

It pays to specialise.



Leveraged Equities

A subsidiary of Adelaide Bank

**Leveraged Equities
does not provide
financial planning or
stock broking services.**

**It focuses on doing one
thing and doing it better
than anyone else.**

**We believe
it pays to specialise.**

What is *FirstOption*?

Leveraged Equities *FirstOption* is a facility that allows you to combine options transactions and margin lending, made possible by a designated options account with your broker linked to your Leveraged Equities Margin Loan Account. This gives you access to any available funds within your Margin Loan Account, to settle option purchases or to meet any margin requirements for sold option positions.

It also allows you to purchase put options as tailored protection for your geared portfolio and borrow up to 95% of the put option exercise value, where the equivalent underlying shares are also held. The *FirstOption* facility can accommodate options transactions as follows:

- Writing Call Options
- Purchasing Call Options
- Writing Put Options
- Purchasing Put Options

What are some of the strategies possible with *FirstOption*?

- *Generating Income;*
Write call options to generate income using underlying shares from within your Margin Loan as collateral for this position.
- *Protecting Existing Holdings;*
Purchase shares to be held in your Margin Loan and use bought put options as a hedging tool.
- *Protected Buy/Write;*
Buy shares to be held in your Margin Loan using bought put options as a hedging tool, whilst simultaneously writing call options against these shares to generate income.
- *Cash Covered Option positions;*
Buy or sell options to establish positions in their own right within your linked options account, and use funds from your Margin Loan to meet any payments or cash margins required.

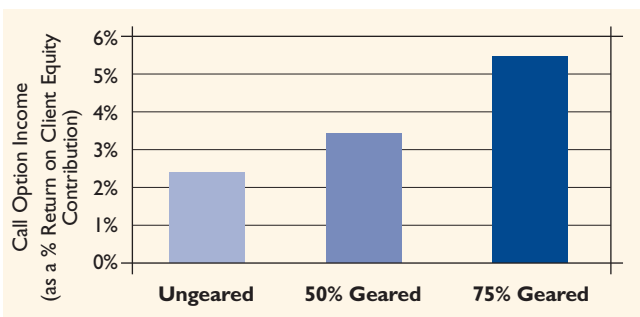
This is not investment advice. Prospective investors should consider all risk factors including those set out in the risks section on page 3 of this Brochure, and should seek their own financial advice.

How can *FirstOption* increase your potential returns?

Writing (selling) call options against shares you own can be a way of increasing the total income received from your share portfolio. It can be a particularly effective strategy where you perceive that the market or a particular stock will be relatively flat, or down, in the short to medium term.

FirstOption allows you to write call options using underlying approved shares held as security within your Margin Loan Account. Therefore, if you decide to increase the size of your portfolio through margin lending (ie increase your “gearing” on the share portfolio), you can also increase the potential income received by writing more call options.

As the example overpage illustrates, this gives you the potential to earn income by writing call options (shown here as a percentage on your original equity contribution) before any gains due to underlying share price movements are considered.



Client Gearing Level	Ungeared	50% Geared	75% Geared
Shares	BHP	BHP	BHP
Number of Shares	1,000	2,000	4,000
Share Price*	\$11.83	\$11.83	\$11.83
Loan Balance	\$0.00	\$11,830.00	\$35,490.00
Client Contribution	\$11,830.00	\$11,830.00	\$11,830.00
Total Value of Shares	\$11,830.00	\$23,660.00	\$47,320.00
Call Option Series	BHP March 2004 \$12.50 Call Option	BHP March 2004 \$12.50 Call Option	BHP March 2004 \$12.50 Call Option
Bid	\$0.285	\$0.285	\$0.285
Income Generated from Call Option Sale	\$285.00	\$570.00	\$1,140.00
Interest Expense on Loan Amount	0	\$166.41	\$499.24
Net Income Generated (Income minus Interest Expense)	\$285.00	\$403.59	\$640.76
Call Option Income (as a % Return on Client Equity Contribution)	2.41%	3.41%	5.42%

Assumptions: Client equity contribution \$11,830.00. Based on Leveraged Equities' interest rate as at 22 January 2004 of 8.15% p.a. Period for interest calculation is 63 days from 22 January 2004 to 25 March 2004. The above example is used for illustrative purposes only. This example does not include expenses such as brokerage, Australian Clearing House (ACH) fees, capital gains tax or other fees which may apply. *Share price as at 22 January 2004.

How can FirstOption reduce my risk?

Establishing a geared portfolio is an effective method of increasing your total exposure to the share market,

however it multiplies the effect of both rising and falling share prices. If you are concerned about falls in the value of your shares, FirstOption allows you to buy put options for use as protection against downward price movements within a geared portfolio (subject to available funds in your Margin Loan Account).

Where your account has both a shareholding and equivalent bought put options as protection, Leveraged Equities will lend you up to 95% of the put option exercise price.

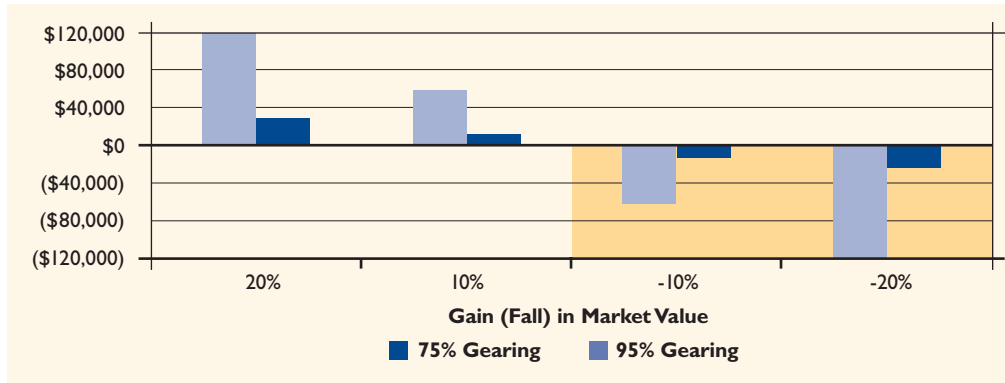
This protection can decrease the equity contribution required by you to buy the underlying shares and therefore, assist in generating additional leverage for your portfolio.

