

**VELOCITY PROPERTY GROUP LIMITED  
(proposed to be renamed DEALT LIMITED)**

ABN 66 605 935 153

AND

**DEALT TRUST**

ARSN 646 156 005

**Notice of an Extraordinary General Meeting, Explanatory Memorandum and  
Product Disclosure Statement for the Restructure and Recapitalisation Proposal**

THE BOARD **UNANIMOUSLY RECOMMENDS** THAT YOU VOTE IN FAVOUR OF  
ALL RESOLUTIONS AND SUPPORT THE RESTRUCTURE AND  
RECAPITALISATION PROPOSAL

**An Extraordinary General Meeting of Velocity Property Group Limited will be held:**

**Date:** 17 February 2021

**Time:** 1:00pm AEST

**Online:** <https://web.lumiagm.com/383-236-702>

**The Extraordinary General Meeting will be held online.  
Please see the Notice of Meeting for further details.**

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. SEE IN  
PARTICULAR THE INDEPENDENT EXPERT'S REPORT AT ANNEXURE B THAT CONSIDERS  
CERTAIN ASPECTS OF THE RESTRUCTURE AND RECAPITALISATION PROPOSAL.**

**If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon  
as possible.**

## Important Notices

### Purpose of this Booklet

This Booklet is dated 23 December 2020 and comprises:

- a Notice of Extraordinary General Meeting for an extraordinary general meeting of Shareholders (**EGM**) of Velocity Property Group Limited (the **Company**) to be held on 17 February 2021 at 1:00pm. The Notice of Extraordinary General Meeting is set out in Annexure A of this Booklet;
- an Explanatory Memorandum in relation to the Restructure and Recapitalisation Proposal to be considered at the EGM; and
- a Product Disclosure Statement (**PDS**) in respect of the proposed acquisition of units in the Dealt Trust (**Trust**) by Eligible Shareholders.

This Booklet provides information to the holders of ordinary shares in the Company to assist them to decide whether to support the Restructure and Recapitalisation Proposal details of which are set out further in this Booklet.

### Responsible Entity

360 Capital FM Limited ABN 15 090 664 396 (AFSL No. 221474) (**the Responsible Entity**) is the responsible entity of the Trust and is the issuer of this PDS.

### ASIC and ASX

A copy of this Booklet will be lodged with ASIC and the ASX. Neither ASIC nor the ASX nor any of their officers takes any responsibility for the content of this Booklet.

The fact that the ASX may admit the Trust to its Official List and quote Stapled Securities is not to be taken in any way as an indication of the merits of the Company, the Trust, the Group or the Restructure and Recapitalisation Proposal.

### Not investment advice

The information in this Booklet is not financial product or investment advice. This Booklet has been prepared without reference to your individual investment objectives, financial situation or needs. Before deciding how to vote or act, Shareholders should consider the appropriateness of the information in this Booklet having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances.

### Forward-looking statements

This Booklet contains certain forward-looking statements which are not based solely on historical facts but are rather based on the Company's current expectations about future events and results.

These forward-looking statements are subject to inherent risks, uncertainties and assumptions, and may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of the Company and which could cause actual events or results to differ materially from the expectations, events, results, values, performance or achievements expressed or implied in any forward-looking statement. Deviations are both normal and to be expected in such forward-looking statements.

The past performance of the Company is no guarantee of future performance of the Group.

Except to the extent required by law, none of the Company, the Directors, any subsidiary of the Company or their respective officers or employees, any person named in this Booklet with their consent or any person involved in the preparation of this Booklet, makes any representation, warranty, assurance or guarantee (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events, results, values, performance or achievements expressed or implied in any

forward-looking statement. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements. The forward-looking statements in this Booklet reflect views held only as at the date of this Booklet.

### **No guarantee of capital or investment returns**

The Stapled Securities to be created under the Restructure and Recapitalisation Proposal are subject to investment risk including loss of income or principal invested. No person (including the Company, the Group or any of their associates), gives any guarantee or assurance as to the performance of the Stapled Securities, any return on the Stapled Securities or the repayment of capital invested.

### **Application for listing and quotation**

The Company will re-apply for the Company to be admitted to the Official List of the ASX and quotation of the Shares and the Responsible Entity will apply for the Trust to be admitted to the Official List of the ASX and for quotation of the Units (as stapled to the Shares and traded as Stapled Securities) within one week of the date of this Booklet.

