

**PRODUCT DISCLOSURE STATEMENT
NO. 6**

THE CKM MORTGAGE TRUST

ARSN 090 880 890

Dated : 22 December 2011

Issued by CKM (Mortgages) Limited ABN 78 089 263 310
AFSL 238091

TABLE OF CONTENTS

1.	KEY FEATURES OF THE CKM MORTGAGE TRUST	1
2.	ASIC BENCHMARK DISCLOSURES	3
3.	INTRODUCTION TO THE TRUST	8
3.1	Establishment of the Trust	8
3.2	Investment Objective of the Trust	8
3.3	Returns to Investors	8
3.4	Operation of the Trust	9
3.5	Assets of the Trust	9
4.	INVESTING IN THE TRUST	10
4.1	Making an investment in the Trust	10
4.2	Cooling Off	10
4.3	Investment of Application Money	11
4.4	Ethical and other considerations	11
5.	INVESTMENT BENEFITS AND RISKS	12
5.1	Investment Benefits	12
5.2	Investment Risks	13
6.	FEES AND OTHER COSTS	17
6.1	Consumer advisory warning	17
6.2	Fees and Other Costs	17
6.3	Additional Explanation of Fees and Costs	18
6.4	Example of annual fees and other costs	20
6.5	Fees payable by borrowers	20
7.	MORTGAGE INVESTMENTS	21
7.1	What mortgage investments are made	21
7.2	Borrowers and Lending	23
7.3	Management of the mortgage investments	25
8.	YOUR INVESTMENT IN THE TRUST	27
8.1	Payment of Income	27
8.2	Withdrawal of Investment	27
8.3	Transfers	28
8.4	Other Rights of Members	28
8.5	Limitations on Members	28
8.6	Liability of Members	28
8.7	Reporting to Members	28
8.8	Continuous Disclosure	29
8.9	Updated benchmark disclosures	29
8.10	Meetings of Members	29
8.11	Complaints	29
8.12	Privacy	29

8.13	Taxation	30
9.	THE TRUST DOCUMENTS	31
9.1	The Constitution	31
9.2	Amendment or replacement of the Constitution	31
9.3	The Compliance Plan.....	31
9.4	Administrative Services Agreement.....	31
9.5	Disclosure of Interests and Management of Conflicts	31
10.	PARTIES INVOLVED IN THE TRUST	33
10.1	The Responsible Entity	33
10.2	The Compliance Committee	33
10.3	Administrator	34
10.4	Custodians	34
12.	HOW TO COMPLETE YOUR APPLICATION FORM	35

CORPORATE DIRECTORY

RESPONSIBLE ENTITY:	CKM (Mortgages) Limited ABN 78 089 263 310 AFSL 238091
Registered Office:	c/- Millar Partners 29-31 Croydon Street CRONULLA NSW 2230 Telephone: (02) 8536 3522 Facsimile: (02) 8536 3555 Email : ckm@millarpartners.com.au Website: www.ckmmortgages.com.au
Directors:	Kenneth John Millar B Com LLB CA Vincent James Collins CA Gary John Hayward B Com CA
AUDITORS OF RESPONSIBLE ENTITY COMPLIANCE PLAN AND TRUST:	PKF Chartered Accountants Level 10, 1 Margaret Street SYDNEY NSW 2000
CUSTODIAN:	CKM (Mortgages) Limited – self custodian – for the holding of security documents and cash funds held for up to 3 months Australian Executor Trustees (SA) Limited – external custodian – limited to the holding of further cash funds
SOLICITORS:	Wily Legal and Consulting Pty Limited Level 4 63 York Street SYDNEY NSW 2000

Important Information

Issuer

The issuer of interests in The CKM Mortgage Trust ARSN 090 880 890 (**Trust**) is CKM (Mortgages) Limited ABN 78 089 263 310 (**CKM, Responsible Entity** or **we** or **us**). CKM holds Australian financial services licence no: 238091. Contact details for CKM are set out above.

Product Disclosure Statement

This Product Disclosure Statement (**PDS**) was prepared by CKM on and is dated 22 December 2011. This PDS has not been lodged with the Australian Securities and Investments Commission (**ASIC**) and is not required by *Corporations Act 2001* to be lodged with ASIC. CKM will notify ASIC that this PDS is in use in accordance with section 1015D of the *Corporations Act 2001*. None of CKM, or its directors or associates, guarantees the repayment of moneys invested or any particular rate of return.

Offer only in Australia

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia. This PDS does not constitute and should not be construed as an offer, invitation or recommendation by CKM to apply for units in the Trust in any state, country, or jurisdiction where such offer, invitation or recommendation may not be lawfully made.

Electronic copies of this PDS

If an electronic copy of this PDS is printed all pages including the application form must be printed. If this PDS is made available to another person, they must be provided with the entire electronic file or printout including the application form. If you are unsure whether the electronic document you have received is complete, please contact CKM on 02 8536 3522. An electronic copy of the PDS may be downloaded from CKM's website or alternatively a printed copy of this PDS (and any supplementary documents) can be obtained free of charge on request from CKM or by contacting your financial adviser.

Updating Information

The information in this PDS is up to date at the time of preparation. However, some information can change from time to time. CKM may make available updated information in relation to this PDS. This may include matters that ASIC requires us to tell you about on a regular basis, such as disclosing against the benchmarks that apply to the Trust, which are referred to in section 2: *ASIC Benchmark Disclosures* and any information that must be disclosed by CKM to meet its continuous disclosure obligations.

Investors may access this information at www.ckmmortgages.com.au. Alternatively you may request a paper copy of the information, free of charge, by calling CKM on 02 8536 3522 or by contacting your financial adviser. The information that CKM will make available by way of these updates will not be information that is materially adverse to investors. If new information were materially adverse, it may need to be contained in a supplementary or replacement product disclosure statement.

Investment decisions are important. They often have long term consequences. You are urged to read this PDS carefully, ask questions, and seek independent advice.

CKM is not authorised to give any financial product advice. Importantly, this PDS does not take into account your investment objectives, financial position or particular needs. Before making an investment decision on the basis of this PDS, you need to consider or obtain independent advice about whether the investment is suitable in the light of your personal circumstances. No person is authorised by CKM to give any information or to make any representation not contained in this PDS. Any information or representation not contained in this PDS must not be relied upon as having been authorised by or on behalf of CKM. Important investment considerations and risks are set out in *section 5.2: Investment Risks* of this PDS. Investment in the Trust is subject to investment and other risks. These could result in delays in repayment of, or loss of, income or capital invested.

1. KEY FEATURES OF THE CKM MORTGAGE TRUST

- Minimum Initial Application** : \$1,000
- Additional Application** : In multiples of \$500
- Entry Fees** : There are no entry fees.
- Exit Fees** : There are no exit fees.
- Mortgage investments** : Loans are secured by first mortgage to no more than 66.67% of valuation.
- Loans will primarily be made to individuals predominantly for business and investment purposes, and to companies. Loans will not be made to individuals where the loans are regulated by the *National Consumer Credit Protection Act*.
- Security for the loans will primarily be residential, commercial or industrial property or vacant land.
- Where the security is in respect of a development the loan will not exceed 66.67% of the land value and no further advances will be considered until the construction has reached a "lock-up" stage.
- (A summary of the loans made by the Trust as at 30 September 2011 appears in *section 7: Mortgage Investments*)
- Withdrawals** : At the end of each month, subject to limitations. (Refer to *section 8.2: Withdrawal of Investment*).
- Income Distribution** : Yearly in arrears, within 2 months after 31 March.
- Distribution method** : Income distributions will be made directly into your nominated bank account.
- Reinvestment Plan** : Investors may elect to reinvest distributions into the Trust in multiples of \$500.
- Responsible Entity's Fees** : 1.05% per annum of the net value of the assets of the Trust, accruing and payable quarterly in arrears. (Refer to *section 6: Fees and Other Costs*)
- Brokerage and commissions** : No brokerage or commissions are payable by investors. Nor does CKM intend to pay brokerage, trail fees or commissions to advisers to attract investors.
- Trailer fees or other commission may be paid to third parties who introduce borrowers to the Trust, such as mortgage brokers. In such cases, the borrowers pay these fees and not the Trust. However, CKM may collect these fees as agent of the brokers. (Refer to *section 6: Fees and other Costs*)
- Borrowings** : The Trust has no borrowings. Nor does CKM intend that the Trust make any borrowings.

- Investment Risks** Investors should be aware that there are risks in investing in mortgages and the Trust.
(Refer to *section 5: Investment Risks and Benefits*)
- Capital Protection** An investment in the Trust is not an investment in a bank deposit. It does not have the benefit of any Government guarantee. Not only is there no guarantee of the investment result, the return of capital, or the amounts payable to investors, but on a winding up of the Trust payments to investors rank behind secured and unsecured creditors of the Trust.
- Income Tax** : Current legislation allows for the income from a trust to be distributed to investors before tax. Income distributed to overseas residents will be subject to withholding tax.
- Taxation advice** : The application of tax law depends on your individual circumstances. This PDS is provided as a general statement of disclosure and does not take into consideration your personal circumstances. You should therefore consult your financial adviser or tax accountant, as to the likely taxation implications of an investment.
- Investment advice** : CKM does not provide any financial product advice, whether in the nature of personal advice or general advice, as to the suitability of an investment in the Trust. It therefore does not advise potential investors. Investors should seek their own independent investment advice before making an investment in the Trust.

Visit www.ckmmortgages.com.au for information updates

2. ASIC BENCHMARK DISCLOSURES

ASIC Benchmarks

The ASIC benchmarks for unlisted mortgage schemes, such as the Trust, against which CKM must report, on an 'if not, why not' basis, are contained in Regulatory Guide 45: *Mortgage Schemes – improving disclosure for retail investors (RG 45)*. The 8 benchmarks reflect the information that ASIC considers is key to enable retail investors to analyse the risks of investing and continuing to hold interests in unlisted mortgage schemes. CKM has been reporting against these benchmarks since they were introduced in November 2008. The table below sets out briefly the benchmarks, how and to what extent CKM complies with them as at the date of this PDS and where in the PDS you will find any additional relevant information. Investors should also read the notes at the end of the table.

	The ASIC Benchmark – and what it means	Meeting the Benchmark
1.	Liquidity	
	Risk: The liquidity of the Trust is a key indicator of the ability of the Trust to meet its short-term commitments and any its ability to meet representations in respect of investors' ability to withdraw from the Trust.	
	<p>This benchmark expects CKM:</p> <ul style="list-style-type: none"> to have has cash flow estimates for the Trust for the next 3 months to ensure that at all times the Trust has cash or cash equivalents sufficient to meet its projected cash needs over the next 3 months. <p>It also requires CKM to disclose the policy of the Trust on balancing the maturity of its assets and its liabilities, including any policy of ensuring that sufficient assets are held in readily realisable investments in order to meet future withdrawal requests.</p> <p>Note: The Trust is currently a non-liquid scheme – redemptions can only be made in accordance with a current withdrawal offer. See Benchmark 8 - <i>Withdrawal Arrangements</i> below.</p>	<p>CKM continues to meet this benchmark.</p> <p>CKM:</p> <ul style="list-style-type: none"> ensures that at all times the Trust has cash or cash equivalents sufficient to meet its projected cash needs over the next 3 months; and has no reason not to believe that it will have cash or cash equivalents sufficient to meet its projected cash needs over the next 3 months. <p>CKM's policy is to ensure that the Trust has sufficient cash or cash equivalents to meet the Trust's projected cash needs over rolling 3 month periods and to accommodate withdrawals at least up to the minimum withdrawal amount contained in the current withdrawal offer. (See Benchmark 8 - <i>Withdrawal Arrangements</i> below.)</p> <p>For further information see section 8.2.</p>
2.	Scheme borrowing	
	Risk: Some schemes borrow against the assets of the scheme to fund distributions, redemption requests or scheme operations generally.	
	<p>If the Trust expects to borrow funds or has borrowed funds, CKM should disclose a number of matters including those relating to the amounts owing, maturity profile, and undrawn amounts of any credit facility the purpose of the borrowing and the ranking of the borrowing against the interests of the members.</p>	<p>CKM continues to meet this benchmark.</p> <p>The Trust has no borrowings and no borrowings are intended.</p> <p>For further information see section 10.1</p>

