

LawFinance Limited
Level 16, 56 Pitt Street
SYDNEY NSW 2000
ACN: 088 749 008

www.lawfinance.com.au



LAWFINANCE LIMITED

Notice of 2020 Extraordinary General Meeting

Explanatory Statement | Proxy Form

Tuesday 10 March 2020

2:00 pm AEDT

Address

Level 5, 126 Phillip Street, Sydney NSW 2000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

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Venue and Voting Information

The Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be held at **2:00 pm** (AEDT) on Tuesday, **10 March 2020** at Level 5, 126 Phillip Street, Sydney NSW 2000.

Your vote is important

The business of the Extraordinary General Meeting affects your shareholding and your vote is important.

Voting in person

To vote in person, attend the Extraordinary General Meeting on the date and at the place set out above.

Voting by proxy

To vote by proxy, please use one of the following methods:

Online	Lodge the Proxy Form online at https://investor.automic.com.au/#/loginsah by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form.
By post	Automic, GPO Box 5193, Sydney NSW 2001
By hand	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000

Your Proxy instruction must be received not later than 48 hours before the commencement of the Meeting. **Proxy Forms received later than this time will be invalid.**

Power of Attorney

If the proxy form is signed under a power of attorney on behalf of a shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already provided it to the Share Registry.

Corporate Representatives

If a representative of a corporate shareholder or a corporate proxy will be attending the Meeting, the representative should bring to the Meeting adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Shareholders of LawFinance Limited ACN 088 749 008 will be held at **2:00 pm** (AEDT) on Tuesday, **10 March 2020** at Level 5, 126 Phillip Street, Sydney NSW 2000. **(Meeting)**.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Extraordinary General Meeting. The Explanatory Statement and the Proxy Form forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Extraordinary General Meeting are those who are registered Shareholders at **2:00 pm** (AEDT) on Sunday, **8 March 2020**.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

Resolutions

1. **Resolution 1 – Approval of Issue of Shares on the Conversion of the Convertible Bonds to Non-Related Parties**

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue and allotment of up to 80,874,782 fully paid ordinary shares at an issue price of 6.4 cents (\$0.064) to the Bondholders (or their nominees) (who are not related parties of the Company), and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of:

- (a) a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 1 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (ii) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (iii) a holding acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

2. **Resolution 2 – Approval of Issue of Shares on the Conversion of the Convertible Bonds to Related Party**

To consider, and if thought fit, pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

“Conditional on the passing of Resolution 1, that for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of up to 819,090 fully paid ordinary shares at an issue price of 6.4 cents (A\$0.064) to Diane Jones (or her nominee), a Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of:

- (a) a person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 2 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (ii) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (iii) a holding acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

3. Resolution 3 – Approval of Issue of Options to David Wattel

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the Shareholders of the Company approve the issue and allotment of the following unlisted Options:

- (a) 12,000,000 unlisted Options, each exercisable at A\$0.25 per Option, expiring on 28 September 2021;*
- (b) 11,250,000 unlisted Options, each exercisable at A\$0.40 per Option, expiring on 28 September 2022; and*
- (c) 12,500,000 unlisted Options, each exercisable at A\$0.60 per Option, expiring on 28 September 2023,*

to David Wattel (or his nominee), Director of the Company, and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- (a) a person who is to receive the securities in question and any other person who will obtain a material benefit as a result of the issue of the securities (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 3 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (ii) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (iii) a holding acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

4. Resolution 4 – Approval of Issue of Options to Mark Siegel

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue and allotment of the following unlisted Options:

- (a) 12,000,000 unlisted Options, each exercisable at A\$0.25 per Option, expiring on 28 September 2021;*
- (b) 11,250,000 unlisted Options, each exercisable at A\$0.40 per Option, expiring on 28 September 2022; and*
- (c) 12,500,000 unlisted Options, each exercisable at A\$0.60 per Option, expiring on 28 September 2023,*

to Mark Siegel (or his nominee), and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:

- (a) a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company); or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 4 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (ii) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (iii) a holding acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

5. Resolution 5 – Approval of Issue of Capitalising Converting Notes

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Shareholders of the Company approve the issue and allotment of Capitalising Converting Notes (which may be convertible to up to 335,048,088 Shares at a conversion price of A\$0.10 per Share) to Subordinated Debt Holders (or their nominees), and otherwise on the terms and conditions set out in the Explanatory Statement which accompanies and forms part of this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of:

- (a) the Subordinated Debt Holders; or
- (b) an Associate of that person or those persons.

