.77%	0.07%
Alternative Doc	61,712,018	110	15.43%	12.79%	5.22%	2.06	4.59%	44.87%	33.75%	11.66%	2.17%	2.78%	0.18%	-
Total	399,993,865	860	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

DISTRIBUTION BY SEASONING

Seasoning	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
0 to <=3	332,512,518	702	83.13%	81.63%	4.72%	1.30	2.34%	45.56%	27.31%	17.55%	3.42%	3.13%	0.61%	0.07%
>3 to <=6	28,646,517	64	7.16%	7.44%	4.53%	4.47	1.24%	46.93%	26.62%	14.90%	7.47%	0.81%	2.03%	-
>6 to <=12	27,534,704	63	6.88%	7.33%	4.78%	9.40	0.88%	33.01%	39.85%	15.15%	7.70%	3.05%	0.37%	-
>12 to <=18	5,768,086	15	1.44%	1.74%	4.57%	14.51	1.52%	28.38%	14.26%	16.06%	23.43%	16.34%	-	-
>18 to <=24	2,845,972	8	0.71%	0.93%	5.01%	20.05	-	48.38%	8.93%	14.04%	13.04%	15.62%	-	-
>24 to <=36	2,308,463	7	0.58%	0.81%	5.51%	27.49	-	-	6.61%	11.24%	12.84%	69.30%	-	-
>36 to <=48	377,605	1	0.09%	0.12%	5.37%	41.00	-	-	100.00%	-	-	-	-	-
Total	399,993,865	860	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

DISTRIBUTION BY CURRENT LVR

LVR Profile	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
0 to <=25%	3,236,915	14	0.81%	1.63%	4.40%	2.38	2.71%	76.02%	17.36%	-	-	3.91%	-	-
>25% to <=40%	17,950,370	47	4.49%	5.47%	4.27%	2.80	2.13%	44.49%	39.34%	3.87%	7.33%	2.84%	-	-
>40% to <=50%	30,152,447	65	7.54%	7.56%	4.53%	2.35	-	61.82%	26.52%	7.31%	4.02%	-	0.34%	-
>50% to <=55%	21,083,079	34	5.27%	3.95%	4.42%	2.58	-	49.23%	33.07%	13.95%	-	3.75%	-	-
>55% to <=60%	13,579,672	29	3.39%	3.37%	4.44%	2.73	1.78%	61.02%	27.61%	7.34%	-	2.25%	-	-
>60% to <=65%	24,997,951	45	6.25%	5.23%	4.65%	1.88	3.24%	54.42%	27.14%	14.03%	0.72%	-	0.46%	-
>65% to <=70%	44,757,779	82	11.19%	9.53%	4.73%	2.45	3.93%	50.14%	25.42%	14.38%	3.62%	2.50%	-	-
>70% to <=75%	37,513,960	62	9.38%	7.21%	4.58%	1.76	-	55.86%	24.72%	10.41%	4.57%	3.90%	0.54%	-
>75% to <=80%	92,806,785	200	23.20%	23.26%	4.67%	1.83	1.08%	47.16%	26.80%	19.34%	1.21%	3.54%	0.88%	-
>80% to <=85%	46,848,331	105	11.71%	12.21%	4.63%	4.15	6.56%	29.19%	32.56%	19.86%	6.95%	3.77%	1.12%	-
>85% to <=90%	30,396,951	75	7.60%	8.72%	5.07%	2.70	1.05%	27.45%	31.62%	25.19%	7.26%	5.41%	2.02%	-
>90% to <=95%	36,669,624	102	9.17%	11.86%	5.50%	4.10	2.13%	17.73%	20.51%	34.91%	13.70%	9.44%	0.90%	0.67%
Total	399,993,865	860	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

In the above table, the Current LVR of a Mortgage Loan is calculated by comparing the Outstanding Balance of the Mortgage Loan as of the Cut-Off Date to the valuation of the property that secured the Mortgage Loan assigned by Pepper in accordance with its Servicing Guidelines.

A valuation after the time of origination is typically only obtained in connection with the approval of a Further Advance (or other significant variation) in respect of a Mortgage Loan.

DISTRIBUTION BY LOAN BALANCE

Current Loan Amount	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
>50,000 to <=100,000	719,357	9	0.18%	1.05%	4.32%	5.56	25.34%	-	31.29%	11.88%	13.90%	17.60%	-	-
>100,000 to <=150,000	4,626,310	37	1.16%	4.30%	4.63%	2.47	-	10.36%	52.00%	14.58%	6.88%	2.85%	13.33%	-
>150,000 to <=200,000	7,333,374	41	1.83%	4.77%	4.72%	3.41	-	29.25%	26.08%	29.44%	7.34%	-	7.89%	-
>200,000 to <=250,000	13,126,503	58	3.28%	6.74%	4.72%	2.77	1.84%	22.39%	27.30%	23.96%	12.36%	5.40%	4.88%	1.87%
>250,000 to <=300,000	22,917,883	83	5.73%	9.65%	4.85%	3.61	1.10%	23.01%	27.99%	29.66%	12.17%	6.07%	-	-
>300,000 to <=400,000	65,811,188	190	16.45%	22.09%	4.82%	2.99	2.69%	21.94%	31.63%	28.89%	7.83%	6.49%	0.53%	-
>400,000 to <=500,000	63,890,939	142	15.97%	16.51%	4.68%	3.00	-	35.89%	38.45%	17.93%	4.06%	3.67%	-	-
>500,000 to <=600,000	65,300,092	119	16.33%	13.84%	4.73%	2.44	1.71%	47.78%	25.69%	16.38%	2.52%	5.11%	0.80%	-
>600,000 to <=700,000	36,939,963	57	9.24%	6.63%	4.79%	2.38	1.67%	58.98%	28.66%	8.94%	-	1.75%	-	-
>700,000 to <=800,000	35,526,511	47	8.88%	5.47%	4.71%	2.19	2.25%	63.91%	18.98%	10.62%	-	4.25%	-	-
>800,000 to <=900,000	17,888,229	21	4.47%	2.44%	4.67%	1.52	4.52%	66.95%	9.52%	14.31%	4.70%	-	-	-
>900,000 to <=1,000,000	20,016,660	21	5.00%	2.44%	4.65%	1.85	5.00%	66.66%	18.91%	9.44%	-	-	-	-
>1,000,000 to <=1,250,000	20,421,524	19	5.11%	2.21%	4.54%	2.75	-	58.03%	26.22%	5.69%	10.05%	-	-	-
>1,250,000 to <=1,500,000	11,384,445	8	2.85%	0.93%	4.55%	1.00	-	63.46%	36.54%	-	-	-	-	-
>1,500,000 to <=1,750,000	8,244,334	5	2.06%	0.58%	4.55%	1.18	20.22%	59.38%	-	20.40%	-	-	-	-
>1,750,000 to <=2,000,000	5,846,553	3	1.46%	0.35%	4.45%	4.31	-	65.79%	34.21%	-	-	-	-	-
Total	399,993,865	860	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

DISTRIBUTION BY REPAYMENT TYPE

Repayment Method (Split Loan Level)	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
Principal and Interest	173,142,641	449	43.29%	44.46%	4.70%	2.77	3.72%	38.35%	27.71%	18.28%	6.69%	4.37%	0.74%	0.14%
Interest Only	226,851,224	561	56.71%	55.54%	4.73%	2.47	0.88%	48.77%	27.79%	16.20%	2.68%	3.04%	0.63%	-
Total	399,993,865	1010	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

DISTRIBUTION BY OCCUPANCY STATUS

Investment vs Owner Occupied	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
Owner Occupied	181,437,281	392	45.36%	45.58%	4.67%	3.71	3.55%	38.03%	30.13%	16.86%	6.38%	4.46%	0.45%	0.14%
Investment	218,556,584	468	54.64%	54.42%	4.75%	1.68	0.92%	49.43%	25.79%	17.30%	2.78%	2.92%	0.86%	-
Total	399,993,865	860	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

For the purposes of preparing the “Distribution by Occupancy Status” table above, each loan account has been classified based on the ownership type of the property which is securing the loan account.

Where there is more than one property securing the loan account, the loan account is generally categorised according to the security property with the higher value at the time the loan was established.

DISTRIBUTION BY EMPLOYMENT STATUS

Borrower Employment At Application	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
Full Time	279,997,712	622	70.00%	72.33%	4.64%	2.65	1.59%	44.82%	27.47%	17.61%	3.86%	3.65%	0.93%	0.09%
Part Time	6,756,989	22	1.69%	2.56%	4.73%	4.26	-	20.11%	47.58%	17.72%	9.94%	4.65%	-	-
Casual	4,265,888	13	1.07%	1.51%	4.81%	2.34	-	14.41%	30.71%	33.48%	21.40%	-	-	-
Self Employed 1-2 years	1,419,573	3	0.35%	0.35%	5.09%	1.00	-	59.17%	25.33%	15.50%	-	-	-	-
Self Employed 2-3 years	5,199,418	12	1.30%	1.40%	5.26%	4.05	-	50.56%	21.06%	18.40%	9.98%	-	-	-
Self Employed 3-4 years	6,107,663	16	1.53%	1.86%	5.09%	2.64	-	17.15%	34.32%	39.83%	8.70%	-	-	-
Self Employed 4-5 years	6,835,833	14	1.71%	1.63%	5.00%	4.21	5.65%	24.88%	48.26%	13.85%	-	5.71%	1.67%	-
Self Employed 5 + years	84,313,931	147	21.08%	17.09%	4.91%	2.18	4.30%	48.69%	25.31%	13.79%	4.72%	3.19%	-	-
Benefit Recipient	5,096,856	11	1.27%	1.28%	4.27%	1.74	-	45.47%	27.68%	5.38%	4.70%	16.76%	-	-
Total	399,993,865	860	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

DISTRIBUTION BY LOAN PURPOSE

Loan Purpose	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
Purchase	195,397,439	452	48.85%	52.56%	4.85%	2.74	2.20%	41.46%	24.49%	21.35%	5.06%	4.12%	1.19%	0.13%
Refinance	204,596,426	408	51.15%	47.44%	4.59%	2.47	2.03%	46.94%	30.88%	13.04%	3.80%	3.13%	0.19%	-
Total	399,993,865	860	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

DISTRIBUTION BY PROPERTY TYPE

Property Type	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
Residential House	270,266,758	563	67.57%	65.47%	4.70%	2.73	2.49%	41.74%	27.03%	18.50%	5.16%	4.16%	0.93%	-
Residential Unit	61,003,416	129	15.25%	15.00%	4.74%	1.81	1.10%	62.86%	21.92%	12.59%	-	1.54%	-	-
Duplex / Townhouse	51,816,167	114	12.95%	13.26%	4.70%	2.26	1.36%	37.89%	34.98%	18.21%	4.54%	2.17%	0.38%	0.47%
Vacant Land	16,907,524	54	4.23%	6.28%	5.02%	4.30	2.09%	37.05%	38.36%	7.57%	8.06%	6.87%	-	-
Total	399,993,865	860	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

GEOGRAPHIC DISTRIBUTION

Geographical Distribution	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
ACT Metro	8,452,756	16	2.11%	1.86%	4.94%	1.55	100.00%	-	-	-	-	-	-	-
ACT Non Metro	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ACT Inner city	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NSW Metro	141,358,490	225	35.34%	26.16%	4.64%	2.19	-	100.00%	-	-	-	-	-	-
NSW Non Metro	35,680,802	83	8.92%	9.65%	4.64%	2.27	-	100.00%	-	-	-	-	-	-
NSW Inner city	-	-	-	-	-	-	-	-	-	-	-	-	-	-
QLD Metro	41,999,420	119	10.50%	13.84%	4.92%	2.08	-	-	100.00%	-	-	-	-	-
QLD Non Metro	26,391,317	57	6.60%	6.63%	4.75%	2.99	-	-	100.00%	-	-	-	-	-
QLD Inner city	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SA Metro	15,837,587	44	3.96%	5.12%	4.83%	4.43	-	-	-	100.00%	-	-	-	-
SA Non Metro	1,447,390	6	0.36%	0.70%	5.18%	4.85	-	-	-	100.00%	-	-	-	-
SA Inner city	372,510	1	0.09%	0.12%	4.90%	1.00	-	-	-	100.00%	-	-	-	-
TAS Metro	2,056,853	9	0.51%	1.05%	4.69%	2.27	-	-	-	-	-	100.00%	-	-
TAS Non Metro	650,350	4	0.16%	0.47%	4.46%	1.94	-	-	-	-	-	100.00%	-	-
TAS Inner city	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIC Metro	103,809,719	228	25.95%	26.51%	4.67%	2.62	-	100.00%	-	-	-	-	-	-
VIC Non Metro	6,893,940	28	1.72%	3.26%	4.85%	3.82	-	100.00%	-	-	-	-	-	-
VIC Inner city	327,810	1	0.08%	0.12%	4.69%	1.00	-	100.00%	-	-	-	-	-	-
NT Metro	245,808	1	0.06%	0.12%	5.59%	2.00	-	-	-	-	-	-	-	100.00%
NT Non Metro	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NT Inner City	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WA Metro	13,224,280	34	3.31%	3.95%	4.94%	6.43	-	-	-	-	100.00%	-	-	-
WA Non Metro	1,244,832	4	0.31%	0.47%	5.22%	1.99	-	-	-	-	100.00%	-	-	-
WA Inner City	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	399,993,865	860	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

For the purposes of preparing the “Geographic Distribution” table above, each loan account has been classified based on the location of the property which is securing the loan account.

