


Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (a)

Submission No. 231

(Supplementary to Submission Nos. 152, 185, 202,
206)

Submittor: Garrisons Corporate Services
Mr John Sikkema
Managing Director
GPO Box 407
HOBART TAS 7001
 - (03) 6224 9210
 - (03) 6224 0852



GARRISONS
CORPORATE SERVICES

12 July 2001

Ms Sue Morton
Select Committee on Superannuation & Financial Services
Parliament House
Canberra ACT



Dear Ms Morton

RE: Solicitors Mortgage Schemes in Tasmania

We refer to your letter of 3 July 2001 in which the Select Committee requested additional information from Garrisons. We have provided our response in the same order as the request from the Committee.

1. *Breakdown of the amounts of principal for each year for each solicitors mortgage fund.*

	1989/90	1990/91	1991/92	1992/93	1993/94
Piggott Wood & Baker	-	-	-	-	80,000
Lewis Driscoll & Bull	-	-	-	-	-
Ware & Partners	-	-	-	-	-
Henry Wherrett & Benjamin	-	-	-	-	-
McCulloch & McCulloch	-	-	-	-	-
Ogilvie McKenna	30,000	10,000	34,000	20,000	-
Butler McIntyre & Butler	20,000	30,000	-	-	143,500
Hall & Thompson	-	-	-	-	-
Page Seager	-	-	-	-	-
Clerk Walker & Stops	-	-	10,000	-	-
Dobson Mitchell & Allport	-	-	-	-	-
Gunson Pickard & Hann	-	-	-	-	-
Ogilvie Breheny & Ayliffe	-	-	-	-	-

	1994/95	1995/96	1996/97	1997/98	1998
Piggott Wood & Baker	1,883,392	1,713,676	2,202,942	833,833	55,000
Lewis Driscoll & Bull	266,151	1,109,790	1,266,824	419,763	-
Ware & Partners	759,070	969,901	1,100,020	145,180	-
Henry Wherrett & Benjamin	51,195	183,001	-	-	-
McCulloch & McCulloch	-	140,791	363,021	125,116	-
Ogilvie McKenna	1,239,949	855,459	745,465	40,197	-
Butler McIntyre & Butler	684,419	175,194	116,250	-	90,000
Hall & Thompson	189,623	-	-	-	-
Page Seager	115,326	-	-	-	-
Clerk Walker & Stops	9,083	-	-	-	-
Dobson Mitchell & Allport	18,769	-	-	-	-
Gunson Pickard & Hann	268,592	242,610	321,207	80,000	-
Ogilvie Breheny & Ayliffe	53,180	-	-	-	-

LEVEL 5, 152 MACQUARIE STREET, HOBART 7000 GPC BOX 407 HOBART TAS 7001

TELEPHONE (03) 6224 9210 FAX (03) 6224 0852 DX 256 HOBART

GARRISONS PTY LTD A.B.N. 50 009 556 370 LICENSED DEALER IN SECURITIES AND REGISTERED LIFE INSURANCE BROKER. PRINCIPAL MEMBER OF THE FPA
www.garrisons.com.au



2. *Undertakings about returns given by each of the solicitors mortgage funds, including whether the undertakings were outlined to the clients by Garrisons or the solicitors' mortgage funds.*

The client was typically advised by the planner that a gross return figure was derived by the legal firm, and then a collection fee was levied by the legal firm, and the net amount was provided to the client. As an example, it may have been explained that if the legal firm charged the borrower 10%, then the client would derive a net return of 9.5% - in other words, the legal firm retained 0.5% as a collection fee. This information was also provided to clients by way of various product information documents (refer attached) produced by the legal firms regarding their solicitors mortgage funds. Some firms also provided schedules of their past history of gross and net returns to clients (e.g past 6 years for Ogilvie McKenna, past 10 years for Piggott Wood & Baker).

3. *Mechanisms by which the interest charged by the various solicitors' mortgage funds were notified to the client (e.g whether the charges were notified to the client by Garrisons or by the solicitors' mortgage fund).*

As noted above, this information was provided to clients by way of various product information documents produced by the legal firms regarding their solicitors mortgage funds. Some firms also provided schedules of their past history of gross and net returns to clients (refer attached examples from the relevant law firms). The client was typically informed by the planner at the time of investing of the current gross and net interest rates being paid.

4. *Details of any other charges made by the various solicitors' mortgage funds on clients e.g conveyancing costs.*

It was the understanding of Garrisons that the only charges to be levied against the client by the legal firms was the fee charged for administration of the solicitors' mortgage fund, together with minimal bank fees associated with normal transactions. If any other charges were levied, these were not advised to Garrisons and were therefore not known.

5. *Copies of any literature or studies undertaken by Garrisons and/or given to clients on the products being marketed by the various solicitors' mortgage funds e.g prospectuses.*

A number of mortgage investment papers from the various legal firms have been attached to this letter. Note that no prospectuses were required to be prepared and issued by the legal firms as a result of the ASIC Class Order.