For example, on the 14/04/04, if you purchased 10,000 BHP Billiton Limited (BHP) shares at \$12.23 as a conventional margin lending holding, you would be expected to contribute \$30,575. However if you bought BHP MAY 2004 \$12.50 put options at 45.5 cents as protection simultaneously, you would have to contribute just \$8,100, as the table below illustrates.

Client Gearing Level	75% Geared	put protection
Shares	BHP	BHP
Number of Shares	10,000	10,000
Share Price*	\$12.23	\$12.23
Total Value of Share Price	\$122,300	\$122,300
Loan Balance	\$91,725	\$118,750
Client Equity Contribution required	\$30,575 (25% of 122,300)	\$3,550 (122,300 - 118,750)
Put Option (BHP May 04 \$12.50) offer price		\$0.455
Put Option purchase price 10000 x \$0.455		\$4,550
Put Option security value (95% x \$12.50 x 10000)		\$118,750
Total client contribution required	\$30,575	\$8,100

This protection can be completely tailored by you, in terms of the put option exercise price and expiry date, to suit your level of risk. The graph opposite shows the down side risk in the market that can be protected against any shares with underlying exchange traded options issued against them.

Gains/Losses based on a \$30,000 Equity Investment.



Leveraging an investment multiplies the effect of both rising and falling security values.

However, downward price movements can be protected against using put options as a hedging tool.

What are the main features of FirstOption?

- Borrow up to 95% of the put option exercise price where equivalent underlying shares are also held in the same name on the Margin Loan Account.
- Use available funds from within your Margin Loan Account, to settle options transactions or for margin requirements on your linked options account with your broker.
- Leveraged Equities will debit your margin loan account for any interim cash margins on your behalf, where the call option sale settles before the purchase of underlying shares to be used as collateral. These cash margins are returned when the shares are lodged as collateral.
- Write call options over protected holdings.
- No minimum trade size for options or equities.
- Use the broker of your choice to execute share and option trades (provided that the broker has entered into an agreement with us).

What are the risks I should be aware of when using FirstOption?

Trading in options can lead to losses.

- The price movement of an option may be greater, in percentage terms, than the price of the underlying share. While this means that you can make large percentage profits from option trades, it also means that if your view is incorrect, your losses in percentage terms will be correspondingly large.
- Written options may be exercised at any time. If exercised, you will have to sell underlying shares at the

exercise price of the call option or have to buy shares at the exercise price of the put option.

- On the expiry of put options used as protection for underlying share holdings, the market price of these shares may have fallen significantly from the original purchase price. The result may be a margin call on your margin loan.
- When writing options using cash as cover, or purchasing options, you may instruct your broker to request funds from your Leveraged Equities Margin Loan Account to be used as cover or to satisfy the purchase price. Funds will only be transferred provided you have sufficient funds in your account with us.

This Brochure does not take into account your investment objectives, financial situation and particular needs. It is important that you read the entire Brochure before deciding to use the FirstOption facility. In particular, it is important that you consider the risk factors involved with trading options. You should carefully consider these factors in light of your particular investment needs, objectives and financial circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether the FirstOption facility is suitable for you. Prospective investors should consider all risk factors including those set out above. The list of risk factors is not in any way intended to be a comprehensive list of all risks of the FirstOption facility.

What are the conditions of use?

Conditions of use are set out in the *FirstOption* Agreement. These include, amongst others, the following.

- You and each Guarantor may only use the *FirstOption* facility for the purpose of trading exchange traded options.
- Where call options are written your account will be required to maintain a margin reservation. This reservation will be calculated as 105% of the call option buy back price. The amount outstanding under your Margin Loan Account, when added to the margin reservation, must not exceed the amount able to be borrowed by you under your Margin Loan Account.
- You must nominate a broker to use for the purposes of entering into options trades. The broker you nominate must be acceptable to us and must have complied with all our requirements.
- Leveraged Equities authorisation is required prior to writing (to open) a call option or prior to writing (to close) an open put position. Your broker will arrange this.
- Call options written over securities protected either by Share Protection Plan or *FirstOption*, must have an exercise price higher than that of the purchased put options used as protection. The written call options must also have an expiry date, which is the same, or earlier than the put options bought under the Share Protection Plan or *FirstOption*.
- Your broker must lodge cover with the ACH as required from time to time.
- In the event that you fail to meet a margin call, Leveraged Equities may perform options transactions, sell the underlying shares used as collateral to rectify the shortfall, or sell any other secured property.

You acknowledge that you have read and understood a copy of the current explanatory booklet published by ASX titled “Understanding Options Trading” or any other material required by the ASX, given to be given to you by your broker.

How do I get started?

- If you are a new client, open a Leveraged Equities Margin Loan Account by reading our brochure, completing the application form and returning it to Leveraged Equities.
- All clients, both new and existing, are required to complete the attached *FirstOption* application form and return it to Leveraged Equities.
- We will then forward you a copy of the ACH Master Priority Deed. You will be required to complete Schedule 2 of the Deed, which when executed forms the basis of an agreement between yourself, Leveraged Equities Ltd, your nominated broker and the ACH.
- Open an Options Account with your broker. This is to be designated as a Leveraged Equities Options Account.

Leveraged Equities will confirm when your facility is active.

Glossary of terms.

Exchange Traded Options:

A contract between two parties giving the taker (buyer) the right, but not the obligation, to buy or sell a parcel of shares at a predetermined price possibly on, or before a predetermined date. To attain this right the taker pays a premium to the writer (seller) of the contract. Exchange traded options derive their value from that of the underlying shares.

Call Options:

A contract that entitles the taker (buyer) to buy a fixed number of the underlying shares at a particular price (the exercise price) on or before the expiry date for that particular option series.

Cover:

This is the amount of cash or shares that are required to be deposited by an option writer with their broker in respect of a sold option position that the writer has established. It is an amount calculated by the Australian Clearing House (ACH) as necessary to cover the risk of financial loss due to adverse movements in the market for the underlying shares and the associated options. Sold call options may also use underlying shares as cover on a one-for-one basis (e.g sell 1,000 BHP call options and lodge 1,000 BHP shares as cover) - this is known as specific collateral.

