

## To Whom It May Concern

July 2008

### Lease Bonds

We've been asked to comment on what are Lease Bonds; the acceptance of Lease Bonds by the market; details of Lumley General Insurance, our primary supporter; our role; and the procedure to claim on a Lease Bond.

#### ➤ What are Lease Bonds?

Under commercial lease agreements, a landlord will typically seek a surety, representing the equivalent of 3 to 6 months rent and outgoings, to provide a financial buffer against a tenant defaulting or exiting a lease and not having 'made good' the premises. In the past, this was usually achieved by lodging cash or a bank guarantee.

Both these options tie up working capital, whereas 'Lease Bonds' don't and treated as an 'off balance sheet' transaction. Bank Guarantees and Lease Bonds are 'unconditional'. We also draw your attention to the Blake Dawson legal opinion dated 8<sup>th</sup> July 2008 (available at [www.insurebonds.com.au](http://www.insurebonds.com.au)) that confirms the validity of 'insurance bonds'.

#### ➤ Landlord acceptance in the market.

Major landlords such as AMP, Colonial, Australand, Becton, GE Capital, ING, Mirvac, Stockland etc., plus a myriad of smaller commercial landlords accept Lease Bonds. We also have arrangements with a number of property management groups such as industry leader Jones Lang Le Salle.

#### ➤ Lumley General.

Lumley General is A- rated and has been trading in Australia since 1937. They are owned by the Wesfarmers Group (listed as the 12<sup>th</sup> largest company in Australia). As at their 2007 annual report, Lumley General has assets of \$961 million. The Wesfarmers Group assets, as at 31<sup>st</sup> March 2008, were \$37,110 million.

#### ➤ Our role.

Under authorities given to us, Underwriting Australia Pty Ltd ('UAPL') can assess Deposit & Lease Bond Applications and issue bonds as approved. UAPL acts as an agent of Lumley General. Whilst not a requirement for 'insurance bonds' (as they are a financial instrument, not a financial product), UAPL still carries FSRA license (AFSL 322536).

#### ➤ Claiming on a Lease Bond.

Instructions are printed on the reverse side of the Lease Bond.

The landlord simply forwards the 'original bond', via registered post, accompanied with a letter of demand.

Lumley will process the claim and issue a cheque or EFT funds within two business days.

We're available to further discuss as required.

**Kerry Henry, CEO**

**Underwriting Australia Pty Ltd ABN 50 087 225 661 AFSL 322536**