6. *Details of amounts paid by Garrisons to each of the solicitors mortgage funds.*

	\$
Piggott Wood & Baker	6,568,843
Lewis Driscoll & Bull	3,062,528
Ware & Partners	2,974,171
Henry Wherrett & Benjamin	234,196
McCulloch & McCulloch	628,928
Ogilvie McKenna	2,975,070
Butler McIntyre & Butler	1,259,363
Hall & Thompson	189,623
Page Seager	115,326
Clerk Walker & Stops	19,083
Dobson Mitchell & Allport	18,769
Gunson Pickard & Hann	912,409
Ogilvie Breheny & Ayliffe	53,180

7. *Date of the last payment made on behalf of clients by Garrisons to each of the solicitors mortgage funds.*

	Date
Piggott Wood & Baker	September 1998
Lewis Driscoll & Bull	March/April 1998
Ware & Partners	April 1998
Henry Wherrett & Benjamin	March 1996
McCulloch & McCulloch	March/April 1998
Ogilvie McKenna	August 1997
Butler McIntyre & Butler	September 1998
Hall & Thompson	December 1994
Page Seager	January 1995
Clerk Walker & Stops	March 1995
Dobson Mitchell & Allport	July 1994
Gunson Pickard & Hann	July 1997
Ogilvie Breheny & Ayliffe	September 1995

Please let me know if any other information is required, or if Garrisons can assist further.

Yours sincerely



John Sikkema
Managing Director



Clerk Walker & Stops

Barristers & Solicitors

"Kilburn", 51 Davey Street, Hobart Ph 24 1888

Client Information Bulletin

MORTGAGE INVESTMENTS

CWS MORTGAGE MANAGEMENT PTY LTD

Client funds with Clerk Walker & Stops are invested through our mortgage company, CWS Mortgage Management Pty Ltd, a company incorporated by the partners of Clerk Walker & Stops solely for the purpose of managing client mortgage investments.

SECURITY OF INVESTMENT

Funds lent through the firm to CWS Mortgage Management Pty Ltd are invested in authorised trustee securities under the provisions of the Trustee Act. All client investments through the company are personally guaranteed by the partners of Clerk Walker & Stops.

The majority of investment funds are secured by means of registered mortgages over real estate. Funds which have not been allocated to mortgage investments are held in a trust account in the company's name with a bank or building society.

The accounts of CWS Mortgage Management Pty Ltd are inspected by the Law Society of Tasmania as part of the firm's trust account.

MORTGAGE INSURANCE

Where mortgage loans represent more than two thirds of the security valuation, the loans are insured (at the expense of the borrower) through the Housing Loans Insurance Corporation or another mortgage insurer. The funds advanced are secure as the mortgage insurer fully reimburses CWS Mortgage Management Pty Ltd in the event of default.

Some loans, where the amount advanced is less than two thirds of the security valuation, may not be required to be insured. It is, however, the policy of this firm to insure all loans wherever practicable.

PAYMENT OF INTEREST

Interest is paid on a quarterly basis on the 15th day of the relevant month and can either be paid directly to the investor or reinvested with us.

The rate of interest payable is variable and is currently 9% per annum. The invested funds are currently lent out to borrowers at the nominal rate of 12.5% per annum but reducing to an effective rate of 10.5% per annum provided payments are made on time. The differential is retained by CWS Mortgage Management Pty Ltd to cover administrative costs.

TERM OF INVESTMENT

Whilst there is no fixed term of investment, we prefer that the funds be invested for a minimum period of twelve months. The terms of the investment are that we will repay your deposit and all interest as soon as possible after you request repayment but in any event within three (3) months. However, our current policy is that amounts of up to \$5,000 can be withdrawn upon giving 24 hours notice. Withdrawals of greater amounts are usually able to be made with one week's notice.

© Clerk Walker & Stops September 1995

The information contained in this bulletin is intended to be only general background information and we recommend that any specific question that you may have in relation to any matter be discussed with one of the partners or our staff.

OGILVIE MCKENNA

BARRISTERS AND SOLICITORS

EDINBURGH HOUSE
209 - 211 MACQUARIE STREET
HOBART, TASMANIA 7000

Telephone: (002) 34 5244
Fax: (002) 31 1874
Aus. Doc: DX 109 Hobart

SMITH, A.M., LL.B.
HARRISON, LL.B.
MOLLROSS, LL.B. (HONS)
ARMSTRONG, LL.B., Grad. Dip. U.P.
COOPER, LL.B.

CLATE,
AMIN CRAWFORD, LL.B.
SOLICITANT:
ED BURTON, B.A., LL.B., J.P.

