



MNOTES FUND

INFORMATION MEMORANDUM
Issued 4 June 2019

PLEASE NOTE: This Information Memorandum is only available for distribution to Wholesale Clients and Sophisticated Investors, and is NOT available to retail clients

Important Information

The issuer

This Information Memorandum is issued by MNotes Security Custodian Pty Limited ACN 632662134 (the **Trustee**, **'we, our, and us**), the trustee of the MNotes Fund and its sub-trusts (**Fund**) and issuer of secured fractionalised mortgage notes in the Fund (**MNotes**).

Moshav Financial Wholesale Pty Ltd ACN 163 365 937 Australian Financial Services Licence No: 439903 (**Moshav**) has authority to arrange for the issue of MNotes on behalf of the Trustee pursuant to an arrangement between the Trustee and Moshav under section 911A(2)(b) of the Corporations Act (**Corporations Act**). Under this arrangement, Moshav is the authorised intermediary who arranges for the issue of MNotes on behalf of the Fund.

Available to Wholesale Clients Only

An investment in MNotes is restricted to investors who qualify as Wholesale Clients within the meaning of section 761G of the Corporations Act or as Sophisticated Investors within the meaning of section 708(8) of the Corporations Act. An investment in MNotes is not available to retail clients. Accordingly, the provision of information relating to an investment in MNotes does not require the giving of a Product Disclosure Statement in accordance with Division 2 of Part 7.9 of the Corporations Act or a Prospectus under section 713(1) of the Corporations Act.

Each person who applies for MNotes will be required to satisfy the Trustee and Moshav (in their sole discretion) that they are a Wholesale Client or a Sophisticated Investor by providing a valid certificate from a qualified accountant issued within 6 months to the Trustee as per Corporations Regulation 7.1.28.

ASIC

This Information Memorandum has not been lodged with the Australian Securities and Investments Commission (**ASIC**) and is not required under the Corporations Act to be lodged with ASIC. ASIC takes no responsibility for the content of the Information Memorandum.

Information in this Information Memorandum

The information in this Information Memorandum is general information only. This Information Memorandum does not purport to contain all the information that a recipient of this Information Memorandum or a prospective investor may require in evaluating a possible investment in MNotes.

This Information Memorandum does not constitute an offer of MNotes or of interests in the Fund.

Each recipient of this Information Memorandum agrees and acknowledges that it must rely on its own investigations and enquiries with respect to making any decision to invest in MNotes and, as this information is general only (and may be out of date), does not rely on the information set out in this Information Memorandum in making an investment decision.

Any reference to money (including "dollars" and \$) in this Information Memorandum, is a reference to Australian currency (unless stated otherwise).

The fees set out in this Information Memorandum are disclosed on a GST exclusive basis.

The information in this Information Memorandum is based on facts and opinions at the time of its preparation that may be subject to change. The Trustee may provide updated information to investors on its digital platform, the MNotes Platform.

Investing has its risks

The Trustee, Moshav, their related bodies corporate and each of their respective directors, officers and associates, do not guarantee the performance or success of the Fund or the MNotes, the payment of distributions, the repayment of any investor's application monies, or any particular rate of income or capital return or the taxation consequences of investing in MNotes. An investment in MNotes involves risks. Some of these risks are summarised in Section 5 of this Information Memorandum. Investors should consider the risks outlined in Section 5 in light of their personal circumstances.

This Information Memorandum contains statements, estimates and projections which are based on anticipated future performance, or market or sector trends. Any forward looking statements in this Information Memorandum (including statements of intent, opinions and projections) are made only at the date of this Information Memorandum and are based on assumptions, source material and other information available at the time this Information Memorandum was prepared. The forward looking statements in this Information Memorandum may not be realised or accurate and should not be relied upon. Actual results could vary considerably from estimates and projections stated and no representation, assurance or guarantee is given that any estimate or projection will be achieved.

Foreign Investors

This information contained in this Information Memorandum is only available to persons receiving a copy of this Information Memorandum (electronically or otherwise) within Australia. This information contained in this Information Memorandum in respect of an investment in MNotes is not applicable in any jurisdiction in which, or to persons to whom, it would be unlawful to provide such information or invest in MNotes.

No Liability

We have made the statements in this Information Memorandum based on reasonable assumptions, which may not be realised or be accurate. The Trustee and Moshav make no representation or warranty as to the accuracy, reliability or completeness of this Information Memorandum or information relating to the MNotes or the Fund or subsequently provided to recipients or their advisers.

To the maximum extent permitted by law, neither the Trustee, Moshav, or any Moshav entity or person bears any responsibility or liability for any loss or damage (whether under common law, in equity or under statute), howsoever arising and whether foreseeable or not, which results from any person acting in reliance in whole or in part on any information in this Information Memorandum, or any information provided or made available in connection with any further enquiries, or any fault, omission act or negligence of the Trustee, Moshav or any Moshav entities.

We are not authorised under the Banking Act 1959 (Cth) (**'Banking Act'**) and are not regulated by the Australian Prudential Regulation Authority, nor are investments made with us covered by the deposit or protection provisions in Section 13A of the Banking Act.

It is important that you read the entire Information Memorandum before making any decision to invest in MNotes.

Other Information

No person is authorised to give any information or make any representation in connection with the MNotes or the Fund other than those prescribed in this Information Memorandum. Any information or representation made to you by a person that is not contained in this Information Memorandum cannot be relied upon as having been authorised by the Trustee or Moshav.

Confidentiality

This Information Memorandum is confidential. By receiving this Information Memorandum, you agree to keep its contents confidential and not to copy, supply, disseminate or disclose any information in relation to its content without our prior written consent.

Capitalised words or terms used in this Information Memorandum have defined meanings that appear in the Glossary in Section 9. References to "you" or "your" refer to prospective investors.

No personal recommendation

The information in this Information Memorandum is general information only and does not take into account your personal financial situation, objectives or needs. The information in this Information Memorandum is not personal financial product advice. This Information Memorandum has been prepared without taking into account your investment objectives, financial position or particular needs. Before deciding to make an investment in MNotes you should consult a licensed financial adviser, accountant or other professional adviser to obtain financial advice that is tailored to suit your personal circumstances.

