

Southern Cross Partners Limited Secondary Market Rules

Capitalised words and phrases are defined in the Glossary which is part of our [General Terms and Conditions](#).

Background

1. Southern Cross Partners operates a Secondary Market through which Investors, if permitted by us, may sell their interests in Loans on the Platform.
2. These Secondary Market Rules and the other Platform Documents govern how the Secondary Market will operate.
3. In the majority of circumstances, Loan advances will be initially funded by us or Southern Cross Finance (a company within our group) as the Initial Investor. The resulting Loans (or a portion of those Loans) will then be made available to Investors through the Secondary Market.
4. We may also allow other Third Party Lenders who are not members of the Southern Cross group to make Loans that they have initially funded available to Investors through the Secondary Market. Loans initially funded by us, Southern Cross Finance or Third Party Lenders are called Initial Investor Loans for the purposes of these Secondary Market Rules. Loans entered into by Initial Investors other than us or Southern Cross Finance are called Third Party Initial Loans for the purposes of these Secondary Market Rules.
5. There may also be circumstances where an Investor wishes to sell all or part of their interest in a Loan. In these circumstances, we may allow the Investor to offer that Loan to other Investors on the Secondary Market at our discretion.

Process for offering Loans on the Secondary Market

6. A Third Party Initial Loan will only be accepted for offer on the Secondary Market if it meets the following criteria:
 - (a) we have in place a Third Party Origination Agreement between us and that Third Party Investor. We reserve sole discretion to enter into a Third Party Origination Agreement with any Third Party Lender we choose;
 - (b) it has been entered into following the same credit systems and processes that we follow in evaluating a Borrower and a Loan;
 - (c) it is accompanied by the same level of supporting documentation that we would have obtained if we were the Third Party Lender;
 - (d) it is documented on our Loan Agreement and in accordance with our Platform Documents;
 - (e) it is documented and transacted by a solicitor acting on our behalf; and

- (f) it is submitted to the Secondary Market as soon as reasonably practicable, but in any event within one week of, drawdown of the Third Party Loan.
- 7. Before permitting a Third Party Initial Loan to be offered on the Secondary Market, we will check to ensure that the criteria above have been met.
- 8. In addition to the above requirements (if applicable), we will only accept a Loan for offer on the Secondary Market if all information on the Loan is current and all relevant information is provided to be included with the Loan listing on the Secondary Market. This applies as follows:
 - (a) subject to (b) below, for new Loans (i.e. Loans offered by Initial Investors), the original information used to access the Loan will meet these criteria;
 - (b) if all or any part of a new Loan is not purchased by an Investor/Investors within one month, then the unsold portion of that Loan may be removed from the Platform. If, however, the unsold portion is re-offered on the Secondary Market:
 - (i) we will not re-assess the Loan if it is not in default and we have no reason to believe that the financial position of the Borrower or of the value of the secured property has materially adversely changed; or
 - (ii) we will re-assess the Loan if the performance of the Loan has not been satisfactory or we have reason to believe that the financial position of the Borrower or of the value of the secured property has materially adversely changed. In this case, we will re-assess the Loan to ensure all information on the Loan is current in light of any other information that may have come to hand. This reassessment may involve obtaining a new credit check, undertaking new servicing checks, retesting the Borrower's Loan exit strategy or any such evaluations that we consider are appropriate in the circumstances.

All such Loans will contain either a commentary on what has been updated, or a comment stating that nothing adverse has been found; and

- (c) for an existing Loan being offered on the Secondary Market by an Investor:
 - (i) we will not re-assess the Loan if it is not in default and we have no reason to believe that the financial position of the Borrower or of the value of the secured property has materially adversely changed; or
 - (ii) we will re-assess the Loan (in the same manner as set out in paragraph (b)(ii) above).

The offer of the Loan will be clearly noted as a Secondary Market offer by an Investor and will include a comment on what has been, or a comment stating that nothing adverse has been found. We may elect to disclose the reason for the Secondary Market offer if we believe that to be appropriate.

- 9. Investors who wish to transfer all or part of their interest in a Loan through the Secondary Market may apply to do so by submitting a written request to us. These may be submitted on the Secondary Market for purchase by Investors or purchased by us or Southern Cross Finance in accordance with clause 10. Subject to clauses 11 and 12, such requests will generally not be approved if:

- (a) we are aware that a **Credit Event** has occurred in relation to the Loan. A Credit Event occurs where:
 - (i) the Borrower has previously missed a payment under the Loan (whether or not the default has been remedied);
 - (ii) the Loan is currently in arrears; or
 - (iii) there has been a material adverse change to the Borrower's credit profile from the position of the credit assessment undertaken by us prior to the Loan being advanced to the Borrower. A further credit check may be obtained if we have reason to believe that the financial position of the Borrower or of the secured property has materially adversely changed;
 - (b) the Loan has matured or been repaid, or will be matured or repaid in the next calendar month;
 - (c) the Loan, in our opinion, has adverse features making it unsuitable for transfer through the Secondary Market; or
 - (d) the Investor wishes to sell the Loan in order to reinvest their funds into a higher interest rate investment.
10. We or Southern Cross Finance may purchase a Loan offered by an Investor under clause 9. This will generally be done to provide immediate liquidity for the selling Investor. We or Southern Cross Finance will then, as soon as practicable, re-offer the Loan to Investors on the Secondary Market as a Secondary Market Loan, unless we or Southern Cross Finance consider the Loan is not suitable for sale to Investors on the Secondary Market, in which case we or Southern Cross Finance may continue to hold the Loan. Where we or Southern Cross Finance elect to offer the Loan on the Secondary Market, the processes and requirements set out in clause 8(c) above will apply.
11. Despite clause 9(a) and (c), we may at our discretion approve a request to transfer a Loan on the Secondary Market and we may disclose the relevant Credit Event or adverse feature to prospective Investors and may transfer the interest in the Loan to an Investor where the Investor has indicated via the Platform that they accept the offer of the interest in the Loan having been made aware of the relevant Credit Event or adverse feature.
12. Despite anything in these Secondary Market Rules or the other Platform Documents that could be interpreted to the contrary, we reserve the absolute right to accept or deny any request by an Investor to offer a Loan on, or transfer an interest in a Loan on, the Secondary Market.