Postal Address: GPO BOX 435E, HOBART, TAS., 7001

Branch Office: 26 Church Street, Kingston 7050
Telephone: (002) 29 7146

OUR REF: LAM:KMS
YOUR REF:

31st March, 1995

Garrison's Pty. Ltd.
178 Macquarie Street,
HOBART TAS 7000

Dear Sir,

OGILVIE MCKENNA - NOTICE TO INVESTORS MORTGAGE INVESTMENT

We refer to your request for details of investment mortgage facility and advise as follows.

1. Fund will be invested either by way of contributory first mortgage or second mortgage secured as follows:
 - (a) By a first mortgage on real estate with a maximum loan not exceeding 50% of a government valuation in force at the date of the mortgage; or
 - (b) By a first mortgage on real estate with a maximum loan not exceeding 66% of a security valuation if the mortgage is not insured; or
 - (c) By a first mortgage on real estate with a maximum loan not exceeding 90% of a security valuation if the mortgage is 100% insured.

A first mortgage is a mortgage that has priority over any other encumbrance or over any charge, other than a statutory charge. In respect of the land to which it relates and under which the amount advanced does not at the time of any advance under the mortgage exceed;

If the amount secured under a first mortgage does not exceed the limits specified in subrule (1), a mortgage includes a further mortgage or further charge between the same parties in relation to the same estate if no other creditor of the mortgagor has priority over the claims under the further mortgage or charge by reason of any other encumbrance or any charge that is not a statutory charge.

A second mortgage is a mortgage:

- (a) That, if deferred, is deferred only to a first mortgage; and
- (b) under which the amount secured, together with all money secured under any first mortgage, does not exceed-
 - (i) 80% of the security valuation if the mortgage is not insured; or
 - (ii) 95% of the security valuation if the mortgage is insured in respect of so much of the amount advanced as exceeds 80% of the security valuation; or
 - (iii) 70% of the government valuation in force at the date of the mortgage if there is no security valuation.

If the amount secured under a second mortgage does not exceed the limits specified in (b)(i), (ii) and (iii) a second mortgage includes -

- (a) a mortgage that has priority over any other encumbrance and over any charge, other than a statutory charge, under which the amount secured exceeds the proper valuation limits for a first mortgage; and
- (b) a further mortgage or further charge between the same parties in relation to the same estate if no other creditor of the mortgagor who is deferred in priority to that second mortgage has priority over the claims under the further mortgage or charge by reason of any other encumbrance or any charge that is not a statutory charge.

2. Monies may be invested on a temporary basis with the Trust Bank Tasmania redeemable at call.
3. The interest rate paid is at least that paid to investors by Perpetual Trustees Tasmania Limited on first mortgages with interest payable quarterly in arrears.
4. The expenses paid by the investor is a 5% collection commission on interest received from the Trust Bank and Government FID Taxes and a quarterly accounting fee of \$25.00 occasioned by the reporting requirements of the Australian Taxation Office. This is currently subject to review.

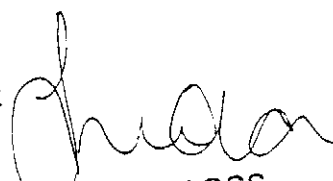
5. The investor is entitled to redeem the funds on three months notice, which term may be reduced by mutual arrangement.

We advise interest rates as follows:

August 1989	19% - 18%
October 1990	17½% - 16½%
November 1990	16¾% - 15¾%
December 1990	16% - 15%
April 1991	15½% - 14½%
May 1991	15% - 14%
June 1991	14½% - 13½%
September 1991	14% - 13%
January 1992	12% - 13%
March 1992	11% - 13%
July 1992	12½% - 10½%
September 1992	12% - 10%
April 1993	11½% - 9½%
August 1993	11% - 9%
October 1994	11½% - 9½%
November 1994	12% - 10%
December 1994	12½% - 10½%
January 1995	13½% - 11½%

Yours faithfully,
OGILVIE McKENNA

Per:


LOUISE MOLLROSS

OGILVIE MCKENNA

BARRISTERS AND SOLICITORS

EDINBURGH HOUSE
209 - 211 MACQUARIE STREET
HOBART, TASMANIA 7000

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JOHN HARRISON, LL.B.
LOUISE MOLLROSS, LL.B. (HONS)
DON ARMSTRONG, LL.B., Grad. Dip. U.P.
SIMON COOPER, LL.B.

ASSOCIATES:
JASON WALTERS, B.A., LL.B. (HONS)
JEFFREY BRONSTEIN, LL.B.

CONSULTANT:
ROGER SMITH, A.M., LL.B.

OUR REF: SR/TF
YOUR REF:

22nd August 1997

[REDACTED]
[REDACTED] Garrisons
DX 203
HOBART

OGILVIE MCKENNA - NOTICE TO INVESTORS MORTGAGE INVESTMENT

Pursuant to the rules relating to Mortgage Investment under the Legal Professional Act, 1994 we hereby give notice of the following:

1. Amount invested - \$20,000.00
2. Your money will be invested either by way of contributory first mortgage or second mortgage secured as follows:
 - (a) By a first mortgage on real estate with a maximum loan not exceeding 50% of a government valuation in force at the date of the mortgage; or
 - (b) By a first mortgage on real estate with a maximum loan not exceeding 66% of a security valuation if the mortgage is not insured; or
 - (c) By a first mortgage on real estate with a maximum loan not exceeding 90% of a security valuation if the mortgage is 100% insured.