No Binding Agreement or Legal Relationship

No legal relationship will be created between the Trustee, Moshav or any Moshav entity and any recipient of this Information Memorandum by virtue of the provision and receipt of this Information Memorandum, other than as specified in this Information Memorandum.

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Section 1: Key features of MNotes

The table below provides an overview of the key features of an investment in MNotes.

Potential investors should read the whole of the Information Memorandum prior to making a decision to invest in MNotes.

Feature	MNotes
What are MNotes?	<p>MNotes are secured fractionalised mortgage notes which provide Investors the ability to gain exposure to a fractional interest in Mortgage Investments held within the Fund structure.</p> <p>MNotes are issued by the Trustee on behalf of a sub-trust of the Fund.</p>
What is the Fund	<p>The Fund is a contributory fractionalised mortgage fund.</p> <p>The Fund consists of:</p> <ul style="list-style-type: none"> - The Cornerstone Trust which initially fully funds each Mortgage Investment; and - A number of sub-trusts which will issue MNotes. A separate sub-trust is established for each Mortgage Investment available for investment.
What are Mortgage Investments and how are they initially funded?	<p>The Cornerstone Trust, a sub-trust of the Fund, is the initial funder of the Mortgage Investments. MNotes Pty Limited, is the sole unitholder in the Cornerstone Trust.</p> <p>All Mortgage Investments are originated and arranged by Moshav.</p> <p>The Custodian acting on behalf of the Trustee in its capacity as trustee of the Cornerstone Trust grants loans to Borrowers in accordance with the criteria set out in Section 3 and each Borrower grants the Trustee a mortgage over the real estate asset for which the loan is required. These loans and mortgages are referred to as Mortgage Investments.</p>
Trustee and custodian	<p>MNotes Security Custodian Pty Ltd is the trustee of the Fund, each sub-trust of the Fund and of the Cornerstone Trust. The Trustee holds the mortgages underlying Mortgage Investments and any additional security granted by Borrowers.</p> <p>MNotes Security Custodian Pty Limited is also the custodian and holds the title to the loans underlying Mortgage Investments.</p>
How will MNotes be issued and what happens upon the issue of MNotes?	<p>The Trustee will establish a sub-trust of the Fund in respect of each Mortgage Investment available for investment and will issue MNotes in each sub-trust to Investors.</p> <p>Upon the issue of MNotes and receipt of Investor funds in respect of a Mortgage Investment:</p> <ul style="list-style-type: none"> - There will be an equitable assignment of the title to the loan underlying the relevant Mortgage Investment so that the Custodian will hold the title to that loan on behalf of the Trustee for the benefit of the holders of such MNotes; - There will be an equitable assignment of the rights under the mortgage underlying the relevant Mortgage Investment (and any other additional security granted by the relevant Borrower) so that the Trustee will hold the rights under that mortgage and additional security, as applicable, for the benefit of the holders of such MNotes; and - the original funder of the Cornerstone Trust will exchange their interests in the Cornerstone Trust relating to the relevant Mortgage Investment for MNotes in the sub-trust established in respect of that Mortgage Investment.
Are MNotes secured?	<p>MNotes are backed by a mortgage over the real estate asset for which a loan is granted to a Borrower. The security is a first ranking security over the relevant real estate asset which is held by the Trustee for the benefit of holders of MNotes referable to that real estate asset.</p>

<p>Feature</p> <p>How do I apply for MNotes?</p> <p>What is the interest payable on MNotes?</p>	<p>MNotes</p> <p>MNotes can be acquired through a digital platform known as the MNotes Platform.</p> <p>The MNotes Platform gives prospective Investors the ability to pick and choose which Mortgage Investment they would like to obtain exposure to by way of an acquisition of MNotes.</p> <p>MNotes aim to provide Investors with a regular target income return of between [6.0% to 9.0% p.a.¹] on the amount invested by Investors.</p> <p>Payments of interest and principal on MNotes will be generated by each Borrower's obligation to pay interest and principal under their loan.</p> <p>Investors in MNotes will have access to the income stream generated by Mortgage Investments and interest rates and payment frequency will depend on the terms of the relevant loan and payments made by the relevant Borrower.</p>
<p>Types of Mortgage investments available for investment</p>	<p>Mortgage Investments available to Investors include loans in respect of residential, commercial or industrial property secured by a mortgage over the relevant Borrower's property (refer Section 3).</p> <p>The Mortgage Investments offered may also include construction and/or development loans and specialised asset loans (refer Section 3).</p> <p>Through the MNotes Platform, Investors have the ability to pick and choose which Mortgage Investments they wish to gain exposure to.</p> <p>The specific type of security and loan will depend on the Mortgage Investment you select (refer Section 3).</p>
<p>Currency</p> <p>Guarantee on the loan</p> <p>Location of real estate assets</p> <p>Minimum initial investment amount</p>	<p>Australian Dollars (AUD).</p> <p>Borrowers may be required to provide a guarantee and additional security as follows:</p> <ul style="list-style-type: none"> • personal guarantees from the directors of the Borrowers; or • through a general security agreement over all the Borrower's assets. <p>The Trustee will hold any such additional security for the benefit of the holders of the relevant MNotes.</p> <p>Predominantly (but not limited to) the Australian eastern seaboard, with a focus on capital cities and major regional areas. The specific location of the real estate asset in respect of a Mortgage Investment will be specified on the MNotes Platform.</p> <p>\$50,000.00. The Trustee may accept lesser amounts in its sole discretion.</p>
<p>Who can invest?</p> <p>Withdrawals and transfers</p>	<p>Wholesale Clients and Sophisticated Investors.</p> <p>An investment in MNotes is for the duration of the term of the loan underlying a Mortgage Investment and Investors do not have the ability to withdraw or redeem their MNotes until the Borrower repays the relevant loan.</p> <p>The MNotes Platform may facilitate Investors to offer their MNotes for sale to other Investors. The Trustee will use reasonable endeavours to facilitate the secondary sale and transfers of MNotes, however there is no guarantee that a secondary sale will be effected and the Trustee may refuse to register any purported transfer of an Investor's MNotes to any person in its sole discretion.</p>

¹ These rates are representative of the target interest rates which will be applicable for MNotes. Each Mortgage Investment may provide a different interest rate payable on the applicable MNotes issued in respect of that Mortgage Investment, which information will be available on the MNote Platform. The payment of the target interest rate is not guaranteed, since it is dependent on the relevant borrower of a Mortgage Investment meeting its obligations to pay interest on its loan. The actual interest rate paid may be more or less than the target interest rate.