### **Up to date information**

The Company will issue or procure the issue of a supplementary document to this Booklet if the Company becomes aware of any of the following between the date of this Booklet and the date the Stapled Securities are quoted on the ASX:

- a material statement in the Booklet is misleading or deceptive;
- a material omission from the Booklet;
- there has been a significant change affecting a matter included in this Booklet; or
- a significant new circumstance has arisen which would have been required to be included in the Booklet if it had been known at the date of this Booklet.

However, if the change will not be materially adverse, a supplementary document may not be issued. Updated information that is not materially adverse may change from time to time and will be made available to you on the Company website at <https://velocitypropertygroup.com.au/> and/or the ASX announcements platform. A paper copy of any updated information is available free on request. You can also call the Share Registry – Boardroom Pty Limited on 1300 737 760 (callers in Australia) or +61 2 9290 9600 (callers outside Australia) between 8.30 am and 5.00 pm AEST on Business Days.

### **Warning for overseas investors**

The Restructure and Recapitalisation Proposal and the contents of this Booklet are governed by Australian law.

There may be substantial differences in how securities are regulated under Australian law and the laws of other jurisdictions.

The rights, remedies and compensation arrangements available to overseas investors in Australian securities may differ from the rights, remedies, and compensation arrangements for overseas securities.

Both the Australian and any overseas securities regulators may have enforcement responsibilities in relation to the Restructure and Recapitalisation Proposal. If you need to make a complaint about this Restructure and Recapitalisation Proposal, please contact the securities regulator of the relevant jurisdiction. The Australian and any overseas regulators will seek to work together to settle your complaint.

The taxation treatment of Australian securities may be substantially different for overseas securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The currency for the Stapled Securities is Australian dollars. The value of the securities in any other currency will go up or down according to changes in the exchange rate between Australian dollars and any other relevant currency. These changes may be significant. If you expect the Stapled Securities to pay any amounts in a currency that is not Australian dollars you may incur significant fees in having the funds converted to that currency, for example, in having the funds credited to a bank account in Singapore in Singapore dollars.

If you wish to trade the Stapled Securities on the ASX, you will have to make arrangements for an ASX participant to sell the Stapled Securities on your behalf. The way in which the ASX market operates, the regulation of participants in that market, and the information available to you about the securities markets that operate in Australia may be different than for any overseas securities exchange operators.

The dispute resolution process described in this Booklet is only available in Australia and is not available in other jurisdictions.

The invitation to approve the Restructure and Recapitalisation Proposal and the offer to acquire units in the Trust is being made to Shareholders whose registered address is in Australia, Singapore or Malaysia (**Eligible Shareholders**). The invitation to approve the Restructure and Recapitalisation Proposal and to acquire units in the Trust is not being made to Shareholders whose registered address is not in Australia, Singapore or Malaysia (**Ineligible Foreign Shareholders**).

This Booklet has been prepared in compliance with Australian law and is not an information memorandum, investment statement, prospectus or product disclosure statement under any foreign law and has not been registered, filed with, or approved by any regulatory authority (other than ASIC). It may not contain all the information that an investment statement, prospectus or product disclosure statement under any foreign law is required to contain. It is a term of the Restructure and Recapitalisation Proposal that any offer of securities to the public in any foreign jurisdiction is made in compliance with the laws of Australia and any code, rules and requirements relating to the offer that apply in Australia.

#### *Shareholders resident in jurisdictions outside of Australia*

The contents of this Booklet have not been reviewed by any governmental or regulatory authority outside of Australia. You are advised to exercise caution in relation to the Restructure and Recapitalisation Proposal. If you are in doubt about any contents of this Booklet, you should obtain independent professional advice.

#### **Defined terms**

Unless otherwise indicated, all references to Sections are references to Sections of this Booklet.

Capitalised terms and certain abbreviations used in this Booklet are defined in the Glossary in Section 13.

Unless the contrary intention appears, the context requires otherwise or words are defined in Section 13, words and phrases in this Booklet have the same meaning and interpretation as in the Corporations Act.