A first mortgage is a mortgage that has priority over any other encumbrance or over any charge, other than a statutory charge.

If the amount secured under a first mortgage does not exceed the limits specified in (a), (b) or (c), a first mortgage includes a further mortgage.

A second mortgage is a mortgage:

- (a) That, if deferred, is deferred only to a first mortgage; and
- (b) under which the amount secured, together with all money secured under any first mortgage, does not exceed-
 - (i) 80% of the security valuation if the mortgage is not insured; or
 - (ii) 95% of the security valuation if the mortgage is insured in respect of so much of the amount advanced as exceeds 80% of the security valuation; or
 - (iii) 70% of the government valuation in force at the date of the mortgage if there is no security valuation.

If the amount secured under a second mortgage does not exceed the limits specified in (b)(i), (ii) and (iii) a second mortgage includes -

- (a) a mortgage that has priority over any other encumbrance and over any charge, other than a statutory charge, under which the amount secured exceeds the proper valuation limits for a first mortgage; and
 - (b) a further mortgage or further charge between the same parties in relation to the same estate if no other creditor of the mortgagor who is deferred in priority to that second mortgage has priority over the claims under the further mortgage or charge by reason of any other encumbrance or any charge that is not a statutory charge.
3. The interest rate paid is at least that paid to investors by Perpetual Trustees Tasmania Limited on first mortgages with interest payable quarterly in arrears.
 4. The expenses paid by the investor is a collection commission of .5% p.a. of the investment and Government financial institutions duty. For example from the 1st March 1997 we will lend the funds at 8.5% and investors will be paid 8.0%.
 5. The investor is entitled to redeem the funds on three months notice, which term may be reduced by mutual arrangement.

Yours faithfully,
OGILVIE McKENNA



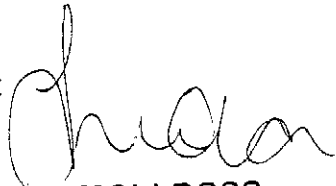
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July 1992	12½% - 10½%
September 1992	12% - 10%
April 1993	11½% - 9½%
August 1993	11% - 9%
October 1994	11½% - 9½%
November 1994	12% - 10%
December 1994	12½% - 10½%
January 1995	13½% - 11½%

Yours faithfully,
OGILVIE McKENNA

Per:



LOUISE MOLLROSS



PIGGOTT WOOD & BAKER
Barristers & Solicitors

15th February 1995

MORTGAGE REGISTER

Piggott, Wood & Baker runs one of the largest Solicitors' Mortgage Registers in Tasmania. Piggott, Wood & Baker lends, as trustee, monies secured by way of first mortgage over real estate in Tasmania in accordance with the provisions of the Trustee Act. The Trustee Act does not allow lending outside the state.

INTEREST RATE

Our interest rate is determined by market forces and is subject to variation during the term of the loan. Interest is payable on or about the 18th of February, May, August and November each year. Investors are notified in writing of changes in interest rates.

Our current net interest rate is 11.04% per annum with F.I.D. payable by the investor.

MORTGAGE SECURITY

A registered first mortgage over real estate in Tasmania.

SECURITY VALUATIONS

First Mortgage advances are limited to:

- 66% of the security valuation if the mortgage is not insured.
- 80% of the security valuation if the mortgage is insured.
- 50% of Government valuation if there is no independent security valuation.

PARTNERS John Turner, Peter Hill, Michael Foster, Grant Kench, Audrey Mills, Leigh Sealy, Peter Wood
ASSOCIATES Craig Rambird, Jayson Wood, Christine Schokman, Olivia Garrott
CONSULTANT Bruce Piggott C.B.E.

1395
117 HOBART 7001 DX 117 HOBART ☎ (002) 351111 FAX (002) 231118



PIGGOTT WOOD & BAKER
Barristers & Solicitors

Our Ref: MB:CJH

3rd March 1995

Mr. Mark Hudson
Garrisons
178 Macquarie Street
HOBART TAS 7000

Dear Mark

RE: PWB MORTGAGE RATES: GROSS AND NET TO INVESTOR

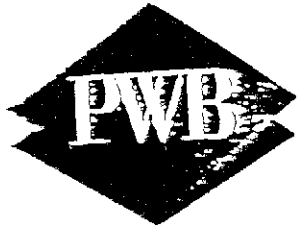
Date	Gross %	Net Rate to Investor %
		13.92
	14.50	15.36
1.1.84	16.00	16.32
1.1.86	17.00	15.84
1.5.86	16.50	14.88
1.12.86	15.50	13.92
15.10.87	14.50	14.88
15.1.88	15.50	15.84
15.2.89	16.50	16.80
1.4.89	17.50	17.28
15.6.89	18.00	16.80
15.8.89	17.50	16.32
15.5.90	17.00	15.36
15.8.90	16.00	14.88
15.11.90	15.50	13.92
15.2.91	14.50	12.96
1.4.91	13.50	12.00
15.6.91	12.50	11.04
1.1.92	11.50	9.84
15.6.92	10.25	9.36
1.10.92	9.75	10.32
1.9.93	10.75	11.04
15.11.94	11.50	
15.2.95		