3.	Portfolio diversification	
	Risk: The criteria that a responsible entity uses to decide what loans to make are variable and prone to risk, especially where loans made may be highly concentrated to particular types of commercial activities, locations or borrowers.	
	<p>CKM should disclose the current nature of the loan portfolio of the Trust. The information to be provided includes:</p> <ul style="list-style-type: none"> • by number and value, matters such as the type of loans, geographic regions, ranking of security, interest rates, LVRs, level of defaults and arrears, undrawn loan commitments and maturity profile • the proportion of loan monies lent to the largest borrower and the ten largest borrowers <p>CKM should also disclose its policy in respect of these matters as well as its general lending policy as to, for example:</p> <ul style="list-style-type: none"> • the maximum loan amount for any one borrower • the method of assessing borrowers' capacity to service loans • the revaluing of security properties when a loan is rolled over • the nature of securities that must be provided. 	<p>CKM continues to meet this benchmark.</p> <p>The portfolio of loans as at 30 September 2011 is described in this PDS in section 7.1</p> <p>The general lending policy of CKM as to these matters is described in this PDS in section 7.2</p>
4.	Related party transactions	
	Risk: Some trusts lend, invest scheme funds and transact with associated companies or businesses.	
	<p>If CKM transacts with persons who are related parties of the Trust including making a loan to them, it should disclose its approach to such related party transactions, including:</p> <ul style="list-style-type: none"> • the number and value of such loans, investments and transactions • its policy on these transactions including the approval process and the arrangements to manage conflicts of risk • how these processes and arrangements are monitored to ensure that the policy is followed. 	<p>CKM continues to meet this benchmark.</p> <p>CKM does not lend to any related party.</p> <p>For further information see section 9.5</p> <p>It may, however accept applications for units from persons associated with CKM. In no event may CKM act in a manner that prefers the interests of CKM, or any of its associates, over that of the members of the Trust.</p> <p>CKM's management of conflicts of interest policy is described in the PDS in section 9.5.</p>
5.	Valuation policy	
	Risk: The valuations that schemes rely on are carried out on a variety of bases, with differing assumptions and instructions. These valuations are fundamental to determining how much the scheme may lend.	

	<p>CKM should take the following approach to valuations of properties over which it takes security:</p> <ul style="list-style-type: none"> properties should be valued on an “as is” and (for development property) also on an “as if complete” basis <ul style="list-style-type: none"> have a clear policy as to how often it obtains a valuation, including how recent a valuation has to be before a new loan is made <ul style="list-style-type: none"> establish a panel of valuers and ensure that no one valuer conducts more than one-third of CKM’s valuation work for the Trust. <p>It should also include information about the valuation of a particular property where a loan secured against the property accounts for 5% or more of the total value of the loan portfolio.</p> <p>Valuers used by CKM should:</p> <ul style="list-style-type: none"> be registered valuers include a statement in their report on whether their report complies with all relevant industry standards and codes. 	<p>CKM continues to meet this benchmark, except to the extent noted.</p> <p>All security properties are valued on an “as is” basis by a member of the panel of valuers. “As if complete” valuations are not accepted. In some circumstances a formal valuation report may not always be obtained if the loan to valuation ratio is less than 40% determined by:</p> <ul style="list-style-type: none"> a formal contract for the sale of the security property between the proposed mortgagor and an arm’s length seller; or written appraisals from two independent licensed real estate agents carrying on business in the vicinity of the security property. <p>See section 7.2</p> <p>Valuations in respect of initial loans must not be more than 6 months old and valuations in respect of variations of mortgages must be no more than 3 years old.</p> <p>See section 7.1</p> <p>Each valuer on CKM’s panel of valuers must meet ASIC’s suggested requirements.</p> <p>As at 30 September 2011, the Trust had 6 loans where the amount outstanding represented 5% or more of the total value of the loan portfolio.</p> <p>For further information as to these loans see the RG 45 Benchmark Disclosures on the website at www.ckmmortgages.com.au as at the date of this PDS.</p> <p>All valuers must:</p> <ul style="list-style-type: none"> be registered in the State in which the property is situated, where possible include a statement in their report on whether the valuation complies with all relevant industry standards and codes. <p>For further information see section 7.2.</p>
6.	<p>Lending principles – loan to valuation ratios</p>	
	<p>Risk: Higher loan to valuation ratios is one indicator of how conservative or aggressive a fund’s lending practices are. Higher ratios make a fund more vulnerable to risk in that a downturn in market conditions may mean the fund is unable to fully recover the loan.</p> <p>Funding for development activities should only be provided where the development shows satisfactory progress.</p>	

	<p>CKM should maintain the following loan to valuation ratios (LVRs) for loans made by the Trust:</p> <ul style="list-style-type: none"> • for property development loans – 70% of the latest “as if complete” valuation • in all other cases – 80% on the basis of the latest market valuation. <p>CKM should ensure that the Trust only provides funds to developers in stages, based on external evidence of the progress of the development.</p>	<p>CKM continues to meet this benchmark.</p> <p>All loans made by the Trust are secured by first mortgage to no more than 66.67% of the “as is” valuation. Loans are not made to developers in stages and “as if complete” valuations are not accepted.</p> <p>Advances are made by CKM in respect of residential property, commercial and industrial property, development sites, subdivisions and vacant land. Advances are not necessarily made to the maximum LVR of 66.67%.</p> <p>For further information see section 7.2.</p>
7.	<p>Distribution practices</p>	
	<p>Risk: Where distributions are not sourced solely from scheme income, there is a risk that these distribution practices may not be sustainable over the long term. This risk may be heightened where a scheme promotes a fixed return on investments.</p>	
	<p>The Trust makes distributions to members from the Trust, on an annual basis. CKM should therefore disclose:</p> <ul style="list-style-type: none"> • the expected source for such distributions • whether the source changes over time • if it is expected that a distribution may not be solely sourced from income received in the relevant year, the reason for making the distributions • whether distributions sourced other than from income are sustainable. 	<p>CKM continues to meet this benchmark.</p> <p>An annual distribution is made from the net income of the Trust for the relevant year. The cash distribution is made, and will continue to be made, solely out of the income of the Fund. It is expected that the net annual return to investors will continue to vary in accordance with changes in cash rates and other factors. Any forecast returns that may be made by CKM from time to time are based on CKM’s estimate of returns from these sources. Investors must be aware that past performance should not be used to predict future performance. Importantly, it is also not a guarantee of future performance.</p> <p>For further information see section 3.3.</p>
8.	<p>Withdrawal arrangements</p>	
	<p>Risk: Some mortgage schemes promote a short withdrawal period to attract investors, although the maximum period allowed in the scheme’s constitution is much longer.</p>	
	<p>CKM must provide details of whether members have the ability to withdraw from the Trust and if so, disclose:</p> <ul style="list-style-type: none"> • the maximum period allowed under the Constitution • any significant risk factors or limitations that may impact on the ability of Investors to withdraw. <p>Where the withdrawal amount is fixed CKM should disclose details of any circumstances</p>	<p>CKM continues to meet this benchmark.</p> <p>Redemptions</p> <p>The Trust is currently a non-liquid scheme within the meaning of section 601KA of the <i>Corporations Act 2001</i> in that less than 80% of its assets are liquid assets as that expression is defined in that section. Withdrawals from the Trust may only be made in accordance with the legal provisions that apply to non-liquid schemes. The current withdrawal arrangements for the Trust are described in this PDS.</p>

<p>in which a lower amount may be payable.</p> <p>If withdrawal are funded from an external liquidity facility, details of that facility should be given.</p>	<p>CKM has no reason to believe that withdrawal requests will not continue to be met in this manner in the future. In accordance with the procedure, however, unit holders will be advised if an offer made under the redemption facility arrangements is withdrawn.</p> <p>For further information see section 8.2.</p> <p>Risks and limitations</p> <p>As stated in relation to Benchmark 1 – <i>Liquidity</i>, CKM has adopted and implements internal policies and procedures for the monitoring of the liquidity of the Trust on an on-going basis. Notwithstanding these policies, there is a risk that there will be insufficient liquidity in the Trust to fund redemption requests. In these circumstances, investors will receive a proportionate redemption and will be free to make a further request for the balance if the redemption facility remains open. If there is no money available to fund redemption requests, investors will be obliged to remain in the Trust until liquidity is restored.</p> <p>Rolling over investments</p> <p>The Trust does not offer fixed term investments and there is no policy or arrangement in place whereby investments are rolled over.</p> <p>Funding Withdrawals</p> <p>Withdrawals are funded entirely out of the net assets of the Trust and no external funding or liquidity sources are used.</p> <p>For further information see section 8.2</p>
---	---

Notes:

- A number of the terms that are used in the table above are explained elsewhere in this PDS. CKM suggests that for a fuller understanding of the table that you return to it after you have read the PDS in full.
- Neither the ASIC benchmarks, nor how CKM complies with them, has been described in full in the table. To obtain a better understanding of these you should view the fuller description that is on the website at www.ckmmortgages.com.au.
- If you have any questions you should contact CKM. The contact details are in the *Corporate Directory* on page - iii – of this PDS.

3. INTRODUCTION TO THE TRUST

3.1 Establishment of the Trust

Millar Partners, since 1984, conducted a mortgage practice arranging mortgage investments. However, because of changes in the *Corporations Act 2001* and how it is administered by ASIC, the mortgage practice of Millar Partners has been offered as a registered managed investment scheme complying with the requirements of the *Corporations Act 2001* from 1 February 2000. The CKM Mortgage Trust ARSN 090 880 890 (**Trust**) was established by a deed poll made by CKM (Mortgages) Limited on 6 December 1999, as amended (**Constitution**) and is a registered managed investment scheme. The Trust is now operated by CKM as the responsible entity and manager of that scheme. CKM holds Australian financial services licence no. 238091 (**AFS Licence**).

3.2 Investment Objective of the Trust

CKM seeks to provide investors with an income stream with managed capital risk to investors. To achieve this objective it lends to borrowers with the loan secured by a registered first mortgage over the relevant property. Interest is payable to CKM by a borrower at a fixed rate.

CKM seeks to deliver a return to investors that is higher than average cash rates (Reserve Bank of Australia target cash rates) by conducting the Trust efficiently, by seeking to minimise risk and by limiting the Manager's remuneration to a reasonable level. It also seeks to select and manage the mortgage investments in such a way as to minimise variations in the capital value of units. If additional interest is received in respect of mortgages for early repayment or late payment of interest, that interest will be for the benefit of the Trust and not for the benefit of CKM.

3.3 Returns to Investors

The income return to investors is affected by the general level of interest rates in the economy, and such rates have varied during the term of the Trust. This applies to both the interest rate that CKM charges to borrowers and the interest or other return rate that CKM may receive in relation to the assets of the Trust that are not invested at the relevant time into loans to borrowers from the Trust. The net earning rate for investors, compared to the average cash rate for the last 10 years has been as follows:

Financial year of the Trust ended	Return to Investors	Average Cash Rate*	Margin over/under average cash rate
31 March 2011	8.2%	4.6%	3.6%
31 March 2010	6.6%	3.3%	3.3%
31 March 2009	8.4%	5.9%	2.5%
31 March 2008	7.0%	6.6%	0.4%
31 March 2007	5.9%	6.0%	- 0.1%
31 March 2006	6.5%	5.5%	1.0%
31 March 2005	7.1%	5.3%	1.8%
31 March 2004	7.7%	4.9%	2.8%
31 March 2003	7.4%	4.7%	2.7%
31 March 2002	8.2%	4.7%	3.5%

* daily weighted average of target cash rates published by the Reserve Bank of Australia

It is expected that the net annual return to investors will continue to vary in accordance with changes in cash rates and other factors. Investors must be aware that past performance

should not be used to predict future performance. Importantly, it is also not a guarantee of future performance.

3.4 Operation of the Trust

The operation of the Trust is governed by the requirements of the *Corporations Act 2001*, the Constitution and the Compliance Plan.

The Trust is a “pooled” mortgage scheme. The amounts paid by investors will be advanced to borrowers under a mortgage investment selected by CKM in accordance with its lending principles. CKM intends to continue its policy that all mortgage loans will have first mortgage security, and to continue to implement a prudent lending policy so that loans will not exceed 66.67% of property values as determined by valuation in terms of this PDS and the policies of CKM. Further details of these are in *section 7: Mortgage Investments* of this PDS.