However, this does not apply to a vote cast in favour of Resolution 5 by:

- (i) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way;
- (ii) the Chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the Chair to vote on the resolution as the Chair decides; or
- (iii) a holding acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD

Dean Jagger
Company Secretary

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 2:00 pm (AEDT) on Tuesday, 10 March 2020 at Level 5, 126 Phillip Street, Sydney NSW 2000.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the Extraordinary General Meeting are set out below.

Resolutions

Background

As announced by the Company on 24 December 2019, the Company is undertaking a capital raising and reorganisation of its financing facilities.

The Company is seeking Shareholder approval under this Notice of Meeting to implement a number of initiatives of the reorganisation as follows:

- (a) **Bondholder Conversion:** The Company is seeking Shareholder approval to permit the conversion of A\$5 million plus outstanding interest of convertible bonds into Shares at an issue price of 6.4 cents (A\$0.064) per Share.

This is being considered under Resolutions 1 and 2 of this Notice of Meeting.

- (b) **NHF Vendor Debt Conversion:** In connection with the Company's acquisition of National Health Finance HoldCo, LLC (NHF), the Company entered into various arrangements with David Wattel and Mark Siegel (jointly the **NHF Vendors**). As part of the acquisition, Mr Wattel was appointed as an executive director of the Company.

As part of the capital reorganisation arrangements announced by the Company, the NHF Vendors have agreed, subject to Shareholder approval being received under this Notice of Meeting, to accept a combination of unlisted Options as full payment for its promissory notes (under which USD\$9 million is owed by the Company to the two NHF Vendors, split evenly between the two NHF Vendors) and vendor loans (where the principal amount of A\$17.2 million is fully drawn and is owed by the Company to the NHF Vendors, split evenly between the two NHF Vendors). In addition, the NHF Vendors have agreed to vary their respective employment agreements so that a non-discretionary bonus is no longer payable by the Company.

Shareholder approval to issue the combination of unlisted Options is being considered under Resolutions 3 and 4 of this Notice of Meeting.

- (c) **Issue of new Capitalising Converting Note:** The Company is seeking Shareholder approval for a group of Subordinated Debtholders to convert their subordinated debt to a new convertible note (**Capitalising Converting Note**) which has the following material terms:

- (i) Face value of A\$28.4 million.
- (ii) 6% per annum interest rate that is capitalised.
- (iii) Convertible on or before 31 December 2022.
- (iv) Conversion price of A\$0.10 per Share.
- (v) Projected maximum number of Shares in which the Capitalising Converting Note is convertible to is 335,048,088 Shares (based on fully capitalised sum as of 31 December 2022).

Shareholder approval to issue the Capitalising Converting Note is being considered under Resolution 5 of this Notice of Meeting.

- (d) **Warrants Issued to Syndicated Acquisition Lenders and NHF Vendors:** In connection with the Company's acquisition of NHF, the Company issued 452,743,636 Warrants. The Warrants were issued to various lenders, otherwise known as the **Syndicated Acquisition Lenders** as well as the NHF Vendors, including Mr Wattel.

As part of the capital reorganisation arrangements announced by the Company, the Company has agreed to vary the Warrants issued to the Syndicated Acquisition Lenders and the NHF Vendors as follows:

- (i) Each Warrant entitles the Warrantholder to acquire one (1) fully paid ordinary share upon payment to the Company of A\$0.10 per Warrant (**Exercise Price**) (the previous Exercise price was A\$0.14 per Warrant); and
- (ii) The Warrants may be exercised at any time prior to 8 November 2023 (previous expiry date was prior to 28 September 2022).

In order to put the above amendments to Shareholders, the Company is seeking a waiver from ASX Listing Rule 6.23.3. If the waiver is granted, the Company intends to include the resolutions to vary the terms of the Warrants in this year's Annual General Meeting.

As announced by the Company on 24 December 2019, if all the resolutions in this Notice of Meeting are approved by Shareholders, total Group net debt will be significantly reduced and this material improvement in the balance sheet will provide an immediate and significant reduction in interest cost of approximately A\$8.0 million per annum.