Feature	MNotes
Investment term and maturity	<p>The investment term is from six months to up to three years and will match the term of the underlying loan in respect of a Mortgage Investment.</p> <p>MNotes in respect of a Mortgage Investment will mature upon the repayment of the entirety of the interest and principal on the loan underlying that Mortgage Investment by the Borrower. If the loan is in default, MNotes will mature upon the repayment of all or part of the interest and principal of the loan following the enforcement of the loan, the relevant mortgage and any additional security.</p>
Fractionalised nature of MNotes	<p>Investors can select which Mortgage Investments they wish to gain exposure to through the MNotes Platform.</p> <p>Each MNote is referable to a particular Mortgage Investment and Investors will have exposure to the returns and risks relevant only to the particular Mortgage Investments they have selected. Investors will not have exposure to the returns and risks of Mortgage Investments that are not referable to the MNotes that they have invested in.</p> <p>If an Investor sustains a loss from their investment in MNotes referable to a Mortgage Investment, that Investor cannot seek indemnity or offset their loss from an MNote or Fund sub-trust referable to another Mortgage Investment.</p>
Risks	<p>There are a number of factors which may lead to returns not being achieved, including the risks associated with an investment in MNotes outlined in section 8. There is no guarantee the target interest rate return or any return will be achieved or maintained during the term of your investment. It is important that you read and consider the risks associated with MNotes before deciding whether to invest and seek your own financial, tax and legal advice (refer Section 5).</p>
Cooling off period	<p>There is no cooling off period under this Information Memorandum. Applicants for an investment in MNotes cannot withdraw any application once it has been received by the Trustee.</p>

Section 2: About the Trustee and the Moshav Financial Group

WHO WE ARE

Moshav Financial Wholesale Pty Ltd ('Moshav' or 'Moshav Financial Wholesale') is a specialist mortgage fund manager with AFSL 439903. Moshav is the originator of the underlying Mortgage Investments.

Moshav operates according to a clear and simple principle – the financial success of our funds, and the personal success of our people, are directly connected to the financial benefits that we generate for our investors. We believe that this connection is not only the fair and right thing to do, but that it will bring about greater rewards for everyone involved.

MNotes Security Custodian Pty Ltd the trustee of the Fund and each sub-trust of the Fund and, as such, is responsible for managing the Mortgage Investments and overseeing the Fund's operational functions. The Trustee is also the trustee of the Cornerstone Trust and holds the mortgages underlying Mortgage Investments as well as any additional security granted by Borrowers.

The Custodian will initially be the same entity as the Trustee and holds the title to the loans underlying Mortgage Investments. and.

MNotes Pty Ltd is the manager of the Fund.

We operate according to a clear and simple principle – the financial success of our funds, and the personal success of our people, are directly connected to the financial benefits that we generate for our investors. We believe that this connection is not only the fair and right thing to do, but that it will bring about greater rewards for everyone involved.

Our philosophy is that we should manage assets because our investors want us to, not because we lock people into a contract. If we do not deliver on our promises, our investors have the right to replace us. Naturally, a big part of those promises is based on our financial performance.

Beyond that measure, we also expect to be judged by how well we engage with, and look after, our investors, how well we respond to their needs and provide services that treat people as valued investors.

GOVERNANCE AND COMPLIANCE

The information provided in this Information Memorandum, the receipt of applications for MNotes and the issue of MNotes are all made pursuant to an arrangement between the Trustee, as trustee of the Fund and the issuer of the MNotes, and Moshav.

Moshav's Australian Financial Services License (**AFSL**) authorises Moshav to provide general financial product advice in relation to, and deal by issuing, applying for, acquiring, varying or disposing in, financial products such as MNotes to wholesale clients.

Moshav utilises its AFSL to act as an intermediary on behalf of the Trustee pursuant to Section 911A(2)(b) of the Corporations Act. The Trustee authorises Moshav to arrange for the issue of MNotes in accordance with this Information Memorandum and the Fund's governing documents. The Trustee will only issue MNotes to applicants whose applications are approved by Moshav.

The Trustee has established a governance framework which includes a board of directors as well as a compliance and risk management framework which is audited annually by an independent auditor. We are guided by the investment objectives and strategy that we have set for the Fund which will be implemented in accordance with the Fund's constitution and in accordance with our duties under the Corporations Act and general trust law.

KEY PERSONNEL

Mr Tal Silberman Managing Director

Tal Silberman is the founder of MNotes and the Moshav Financial Group.

Mr Silberman is a successful entrepreneur who has grown his career through the fundamental belief in growing businesses that build strong recurring monthly revenue.

Upon joining the industry in 2003, he organically grew a loan book in excess of \$1 billion dollars. Mr Silberman believes that the key to success in the mortgage industry is to understand the sales cycle and concentrate on growing and nurturing your distribution channels.

Mr Silberman is leveraging on his cultivated network of introducers and aggregators. He draws on his experience of the mortgage industry in Tier 1 and non-conforming markets.

He bases his success on the core values and methods of thinking developed in his engineering training. Mr. Silberman lives in the eastern suburbs of Sydney with his wife, and three children. In Mr Silberman's own words, "No matter how skilled a negotiator you are, your children are always able to out manoeuvre you."

Mr Silberman is also the Chairman of BIR Financial Limited (ASX:BIR), a listed financial services company and he holds a Bachelor of Electrical Engineering (Hons) and a Diploma in Financial Services.

Mr Bao Cheng Luo Executive Director

Mr Luo has over 15 years of experience in management having held managerial posts in various organisations. These include Chong Xing Mortgage Co., Ltd (between 1992 and 1994), Shanghai Stock Exchange, Chengdu Branch (between 1994 and 1998) and Chengdu Weian Investment Co., Ltd (between 1998 and 1999).