The loans are managed by CKM and members of the Trust receive distributions in the proportion in which the units held by a member bears to the total number of units on issue at the relevant time, subject to adjustment for the number of days that the units held by the member have been on issue. Any loss of income or capital contributed is shared by the members on the same basis.

The decision to invest in a particular loan is made by CKM, and not by the members.

All of the assets of the Trust (except certain cash assets which are held by the External Custodian) are held on trust for the members by CKM in accordance with the *Corporations Act 2001*, the AFS Licence and the Constitution.

CKM holds the mortgage investments in its own name and in accordance with its AFS Licence to act as responsible entity of the Trust.

3.5 Assets of the Trust

As at 30 September 2011, the assets of the Trust were represented by the following:

Nature of Asset	Value of Assets (\$)	% of Total Value of Assets
Loans	39,378,000	68.
Cash on deposit – on call	17,384,034	30.2
Interest receivable	764,196	1.3
GST refundable	8,797	0.1
Totals	57,535,027	100.00

Details as to the Trust’s portfolio of loans as at 30 September 2011 are given in *section 7: Mortgage Investments*. The Trust does not invest in other mortgage funds.

4. INVESTING IN THE TRUST

4.1 Making an investment in the Trust

How do you apply

If after reading this PDS and obtaining your independent advice you wish to invest in the Trust you should:

- complete the application form that accompanies this PDS in accordance with the instructions in *section 11: How to Complete your Application Form* of this PDS; and
- send the application form to CKM with your application moneys and any identification documentation required.

If you are already a member of the Trust please read the information in *section 11: How to Complete your Application Form* of this PDS.

How much do you pay

The application price for each unit is \$1.00.

The minimum initial investment is \$1,000 and additional investments may be made in multiples of \$500. There is no maximum amount set by CKM. There are no entry fees payable by the investor.

How do you pay

You should pay your application moneys by cheque. If you wish to pay in some other way you should contact CKM first to ensure that your proposed method of payment is acceptable to it. However, CKM will not accept physical currency (notes and coins) in any circumstances.

The issue of any unit in the Trust against application moneys paid other than in cleared funds is void if the funds are not subsequently cleared within 1 month after the receipt of the application.

How do you become a Member

CKM has the right to accept or reject your application in whole or in part.

If CKM **accepts** your application, in whole or in part:

- you will be allotted 1 unit for each \$1.00 paid and accepted by way of application money;
- you will become a member of the Trust; and
- CKM will send you written confirmation of your application.

If your application moneys are received by CKM but there is a delay in their acceptance for any reason, CKM must nevertheless deposit the application moneys in the trust account for the Trust, in accordance with the *Corporations Act 2001*, on trust for you. This part of the Trust's account is called the Applications Moneys Account. If any interest is earned in respect of the amounts so deposited then such interest forms part of the trust property and is transferred to and is held in that part of the Trust's account known as the Fund Account.

If CKM **rejects** all or part of your application it will return the relevant part of your application moneys as soon as is practicable.

4.2 Cooling Off

Retail investors, as defined by the *Corporations Act 2001*, have the right to a "cooling off" period of 14 days during which they may request the repayment of their application moneys, unless those provisions do not apply. Investors in the Trust should note that the "cooling off" rights DO NOT apply if the Trust is not a liquid scheme, as defined by the *Corporations Act*

2001, at the relevant time. The written investment confirmation will provide further details of the cooling off rights, if any, of the members. It is considered unlikely that the Trust will ever be a liquid scheme, so that in this event the “cooling off” rights are unlikely to arise.

4.3 Investment of Application Money

Pending the acquisition of a mortgage investment, CKM may invest the whole or any part of the application money accepted by CKM in any authorised investment as it determines in its absolute discretion. Authorised investments include:

- any investment with an Australian deposit taking institution;
- any deposit at call or for a term with or loan to any financial institution;
- any cash management trust; and
- any other investment determined by CKM to be an authorised investment of the Trust for the purpose of the Constitution.

The matters CKM will take into account for the purpose of making a mortgage investment are described in *section 7: Mortgage Investments* of this PDS.

4.4 Ethical and other considerations

CKM does not claim to take into account labour standards or environmental, social or ethical considerations when selecting, retaining or realising a mortgage investment or any other investments of the Trust.

5. INVESTMENT BENEFITS AND RISKS

5.1 Investment Benefits

CKM considers that an investment in the Trust provides investors with a number of benefits. These include the following:

Low minimum investment

You only need a minimum amount of \$1,000 to start your investment, and can add to your investment at any time with a further investment of a multiple of \$500.

No entry or exit fees

Unlike many other managed funds, CKM does not charge investors entry (contribution) or exit (withdrawal) fees.

Competitive return

The Trust seeks to provide investors a return that is higher than the average Reserve Bank of Australia target cash rates. In order to achieve this:

- the Trust predominantly invests in first-registered mortgages which have been approved in accordance with CKM's lending guidelines; and
- CKM adopts procedures to manage the costs efficiently, including limiting its remuneration to a reasonable level, and adopts mortgage lending, management and enforcement policies designed to minimise risk.

Investors should be aware that past performance is no guarantee of future performance. CKM makes no prediction as to the rate of return to investors during the currency of this PDS and does not guarantee a particular or any rate of return.

Reinvestment of distributions

Investors can elect to re-invest their annual income distributions (in multiples of \$500) or have them directly credited to a nominated bank account. While the Constitution provides that distributions must be made within 2 months after each 31 March, it will normally occur within 1 month

Ability to withdraw

By investing in a pooled mortgage scheme, investors have the flexibility of being able to redeem investments, subject to the terms in this PDS and the law, whereas an investment in a direct mortgage would normally involve the investment being retained until the repayment of the loan. While there is no automatic right to withdraw from the Trust, as the Trust is not a liquid scheme (see page 27), members can redeem part or all of their investment at the end of the month if CKM has a current monthly withdrawal offer open under its withdrawal facility, and they provide CKM with a written withdrawal request. Details of how the withdrawal facility and monthly withdrawal offers operate and the limitations that apply to withdrawals are in *section 8.2: Withdrawal of Investment*. There are no early repayment penalties unlike many similar investments.

Diversification of mortgage investments

The mortgage investments are diversified across a range of borrowers for a variety of business and investment purposes, and secured against various types of properties including residential, commercial, industrial, land value of development sites and vacant land. The investments are currently geographically spread throughout New South Wales, although most of the investments are located within the greater Sydney metropolitan area. Diversification risk is explained in further detail below (see page 14).

Diversification of risk

As the Trust is a pooled scheme, if there is a default under a mortgage and a shortfall in recovery of a loan, the relative effect upon an individual investor should be reduced, compared with a shortfall resulting from realisation of a directly held mortgage, where the lender holds only one or a small number of mortgages.

Experienced management team

CKM's management team have considerable expertise in managing mortgage investments over a considerable period of time. A number of the members of the team have been involved in the Trust and the previous lending activities undertaken by Millar Partners for many years and bring to the Trust their expertise in the fields of accounting and mortgage management.

5.2 Investment Risks

Investors should be aware that the future level of distributions from and the repayment of their investments in the Trust may be subject to a number of risks. CKM actively manages risk under its risk management program. In the case of an investment in the Trust the risk considerations set out below generally apply to most investors. However, the list of risks are intended as a guide only and CKM recommends that you consider the following as ways in which you can reduce your own investment risk:

- seek professional advice to assist in setting your investment objectives and understand your financial position and particular needs. This PDS does not replace the need for financial advice
- plan your investment strategy (in conjunction with your financial adviser) by considering at least the following:
 - how much risk you are comfortable taking – your risk tolerance
 - how long you plan to invest for – your risk preference
 - what level of returns you require
 - your current financial circumstances
 - your liquidity requirements
- ask questions.

CKM considers that there are three basic types or risks that may be relevant to your investment – those that relate to the lending on mortgages generally, those that are specific to the mortgages of the Trust and those that relate to membership of the Trust.

Mortgage investment risks generally

The Trust intends to continue to lend to persons involved in a wide variety of industries and activities. The ability of these borrowers to meet mortgage interest payments and to repay the amount borrowed may be influenced by factors over which CKM has no control, such as the state of the Australian economy generally. Adverse economic conditions, such as global or Australian economic recession or depression, and enhanced credit risk or uncertainty, could adversely affect property values. Other factors such as the changes in taxation policies, the movement in interest rates and statutory requirements may impact on the return that investors may receive from their investment in the Trust.

Specific mortgage risks

The specific risks associated with an investment in the Trust include:

- default by a borrower

This is the risk that a borrower may be unable to or fail to pay interest on the loan when due or at all or fail to repay the loan at the time required under the mortgage. In addressing this risk, CKM has a procedure that no loan is made unless it satisfies the lending criteria adopted by

CKM and is approved by the Credit Committee. In addition, each loan must be secured over property by a registered mortgage and the loan to valuation ratio (**LVR**) must not exceed 66.67% of the aggregate value of the property of the borrower, or any third party, which is used as security for the borrowing.

Any borrower defaults are managed in accordance with well-developed procedures (see *section 7.3: Management of the mortgage investments*).

- an overstated valuation

This is only a risk to investors if the amount realised on sale of the property is insufficient to repay the loan in full. The Compliance Plan of the Trust provides that no loan is made without a valuation being obtained from a registered valuer accredited on the Trust's panel of valuers and instructed by CKM, except where the LVR is less than 40% of value supported by a contract to purchase between parties at arms' length, or evidenced by two independent appraisals from real estate agents carrying on business in the vicinity of the property.

- inadequate insurance

This is only a risk to investors if the property held as security is damaged or destroyed, and no insurance cover is held, or inadequate insurance cover is held.

CKM has well developed procedures in place to ensure all properties held as security maintain adequate insurance cover at all times, when necessary (refer to page 24). If it becomes necessary CKM will purchase adequate insurance cover on behalf of the borrower and seek reimbursement of the applicable premiums from the borrower. CKM does not require borrowers to take out mortgage insurance.

- decline in the property market

Property market risk is the risk that negative movements in the property market may impact on the capacity of the Trust to fully recover the total amount outstanding, including principal and interest, from the sale of the security property. A fall in the value of the mortgage security during the term of the loan could mean that should a default occur the proceeds of realisation of the security may be inadequate to meet the repayment of the amount advanced or outstanding interest payments and costs of enforcement of the mortgage and realisation of the security.

CKM seeks to manage this risk by strictly complying with its lending and LVR guidelines, which are regularly monitored and reviewed to take into consideration current market conditions. This risk is further mitigated by the generally short-term nature of the loans provided by CKM, with the significant majority of loans approved for terms no longer than 24 months.

- diversification

Historically, the majority of the loans that the Trust has made have been secured over completed residential property situated in the Sydney metropolitan area. A substantial portion of the other loans have been secured over commercial and industrial property. It is anticipated that this will continue to be the case. Currently the Trust also has an exposure to land sites which the borrowers are developing or intend to develop. The Trust may also from time to time consider lending against company title property. In such a case the mortgage is over shares in the company title property, not over the land itself. The exposure to each property sector is as set out in *section 7.1: What mortgage investments are made*.

CKM has the power to, and may in the future further diversify the Trust. Further diversification of the Trust may include geographic considerations, different property sectors and further diversification within those sectors. Any such diversification will be undertaken in a prudent and responsible manner, taking into account any particular risks that the diversification may raise and the state of the various sector cycles. Nevertheless, it is not proposed that CKM will ever undertake property construction and development lending, where the loan is secured on the development site and advanced in stages to meet construction or development progress payments and costs, and interest is capitalised.

Further diversification within different property sectors recognizes the generally accepted principle that residential, commercial and industrial properties operate in different cycles and

when the residential market is in decline or benign, the commercial and industrial property market may be in a phase of growth.

- additional risks associated with property development lending

CKM recognises that property construction and development loans generally carry a greater risk due to factors outside the control of CKM including timing and completion of the development.

CKM does not undertake property construction and development lending, where the loan is secured on the development site and advanced in stages to meet construction or development progress payments and costs, and interest is often capitalised.