Resolution 1 – Approval of Issue of Shares on the Conversion of the Convertible Bonds to Non-Related Parties

Background

On 11 July 2016, the Company undertook a capital raise of A\$5 million by way of a placement of convertible bonds (**Convertible Bonds**) to various sophisticated and professional investors (**Bondholders**).

The terms of the Convertible Bonds provide that if the Company issues Shares at a price lower than 30 cents (A\$0.30) per Share during the term of the Convertible Bonds, the Convertible Bonds will convert at 80% of the new equity issue price.

In late 2018, as part of the purchase of NHF, the Company completed a rights issue and placement of new Shares at an issue price of 8 cents (A\$0.08) per Share. Accordingly, pursuant to the terms of the Convertible Bonds, the Convertible Bonds will convert to Shares at a conversion price of 6.4 cents (A\$0.064) per Share. This means that a maximum of 80,874,782 Shares (which includes unpaid interest on the Convertible Bonds) may be issued by the Company on full conversion of the Convertible Bonds.

If Shareholders do not approve the issue of Shares on conversion of the Convertible Bonds then a 10% premium will be payable at redemption of the Convertible Bonds. Interest payments are cumulative and payable at 11.5% per annum, quarterly in arrears. The Convertible Bonds are convertible into ordinary Shares of the Company at the option of the holder prior to their maturity.

This Resolution seeks Shareholder approval to issue and allot up to 80,874,782 Shares (which includes unpaid interest on the Convertible Bonds) to the non-related party Bondholders (or their nominees) to convert 100% of the Convertible Bonds.

Shareholders approved a similar resolution on 15 November 2018, however these approvals lapsed as the Bondholders did not convert within 3 months of the resolutions being passed in accordance with ASX Listing Rule 7.3.

The effect of this Resolution is for Shareholders to approve the issue of these Shares to fall within an exception to ASX Listing Rule 7.1, which will allow the Company to issue these Shares without using the Company's 15% capacity under ASX Listing Rule 7.1.

Information Required by ASX Listing Rule 7.3

The following information is provided to Shareholders for the purposes of ASX Listing Rule 7.3:

- (a) The Company will issue up to 80,874,782 Shares (which includes unpaid interest on the Convertible Bonds).
- (b) The Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (c) The Shares will be issued within 3 months of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion). At this stage, the Company anticipates that the Shares will be issued within 1 week of Shareholder approval being obtained to minimise further interest charges.
- (d) The Shares will be issued at an issue price of 6.4 cents (A\$0.064) per Share.
- (e) The allottees will be the Bondholders (or their nominees). Ms Diane Jones (or her nominee), Director of the Company, is also a Bondholder, and owns 500 Convertible Bonds which will convert on the same terms as all other Bondholders. As Ms Jones is a related party, separate Shareholder approval is being sought for Ms Jones under Resolution 2 of this Notice.
- (f) Funds will not be raised from the issue of these Shares as they are being issued to satisfy the Company's obligations to repay the existing Convertible Bonds. Upon full conversion, the debt owing pursuant to the Convertible Bonds will have been fully discharged.

Directors' Recommendation

The Board of Directors recommend Shareholders vote for this Resolution.

Resolution 2 – Approval of Issue of Shares on the Conversion of the Convertible Bonds to Related Party

Background

As noted in the Explanatory Statement for Resolution 1, Ms Diane Jones (or her nominee), Director of the Company, is also a Bondholder, and owns 500 Convertible Bonds which will convert to up to 819,090 Shares on the same terms as all other Bondholders. As Ms Jones is a related party, separate Shareholder approval is being sought for Ms Jones under Resolution 2 of this Notice.

Related Party Approvals

ASX Listing Rule 10.11 provides that the Company, as a listed company, must not issue equity securities to a related party and certain substantial holders without Shareholder approval.

If approval is obtained under ASX Listing Rule 10.11, in accordance with ASX Listing Rule 7.2 (exception 14), separate approval is not required under ASX Listing Rule 7.1.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of the Shares (on conversion of the Convertible Bonds) (which is a type of equity security, for the purposes of the ASX Listing Rules) constitutes the giving of a financial benefit.

A "related party" for the purposes of the Corporations Act and the ASX Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company.