Exercise:

The buyer (taker) exercises the right to buy or sell the underlying shares pertaining to an option contract. Exchange traded options over ASX listed shares are American style options, this means that the buyer has the right to exercise them at any time up until expiry.

Expiry date:

This is the date on which all unexercised options in a particular series (specific to each month) expire. It is usually close of business on the last Thursday of each month.

In the money:

If the exercise price of a call option is below the current market price of the underlying shares then the call option is said to be “in the money”. If the exercise price of a put option is above the current market price of the underlying shares then the put option is said to be “in the money”.

Out of the money:

If the exercise price of a call option is above the current market price of the underlying shares then the call option is said to be “out of the money”. If the exercise price of a put option is below the current market price of the underlying shares then the put option is said to be “out of the money”.

At the money:

If the current share price is equal to the exercise price of the put or call option then those options are said to be “at the money”.

Put Options:

A contract that entitles the taker (buyer) to sell a fixed number of the underlying shares at a particular price (the exercise price) on or before the expiry date for that particular option series.

FirstOption Agreement.

FirstOption Agreement

This *FirstOption Agreement* is supplementary to the *Agreement* between you and Leveraged Equities in relation to your *Margin Loan Account* and is to be read in conjunction with that *Agreement* except that, to the extent of any inconsistency in relation to the *FirstOption Facility*, the terms of this *FirstOption Agreement* shall prevail.

This *FirstOption Agreement* sets out the terms and conditions under which we agree to permit you and each *Guarantor* to use your margin lending facility in connection with the trading of the following *Options*:

- (a) written *Call Options* over certain Securities which you or the *Guarantor* hold under the Sponsorship Agreement;
 - (b) purchased *Call Options*;
 - (c) written *Put Options*; and
 - (d) purchased *Put Options*,
- (the **FirstOption Facility**).

we, us or **our** means Leveraged Equities Ltd ABN 26 051 629 282, our successors and anyone we assign our rights to; and

you or **your** is a reference to the *Borrower*.

The meaning of words printed like *This* is set out in Clause 7 of this *FirstOption Agreement* and otherwise has the meaning set out in your *Margin Loan Agreement*.

1. FirstOption Facility

1.1 FirstOption Facility

Subject to Clause 1.3, we will permit you and each *Guarantor* to use your margin lending facility in relation to the trading of *Options* provided you and the *Guarantor* satisfy certain conditions. You or the *Guarantor* may utilise the facility by following the procedures outlined in this *FirstOption Agreement* and as notified to you from time to time.

1.2 Notice

You or the *Guarantor* (also referred to in this agreement as "The *Trader*") must notify us if you wish to utilise the margin loan facility for this purpose. That notice must:

- (a) nominate to us the *Broker* that the *Trader* wishes to use for the purposes of entering into *Options Market Transactions*;

(b) be accompanied by:

- (i) an *ACH Acknowledgment* duly signed by the *Trader*; and
- (ii) any other document required by *ACH* of which we notify you and the *Guarantor* of from time to time.

1.3 Conditions

We will only allow the *Trader* to utilise the facility if upon execution of this *FirstOption Agreement*, immediately before entering into each *Option Market Transaction*, and immediately before each draw-down under your *Margin Loan Account* and each lodgement of *Cash Cover*:

- (a) you and the *Guarantor* are not in default under any *Transaction Document*;
- (b) you have satisfied all of the requirements necessary before we will lend you money under the *Agreement*;
- (c) the amount then outstanding under the *Transaction Documents*, when added to the *Option Margin*, will not exceed the *Available Credit*
- (d) you and each *Guarantor* (if any) have signed the *ACH Acknowledgment* and returned it to us;
- (e) you and the *Guarantor* have given us any approval, document or information which we reasonably request which is satisfactory to us (including as to its stamping and registration);
- (f) the *Broker* nominated by the *Trader*:
 - (i) is acceptable to us; and
 - (ii) has complied with all our requirements in connection with the provision of this facility;
- (g) a *Client Agreement* has been entered into with the *Broker* with the *Trader* as client or in the case of a written *Call Option* where the *Underlying Securities* are held by another *Borrower* or *Guarantor*, with that *Borrower* or *Guarantor* as client;
- (h) you and the *Guarantor* have authorised us to obtain any information from the *Broker* as we may, in our absolute discretion, require or request;
- (i) you have paid to us, the *Nominee* or the *Broker* (as the case may be) any fees required to be paid under the terms of this agreement or the *Client Agreement*; and
- (j) we have not cancelled the *FirstOption Facility*, which we may, in our absolute discretion, do at any time.

1.4 Buy-back open position on termination

If we cancel the *FirstOption* Facility or it is otherwise terminated, you or the *Guarantor* must *Close Out* any open position within 5 *Business Days* of receipt of written request by us.

2. When you made trade Options

2.1 Purpose of *FirstOption* Facility

You and each *Guarantor* may only use the *FirstOption* Facility for the purpose of trading certain *Options*. To do so you must have opened a *Client Account* with the *Broker*. For this purpose, a reference to *Client Account* may be to an account in your name, a *Guarantor's* name, or in joint names. Unless you give us written notice otherwise, it will be assumed that any transactions performed on those *Client Accounts* have been authorised in accordance with clause 2.7.

2.2 Purchasing Options

- (a) *Options* may only be purchased through the *Broker* in the same name as the *Trader's Client Account* and provided we determine in our absolute discretion that there are sufficient funds, if required, in your *Margin Loan Account* (subject to the adjusted value of *Secured Property* under clause 6.3(q)) to acquire the *Options*.
- (b) Purchased *Put Options* may be treated by us in our absolute discretion as *Additional Securities* under your margin lending facility, provided that you also hold an equivalent number of *Underlying Securities* in relation to that *Put Option*. The *Put Option* and the relevant *Underlying Security* will be valued for *Security Value* purposes in such manner as determined and notified to you, in our absolute discretion, from time to time.

2.3 Writing Put Options

- (a) You may only write a *Put Option* through the *Broker* in the same name as the *Trader's Client Account* and provided we determine in our absolute discretion that there are sufficient funds, if required, in your *Margin Loan Account* to enable the *Cash Cover* to be lodged.
- (b) If the writing of a *Put Option* will *Close Out* a corresponding *Open Position*, you may only *Close Out* the *Put Option* if we have authorised the trade.

