

ASIC Benchmarks for Unlisted Debentures – Regulatory Guide 69

Mariner Credit Corporation Limited - Mariner Lifestyle Bonds

The Australian Securities and Investments Commission recently introduced *Regulatory Guide 69: Debentures – improving disclosure for retail investors*. The regulatory guide sets out guidelines for improved disclosure to investors to help them better understand and assess certain financial products

The following table describes these benchmarks and explains to what extent Mariner Credit Corporation Limited (the **Company**), as issuer of the Mariner Lifestyle Bonds (**Bonds**), satisfies them.

ASIC Benchmark	Compliance	Disclosure
<p>1 Equity capital</p> <p>All issuers should use the following equity capital benchmarks:</p> <p>(a) where more than a minor part of the issuer's activities is property development or lending funds directly or indirectly for property development—the issuer should maintain a minimum of 20% equity;</p> <p>(b) in all other cases—the issuer should maintain a minimum of 8% equity; and</p> <p>(c) the debenture issuer's equity ratio should be calculated as follows:</p> $\frac{\text{equity capital}}{\text{total debt} + \text{equity capital}}$	Satisfied	<p>The Company does not engage in, or lend funds for, property development. Consequently, the relevant equity benchmark ratio is 8%.</p> <p>As at 31 January 2008, the Company's equity ratio is 40.9% which is significantly more than the benchmark of 8%.</p> <p>Under the Trust Deed for the Bonds, the Company must maintain an asset to liability ratio at all times of at least 112%.</p> <p>Further, the Company's risk management policies require that an additional 6% buffer be provided so that the asset to liability ratio must at all times be at least 118%.</p> <p>For more information, please refer to sections 6.1, 6.4, 6.6 and 10.5 of the Prospectus under which you subscribed for Bonds.</p>
<p>2 Liquidity</p> <p>All issuers should:</p> <p>(a) have cash flow estimates for the next 3 months; and</p> <p>(b) ensure that at all times they have on hand cash or cash equivalents sufficient to meet their projected cash needs over the next 3 months.</p> <p>Issuers should also disclose their policy on balancing the maturity of their assets and the maturity of their liabilities.</p>	Satisfied	<p>The Company maintains cash flow forecasts for the next 3 months on a rolling basis. This takes into consideration all projected distribution payments.</p> <p>The Company ensures that at all times there is sufficient cash and cash equivalents to meet its projected cash flow needs for at least the next three months.</p> <p>As of 31 January 2008, the Company had forecast cash flow obligations for the three months ending 30 April 2008 of \$0.8 million which are covered by expected cash and cash equivalents of \$11.1 million.</p> <p>Under the Trust Deed, the Company must at all times maintain assets that are subject to the charge that secures the Bonds representing at least 112% of its liabilities. As at 31 January 2008, this ratio is 121% which is sufficient to cover projected cash needs for more than 3 months.</p> <p>Further, the Company at all times maintains assets representing at least 12% of its total liabilities in liquid, readily tradeable investments.</p> <p>The Company invests in cash flow producing assets which are sufficient to meet the repayment of principal and the payment of interest on the Bonds and which can be converted to cash to enable the redemption of the Bonds.</p> <p>For more information, please refer to sections 6.1, 6.2, 6.4, and 6.6 of the Prospectus under which you subscribed for Bonds.</p>