Advances in respect of development sites are restricted to the land value of the site and further advances are only contemplated when a project has reached lock-up stage. Such loans are based on the “as is” land value of the site, and “as if complete” valuations are not accepted.

- additional risks associated with company title lending

The security provided by the owner of a company title property differs from the usual first mortgage over land. The owner holds shares in the company which give it the right to occupy the particular property. Because the owner is a shareholder in a company which holds the title to the whole property, the security provided is in the form of a charge over the owner's shares, not the usual security which is a charge over real property. The shares carry with them a right to occupy a particular space. The fact that the security is a mortgage over the shares, and not a mortgage over the property, carries additional risks. If a borrower defaults then the ability of the mortgagee to sell the borrower's shares and the associated right to occupy space, may be reduced. This risk can eventuate where:

- a sale of the shares is hampered by the reduced market of potential buyers of company title properties, compared to strata or Torrens title properties;
- the directors of the company have an absolute discretion as to who can purchase the share;
- consent may be required from the directors of the company before the property can be leased.

These risks mean that the shares may be less marketable than the sale, for example, of a strata title unit. It would be necessary to ensure that the valuer takes the risks into account in any valuation.

- litigation risk

This is the risk that any lender faces when it takes legal action to enforce the mortgage by the sale of the security property. Borrowers may defend the enforcement proceedings successfully in whole or in part, in light of judicial interpretation of the borrowing and enforcement arrangements, which may vary over time. In addition, Courts are vested with wide discretionary powers, and these may be exercised in favour of the borrower.

- documentation risk

There is a risk of deficiency in the accuracy of documentation, including the mortgage documentation entered into for the Trust, which could, in certain circumstances, adversely affect the recoverability of monies invested by the Trust and reduce the value of your investment. There is also the risk of unauthorised dealing with documents of title. The security documents are held by CKM, as custodian, until the loan is fully repaid.

- FOS risk

CKM is a member of Financial Ombudsman Service (**FOS**), in accordance with its obligations in respect of the members of the Trust. For this reason, FOS will also consider any complaint that is lodged by a borrower from the Trust, even if the borrower does not have a *National Consumer Credit Protection Act* regulated loan. There is now the additional risk that either during the course of a loan, or more typically when CKM seeks to enforce the loan, the borrower lodges a complaint with FOS that has the effect of “freezing” any enforcement action

that is being taken or delaying any enforcement action that may be taken, while FOS considers the complaint.

- related party lending

CKM has not lent and does not intend to lend to any related parties, including the directors and employees of CKM or the principals of Millar Partners, their spouses, or siblings or any associated entities.

Risks associated with being an Investor in the Trust

The specific risks associated with being an investor in the Trust include the possibility of:

- delay in withdrawals and liquidity risk

Since the scheme is an “illiquid scheme” (see page 27) withdrawals are only permitted in accordance with the provisions of the *Corporations Act 2001* (see section 8.2: *Withdrawal of investment*). There may be delays in withdrawing from the Trust should the Trust experience any liquidity problems that may arise from its requirement to fund its on-going commitments, if it receives a high volume of withdrawal requests or should there be a significant reduction in interest income as a result of a default. Each of these may absorb the cash reserves of the Trust or make the assets of the Fund insufficiently liquid to enable CKM to permit withdrawals in accordance with the law. While CKM has the power to borrow to meet withdrawal requests it has no present intention to do so. CKM has processes in place to monitor the cash holdings of the Trust and its liquidity on a regular basis.

Another aspect of liquidity risk is that although investors may transfer their units to some other person in accordance with the requirements of the Constitution, there is no secondary market for the units and it may therefore be difficult to find a person willing to acquire the units.

- income distribution rate risk

This risk relates to the volatility of income distributions to investors. Income distributions to investors in the Trust primarily depend upon the net return that the Trust receives from the mortgage investments. We seek to stabilise investor interest distribution rate risk by ensuring mortgage investments utilise a combination of short lending terms and a policy of annual interest rate reviews during the term of the mortgage and on any refinancing at the end of the term of the mortgage investments.

- operational risk

Operational risk includes the possibility of fraud, systems failure, regulatory requirements, documentation risk, legal issues and other unforeseen circumstances.

These risks have been considered by CKM and are mitigated through the strict compliance with the Trust's Constitution, the Compliance Plan and CKM's internal risk management processes.

General

The above section identifies some of the major risks associated with an investment in the Trust and thus in mortgage investments. By adopting the risk management measures mentioned above, CKM seeks to moderate distribution and capital risk to the members.

Intending investors should read the whole of this PDS in order to fully understand such matters. You must note that none of CKM, its directors or associates, or any of the persons providing services to the Trust, guarantees the investment.

6. FEES AND OTHER COSTS

6.1 Consumer advisory warning

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision for better member services, justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask your fund or your financial adviser.

TO FIND OUT MORE

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

There are no contribution fees (entry fees) for the Trust. When comparing an investment in the Trust through this PDS with other products in the marketplace, recognise that other products may charge a contribution fee and you may be able to negotiate a lower contribution fee with the fund or your financial adviser.

The warning aims to alert investors of the importance of value for money and the compounding value of fees and costs and their impact over time on end benefits. The example given is not intended to represent an investment in the Trust offered through this PDS. For an additional description of the fees and costs charged by the Trust, please read the section below.

6.2 Fees and Other Costs

The following sections show fees and costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Trust's assets as a whole.

For information on taxation, please refer to *section 8.13: Taxation* of this PDS.

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

Type of Fee or Cost	Amount	How and when paid
Fees when your money moves in or out of the Trust		
<i>Establishment fee</i> The fee to open your investment	Nil	Not Applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not Applicable

Type of Fee or Cost	Amount	How and when paid
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Termination fee</i> The fee to close your investment	Nil	Not applicable
Management costs		
The fees and costs for managing the investment. These are comprised of:		
<i>Management fee</i>	Fee for managing assets of the Trust is 1.05% per annum of the net value of the assets of the Trust (plus GST)	The management fee is calculated on the net value of the assets of the Trust and accrues and is payable quarterly in arrears from the assets of the Trust. This fee is not negotiable.
<i>Other management costs and expenses</i>	Other management costs and expenses which are not expected to exceed 0.15% of the net assets of the Trust (plus GST)	All other management costs and expenses are reimbursed to CKM or paid as they are incurred.
Total management costs	1.20% per annum of the net value of the assets of the Trust (plus GST) EXAMPLE: If the amount of the net assets of the Trust is \$10 million and CKM incurs other management costs of 0.15% per annum (plus GST) the total management costs would amount to \$120,000 per annum (plus GST).	
Additional service fees¹		
<i>Investment switching fee</i> The fee for changing investment options	Nil	Not applicable

¹ For the position of commissions or other fees payable to advisers, mortgage brokers or others see "Adviser Remuneration" and "Mortgage Brokerage Remuneration" below.

6.3 Additional Explanation of Fees and Costs

Management Fee: fee for managing assets of the Trust

CKM is entitled to charge a management fee of 1.05% (plus GST) per annum of the net value of the assets of the Trust, accruing and payable quarterly in arrears.

Therefore, as at the date of this PDS, the fee for managing assets of the Trust is 1.05% (plus GST) of the net value of assets of the Trust. The net value of the assets of the Trust as at 30 September 2011 was \$56,908,913. The management fee that CKM would charge, based on this value, if the net value of the assets did not change in the next 12 months, is \$597,544 (plus GST).

CKM does not charge establishment or other fees to borrowers for the making of a loan, whether or not the loan is made.

Where the Trust receives additional interest for the early/late repayment of loans or for the late payment of interest, the additional interest will be for the benefit of the Trust and not for the benefit of CKM.

The Trust is not responsible for the payment of fees for the services rendered by Millar Partners under the Administration Services Agreement. These are paid by CKM from its own resources.

Other Costs and Expenses

All expenses incurred by CKM in the proper performance of its duties in respect of the Trust are payable or reimbursable out of the assets of the Trust, to the extent that that is not prohibited by the *Corporations Act 2001*.

Expenses incurred by CKM in relation to the performance of its duties in respect of the Trust and which are payable to CKM in respect of the Trust (to the extent not paid by Millar Partners in terms of the Administration Services Agreement) include:

- audit fees and expenses;
- the Compliance Committee fees and expenses;
- the External Custodian's fees and expenses; and
- other recoverable expenses under the Trust's Constitution, such as the cost of preparing and amending the Constitution, the cost of producing the PDS, the cost of member meetings and communications, postage, and other Trust administration expenses.

The amount of these costs and expenses varies over time and CKM is unable to ascertain precisely the amount of the Trust expenses in advance. However, in light of its experience in operating the Trust to date CKM anticipates that the expenses for operating the Trust on an annual basis during the currency of this PDS will continue to be approximately 0.15% of the net value of the Trust's assets. Investors should be aware however that CKM does not put a cap on these and the actual costs and expenses that may be incurred and charged may be both higher and lower than 0.15%. The amount of these costs and expenses based on the net assets as at 30 September 2011 would be in the region of \$86,303.

Waiver and changes to fees

As at the date of this PDS CKM charges the maximum management fee that may be charged under the terms of the Constitution. Accordingly, the fees charged to investors will not be increased unless this is permitted by a variation of the Constitution. At any time during the currency of this PDS, CKM may waive or defer the payment of any portion of its management fee.

Adviser Remuneration Fee

CKM has not in the past paid, nor does it intend to pay in the future, any brokerage, trail fees or commissions to advisers to attract investors. Any amount payable by a member to his or her adviser is a matter between the member and the adviser.

Mortgage Broker Remuneration

Trailer fees or other commissions may be paid to third parties who introduce borrowers to the Trust, such as mortgage brokers. These fees are not paid by CKM, the members of the Trust, nor the Trust. In such cases the borrowers pay those fees. However, CKM may collect these fees from the borrower as the agent of the brokers.

Taxation - GST

Where CKM incurs goods and services tax (**GST**) in relation to its fees for the management of the Trust, investors bear the GST related increase in management costs. It is considered that the Trust is entitled to a refund of "reduced input tax credits" for GST in terms of the legislation.

For information on other taxation issues, please refer to *section 8.13: Taxation* of this PDS.

6.4 Example of annual fees and other costs

This table gives an example of how fees and costs on a unit in the Trust can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

EXAMPLE		BALANCE OF \$50,000 WITH CONTRIBUTIONS OF \$5,000 DURING YEAR*
Contribution fees	Nil	Nil
PLUS Management Costs	1.20%	For every \$50,000 you have in the Trust, you will be charged \$600 each year
EQUALS Cost of fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of: \$600

* This table is in the form specified by the *Corporations Regulations*. It assumes that the additional \$5,000 you put in was on the last day of the year.

6.5 Fees payable by borrowers

Under the Constitution CKM is entitled to receive fees directly from the borrower as part of its remuneration. However, as at the date of this PDS CKM does not charge borrowers any fees, including loan application fees, loan variation or extension of term fees, loan administration fees or the like. The borrower must meet all of the fees and costs associated with the borrowing, including valuation, legal and mortgage broker fees, as well as any other costs and disbursements incurred including those that may have been incurred by CKM.

If CKM were to receive fees directly from the borrower, and for example reduce the interest charged on a loan by a similar amount, the fees would be brought to account as income of the Trust and not retained as part of the remuneration to which CKM would be entitled under the provisions of the Constitution.

7. MORTGAGE INVESTMENTS

7.1 What mortgage investments are made

The loans, or mortgage investments, that CKM makes are primarily to individuals, predominantly for business and investment purposes, and to companies.

CKM does not make advances in respect of loans that fall within provisions of the *National Consumer Credit Protection Act (NCCP Act)*. CKM does not make advances to related parties (refer to pages 4 and 31 - 32).

The information below provides a general description of the mortgage investments held by the Trust as at 30 September 2011:

Ranking of securities:

All loans were secured by first registered mortgages.

Types of securities:

Loan type	Number	Value of loans (\$)	% of value of loans
Residential	22.4	21,744,400	55.3
Commercial	8.9	9,388,900	23.8
Industrial	10.7	8,044,700	20.4
Land value of development sites	-		-
Vacant land	1	200,000	0.5
Totals	43	39,378,000	100.0

None of the above loans is a "specialty" loan (that is, a loan secured over hotels, motels, squash courts, caravan parks, nursing homes and the like). Likewise, none of the above loans have been made on the security of company title property. The policy of CKM is that such loans would not be made without CKM adopting further lending policies that would identify and assess the potential higher risks that the Trust may face in making loans on that security.