Yours faithfully
PIGGOTT WOOD & BAKER

Per:


MICHAEL BURKE

PARTNERS *John Turner, Peter Hill, Michael Foster, Grant Kench, Audrey Mills, Leigh Sealy, Peter Wood*
ASSOCIATES *Craig Rainbird, Christine Schokman, Olivia Garrott, Glenn Turnor, David Smith*
CONSULTANT *Bruce Piggott C.B.E*



PIGGOTT WOOD & BAKER
Barristers & Solicitors

Our Ref: MB:CJH

3rd March 1995

~~REDACTED~~
Garrisons
178 Macquarie Street
HOBART TAS 7000

Dear Mark

RE: PWB MORTGAGE RATES: GROSS AND NET TO INVESTOR

Date	Gross %	Net Rate to Investor %
		13.92
1.1.84	14.50	15.36
1.1.86	16.00	16.32
1.5.86	17.00	16.84
1.12.86	16.50	14.88
15.10.87	15.50	13.92
15.1.88	14.50	14.88
15.2.89	15.50	15.84
1.4.89	16.50	16.80
15.3.89	17.50	17.28
15.8.89	18.00	16.80
15.5.90	17.50	16.32
15.8.90	17.00	15.36
15.11.90	16.00	14.88
15.2.91	15.50	13.92
1.4.91	14.50	12.96
15.6.91	13.50	12.00
1.1.92	12.50	11.04
15.6.92	11.50	9.84
1.10.92	10.25	9.36
1.9.93	9.76	10.32
15.11.94	10.75	11.04
15.2.95	11.50	10.56%
01.07.95	11%	

Yours faithfully

PIGGOTT WOOD & BAKER

Per 
MICHAEL BURKE

PARTNERS John Turner Peter Hill, Michael Foster, Grant Kench, Audrey Mills, Leigh Sealy, Peter Wood
ASSOCIATES Craig Rainbird, Christine Sobokman, Olivia Garrott, Glenn Turner, David Smith
Directors C.B.E



PIGGOTT WOOD & BAKER
Barristers & Solicitors

LOAN ADVANCES

Loan advances are interest only and repayable on demand. Capital repayments are accepted subject to notice.

HOW DOES THE MORTGAGE REGISTER WORK?

An investor is required to complete the attached mortgage investment form which, together with this document, set out the investment conditions for your funds. These conditions also apply to any additional funds invested on your behalf.

Upon receipt, funds are lodged in a Trust account at Westpac or Perpetual Trustees, earning the current at call rate.

Funds are then allocated to a contributory mortgage investment when a suitable mortgage investment is available and generally the waiting period is two to four weeks. All mortgages are held on your behalf in the name of two members of our firm and you are not entitled to a transfer of the security.

WITHDRAWALS

One month's notice is required for both partial and total withdrawal of funds.

For more information please call us on (002) 35 1111

For And On Behalf Of Piggott, Wood & Baker

a:\acc\mortgage.rvg

*PARTNERS John Turner, Peter Hill, Michael Foster, Grant Kench, Audrey Mills, Leigh Sealy, Peter Wood
ASSOCIATES Craig Rainbird, Christine Schokman, Olina Garrott, David Smith
CONSULTANT Bruce Piggott C.B.E*

14A MURRAY STREET, HOBART, TASMANIA G.P.O. BOX 4060, HOBART 7001 DX 117 HOBART ☎ (002) 351111 FAX (002) 231118



PIGGOTT WOOD & BAKER
Barristers & Solicitors

May 3, 1996

PWB MORTGAGE REGISTER INFORMATION SHEET

Piggott, Wood & Baker runs one of the largest Solicitors' Mortgage Registers in Tasmania. Piggott, Wood & Baker lends monies on your behalf secured by way of first mortgage over real estate in Tasmania in accordance with the provisions of the Rules of Practice of the Law Society of Tasmania.

INTEREST RATE

Our interest rate is determined by market forces and is subject to variation during the term of the loan. Interest is payable on or about the 20th of February, May, August and November each year. Investors are notified in writing of changes in interest rates.

Our current net interest rate is 10.08% per annum with F.I.D. payable by the investor.

MORTGAGE SECURITY

A registered first mortgage over real estate in Tasmania.