2.4 Writing Call Options

- (a) You may only write a *Call Option* if:
 - (i) it is in respect of *Underlying Securities* which:
 - (A) are part of the *Secured Property* and wholly owned by the *Trader* in the same name as the *Trader's Client Account* with the *Broker*; or
 - (B) the *Trader* has purchased through the *Broker* in the same name as the *Trader's Client Account* with the *Broker* and we determine that there are sufficient funds in your *Margin Loan Account* (subject to the adjusted value of *Secured Property* under clause 6.3(q)) with us to settle the relevant purchase contract note and to provide *Cash Cover* to the *Broker*, if required; and
 - (ii) we have authorised the trade.
- (b) Where the *Underlying Securities* include *Protected Securities*, you can only write a *Call Option* if the *Call Option*:
 - (i) has an *Exercise Price* which is greater than the *Protected Price* of the relevant *Underlying Securities*; and
 - (ii) has an *Expiry Date* on or before the date on which the *Share Protection Plan* in respect of the relevant *Protected Securities* is to end; and

2.5 Authorisation

Where we have authorised a trade, that authorisation expires at 8.00pm Eastern Standard Time on the following *Business Day*.

2.6 Procedures

Options may only be traded by the *Trader* and executed by the relevant *Broker* in accordance with the *Procedures*.

2.7 Authority to operate on a Client Account

Each *Borrower* and each *Guarantor* irrevocably authorises for all purposes each other *Borrower* and *Guarantor* to operate on any *Client Account* referred to in clause 2.1.

3. What you agree to do

3.1 What you agree to do

You and each *Guarantor* each agree to do the following:

- (a) **(Lodgement of securities)** irrevocably direct and authorise us or the *Nominee* (as the case may be) to

lodge any part of the *Secured Property* with the *ACH* or the *Broker* (as the case may be), immediately upon instruction from the *Broker* or request from the *ACH* in relation your *Client Account* including upon receipt by us of an *ACH Security Form* in respect of any *Call Option* you or the *Guarantor* (as the case may be) write with the *Broker*;

- (b) **(Acceptable collateral)** deposit or lodge with the *Broker* if we, the *Nominee* or the *Broker* request, such *Acceptable Collateral* as and when required under the *Client Agreement* to enable the *Broker* to meet its obligations under the *ASX Rules* to provide *Cover*;
- (c) **(Cash Cover)** irrevocably direct and authorise us to make additional drawdowns on your *Margin Loan Account* in such amounts for the provision of *Cash Cover* as required on your *Client Account* from time to time;
- (d) **(Notification)** immediately notify us if you are unable to comply with your obligations under clause 3.1(c); and
- (e) **(Payment of Premium)** do all that is necessary to ensure that any *Premium* payable to the *Trader* in connection with an *Option* is paid directly into the *Margin Loan Account*;

and the direction and authority in paragraphs (a) and (c) is taken to be given by this *FirstOption Agreement*.

3.2 Secured Property lodged

For the avoidance of doubt, *Secured Property* which is lodged pursuant to clause 3.1(a) shall not be used as security or *Cover* for any *Option Contracts* other than specific cover *Options* written by you or the *Guarantor* pursuant to clause 2.4.

4. Fees

You must pay us:

- (a) the fee we specify from time to time for providing the *FirstOption Facility*;
- (b) in addition to the fee specified under clause 4(a), a fee we may specify from time to time where the number of *Option* trades on your *Client Account* exceeds in any month the number we specify from time to time.
- (c) our *Costs* incurred in connection with this *FirstOption Agreement*, including any taxes, duties, fees or fines we

have to pay or amounts the *ACH* requires us to pay in connection with the lodgment of *Secured Property* with the *ACH*.

5. What we may do

You and the *Guarantor* each agree to the following.

- (a) **(Lodgment of securities)** If we receive any instructions or requests from the *Broker* in relation to your *Client Account*, including an *ACH Security Form*, we may instruct the *Nominee* or *Sponsor*, as appropriate, to lodge any *Secured Property* with *ACH*, or with the *Broker* for lodgment with the *ACH*, in support of the *Trader's* obligations under the *Client Agreement* or *Call Options*;
- (b) **(Close-Out Option transactions)** If you are in default under any *Transaction Document*, we may, without notification, do all things necessary to:
 - (i) *Close Out* any *Option* at your expense;
 - (ii) sell *Underlying Securities*; and
 - (iii) sell any other *Secured Property*.
- (c) **(Perform option trades)** We may enter into any other *Option Contract* on your behalf when reasonably necessary for the protection of the *Secured Property*.
- (d) **(Receipt of premium)** Any *Premium* payable to you in connection with an *Option* that has been paid to us will be credited to your *Margin Loan Account*;
- (e) **(Instructions)** We may instruct the *Broker* in relation to any *Option* you or the *Guarantor* have written or purchased on your *Client Account*, including, without limitation, instructing the *Broker* to *Close Out* or exercise an *Option*.
- (f) **(Make payments)** Subject to your *Margin Loan Account* having sufficient available funds, you and the *Guarantor* each irrevocably authorise and direct us to:
 - (i) provide *Cash Cover* to the *ACH*, or to the *Broker* to lodge with the *ACH* (as the case may be), in respect of any *Option* you or a *Guarantor* write;
 - (ii) pay any amount owing to the *ACH* under or in connection with the *Master Deed of Priority*;
 - (iii) pay the *Broker* any amount you or a *Guarantor* owe the *Broker* under the *Client Agreement*; and
 - (iv) pay the *Broker* any amount required to reduce any debit balance in your or a *Guarantor's Client Account* to nil;

and you and the *Guarantor* acknowledge that any such amount and any amounts payable under clause 4 (including any such amounts payable by or on behalf of a *Guarantor*) will be debited directly to your *Margin Loan Account*.