The non-conflicted Directors of the Company (being Tim Storey, Anthony Murphy and David Wattel) carefully considered the issue of these Shares (on conversion of the Convertible Bonds) to Ms Jones and formed the view that the giving of this financial benefit is on arm's length terms, as it is the same terms as being offered to other non-related parties who are Bondholders (refer to Resolution 1). In addition, the non-conflicted Directors considered that the issue of these Shares is in the best interests of the Company as it will result in the Company satisfying its obligations under the Convertible Bond financing arrangements.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Shares to Ms Jones (or her nominee) falls within the “arm’s length terms” exception as set out in section 210 of the Corporations Act, and relies on this exception for the purposes of this Resolution.

Information required by ASX Listing Rule 10.13

The following information in relation to the issue of the Shares to Ms Jones (or her nominee) is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The related party is Diane Jones, Director of the Company, which satisfies ASX Listing Rule 10.11.1 as she is a current Director of the Company.
- (b) The maximum number of Shares (which includes capitalised interest on the Convertible Bonds) to be issued to Ms Jones (or her nominee) is 819,090.
- (c) The Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (d) The Shares will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion). At this stage, the Company anticipates that the Shares will be issued within 1 week of Shareholder approval being obtained to minimise further interest charges.
- (e) The Shares will be issued at an issue price of 6.4 cents (A\$0.064) per Share.
- (f) Funds will not be raised from the issue of these Shares as they are being issued to satisfy the Company’s obligations to repay the existing Convertible Bonds. Upon full conversion, the debt owing pursuant to the Convertible Bonds will have been fully discharged.
- (g) The issue of the Shares is not intended to remunerate or incentivise Ms Jones as a Director of the Company. Instead, as noted above, the issue is intended to convert the debt due to Ms Jones by the Company into equity, on the same terms as other Convertible Bondholders.

Directors’ Recommendation

The Board of Directors (with Ms Jones excluded) recommend Shareholders vote for this Resolution.

Resolution 3 – Approval of Issue of Options to David Wattel

Background

This Resolution seeks Shareholder approval to issue and allot the following unlisted Options to David Wattel (or his nominee), Director of the Company and a NHF Vendor:

- (a) 12,000,000 unlisted Options, each exercisable at A\$0.25 per Option, expiring on 28 September 2021;
- (b) 11,250,000 unlisted Options, each exercisable at A\$0.40 per Option, expiring on 28 September 2022; and
- (c) 12,500,000 unlisted Options, each exercisable at A\$0.60 per Option, expiring on 28 September 2023.

The full terms of the Options are set out in Annexure A of this Notice of Meeting.

As set out above, if Shareholder approval is obtained for this Resolution, and all of the unlisted Options are issued to Mr Wattel (or his nominee), Mr Wattel, in his capacity as a NHF Vendor, will accept the unlisted Options as full payment for his 50% portion of the promissory notes (USD\$4.5 million) and vendor loans (A\$8.6 million), which are to be taken to have been repaid in full and have no further effect. In addition, Mr Wattel will vary his employment agreement so that a non-discretionary bonus is no longer payable to him by the Company.

The effect of this Resolution is for Shareholders to approve the issue of these Options to fall within an exception to ASX Listing Rule 7.1, which will allow the Company to issue shares upon the exercising of these options without using the Company’s 15% capacity under ASX Listing Rule 7.1.

Related Party Approvals

ASX Listing Rule 10.11 provides that the Company, as a listed company, must not issue equity securities to a related party and certain substantial holders without Shareholder approval.

If approval is obtained under ASX Listing Rule 10.11, in accordance with ASX Listing Rule 7.2 (exception 14), separate approval is not required under ASX Listing Rule 7.1.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provisions; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit.

The proposed issue of the Options (which is a type of equity security, for the purposes of the ASX Listing Rules) constitutes the giving of a financial benefit.

A “related party” for the purposes of the Corporations Act and the ASX Listing Rules is widely defined and includes a director of a public company, a spouse of a director of a public company or an entity controlled by a director of a public company.

The non-conflicted Directors of the Company (being Tim Storey, Diane Jones and Anthony Murphy) carefully considered the issue of these Options to Mr Wattel and formed the view that the giving of this financial benefit is on arm’s length terms, as it is the same terms as being offered to a non-related party (Mr Siegel, NHF Vendor). In addition, the non-conflicted Directors considered that the issue of these Options is in the best interests of the Company as it will result in the Company satisfying a number of financing facilities.