#### **Enquiries**

If you are in any doubt as to how to deal with this Booklet, you should consult with your professional adviser. If you have any questions about the Restructure and Recapitalisation Proposal, please call the Share Registry – Boardroom Pty Limited on 1300 737 760 (callers in Australia) or +61 2 9290 9600 (callers outside Australia) between 8.30 am and 5.00 pm AEST on Business Days.

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## Important Dates

This Booklet filed with ASIC	23 December 2020
Company re-applies to ASX for admission to the Official List of the ASX and quotation of the Shares and the Responsible Entity applies to ASX for the Trust to be admitted to the Official List of the ASX and for quotation of the Units (as stapled to the Shares and traded as Stapled Securities)	23 December 2020
Offer Document for Capital Raising filed with ASIC	2 February 2021
Latest date for return of proxies	15 February 2021 at 1:00pm AEST
Extraordinary General Meeting	17 February 2021 at 1:00pm AEST
Results of EGM announced on ASX	17 February 2021
Capital Raising Record Date	18 February 2021 at 10:00am AEST
Capital Raising offer period commences	18 February 2021
Capital Raising offer period closes	28 April 2021
Settlement of Capital Raising	3 May 2021
Issue of Shares under Capital Raising	4 May 2021
Completion of Business Acquisitions	4 May 2021
Capital Reduction Record Date	5 May 2021 at 10:00am AEST
Deferred settlement trading commences in Stapled Securities Admission of Trust to the Official List	6 May 2021
Effective date for distribution of Units and Stapling Last day of trading of Stapled Securities on a deferred settlement basis	6 May 2021
Completion of dispatch of holding statements	7 May 2021
Commencement of normal trading of Stapled Securities	7 May 2021

### Notes:

All dates in the above timetable are indicative only. Any changes to the above timetable will be announced through ASX and notified on the Company's website at <https://velocitypropertygroup.com.au/>. Any such change will be taken to amend this Explanatory Memorandum accordingly. All references to time in this Booklet are references to AEST. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws.

## Chair's Letter

Dear Shareholder,

### Restructure and Recapitalisation Proposal

On behalf of the board of Velocity Property Group Limited, I am pleased to invite you to consider a proposal to repurpose Velocity Property Group Limited (the **Company**).

This is a pivotal time for the Company, we have extensive debts, low levels of equity and limited opportunities in our existing business and we have a real chance to take a new direction with significant capital and a broader market to operate within.

On 29 July 2020, the Company announced that the Board would undertake a strategic and operational review to assess the various options available to the Company to maximise value for all Shareholders. During this review, the Board received a proposal from 360 Capital Group Limited (ASX: TGP) (**360 Capital**) to repurpose the business to focus on commercial real estate debt.

The implementation of this proposal entails the following steps (the **Restructure and Recapitalisation Proposal**):

- (a) Shareholders approving the Resolutions in the Notice of Meeting;
- (b) undertaking a capital raising of up \$93,400,000 to fund the new investment strategy of the Group;
- (c) if Shareholder approval is obtained and the Capital Raising achieves a minimum subscription of \$28,400,000:
  - (i) implementing a new investment strategy to focus on commercial real estate debt including lending, origination and investment management;
  - (ii) acquiring two loan origination businesses (AMF Finance Pty Limited and Digital Software Solutions Pty Ltd);
  - (iii) renaming the Company to "Dealt Limited" and adopting a new Constitution;
  - (iv) restructuring the Company as a stapled group (to be called the "Dealt Group");
  - (v) making certain changes to the management and directors of the Company and related employee incentive arrangements;
  - (vi) the Group entering into new debt facilities to fund the Group's investment strategy; and
  - (vii) disposing of the Company's current residential property development business, which comprises selling all remaining developed apartments, 10 residential investment units and 1 development site.

To assess the related party transactions aspects of the Restructure and Recapitalisation Proposal, the Board established an Independent Board Committee (**IBC**) comprising Philip Raff and myself, neither of whom are associated with 360 Capital Group. The IBC unanimously recommends Shareholders vote in favour of the relevant related party transactions aspects of Restructure and Recapitalisation Proposal.

Separately, the Company appointed BDO Corporate Finance (East Coast) Pty Ltd to prepare a report in respect of the proposed acquisitions of AMF Finance Pty Limited and Digital Software Solutions Pty Ltd to enable Shareholders to assess its merits. The Independent Expert has concluded that the terms of the proposed acquisitions are fair and reasonable to Shareholders.