(g) **(Debit your account)**

(i) subject to the other terms of this *FirstOption Agreement*, you and the *Guarantor* each irrevocably authorise and direct us, to permit, in our absolute discretion, one or more of your *Brokers* to debit to your *Margin Loan Account* with us:

- (A) any liability of you or the *Guarantor* in respect of an *Open Position* for an *Options Contract*;
- (B) any liability of you or the *Guarantor* in respect of *Cover* for an *Options Contract*; and
- (C) any costs and expenses for which you or the *Guarantor* are responsible in relation to an *Options Contract*.

(ii) Notwithstanding anything in this *FirstOption Agreement*, we are under no obligation to you or the *Guarantor* to continue the arrangement described in 5(g)(i) and you acknowledge and agree that we may enter into other payment arrangements with the *Broker*, consistent with the terms of this *FirstOption Agreement* without notifying you or the *Guarantor* of such arrangements;

(h) **(Settlement delivery)** Where *Underlying Securities* form part of the *Secured Property*, at your request and upon our acceptance (in our absolute discretion), we may direct the *Sponsor* to cause delivery of such *Underlying Securities* upon exercise by you of a *Put Option* purchased by you.

6. Declarations, undertakings and acknowledgments

6.1 Representations and warranties

You and the *Guarantor* each repeat for our benefit all the representations, warranties, declarations, acknowledgments you have made in both the *Client Agreement* and Clause 53 of the *Agreement* and further represent and warrant as follows:

- (a) **(Client agreement)** You and the *Guarantor* are able to fulfil all obligations under the *Client Agreement*.
- (b) **(Collateral)** You and the *Guarantor* solely own any *Acceptable Collateral* lodged or deposited with the *ACH*

or a *Broker* in accordance with the terms of this *FirstOption Agreement* and any such securities are held in the same name as the relevant *Client Account* with the *Broker*.

- (c) **(Other rights)** No-one else has any rights affecting any *Acceptable Collateral* (such as other mortgages or the rights of a beneficiary under a trust).
- (d) **(Explanatory Booklet)** You and each other party to your *Margin Loan Account* and each *Guarantor* have received from your *Broker* or by other means and have read and understood a copy of the current *Explanatory Booklet* and any relevant product disclosure document issued by your *Broker* and any other material required by the *ASX* to be given to you by your *Broker*.

6.2 Undertakings

You and the *Guarantor* each undertake as follows.

- (a) **(Undertakings)** You and the *Guarantor* will give the undertakings set out in Clause 54 of the *Agreement*.
- (b) **(No other security)** You and the *Guarantor* will ensure that no-one else obtains any rights over *Acceptable Collateral* lodged or deposited by you or the *Guarantor* with the *ACH* or the *Broker* (as the case may be) under the terms of this *FirstOption Agreement*.
- (c) **(Instructions)** You and the *Guarantor* will not give any instructions to the *Broker* which are inconsistent with any instruction given by us to the *Broker*.

6.3 Acknowledgements

You and the *Guarantor* each acknowledge the following.

- (a) **(Transactions)** You and the *Guarantor* are bound by the *ASX Rules* and the *Procedures*, customs, usages and practices of *ASX* insofar as they apply to *Option Contracts* traded on *ASX* by the *Broker* on your behalf.
- (b) **(Transaction Document)** This *FirstOption Agreement* is a *Transaction Document* for the purpose of the definition of *Agreement* in the *Agreement*.
- (c) **(Instructions irrevocable)** All instructions, authorisations and directions given by you or the *Guarantor* (as the case may be) to us or on your or the *Guarantor's* behalf (including standing instructions given in this *FirstOption Agreement*) are irrevocable.

- (d) **(Underlying securities)** *Options* can only be written in respect of certain shares selected by *ACH* from time to time.
- (e) **(Payment of premium)** Any *Premium* payable to you or the *Guarantor* in connection with an *Option* must be paid directly into your *Margin Loan Account*.
- (f) **(Collateral to ACH)** All *Collateral* is held by *ACH* as security for the performance by the *Broker* of its obligations to *ACH*.
- (g) **(Risk of loss)** Entry into *Option Contracts* incurs the risk of loss as well as the prospect of profit. The risk of loss in trading in *Option Contracts* can be substantial and you and the *Guarantor* acknowledge that you have each given consideration to relevant objectives, including your investment objectives, your financial situation and particular needs, and have each formed the opinion that entering into *Option Contracts* and this *FirstOption Agreement* is suitable for your purposes.
- (h) **(Powers of ACH)** If for any reason *ACH* is not entitled to deal with *Cover* in or towards satisfaction of the *Broker's* obligations to the *ACH* in respect of the *Trader's Client Account*, the *ACH* may retain and refuse to release any *Cover* until those obligations of the *Broker* to *ACH* have been fully satisfied.
- (i) **(Protected Securities)** If you or the *Guarantor* write a *Call Option* for which the *Underlying Securities* are *Protected Securities* and that *Call Option* is exercised, any amounts payable under your *Share Protection Plan* in respect of those *Securities* will remain payable for the term agreed to under your *Share Protection Plan* despite the transfer of those *Securities* out of your name pursuant to the exercise of the *Call Option*.
- (j) **(Our right to refuse to deal)** We may at any time refuse to deal in, or limit or impose conditions on your or the *Guarantor's* dealings in, *Options* under this agreement. We will notify you of any refusal, limitation or condition as soon as practicable. This agreement does not oblige either you, the *Guarantor* or us to deal in any *Options*.
- (k) **(Information)** We may receive from a *Broker* copies of any information given to you or a *Guarantor* (as the case may be) in relation to your or the *Guarantor's* *Client Account*.
- (l) **(Suspension)** Where *Underlying Securities* have been suspended, the *Security Value* of any *Option* you may have over such *Underlying Securities* may be reduced by us to nil.
- (m) **(Corporate action)** In the event of any corporate action, including, without limitation, any takeover, buy-back, bonus issue, rights issue, reduction of capital, subdivision, consolidation, reconstruction or re-organisation of *Underlying Securities*, your open position will be adjusted in accordance with the adjustments under the *ASX Rules*.
- (n) **(Risk Disclosure Statement)** You and the *Guarantor* acknowledge that:
- (i) you and the *Guarantor* have read and understood the *Risk Disclosure Statement*;
 - (ii) we have not prepared any of the *Explanatory Booklet* or the *Risk Disclosure Statement*; and
 - (iii) you and the *Guarantor* will not rely on the *Explanatory Booklet* or *Risk Disclosure Statement* as a complete explanation of the risks involved in *Options* trading.
- (o) **(No Personal Recommendations)** You and the *Guarantor* acknowledge that:
- (i) we have not provided you or the *Guarantor* with personal recommendations or advice based on your or the *Guarantor's* investment objectives, financial position and particular needs. This means that you and the *Guarantor* do not rely on any information which we have provided to you and, you must make your own decisions or seek advice from your financial, legal or other professional adviser, on whether *Options* or the *FirstOption Facility* suit you or the *Guarantor's* needs; and
 - (ii) subject to the *Corporations Act*, we will not be liable to you or the *Guarantor* if any *Option* or the *FirstOption Facility* does not suit your needs.
- (p) **(Auto-Exercise)** You and the *Guarantor* acknowledge that:
- (i) we are under no obligation or duty to you or the *Guarantor* to exercise any *Option* which is *In The Money*; and
 - (ii) we may separately require the *Broker* to ensure that all *In the Money Options* are automatically exercised prior to expiry.