Accordingly, the non-conflicted Directors of the Company believe that the issue of these Options to Mr Wattel falls within the “arm’s length terms” exception as set out in section 210 of the Corporations Act, and relies on this exception for the purposes of this Resolution.

Information required by ASX Listing Rule 10.13

The following information in relation to the issue of the Options to Mr Wattel (or his nominee) is provided to Shareholders for the purposes of ASX Listing Rule 10.13:

- (a) The related party is David Wattel, Director of the Company, which satisfies ASX Listing Rule 10.11.1 as he is a current Director of the Company. Mr Wattel is also a NHF Vendor.
- (b) The maximum number of Options to be issued to Mr Wattel (or his nominee) is 35,750,000, which will comprise of the following Options:
 - (i) 12,000,000 unlisted Options, each exercisable at A\$0.25 per Option, expiring on 28 September 2021;
 - (ii) 11,250,000 unlisted Options, each exercisable at A\$0.40 per Option, expiring on 28 September 2022; and
 - (iii) 12,500,000 unlisted Options, each exercisable at A\$0.60 per Option, expiring on 28 September 2023.
- (c) The full terms of the Options are set out in Annexure A of this Notice of Meeting.
- (d) The Options will be issued within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (e) The Options will be offered for nil cash consideration.
- (f) The allottee will be Mr Wattel (or his nominee).
- (g) Funds will not be raised from the issue of these Options as the issue is proposed to be made to convert all of the debt that Mr Wattel is owed by the Company into equity. However, if this Resolution is passed, this will result in the Company’s net debt and interest costs being significantly reduced.
- (h) The issue of the Options is not intended to remunerate or incentivise Mr Wattel as a Director of the Company. Instead, as noted above, the issue is intended to convert all of the debt that Mr Wattel is owed by the Company into equity. However, if this Resolution is passed, this will result in the Company’s net debt and interest cost being significantly reduced.
- (i) Other than the terms already set out in this Notice of Meeting, there are no other material terms of the agreement under which the Company has agreed to issue the Options to Mr Wattel.

Directors’ Recommendation

The Board of Directors (with Mr Wattel excluded) recommend Shareholders vote for this Resolution.

Resolution 4 – Approval of Issue of Options to Mark Siegel

Background

This Resolution seeks Shareholder approval to issue and allot the following unlisted Options to Mark Siegel (or his nominee), a NHF Vendor:

- (a) 12,000,000 unlisted Options, each exercisable at A\$0.25 per Option, expiring on 28 September 2021;
- (b) 11,250,000 unlisted Options, each exercisable at A\$0.40 per Option, expiring on 28 September 2022; and
- (c) 12,500,000 unlisted Options, each exercisable at A\$0.60 per Option, expiring on 28 September 2023.

The full terms of the Options are set out in Annexure A of this Notice of Meeting.

As set out above, if Shareholder approval is obtained for this Resolution, and all of the unlisted Options are issued to Mr Siegel (or his nominee), Mr Siegel, in his capacity as a NHF Vendor, will accept the unlisted Options as full payment for his 50% portion of the promissory notes (USD\$4.5 million) and vendor loans (A\$8.6 million), which are to be taken to have been repaid in full and have no further effect. In addition, Mr Siegel will vary his employment agreement so that a non-discretionary bonus is no longer payable to him by the Company.

The effect of this Resolution is for Shareholders to approve the issue of these Options to fall within an exception to ASX Listing Rule 7.1, which will allow the Company to issue shares upon the exercising of these options without using the Company's 15% capacity under ASX Listing Rule 7.1.

Information Required by ASX Listing Rule 7.3

The following information is provided to Shareholders for the purposes of ASX Listing Rule 7.3:

- (a) The Company will issue up to 35,750,000 Options, which will comprise of the following Options:
 - (i) 12,000,000 unlisted Options, each exercisable at A\$0.25 per Option, expiring on 28 September 2021;
 - (ii) 11,250,000 unlisted Options, each exercisable at A\$0.40 per Option, expiring on 28 September 2022; and
 - (iii) 12,500,000 unlisted Options, each exercisable at A\$0.60 per Option, expiring on 28 September 2023.
- (b) The full terms of the Options are set out in Annexure A of this Notice of Meeting.
- (c) The Options will be issued by within 1 month of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (d) The Options will be offered for nil cash consideration.
- (e) The allottee will be Mr Siegel (or his nominee).
- (f) Funds will not be raised from the issue of these Options as the issue is proposed to be made to convert all of the debt that Mr Siegel is owed by the Company into equity. However, if this Resolution is passed, this will result in the Company's net debt and interest cost being significantly reduced.