Where there is more than one property securing the loan account, the loan account is generally categorised according to the security property with the higher value at the time the loan was established.

DISTRIBUTION BY INTEREST RATE TYPE

Fixed vs Variable Rate (Split Level)	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
Variable Interest Rate	399,993,865	1010	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%
Fixed Interest Rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	399,993,865	1010	100.00%	100.00%	4.72%	2.60	2.11%	44.26%	27.76%	17.10%	4.41%	3.62%	0.68%	0.06%

DISTRIBUTION BY MORTGAGE ARREARS

Days in Arrears	AUD	No.	%AUD	%No	Weighted Average		State or Territory							
					Coupon	Seasoning	ACT	NSW	VIC	QLD	SA	WA	TAS	NT
>30 to <=60 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-
>60 to <=90 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-
>90 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-

11 Taxation considerations

*The following (excluding section 11.4 (“U.S. Foreign Account Tax Compliance”) and section 11.5 (“Common Reporting Standard”)) is a summary of the taxation treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, “**Australian Tax Act**”), at the date of this Information Memorandum, of payments of interest (as defined in the Australian Tax Act) on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes (the “**128F Notes**”) to be issued by the Trustee and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of Noteholders (such as dealers in securities and holders of Offered Notes other than the 128F Notes).*

Prospective holders of 128F Notes should also be aware that particular terms of issue of any notes of the same class may affect the tax treatment of those and other notes issued.

The following is a general guide and should be treated with appropriate caution. The following is not intended to be, nor should it be construed as, legal or tax advice to any particular investor. Prospective holders of 128F Notes should seek independent advice on the tax implications of an investment in the 128F Notes for their particular circumstances.

Additional risk factors relating to the taxation treatment of the Trustee under the Australian Tax Act which may impact the Trustee’s ability to repay principal and pay interest on the 128F Notes in a timely manner (or at all) are set out below and in section 3 (“Certain Special Risks”) above.

11.1 Interest withholding tax

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

- (a) the Trustee is a company as defined in section 128F(9) (which includes certain companies acting as trustee) and a resident of Australia when it issues the 128F Notes and when interest is paid. Interest is defined in section 128A(1AB) of the Australian Tax Act and includes amounts in the nature of, or in substitution for, interest and certain other amounts;
- (b) the 128F 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 overseas capital markets are aware that the Trustee is offering the 128F Notes 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 128F Notes;
 - (iv) offers via publicly available information sources; and
 - (v) offers to a dealer, manager or underwriter who offers to sell those 128F Notes within 30 days by one of the preceding methods.

The issue of any of the 128F Notes (whether in global form or otherwise) and the offering of interests in any of those 128F Notes by one of these methods should satisfy the public offer test;

- (c) the Trustee does not know, or have reasonable grounds to suspect, at the time of issue, that those 128F Notes or interests in the 128F Notes were being, or would later be, acquired, directly or indirectly, by an “associate” of the Trustee, except as permitted by section 128F(5) of the Australian 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 “associate” of the Trustee, except as permitted by section 128F(6) of the Australian Tax Act.

Associates

An “associate” of the Trustee for the purposes of section 128F of the Australian Tax Act includes (i) a person or entity that benefits (or is capable of benefiting) under the Trust (directly or indirectly) (“**Beneficiary**”); and (ii) a person or entity who is an “associate” of a Beneficiary. If a Beneficiary is a company, an “associate” of a Beneficiary for these purposes includes (i) a person or entity which holds more than 50% of the voting shares in, or otherwise controls, the Beneficiary, (ii) an entity in which more than 50% of the voting shares are held by, or which is otherwise controlled by, the Beneficiary, (iii) a trustee of a trust where the Beneficiary is capable of benefiting (whether directly or indirectly) under that trust, and (iv) a person or entity which is an “associate” of another person or company which is an “associate” of the Beneficiary under (i).

However, an “associate” for the test in sections 128F(5) and 126F(6) does not include:

- (a) onshore “associates” (ie Australian resident “associates” who do not hold the 128F Notes in carrying on business at or through a permanent establishment outside Australia and non-resident “associates” who hold the 128F Notes in carrying on business at or through a permanent establishment in Australia); or
- (b) offshore “associates” (ie Australian resident “associates” that hold the 128F Notes in carrying on business at or through a permanent establishment outside Australia and non-resident “associates” who do not hold the 128F Notes in carrying on business at or through a permanent establishment in Australia) who are acting in the capacity of:
 - (i) in the case of section 128F(5), a dealer, manager or underwriter in relation to the placement of the relevant 128F Notes, or a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme; or
 - (ii) in the case of section 128F(6), a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investment scheme.

Compliance with section 128F of the Australian Tax Act

Unless otherwise specified in any relevant supplement to this Information Memorandum, the Trustee intends to issue the 128F Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

Exemptions under tax treaties

The Australian government has signed a number of new or amended double tax conventions (“**Treaties**”) with a number of countries (each a “**Specified Country**”). In broad terms, the Treaties prevent IWT being imposed on interest derived by either:

- the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; and
- a “financial institution” which is a resident of a “Specified Country” and which is unrelated to and dealing wholly independently with the Trustee. The term “financial

institution” refers to either a bank or any other form of enterprise which substantially derives its profits by carrying on a business of raising and providing finance. (However, interest under a back-to-back loan or an economically equivalent arrangement will not qualify for this exemption.)

The Australian Federal Treasury website maintains a listing of Australia’s double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation.

No payment of additional amounts

Despite the fact that the 128F Notes are intended to be issued in a manner which will satisfy the requirements of section 128F of the Australian Tax Act (and unless expressly provided to the contrary in any relevant supplement to this Information Memorandum), if the Trustee is at any time compelled or authorised by law to deduct or withhold an amount for or on account of any taxes, duties or government charges, imposed or levied by the Commonwealth of Australia in respect of the 128F Notes, the Trustee is not obliged to pay additional amounts in respect of such withholding or deduction.

11.2 Other tax matters

Subject to section 11.3 (“Taxation of Financial Arrangements”), under Australian laws as presently in effect:

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

- (e) *deemed interest* - there are specific rules that can apply to treat a portion of the purchase price of the 128F Notes as interest for IWT purposes if the 128F Notes are originally issued at a discount or with a maturity premium or which do not pay interest at least annually and are sold to an Australian resident (who does not acquire them in carrying on business at or through a permanent establishment outside Australia) or a non-resident who acquires them in carrying on business at or through a permanent establishment in Australia. As the 128F Notes are not issued at a discount and do not pay a maturity premium, these rules should not apply to the 128F Notes. In addition, these rules do not apply in circumstances where the deemed interest would have been exempt under section 128F of the Australian Tax Act if the 128F Notes had been held to maturity by a non-resident; and
- (f) *death duties* - no 128F 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
- (g) *stamp duty and other taxes* - no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any 128F Notes; and
- (h) *other withholding taxes on payments in respect of 128F Notes* - section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia ("**Taxation Administration Act**") imposes a type of withholding tax 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). Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the 128F Notes, then the requirements of section 12-140 do not apply to payments to a holder of those 128F Notes in registered form who is not a resident of Australia and not holding those 128F Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of 128F Notes in registered form may be subject to a withholding where the holder of those 128F Notes does not quote a TFN (if applicable), ABN or provide proof of an appropriate exemption (as appropriate).

Under current law, the withholding tax rate will be 47% for the 2017-18 and 2018-19 income years, and a withholding tax rate of 47.5% is expected to apply subsequently; and

- (i) *supply withholding tax* - payments in respect of the 128F Notes can be made free and clear of the "supply withholding tax" imposed under section 12-190 of Schedule 1 to the Taxation Administration Act; and
- (j) *goods and services tax (GST)* - neither the issue nor receipt of the 128F Notes will give rise to a liability for GST in Australia on the basis that the supply of 128F Notes will comprise either an input taxed financial supply or (in the case of a non-resident subscriber outside the "indirect tax zone") a GST-free supply. Furthermore, neither the payment of principal or interest by the Trustee, nor the disposal of the 128F Notes, should give rise to any GST liability in Australia.
- (k) *debt/equity rules* - Division 974 of the Australian 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 IWT. The Trustee intends to issue 128F Notes which are to be characterised as "debt interests" for the purposes of the tests contained in Division 974 and the returns paid on the 128F Notes are to be "interest" for the purpose of section 128F of the Australian Tax Act. Accordingly, Division 974 is unlikely to adversely affect the Australian tax treatment of holders of 128F Notes; and
- (l) *additional withholdings from certain payments to non-residents* - section 12-315 of Schedule 1 to the Taxation Administration Act gives the Governor-General power to

make regulations requiring withholding from certain payments to non-residents. However, section 12-315 expressly provides that the regulations will not apply to interest and other payments which are already subject to the current IWT rules or specifically exempt from those rules. Further, regulations may only be made if the responsible Minister is satisfied the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The regulations promulgated as at the date of this Information Memorandum are not relevant to any payments in respect of the 128F Notes. Any further regulations should also not apply to repayments of principal under the 128F Notes, because (in the absence of any issue discount), such amounts will generally not be reasonably related to assessable income. The possible application of any future regulations to the proceeds of any sale of the 128F Notes will need to be monitored; and

- (m) *garnishee directions by the Commissioner of Taxation* – the Commissioner may give a direction requiring the Trustee to deduct from any payment to a holder of the 128F Notes any amount in respect of Australian tax payable by the holder. If the Trustee is served with such a direction, then the Trustee will comply with that direction and make any deduction required by that direction; and
- (n) *taxation of foreign exchange gains and losses*- Divisions 230, 775 and 960 of the Australian Tax Act, together with related regulations, contain complex rules to deal with the taxation consequences of foreign exchange transactions.

As all payments under the 128F Notes will be in Australian dollars, and provided that all the Mortgage Loans and receipts of the Trustee are in Australian dollars, the rules should not apply to the Trustee or to holders of 128F Notes; and

- (o) *thin capitalisation* - the thin capitalisation rules are contained in Division 820 of the Australian Tax Act. These rules 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.

If the thin capitalisation rules adversely apply to the Trust, a certain proportion of the debt deductions (including the interest) paid by the Trustee under the 128F Notes will be denied.

Certain bona fide securitisation vehicles are exempt from the thin capitalisation rules. An entity will come within the exemption where the following conditions are met:

- (i) 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);
- (ii) at least 50% of the entity's assets are funded by debt interests; and
- (iii) 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).

In any event, if the Trust did not satisfy the above conditions and the thin capitalisation rules adversely applied to it, the tax payable (as a consequence of the denial of debt deductions) should not be borne by the Trustee (but, rather, by the Participation Unitholder of the Trust); and

- (p) *tax consolidation rules* - in general terms, a consolidated or consolidatable group for income tax purposes consists of a head company and all companies or trusts that are wholly-owned Australian subsidiaries of the head company. All members of an

income tax consolidated group are jointly and severally liable for the group's income tax liabilities unless this position is displaced by a valid tax sharing agreement.