The Trust does not invest in "reverse mortgages". (A reverse mortgage is a mortgage that allows the borrower to borrow cash against the value of his or her home in circumstances where the borrower does not have to make principal or interest payments until he or she leaves the security property. When the loan ends the borrower or his or her estate, must repay what is owing, usually out of the proceeds of the sale of the security property).

Location of security properties:

Location	Number	Value of loans (\$)	% of value of loans
Sydney	34	33,038,000	83.9
Wollongong area	3	1,632,000	4.1
Newcastle and Central Coast	2	460,000	1.2
NSW regional (with pop over 10,000)	1	350,000	0.9
Melbourne	2	3,002,000	7.6
South East Queensland	1	896,000	2.3
Totals	43	39,378,000	100.00

CKM's policy in relation to the geographical location of the security properties is that it will consider lending against properties situated in the Sydney metropolitan area, areas between Wollongong the Southern Highlands and Newcastle, other regional areas in NSW with populations over 10,000, or in Canberra, Melbourne and south east Queensland. We do not have a policy as to the proportion of the Trust's loan portfolio secured against properties located in each of these areas.

Size of loans:

The average loan size at 30 September 2011 was \$915,767. The largest separate loan represented approximately 11.0% of the total loans. The industrial security property for that loan was valued on an "as is" basis as described in the paragraph headed "Valuations" in section 7.2: *Borrowers and Lending*. The 10 largest loans made by the Trust as at 30 September 2011 represented approximately 60.8% of the total loans. CKM has a policy that limits the maximum amount that may be lent to any one borrower and associates to no more than 15% of the net value of the assets of the Trust.

Loan to valuation ratios:

The average loan to valuation ratio was approximately 53.8% as at 30 September 2011.

The table below indicates the range of LVRs as at 30 September 2011:

LVR range	No. of loans	Value of loans (\$)	% of value of loans
60.00 to 66.67%	19	22,772,000	57.8
50.00 to 59.99%	9	8,174,000	20.8
40.00 to 49.99%	9	7,074,000	18.0
Less than 40.00%	6	1,358,000	3.4
Totals	43	39,378,000	100.0

We do not have a policy as to whether a proportion of the Trust's loan portfolio, whether by number or by value, or whether in relation to the types of security provided or its geographical location, as at any time must be within a certain LVR range.

Term of loans (maturity profile):

The majority of the loans made by the Trust are for terms of 2 years or less. The maturity profile of the loan portfolio is monitored and assessed in relation to the cash needs of the Trust on a regular basis. The table below indicates the maturity profile of these loans as at 30 September 2011:

Loan term	No. of loans	Value of loans (\$)	% of value of loans
0 to 12 months	13	18,321,000	46.5
13 to 24 months	10	7,855,000	19.9
25 to 36 months	7	4,156,000	10.6
37 to 48 months	-	-	-
49 to 60 months	13	9,046,000	23.0
Totals	43	39,378,000	100.0

The Constitution provides that a mortgage investment must be repayable no later than 5 years after the investment date unless repayable on demand.

Interest rates:

The following table indicates the range of the interest rates charged to borrowers in respect of the loans as at 30 September 2011:

Interest rate	No. of loans	Value of loans (\$)	% of value of loans
11.0% to 11.9%	1	500,000	1.3
10.0% to 10.9%	21	25,085,000	63.7
9.0% to 9.9%	17	12,200,000	31.0
8.0% to 8.9%	4	1,593,000	4.0
Less than 8.0%	-	-	-
Totals	43	39,378,000	100.0

The interest rates charged to a particular borrower at any time reflects a balancing of current official interest rates, interest rates charged by other mortgage providers and the risks associated with the borrower or the nature of the security provided.

Capitalisation of Interest:

CKM does not make loans where the interest is capitalised.

Use of Derivatives

CKM does not use derivatives.

Loan documentation:

CKM does not lend on a full loan documentation basis. This means that loans are assessed primarily against the asset value of the security property and it is not the policy of CKM to require evidence of a borrower's income or capacity to service a loan, except in the circumstances referred to below under the heading "Credit worthiness of borrowers".

7.2 Borrowers and Lending

Persons seeking to borrow money, from time to time, approach CKM and submit an application to CKM for funding. The borrowers are usually persons or companies seeking the convenience of a straightforward "asset loan" assessed primarily against the value of the security property, without having to provide current financial statements or other evidence of income, which it is not the policy of CKM to require except in the circumstances referred to under the heading "Credit worthiness of borrowers".

Loan applications are submitted to the Credit Committee of CKM for consideration and possible approval. The Credit Committee has the primary responsibility to ensure that:

- credit reference checks to a Credit Reference Organisation or Bureau are undertaken in respect of the borrower and guarantors;
- the value of the security provided complies with the Constitution; and
- legal title to the mortgage investment is vested in CKM which holds the mortgages and other Trust property in accordance with the Constitution and the *Corporations Act 2001*.

Credit worthiness of borrowers

It is not the policy of CKM to require details of assets and liabilities of borrowers and/or guarantors of loans or to consider the capacity of the borrower to service the loan in terms of timing and amount, unless:

- the Credit Committee considers that the results of credit reference checks of borrowers and guarantors are not satisfactory;
- in the case where a borrower is known to be refinancing an existing loan, the Credit Committee is not able to obtain evidence from the existing lender of the history of servicing of the loan which it considers satisfactory; or
- the Credit Committee becomes aware of some other circumstances that it considers adversely affects the reliability of the borrower or capacity of the Borrower to meet loan commitments.

The Constitution provides that a mortgage investment must be repayable no later than 5 years after the investment date unless repayable on demand.

Valuations

The lending policies of CKM provide that loans must be secured by first mortgage to no more than 66.67% of proper valuation. Second mortgage securities are only accepted as supporting additional security to a first mortgage, where either:

- the second mortgage is in respect of a different property than the mortgaged property securing the first mortgage and the first mortgage is no more than 66.67% of the proper valuation; or
- the second mortgage is in respect of the same property and the aggregate amount secured by the first and second mortgages is not more than 66.67% of the proper valuation.

CKM does not make advances by way of progress payments in respect of development sites, and advances in respect of development sites are restricted to the land value of the site and further advances are only contemplated when a project has reached lock-up stage.

Advances are made by CKM in respect of residential property, commercial and industrial property, development sites, subdivisions and vacant land. Advances are not necessarily made to the maximum ratio of 66.67% of valuation. The main criterion of CKM is the securing of loans against the asset valuation of the security. In order to rely upon the asset value of the security CKM has instituted strict valuation practices.

CKM has appointed a panel of approved valuers, requires valuations to be carried out by panel valuers who are instructed by CKM, and will not accept valuations supplied by borrowers. Each valuer must be properly qualified, licensed and registered in the State in which the property is situated, where possible, independent of CKM, have experience in valuing properties for mortgage purposes and produce annually certificates of currency of professional indemnity insurance. All valuations must clearly set out the methodology of valuation, refer to a recommendation of the security for mortgage purposes, and be addressed to CKM. Valuations in respect of initial loans must not be more than six months old and valuations in respect of variations of mortgages must be no more than three years old. All valuers must include a statement in their report on whether the valuation complies with all relevant industry standards and codes.

CKM ensures that appropriate insurance is effected by borrowers in respect of securities (apart from vacant land or for strata title insurances where insurance is effected in the name of the body corporate), and that CKM is noted on the insurance policy as an interested party. CKM also has effective procedures to ensure that insurance policies are renewed by borrowers.

Insurance

CKM ensures the borrower maintains adequate insurance over any improvements to a mortgaged property during the term of the loan.

Where possible CKM is noted on the insurance policy as an interested party. Procedures have been adopted by CKM to ensure that insurance policies are renewed when necessary.

7.3 Management of the mortgage investments

Authority to manage the mortgage investments

On becoming a member of the Trust, each member appoints and authorises CKM to manage the mortgage investments in accordance with the requirements of the Constitution, this PDS and the relevant provisions of the *Corporations Act 2001*.

CKM has engaged Millar Partners to provide certain administrative services to the Trust. Millar Partners has the necessary systems in place to provide real time reporting to CKM and to members of the Trust regarding the investments of the Trust, including the status of mortgage interest and repayment receipts, property insurance cover and arrears.

Collection of income and proceeds

CKM must collect and receive all income due and payable by the borrowers and the proceeds of the realisation of any mortgage investment on or before the maturity date of that investment, or consider the loan to be in default.

Default management and enforcement of mortgage investments

CKM has a well-developed system of pursuing defaults and arrears and effecting appropriate recovery action. These processes include the following:

- If interest payments in respect of an advance fall in arrears (generally 7 days past due date), correspondence is forwarded to the borrower demanding payment of the arrears immediately.
- If payment of arrears is not received within 7 days after the next interest payment due date, further correspondence is forwarded to the borrower stating that if payment has not been received within a further 7 days, legal action for recovery will be instituted without further notice.
- At this point interest payments will be 2 months in arrears. Unless there is an acceptable undertaking, or other acceptable information, solicitors are instructed to effect immediate recovery action which may result in CKM taking possession of the property.

Where an enforcement right in respect of a mortgage investment becomes exercisable by CKM, whether by the default of the borrower or the occurrence of an event that constitutes a default, CKM may call a meeting of all members or adopt such other procedure to ascertain the views of the members, as it thinks fit, before it exercises a right or power of enforcement. The members may direct CKM by special resolution to exercise its powers in a particular manner. If members do direct CKM to exercise a power in a particular way, CKM must be indemnified against any losses, costs, expenses, claims or liabilities which CKM may incur in following that direction.

Loans in default

- Interest on loan

A loan is considered to be in default if interest is not received within 7 days after the due date for payment and that interest payment is still outstanding. The table below describes the position as to loans in arrears as at 30 September 2011:

No. of days in arrears	No. of loans	Value of loans (\$)	% of value of loans
less than 30 days	1	1,030,000	2.6
30 days to 60 days	3	1,935,000	4.9
more than 60 days	5	3,328,000	8.5

Total	9	6,293,000	16.0
--------------	----------	------------------	-------------

As at 30 September 2011, recovery action had commenced in respect of 7 loans (\$5,288,000) in default where interest payments were in arrears. This represents approximately 16% by number, or approximately 13.4% by value, of the then current loans. Experience in the past shows that many defaults are resolved by repaying of arrears by the borrower, or by refinancing of the mortgage. In other cases it is necessary for CKM to conduct mortgagee sales of the security properties.

- Principal of loan

A loan may also be considered to be in default if the borrower, while continuing to pay all interest payments within the time provided, has not repaid the loan as at the due date. As at 30 September 2011 the Trust had 5 such loans with a total value of \$6,754,000. This amount represented 17.1% of the total value of the Trust's loan portfolio. These past due loans do not include the loans described in relation to the late payment of interest. In each of these cases, CKM is awaiting variations of mortgage to extend the term, or repayment of the loans. However, interest payments have continued to be made and the mortgage securities remain in place.

8. YOUR INVESTMENT IN THE TRUST

8.1 Payment of Income

CKM must collect and receive all money arising from the assets of the Trust, including the mortgage investments. Each member has an immediate beneficial interest vested absolutely in the net income of the Trust to the extent of the member's present entitlement to that share of the net income.

The amount payable by CKM to a member of the Trust is calculated in accordance with the proportionate interest that each member has in the Trust at the relevant date. The distributions of amounts received from borrowers, after deduction of any fees payable by the Trust, are made yearly in arrears within 2 months after 31 March.

CKM may make an interim distribution of income in respect of a distribution period.