SECURITY VALUATIONS

First Mortgage advances are limited to:

- 66% of the security valuation if the mortgage is not insured.*
- 80% of the security valuation if the mortgage is insured.*
- 50% of Government valuation if there is no independent security valuation.*

PARTNERS *John Turner, Peter Hill, Michael Foster, Grant Kench, Audrey Mills, Leigh Sealy, Peter Wood*
ASSOCIATES *Craig Rainbird, Christine Schokman, Olivia Garrott, Glenn Turner, David Smith*
CONSULTANT *Bruce Piggott C.B.E*



PIGGOTT WOOD & BAKER
Barristers & Solicitors



PWB MORTGAGE REGISTER

INTEREST RATES

We wish to advise that from 1st July 1996, net interest payable to investors on First Mortgage investments will be:

9.40% per annum

Enquiries to: *Mr. J.T. Turner (002) 35 1123*
 Mr. M.L. Burke (002) 35 1126

PARTNERS *John Turner, Peter Hill, Michael Foster, Grant Kenned, Audrey Mills, Leigh Sealy, Peter Wood*
ASSOCIATES *Craig Rainbird, Christine Schokman, Olivia Garratt, Glenn Turner, David Smith*
CONSULTANT *Bruce Piggott CBE*

24A MURRAY STREET, HOBART, TASMANIA G.P.O. BOX 4060, HOBART 7001 DX 117 HOBART ☎ (002) 351111 FAX (002) 231118





PIGGOTT WOOD & BAKER
Barristers & Solicitors

LOAN ADVANCES

Loan advances are interest only and repayable on demand. Capital repayments are accepted subject to notice.

HOW DOES THE MORTGAGE REGISTER WORK?

An investor is required to complete the attached mortgage investment form which, together with this document, set out the investment conditions for your funds. These conditions also apply to any additional funds invested on your behalf.

Upon receipt, funds are lodged in a Trust account at Westpac or Perpetual Trustees, earning the current at call rate.

Funds are then allocated to a contributory mortgage investment when a suitable mortgage investment is available and generally the waiting period is two to four weeks. All mortgages are held on your behalf in the name of two members of our firm and you are not entitled to a transfer of the security.

WITHDRAWALS

One month's notice is required for both partial and total withdrawal of funds.

For more information please call us on (002) 35 1111

.....
For And On Behalf Of Piggott, Wood & Baker

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PARTNERS *John Turner, Peter Hill, Michael Foster, Grant Kench, Audrey Mills, Leigh Sealy, Peter Wood*
ASSOCIATES *Craig Rainbird, Christine Schabman, Olivia Garratt, David Smith*
CONSULTANT *Bruce Piggott C.B.E.*

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PIGGOTT WOOD & BAKER
Barristers & Solicitors

June 4, 1996

PWB MORTGAGE REGISTER INFORMATION SHEET

Piggott, Wood & Baker runs one of the largest Solicitors' Mortgage Registers in Tasmania. Piggott, Wood & Baker lends monies on your behalf secured by way of first mortgage over real estate in Tasmania in accordance with the provisions of the Rules of Practice of the Law Society of Tasmania.

INTEREST RATE

Our interest rate is determined by market forces and is subject to variation during the term of the loan. Interest is payable on or about the 20th of February, May, August and November each year. Investors are notified in writing of changes in interest rates.

Our current net interest rate is 9.40% per annum with F.I.D. payable by the investor. The borrower pays us interest at the rate of 9.95% per annum leaving our firm collection costs of 0.55% per annum.

MORTGAGE SECURITY

A registered first mortgage over real estate in Tasmania.

SECURITY VALUATIONS

First Mortgage advances are limited to:

- 66% of the security valuation if the mortgage is not insured*
- 80% of the security valuation if the mortgage is insured.*
- 50% of Government valuation if there is no independent security valuation.*

*PARTNERS John Turner, Peter Hill, Michael Foster, Grant Kench, Audrey Mills, Leigh Sealy, Peter Wood
ASSOCIATES Craig Rainbird, Christine Schokman, Olivia Garratt, David Smith
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HOW THE PWB CONTRIBUTORY MORTGAGE REGISTER OPERATES

The PWB mortgage register operates in much the same way as all other mortgage investment schemes operated by solicitors in Tasmania. In practice, the operators of all such schemes are required to be registered with the Law Society of Tasmania and must operate their mortgage investment "funds" in accordance with regulations called the "*Rules of Practice 1994*" which are made under the *Legal Profession Act 1993*.

In simple terms, the *Rules of Practice* require that money received for investment by a registered fund operator may only be lent provided that;

- the loan is secured by a mortgage over real estate in Tasmania, and
- the amount of the loan does not exceed 66% of the "security value" of the mortgaged real estate or 50% of the current government valuation. (The "security value" is determined by a valuation in writing obtained not more than 3 months before the date of the mortgage.)

Investment funds are not guaranteed by the Law Society of Tasmania.