The Residual Unit and Participation Unit in the Trust will be held by Pepper Group Limited. Given this and the fact that the Trust is a resident trust estate, the Trust automatically became a subsidiary member of the group of which Pepper Group Limited is the head company ("**Pepper Group**") following its establishment.

Pepper Group Limited is permitted to allocate the group income tax liability of the Pepper Group among the members of the Pepper Group in accordance with a Tax Sharing Agreement. The Pepper Group has entered into a valid Tax Sharing Agreement ("**Pepper TSA**"). Subject to the Trustee acceding to the Pepper TSA, compliance with the requirements of the Australian Tax Act and there being at least \$1 of net trust income in the Trust in any income year and the allocation of group income tax liabilities remaining as currently stated in the TSA, the Trustee will not be liable for any income tax in respect of the net income of the Trust whilst the Trust is a member of the Pepper Group. Further, the Trustee should not be liable to pay any contribution under the TSA in any income year, unless it receives a DPT benefit under the Diverted Profits Tax. It is not expected that the Trustee will receive a DPT benefit.

11.3 Taxation of Financial Arrangements

Division 230 of the Australian Tax Act represents a code for the taxation of receipts and payments in relation to financial arrangements. The Division defines "financial arrangements" and sets out six different methods for bringing to account gains and losses in relation to "financial arrangements" (being fair value, accruals, retranslation, realisation, hedging, and financial records).

Broadly, under the rules, gains and losses from financial arrangements would be taxed on revenue account.

Division 230 would not override the exemption from IWT provided for in section 128F of the Australian Tax Act.

11.4 U.S. Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act provisions of the U.S. Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**"), in an effort to assist the United States Internal Revenue Service ("**IRS**") in enforcing U.S. taxpayer compliance, establish a new due diligence, reporting and withholding regime.

Under FATCA, a 30% withholding may be imposed (i) in respect of certain U.S. source payments, (ii) from 1 January 2019 in respect of gross proceeds from the sale of assets that give rise to U.S. source interest or dividends and (iii) from 1 January 2019, at the earliest, in respect of "foreign passthru payments" (a term which is not yet defined under FATCA), which are, in each case, paid to or in respect of entities that fail to meet certain certification or reporting requirements or do not comply with FATCA ("**FATCA withholding**").

The Trustee and other financial institutions through which payments on the Offered Notes are made may be required to withhold on account of FATCA. A withholding may be required if (i) an investor does not provide information sufficient for the Trustee or the relevant financial institution to determine whether the investor is subject to FATCA withholding or (ii) a foreign financial institution ("**FFI**") to or through which payments on the Offered Notes are made is a "non-participating FFI".

FATCA withholding is not expected to apply if, in respect of foreign passthru payments only, the Offered Notes are treated as debt for U.S. federal income tax purposes and the obligation is issued on or before the date that is six months after the date on which final regulations defining the term "foreign passthru payment" are filed with the U.S. Federal Register. The

Australian Government and U.S. Government signed an intergovernmental agreement with respect to FATCA (“IGA”) on 28 April 2014. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the Australian IGA (“**Australian Amendments**”).

Australian financial institutions which are Reporting Australian Financial Institutions under the IGA must follow specific due diligence procedures to identify their account holders (e.g. the Noteholders) and provide information about financial accounts held by U.S. persons and recalcitrant account holders to the Australian Taxation Office (“**ATO**”). The ATO is required to provide such information to the IRS.

Depending on the nature of the relevant FFI, FATCA withholding may not be required from payments made with respect to the Offered Notes other than in certain prescribed circumstances.

The Noteholders may be requested to provide certain certifications and information to the Trust and/or the Trustee and any other financial institutions through which payments on the Offered Notes are made in order for the Trust and/or the Trustee and such other financial institutions to comply with their FATCA obligations. If a payment to the Trust is subject to withholding as a result of FATCA, there will be no optional redemption of the Offered Notes. Additionally, if a payment to a Noteholder is subject to withholding as a result of FATCA, there will be no “gross up” (or any additional amount) payable by way of compensation to the Noteholder for the withheld or deducted amount.

11.5 Common Reporting Standard

The OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (“**CRS**”) requires certain financial institutions to report information regarding certain accounts (which may include the Offered Notes) to their local tax authority and follow related due diligence procedures. Noteholders may be requested to provide certain information and certifications to ensure compliance with the CRS. A jurisdiction that has signed a CRS Competent Authority Agreement may provide this information to other jurisdictions that have signed the CRS Competent Authority Agreement. The Australian Government has enacted legislation amending, among other things, the Taxation Administration Act 1953 of Australia to give effect to the CRS. The CRS applies to Australian financial institutions with effect from 1 July 2017.

12 Selling restrictions

12.1 General

No action has been, or will be, taken by the Trustee, the Trust Manager or any Dealer in any jurisdiction that would permit a public offering of any of the Notes or the Offered Notes or possession or distribution of this Information Memorandum, any other offering material, or any supplement to this Information Memorandum, in any country or jurisdiction where action for that purpose is required.

Persons who come into possession of this Information Memorandum are required by the Trustee, the Trust Manager and the Dealers to comply with all applicable laws, regulations and directives in each country or jurisdiction in which they purchase, offer, sell, resell, reoffer, or deliver the Notes or the Offered Notes or have in their possession or distribute or publish this Information Memorandum or other offering material and to obtain any consent, approval or permission required by them for the purchase, offer, sale, reoffer, resale or delivery by them of any Notes or Offered Notes under any applicable law, regulation or directive in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales, reoffers, resales or deliveries, in all cases at their own expense, and none of the Trustee, the Trust Manager nor any Dealer has responsibility for such matters. In accordance with the above, any Notes or Offered Notes purchased by any person which it wishes to offer for sale or resale may not be offered in any jurisdiction in circumstances which would result in the Trustee being obliged to register any further prospectus or corresponding document relating to the Notes or the Offered Notes in such jurisdiction.

These selling restrictions may be modified by the agreement of the Trustee and each Dealer following a change in or clarification of a relevant law or directive or in its interpretation or administration by an authority or the introduction of a new law or directive. Any such change or modification will be set out in the relevant supplement to this Information Memorandum.

In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of the Notes and Offered Notes in Australia, the United Kingdom, Hong Kong, Singapore, the European Economic Area, and the United States of America as set out below.

In these selling restrictions, “**directive**” includes a treaty, an official directive, request, regulation, guideline or policy (whether or not having the force of law) with which responsible participants in the relevant market generally comply.

Each Dealer has agreed that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver any of the Offered Notes.

12.2 Australia

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Notes has been, or will be, lodged with ASIC. This Information Memorandum has not been prepared specifically for investors in Australia and is not required to, and does not contain all the information which would be required in such a prospectus or disclosure document. Accordingly, each Dealer has represented and agreed that it:

- (a) has not made or invited, and will not make or invite, directly or indirectly, an offer of the Notes (or an interest in them) for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, this Information Memorandum or any other offering material, advertisement or any other document relating to any Notes (or an interest in them) in Australia,

unless, in either case, a supplement to this Information Memorandum otherwise provides, or:

- (i) either (x) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternate currency, and in either case, disregarding moneys lent by the offeror or its associates), (y) the offer is to a professional investor for the purposes of section 708 of the Corporations Act, or (z) the offer or invitation otherwise does not otherwise require disclosure to investors under Part 6D.2 or 7.9 of the Corporations Act;
- (ii) the offer or invitation does not constitute an offer to a “**retail client**” for the purposes of section 761G of the Corporations Act;
- (iii) such action complies with all applicable laws, regulations and directives in Australia (including, without limitation the financial services licensing requirements of the Corporations Act); and
- (iv) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

12.3 The United Kingdom

Each Dealer has represented, warranted and agreed that:

- (a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Offered Notes in, from or otherwise involving the United Kingdom; and
- (b) 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 FSMA) received by it in connection with the issue or sale of any Offered Notes in circumstances in which section 21(1) of the FSMA does not apply to the Trust Manager or the Trustee.

12.4 Hong Kong

The Offered Notes have not been authorised by the Hong Kong Securities and Futures Commission.

Each Dealer has represented, warranted and agreed that it:

- (a) has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”), by means of any document, any Offered Notes other than:
 - (i) to “**professional investors**” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong as amended (“**Securities and Futures Ordinance**”) and any rules made under that Ordinance; or
 - (ii) in other circumstances which do not result in the document being a “**prospectus**” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and
- (b) unless permitted to do so under the laws of Hong Kong, has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, (in each case, whether in Hong Kong or elsewhere) any advertisement, invitation, or other offering material or other document relating to the Offered Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong other than with respect to Offered Notes which

are or are intended to be disposed of only to persons outside Hong Kong or only to “**professional investors**” within the meaning of the Securities and Futures Ordinance and any rules made under the Securities and Futures Ordinance.

12.5 Singapore

Each Dealer has acknowledged that this Information Memorandum has not been, and will not be, registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that the Offered Notes have not been offered or sold and will not be offered or sold or made the subject of an invitation for subscription or purchase, nor will this Information Memorandum or any relevant supplement, advertisement or other offering material in connection with the offer, sale, or invitation for subscription or purchase of any Offered Notes be circulated or distributed, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor pursuant to section 274 of the Securities and Futures Act, Chapter 289 of Singapore as amended (the “**SFA**”);
- (b) to a relevant person pursuant to section 275(1) of the SFA, or any person pursuant to section 275(1A) of the SFA and in accordance with the conditions specified in section 275 of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Offered Notes are subscribed or purchased in reliance on an exemption under section 274 or 275 of the SFA, the Notes will not be sold within the period of 6 months from the date of the initial acquisition of the Offered Notes, except to any of the following persons:

- (a) an institutional investor (as defined in section 4A of the SFA);
- (b) a relevant person (as defined in section 275(2) of the SFA); or
- (c) any person pursuant to an offer referred to in section 275(1A) of the SFA,

unless expressly specified otherwise in section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Where the Notes are subscribed or purchased under section 275 of the SFA by a person who is:

- (a) a corporation (which is not an accredited investor as defined in section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Offered Notes under section 275 of the SFA except:

- (i) to an institutional investor (for corporations, under section 274 of the SFA) or to a relevant person, or any person defined in section 275(2) of the SFA and in accordance with the conditions specified in section 275 of the SFA;

- (ii) (in the corporation) where the transfer arises from an offer referred to in section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in section 276(4)(i)(B) of the SFA;
- (iii) where no consideration is given for the transfer;
- (iv) where the transfer is by operation of law;
- (v) as specified in section 276(7) of the SFA; or
- (vi) as specified in regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore).

12.6 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 has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State it has not made and will not make an offer of Offered Notes which are the subject of the offering contemplated by this 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) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of each Dealer or Dealers 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 Offered Notes referred to in (a) to (c) above shall require the Trust Manager, the Trustee or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Offered Notes to the public**” in relation to any Offered 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 Offered Notes to be offered so as to enable an investor to decide to purchase or subscribe the Offered Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/75/EU) and includes any relevant implementing measure in the Relevant Member State.

