

# BERNDALE SECURITIES

Berndale Securities Limited  
ABN: 63 006 687 467  
AFSL No. 235149  
Participant of ASX Group

## EXPLANATION OF CHESSE SPONSORSHIP AGREEMENT

This document explains the effect of the CHESSE (Clearing House Electronic Subregister System) sponsorship agreement (agreement) if you (the client) enter the agreement with us (the sponsor / controlling participant). A copy of the agreement is attached for your inspection. It is important that you read this document and understand its contents before signing the agreement. If you sign the agreement, you acknowledge that you have understood the effect of the agreement.

### *What is the purpose of the agreement?*

The agreement appoints us as your “controlling participant” on CHESSE.

CHESSE is a system of registering financial products on computer so instead of holding certificates to show that you own shares or other financial products, under CHESSE you have financial products registered in your name to show that you own them. CHESSE is operated by ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532 (ASTC) under the ASTC Settlement Rules. Only certain people may control financial products on CHESSE (we fall under one of these categories). By signing the agreement, you appoint us as your controlling participant to control your holding of financial products on CHESSE. In other words, we “sponsor” your holdings of financial products on CHESSE.

### *Explanation of the agreement*

#### *(a) Details of the parties: front page of the agreement*

These details identify the parties to the agreement and enable us to perform our obligations as your controlling participant under the agreement.

#### *(b) Our authority and obligations: clauses 2 to 9 of the agreement*

In clause 2 you authorise us to act as your agent on CHESSE in respect of your holding(s) of the financial products identified by your HIN on the front page of the agreement.

Clauses 3 to 7 set out our obligations in relation to the transfer of financial products into or out of your holding.

Importantly, we will not usually initiate any transfer or conversion of financial products into or out of your holding without your express authority (clause 3). However, in limited circumstances, for example, if we ask that you pay for financial products and the contract of the financial products remains unpaid, we may sell those financial products at your risk and expense (clause 5).

Clauses 8 and 9 identify the regulatory regime which applies to us and with whom a complaint against us may be lodged.

#### *(c) Acknowledgements by you: clauses 10, 11 and 12 of the agreement*

Clauses 10, 11 and 12 of the agreement contain certain acknowledgements by you. These acknowledgments are:

- (i) that you have understood the effect of this agreement (e.g. this letter);
- (ii) that if you die or become bankrupt, your sponsored holdings will be locked (the “holder record lock”);
- (iii) that if you die, the agreement remains in operation, with your legal representative authorised to administer your estate for up to three months after the removal of the holder record lock;

(iv) that in the event of your death or bankruptcy, where a joint holding exists, we will establish a new holder record in the name of your joint holder or take steps to protect the interest of the joint holder not subject to the bankruptcy order.

(v) if a transfer of a financial product included in your holding is effected in accordance with the ASTC Settlement Rules, you may not assert or claim against ASTC or the relevant issuer of the financial product that we were not authorised by you to effect that transfer.

*(d) Security, other interests and sub-positions: 13, 14 and 15 of the agreement*

If you instruct us to lodge financial products as cover for written position in relation to exchange traded options or advise us that an interest has been or will be created over financial products, you give us authority to give effect to your instructions. Note that we must always act within the ASTC Settlement Rules.

*(e) Information: clauses 16 and 17 of the agreement*

You must promptly give us any information or documents we ask for to enable us to perform our obligations to act as your controlling participant or comply with the ASTC Settlement Rules and requirements.

*(f) Fees and indemnities: clauses 18 to 20 of the agreement*

Clause 18 states that you must pay us fees under the agreement as advised by us from time to time. There are currently no fees payable by you in connection with the sponsorship agreements.

In clause 19, you indemnify us – that is, you agree to be responsible for and pay on our demand – for liabilities, losses or costs we suffer or incur:

(i) in connection with performing our obligations under the agreement;

(ii) in connection with us acting as your controlling participant or agent for the purposes of CHESSE; or

(iii) if you do something you agree not to do, or don't do something you agree to do, under the agreement.

Under clause 20 you authorise us to debit any amount you owe us to any account you have with us.

*(g) Suspension from CHESSE; clause 21 of the agreement*

If we are suspended from CHESSE participation, you may instruct ASTC to remove your sponsored holdings from the CHESSE subregister or move them to another controlling participant in CHESSE. If you do not give ASTC such notice within 20 business days, ASTC may change your CHESSE sponsor.

*(h) Complaint procedures; clauses 22 to 25 of the agreement*

You have certain rights if you wish to claim compensation or make a complaint against us. In particular, if we breach the agreement with you, you may refer that breach to any regulatory authority including ASTC. If we breach a provision of the agreement and you make a claim against us, our ability to satisfy that claim will depend on our financial position. If a breach by us of a provision of the agreement falls within the circumstances specified in Part 7.5, Division 4 of the Corporations Regulations, you may make a claim on the National Guarantee Fund for compensation.

*(i) Change of controlling participant; clauses 26 to 32 of the agreement*

Clauses 26 to 32 contain provisions setting out what is to happen if there is a significant change to the organisational structure of our group or the whole of our business is to be transferred to another controlling participant. In particular, those provisions provide for the novation of the agreement to another controlling participant without the need for you to sign a new agreement.

*(j) Termination: clauses 33 and 36 of the agreement*

The agreement is terminated if we become insolvent, if our participation on CHESS is terminated/suspended, if either party notifies the other that it wants to terminate the agreement, or if you give us a withdrawal instruction under rule 7.1.109(c) of the ASTC Settlement Rules. Note that while one of these events will bring the agreement to an end, the rights and obligations which have occurred before that time are not effected (clause 34).

*(k) ASTC Settlement Rules; clause 35 and 36 of the agreement*

If there is an inconsistency between a part of this agreement and the ASTC Settlement Rules, the ASTC Settlement Rules will prevail to the extent of that inconsistency.

You have the obligation under clause 36 not to do anything to prevent or hinder us from complying with our obligations under the ASTC Settlement Rules.

*(l) Miscellaneous: clauses 37 to 43 of the agreement*

These clauses deal with several important procedural and legal matters. Clause 37 clearly sets out the procedure for formal communications between you and us.

Importantly, if you give instructions to your broker, we are not obliged to act in accordance with those instructions until they are actually passed on to us.

Clauses 39 and 40 set out the procedure we will follow if we want to waive or vary a provision of the agreement. Note that we usually need your written consent if we want to vary a provision.

*(m) Meaning of words*

At the end of the provisions section of the agreement is a dictionary which explains the meaning of key words which appear in the agreement.

*(n) Signing page: back of the agreement*

This is the place to sign if you wish to enter into this agreement with us.

If you have any questions about the agreement, please contact Michael Bastin by telephone on (03) 9659 2192 or by facsimile on (03) 9659 2523