(q) **(Value of secured property)** For the purposes of determining the value of the *Secured Property* on any date in connection with the *Borrower's* obligations under the *Agreement*, the value of that *Secured Property* will be reduced by the aggregate of:

- (i) *Close Out* price of any *Option* for which *Cash Cover* has been provided, or for which that *Secured Property* has been provided as *Cover*; plus
- (ii) the *Option Margin* in respect of that *Option*.

(r) **(Additional Security)** The *Client Account* is *Additional Security* under the *Agreement* and clause 8 of the *Mortgage Terms*.

(s) **(full recourse)** Notwithstanding any provision in this *FirstOption Agreement* to the contrary, where:

- (i) any *Option* written or bought by you or the *Guarantor* is suspended; or
- (ii) trading in such *Option* has restricted your liability to us under the *FirstOption Facility*,

we may have full recourse against you and the *Guarantor* in respect of those *Option* trades.

(t) **(No consent)** Nothing in this *FirstOption Agreement* will be taken to be a permission or consent for the purposes of the *Agreement*.

6.4 Guarantor Consent

Each *Guarantor*:

- (a) consents to the *Borrower* entering into this *FirstOption Agreement*; and
- (b) confirms that its obligations as guarantor under the *Agreement* are continuing.

7. Nominee

7.1 What the Nominee may do

If the *Nominee* holds *Securities* on your or the *Guarantor's* behalf, the *Nominee* may, but is not obliged to:

- (a) deposit or lodge with the *Broker* such *Acceptable Collateral* as and when required under the *Client Agreement* to protect the *Broker* against its obligations under the *Rules* to provide *Cover*;
- (b) instruct the *Broker* or perform any of the functions authorised under clause 7.2 of this *FirstOption Agreement* in relation to any *Option* you have written or your *Client Account*;

(c) complete an *ACH Acknowledgment* in relation to any *Securities* it holds on your or the *Guarantor's* behalf (as the case may be) or a *Client Account*, or

(d) instruct the *Sponsor* to facilitate settlement delivery of *Underlying Securities* in the event that you exercise a *Put Option* and we have directed the *Sponsor* to deliver *Underlying Securities* in accordance with clause 5(h).

7.2 Nominee to enter Client Agreement

If we require any *Option* to be written, or *Underlying Securities* to be held, by a *Nominee* then you and the *Guarantor* each authorise the *Nominee*, as agent and on your or the *Guarantor's* behalf (as the case may be) to:

- (a) enter into a *Client Agreement* with the *Broker* nominated by you or the *Guarantor* (as the case may be);
- (b) sign any *Risk Disclosure Statement* that the *Broker* requires you to sign in connection with the *Client Agreement*; and
- (c) give in favour of the *Broker* any indemnity required by the *Broker* in connection with the *Client Agreement*.

7.3 Client Account

The *Nominee* will have the *Client Account* established under the *Client Agreement* styled “[client name], [a/c Leveraged Equities]”.

7.4 Nominee Indemnity

You indemnify the *Nominee* against, and therefore must pay it on demand for, all loss, *Cost*, damage or expense it suffers or incurs in relation to acting as your *Nominee*, except to the extent that such loss, *Cost*, damage or expense are caused by the fraud or gross negligence of the *Nominee*.

8. Indemnity

You and the *Guarantor* jointly and severally indemnify us against any loss, *Cost*, damage or expense we suffer or incur in respect of or arising out of:

- (a) any dealing in an *Option* or *Underlying Securities* by you or the *Guarantor* or performed on your behalf under 5(b) or 5(c);
- (b) our reliance on any instruction authority or direction contemplated in this agreement;
- (c) any failure by you or the *Guarantor* to comply with this agreement;
- (d) any payment we make under clause 5(f);

- (e) any liability of you or the *Guarantor* debited to the relevant *Margin Loan Account* (under 5(g)); and
- (f) us permitting the relevant *Margin Loan Account* to be used for the debiting of amounts in respect of *Options Contracts* under the arrangements described in 5(g).

This is a continuing indemnity and applies even if we have been negligent. It is not necessary for us to incur any expense or make any payment before enforcing that right to indemnity.

9. General matters

Clause 58 (Exercising our rights), 59 (Reinstatement of rights), 60 (Our certificates), 61 (Confidentiality), 62 (Charges and commissions), 63 (Variation), 64 (Authorised Representatives), 67 (Hedging), 68 (Set-off), 70 (GST), 71 (Assignment), 72 (Telephone recording), 75 (Notices and other communications), 78 (Arbitration), 79 (Accuracy of Information), and 80 (Applicable law and serving documents) of the *Agreement* apply as if set out in this *FirstOption Agreement*.

10. Definition and Interpretation

10.1 Introduction

In this *FirstOption Agreement*, unless defined below or the context otherwise requires, words printed like *This* shall have the same meaning as set out in clause 81 of the *Agreement* between you and Leveraged Equities Limited in relation to your *Margin Loan Account* and the *FirstOption Agreement* is to be interpreted according to any other interpretation provisions set out in Clause 81 of the *Agreement*.