12.7 The United States of America

Each Dealer:

- (a) has acknowledged that the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (“**Securities Act**”) and the Trustee has not been and will not be registered as an investment company under the United States Investment Company Act of 1940, as amended (“**Investment Company Act**”). An interest in the Notes may not be offered, sold, delivered or transferred within the United States of America, its territories or possessions or to, or for the account or benefit of, a “U.S. person” (as defined in Regulation S under the Securities Act (“**Regulation S**”)) at any time except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.
- (b) has represented, warranted and agreed that it has offered and sold the Notes, and will offer and sell the Notes:

- (i) as part of its distribution at any time; and
- (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date,

only in accordance with Rule 903 of Regulation S;

Accordingly, neither it, its affiliates nor any other persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and it and they have complied and will comply with the offering restriction requirements of Regulation S;

- (c) has represented, warranted and agreed that at or prior to confirmation of the sale of the Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

*“The Securities covered hereby have not been registered under the US Securities Act of 1933, as amended (the **“Securities Act”**), or with any securities regulation authority of any state or other jurisdiction of the United States of America and may not be offered or 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 later of the commencement of the offering and the Closing Date, 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 under the Securities Act.”*

Terms used in paragraphs (a), (b) and (c) have the meanings given to them by Regulation S;

- (d) has represented, warranted and agreed that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Notes in contravention of this paragraph and paragraphs (a), (b) and (c) above, except with its affiliates or with the prior written consent of the Trustee and the Trust Manager; and
- (e) has represented, warranted and agreed that:
 - (i) except to the extent permitted under US Treas. Reg. § 1.163-5(c)(2)(i)(D) (the **“D Rules”**):
 - (A) it has not offered or sold, and until 40 days after the later of the commencement of the offering and the Closing Date (the **“restricted period”**) will not offer or sell, the Notes to a person who is within the United States or its possessions or to a United States person; and
 - (B) it has not delivered and will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;
 - (ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who directly engage in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
 - (iii) if it is a United States person, it is acquiring the Notes for purposes of resale in connection with their original issue and if it retains Notes for its own account, it will only do so in accordance with the requirements of US Treas. Reg. § 1.163-5(c)(2)(i)(D)(6); and

- (iv) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, such Dealer either:
 - (A) repeats and confirms the representations and agreements contained in sub-paragraphs (i), (ii) and (iii) above on behalf of such affiliate; or
 - (B) agrees that it will obtain from such affiliate for the Trustee's benefit the representations and agreements contained in sub-paragraphs (i), (ii) and (iii) above.

Terms used in this paragraph (e) have the meanings given to them by the US Internal Revenue Code and regulations thereunder, including the D Rules.

13 Glossary of Terms

In this Information Memorandum:

128F Notes has the meaning given to that term in section 11 (“Taxation considerations”).

A\$, \$ and Australian dollars means the lawful currency for the time being of Australia.

ABN means Australian Business Number.

Accrued Interest Adjustment means, all interest accrued but in respect of the Mortgage Loans as at the close of business on the Cut-Off Date.

Adverse Rating Effect means an effect which results in the downgrading or withdrawal of the rating given to any Notes by any of the Designated Rating Agency.

Agent means, for the purposes of the Trust, Pepper Group Limited in its capacity as Trust Manager of the Trust.

Aggregate Initial Invested Amount means, in respect of the Notes, the amount specified as such in section 2.3 (“Description of the Notes”).

Aggregate Invested Amount means, at any time in respect of a Class of Notes, the aggregate of the Invested Amounts of all the Notes or that Class at that time.

Aggregate Stated Amount means, at any time in respect of a Class of Notes, the aggregate of the Stated Amounts of all the Notes of that Class at that time.

AML/CTF Act has the meaning given to that term in section 3.21 (“Australian Anti-Money Laundering and Counter-Terrorism Financing Regime”).

Amortisation Amount Ledger has the meaning set out in section 7.24 (“Amortisation Amount Ledger”).

Amortisation Reserve Account means an account opened with an Eligible Bank in the name of the Trustee and designated by the Trust Manager as the amortisation reserve account for the Trust.

Amortisation Reserve Draw has the meaning set out in section 7.21 (“Amortisation Reserve Account”).

Amortisation Reserve Target Balance means:

- (a) on any Payment Date on or before the first Call Option Date, \$800,000;
- (b) on any Payment Date after the first Call Option Date, zero.

Amortisation Reserve Trigger Event is subsisting on a Payment Date if:

- (a) the Average Arrears Ratio on the Determination Date immediately preceding that Payment Date is greater than 4.0%; or
- (b) a Servicer Default is subsisting on the Determination Date immediately preceding that Payment Date; or
- (c) as at the Determination Date immediately preceding that Payment Date, the Stated Amount of the Class F Notes is less than the Invested Amount of the Class F Notes.

Approved Solicitor means the solicitor (if any) named in the Credit Policy and Procedures Manual and, if none are named, the solicitor appointed by the Trust Manager to settle the Mortgage Loans on behalf of the Trustee.

Approved Valuer means the valuer (if any) named in the Credit Policy and Procedures Manual and, if none are named, the valuer appointed by the Trust Manager to provide valuations to either or both the Originator and the Servicer, as the case may be.

Arrears Ratio means, on a Determination Date, the Outstanding Balance of the Mortgage Loans which are 90 days or more in arrears as at the last day of the immediately preceding Collection Period as a percentage of the total Outstanding Balance of all Mortgage Loans (calculated by the Trust Manager on the last day of the immediately preceding Collection Period).

Average Arrears Ratio means, on any Determination Date, the amount (expressed as a percentage) calculated as follows:

$$A = \frac{B}{3}$$

where:

A = the Average Arrears Ratio.

B = the sum of the Arrears Ratio for that Determination Date and the Arrears Ratios for the 2 Determination Dates immediately preceding that Determination Date.

ASIC means the Australian Securities and Investments Commission.

ATO means the Australian Taxation Office.

Austraclear means the system operated by Austraclear Limited (ABN 94 002 060 773) for holding certain Australian Dollar securities and the electronic recording and settling of transactions in those securities between members of that system in accordance with the Regulations and Operating Manual established by Austraclear Limited (as amended or replaced from time to time) to govern the use of that system and includes, as required, a reference to Austraclear Limited as operator of that system.

Australian Holders has the meaning given to it in section 11 ("Taxation considerations").

Australian Tax Act has the meaning given to it in section 11 ("Taxation considerations").

Authorised Investments means, in respect of the Trust:

- (a) cash deposited in an interest bearing bank account in the name of the Trustee with an Eligible Bank;
- (b) any debt securities which:
 - (i) have a short term credit rating of A-1+ by S&P;
 - (iii) mature on or prior to the next date on which proceeds from such Authorised Investments will be required to be applied in accordance with the Cashflow Allocation Methodology;
 - (iv) are denominated in Australian Dollars; and
 - (v) are held in the name of the Trustee,

in each case which:

- (c) does not constitute a securitisation exposure or a resecuritisation exposure (as defined in the Prudential Standard APS120 issued by the Australian Prudential Regulation Authority, including any amendment or replacement of that Prudential Standard); and
- (d) does not give rise to FATCA Withholding Tax.

Available Income has the meaning given to it in section 7.10 (“Determination of Available Income”).

Available Principal has the meaning given to it in section 7.3 (“Determination of Available Principal”)

Available Liquidity Amount means on any day the Liquidity Limit on that day less the Liquidity Principal Outstanding on that day.

Backup Servicer means BNY Trust Company of Australia Limited (ABN 050 294 052).

Backup Servicer Deed means the deed entitled “Pepper I-Prime 2017-3 Trust - Backup Servicer Deed” dated on or about the date of the Series Notice between the Trustee, the Trust Manager, the Servicer, the Security Trustee and the Backup Servicer.

Bank has the meaning given to the expression “Australian bank” in the Corporations Act.

Bank Bill Rate for an Interest Period will be calculated as follows:

- (a) the rate designated as the “AVG MID” for prime bank eligible securities having a tenor of one month as displayed on the “BBSW” page of the Bloomberg service on the first day of that Interest Period; or
- (b) if a rate for that Interest Period cannot be determined in accordance with paragraph (a) the rate specified in good faith by the Calculation Agent at or around that time on the first day of that Interest Period, having regard, to the extent possible, to comparable indices then available or to the rates otherwise bid and offered for prime bank eligible securities of that tenor at that time.

Business Day means a day on which banks are open for general banking business in Sydney and Melbourne (not being a Saturday, Sunday or public holiday in that place).

Business Process Manual means that part of the Credit Policy and Procedures Manual relating to the settlement and servicing of Mortgage Loans.

Calculation Agent means the Trust Manager.

Call Option means the call option as described in section 2.5 (“Principal Payments”).

Call Option Date means:

- (a) each Date Based Call Option Date; and
- (b) each Payment Date on which the Aggregate Invested Amount of all Notes (excluding the Class L Notes) on that Payment Date is less than 20% of the Aggregate Invested Amount of all Notes (excluding the Class L Notes) on the Closing Date.

Carryover Charge-Off means on any Determination Date the amount equal to:

A + B – C

where:

- A = the amount (if any) of the Carryover Charge-Offs on the previous Determination Date;
- B = the amount (if any) of the Charge-Offs on the current Determination Date; and
- C = the amount (if any) of Total Available Income available to be applied on the next occurring Payment Date under section 7.16(o)(ii) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) towards Carryover Charge-Offs.

Cash Collateral means on any day, the balance of the Liquidity Collateral Account.

Cashflow Allocation Methodology means the cashflow allocation methodology described in section 7 (“Cashflow Allocation Methodology”).

Charge means:

- (a) each security interest (as defined in the PPSA); and
- (b) any other charge,

granted under the General Security Agreement.

Charge-Off means, in respect of a Determination Date, the amount (if any) by which the Losses in respect of the immediately preceding Collection Period exceeds the aggregate of:

- (a) the amounts to be applied from Total Available Income on the next Payment Date under section 7.16(o)(i) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”); and
- (b) any Amortisation Reserve Draw in respect of that Determination Date.

Class means a Class of Notes.

Class of Notes means each of Class A1-S Notes, Class A1-L Notes, Class A2 Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class L Notes (as the context requires).

Class A Noteholder means the holder of a Class A Note.

Class A Notes means each of the Class A1 Notes and the Class A2 Notes.

Class A1 Notes means each of the Class A1-S Notes and the Class A1-L Notes.

Class A1 Noteholder means the holder of a Class A1 Note.

Class A1-L Note means each Note referred to as a “Class A1-L Note” issued in accordance with the Conditions.

Class A1-L Note Principal Allocation means, in respect of a Payment Date on which the Stepdown Criteria are satisfied, the amount calculated as follows:

$$A = \frac{B}{C} \times D$$

where:

- A = the Class A1-L Note Principal Allocation;
- B = the Aggregate Stated Amount of the Class A1-L Notes as at the Determination Date immediately preceding that Payment Date;
- C = the Aggregate Stated Amount of the Class A1-L Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, and the Class F Notes and the Class G Notes as at the Determination Date immediately preceding that Payment Date;
- D = the amount of Total Available Principal available to be applied on that Payment Date under paragraph (c)(ii) of section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

Class A1-L Noteholder means the holder of a Class A1-L Note.

Class A1-S Note means each Note referred to as a “Class A1-S Note” issued in accordance with the Conditions.

Class A1-S Noteholder means the holder of a Class A1-S Note.

Class A2 Note means each Note referred to as a “Class A2 Note” issued in accordance with the Conditions.

Class A2 Note Principal Allocation means, in respect of a Payment Date on which the Stepdown Criteria are satisfied, the amount calculated as follows:

$$A = \frac{B}{C} \times D$$

where:

- A = the Class A2 Note Principal Allocation;
- B = the Aggregate Stated Amount of the Class A2 Notes as at the Determination Date immediately preceding that Payment Date;
- C = the Aggregate Stated Amount of the Class A1-L Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes as at the Determination Date immediately preceding that Payment Date;
- D = the amount of Total Available Principal available to be applied on that Payment Date under paragraph (c)(ii) of section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

Class B Note means each Note referred to as a “Class B Note” issued in accordance with the Conditions.

Class B Noteholder means a Noteholder of a Class B Note.

Class B Note Principal Allocation means, in respect of a Payment Date on which the Stepdown Criteria are satisfied, the amount calculated as follows:

$$A = \frac{B}{C} \times D$$

where:

- A = the Class B Note Principal Allocation;
- B = the Aggregate Stated Amount of the Class B Notes as at the Determination Date immediately preceding that Payment Date;
- C = the Aggregate Stated Amount of the Class A1-L Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes as at the Determination Date immediately preceding that Payment Date;
- D = the amount of Total Available Principal available to be applied on that Payment Date under paragraph (c)(ii) of section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

Class C Note means each Note referred to as a “Class C Note” issued in accordance with the Conditions.

Class C Noteholder means a Noteholder of a Class C Note.