Mr Luo was the President of Shenzhen Sunfield S&T Investment Holding Co., Ltd between 1999 and 2000. Currently, Mr Luo is the President of Shenzhen Webmoney Investment Co. Ltd, a post he has held since 2001, as well as the President of Chendu Xuyang Investment Consulting Co., Ltd, which he has held since 1998.

Mr Luo is a postgraduate in Economics from Sichuan University.

Section 3: Mortgage Investments available through MNotes

MNotes aim to provide Investors regular target fixed income returns through exposure to Mortgage Investments which are secured against established properties or construction projects.

MNotes provide investors with the opportunity to invest in particular Mortgage Investments that we identify as being a suitable investment opportunity.

INVESTMENT STRATEGY

Moshav selects all Mortgage Investments for Investors. Our strategy to achieve the target interest rate includes:

- undertaking due diligence on each Borrower especially to confirm credit worthiness and to assess each Borrower's ability to repay the loan;
- obtaining property valuations;
- implementing our loan assessment criteria, our investment criteria and our lending criteria (refer below);
- taking security of other non-related properties if required; and
- in respect of construction projects:
 - undertaking due diligence on builders, such as work history, completed projects, ensuring builders have certain mandatory insurance coverage, references, financial capability and bond;
 - ensuring a guaranteed maximum fixed price building contract from a reputable and established builder who has experience in the type of proposed construction to be undertaken;
 - ensuring that the property development project is employing standard construction techniques;
 - monitoring all construction loan drawdowns to ensure that there are always sufficient funds remaining to complete the property development project. An independent quantity surveyor or construction cost manager will be appointed prior to the commencement of the property development project to verify that there are sufficient funds available to complete the property development project and to verify the completion of each stage of construction prior to the draw-down of funds; and
 - entering into a tripartite agreement with the builder in order for construction to complete.

LENDING CRITERIA

The lending criteria set by us include:

- all loans must be secured by a real property mortgage;
- all loans must be utilised for business or commercial purposes only;
- a maximum LVR of 70% and for construction loans, a maximum GVR of 70% or 85% of total development costs (whichever is the lower).
- the minimum term of a loan will be six months and the maximum term of a loan will be three years, however, loans may be extended at the end of the term for a further period (subject to a new credit assessment and Investors not electing to redeem their investment upon the maturity of the relevant MNotes).

Other parameters that we currently include in our lending criteria are as follows:

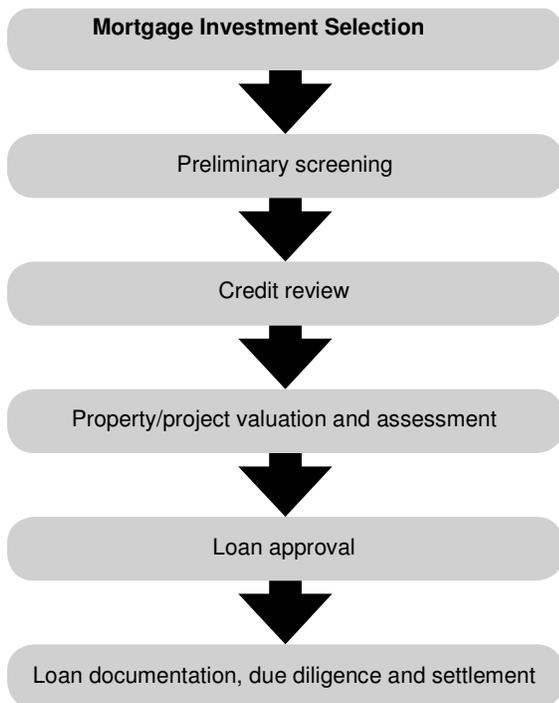
- the secured property must be residential, commercial or industrial in nature and generally located in the eastern Australian states and in major capital cities or major regional areas with a population of greater than 25,000;
- specialised freehold real estate security such as hotels, motels, reception centre and child care centres may be considered on a case-by-case-basis;
- progress payment construction first mortgages will also be considered on a case-by-case basis;

- Borrowers are required to provide evidence of their ability to service the loan, financial capability, or pre-pay the interest for some or the entire term of the loan;
- replacement insurance as guided by the independent valuer is required; and
- we may require additional security from other non-related properties.

Depending on our views as to market conditions, property market cycles and various other conditions, these parameters may vary from time to time. They may be changed by us without providing notification to you.

MORTGAGE INVESTMENT SELECTION

All Mortgage Investments are assessed on prudent lending criteria and suitability of the secured property.



LOAN ASSESSMENT

MNotes has a fully documented lending policy and loan assessment procedure, the development and implementation of which is overseen by the credit committee of the Board. Authority to approve loans is delegated in accordance with a tiered system of approval authorities granted to the credit committee.

Prior to a loan application being reviewed by the credit committee, our mortgage team undertakes an initial assessment on the quality of the loan application based on our credit rating model. This ensures a consistent and measurable approach to loan assessment occurs prior to any formal approval.

Borrowers are required to provide a serviceability declaration and substantiate their ability to service a mortgage. We also obtain credit history checks and real property assessment and valuation. The credit committee then combine their experience, qualifications, knowledge and skills, to apply the credit policy, approval process and checklist to all loan applications. The credit committee must approve the loan, including the real property as being acceptable for a Mortgage Investment.

The Manager subjectively considers each real property and Borrower for risk of default and may impose additional conditions to reflect risks specific to the real property to reduce risk of default or loss, which may include a lower LVR, or requiring additional security. In the case of construction or development loans, this may include additional requirements such as pre-sales and certified cost of completing the project.

All loans selected for approval as Mortgage Investments have met the Trustee's requirements for the Borrower to demonstrate capacity to service the loan. The Trustee will obtain credit checks as a part of its loan assessment. If the purpose of the loan is to refinance other lenders, evidence of satisfactory conduct of these loans is required.

The Trustee may also take additional collateral security, including guarantees from the directors of the Borrowers and general security interests (through a general security agreement) over all the assets of a Borrower.

These parameters vary from time to time depending on the views of the Trustee as to market conditions, property market cycles and other micro and macroeconomic conditions. We may change the parameters without providing notification to you if we deem them not to be major or significant amendments.