8.2 Withdrawal of Investment

CKM is entitled to redeem units and thus permit a member to withdraw from the Trust only in accordance with the Constitution and the *Corporations Act 2001*. When, as will usually be the case, less than 80% of the assets of the Trust are "liquid" for the purpose of the *Corporations Act 2001*, as at the date of this PDS CKM has adopted the following procedures:

- CKM has adopted a Withdrawal Facility that consists of making a separate withdrawal offer to all members of the Trust in respect of each month commencing on 1 October 2011 until 28 September 2012. CKM may extend this Withdrawal Facility at the end of that period;
- upon becoming a member of the Trust, each investor will be provided with a copy of the current Withdrawal Facility, if any, and the terms on which a monthly offer is made under that facility;
- to make a withdrawal of all or part of their units in the Trust during a particular month, the member must lodge a withdrawal request with CKM before 10am on the last business day of the month. Investors should note that the minimum withdrawal amount is \$500 and that if as a consequence of the withdrawal the member would hold less than \$1,000 units, CKM may treat the request as being for the balance of the units held;
- if the request to withdraw the units is accepted by CKM, the proceeds of the request will be paid into the nominated bank account of the member within 21 days after the end of that month but normally by close of business on the next business day after the end of that month;
- the assets of the Trust that will be used to satisfy withdrawal requests are the cash assets of the Trust as at the last business day of the relevant month;
- the amount of cash that will be made available to meet withdrawal requests made in respect of any month is not less than \$2.0 million; and
- if the amount specified above is insufficient to meet each withdrawal request, the requests will be satisfied on a pro-rata basis.

A withdrawal request form is available from CKM on request.

Details of the continued availability of the Withdrawal Facility and of each monthly offer that is made in accordance with that facility will be available on the website of CKM at www.ckmmortgages.com.au. Investors should note that CKM has the right to cancel both the Withdrawal Facility and any or all monthly offers at any time in accordance with the terms of the facility. Investors should read the terms of the Withdrawal Facility and contact CKM on (02) 8536 3522 if they have any questions.

While the current Withdrawal Facility is for a 12 month period to 28 September 2012, it is anticipated that further withdrawal facilities, each for a 12 month period will be made available by CKM.

Investors are advised that CKM has adopted internal policies and procedures for the monitoring of the liquidity of the Trust on an on-going basis. These include weekly, monthly and quarterly cash flow monitoring (including analysing the cash needs of the Trust, the receipt of income and repayments, current and anticipated withdrawal requests, and applications). In determining the amount of liquid assets available to meet any monthly withdrawal request, it does not, however, take into account any anticipated inflows from new applications.

8.3 Transfers

A member may transfer its units to another person in the form required or accepted by CKM. CKM may refuse to register a transfer without giving any reason for the refusal. NSW Government Duty may apply to transfers of units.

8.4 Other Rights of Members

An interest in the Trust and the holding of units also entitles a member to:

- receive notice of and attend and vote at meetings of members. A member has 1 vote on a show of hands and on a poll, 1 vote for each unit held;
- requisition a meeting of members in accordance with the Constitution and the *Corporations Act 2001*; and
- participate in the division of any surplus of assets or profits of the Trust if the Trust is terminated.

8.5 Limitations on Members

A member may not:

- interfere with the rights and powers of CKM in its dealings with the assets and the Trust;
- exercise any rights, powers or privileges in respect of any part of the assets;
- lodge a caveat in respect of any property comprised in the assets or in relation to mortgaged property comprised in a mortgage investment; or
- require the transfer of any property comprised in the assets of the Trust.

8.6 Liability of Members

Other than tax liability arising from a member's action or inaction, or liability for payments due and payable to CKM, the liability of a member under the Constitution is limited to the amount paid as its application money. The member need not indemnify CKM if there is a deficiency in the assets of the Trust and is not liable for the claim of any creditor of CKM in relation to the Trust. However, no complete assurance can be given with regard to the above as the ultimate liability of an investor as a member of a scheme has not been finally determined by the courts.

8.7 Reporting to Members

CKM will provide to members a written confirmation of the transaction after the application moneys of the applicant are accepted by CKM.

Members will receive annual statements as to mortgage interest received and distributed.

In accordance with the Constitution and the *Corporations Act 2001* members will receive periodic financial statements as to the Trust.

A member may check the status of its investment at any time during business hours by contacting CKM.

8.8 Continuous Disclosure

As at the date of this PDS the Trust is a disclosing entity under the *Corporations Act 2001*. It is therefore subject to regular reporting and disclosure obligations. CKM has elected to meet its continuous disclosure obligations by disclosing new material information on the website at www.ckmmortgages.com.au. Members of the Fund should visit this site regularly. Copies of documents lodged with ASIC in relation to the Trust may be obtained from, or inspected at, any ASIC office. CKM will, on request, provide to members, free of charge, a copy of the annual financial report most recently lodged with ASIC for the Trust, any half yearly financial reports for the Trust and any continuous disclosure notices given for the Fund after the lodgement of an annual report. The contact details are in the Corporate Directory on page – iii - of this PDS.

8.9 Updated benchmark disclosures

As stated in section 2: *ASIC Benchmark Disclosures* we anticipate that we will continue to update the information as to the extent to which the ASIC benchmarks are met at any time, and if not, why not, on a regular basis, and at least every 6 months. This information will be available on our website at www.ckmmortgages.com.au. It will also be made available to both the members of the Fund and applicants under this PDS in hard copy on request.

8.10 Meetings of Members

CKM may at any time convene a meeting of members. We will also convene a meeting of members if requisitioned by at least 100 or 5% of the votes that may be cast on the proposed resolution. Each member is entitled to attend and vote unless prohibited from doing so under the *Corporations Act 2001*. All members are entitled to receive notices of all meetings.

8.11 Complaints

CKM seeks to deliver to investors an optimal level of client service and is committed to handling any complaint quickly, fairly and in strictest confidence. We welcome suggestions for service improvements. If a member does have a complaint regarding any aspect of CKM's services the member should contact CKM and put the complaint in writing. Any such complaint is handled in accordance with the internal policy and procedures that CKM has adopted. A copy of the policy and procedures is obtainable from CKM.

If the complaint is not resolved to the member's satisfaction the member has a right to refer the matter to an external complaints resolution scheme. CKM is a member of the Financial Ombudsman Service (**FOS**). The FOS contact details are: GPO Box 3, Melbourne VIC 3001, telephone 1300 780 808. The member may also contact ASIC on 1300 780 885.

8.12 Privacy

By applying to invest in the Trust, the applicants consent to certain personal information about themselves being collected and used by CKM for:

- processing the application for units;
- informing the investor of any other potential investment opportunities in other schemes, products or services to be promoted and/or managed by CKM;
- administering the Trust (including calculation of entitlements and distributions); and
- any purpose related to the above purposes.

Your personal information may be disclosed to related entities of CKM and any organisation (such as the external custodian, the Administrator, mailing or distribution houses, an accountant or auditor) involved with the administration of the Trust for any of the above purposes.

CKM may also be obliged to collect, store and disclose this information under certain legislation, including anti-money laundering and counter-terrorism financing legislation.

CKM is committed to protecting the privacy of applicants and unit holders in accordance with the *Privacy Act 1988* (**Privacy Act**). The *Privacy Act* regulates, among other things, the collection, storage, quality, use and disclosure of personal information.

CKM's privacy policy broadly outlines what personal information is collected, how it is stored, used and disclosed and how it may be accessed and, if necessary, corrected. A copy of the privacy policy is available from CKM. The contact details are on page - iii - of this PDS.

8.13 Taxation

Investors will be assessable on their income received from the Trust. Each investor must obtain its own taxation advice. Where CKM incurs goods and services tax (**GST**) in relation to the management of the Trust, investors bear the GST related increase in management costs. It is considered that the Trust is entitled to a refund of "reduced input tax credits" for GST in terms of the legislation.

9. THE TRUST DOCUMENTS

9.1 The Constitution

The Trust is established under the Constitution. It is the Constitution that primarily governs the powers and duties of CKM, the rights and obligations of the members and the structure of the Trust.

The Constitution binds CKM and each member of the Trust.

In addition to those matters set out elsewhere in this PDS (such as the rights of members, the liability of members, withdrawal rights, applications for interests, the investment and return of application moneys and the making, management, defaults, realisation and enforcement of mortgage investments) the Constitution also contains provisions as to:

- the powers of CKM
- the liability of CKM and its rights to indemnity
- the termination of the Trust
- the retirement of CKM
- the amendment of the Constitution
- the meetings of members.

Any member or adviser wishing to gain full knowledge of the contents of the Constitution should inspect it. It is available for inspection at the registered office of CKM during normal business hours. CKM will provide a copy of the Constitution to any person upon written request.

9.2 Amendment or replacement of the Constitution

CKM's rights to amend, replace or repeal the Constitution are specified in the *Corporations Act 2001*. Generally the Constitution may be amended by special resolution of members or by CKM alone if CKM reasonably believes that the change will not adversely affect the rights of members.

9.3 The Compliance Plan

CKM has adopted a compliance plan for the Trust (**Compliance Plan**) as required by the *Corporations Act 2001*. The Compliance Plan sets out the key criteria that CKM follows to ensure that it is complying with the *Corporations Act 2001* and the Constitution. The Compliance Plan is audited on an annual basis.

9.4 Administrative Services Agreement

Certain services relating to the administration of the Trust are provided to CKM by Millar Partners under an agreement between them (**Administration Services Agreement**). These services must be provided diligently and in a proper, business-like and skilful manner and in accordance with performance criteria set out in the agreement. These include the times and manner in which various activities must be carried out and reports provided. Under the agreement, CKM pays to Millar Partners fees for the services provided. These fees are paid by CKM from its own resources, and are not an expense of the Trust.

9.5 Disclosure of Interests and Management of Conflicts

CKM receives remuneration and is reimbursed its expenses in accordance with the Constitution. The Directors of CKM may receive directors' fees for services provided in relation to the Trust, such fees being payable by CKM and not by the Trust. Millar Partners are paid fees by CKM and not the Trust, for the services it provides to CKM under the Administration Services Agreement.

As indicated above, loans may not be made by the Trust to parties associated with CKM. It may, however accept applications for units from persons associated with CKM.

In accordance with good governance principles and its obligations under its AFS Licence, CKM identifies and manages any perceived or potential conflict of interest that may arise in the manner identified in its management of conflicts of interest policy. That policy and the related procedures require, among other things:

- the identification of any actual or potential conflicts and the reporting of these to CKM's Compliance Officer and the board;
- the establishment and maintenance of a register of conflicts; and
- the consideration of the register by the Compliance Committee of the Trust on a quarterly basis.

In no event may it act in a manner that prefers the interests of CKM, or any of its associates, over that of the members of the Trust.

10. PARTIES INVOLVED IN THE TRUST

10.1 The Responsible Entity

The CKM Mortgage Trust is a registered managed investment scheme for the purposes of Chapter 5C of the *Corporations Act 2001*. CKM (Mortgages) Limited is the responsible entity of the Trust.

CKM (Mortgages) Limited is an unlisted public company incorporated specifically to manage the investment scheme, and the directors of which are principals of Millar Partners.

Directors of CKM

Kenneth John Millar BCom, LLB, CA is a chartered accountant and has been a principal of Millar Partners for 20 years. He holds a law degree from the University of New South Wales.

Vincent James Collins CA is a chartered accountant and has been a principal of Millar Partners for 13 years, and was a partner of two other firms of chartered accountants for 15 years.

Gary John Hayward B Com, CA is a chartered accountant and has been a principal of Millar Partners for 10 years.

The Powers of CKM

Subject to any express limitation in the Constitution CKM, as responsible entity, can exercise all the powers in respect of the Trust and the trust assets, (including using the assets and credit of the Trust and doing anything else on behalf of the Trust) which it could exercise or do if it were the absolute and beneficial owner of the Trust and the trust assets. CKM in its capacity as the responsible entity of the Trust has power to borrow (whether or not on security) and to incur all types of obligations and liabilities. It has not exercised this power and has no current intention to do so. CKM may also authorise any person to act as its agent or delegate.

Liability of CKM

If in the proper performance of its duties CKM acts in good faith and without negligence, it is not liable in contract, tort, or otherwise to members for any loss suffered in any way relating to the Trust, including any mortgage investment. CKM is otherwise liable only to the extent of the value of assets vested in it or received by it under the Constitution. The liability of CKM to any person, other than a member, including any contracts entered into as responsible entity of the Trust or in relation to the assets, is limited to CKM's ability to be indemnified from the assets.

Indemnity of CKM

CKM acting in good faith is entitled to be indemnified out of the assets or, where appropriate, the proceeds of the realisation of a mortgaged investment in respect of all liabilities, costs and expenses incurred by CKM in relation to the operation of the Trust or the enforcement of the mortgage investment. The right of CKM to be indemnified is limited to the assets and does not extend to enable CKM to recover from any member or other person beneficially entitled to any interest or mortgage investment any loss or liability incurred by CKM.