Directors' Recommendation

The Board of Directors recommend Shareholders vote for this Resolution.

Resolution 5 – Approval of Issue of Capitalising Converting Notes

Background

As part of the reorganisation of its financing arrangements announced by the Company on 24 December 2019, a group of Subordinated Debtholders have agreed (subject to Shareholder approval being obtained) to convert A\$28.4 million of existing subordinated debt into a Capitalising Converting Note which has the following material terms:

- (a) Face value of A\$28.4 million.
- (b) 6% per annum interest rate that is capitalised.

- (c) Convertible on or before 31 December 2022.
- (d) Conversion price of A\$0.10 per Share.
- (e) Projected maximum number of Shares in which the Capitalising Converting Notes are convertible to is 335,048,088 Shares (based on fully capitalised interest as of 31 December 2022).

A summary of the material terms of the Capitalising Converting Notes is set out in Annexure B of this Notice.

This Resolution seeks Shareholder approval to issue and allot Capitalising Converting Notes (which may be convertible to up to 335,048,088 Shares at a conversion price of A\$0.10 per Share) to the Subordinated Debtholders.

The effect of this Resolution is for Shareholders to approve the issue of these Capitalising Converting Notes (and the Shares that could be converted pursuant to its terms) to fall within an exception to ASX Listing Rule 7.1, which will allow the Company to issue these shares without using the Company's 15% capacity under ASX Listing Rule 7.1.

Information Required by ASX Listing Rule 7.3

The following information is provided to Shareholders for the purposes of ASX Listing Rule 7.3:

- (a) The Company will issue Capitalising Convertible Notes with a face value of A\$28.4 million, which may be convertible to up to 335,048,088 Shares at a conversion price of A\$0.10 per Share (based on fully capitalised interest as of 31 December 2022).
- (b) A summary of the material terms of the Capitalising Converting Notes is set out in Annexure B of this Notice. If converted, the Shares will be fully paid on issue and rank equally in all aspects with all existing fully paid ordinary shares previously issued by the Company.
- (c) The Capital Converting Notes will be issued within 3 months of Shareholder approval being obtained by the Company (or otherwise, as determined by the ASX in the exercise of their discretion).
- (d) The allottees will be the Subordinated Debtholders (or their nominees).
- (e) Funds will not be raised from the issue of these Capitalising Converting Notes as they are being issued to convert existing subordinated debt. However, if this Resolution is passed, this will result in the Company's net debt and interest cost being significantly reduced.

Directors' Recommendation

The Board of Directors recommend Shareholders vote for this Resolution.

Enquiries

Shareholders are asked to contact the Company Secretary on +61 2 8072 1400 if they have any queries in respect of the matters set out in these documents.

Glossary

AEDT means Australian Eastern Daylight Time as observed in Sydney, New South Wales.

ASIC means Australian Securities and Investment Commission.

Associate has the meaning given to it by the ASX Listing Rules.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules or **Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Capitalising Converting Note means the converting notes proposed to be issued to the Subordinated Debtholders. A summary of the material terms are set out in Annexure B of this Notice.

Chair means the person chairing the Meeting.

Company means LawFinance Limited ACN 088 749 008.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Director means a current director of the Company.

Dollar or **"\$"** means Australian dollars.

Extraordinary General Meeting or **EGM** or **Meeting** means an Extraordinary General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

NHF means National Health Finance HoldCo, LLC.

NHF Vendors means the vendors of NHF, which was acquired by the Company in 2018.

Notice of Meeting or **Notice of Extraordinary General Meeting** means this notice of Extraordinary General meeting dated 7 February 2020 including the Explanatory Statement.

Option means an option which, subject to its terms, could be exercised into a Share.

Ordinary Resolution means a resolution that can only be passed if at least 50% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Proxy Form means the proxy form attached to this Notice of Meeting.

Resolutions means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

Securities mean Shares and/or Options (as the context requires).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Share Registry means Automic Registry Services.