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<p>3 Rollovers</p> <p>All issuers should clearly disclose their approach to rollovers, including whether the 'default' is that debenture investments with them are automatically rolled-over.</p>	<p>Not Applicable</p>	<p>The Bonds have a fixed term and an investment in the Bonds will not be rolled over.</p>
<p>4 Credit ratings</p> <p>All issuers should:</p> <ul style="list-style-type: none"> (a) have their debentures rated for credit risk (i.e. the risk that the principal and interest will not be repaid at the end of a relevant period); (b) use a recognised credit rating agency for this purpose; (c) state the rating in their prospectus, who it is from and briefly explain the rating (i.e. what it says about the risk of the investor not getting their money back); (d) take reasonable steps to ensure the rating remains current; and (e) if the debentures are not rated as to credit risk—state in the issuer's prospectus that they are not rated and the reasons for this. 	<p>Not Satisfied</p>	<p>A rating as to credit risk has not been obtained for the Bonds from one of the three ASIC recognised ratings agencies (Moody's Investor Services, Standard & Poor's (Australia) or Fitch Australia).</p> <p>The Company does not presently intend to obtain a rating for the Bonds from one of the recognised ratings agencies for the following reasons:</p> <ul style="list-style-type: none"> - the Bonds are secured over all of the assets of the Company, excluding goodwill (subject to the priority in relation to certain segregated assets of persons who held bonds issued under Prospectuses prior to 29 May 2007). These secured assets must at all times have a value equal to 112% of the Company's liabilities. - the Company has adopted strict investment guidelines and a prudent risk management methodology in respect of the investment activities undertaken to support the Company's obligations to Bondholders. The Company is confident that these guidelines and methodology should ensure, as far as practicable and subject to the risks outlined in section 7 of the Prospectus under which you subscribed for the Bonds, that Investors' funds are not placed at undue risk. <p>For more information about the risk management protocols, please refer to sections 6.1, 6.2, 6.3 and 6.4 of the Prospectus under which you subscribed for the Bonds.</p>
<p>5 Loan portfolio</p> <p>Issuers who on-lend funds should disclose the current nature of their loan portfolio, including:</p> <ul style="list-style-type: none"> (a) how many loans they have and the value of those loans; (b) by number and value, loans they have by class of activity and geographic region; (c) by number and value, what proportion of loans are in default or arrears; (d) by number and value, what proportion of the total loan monies are lent on a 'secured' basis and what is the nature of the security; and (e) by number and value, what proportion of the total loan monies they have lent to their largest borrower and 10 largest borrowers. <p>Disclosure should also cover their policy on these issues.</p> <p>Disclosure should also contain clear explanations about the issuer's approach to taking security in relation to its lending (e.g. what types of security it takes and in what circumstances).</p>	<p>Satisfied</p>	<p>The company's policy is not to on-lend funds unless the Company holds capital in excess of the 118% asset to liability ratio (consisting of 112% required by the Trust Deed and the 6% buffer required under the Company's risk management guidelines).</p> <p>As the Company holds capital in excess of the 118% asset to liability ratio, as of 31 January 2008 the Company has entered into two loans, as follows:</p> <ol style="list-style-type: none"> 1. To Mariner Financial Limited, the ultimate parent of the Company, in the principal amount of \$7,000,000. This loan is unsecured and is made to finance general corporate activities in Australia. 2. To Mariner Retirement Solutions Ltd, the parent of the Company, in the principal amount of \$1,474,831. This loan is unsecured and is made to finance general corporate activities in Australia. <p>Neither loan is in default or in arrears.</p> <p>Please refer to sections 6 and 7 of the Prospectus under which you subscribed for Bonds for more information.</p>

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<p>6 Related party transactions</p> <p>Issuers who on-lend funds should disclose their approach to related party transactions, including:</p> <ul style="list-style-type: none"> (a) how many loans they have made to related parties and the value of those loans; and (b) what assessment and approval process they follow with related party loans (e.g. are they subject to approval of the trustee). The issuer should also disclose any policy it has regarding related party lending. 	Satisfied	<p>As of 31 January 2008, the Company had outstanding related party loans in an aggregate principal amount of approximately \$8.5 million.</p> <p>Please refer above to <i>Item 5 - Loan Portfolio</i> and sections 6 and 7 of the Prospectus under which you subscribed for Bonds.</p>
<p>7 Valuations</p> <p>Where the issuer is involved in or lends money for property-related activities, they should take the following approach to valuations:</p> <ul style="list-style-type: none"> (a) properties (i.e. real estate) should be valued on an 'as is' and (for development property) 'as if complete' basis; (b) issuers should have a clear policy on how often they obtain valuations, including how recent a valuation has to be when they make a new loan; (c) issuers should establish a panel of valuers and ensure that no one valuer conducts more than 1/3 of the issuer's valuation work; and (d) appointment of valuers should be with the trustee's consent. <p>Issuers should also include information about the valuation of a particular property in the issuer's prospectus where:</p> <ul style="list-style-type: none"> (a) the property accounts for 5% of more of the total value of property assets of the issuer; or (b) a loan secured against the property accounts for 5% of more of the total value of issuer's loan book. 	Not Applicable	<p>This benchmark only applies to issuers who lend money for property related activities.</p> <p>The Company's original investment strategy was to make investments in distribution streams in structured property trusts. In the absence of suitable investments in structured property trusts, the Company will only invest in fixed interest and liquid property and infrastructure trusts. When making these investments, the Company will have regard to the valuations of the properties underlying investments in listed property securities.</p>
<p>8 Lending principles— loan-to-valuation ratios</p> <p>Where an issuer on-lends money in relation to property-related activities, it should maintain the following loan-to-valuation ratios:</p> <ul style="list-style-type: none"> (a) where the loan relates to property development—70% on the basis of the latest 'as if complete' valuation; and (b) in all other cases—80% on the basis of the latest market valuation. <p>Where the loan relates to property development by a second person (even if related to the issuer), issuers should ensure that funds raised by the issue of debentures are only provided to the developer in stages, based on external evidence of the progress of the development.</p>	Not Applicable	<p>This benchmark only applies to issuers who lend money for property related activities. The Company does not lend money for property related activities and Benchmark 8 is therefore inapplicable.</p>