VALUATIONS

Secured property is independently valued for suitability and market value. All secured property is valued by a panel valuer under instructions from the Manager. A panel valuer has to have demonstrable valuing experience, be a member of a professional valuer body or association, and have professional indemnity insurance. The market valuation is required to be conservative and valuers are required to comply with specific written guidelines from us relating to valuation and independence, including the need for the valuation to be used for mortgage purposes. Valuations will generally provide at least two valuation methods when appropriate.

All construction/development loans are assessed on a "cost to complete" basis. For building developments a quantity surveyor is engaged to certify payments and update costs to complete as the project proceeds.

We will have the secured property revalued whenever we consider that a significant change may have occurred in the property's value, and at any other time we consider it to be in the best interests of Investors.

DUE DILIGENCE AND LOAN SETTLEMENT

Mortgage documents are prepared and reviewed by experienced legal firms attached to our solicitor panel. These firms must be experienced in mortgage finance, verification and validation requirements and they also attend to settlement of our mortgages.

The Borrower is required to keep the secured property insured at all times with the interest of the Fund recorded on the insurance policy.

We do not require lenders mortgage insurance on loans. In the case of construction or a development loans, normal construction funding conditions such as receipt of independent engineers and/or quantity surveyors report confirming costs expenses and cost to complete the project will be required before any construction loan advances are made.

LOAN MANAGEMENT

The Manager has an operational team administering the Mortgage Investments. The operations are extensively computerised and collection of payments from Borrowers and payments of distributions utilise the electronic banking system for efficiency. The system enables us to monitor areas such as interest payments, arrears, and insurances.

There is also monitoring of the expiry of insurance policies. If a Borrower fails to provide evidence of renewal of an insurance policy, we act to ensure that a replacement policy is issued.

ARREARS AND DEFAULT MANAGEMENT

Borrowers may be late in paying interest or in meeting their principal repayment obligations, or may be unable to do so. The Manger has as a well-developed policy of pursuing defaults and arrears and for instituting appropriate recovery action.

These include:

- monitoring all due dates for payments and billing any overdue payments;
- following up overdue payments where appropriate, usually within 5 business days after the due date for payment of interest or repayment of principal. Higher interest will usually be charged on overdue payments;
- issuing notices if payments remain in arrears for 30 days;
- instituting legal proceedings for possession of the secured property if the Borrower fails to comply with the issued notices; and
- selling the secured property once a possession order has been obtained and enforced.

For the purpose of the information below, a Mortgage Investment is considered to be in “default” if either the payment of interest is more than 30 days in arrears or the loan has not been repaid within 30 days after the due repayment date. In either case, we will notify the relevant Investors. We will also notify the relevant Investors within 30 days after the commencement of any enforcement action and of the outcome of those proceedings.

Affected Investors will be notified of the action being taken by the Trustee to remedy the default at the time the default notice is sent to the Borrower.

A default management committee comprised of senior personnel meets regularly to review arrears and defaults. Discretion is applied in deciding the action to be taken and the timetable to apply to a default situation.

Where a default has not been rectified and the secured property is sold, the net available proceeds of the sale of the secured property will be distributed in the following order:

- Investors are repaid the amount of their principal investment;
- The Trustee is reimbursed for all administration costs and expenses it incurs in enforcing the mortgage and arranging for the sale of the secured property, and in the case of construction and development loans, any additional costs incurred to prepare the secured property for sale;
- Investors are paid any interest (including default interest owing) which has accrued under the Mortgage Investment; and
- The Trustee is paid any management fees in respect of the Mortgage Investment.

Section 4: MNotes Platform

Platform overview

The MNotes Platform is a digital platform which aims to provide Investors with the opportunity to invest in MNotes via an online marketplace.

Our vision is to create a sustainable ecosystem where Investors gain exposure to secure investments with direct control of the type on the type of investments to invest in through collaborations and fintech innovations. As a leading marketplace funding platform, MNotes will leverage on a broad spectrum of innovative platform technology to provide the most efficient and effective financing and investment experience for businesses and investors.

How it works

Potential investors can register their interest in investing in MNotes by completing the application process on the Platform at www.mnotes.com.au or by sending an email to admin@motes.com.au.

Customised portfolio

The MNotes Platform provides detailed information about the MNotes available for investment including:

- A list of all available MNote Investments;
- The amount of the loan, interest rate and property description and photos in respect of each MNote Investment;

Investors can pick and choose which Mortgage Investments they wish to gain exposure to.

Liquidity

The MNotes Platform enables Investors to offer their MNotes for sale to other Investors.

The Trustee will use reasonable endeavours to facilitate transfers of MNotes however there is no guarantee that a transfer will be effected and the Trustee may refuse to register any purported transfer of an Investor's MNotes to any person in its sole discretion.

Reporting

Information about your investment will be available to Investors through the MNotes Platform. This information will include:

- monthly investment statements;
- an annual tax statement which will be available by end of July each year.

Invest

In order to become an Investor in MNotes, you should:

1. read the Information Memorandum in its entirety;
2. complete the online Application Form available to through the MNotes Platform and the relevant Customer Identification Form;

The Trustee may then approve the application if it is satisfied that you satisfy the criteria to become an Investor in accordance with the Information Memorandum.

You should then:

3. select which MNotes you wish to invest in;
4. complete the deal form in respect of the MNotes that you have selected; and
5. transfer your application money as indicated on the deal form.

In addition to the client identification information and documents required with your application, we may require further information or documentation from you at any time in order to satisfy our obligations under Anti-Money Laundering and Counter-Terrorism Financing legislation (**AML/CTF**), FATCA and CRS. If you do not provide information which we reasonably request in order to ensure our compliance with the AML/CTF, FATCA and CRS regimes, the Trustee and Moshav have absolute discretion to reject any application and further to require you to withdraw from MNotes in the event that a failure by you to provide such required information results in a breach of the law or regulations.

Additional investments

You can invest in further MNotes which are available through the MNotes Platform at any time. There is no need to complete another Application Form or Customer Identification Form, simply select MNotes you wish to invest in via the MNotes Platform and transfer funds as instructed

Payment

For initial and additional investments, your cheque must be from an account held in your name or the name of an Australian financial institution (such as a bank cheque). Cash or cheques from third party accounts will not be accepted.