Class C Note Principal Allocation means, in respect of a Payment Date on which the Stepdown Criteria are satisfied, the amount calculated as follows:

$$A = \frac{B}{C} \times D$$

where:

- A = the Class C Note Principal Allocation;
- B = the Aggregate Stated Amount of the Class C Notes as at the Determination Date immediately preceding that Payment Date;
- C = the Aggregate Stated Amount of the Class A1-L Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes as at the Determination Date immediately preceding that Payment Date;
- D = the amount of Total Available Principal available to be applied on that Payment Date under paragraph (c)(ii) of section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

Class D Note means each Note referred to as a “Class D Note” issued in accordance with the Conditions.

Class D Noteholder means a Noteholder of a Class D Note.

Class D Note Principal Allocation means, in respect of a Payment Date on which the Stepdown Criteria are satisfied, the amount calculated as follows:

$$A = \frac{B}{C} \times D$$

where:

- A = the Class D Note Principal Allocation;

- B = the Aggregate Stated Amount of the Class D Notes as at the Determination Date immediately preceding that Payment Date;
- C = the Aggregate Stated Amount of the Class A1-L Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes as at the Determination Date immediately preceding that Payment Date;
- D = the amount of Total Available Principal available to be applied on that Payment Date under paragraph (c)(ii) of section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

Class E Note means each Note referred to as a “Class E Note” issued in accordance with the Conditions.

Class E Noteholder means a Noteholder of a Class E Note.

Class E Note Principal Allocation means, in respect of a Payment Date on which the Stepdown Criteria are satisfied, the amount calculated as follows:

$$A = \frac{B}{C} \times D$$

where:

- A = the Class E Note Principal Allocation;
- B = the Aggregate Stated Amount of the Class E Notes as at the Determination Date immediately preceding that Payment Date;
- C = the Aggregate Stated Amount of the Class A1-L Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes as at the Determination Date immediately preceding that Payment Date;
- D = the amount of Total Available Principal available to be applied on that Payment Date under paragraph (c)(ii) of section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

Class F Note means each Note referred to as a “Class F Note” issued in accordance with the Conditions.

Class F Noteholder means a Noteholder of a Class F Note.

Class F Note Principal Allocation means, in respect of a Payment Date on which the Stepdown Criteria are satisfied, the amount calculated as follows:

$$A = \frac{B}{C} \times D$$

where:

- A = the Class F Note Principal Allocation;
- B = the Aggregate Stated Amount of the Class F Notes as at the Determination Date immediately preceding that Payment Date;

C = the Aggregate Stated Amount of the Class A1-L Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes as at the Determination Date immediately preceding that Payment Date;

D = the amount of Total Available Principal available to be applied on that Payment Date under paragraph (c)(ii) of section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

Class G1 Note means each Note referred to as a “Class G1 Note” issued in accordance with the Conditions.

Class G2 Note means each Note referred to as a “Class G2 Note” issued in accordance with the Conditions.

Class G Note means each of the Class G1 Notes and the Class G2 Notes.

Class G Note Principal Allocation means, in respect of a Payment Date on which the Stepdown Criteria are satisfied, the amount calculated as follows:

$$A = \frac{B}{C} \times D$$

where:

A = the Class G Note Principal Allocation;

B = the Aggregate Stated Amount of the Class G Notes as at the Determination Date immediately preceding that Payment Date;

C = the Aggregate Stated Amount of the Class A1-L Notes, the Class A2 Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes as at the Determination Date immediately preceding that Payment Date;

D = the amount of Total Available Principal available to be applied on that Payment Date under paragraph (c)(ii) of section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

Class G Note Supplemental Deed means the deed entitled “Class G Note Supplemental Deed (Pepper I-Prime 2017-3 Trust)” dated on or about the date of this Information Memorandum between the Trustee, the Trust Manager, the Security Trustee and the initial subscribers for the Class G Notes.

Class G Noteholder means a Noteholder of a Class G Note.

Class L Note means each Note referred to as a “Class L Note” issued in accordance with the Conditions.

Class L Noteholder means a Noteholder of a Class L Note.

Closing Date means on or around 14 December 2017.

Collateral means all the Trust Assets held by the Trustee on the terms of the Trust in accordance with the Master Trust Deed and the Series Notice and acquired after the date of the General Security Agreement. A reference to “Collateral” includes any part of it.

Collateral Account means any collateral account established under a Transaction Document.

Collection Account means an account opened with the Depositee in the name of the Trustee and designated by the Trust Manager as the collection account for the Trust.

Collection Period means the period from (and including) the first day of a calendar month up to (and including) the last day of that calendar month except for the first Collection Period which commences on (but excludes) the Cut-Off Date and ends on (and includes) 31 December 2017.

Collection Period Distributions has the meaning given to it in section 7.2 (“Distributions made during a Collection Period”).

Collections has the meaning given to it in section 7.1 (“Collections”).

Collections Trust means the Pepper Collections Trust established under the Collections Trust Trust Deed.

Collections Trust Trust Deed means the Pepper Collections Trust Trust Deed dated 27 October 2011.

Conditions refers to the summary of terms and conditions of the Notes as set out in the section 2 (“Summary of the Issue”).

Consumer Credit Legislation means each of:

- (a) the NCCP;
- (b) the National Consumer Credit Protection (Fees) Act 2009 (Cth);
- (c) the *National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009* (Cth);
- (d) any regulations made under or in respect of any of the acts set out in paragraphs (a) to (c) above (including the *National Consumer Credit Protection Regulations 2010* (Cth)); and
- (e) Division 2 of Part 2 of the Australian Securities and Investments Commission Act 2001, so far as it relates to the obligations in respect of an Australian Credit Licence issued under the NCCP.

Corporations Act means the *Corporations Act 2001* (Cth).

Credit Manual means that part of the Credit Policy and Procedures Manual relating to the origination and underwriting of Mortgage Loans.

Credit Policy and Procedures Manual means the guidelines relating to the origination, underwriting, settlement and ongoing servicing of Mortgage Loans, consisting of the Credit Manual and the Business Process Manual, as identified and initialled by each Party upon settlement, and as modified, supplemented or replaced from time to time as agreed between the parties in writing.

Current LVR means, at any time, in relation to a Mortgage Loan, the ratio of:

- (a) the Outstanding Balance of that Mortgage Loan at that time; to
- (b) the value of the relevant residential real property which at that time secures that Mortgage Loan, where such value is the value of that property as at the date the Mortgage Loan was settled, or, if a valuation was undertaken more recently, the date of the last valuation report from an Approved Valuer.

Custodian has the meaning given to it in section 2.2 (“The Parties”).

Custodian Default has the meaning given to it in section 8.9(e) (“Custody Deed”).

Cut-Off Date means the date specified in section 2.3 (“Description of the Notes”), being the date on which the initial Mortgage Loans and Related Securities are selected for transfer to the Trust, with the actual transfer occurring on the first Closing Date.

Date Based Call Option Date means the Payment Date occurring in June 2021 and each Payment Date occurring thereafter.

Day Count Fraction means, for the purpose of the calculation of interest for any period, the actual number of days in the period divided by 365.

Dealer has the meaning given to it in section 2.2 (“The Parties”).

Dealer Agreement means the agreement entitled “Pepper I-Prime 2017-3 Trust - Dealer Agreement” dated 5 December 2017 between, amongst others, the Trustee, the Trust Manager and the Joint Lead Managers.

Deed of Adherence means the “deed of adherence” in relation to the Trust dated 14 November 2017 between the Trustee and the Trust Manager.

Designated Rating Agency means S&P.

Determination Date means the day which is 2 Business Days immediately prior to the relevant Payment Date.

Disposing Trust means the Pepper Prime Mortgage Origination Trust 2013-3 established on or about 31 October 2013.

Disposing Trustee means Pepper Finance Corporation Limited in its capacity as trustee of the Disposing Trust.

Disposing Trustee’s Cost of Funds means an amount determined by the Trust Manager based on a deemed rate of interest agreed by the Trust Manager with the Disposing Trustee equal to the weighted average cost of funds (including all relevant servicing fees) of the Disposing Trustee holding the Mortgage Loans during the period from (but excluding) the Cut-Off Date up to (and including) the date immediately preceding the Closing Date.

Eligibility Criteria means the criteria set out in section 5.4 (“Eligibility Criteria”).

Eligible Bank means a bank that has a rating by S&P equivalent to or higher than either a short term credit rating of “A-1” or a long term credit rating of “A” (as the case may be) or such other lower credit rating or ratings by the Designated Rating Agency as may be notified by the Trust Manager to the Trustee from time to time provided that the Trust Manager has delivered a Rating Notification in respect of such other credit rating or ratings.

Encumbrance means any:

- (a) security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any “security interest” as defined in sections 12(1) or (2) of the PPSA; or
- (b) right, interest or arrangement which has the effect of giving another person a preference, priority or advantage over creditors including any right of set-off; or
- (c) right that a person (other than the owner) has to remove something from land (known as a profit à prendre), easement, public right of way, restrictive or positive covenant, lease, or licence to use or occupy; or

- (d) third party right or interest or any right arising as a consequence of the enforcement of a judgment,

or any agreement to create any of them or allow them to exist.

Enforcement Expenses means all expenses paid by the Servicer and/or the Trustee in connection with the enforcement of any Mortgage Loan or any Related Security in respect of the Trust.

Event of Default has the meaning given to it in section 8.4(a) (“General Security Agreement”).

Extraordinary Expense means, in relation to a Collection Period, any out of pocket Trust Expense incurred by the Trustee in respect of that Collection Period but which was not incurred in the ordinary course of business of the Trust.

Extraordinary Expense Reserve Account means an account opened with an Eligible Bank in the name of the Trustee and designated by the Trust Manager as the extraordinary expense reserve account for the Trust.

Extraordinary Expense Reserve Loan Agreement means the “Pepper I-Prime 2017-3 Trust – Extraordinary Expense Reserve Loan Agreement” dated on or about 11 December 2017 between the Trustee, the Trust Manager and the Extraordinary Expense Reserve Loan Provider.

Extraordinary Expense Reserve Loan Provider means Pepper Group Limited (ACN 094 317 665).

Extraordinary Expense Reserve Target Balance means A\$150,000.

Extraordinary Resolution means a resolution which is passed by 75% of votes cast by the persons present and entitled to vote at a meeting.

FATCA means:

- (a) sections 1471 through 1474 of the United States Internal Revenue Code of 1986 and any regulations or official interpretations issued with respect thereof and any amended or successor provisions (the “**Code**”);
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States of America and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or
- (c) any agreement under the implementation of paragraphs (a) or (b) above, with the United States of America Internal Revenue Service, the United States of America government or any governmental or taxation authority in any other jurisdiction.

FATCA Withholding Tax means any withholding or deduction arising under or in connection with FATCA.

Finance Charge Collections has the meaning given to it in section 7.10 (“Determination of Available Income”).

FSMA means the Financial Services and Markets Act 2000.

Further Advance means, in relation to a Mortgage Loan, any advance provided to the relevant Obligor after the settlement date of that Mortgage Loan, which results in an increase in the Scheduled Balance of that Mortgage Loan.

Further Liquidity Shortfall has the meaning given to it in section 7.14 (“Liquidity Draw”).

General Insurance Policy means, in respect of a Mortgage Loan, any policy of general insurance in force in respect of that Mortgage Loan or its Related Securities.

General Security Agreement means the “Pepper I-Prime 2017-3 Trust – General Security Agreement” dated 14 November 2017 between the Trustee and others (as amended).

Governmental Agency means any government, whether federal, state, territorial or local, and any minister, department, office, commission, delegate, instrumentality, agency, board, authority or organ thereof, whether statutory or otherwise.

GST means any goods and services tax, value added tax or similar tax imposed by the Commonwealth of Australia or any State or Territory of the Commonwealth of Australia.

Information Memorandum means this information memorandum in relation to the issuance of A\$400,000,000 Mortgage Backed Securities and other securities by Permanent Custodians Limited as trustee for the Pepper I-Prime 2017-3 Trust.

Initial Invested Amount means, in respect of:

- (a) each Class of Note (other than a Class G Note or Class L Note), \$100,000; and
- (b) each Class G Note and Class L Note, \$1,000.