Applicable interest rate for Loans on the Secondary Market

13. Where we or Southern Cross Finance are the Initial Investor in a Loan, we or Southern Cross Finance will be paid interest at the full documented Loan rate of interest, i.e. there will be no margin deducted by us or Southern Cross Partners in respect of our or Southern Cross Finance's interest in the Loan.
14. Where a Third Party Lender is the initial investor in a Loan, the Third Party Investor will be paid interest at the full documented Loan rate of interest, minus a margin deducted by Southern Cross Partners for use of the Platform.

15. All Initial Investor Loans offered on the Secondary Market will be offered to Investors at an interest rate determined by us, which will generally be the contracted Loan rate less a margin which is retained by Southern Cross Partners. Both interest rates (and the deducted margin) will be disclosed to Investors. We may elect to pay some of our margin to Third Party Lenders, but this will have no effect on the interest rate paid to Investors.
16. Loans being offered by Investors (other than Initial Investors) will be offered on the Secondary Market on the same terms and at the interest rate as those enjoyed by the selling Investor. Therefore, all Loans traded on the Secondary Market will have the same face value, terms and conditions and pricing as the current Loan being sold by the selling Investor. The only exception to this is if the terms of the Loan have been renegotiated, which will be disclosed to Investors.

Loan Information

17. The Platform will display the following information about each Loan offered by an Initial Investor:
 - (a) terms of the Loan (including amount, drawdown and maturity dates, and Loan Interest Rate);
 - (b) terms of the investment in the Loan (including minimum investment amount, total amount available for investment, and the investment interest rate);
 - (c) a description of the security property including valuation details;
 - (d) other Loan information (including the Borrower's credit score, the Loan purpose, the loan to value ratio and a statement of how the Loan is serviced);
 - (e) confirmation of whether the Loan is a Secondary Market Loan (including a link to our Secondary Market Rules (if applicable)); and
 - (f) any other information that we consider should be disclosed.
18. When the Loan is offered by an Investor who is not an Initial Investor, the Platform will display:
 - (a) the same information as for Loans offered by Initial Investors (above) including any updates to this information;
 - (b) if appropriate, the reasons for the Secondary Market listing;
 - (c) a comment about how the Loan has performed since it was drawn; and
 - (d) any new information that we have subsequently obtained and consider should be disclosed.

Subscription and transfer

19. Offers by prospective Investors in respect of Loans on the Secondary Market are made subject to the terms set out in the Investor Agreement.
20. Loans on the Secondary Market will be matched with prospective Investors' Offers on a first come, first served basis.

21. After the Offer-matching process in clause 20 is complete, the Trustee will settle the Loan in accordance with the process in the Investor Agreement.
22. We do not guarantee that interests in Loans which are offered on the Secondary Market will be matched with any Offers, or Offers matching the entire interest in the Loan, on the Secondary Market. This will depend on there being sufficient Offers made through the Secondary Market which can be matched.
23. Loans offered on the Secondary Market may be advertised with minimum subscription levels, which will be disclosed to Investors. If a Loan is not fully subscribed, the selling Investor will remain as an Investor in the Loan, with exactly the same rights as any other Investor, proportionate to their remaining interest in the Loan (with the exception that we or Southern Cross Finance as the Initial Investor will be paid the full loan interest rate as disclosed above).
24. No disclosure will be made to a Borrower of any change of beneficial interest in a Loan.

Costs

25. Any request received by us for a Secondary Market sale by an Investor (other than an Initial Investor) will incur an administration fee, in the amount disclosed on our website, to cover our administration costs. This cost is payable by the Investor irrespective of the success or otherwise of the sale, and irrespective of whether the Loan is offered on the Secondary Market or not. This charge may be changed by us by notification on our website, from time to time.
26. The only exception to this charge is if an Investor wishes to sell its interest in a Loan when the original Loan term has expired and the Loan has been renewed, and the Investor no longer wishes to have an interest in that Loan. In this circumstance, we may elect to waive the fee.
27. The sale of a Loan on the Secondary Market will not incur any costs or fees for the Borrower.

Our discretion

28. We reserve the sole right to determine if any Loan should be made available on the Secondary Market, and if we do agree to permit the offer, then we reserve the sole right to determine what information will be made available (except that nothing will be withheld that we believe is relevant to an Investor in making their investment decision).
29. We also reserve the right, at our sole discretion and for any reason whatsoever, to remove any Loan from the Secondary Market.
30. At all times, we will ensure that all Secondary Market transactions are undertaken in a fair, orderly and transparent manner.

Dated as at 1st December 2016