We will also accept electronic fund transfers from an Australian bank, building society or credit union.

Payment details and methods are found in the deal form.

Get paid

Investors in MNotes will have access to the income stream generated by Mortgage Investments and the relevant target interest rate and payment frequency will depend on the terms of the relevant loan and payments made by the relevant Borrower.

Section 5: Key risks of investing

An investment in MNotes exposes Investors to a variety of risks that could affect the performance of the MNotes. Many risk factors fall outside of the Trustee's control and cannot be completely mitigated.

Investors should be aware that there is no guarantee that the implementation of the investment objective and investment strategy will be successful, and it may result in losses. Payment of interest and the return of the principal to Investors are not guaranteed.

Investors should carefully consider all risks and make their own assessment as to whether they are comfortable with the risks.

GENERAL INVESTMENT CONSIDERATIONS AND RISKS

General risks which could affect the performance of the MNotes include, without limitation, a downturn in the economy, a downturn in the value of property or in the property market in general, movements in interest rates and inflation and increased competition from new or existing lenders.

INVESTMENT RISKS

Trustee risk

If the Trustee fails to operate the Fund effectively or fails to effectively provide its services, then this could negatively affect the performance of MNotes. In particular, there is a risk that the Trustee may fail to anticipate movements in the property market or interest rates, fail to manage the investment risks appropriately or fail to properly execute a Fund's investment strategy. These factors could have an adverse impact on the financial position and performance of MNotes.

New fund risk

The Fund and each sub-trust will be newly established trusts and will have no track record or past performance in Australia.

Liquidity risk

The Trustee provides no guarantee or assurance that Investors will be able to dispose of their MNotes and there is no right to redeem MNotes during the term of the investment.

Investment term risk

The Trustee gives no guarantee that the Fund or a sub-trust will not be terminated early in accordance with the terms of the relevant trust deed.

Diversification risk

The Fund will only invest in one asset class, being secured loans. There will be no diversification.

Structural risk

Investing in unlisted notes in a contributory fractionalised mortgage fund (such as the Fund) is not like investing directly on

your own. Each Fund and sub-trust must take into consideration all Investors, which can result in different income or capital gains outcomes when compared to investing directly on your own. For example, income received from investing in MNotes may be different to that received from investing directly on your own. You should obtain professional advice before deciding to invest in MNotes.

Litigation and dispute risk

The Fund or a sub-trust may, in the ordinary course of business, be involved in possible litigation and disputes, for example, third party claims. A material or costly dispute or litigation may affect the value of the assets in the Fund or the expected income of the Fund and returns on MNotes.

Regulatory risk

The Fund's operations may be negatively impacted by changes to government policies, regulations and taxation laws. The Trustee is unable to predict future policy changes. Accordingly, the Trustee seeks to manage regulatory risk through its risk management and compliance programs to monitor and manage regulatory change.

LENDING RISKS

Valuation risk

This is the risk that the valuation of a secured property is inaccurate at the time of the loan so that the amount realised in a mortgagee sale situation is less than would have been expected had the valuation been correct. There is also the risk that a valuer who provides an inaccurate valuation does not have or no longer has adequate professional indemnity insurance to cover the valuation on which the Trustee relied.

Default & credit risk

This is the risk that the Borrower may not be able to meet its financial obligations. This may be for a wide range of reasons, including a change in the individual financial or other circumstances of the Borrower and changes in the economic climate generally that adversely affects all Borrowers. This risk is reduced (but not eliminated) by lending to Borrowers that meet the lending criteria set by the Trustee (see Section 3).

Security risk

There is a risk that the property over which the loans are secured is damaged or destroyed, and the applicable insurance cover is not sufficient to cover the full replacement/reinstatement value of the property. Further, where the underlying security is real property, there is a risk that delays could occur between a loan going into default and the sale of the secured property, which may affect the ability of the Trustee to pay returns to Investors.

Enforcement risk

In the event a Borrower defaults, the Security Trustee may be required to enforce its security to recover the loan principal and any unpaid interest. This enforcement action may affect the ability of the Trustee to pay returns on MNotes.

Term risk

There is a risk that loans may not be repaid in a timely fashion which may cause a delay or potential loss of capital.

Construction risk

The Trustee may lend money to Borrowers who are involved in property construction projects and there are specific risks associated with this type of loan. These risks include:

- construction or development costs can exceed budgeted costs and the Borrower may be unable to complete the project unless the Borrower can obtain further funds;
- the loan funds kept in reserve by us to complete the project are insufficient to meet the cost of completion; and
- a change in market conditions could result in the project's value on completion being worth less than anticipated, or in lower sale rates and prices than expected.

Section 6: Taxation

The information provided in this section is general information only.

Investing in a managed investment scheme (such as the Fund) is likely to have tax consequences. Managed investment schemes generally distribute all of their income each year which means that the scheme is not subject to tax. Provided that the managed investment scheme (i.e., the Fund) is a flow-through vehicle, the Trustee does not pay the tax liability for income earned by the Fund or its sub-funds on behalf of Australian resident Investors. In such circumstances, as an Investor, you will be assessed for tax on your share of the returns generated by MNotes.

Because the Australian taxation system is complex and different Investors have different circumstances, we strongly advise you to seek professional tax advice before investing in MNotes.

FATCA

The Foreign Account Tax Compliance Act (**FATCA**) is a U.S. law enacted to reduce offshore tax evasion by U.S. persons. FATCA imposes certain due diligence and reporting obligations on non-U.S. financial institutions.

The Australian Government has entered into an Inter-Governmental Agreement (**IGA**) with the U.S. Government to facilitate the application of FATCA to Australian Financial Institutions (**AFIs**). The IGA came into effect on 1 July 2014.

Subject to any applicable thresholds or exemptions, AFIs (which includes the Fund) are required to collect, identify and report to the Australian Taxation Office (**ATO**) various account related information of certain applicants and Investors identified as U.S. tax residents or citizens. Accordingly, the Fund will collect information from all applicants and Investors as is necessary to verify their FACTA status (per the Application Form attached to this Information Memorandum) and report any relevant information to the ATO.

If requested, each applicant and Investor agrees to provide certain information to the Trustee which is required by the Trustee to comply with any applicable law, including FATCA.

