

Default Policy

Millinium's Monthly Income Fund ARSN 125 229 352

Millinium's High Yield Income Fund ARSN 125 878 015

Introduction

Millinium Capital Managers Limited ("Millinium") holds an Australian Financial Services Licence to operate registered managed investment schemes. Millinium's Monthly Income Fund and Millinium's High Yield Income Fund ("Funds") are registered managed investment schemes with the Australian Securities & Investment Commission ("ASIC"). The responsible entity of the Funds is Millinium.

Terms of Default Policy

It is MilliouzeAG's policy that all loans must be monitored from the date the loan is advanced. At least, 90 days before the date of the loan term expiry date increased monitoring will occur to ensure that the Borrower:

- ✓ effects repayment by the due date; or
- ✓ secures refinancing.

If a request for an extension of the loan is requested, before proceeding in accordance with policy set out below, the Credit Manager shall review the loan file and discuss the request with the Exit Committee. The Exit Committee is comprised of a Director or delegate and the Credit Manager with assistance from other staff as required. The Exit Committee oversees the management of expiring loans and loan defaults.

Each particular circumstance of an expiring loan is addressed by the Exit Committee as the date of maturity approaches. Where an issue is identified, appropriate action is taken. Legal notices or letters of demands for repayment are reviewed by Millinium's lawyers before being released.

Loan Rollovers - Extensions

Loan Extension (up to 3 months)

In the event that an existing loan is due to expire with Millinium, the Borrower may seek an extension of the loan for a period of up to 3 months. Application for a Loan extension must be made no later than two months prior to the date of maturity of the loan.

Acceptable reasons for a loan extension may include, but are not limited to:

- ✓ delayed sale of the property;
- ✓ delayed completion of the settlement of the property for which the loan facility was granted; and
- ✓ delayed completion of the refinance of the loan facility.

Any request to extend a loan facility by a Borrower(s) will be subject to the approval of the Credit Committee. The Credit Committee must consider the Borrower's written request for any extension and be satisfied that it will not impact adversely on the overall loan and security position. When considering the application for a loan extension, the Credit Committee will, amongst other information, take into account the reason for the extension, the conduct of the Borrower during the life of the existing loan, repayment proposals, the Borrower's security position, current market conditions, the sales and marketing position. Input from the valuer who provided the original valuation will typically be required ahead of a formal valuation.

Loan Rollover/ Renewal (in excess of 3 months)

In the event that an existing loan with Millinium is due to expire and a Borrower seeks to rollover or renew the facility for a period exceeding 3 months, a full credit assessment will be undertaken. The standard procedure for assessing a new loan will be undertaken and on satisfactory completion, a recommendation will be made to the Credit Committee. In addition, the following must be provided:

- ✓ consent of all guarantors to the proposed extension or rollover;
- ✓ an updated valuation of the security property/ies;
- ✓ details of why the Loan Rollover or Renewal is required;
- ✓ if the loan is being increased, an explanation of the proposed application of the funds; and
- ✓ new cash flow forecasts to reflect market conditions and economic climate at date of application (as is appropriate).

A major consideration in Millinium's decision as to whether a loan should be rolled over will be the performance of the expiring facility. Performance criteria in assessing the request will include the Borrower's interest payment record (unless payment has been made from an interest capitalisation allocation) and its general compliance with the conditions of the loan.

A full submission together with certification of the satisfactory conduct of the previous facility and all relevant credit related information and reports must be made available to the Credit Committee for their consideration and approval. If approved by the Credit Committee, Millinium's lawyers are to be instructed to prepare required documents for execution by the Borrower(s) and guarantor(s).

Deed of Priority

With Millinium as first mortgagee, requests may come from subsequent mortgagees. The terms upon which the new lender is lending must be obtained to ensure that those terms do not adversely affect Millinium's position. All Deeds of Priority developed for this purpose must be reviewed by Millinium's lawyers and require the support of the Credit Manager for the approval of an Executive Director.

Credit Control

1. Default Monitoring of Borrower(s)

All Loan Accounts are monitored to detect any default events. All Loan Accounts in default must be actioned via telephone and letter and all follow up diarised. For all telephone contact made, full diary notes must be maintained. To record all conversations with the Borrower, file notes must be prepared.

2. Loan Repayments Date(s) for all Loans

Loan repayments dates for all loans are monitored by the Asset Manager. All Borrowers typically receive 90,60,30,14 and 7 day reminder letters. Millinium contacts the Borrower 3 months prior to the loan repayment date to ascertain if the loan is to be discharged or refinanced on expiry. All loans throughout their term are relevantly categorised as:

- ✓ Compliant
- ✓ Non-compliant
- ✓ Serious non-compliance
- ✓ Default
- ✓ Serious Default

An explanation of each of these categories and action taken is summarised below:

2.1 Compliant

All loan obligations are being met by the Borrower and it is believed that compliance will continue.

2.2 Non-compliant (up to 30 days)

Minor non-compliance issues are identified, such as, failing to supply a report on time or the non payment of interest by the due date. Minor non-compliance issues are generally resolved quickly by prompt contact with the Borrower.