10.2 The Compliance Committee

CKM has appointed a compliance committee in accordance with the requirements of the *Corporations Act 2001* to oversee compliance by CKM with the requirements of the *Corporations Act 2001*, the Constitution and the Trust's Compliance Plan. The role of the Compliance Committee is to:

- monitor CKM's compliance with the Compliance Plan and report to CKM;
- report to CKM any breach of the *Corporations Act 2001* or the Constitution;

- report to ASIC where the Compliance Committee forms the view that CKM is not taking steps to remedy matters reported to it by the committee; and
- regularly review the adequacy of the Compliance Plan and where necessary recommend changes to the plan

10.3 Administrator

CKM has engaged Millar Partners to provide to it administration services in relation to its management of the Trust under the Administration Services Agreement, described in *section 9.4: Administrative Services Agreement* of this PDS. Millar Partners is a firm of chartered accountants associated with the directors of CKM.

10.4 Custodians

CKM (Mortgages) Limited is self-custodian for the holding of security documents and cash funds held for a period of up to 3 months.

Australian Executor Trustees (SA) Limited ACN 007 870 644 (**External Custodian**) is the custodian of further cash funds. Funds are transferred as necessary between the accounts operated by the External Custodian and the accounts operated by CKM. The External Custodian acts in accordance with a Custody Agreement, which sets out service standards and requires it to comply with all instructions from CKM, subject to certain agreed criteria. It has no supervisory role in relation to the operation of the Trust and is not responsible for protecting the interests of members of the Trust. Nor has it any liability or responsibility to any member for any act done or omission made in accordance with the terms of the Custody Agreement or for any acts of CKM, whether as custodian or the responsible entity.

The External Custodian has given and has not, before the issue of this PDS, withdrawn its consent to be named in this PDS as a custodian in the form and context in which it is named.

The External Custodian does not make, or purport to make, any statement that is included in this PDS and there is no statement in this PDS which is based on any statement by it. To the maximum extent permitted by law, the External Custodian expressly disclaims and takes no responsibility for any part of this PDS other than the references to its name. The External Custodian does not guarantee the repayment of capital or any particular rate of capital or income return.

11. HOW TO COMPLETE YOUR APPLICATION FORM

Please read this section carefully BEFORE signing and lodging the application.

This section:

- sets out instructions as to how to complete the application form
- contains the declarations conditions and acknowledgments that you are required to make
- contains the additional terms that you agree to if you authorise a person to operate the account
- explains the identification requirements that apply under the anti-money laundering and counter-terrorism financing legislation.

Application form instructions and additional information

Please read the following information carefully.

Section	Important notes
General	<p><i>Applications may only be made on the application form attached to this PDS. CKM has the right to accept or reject any application in whole or in part. Within 5 business days after your initial and additional investment, a written transaction confirmation will be sent to you. You may also request investment statements from time to time.</i></p> <p>Please complete the application form using a black ballpoint pen and CAPITAL LETTERS.</p> <p>If you have any queries or need any help in completing the application form, please call CKM on 02 8536 3522.</p>
Section A: Are you a member of the Trust	<ul style="list-style-type: none"> • If you are a current unit holder in the Trust and would like to make an additional investment, please note your existing account name and member number. • If you have provided these details it is not necessary to complete Section B or C, unless these have changed or have not been provided previously (such as your residential address). Please go to Section D. • To ensure you have up to date information about the Trust when making an additional investment, CKM will ensure you receive a copy each time a new or supplemental PDS is issued. You should keep your copy of the current PDS, as well as any reports that CKM provides to you, so that you may refer to these when deciding to make a further investment in the Trust.
Section B: Investor Details	<p>Please ensure:</p> <ul style="list-style-type: none"> • You identify what type of entity you are. CKM requires this in order to determine what proof of identification is required under the anti-money laundering and counter-terrorism financing regulations referred to in this section of this PDS.

	<ul style="list-style-type: none"> • You complete the FULL name of all applicants. Your name must match your birth certificate or other document you are using as proof of identity. • Company applicants include a contact name and ACN, ABN or ARBN as applicable. • Individual applicants are 18 years of age or over. • Joint applicants will be assumed to be joint tenants unless otherwise specified. <p>Tax File Number (TFN):</p> <ul style="list-style-type: none"> • Enter your TFN, exemption category or ABN if applicable. You are not obliged to provide your TFN and if you do not this will not affect your application. However, in such a case CKM is required to deduct Australian tax from distributions of income made to you at the highest marginal rate, plus Medicare Levy (if you are an Australian resident) and forward to the Australian Taxation Office. If you are investing in the course of furtherance of an enterprise, you may quote your ABN instead of your TFN. • Collection of your TFN or ABN is authorised and the tax laws and the <i>Privacy Act</i> strictly regulate its use and disclosure. • Tax File Numbers for minors will not be accepted. <p>Addresses:</p> <ul style="list-style-type: none"> • Individual investors must provide their residential addresses. • For company investors CKM requires the full address of the registered office, plus the principal place of business. <p>If you have more than 4 individual applicants or beneficiaries, you will need to obtain a second copy of the PDS and complete a second original application form for the additional applicants. Photocopies of the application form will not be accepted.</p> <p>See also “Examples of Correct Names and Account Designations” following.</p>
<p>Section C: Account Contact Details</p>	<ul style="list-style-type: none"> • (OPTIONAL) Enter account designation eg. <SMS Super Fund>. • You may only elect one postal address for all notices and correspondence. This may be a PO Box. • Please ensure that you complete this section, if different from the information provided in Section B, as this will allow CKM to contact you if there are any issues with your application or it needs to contact you during the term of your membership of the Trust.
<p>Section D: Investment Details</p>	<ul style="list-style-type: none"> • Enter the amount that you wish to invest. The minimum initial subscription is \$1,000 and additional subscriptions may be in multiples of \$500. • Only Australian currency will be accepted. • Application for membership of the Trust will only be accepted on receipt of the application monies and receipt of the original completed application form, issued together with the PDS dated 22 December 2011. <p>Payment of application monies by cheque</p> <ul style="list-style-type: none"> • CKM does NOT accept cash or third party cheques in any circumstances. • Please make your cheque payable to “CKM (Mortgages) Limited and cross your cheque “not negotiable”. • Your cheque should be mailed or delivered with your completed application form to the address as set out below in “Lodging the application”.

<p>Section E: Distribution options</p>	<ul style="list-style-type: none"> • CKM needs you to tell us how you want your distributions to be made. This can be either by reinvestment in units or by direct credit to your nominated bank account.
<p>Section F: Bank Account Details</p>	<ul style="list-style-type: none"> • Income distributions and other payments will be made by direct deposit, and you should complete the details required. No application will be accepted unless the applicant uses the direct deposit facility. • The bank account you elect on the application form will be used by CKM to pay out income distributions and repayments of the investment. • The account must be in the name of the investor. • The account must be an Australian resident bank, building society or credit union. • It is important that at all times CKM has current details as to your account. You may change these details at any time by contacting CKM.
<p>Section G: Operating Authority</p>	<ul style="list-style-type: none"> • When giving instructions to us about your investment please indicate who has authority to operate your account. • Please note the additional declarations that you must make if you are giving an account operating authority
<p>Section H: Providing identification</p>	<ul style="list-style-type: none"> • CKM needs to verify your identity in order to comply with the anti-money laundering and counter-terrorism financing regulations of Australia. It needs to sight and record this proof of identification. In this section of this PDS you will find information as to what documents are required to accompany this application form. • CKM will not be able to process, or there may be delays in processing, your application if it does not receive all of the information that is required.
<p>Section I: Declaration and Signatures</p>	<ul style="list-style-type: none"> • <i>Declaration:</i> by completing the application form to invest, you are declaring that you have read and understood the PDS along with a number of other declarations, acknowledgements and consents. Please ensure you read these below. • <i>Signatures:</i> you should ensure that you have read the attached PDS before signing the application. This form must be signed by you personally, by seal, or by an attorney. <ul style="list-style-type: none"> ○ Joint Applications – all applicants must sign. ○ Signature under power of attorney – a certified copy of the power of attorney must accompany this application form. Where this application form is signed under a power of attorney, the attorney declares that the attorney has no notice of revocation. ○ Company – this application form must be signed by 2 directors or a director and company secretary, or a sole director in the case of companies with a sole director who is also sole company secretary. Titles of all signatories should be indicated and inapplicable titles deleted. If signed under company seal, the directors and/or secretary attest that the common seal was affixed in accordance with the company's constitution. If not executed under company seal, the persons authorised to sign must be authorised to do so in accordance with the company's constitution. • Applications which are not signed or not signed correctly may be rejected.

Lodging the application	<p>All applications should be sent to:</p> <p>CKM (Mortgages) Limited PO Box 28 CRONULLA NSW 2230</p> <p>OR delivered to:</p> <p>CKM (Mortgages) Limited 29-31 Croydon Street CRONULLA NSW 2230</p> <p>Please remember to attach your cheque to the application form. If you wish to pay in some other way you should contact CKM first to ensure that your proposed method of payment is acceptable.</p>
--------------------------------	---

Examples of Correct Names and Account Designations

Only legal entities are allowed to be a member of the Trust and to hold units. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname are required for each natural person. The name of a beneficiary or any other non-registrable name may be included as an account designation if completed as set out in the examples of correct forms given below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full	Mr John Harold Citizen	J H Citizen
Company Use full company name, not abbreviations	Citizen Holdings Pty Ltd	Citizen Hldgs P/L
Joint Holdings Use full and complete names	Mr John Harold Citizen & Mrs Wendy Susan Citizen	John & Wendy Citizen
Trusts Use the trustees name	Mr John Harold Citizen <John Citizen A/C> Citizen Holdings Pty Ltd <John Citizen A/C>	John Citizen Family Trust
Minor (person under 18 yrs) Name of responsible adult with applicable designation	Mr John Harold Citizen <Henry Citizen>	Master Henry Citizen
Partnerships Use the partners' personal names	Mr John Harold Citizen & Mr Henry James Citizen <John Citizen & Son A/C>	
Business Names Use personal names	Mr John H Citizen <Citizen Imports>	Citizen Imports
Superannuation Funds Use the name of the trustee	Citizen Pty Ltd <Citizen Super Fund A/C>	Citizen Pty Ltd Superannuation Fund

Declarations, conditions and acknowledgments – ALL APPLICANTS

By completing the application form you:

- declare that you have read and understood this PDS;
- agree to be bound by the provisions of the Constitution and the conditions of this offer set out in this PDS;
- declare that you have received this PDS personally, or a printout of it, accompanied by or attached to the application form before signing the form;
- declare, if you have received the PDS from the internet or other electronic means, that it was received either personally or a printout accompanied the application form before making an application for units in the Trust;
- declare that you are a resident of Australia, or of another country to whom it is lawful to make the offer and acknowledge that this PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make the offer;
- acknowledge that, unless waived by CKM, any government levies, duties or taxes will be charged to your account;
- declare that if the application is signed under power of attorney, you have no knowledge of the revocation of that power of attorney;
- declare that all information provided in the application or any other information provided in support of the application is true and correct;
- declare that if investing as a trustee on behalf of a superannuation fund or trust you are acting in accordance with your designated powers and authority under the trust deed. In the case of superannuation funds, you also confirm that the funds are complying funds under the *Superannuation Industry (Supervision) Act*;
- agree that the method of the payment to you, of any return on your investment, will be paid to you in accordance with your instructions given in the application form accompanying this PDS and that unless you otherwise direct, no separate written confirmation of the transactions comprised of those payments need to be made;
- declare that you have the power to make an investment in accordance with the application;
- acknowledge that where an application is made in two or more investor names, the investment is held as joint tenants;
- acknowledge that neither CKM nor any of its directors or associates guarantees the repayment of moneys invested or any particular rate of return;
- acknowledge that an investment in the Trust is subject to investment and other risks including possible delays in receipt of distributions and possible loss of capital invested;
- understand that the *Privacy Act 1998 (Cwth)* allows you to access and/or correct information held by CKM or its service providers and agree to the collection, use and disclosure of your personal information provided in the application form;
- acknowledge that all information relating to this application for investment or any subsequent information relating to this investment may be disclosed to any service provider to the Trust and to your adviser. You understand that this will not include disclosure of your TFN, ABN or any information in relation to it. This authority will continue unless revoked in writing by you;
- acknowledge that CKM has only provided you with factual information in relation to your investment in the Trust and has not provided you with financial product advice; and

- acknowledge that CKM has recommended that you obtain independent financial advice before making any financial decisions.