Moshav is not able to provide tax advice and cannot determine the impact or compliance obligations in respect of FATCA for an applicant's or Investor's business activities and encourages each applicant to seek independent tax advice.

COMMON REPORTING STANDARD

In 2014, the Australian Government announced that it would implement the Organisation for Economic Co-operation and Development (**OECD**) Common Reporting Standard (**CRS**) commencing 1 July 2017.

The CRS is the single global reporting and exchange of financial account information on foreign tax residents and its aim is to facilitate cross-border tax transparency on financial accounts held abroad. The CRS requires banks and other financial institutions to report financial account information on non-residents to the ATO. The Australian Government has agreed to exchange the financial account information with participating foreign tax authorities of those non-residents.

Subject to any applicable thresholds, financial institutions (which include the Fund) are required to collect, identify and report to the ATO certain tax related information about applicants and Investors. Accordingly, the Fund will collect information from all applicants and Investors as is necessary to verify whether they are a foreign resident for tax purposes (per the Application Form attached to this Information Memorandum) and report any relevant information to the ATO.

If requested, each Investor agrees to provide certain information to the Trustee which is required by the Trustee to comply with any applicable law, including the CRS which commenced on 1 July 2017.

Moshav is not able to provide tax advice and cannot determine the impact or compliance obligations in respect of CRS for an applicant's or Investor's business activities and encourages each applicant to seek independent tax advice.

Section 7: Fees and costs

The table below sets out the fees and costs with respect to MNotes.

Type of fee or cost	Amount	How and when paid
Establishment Fee The fee to set up your investment in MNotes.	Nil	Not applicable
Contribution Fee The fee for the initial and any subsequent investment you make in MNotes.	Nil	Not applicable
Early Transfer Fee This is the fee charged for each transfer of MNotes.	Nil	Not applicable
Termination Fee This is the fee to close an investment.	Nil	Not applicable.
Management Fee This is the total of all on-going administration, investment management, expense recovery and other fees charged in respect of MNotes.	The Trustee will path the Manager 0.5% p.a. (plus GST) of the net asset value of the Fund, from the assets of the Fund.	Accrued daily and paid monthly in arrears.
Service Fees	Nil	Not applicable.

PLATFORM FEE

Moshav will receive 3.5% per annum of the interest paid by Borrowers for managing the MNotes Platform.

BORROWER FEES AND COSTS

Moshav may receive fees and costs directly from Borrowers. These fees and costs will not be paid to the Fund and will not form part of the assets of the Fund and may include the following:

Loan Renewal Fee

This fee contributes to the cost of reviewing the performance of the Borrower, obtaining up-to-date financial statements, assessment and credit processes, instructing valuers and solicitors and corresponding with Investors about their investment.

Other loan expense recovery

Moshav or its related companies may charge Borrowers fees for attending to dealings involving secured properties during the term of a Mortgage Investment, such as where it is necessary to produce a title to a property for dealings or to arrange for a partial discharge of a mortgage.

Moshav or its related companies may charge the Borrower an establishment fee upon the establishment of a loan depending on the complexity and competitiveness of the loan. These fees, which may be shared with introducing brokers, pay for the cost of servicing the loan sourcing network, advertising, the loan application assessment and approval process, instructing valuers and solicitors and advancing the loan.

Moshav's related companies may receive a brokerage fee, which is paid by the Borrower in addition to the loan interest rate where the loan is directly sourced by Moshav's lending staff.

Project management and default management costs

Moshav or its related companies may charge Borrowers fees and costs for dealing with managing loans in arrears or default. In addition, Moshav or its related companies may charge project management, development fees and costs and other similar charges, where it is required to undertake default management work out programs for construction and development loans.

Moshav undertakes that any such fees charged will rank behind any principal and interest owed by the Borrower in respect of a Mortgage Investment.

DIFFERENTIAL FEES

We reserve the right to charge certain Investors investment management and other fees that differ from the fees outlined in the table above (and to provide rebates or refunds of fees to certain Investors) that may apply generally to Investors.

These fees will be based on individual negotiation between us and the relevant Investors. Such negotiated fees will be entirely at our discretion.

INCIDENTAL FEES AND COSTS

Standard Government fees, duties and bank charges may also apply to your investments and withdrawals including dishonour fees and conversion costs.

TAXES

Unless otherwise stated, all fees quoted in the Information Memorandum are quoted exclusive of GST.

OTHER COSTS

The Fund may incur abnormal expenses, such as costs associated with holding an Investor meeting, legal proceedings relating to the Fund, or termination of the Fund. These fees are not part of the management costs since they are not able to be ascertained until they are incurred. These expenses will be paid out of the assets of the sub-trust referable to the Mortgage Investment to which they relate as and when the expenses occur.

FEE CHANGES

Moshav may determine to charge additional fees or higher fees than those set out in this section. We will provide you with at least 30 days' prior written notice of any such fee imposition or increase.

ALTERNATIVE FORMS OF ADVISER REMUNERATION

We may provide remuneration to financial advisers indirectly by paying them additional amounts (such as marketing support payments) and/or non-monetary benefits (such as business and technical support, professional development, conferences etc). If these amounts or benefits are provided, they are payable out of the fees and costs we receive and are not an additional cost to you.

We maintain a register which outlines the material alternative forms of remuneration that we pay to financial advisers and some distributors of our products, or receive from providers of some of the products available through us.

The register is publicly available and you can obtain a copy by contacting us.

Section 8: Other information

MASTER NOTE TRUST DEED

Below is a summary of the Master Note Trust Deed (**Master Deed**). This section only contains a summary, which means that all the provisions of the Master Deed are not fully described. A copy of the Master Deed (subject to excluding confidential commercial terms) may be requested from the Trustee.