10.2 Definitions

ACH means Australian Clearing House Pty Limited (ABN 48 001 314 503) or any other body performing substantially the same functions as the Australian Clearing House Pty Limited.

ACH Acknowledgement means the acknowledgement set out in Schedule II to the *Master Deed of Priority* to be entered into between the *ACH* and us in relation to the priority of interests in the *Secured Property* or such other documents or acknowledgements the *ACH* requires from you or the *Guarantor* in connection with such priority arrangements from time to time.

Acceptable Collateral means property which we agree to being *Collateral*.

ACH Clearing Rules means the operating rules of the *ACH*.

ACH Security Form means a Form C2 or any other notice required by the *ACH* which is received from the *Broker* and sets out the *Securities* required to be lodged with, or withdrawn from, the *ACH* being *Collateral* for an *Option*.

Agreement means the *Margin Loan Agreement* executed or to be executed on behalf of each *Borrower* and *Guarantor* pursuant to the original *Application Form* or relating to the *Margin Loan Account*, being the *Application Form* or *Margin Loan Account*, identified in the *FirstOption Application Form* and for all purposes under the *Margin Loan Agreement* and this *FirstOption Agreement*.

ASTC Settlement Rules means the operating rules of the settlement facility ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

ASX means the Australian Stock Exchange Limited (ABN 48 008 624 691).

ASX Market Rules means the operating rules of the ASX.

ASX Rules means the *ASX Market Rules*, the *ASTC Settlement Rules* and the *ACH Clearing Rules*.

Available Credit means the amount able to be borrowed by you under your *Margin Loan Account*.

Broker means the *Market Participant* you have a *Client Agreement* with to trade *Options* and, where the context requires, means the person who the *Nominee* is authorised to enter into a *Client Agreement* with under clause 7.2.

Call Option has the meaning as defined under the *ACH Clearing Rules*.

Cash Cover has the meaning in the *ACH Clearing Rules*.

Client Account has the meaning in the *ACH Clearing Rules*, and extends to any account referred to in clause 2.1.

Client Agreement has the meaning in the *ACH Clearing Rules* and, where the context requires, means the client agreement entered into between the *Broker* and the *Nominee* on your behalf.

Close Out has the meaning in the *ACH Clearing Rules*.

Close Out Price means the amount which you must pay to *Close Out* an *Option*;

Collateral has the meaning in the *ACH Clearing Rules*.

Cover means *Cash Cover* and *Collateral*.

Exercise Price has the meaning in the *ACH Clearing Rules*.

Expiry Date has the meaning in the *ACH Clearing Rules*.

Explanatory Booklet means a booklet published by ASX titled “Understanding Options Trading”.

In the Money means, for a *Call Option*, when the exercise price of the *Call Option* is below the current *Market Price* of the underlying shares, and for a *Put Option*, when the exercise price of a *Put Option* is above the current *Market Price* of the underlying shares.

Margin Loan Account means the borrowing facility established under the *Agreement*.

Market Participant has the meaning given in the *ACH Clearing Rules*.

Market Price means for a *Security* the lower of the last sale price or the buyer bid for that *Security* on the *ASX*.

Master Deed of Priority means the deed of priority to be entered into between us and the *ACH* in relation to the priority of interests in *Securities* lodged with the *ACH* as *Collateral*.

Open position means the aggregate of any contingent liability which has or may arise in connection with an *Option Contract* which has not expired, been exercised, closed out or terminated.

Option means a *Call Option*, and *Put Option* and any other type of *Option Contract* we notify you from time to time.

Option Contract means any *Option Contract*, whether purchased or written by you or the *Guarantor* entered into through the *ACH*.

Option Margin means, on a given day, in respect of:

- (i) a written *Call Option*, an amount equal to 5% of the Close Out Price of the *Call Option* on that day; and
- (ii) a written *Put Option*, or any other situation where Cash Cover is provided, an amount equal to 5% of the Close Out Price of the *Put Option* on that day; and
- (iii) a bought *Put Option* or a bought *Call Option*, nil, or such other percentage of that amount we notify you from time to time.

Participant means a person admitted by *ACH* as a “Participant” under rule 3.1 of the *ACH Clearing Rules*.

Premium has the meaning in the *ACH Clearing Rules*.

Procedures means the procedures and requirements for the trading of *Options* required by us as notified to you and the *Guarantor* and your *Broker* from time to time.

Protected Price means in respect of *Protected Securities*, the price fixed as the minimum price of those securities under the *Share Protection Plan* from time to time.

Protected Securities means *Securities* in respect of which a minimum price has been fixed under the *Share Protection Plan* from time to time.

Put Option has the meaning as defined under the *ACH Clearing Rules*.

Risk Disclosure Statement means a risk disclosure statement that the *Broker* requires you or your agent to sign in connection with your entry into the *Client Agreement*.

Share Protection Plan means the product offered by us under which you may fix a minimum price of specific securities for a certain period.

Transaction Document means:

- (i) this *FirstOption Agreement*; and
- (ii) the *Agreement* (including any document which we or a related body corporate of us agree is a transaction document under the *Agreement*).

Trader means a *Borrower* or a *Guarantor*, in respect of their own *Client Account*, any *Client Account* jointly with any other *Borrower* or *Guarantor*, or a *Client Account* of another borrower or guarantor, in each case in accordance with the authority given by the *Borrower* or *Guarantor* in accordance with clause 2.7 of this *FirstOption Agreement*

Underlying Securities means the *Securities* which must be transferred upon the exercise of an *Option* including those held in your *Participant Sponsored Holdings* or lodged with the *ACH* or *Broker* as *Cover*.

we or us or our means Leveraged Equities Limited (ABN 26 051 629 282), its successors and anyone it assigns its rights to.

you or your means a reference to the *Borrower* or the *Guarantor* as applicable.

11. Execution by Attorney

Each *Attorney* executing this agreement states that he or she has no notice of revocation or suspension of his or her power of attorney.

THIS IS WHERE THE SIGNING CLAUSES WOULD APPEAR IN THE SIGNATURE COPIES OF THIS FIRSTOPTION AGREEMENT.



Leveraged Equities FirstOption Application Form.

PLEASE READ BEFORE COMPLETING APPLICATION.