2.3 Serious non-compliance (31 to 60 days)

The non-compliance issues referred to above may not be addressed by the Borrower and therefore become of greater concern. Serious non-compliance may be, for example, the failure to pay monthly loan repayment. Continuous contact with the Borrower must be maintained and progress monitored carefully. The value of the security supporting the loan must be re-evaluated to assess the overall security position. If the Borrower does not co-operate, legal action will commence in this timeframe.

2.4 Default (61 to 120 days)

As indicated above, legal action will have commenced to indicate the seriousness of the situation and protect Millinium's rights. Every effort must be made to reach a commercially acceptable resolution to overcome the default. This may involve the Borrower providing evidence of refinancing sources and/or providing additional security. An estimation of the Borrower's level of co-operation must be made and a full analysis of its security position undertaken.

2.5 Serious Default beyond 120 days

A full recovery process must be implemented with legal proceedings being pursued without delay. This may include taking possession of the primary security and arranging for its prompt sale.

3. Loan Default Management Procedure

Any defaults must be referred to the Credit Manager for action. The Credit Manager must contact the Borrower to discuss the default event. If the default is short term and can be remedied, the Credit Manager must secure an agreement in writing from the Borrower that it will rectify the default within 30 days. If the default is potentially a Serious Default, a summary of the situation is compiled and submitted, with recommendations, to the Exit Committee for consideration.

Exit Committee

As detailed above, the Exit Committee comprises a Director or delegate and the Credit Manager with assistance from other staff as required. The Exit Committee oversees the management of expiring loans and defaults. A strategy is agreed by the Exit Committee which is then implemented under the management of the Credit Manager. If Millinium's Exit Committee is not satisfied that the arrears or other default event will be rectified within 30 days or an arrangement is not agreed between the Borrower and Millinium, recovery proceedings may then commence. The loan facility is to be managed on an ongoing basis until the loan has returned to a complying status or is fully repaid. Timelines must be set and weekly reports must be provided to and considered by the Exit Committee. Where default events are not remedied within 30 days, the following matters must be reviewed and monitored:

- ✓ the current value of the primary and supporting securities (which typically are supported by updated valuations being supplied or commissioned);
- ✓ the loan amount and the projected loan amount if the default is not remedied in a timely manner;
- ✓ the security cover, i.e. the loan amount assessed against the security value;
- ✓ all relevant supporting documentation, including insurance cover;
- ✓ whether default notices have been issued and if not, when they will be issued;
- ✓ any proposal that the Borrower may have proposed to remedy the default;
- ✓ the scenario should Millinium decide to take possession of the security;
- ✓ advice from marketing agents on sales' progress and buyer interest; and
- ✓ the legal processes involved.

Each week, a detailed report addressing the current and projected position must be submitted to the Exit Committee. Default loans will continue to be managed in this way until the security is sold or refinanced and all possible recovery action taken in the event of a shortfall from the proceeds of the primary security.

Recovery Action

Unless compelling reasons to the contrary exist, recovery/legal action must be commenced once a loan account remains in arrears for one month. Millinium will ensure that all legal obligations are observed before exercising its right under a mortgage or a guarantee to instruct its lawyers to commence recovery proceedings. Millinium is prepared to consider approving a “postponement” of legal proceedings, subject to Millinium’s acceptance of a specific proposal. Any offer of a loan settlement less than the total amount of the outstanding liability, including any recovery costs incurred to date must be submitted to the Investment Committee for approval.

- ✓ Millinium will consider pursuing appropriate legal action against a defaulting Borrower(s) or guarantor(s). Each case will be considered in light of its individual circumstances, and the following taken into consideration:
- ✓ the amount of outstanding debt;
- ✓ the asset position of the Borrower(s) and/or guarantor(s);
- ✓ the other outstanding creditors;
- ✓ the prospects of recovering a dividend; and
- ✓ the costs of legal action.

Credit Reference Listings

Subject to providing a written notice or warning, Millinium may “list” a defaulting Borrower(s) or guarantor(s) with the relevant credit reporting agency, if a loan account remains in arrears for 60 days or more after a formal notice is issued. Such notice may be contained in a formal Letter of Demand. When the arrears are subsequently paid or the default dispute is resolved, the relevant agency must be informed promptly.

Enforcement Expenses

Millinium is entitled to and must attempt to recover enforcement expenses, including:

Debt Recovery Expenses

- ✓ Court Fees
- ✓ Agents’ Fees
- ✓ Drafting Fees for legal notices
- ✓ Process Service Fees
- ✓ Mailing Costs (e.g. Certified Mail)
- ✓ Lawyers’ Fees

Mortgage Enforcement Expenses

- ✓ Lawyers’ Fees (e.g. Power of Sale Notice, searches, etc)
- ✓ Search (i.e. LTO)
- ✓ Valuations
- ✓ Inspections
- ✓ Security Property Insurance (i.e. charge premium to loan)
- ✓ Document Copies (e.g. Lease Copies)
- ✓ Service Fees
- ✓ Auction Fees
- ✓ Locksmiths’ Costs
- ✓ Removalists’ Costs
- ✓ Court Fees
- ✓ Storage Costs.

The Credit Manager may authorise the expenditure to be debited to a Borrower’s loan account.

Update of Policy

This Policy shall be monitored and reviewed annually or in the event of a material change to Millinium’s policy or the law.

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