The Master Deed has been executed by the Trustee and the Custodian and sets out the general terms which will apply to the Fund, the sub-trusts established under the Fund and MNotes. The Master Deed includes provisions relating to the following matters:

- the establishment of sub-trusts under the Fund and the appointment of the Trustee as trustee of each sub-trust. A separate sub-trust will be established in respect of each Mortgage Investment.
- the appointment of the Trustee to hold the mortgages underlying Mortgage Investments for the benefit of holders of MNotes in the sub-trust referable to that Mortgage Investment;
- the Trustee's covenants to holders of MNotes, including to make all relevant payments to holders of MNotes.
- the powers and rights of the Trustee, including the power to issue MNotes;
- the powers and duties of the Custodian;
- the establishment of the Cornerstone Trust as the initial funding trust for each Mortgage Investment, including the issue of interest only notes to the cornerstone investor, which entitle the cornerstone investor to receive additional interest on MNotes to match their interest entitlement as a holder of cornerstone notes;
- upon the issue of MNotes in a sub-trust, the equitable assignment of the title to the loan underlying a Mortgage Investment so that the Custodian will hold the title to that loan on behalf of the Trustee for the benefit of the holders of such MNotes;
- upon the issue of MNotes in a sub-trust, the equitable assignment of the rights under the mortgage underlying the relevant Mortgage Investment (and any additional security granted by the relevant Borrower) so that the Trustee will hold the rights under that mortgage for the benefit of the holders of such MNotes;
- the fees and expenses payable to the Trustee out of the sub-trusts' assets;
- the Trustee's liability and right to be indemnified out of the assets of each sub-trust;
- the rights of Mnotes Pty Ltd. The sole unitholder in each sub-trust, to be entitled to distributions out of each sub-trust, subject to available distributable income; and
- meetings of holders of MNotes.

RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTERESTS

We may appoint any of our related entities to provide services to perform functions in relation to the Fund, including acting as our delegate. These services may also include providing loan work-out services to assist in resolving a loan which has gone into default, or development management services to assist us in completing a property development project which has not been completed by a Borrower.

We may also enter into financial or other transactions with related entities in relation to the assets of the Fund and may sell assets or purchase assets from, a related entity. A related entity is entitled to earn fees, commissions or other benefits in relation to any such appointment or transaction and to retain them for its own account. Such arrangements will be based on arm's length commercial terms.

In the course of managing the Fund, we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. We have policies and procedures in place to manage these appropriately.

Details of material related party transactions are reported in the Fund's annual accounts.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (**AML/CTF Act**) requires entities such as the Trustee to maintain a program that identifies, mitigates and manages money laundering and terrorism financing risks associated with its business.

In this regard, the Trustee may request that applicants provide additional information for identification and verification purposes. Please note that the Trustee may not accept an application to invest in MNotes until the Trustee is satisfied that the identity of the applicant has been verified in accordance with the requirements of the AML/CTF Act.

If you do not provide a completed application form, this may delay the processing of your application or result in your application being returned.

PRIVACY STATEMENT

The Trustee is committed to protecting your privacy and safeguarding your financial information.

Our privacy policy describes how we keep this commitment and how we comply with the Privacy Act 1988 (as amended by the Privacy Amendment (enhancing Privacy Protection) Act 2012), including the Australian Privacy Principles (APPs) including:

- What personal information we ask for
- Why we ask for personal information
- How we collect and store personal information
- Who we provide your personal information to
- How we may use your personal information to market products to you
- How you can access your personal information
- How we maintain the accuracy of your personal information
- How we maintain the security of your personal information
- How you can contact us
- What you can do if we do not keep our privacy commitments.

You can download a copy of our privacy policy from our website www.MNotes.com.au

If you would like to contact us about this policy or our products and services, phone us on (+612) 9018 6777.

Section 9: Glossary

Application Form	Means the application form that accompanies this Information Memorandum and is available on the MNote platform
Borrower	Means a borrower under a loan agreement which is the subject of a Mortgage Investment.
Business Day	Means any day other than a Saturday, Sunday or public holiday in Sydney, New South Wales.
Cornerstone Trust	
Corporations Act	Means the Corporations Act 2001 (Cth) and its regulations as amended from time to time.
Custodian	The Trustee or third party custodian which will replace the Trustee in due course.
Customer Identification Form	Means the form for verifying your identity which Investors are required to complete in order for the Fund to comply with its Anti-Money Laundering and Counter Terrorism Financing obligations.
Early Transfer Fee	Means a fee payable on the transfer of an MNote.
Fund	Means the MNotes Fund and its sub-trusts.
GST	Means the Goods and Services Tax, as defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
GRV	Means the Gross Realisable Value.
Investor	Means a holder of MNotes.
LVR	Means loan to value ratio.
Manager	MNotes Pty Ltd (ACN 625 390 409).
Management Fee	Means the management fee payable to Moshav as described in Section 7.
Mortgage Investment	Means the Fund's investment in a loan which is secured by a mortgage as described in Section 3.
Moshav	Moshav Financial Wholesale Pty Limited ACN 163 365 937 (Australian Financial Services Licence number 439903).
Moshav Financial Group	The Moshav Financial Group comprises Moshav Financial Wholesale Pty Limited ACN 163 365 937, Moshav Financial Pty Limited ACN 156 558 119 and Capital Securitisation (Holdings) Pty Limited ACN 115 210 716 (trading as Moshav Private Funding) and their subsidiary entities, including the Trustee
Net Asset Value	Means the total value of the assets of the Fund less the liabilities calculated in accordance with Australian accounting standards.

Sophisticated Investor	Means a “sophisticated investor” within the meaning of section 708(8) of the Corporations Act.
Trust Account	Means the trust account in respect of the relevant sub-trust in which Investor funds are held until the relevant MNotes are issued.
Trustee	MNotes Security Custodian Pty Ltd (ACN 632 662 134), a corporate authorised representative of Moshav and the trustee and custodian of the Fund and the Cornerstone Trust.
Wholesale Client	Means a “wholesale client” within the meaning of section 761G of the Corporations Act.

CONTACT FOR FURTHER INFORMATION

MNotes Security Custodian Pty Ltd (Trustee and custodian)

Phone: (+61) (2) 9018 6777 (9am – 5pm, Monday to Friday)

Email: info@MNotes.com.au

MNotes Pty Ltd (Manager)

Phone: (+61) (2) 9018 6777 (9am – 5pm, Monday to Friday)

Email: info@MNotes.com.au

Post: PO Box 822, Double Bay NSW 1360

Moshav Financial Wholesale Pty Ltd (Moshav)

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