The *Legal Profession Act 1993* does however provide for a body known as the Solicitors' Trust to administer the Solicitors' Guarantee Fund. The Solicitors' Guarantee Fund exists to, among other things, meet claims by people who have lost money as a result of a defalcation, misappropriation or misapplication of their funds by a solicitor, but not merely losses arising from (for example) a fall in the value of real estate.

When funds are received for investment they are, so far as possible, matched up with requests for funds from potential borrowers. Frequently the funds of a number of different investors are combined to make up one loan amount, the whole of which is secured by a single mortgage as described above. The mortgage is given to (in PWB's case) two of the partners as trustees for the investors whose funds make up the loan. This arrangement is commonly called a "contributory mortgage" loan.

As can be seen, the identity of every person who has money invested in any particular loan and the amount of that investment, is always known. Of course, some investors may, and often do, have funds invested in more than one loan.

Each borrower is required to pay interest (usually quarterly) and that interest (minus a collection charge) is paid to investors in proportion to their investment in the loan.

This arrangement may differ from a deposit with a bank or other financial institution in at least two important ways.

First, interest is only payable to investors as and when it is received from borrowers. Unlike a bank, a fund operator has no contractual obligation to pay interest to investors if the interest has not been paid by the borrower.

Secondly, the failure of one borrower to pay interest on his or her loan has absolutely no effect upon any investor who does not have money in that loan. In that sense it may be confusing to talk of a mortgage investment fund. There is no "fund" as such, merely a number of separate and distinct loans, each with its own investors whose funds are secured by one or more mortgages specific to that loan and each dependent upon a particular borrower paying interest as and when it falls due.

Up until recently, in cases where a borrower was late in paying, or failed to pay interest, it had been the almost invariable practice of PWB to advance the unpaid interest to the investors and to then seek to recover the equivalent amount from the borrower.

As you would be aware, we decided in November last year that this would no longer be done.

This decision will directly affect only those investors with funds in loans where the borrower has either failed to pay interest or has paid late.

The decision will have no effect at all on investors in the great majority of loans in which the borrowers continue to pay their interest on time.

All loans remain secured by one or more mortgages.

Our policy is to remove from the mortgage register any borrower who is unlikely to meet his or her interest obligations. In many instances this can be done by requiring the borrower to refinance.

In some cases we require a "mortgagee's sale" but, particularly in a depressed property market, this must sometimes be carefully managed to ensure that a reasonable sale price is achieved.

NOTICE TO INVESTORS

The *Managed Investment Act* was passed by Federal Parliament this year. The Act amends the Corporations Law and provides for a new regime for the regulation of managed investment schemes. Solicitors' mortgage funds will, sometime this year, be subject to the new Act.

The new Act requires a single responsible entity which must have a Dealer's Licence and which must lodge a compliance plan and other regulatory documents with the Australian Securities and Investments Commission. Prospectuses will also be required.

Because of the increased administration requirements and cost of compliance with the new Act, we have made an 'in principle' decision to transfer all performing loans in the fund. We are currently negotiating with two separate parties. Both are significant financial institutions and both have proven track records in the administration of similar funds. Our primary concern is to ensure that the best interests of investors and borrowers are safeguarded. In part, this will be satisfied by ensuring that the new arrangements will provide sufficient liquidity to enable ready withdrawal of funds by those desiring withdrawal.

We expect that a final decision will be made by the end of March this year with a transfer to be completed by the end of May this year.

We will keep you advised of further developments.

LEWIS, DRISCOLL & BULL

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BARRISTERS AND SOLICITORS

ESTABLISHED 1885

FIRST FLOOR, 11 ELIZABETH STREET, HOBART, TASMANIA 7000 PH (002) 36 9988 FAX (002) 36 9229
BOX 200 B, G.P.O., HOBART, TAS. 7001 DX 120 HOBART