Insolvent means, that a person is insolvent if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to its property; or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the Security Trustee (or the Trust Manager, in the case of the solvency of the Security Trustee)); or
- (d) an application or order has been made (and, in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of (a), (b) or (c) above; or
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which the Security Trustee (or the Trust Manager, in the case of the solvency of the Security Trustee) reasonably deduces it is so subject); or
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

In respect of the Trustee, a reference to the “relevant body corporate” is a reference to the Trustee in its capacity as trustee of the relevant Trust or personally, but not the Trustee in its capacity as trustee of any other Trust; and any non-payment of debt by the Trustee as a result

of the operation of the limitation of liability provision described under the heading “Limitation of the Trustee’s Liability” in section 8.2 (“Master Trust Deed”) will not result in the Trustee (other than in its capacity as trustee of the Trust) being Insolvent.

Interest Period has the meaning given to it in section 6.4 (“Interest Period”).

Interest Rate has the meaning given to it in section 6.5 (“Interest Rate for the Notes”).

Invested Amount means, at any time in respect of a Note:

- (a) the Initial Invested Amount of that Note; less
- (b) the aggregate of all principal repayments made in respect of that Note prior to that time.

IRS means the United States Internal Revenue Service or any authority succeeding to its powers and responsibilities.

IWT has the meaning given to it in section 11.1 (“Interest withholding tax”).

Joint Lead Manager means each of National Australia Bank Limited (ABN 12 004 044 937), Commonwealth Bank of Australia (ABN 48 123 123 124) and Westpac Banking Corporation (ABN 33 007 457 141).

Liquidity Collateral Account has the meaning given to it in section 8.8(d) (“Liquidity Facility Agreement”).

Liquidity Collateral Account Balance has the meaning given to it in section 8.8(d) (“Liquidity Facility Agreement”).

Liquidity Draw has the meaning given to it in section 7.14 (“Liquidity Draw”).

Liquidity Event of Default has the meaning given to it in section 8.8(f) (“Liquidity Facility Agreement”).

Liquidity Facility means the facility provided pursuant to the Liquidity Facility Agreement.

Liquidity Facility Agreement means:

- (a) the agreement entitled “Pepper I-Prime 2017-3 Trust – Liquidity Facility Agreement” dated on or about 11 December 2017 between the Trustee, the Trust Manager and the Liquidity Facility Provider; and
- (b) any other agreement which the Trustee and the Trust Manager agree is a “Liquidity Facility Agreement”, provided that a Rating Notification has been given in respect of such agreement.

Liquidity Facility Provider means National Australia Bank Limited (ABN 12 004 044 937).

Liquidity Facility Provider Termination Date has the meaning set out in section 8.8(g) (“Liquidity Facility Agreement”).

Liquidity Facility Termination Date has the meaning set out in section 8.8(g) (“Liquidity Facility Agreement”).

Liquidity Interest Period has the meaning set out in section 8.8(c) (“Liquidity Facility Agreement”).

Liquidity Limit has the meaning set out in section 8.8(h) (“Liquidity Facility Agreement”).

Liquidity Principal Outstanding means, at any time, an amount equal to:

- (a) the aggregate of all Liquidity Advances made prior to that time in respect of Liquidity Draws (including any capitalised interest); less
- (b) any repayments or prepayments of all such Liquidity Advances made by the Trustee on or before that time.

Liquidity Shortfall has the meaning given to it in section 7.13 (“Principal Draw”).

LMI has the meaning given to it by section 3.8 (“No lender’s mortgage insurance”).

Loss Shortfall means, in respect of a Determination Date, the amount (if any) by which the Losses in respect of the immediately preceding Collection Period exceeds the amount available to be applied from Total Available Income on the next Payment Date under section 7.16(o)(i) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”).

Losses means, for a Collection Period, the aggregate of:

- (a) all losses (as determined by the Trust Manager) for all Authorised Investments acquired from principal collections which arise during that Collection Period; and
- (b) all losses (as determined by the Trust Manager) for all Mortgage Loans which arise during that Collection Period after all enforcement action has been taken by the Servicer (in accordance with the Master Servicer Deed) in respect of any Mortgage Loan and its Related Security and after taking into account:
 - (i) all proceeds received as a consequence of enforcement under any Mortgage Loans (less the relevant Enforcement Expenses);
 - (ii) any proceeds received by the Trustee from any insurance policy related to a Mortgage Loan; and
 - (iii) any payments received from the Trust Manager, the Servicer or any other person for a breach of its obligations under the Transaction Documents,

and “**Loss**” has a corresponding meaning.

LVR means, on any day, in relation to a Mortgage Loan an amount expressed as a percentage per annum equal to A/B where:

A = the Outstanding Balance; and

B = the most recent value of the property (as determined in accordance with the Servicer’s current servicing procedures) the subject of the Related Security.

Where a Mortgage Loan is secured by a first ranking mortgage and a second ranking mortgage the value of the property securing the second ranking mortgage will not be given any credit for the above calculation to the extent it is secured by a first ranking mortgage which is not held by the Trustee.

Master Management Deed means the “Master Management Terms” (as defined in the Notice of Creation of Trust) incorporated by reference in the Notice of Creation of Trust by reference to the terms and conditions of the deed entitled “Pepper Master Management Deed” dated 2 May 2012 between Pepper Finance Corporation Limited and the Trust Manager (as amended).

Master Security Trust Deed means the “Master Security Trust Terms” (as defined in the Notice of Creation of Security Trust) incorporated by reference in the Notice of Creation of

Security Trust by reference to the terms and conditions of the deed entitled “Pepper Master Security Trust Deed” dated 2 May 2012 between Pepper Finance Corporation Limited, P.T. Limited and the Trust Manager (as amended).

Master Servicer Deed means the “Master Servicer Terms” (as defined in the Series Notice) incorporated by reference in the Series Notice by reference to the terms and conditions of the deed entitled “Pepper Master Servicer Deed” dated 2 May 2012 between Pepper Finance Corporation Limited and the Trust Manager (as amended).

Master Solicitor’s Certificate means the certificate in respect of the Mortgage Loans to be given by an Approved Solicitor or a short form certificate given by an Approved Solicitor in relation to a Mortgage Loan confirming that the provisions of the Master Solicitor’s Certificate apply in relation to that Mortgage Loan.

Master Trust Deed means the “Master Trust Terms” (as defined in the Notice of Creation of Trust) incorporated by reference in the Notice of Creation of Trust by reference to the terms and conditions of the deed entitled “Pepper Master Trust Deed” dated 2 May 2012 between Pepper Finance Corporation Limited (and the Trust Manager (as amended)).

Material Adverse Effect means a material adverse effect on:

- (a) the Trustee’s ability to comply with its obligations under any Transaction Document;
- (b) the effectiveness or priority of any security or the value of the property secured by the security in each case taken as a whole; and
- (c) the validity and enforceability of any Transaction Document.

Material Adverse Liquidity Effect means a material and adverse effect on the amount of any payment to the Liquidity Facility Provider or the timing of any such payment (other than any amounts payable under section 7.16(s)(i) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”).

Material Adverse Payment Effect means an event or circumstance which will, or is likely to have, a material and adverse effect on the amount of any payment to a Noteholder (other than in respect of any Note which does not then comprise part of the Senior Obligations) or the timing of any such payment.

Maturity Date has the meaning given to it in section 2.3 (“Description of the Notes”).

Meetings Provisions means the provisions relating to the meetings of Secured Creditors set out in Schedule 2 (“Meetings Provisions”) of the Master Security Trust Deed.

Mortgage Loan means at any time a mortgage loan which is then, or is then immediately to become, a Trust Asset.

Mortgage Loan Documents means, in respect of a Mortgage Loan or Related Security, any agreement or other document that evidences the Obligor’s payment or repayment obligations or any other terms and conditions of that Mortgage Loan or Related Security as applicable, and includes the Title Documents relating to that Mortgage Loan or Related Security.

NCCP means the National Consumer Credit Protection Act 2009 (Cth) and the National Credit Code set out in schedule 1 of that Act.

Note means each Class A1-S Note, Class A1-L Note, Class A2 Note, Class B Note, Class C Note, Class D Note, Class E Note, Class F Note, Class G1 Note, Class G2 Note and Class L Note.

Noteholder means, in respect of a Trust, the person from time to time registered in the Register of Noteholders of the Trust as the holder of a Note and includes persons jointly registered.

Note Deed Poll means the “Pepper I-Prime 2017-3 Trust – Note Deed Poll” dated on or about 11 December 2017 signed by the Trustee.

Note Interests has the meaning given to it in section 1.9 (“Disclosure of Interest”).

Note Margin has the meaning given to it in section 2.4 (“Interest on the Notes”).

Note Register means the register maintained in respect of the Notes in accordance with the Note Deed Poll.

Notice of Creation of Security Trust means the “Notice of Creation of Security Trust – Pepper I-Prime 2017-3 Trust” dated 14 November 2017 between the Trustee, the Security Trustee and the Trust Manager (as amended).

Notice of Creation of Trust means the “Notice of Creation of Trust – Pepper I-Prime 2017-3 Trust” dated 14 November 2017 between the Trustee and the Trust Manager (as amended).

Obligation:

- (a) in relation to the Trustee, has the meaning set out in section 8.2(k) (“Master Trust Deed”); and
- (b) in relation to the Security Trustee, has the meaning set out in section 8.3(k) (“Master Security Trust Deed”).

Obligor means, in relation to a Mortgage Loan or Related Security, any person who is obliged to make payments either jointly or severally in connection with that Mortgage Loan or Related Security.

Offer to Sell has the meaning given to that term in the Sale Deed.

Offer to Sell Back has the meaning given to that term in the Sale Deed.

Offered Notes has the meaning given to it in section 1 (“Information Memorandum”) and section 2.3 (“Description of the Notes”).

Offshore Associate means an “associate” of the Trustee (as defined in section 128F(9) of the Tax Act) that is either: (i) a non-resident of Australia for tax purposes (other than a non-resident that acquires the 128F Note in carrying on business in Australia at or through a permanent establishment in Australia); or (ii) a resident of Australia for tax purposes that acquires the 128F Note in the course of carrying on business outside Australia at or through a permanent establishment of the Offshore Associate in that country, other than, in either case, an “associate” acting in the capacity of, in the case of section 128F(5) of the Australian Tax Act, a dealer, manager or underwriter in relation to the placement of the relevant 128F Notes, or a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme or, in the case of section 128F(6) of the Tax Act, a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investment scheme.

Ordinary Resolution means:

- (a) a resolution passed at a meeting of Secured Creditors by at least 50% of the votes cast; or
- (b) a Circulating Resolution made in accordance with paragraph 9.1(a) of the Meetings Provisions.

Originator means Pepper Homeloans Pty Limited (ABN 86 092 110 079).

Other Income means, in respect of a Collection Period, any miscellaneous income other than income earned on Authorised Investments or other amounts otherwise not included in Available Income or Available Principal received by the Trustee during the immediately preceding Collection Period.

Other Transactions has the meaning given to it in section 1.9 (“Disclosure of Interest”).

Other Transaction Interests has the meaning given to it in section 1.9 (“Disclosure of Interest”).

Outstanding Balance means at any time in respect of a Mortgage Loan, the outstanding principal amount of that Mortgage Loan (including any interest and fees which have been capitalised under that Mortgage Loan).

Overcollateralisation Amount means, in respect of a Payment Date:

(a) after the first Call Option Date, an amount equal to:

A x B

where:

A = 1 – the then prevailing corporate tax rate applicable in Australia; and

B = the amount available to be applied on that Payment Date as described in section 7.16(q) (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”);

(b) otherwise, zero.

Overcollateralisation Ledger has the meaning set out in section 7.26 (“Overcollateralisation Ledger”).

Participation Unit means any unit which is designated as a “Participation Unit” in the unit register for the Trust.

Participation Unitholder means the person registered as the holder of a Participation Unit.

Parties means the parties set out in section 2.2 (“The Parties”).

Payment Date means the 18th day of each month or, if that day is not a Business Day, then the next Business Day provided that the first Payment Date occurs in January 2018, or if that day is not a Business Day, then the next Business Day.

Payment Shortfall means, on a Determination Date, the amount by which the Available Income is insufficient to meet the Required Payments as calculated on that Determination Date.

Performing Mortgage Loan means a Mortgage Loan in relation to which no payment due from the relevant Obligor is in arrears by more than 90 days as at the end of the relevant Collection Period.