Special Resolution means a resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Subordinated Debtholders means the holders of existing subordinated debt to the value of A\$28.4 million which are proposed to be converted to a new Capitalising Converting Note.

Syndicated Acquisition Lenders means the lenders whom as part of the Company's acquisition of NHF were issued with Warrants.

Warrants means the warrants which are proposed to be varied, subject to ASX waiver being granted.

Annexure A – Full terms of Options

Proposed holder	Number of Options	Exercise price	Expiry date
David Wattel	12,000,000	A\$0.25	28 September 2021
Mark Siegel	12,000,000	A\$0.25	28 September 2021
David Wattel	11,250,000	A\$0.40	28 September 2022
Mark Siegel	11,250,000	A\$0.40	28 September 2022
David Wattel	12,500,000	A\$0.60	28 September 2023
Mark Siegel	12,500,000	A\$0.60	28 September 2023

Terms of issue of Options

Options entitle the holder to subscribe for Shares on the following terms:

- Each Option gives the holder the right to subscribe for one Share upon:
 - exercise of the Option in accordance with these terms; and
 - payment of the Exercise Price.
- The Options will expire at 5.00pm (AEST) on the date specified above (**Expiry Date**).
- Participants may exercise the Options at any time prior to the Expiry Date.
- Any Option not exercised before the Expiry Date will automatically lapse at 5.00pm (AEST) on the Expiry Date.
- Each Option is exercisable at the exercise price specified above (**Exercise Price**), payable in full on exercise of that Option.
- A holder may exercise all or some of the Options held.
- If a holder exercises fewer than all of the Options held by that holder, the Company will cancel the holders' holding statement and issue or cause to be issued a new holding statement for the balance of Options held by that holder.
- The exercise of only some Options will not affect the rights of that holder in respect of the balance of the Options held by that holder.
- Options may only be exercised by a holder lodging with the Company:
 - a signed written notice of exercise (in the form provided to the holder) specifying the number of Options being exercised;
 - the holding statement for the Options; and
 - a cheque or electronic funds transfer notice for the Exercise Price for the number of Options being exercised,
(**Exercise Notice**).
- An Exercise Notice is only effective when the Company has received the full amount of the Exercise price in cleared funds.
- Within 10 Business Days of receipt of the Exercise Notice and the full amount of the Exercise Price in cleared funds, the Company will allot the number of Shares to the holder required in respect of the number of Options specified in the Exercise Notice.
- The Options may not be transferred.
- All Shares allotted upon the exercise of the Options will, upon issuance, rank pari passu in all respects with other Shares.
- If at any time the issued capital of the Company is reconstructed, all rights of the holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of reconstruction (including ASX Listing Rule 6.16).
- The Company is entitled to treat the registered holder of the Options as the absolute holder of that Option and is not bound to recognise any equitable or other claim to, or interest in, that Option on the part of any person other than the registered holder, except as ordered by a court of competent jurisdiction or as required by statute.
- For the purposes of ASX Listing Rule 6.19, there are no participating rights or entitlements inherent in the Options and the holder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give notice to the holders of any new issue at least 6 business days before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules so as to give holders the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.

Annexure B – Summary of material terms of Capitalising Converting Notes

Face Value

The Face value of the Capitalising Converting Notes will be A\$28.4 million.

Coupon

The Capitalising Converting Notes will earn interest at 6% per annum that is capitalised quarterly.

Denomination

The Capitalising Converting Notes will be in Australian dollars.

Maturity

The Capitalising Converting Notes will mature on 31 December 2022, however, they may be converted into Shares at the option of the Noteholder at any time prior to 31 December 2022.

Conversion

The Capitalising Converting Notes will convert into fully paid ordinary shares of the Company at a conversion price of A\$0.10 per Share.

If you are attending the meeting in person, please bring this with you for Securityholder registration.

LAWFINANCE LIMITED | ACN 088 749 008

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
[EntityRegistrationDetailsLine4Envelope]
[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

[HolderNumber]

Holder Number:
[HolderNumber]

Vote by Proxy: LAW

Your proxy voting instruction must be received by **2:00 pm AEDT on Sunday, 8 March 2020**, being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and transport costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of Attorney: If you have already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.



SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Individual or Securityholder 1 Securityholder 2 Securityholder 3

Sole Director and Sole Company Secretary Director Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone Date (DD/MM/YY)

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).