Conditions and acknowledgments –APPLICANTS APPOINTING AN AGENT

This section applies to applicants where:

- one or more of joint applicants wishes to appoint one of the other joint applicant(s) as its agent;
- an individual wishes to appoint another person as his or her agent;
- a company wishes to appoint one of its officers, or some other person, as its agent;
- a partnership wishes to appoint one of their partners, or some other person, as their agent;

to act for the appointing applicant(s) whenever an additional investment is being made in the Trust. If you wish to appoint an agent, you must complete the separate authorisation under section G of the application form.

The following conditions and acknowledgments apply to the appointment of an agent:

1. An agent of the applicant has authority, until the applicant advises CKM in writing to the contrary to apply for units in the Trust on behalf of the applicant and to sign all documents.
2. Where the agent is a company or a partnership, the powers vested in the agent are taken to extend respectively to any director, partner or authorised officer of the agent, as long as appropriate supporting documentation is received by CKM.
3. CKM may, after giving not less than 14 days' prior written notice to the applicant who has appointed an agent, vary these conditions or cancel this appointment, without prejudice to paragraphs 4 and 5 below.
4. The applicant and the agent, during the term of the agent's appointment and at all times thereafter, discharges and indemnifies CKM from and against all actions, proceedings, claims, losses and/or any other liabilities incurred directly or indirectly in consequence of the appointment of the agent, except if and to the extent that, the loss or liability is attributable to CKM's negligence or wilful default.
5. The applicant irrevocably ratifies each and every action taken by the agent pursuant to its appointment and agrees that the applicant and every person claiming through or under the applicant has no claim in relation to any action or any payment made or purporting to be made to or at the direction of the agent against the Trust, the Trust property or CKM, at any time.
6. The agent may not delegate its powers or duties to any other person.

Anti-Money Laundering and Counter Terrorism Financing

The *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* and the associated rules (**AML/CTF law**) requires CKM to adopt and maintain an anti-money laundering and counter-terrorism financing compliance program. An integral part of that program is to carry out due diligence on any prospective investor in order to be able to verify the identity of that person, the underlying beneficial owner of the interest in the Trust and the source of payment. To meet this legal requirement certain identification information, including in some cases documentation, may need to be collected from investors. The AML/CTF program also includes ongoing customer due diligence which may require us to collect further information.

The initial identification due diligence on prospective investors is undertaken before they become unit holders in the Trust.

Identification Requirements for Individual Members
If you are an individual applicant we will need to verify your full name and date of birth by receiving a certified copy of one of the following documents:

- Current drivers licence (photographic)
- Valid Australian passport
- National Identity Card

Please ensure you send a certified copy only and not the original

The persons who are able to certify your document include the following:

- Judge
- Lawyer
- Notary Public
- Magistrate
- Justice of the Peace
- Police Officer
- Finance company officer*
- Full time bank employee*
- A member of the Institute of Chartered Accountants in Australia, CPA Australia or the National Institute of Accountants with 2 or more years of continuous membership*
- Full-time post office employee*
- Authorised representative of a holder of an Australian Financial Services Licence*

*Required to have at least two years of continuous service or membership

Identification Requirements for Non Individual applicants

Different identification and verification requirements apply to applicants who are not individuals e.g. companies, other bodies corporate, sole traders, trusts (including superannuation trusts), partnerships and associations.

If the applicant is an Australian registered company CKM must be provided with sufficient information to be reasonably satisfied that the company exists. Accordingly, the following minimum information must be provided to CKM:

- the full name of the company as registered by ASIC
- the full address of the company's registered office
- the full address of the company's principal place of business, if any
- the ACN issued to the company
- confirmation of whether the company is registered by ASIC as a proprietary or public company
- the name of each director if the company is registered as a proprietary company

If the applicant is acting as the trustee of a trust that is a registered managed investment scheme, a trust that is registered and is subject to the regulatory oversight of a Commonwealth statutory regulator (such as ASIC, APRA or ATO) or is a government superannuation fund established by legislation then you must provide to CKM:

- the relevant trust name
- the registered scheme number, the name of the regulator and the trust's ABN or registration/licensing details or the name of the legislation, as applicable.

These trusts are referred to in the application form as a "regulated trust" and include an ATO regulated self-managed superannuation fund.

If the applicant is acting as a trustee of any other type of trust (such as a family, discretionary or unit trust) the following additional information must be provided to CKM:

- type of trust
- place where the trust was established
- details of the beneficiaries
- copy of the trust deed.

If the applicant is a foreign company not registered in Australia as a foreign company CKM must be provided with the details of each beneficial owner.

Applicants should note that the current legislation or changes in the legislation may in the future impose additional due diligence procedures or require additional information be provided by applicants.

It is not compulsory for applicants to provide the information requested by CKM. However, if not all the requested information is provided we may not be able to process an applicant's application, administer their investment or comply with any of their instructions.

If you are in any doubt as to what information must be provided with the application form, please contact CKM on (02) 8536 3522.

Further information and Correspondence

If after reading this PDS you require further information about the Trust you should contact your independent adviser or CKM. The contact details of CKM are set out in the *Corporate Directory* on page - iii - of this PDS and below.

You may also ask CKM to send you a copy of any document or policy of CKM that is referred to in this PDS. A charge may be payable.

All correspondence should be addressed to:

CKM (Mortgages) Limited
PO Box 28
Cronulla NSW 2230

Application Form

THE CKM MORTGAGE TRUST

ARSN 090 880 890

Application Form (PDS Issue Date: 22 December 2011)

SECTION A – DO YOU HAVE AN EXISTING INVESTMENT IN *THE CKM MORTGAGE TRUST*

No: This is a new investment with a new member account (go to Section B)

Yes: Complete the details below and then go to Section D

Member Number

Account Name

SECTION B - INVESTOR DETAILS

What type of entity is applying? Please tick one box ONLY.

Individual, joint or sole trader – complete B1

Partnership – complete B1 and B2

Company – complete B1 (Directors) and B2

Trust / Superannuation Fund with Individuals as Trustee – complete B1 (Trustees) and B3

Trust / Superannuation Fund with Corporate Trustee – complete B1 (Directors), B2 (Company) and B3

Other: _____

B1 INDIVIDUAL DETAILS

To be completed by individuals investing in their own name, jointly, in partnership and individuals acting as trustees and company directors.

INDIVIDUAL 1 (Your name MUST match your ID exactly)

Given Names (in full):

Mr /Mrs /Miss /Ms

First Name

Second Name

Surname

Tax File No or Exemption

Date of Birth (for security identification)

Residential Address (a PO Box number or the address of your adviser is NOT acceptable)

Suburb or Town

State

Postcode

Phone Number

Mobile

Email Address

INDIVIDUAL 2 (Your name MUST match your ID exactly)

Given Names (in full):

Mr /Mrs /Miss /Ms

First Name

Second Name

Surname

Tax File No or Exemption

Date of Birth (for security identification)

Residential Address (a PO Box number or the address of your adviser is NOT acceptable)

Suburb or Town

State

Postcode

Phone Number

Mobile

Email Address

INDIVIDUAL 3 (Your name MUST match your ID exactly)

Given Names (in full):

Mr /Mrs /Miss /Ms

First Name

Second Name

Surname

Tax File No or Exemption

Date of Birth (for security identification)

Residential Address (a PO Box number or the address of your adviser is NOT acceptable)

Suburb or Town

State

Postcode

Phone Number

Mobile

Email Address

INDIVIDUAL 4 (Your name MUST match your ID exactly)

Given Names (in full):

Mr /Mrs /Miss /Ms

First Name

Second Name

Surname

Tax File No or Exemption

--	--	--	--	--	--	--	--

Date of Birth (for security identification)

--	--	--	--	--	--	--	--	--	--

Residential Address (a PO Box number or the address of your adviser is NOT acceptable)

--

Suburb or Town

--

State

--	--	--

Postcode

--	--	--	--	--

Phone Number

--	--	--	--	--	--	--	--

Mobile

--	--	--	--	--	--	--	--	--	--

Email Address

--

B2 CORPORATION, CORPORATE TRUSTEE or PARTNERSHIP DETAILS

Name of Company or Partnership

--

Tax File No or Exemption

--	--	--	--	--	--	--	--

ABN

--	--	--	--	--	--	--	--	--	--

Contact Name

--

Country of Registration or establishment

--

Type of company: public private

Registered Office Address (companies only)

--

Suburb or Town

--

State

--	--	--

Postcode

--	--	--	--	--

Principal Place of business (companies and partnerships)

--

Suburb or Town

--

State

--	--	--

Postcode

--	--	--	--	--

Telephone No (work)

--	--	--	--	--	--	--	--

Telephone No (home)

--	--	--	--	--	--	--	--	--	--

Email Address

--

Details of beneficial ownership (ie. own 25% or more of issued capital through share holdings)

FULL NAME	RESIDENTIAL ADDRESS

SECTION C – ACCOUNT CONTACT DETAILS

You may use a different address from the one provided in Section B as your contact address. This may, for example, be a PO Box number. Joint investors with different residential addresses must elect one postal mailing address in this section.

Account Designation (optional)

Main Contact

Postal Address

Suburb or Town

State

Postcode

Telephone No (work)

Telephone No (home)

Email Address

SECTION D - INVESTMENT DETAILS

I/We apply to invest \$ in *The CKM Mortgage Trust*

I/We attach a cheque for this amount.

Make your cheque payable to "CKM (Mortgages) Limited"

The minimum initial investment amount is \$1,000 (and thereafter in multiples of \$500)

SECTION E – DISTRIBUTION ELECTION

I/We elect to receive any distribution:

reinvested in additional units

paid in cash to my/our account below

(if no box is ticked your entitlement will automatically be reinvested in units)

SECTION F - BANK ACCOUNT DETAILS

All investors must complete this section. All payments from CKM will be made directly into your nominated bank account. This must be an Australian banking institution. The account must be in the investor's name.

Bank/Financial Institution/Credit Union

Branch Name

BSB No

Account No

Account Name

SECTION G - OPERATING AUTHORITY

When giving instructions to us about your investment please indicate who has authority to operate your account:

INDIVIDUAL/JOINT ACCOUNTS (if no box is ticked we will assume all to sign)

any one to sign any two to sign all to sign

COMPANY, TRUST, SUPERANNUATION FUND ACCOUNTS (if no box is ticked all future written instructions must be signed by 2 directors/trustees, director and secretary, or a sole director)

any one to sign any two to sign all to sign Other

SECTION H - PROVIDING IDENTIFICATION

I/we confirm I/we have attached certified copies of the required proof of identification with this application form for each investor/applicant.

SECTION I - DECLARATIONS AND SIGNATURES

YOU SHOULD READ THE PRODUCT DISCLOSURE STATEMENT IN FULL BEFORE SIGNING THIS APPLICATION FORM

I/we acknowledge and declare that I/we have read and understood the PDS and where applicable give the declarations, acknowledgements and consents that are set out in section 11 of the PDS dated 22 December 2011 issued by CKM (Mortgages) Limited.

Signature of Applicant 1 _____ Date: _____

Name of Applicant 1 _____

Tick capacity - mandatory for companies Sole Director Director Secretary

Signature of Applicant 2 _____ Date: _____

Name of Applicant 2 _____

Tick capacity - mandatory for companies Sole Director Director Secretary

Signature of Applicant 3 _____ Date: _____

Name of Applicant 3 _____

Tick capacity - mandatory for companies Sole Director Director Secretary

Signature of Applicant 4 _____ Date: _____

Name of Applicant 4 _____

Tick capacity - mandatory for companies Sole Director Director Secretary

Are you signing as an agent under an existing appointment? Yes No

This Application Form accompanies the PDS dated 22 December 2011 issued by CKM (Mortgages) Limited, holder of AFSL 238091, in respect of The CKM Mortgage Trust ARSN 090 880 890.