30 COLE STREET, SORELL, TASMANIA 7172 PH (002) 65 1899

CONDITIONS OF INVESTMENT

1. That we will invest the money on first mortgage and/or collateral second mortgage on your behalf in the name of Thomas Peter Baron (as principal of Lewis, Driscoll & Bull).
2. The money may be invested on a security or securities chosen by us by way of contributory mortgage.
3. That if for any reason the money is not invested on first mortgage security at any time as set out in 1. and 2. above, we may invest the money on your behalf on deposit at call with Tasmanian Trustees Limited.
4. We may deduct from any income earned on the money invested all Federal and State government duties and charges imposed on transactions through financial institutions and such charges as may be imposed by Tasmanian Trustees Limited with whom any said sums may be placed from time to time and who may pay commission to Lewis, Driscoll & Bull on such sums from time to time. It is also noted that banks, trustee companies, mortgage insurance companies and other organisations may similarly pay a commission to solicitors.
5. The security for the investment of money is selected by us.
6. The Mortgages negotiated by us may contain both a nominal rate of interest and a reduced rate of interest (both of which rates are determined by us according to market conditions) the reduced rate of interest being up to two (2) per cent. less than the nominal rate to encourage the prompt payment of interest.
7. That the borrower may pay the reduced rate if he/she makes the interest payment by cash or cheque on the due date for payment of interest. In the event that any mortgage interest shall be paid by Lewis, Driscoll & Bull or any person other than the borrower, any penalty interest subsequently paid by the borrower shall belong to Lewis, Driscoll & Bull or the person actually paying same.
8. That in the event the borrower is late or fails to pay his interest at the reduced rate you will be entitled to the higher rate of interest when paid by the borrower.
9. That we may deduct from your interest a fee of .5 per cent. per annum on each interest payment and that this charge may vary from time to time at our discretion and upon written notice to you.
10. That redemption may be made in urgent circumstances on three months' notice but we prefer the investment to run the full three-year term of our Mortgages and be available for extension. Investors may, in exceptional circumstances, take a transfer of the mortgagee's proportion on contributory shares in the Mortgage.

LEWIS, DRISCOLL & BULL

LEWIS, DRISCOLL & BULL

BARRISTERS AND SOLICITORS
ESTABLISHED 1855

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LEWIS, DRISCOLL & BULL

BROWN WARE & HAY

BARRISTERS AND SOLICITORS

Partners:

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GLENN ALAN HAY, LL.B.
JUSTIN FRANCIS OTLOWSKI, B. Ed. LL.B.

Associate:

ROHANI JANE HASAN, B.A. LL.B.

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NOTICE PURSUANT TO RULE 71 OF THE RULES OF PRACTICE DETAILING TERMS AND CONDITIONS OF INVESTMENT

(As at 1st April, 1995)

1. NAME OF INVESTOR

2. AMOUNT TO BE INVESTED

3. SECURITY

- 3.1 After payment to the firm and until investment in a mortgage security your funds will be lodged by the firm on your behalf with Tasmanian Trustees Limited "at call".
- 3.2 Funds will be allocated as soon as possible to a first mortgage security or, (only if you have specifically so instructed us,) to a second mortgage security, which security shall be selected by the firm.
- 3.3 The firm may at any time and at its discretion re-allocate your funds to another similar security.
- 3.4 All mortgages are held in the names or under the control of all the partners of Brown Ware and Hay.
- 3.5 Except in the case of insured loans, first mortgage advances will never exceed 66% of an independent security valuation or 50% of the then current Government valuation. In many instances depending on the nature of the security, the advance will be less than 66% of the security valuation.
- 3.6 The firm's mortgage are contributory mortgages which means that your funds may at the firm's discretion, be joined with other invested moneys and lent on security of the same mortgage.
- 3.7 Whilst the selection of mortgage securities and the allocation of funds remain wholly within the firm's discretion, you are allowed to know the identity of both the property and the borrower in relation to the mortgage in which your funds are invested and we will advise you of these but you should note that you are not

entitled to rights of entry upon the mortgaged premises.

- 3.8 Your funds may be divided and invested in more than one mortgage security at the firm's discretion.
- 3.9 The firm will administer the mortgage security in all respects.

4. INTEREST

- 4.1 Upon receipt of your funds into the firm's trust account they will be lodged by the firm with Tasmanian Trustees Limited earning the current rate of interest payable "at call" deposits by the firm with the bank or building society pending allocation to a mortgage security. The interest rate paid by the bank or building society varies from time to time, but at present is at 7.0% on daily balances. The interest will be sent to you with our letter advising you details of the investment. A small commission charge is deducted by the firm against the interest earned on such deposits when they are received from the bank or building society.
- 4.2 When your funds are allocated to a mortgage security until withdrawal by you or repayment of the mortgage by the borrower they will earn the current first or second mortgage interest rate (as the case may be) fixed by the firm. The firm has adopted a policy that this interest rate will be identical to that charged by the largest trustee company in the State, Perpetual Trustees and National Executors of Tasmania Limited, on funds invested in similar mortgage investments. This rate may be changed from time to time but only when Perpetual Trustees and National Executors of Tasmania Limited changes its rate. The present rate is 11.5% for first mortgages and a small collection/commission charge of 5.0% of the interest is deducted by the firm from the interest when it is received.
- 2.3 Upon repayment of a mortgage in which your funds are invested they will be placed on call with Tasmanian Trustees Limited pending allocation to a new mortgage security during that period will earn interest at the then current Tasmanian Trustees Limited "at call" rate.
- 2.4 Interest is payable quarterly. If your funds are allocated to an existing security, you will initially receive a broken period interest payment (together with any accrued Tasmanian Trustees Limited interest) and thereafter regular quarterly payment until withdrawal by you or repayment of the mortgage.
- 2.5 Where interest payments are made late by the borrower the firm has a discretion to charge the borrower a "penalty" rate of interest (that is, 3.00% above the ordinary rate) and, if charged, this will