Powers of Attorney means each power of attorney provided by the Disposing Trustee in favour of the Trustee in relation to the Trust.

PPSA means:

- (a) the *Personal Property Securities Act 2009* (Cth) ("**PPS Act**")
- (b) any regulations made at any time under the PPS Act;
- (c) any provisions of the PPS Act or regulations referred to in paragraph (b) above;
- (d) any amendment to the above, made at any time; or
- (e) any amendment made at any time to any other legislation as a consequence of the PPSA referred to in paragraphs (a) to (d) above.

Preparation Date has the meaning given to it in section 1.3 ("Preparation Date").

Prepayment Costs means any amount payable by an Obligor in respect of a Mortgage Loan as a result of the Obligor prepaying an amount in respect of that Mortgage Loan.

Prime Loan Products means the prime loan products and their related criteria or other loan products which satisfy the related criteria of such prime loan products, in each case which are provided by the Originator as set out in the Credit Policy and Procedures Manual, as amended from time to time.

Principal Adjustment means, in respect of the Mortgage Loans the subject of an Offer to Sell, all principal collections received by the Disposing Trustee during the period from (but excluding) the Cut-Off Date to (but excluding) the Closing Date.

Principal Draw means the amount calculated in accordance with section 7.13 ("Principal Draw")

Property means the residential real property the subject of a Related Security at that time.

Prudent Lender means a reasonable and prudent lender originating loans and assets similar to the Mortgage Loans and Related Security.

Purchase Price has, in relation to specific Mortgage Loans, the meaning given to it in the Sale Deed.

Ratings Notification means, in relation to an event or circumstance, that the Trust Manager has notified the Designated Rating Agency of the event or circumstance and the Trust Manager is satisfied that the event or circumstance is unlikely to result in an Adverse Rating Effect.

Reallocation, Reallocate and Reallocated means reallocation of Trust Assets from one trust to another trust in accordance with the Master Trust Deed.

Receiver means, in respect of the Trust, a person or persons appointed under or by virtue of the Master Security Trust Deed as receiver or receiver and manager.

Record Date means the date which is 5 Business Days before each Payment Date.

Recoveries means amounts received from or on behalf of Obligors or under Related Securities in respect of Mortgage Loans that were previously the subject of a Loss.

Redraw means any advance to the relevant Obligor after the settlement date of that Mortgage Loan which does not result in an increase in the Scheduled Balance of that Mortgage Loan.

Regulated Receivables means receivables that are regulated under the NCCP.

Related Entity has the meaning it has in the Corporations Act.

Related Security mean, at any time in respect of a Mortgage Loan, any Encumbrance which is given or is to be given as security for that Mortgage Loan which is then, or is then immediately to become, a Trust Asset.

Relevant Information has the meaning given to it in section 1.9 (“Disclosure of Interest”).

Relevant Person has the meaning given to it in section 1.9 (“Disclosure of Interest”).

Required Payments means, in respect of a Payment Date:

- (a) the aggregate of payments payable on that Payment Date in accordance with paragraph (a) to (m) (inclusive) under section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) if there are no unreimbursed Charge-Offs or Carryover Charge-Offs as at the Determination Date immediately preceding that Payment Date in respect of the Class F Notes;
- (b) if the preceding paragraph doesn't apply, the aggregate of payments payable on that Payment Date in accordance with paragraph (a) to (l) (inclusive) under section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) if there are no unreimbursed Charge-Offs or Carryover Charge-Offs as at the Determination Date immediately preceding that Payment Date in respect of the Class E Notes;
- (c) if the preceding paragraphs don't apply, the aggregate of payments payable on that Payment Date in accordance with paragraph (a) to (k) (inclusive) under section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) if there are no unreimbursed Charge-Offs or Carryover Charge-Offs as at the Determination Date immediately preceding that Payment Date in respect of the Class D Notes;
- (d) if the preceding paragraphs don't apply, the aggregate of payments payable on that Payment Date in accordance with paragraph (a) to (j) (inclusive) under section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) if there are no unreimbursed Charge-Offs or Carryover Charge-Offs as at the Determination Date immediately preceding that Payment Date in respect of the Class C Notes;
- (e) if the preceding paragraphs don't apply, the aggregate of payments payable on that Payment Date in accordance with paragraph (a) to (i) (inclusive) under section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) if there are no unreimbursed Charge-Offs or Carryover Charge-Offs as at the Determination Date immediately preceding that Payment Date in respect of the Class B Notes;
- (f) in all other cases, the aggregate of payments payable on that Payment Date in accordance with paragraph (a) to (h) (inclusive) under section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”).

Residual Unit means any unit in the Trust which is designated as a “Residual Unit” in the unit register for the Trust.

Retention Vehicles means Pepper Jalapeno Investments No. 2 Pty Limited (ACN 610 974 573) and Pepper Chipotle Investments No. 2 Pty Limited (ACN 610 974 331) (being wholly owned subsidiaries of Pepper).

Ruling Secured Creditor means, in respect of the Trust:

- (a) if any Class A1 Notes are outstanding:

- (i) the Class A1 Noteholders; and
 - (ii) any Secured Creditors ranking equally or senior to the Class A1 Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”)) and only to the extent of any Secured Money owing to such Secured Creditors which ranks equally or senior to the Class A1 Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”));
- (b) if Class A2 Notes, but not Class A1 Notes, remain outstanding:
- (i) the Class A2 Noteholders; and
 - (ii) any Secured Creditors ranking equally or senior to the Class A2 Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”)) and only to the extent of any Secured Money owing to such Secured Creditors which ranks equally or senior to the Class A2 Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”));
- (c) if Class B Notes, but no Class A Notes, remain outstanding:
- (i) the Class B Noteholders; and
 - (ii) any Secured Creditors ranking equally or senior to the Class B Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”)) and only to the extent of any Secured Money owing to such Secured Creditors which ranks equally or senior to the Class B Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”));
- (d) if Class C Notes, but no Class A Notes or Class B Notes, remain outstanding:
- (i) the Class C Noteholders; and
 - (ii) any Secured Creditors ranking equally or senior to the Class C Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”)) and only to the extent of any Secured Money owing to such Secured Creditors which ranks equally or senior to the Class C Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”));
- (e) if Class D Notes, but no Class A Notes, Class B Notes or Class C Notes, remain outstanding:
- (i) the Class D Noteholders; and
 - (ii) any Secured Creditors ranking equally or senior to the Class D Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”)) and only to the extent of any Secured Money owing to such Secured Creditors which ranks equally or senior to the

Class D Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”));

- (f) if Class E Notes, but no Class A Notes, Class B Notes, Class C Notes or Class D Notes, remain outstanding:
 - (i) the Class E Noteholders; and
 - (ii) any Secured Creditors ranking equally or senior to the Class E Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”)) and only to the extent of any Secured Money owing to such Secured Creditors which ranks equally or senior to the Class E Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”));

- (g) if Class F Notes, but no Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes, remain outstanding:
 - (i) the Class F Noteholders; and
 - (ii) any Secured Creditors ranking equally or senior to the Class F Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”)) and only to the extent of any Secured Money owing to such Secured Creditors which ranks equally or senior to the Class F Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”));

- (h) if Class G Notes, but no Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes, remain outstanding:
 - (i) the Class G Noteholders; and
 - (ii) any Secured Creditors ranking equally or senior to the Class G Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”)) and only to the extent of any Secured Money owing to such Secured Creditors which ranks equally or senior to the Class G Noteholders (as determined in accordance with the order of priority set out in section 7.19 (“Application of proceeds following an Event of Default and enforcement of the General Security Agreement”)); and

- (i) if no Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes or Class G Notes remain outstanding, the remaining Secured Creditors.

S&P means S&P Global Ratings Australia Pty Ltd (ACN 007 324 852).

Sale Deed means the Pepper I-Prime 2017-3 Trust – Sale Deed dated on or about 11 December 2017 between the Trustee, the Trust Manager and others.

Scheduled Balance means, at any time, the scheduled amortising balance of a Mortgage Loan calculated in accordance with the terms of that Mortgage Loan.

Secured Creditors means each of:

- (a) the Trustee (for its own account);
- (b) the Security Trustee (for its own account);
- (c) the Trust Manager;
- (d) each Noteholder;
- (e) the Liquidity Facility Provider;
- (f) each Dealer;
- (g) the Servicer;
- (h) each Agent;
- (i) each Joint Lead Manager;
- (j) the Custodian;
- (k) the Backup Servicer; and
- (l) the Extraordinary Expense Reserve Loan Provider.

Secured Money means all money which:

at any time;

for any reason or circumstance in connection with the Transaction Documents (including any transaction in connection with them);

whether under law or otherwise (including liquidated or unliquidated damages for default or breach of any obligation); and

whether or not of a type within the contemplation of the parties at the date of the General Security Agreement:

- (a) the Trustee is or may become actually or contingently liable to pay to any Secured Creditor of the Trust; or
- (b) any Secured Creditor of the Trust has advanced or paid on the Trustee's behalf or at the Trustee's express or implied request; or
- (c) any Secured Creditor of the Trust is liable to pay by reason of any act or omission on the Trustee's part, or that any Secured Creditor of the Trust has paid or advanced in protecting or maintaining the Collateral or any security interest in the General Security Agreement following an act or omission on the Trustee's part; or
- (d) the Trustee would have been liable to pay any Secured Creditor of the Trust but the amount remains unpaid by reason of the Trustee being Insolvent.

This definition applies:

- (i) irrespective of the capacity in which the Trustee or the Secured Creditor of the Trust became entitled to, or liable in respect of, the amount concerned;
- (ii) whether the Trustee or the Secured Creditor of the Trust is liable as principal debtor, as surety, or otherwise;

- (iii) whether the Trustee is liable alone, or together with another person;
- (iv) even if the Trustee owes an amount or obligation to the Secured Creditor of the Trust because it was assigned to the Secured Creditor, whether or not:
 - (A) the assignment was before, at the same time as, or after the date of the General Security Agreement; or
 - (B) the Trustee consented to or was aware of the assignment; or
 - (C) the assigned obligation was secured before the assignment;
- (v) even if the General Security Agreement was assigned to the Secured Creditor of the Trust, whether or not:
 - (A) the Trustee consented to or was aware of the assignment; or
 - (B) any of the Secured Money was previously unsecured;
- (vi) whether or not the Trustee has a right of indemnity from the Trust Assets.

Security Trust means the trust known as the “Pepper I-Prime 2017-3 Security Trust” established under the Master Security Trust Deed and created on execution of the Notice of Creation of Security Trust.

Security Trustee means BTA Institutional Services Australia Limited (ABN 48 002 916 396).

Senior Obligations means the obligations of the Trustee:

- (a) in respect of the Class A1 Notes and any obligations ranking equally or senior to the Class A1 Notes (as determined in accordance with the order of priority set out in section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”), at any time while the Class A1 Notes are outstanding; and
- (b) in respect of the Class A2 Notes and any obligations ranking equally or senior to the Class A2 Notes (as determined in accordance with the order of priority set out in section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”), at any time while the Class A2 Notes are outstanding; and
- (c) in respect of the Class B Notes and any obligations ranking equally or senior to the Class B Notes (as determined in accordance with the order of priority set out in section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”), at any time while the Class B Notes are outstanding but no Class A Notes are outstanding; and
- (d) in respect of the Class C Notes and any obligations ranking equally or senior to the Class C Notes (as determined in accordance with the order of priority set out in section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”), at any time while the Class C Notes are outstanding but no Class A Notes or Class B Notes are outstanding; and
- (e) in respect of the Class D Notes and any obligations ranking equally or senior to the Class D Notes (as determined in accordance with the order of priority set out in section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”), at any time while the Class D Notes are outstanding but no Class A Notes, Class B Notes or Class C Notes are outstanding; and

- (f) in respect of the Class E Notes and any obligations ranking equally or senior to the Class E Notes (as determined in accordance with the order of priority set out in section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”), at any time while the Class E Notes are outstanding but no Class A Notes, Class B Notes, Class C Notes or Class D Notes are outstanding; and
- (g) in respect of the Class F Notes and any obligations ranking equally or senior to the Class F Notes (as determined in accordance with the order of priority set out in section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”), at any time while the Class F Notes are outstanding but no Class A Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are outstanding; and
- (h) in respect of the Class G Notes and any obligations ranking equally or senior to the Class G Notes (as determined in accordance with the order of priority set out in section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”), at any time while the Class G Notes are outstanding but no Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F are outstanding; and
- (i) under the Transaction Documents generally, at any time while no Notes (excluding the Class L Notes) are outstanding.