This *FirstOption Application Form* is used by a *Borrower* and (if required) any *Guarantor* of the *Borrower's* obligations, to apply for a *FirstOption* facility offered by Leveraged Equities in relation to the margin loan facility of the *Borrower*.

Before you complete this *FirstOption Application Form*, you should read the *FirstOption Information* (including the Risk Disclosure) accompanying this *FirstOption Application Form*.

If you have any questions when completing this *FirstOption Application Form*, please contact us on 1300 307 807.

Words printed like *This* are defined in the *Agreement* for the Margin Loan Account. A copy of the *Agreement* was given to each of the *Borrower* and the *Guarantor* at or about the time they originally signed an Application Form incorporating a *Power of Attorney*. If either the *Borrower* or the *Guarantor* wants to see a copy of the *Agreement* before signing this *FirstOption Application Form*, you should request a copy from us.

Other words printed like *This* and used in this *FirstOption Application Form* have the following meanings:

- *Agreement* means the Margin Loan Agreement executed or to be executed on behalf of each *Borrower* and *Guarantor* pursuant to the original *Application Form* or relating to the Margin Loan Account, being the *Application Form* or Margin Loan Account, identified in this *FirstOption Application Form*;
- *Power of Attorney* means the power of attorney granted by each *Borrower* and *Guarantor* at the time of the original *Application Form*;
- *FirstOption Application Form* means the *Application Form* accompanying these instructions;
- *FirstOption Agreement* means the agreement for a *FirstOption* facility to be signed on behalf of the *Borrower* and the *Guarantor*, the terms and conditions of which are set out in the *FirstOption Information* accompanying this *FirstOption Application Form*;
- *FirstOption Information* means the product information relating to the *FirstOption* facility attached to this *Application Form*.

we, us or our means Leveraged Equities Ltd ABN 26 051 629 282, our successors and anyone we assign our rights to; and A reference to "you" or "your" means the person or persons, company or trustee whose details are set out under the signatures on this *FirstOption Application Form* overleaf.

PLEASE COMPLETE IN BLOCK LETTERS. IF YOU MAKE A MISTAKE ANYWHERE ON THE FORM
DO NOT USE CORRECTION FLUID – CROSS THE ERROR OUT ONCE IN PEN
AND HAVE ALL THE PEOPLE SIGNING THE APPLICATION INITIAL BESIDE THE ERROR.

Acknowledgement

You acknowledge and agree that, by signing this *FirstOption Application Form*, you have read and understood the *FirstOption Agreement* provided with this *FirstOption Application Form*. You acknowledge that you have not relied on any taxation, legal or financial advice from us and have sought independent taxation, legal and financial advice on the suitability of the product for you.

By each *Borrower* and *Guarantor* signing this *FirstOption Application Form*:

- you request us to make available to you the *FirstOption* facility;
- you agree that the *FirstOption* facility constitutes a new *Arrangement* for which each *Guarantor* is liable under the *Guarantee*, and each *Guarantor* consents to the *Borrower* entering into the *FirstOption* facility;
- you acknowledge that you have been given, and have read and agree to be bound by, the terms and conditions of the *FirstOption Agreement*, including the *FirstOption Information* accompanying this *FirstOption Application Form* and any Risk Disclosures included in that information;
- you direct each attorney under the *Power of Attorney* which you have previously given to us, to execute the *FirstOption Agreement* and to sell or otherwise deal with shares and other property pursuant to the *FirstOption Agreement* on your behalf;
- you request that we do not send you a signed copy of the *FirstOption Agreement*; and
- if you are a *Guarantor*, you are signing both as applicant for the *FirstOption* facility (if required) and as *Guarantor* for the *Borrower's* obligations under the *FirstOption* facility.

Leveraged Equities FirstOption Application Form.

DATE OF APPLICATION FORM / ACCOUNT & BROKER DETAILS

- (a) When this is being signed at the same time as a new application for a Margin Loan Account:

Date of Application Form: / /

- (b) When this is being signed after a Margin Loan Account is opened:

Account Number:

Account Name:

- (c) For the purpose of entering into the *FirstOption Agreement*, you must initially nominate a *Broker* for trading *Options* (subject to the terms of the *FirstOption Agreement*, you can add a *Broker* by giving us *Notice*):

Broker Name:

Broker Address:

Contact Person:

Fax Number:

DATE

Date: / /

INDIVIDUAL BORROWER 1

Signature:

Name:

Trust Name (if Applicable):

INDIVIDUAL BORROWER 2

Signature:

Name:

Trust Name (if Applicable):

COMPANY BORROWER

This *FirstOption Application Form* must be executed by the Company pursuant to its constitution.

Company Name:

ABN:

Trust Name (if Applicable):

Signature:

Signature:

Name:

Name:

Office Held (eg. Director/Secretary):

Office Held (eg. Director/Secretary):

Note – if a person is signing as Sole Director then tick the applicable box below:

Sole Director and Sole Secretary; or

Sole Director and there is no Company Secretary pursuant to section 204A(1) of the *Corporations Act*, and the constitution of the company does not require it to have a Company Secretary.

16 Company Seal (if required under constitution):

Leveraged Equities FirstOption Application Form.

INDIVIDUAL GUARANTOR 1

Signature:

Name:

Trust Name (if Applicable):

INDIVIDUAL GUARANTOR 2

Signature:

Name:

Trust Name (if Applicable):

COMPANY GUARANTOR

This FirstOption Application Form must be executed by the Company pursuant to its constitution.

Company Name:

ABN:

Trust Name (if Applicable):

Signature:

Signature:

Name:

Name:

Office Held (eg. Director/Secretary):

Office Held (eg. Director/Secretary):

Note – if a person is signing as Sole Director then tick the applicable box below:

Sole Director and Sole Secretary; or

Sole Director and there is no Company Secretary pursuant to section 204A(1) of the *Corporations Act*, and the constitution of the company does not require it to have a Company Secretary.

Company Seal (if required under constitution):

Tear along here

Leveraged Equities Limited, Level 3, 24 York Street, Sydney NSW 2000. GPO Box 5388, Sydney NSW 2001. Ph 1300 307 807 leveraged.com.au