Series Notice means the Pepper I-Prime 2017-3 Trust – Series Notice dated on or about 11 December 2017 between the Trustee, the Trust Manager and others.

Servicer means Pepper Group Limited (ABN 55 094 317 665).

Servicer Advance has the meaning given to it in section 7.29 (“Redraws”).

Servicer Default has the meaning given to it in section 8.6(f) (“Master Servicer Deed”).

Servicing Guidelines means:

- (a) the Business Process Manual; and
- (b) any other guidelines relating to the servicing and collection procedures (including enforcement) as agreed by the Trust Manager and the Servicer (as such guidelines may be amended from time to time).

Special Quorum Resolution means:

- (a) an Extraordinary Resolution passed at a meeting at which the requisite quorum is present as set out in paragraph 4.1 of the Meetings Provisions; or
- (b) a Circulating Resolution made in accordance with paragraph 9.1(c) of the Meetings Provisions.

Stated Amount means, in relation to a relevant Note at any time, an amount equal to:

- (a) the Invested Amount of that Note on that Determination Date; less
- (b) the amount of any Charge-offs allocated to that Note prior to that time which have not been reimbursed on or before that time.

Stepdown Criteria has the meaning given in section 7.6 (“Stepdown Criteria”).

Subordinated Note Percentage (Class A2) means, on any day, the amount (expressed as a percentage) equal to

$$\frac{A}{B}$$

where:

A = the Aggregate Stated Amount of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, Class G Notes and any amounts standing to the credit of the Amortisation Reserve Account on that day; divided by

B = the Aggregate Stated Amount of all Notes (excluding the Class L Notes) on that day.

Sub-Originator means a person not employed by the Originator but who introduces persons who wish to apply for Mortgage Loans to the Originator and provides information to the Originator in respect of such persons and for which the Originator will pay them a fee as agreed from time to time and as set out in the Sub-Origination Deed.

Sub-Origination Deed means a deed entered into between the Sub Originator and the Originator which the Trust Manager notifies the Trustee is a Sub-Origination Deed.

Tax means any tax, levy, charge, impost and duty (including any stamp or transaction duty) imposed by any authority together with any related interest, expenses, fine or penalty in connection with them, except if imposed on, or calculated having regard to, the overall net income of the Security Trustee or any Secured Creditor and **Taxes** and **Taxation** shall be construed accordingly.

Tax Account means an account with an Eligible Bank established and maintained in the name of the Trustee and in accordance with the terms of the Master Trust Deed, which is to be opened by the Trustee when directed to do so by the Trust Manager in writing.

Taxation Administration Act has the meaning given to it in section 11.2(h) ("Other tax matters").

Tax Amount means, in respect of a Payment Date, the amount (if any) of Tax that the Trust Manager reasonably determines will be payable in the future by the Trustee in respect of the Trust and which accrued during the immediately preceding Collection Period.

Tax Shortfall means, in respect of a Payment Date, the amount (if any) determined by the Trust Manager to be the shortfall between the aggregate Tax Amounts determined by the Trust Manager in respect of previous Payment Dates and the amounts set aside and retained in the Tax Account as described in the "Description of the Notes-Cashflow Allocation Methodology" on previous Payment Dates.

TFN has the meaning given to it in section 11.2(h) ("Other tax matters").

Threshold Rate means in respect of a Payment Date, the aggregate of:

- (a) the weighted average rate required to be set on all Mortgage Loans (calculated using the Outstanding Balance as at the last day of the immediately preceding Collection Period) (expressed as a percentage rate per annum) such that the Trustee will have sufficient Available Income under the Transaction Documents to meet the Required Payments on the immediately following Payment Date (assuming that all parties comply with their obligations under the Transaction Documents) and taking into account moneys held in Authorised Investments; and
- (b) 0.25% per annum.

Title Documents in respect of a Mortgage Loan means:

- (a) the certificate or other indicia of title (if any) in respect of the Trust Assets and any related securities;
- (b) any deed of priority or its equivalent in writing entered into in connection with the Trust Asset;
- (c) any other documents required to evidence the Trustee's interest in the Trust Asset, in each case, which are delivered to the Custodian by or on behalf of the Trustee and are specified to be Title Documents.

Title Insurance Policy means each policy covering the relevant Mortgage Loans against the invalidity, unenforceability and loss of priority of a mortgage:

- (a) which are provided by a Title Insurer and its associated entities; and
- (b) in respect of which a Ratings Notification has been given.

Title Insurer means a Title Insurer appointed by the Trustee from time to time in respect of which a Ratings Notification has been given.

Title Perfection Event has the meaning given to it in section 5.3 ("Title Perfection").

Total Available Income has the meaning given to it in section 7.15 ("Determination of Total Available Income").

Total Available Principal has the meaning given to it in section 7.4 ("Determination of Total Available Principal")

Transaction Document Interests has the meaning given to it in section 1.9 ("Disclosure of Interest").

Transaction Documents means in respect of the Trust:

- (a) each of the following insofar as it applies to the Trust:
 - (i) the Master Security Trust Deed;
 - (ii) the Master Trust Deed;
 - (iii) the Master Management Deed;
 - (iv) the Master Servicer Deed;
- (b) the Series Notice;
- (c) the General Security Agreement;
- (d) the Note Deed Poll;
- (e) the Conditions;
- (f) the Liquidity Facility Agreement;
- (g) the Dealer Agreement;
- (h) the Sale Deed;

- (i) the Backup Servicer Deed;
- (j) the Notice of Creation of Security Trust;
- (k) the Notice of Creation of Trust;
- (l) the Collections Trust Trust Deed;
- (m) the Custody Deed;
- (n) the Extraordinary Expense Reserve Loan Agreement;
- (o) the Deed of Adherence;
- (p) the Pepper Tax Sharing and Funding Agreement; and
- (q) any other document designated by the Trustee and the Trust Manager as such from time to time.

Transaction Party has the meaning given to it in section 1.9 (“Disclosure of Interest”).

Treaties has the meaning given to it in section 11.1 (“Interest withholding tax”).

Trust has the meaning given to it in section 2.6 (“The Trust and Trust Assets”).

Trust Assets has the meaning given to it in section 5.1 (“Trust Assets”).

Trust Business means, in respect of the Trust, the business of the Trustee in:

- (a) acquiring Trust Assets;
- (b) administering, collecting and otherwise dealing with Trust Assets;
- (c) issuing Notes;
- (d) entering into and exercising rights or complying with obligations under the Transaction Documents to which it is a party and the transactions in connection with them; and
- (e) any other activities in connection with the Trust.

Trust Expenses means all costs, charges and expenses properly incurred by the Trustee in connection with the Trust and under the Transaction Documents and any other amounts for which the Trustee is entitled to be reimbursed or indemnified out of the Trust Assets and includes any costs, charges, expenses and other amounts to be paid or reimbursed by the Trustee to the Security Trustee, the Custodian, the Backup Servicer, the Trust Manager and the Servicer in accordance with the Transaction Documents, but excluding any amount of a type otherwise referred to in section 7.16 (“Application of Total Available Income (prior to an Event of Default and enforcement of the General Security Agreement)”) (other than paragraph (d)(v) of that section) or section 7.5 (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

Trust Manager means Pepper Group Limited (ABN 55 094 317 665).

Trust Manager Default has the meaning given in section 8.5(f) (“Master Management Deed”).

Trustee has the meaning given to it in section 2.2 (“The Parties”).

Turbo Principal Allocation means, in respect of a Determination Date, the amount (if any) to be paid on the immediately following Payment Date as described in section 7.5(c)(ii)(H) (“Application of Total Available Principal (prior to an Event of Default and enforcement of the General Security Agreement)”).

Units means each of the Residual Unit and Participation Unit.

Valuation means with respect to a Property proposed to be the subject of a Mortgage, means a valuation by an Approved Valuer dated not earlier than 3 months prior to the proposed settlement date of the Mortgage unless otherwise approved by the Trust Manager, and made in accordance with the requirements set out in the Credit Policy and Procedures Manual and which is addressed amongst others, to the Trustee and expressed to be able to be relied upon by the Trustee, the Trust Manager, the Originator or Sub-Originator (as the case may be) and the Servicer.

Yield Enhancement Amount means, in respect of a Payment Date:

- (a) for each Payment Date if the Yield Enhancement Test is satisfied for that Payment Date, an amount equal to the lesser of:
- (i) the amount by which the credit balance of the Yield Enhancement Reserve Account is less than the Yield Enhancement Reserve Maximum Balance; and
 - (ii) an amount equal to
$$A \times B$$
where
$$A = 70\%$$
$$B = \text{the amount available to be applied on that payment date under section 7.16(p) (“Application of Total Available Income (prior to an Event of Default)”); and}$$
- (b) for each other Payment Date, zero.

Yield Enhancement Ledger has the meaning set out in section 7.25 (“Yield Enhancement Ledger”).

Yield Enhancement Reserve Account means the account opened with an Eligible Bank in the name of the Trustee and designated by the Trust Manager as the yield enhancement reserve account for the Trust.

Yield Enhancement Reserve Draw means any amount drawn or to be drawn from the Yield Enhancement Reserve in accordance with section 7.12 (“Yield Enhancement Reserve Draw”).

Yield Enhancement Reserve Maximum Balance means A\$800,000.

The **Yield Enhancement Test** will be satisfied if

- (a) there are any Class A Notes outstanding; and
- (b) the amount calculated below (expressed as a percentage) is less than 0.75%:
$$(A - B) \div C \times 12$$

where:

- A = the Finance Charge Collections in respect of Performing Mortgage Loans for the immediately previous Collection Period.
- B = the sum of all amounts payable as described in sections 7.16(a) to 7.16(m) ("Application of Total Available Income (prior to an Event of Default)") (inclusive) on that Payment Date.
- C = the aggregate Outstanding Balance of all Performing Mortgage Loans (as at the last day of the immediately previous Collection Period).

Yield Shortfall means, on a Determination Date, the amount (if any) by which the Required Payments in respect of the immediately following Payment Date exceed the Available Income on that Determination Date.

TRUSTEE

Permanent Custodians Limited
(ABN 55 001 426 384)
Level 2
1 Bligh Street
SYDNEY NSW 2000

JOINT LEAD MANAGERS AND DEALERS

Commonwealth Bank of Australia (ABN 48 123 123 124) Ground Floor, Darling Park Tower 1 201 Sussex Street SYDNEY NSW 2000	National Australia Bank Limited (ABN 12 004 044 937) Level 31, 500 Bourke Street, MELBOURNE VIC 3000
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Westpac Banking Corporation
(ABN 33 007 457 141)
Level 2, 275 Kent Street
SYDNEY NSW 2000

TRUST MANAGER AND SERVICER

Pepper Group Limited
(ABN 55 094 317 665)
Level 27, 177 Pacific Highway
NORTH SYDNEY NSW 2060

ORIGINATOR

Pepper Homeloans Pty Limited
(ABN 86 092 110 079)
Level 27, 177 Pacific Highway
NORTH SYDNEY NSW 2060

SECURITY TRUSTEE

BTA Institutional Services Australia Limited
(ABN 48 002 916 396)
Level 2, 1 Bligh Street
SYDNEY NSW 2000

BACKUP SERVICER AND CUSTODIAN

BNY Trust Company of Australia Limited
(ABN 49 050 294 052)
Level 2, 1 Bligh Street
SYDNEY NSW 2000

LIQUIDITY FACILITY PROVIDER

National Australia Bank Limited
(ABN 12 004 044 937)
Level 29, 500 Bourke Street,
MELBOURNE VIC 3000

LEGAL ADVISERS

To the Originator, Servicer and Trust Manager
King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
SYDNEY NSW 2000

LEGAL ADVISERS

To the Joint Lead Managers and Dealers

Clayton Utz
Level 15, 1 Bligh Street
SYDNEY NSW 2000