The Board believes there are key benefits for the Group after the implementation of the Restructure and Recapitalisation Proposal which are described in section 40 of this Booklet. Key benefits for the Group include:

- driving secure income returns through the development of a diversified portfolio of secured, commercial real estate loans across Australia and New Zealand;
- building an investment management platform that will have the flexibility to invest in commercial real estate debt from senior to mezzanine and enhanced loan structures; and
- generating fee income from a substantial and growing real estate loan origination business.

There are also disadvantages of the Restructure and Recapitalisation Proposal which are described in section 5 of this Booklet.

On balance, the Board believes that the Restructure and Recapitalisation Proposal is in the best interests of all Shareholders.

There are certain risks that could impact the Group in connection with the implementation of the Restructure and Recapitalisation Proposal. The risks specific to the proposed investment strategy of the Group and the Group generally are set out in sections 7.1 and 7.2. There are a number of general investment risks associated with investing in a listed entity that are set out in 7.3. I encourage all Shareholders to carefully consider these risks.

Various matters in respect of the Restructure and Recapitalisation Proposal will be put before Shareholders for approval at an extraordinary general meeting (**EGM**).

The EGM will be held on 17 February 2021 at 1:00pm AEST online. Please see the Notice of Meeting for further details.

The Booklet contains important information and should be read prior to voting on the Restructure and Recapitalisation Proposal at the EGM.

The Board unanimously recommends that you support the Restructure and Recapitalisation Proposal by voting in favour of all of the Resolutions.

On behalf of the Board, I commend the Proposal to you.

Please contact the Share Registry – Boardroom Pty Limited on 1300 737 760 (callers in Australia) or +61 2 9290 9600 (callers outside Australia) between 8.30 am and 5.00 pm AEST on Business Days if you have any questions in relation to the Restructure and Recapitalisation Proposal.

Yours sincerely,



Peter Lewis  
Chair  
Velocity Property Group Limited



## What Shareholders need to do

<b>Read this Booklet in full</b>	<p>You should read this Booklet in full. It contains important information to assist you in your voting decision.</p> <p>Please contact the Share Registry – Boardroom Pty Limited on 1300 737 760 (callers in Australia) or +61 2 9290 9600 (callers outside Australia) between 8.30 am and 5.00 pm AEST on Business Days if you have any questions in relation to the Restructure and Recapitalisation Proposal.</p>
<b>Vote on the Restructure and Recapitalisation Proposal</b>	<p>It is important that you vote on the Resolutions to be considered at the at the Extraordinary General Meeting to be held on 17 February 2021 at 1:00pm AEST</p> <p>The Restructure and Recapitalisation Proposal will not proceed if all of the Resolutions are not approved.</p>
<b>Recommendation</b>	<p>The Board unanimously recommends that Shareholders vote in favour of all of the Resolutions and that they support the Restructure and Recapitalisation Proposal.</p> <p>The Board believes that there are numerous significant benefits in implementing the Restructure and Recapitalisation Proposal. Conversely, they consider that the disadvantages are few and relatively small compared to the advantages in undertaking the Restructure and Recapitalisation Proposal.</p>
<b>How do I vote?</b>	<p>Shareholders can vote by:</p> <ul style="list-style-type: none"> <li>• attending the EGM online; or</li> <li>• completing and returning the Proxy Form included with this Booklet:</li> </ul> <p><b>By mail or in person to:</b></p> <p>Boardroom Pty Limited:</p> <p><i>By mail:</i></p> <p>Share Registry – Boardroom Pty Limited GPO Box 3993, Sydney NSW 2001</p> <p><i>In person:</i></p> <p>Share Registry – Boardroom Pty Limited, Level 12 225 George Street Sydney NSW 2000* During business hours (Monday to Friday, 9:00am–5:00pm)</p> <p><b>By facsimile to:</b> +61 2 9290 9655</p> <p><b>Online at:</b></p> <p>To use this facility please follow the instructions on your enclosed Proxy Form.</p> <p>Proxy Form must be received before 1:00pm AEST on 15 February 2021.</p>

## Key features and overview of the Restructure and Recapitalisation Proposal

The following table summarises the key features and provides an overview of the Restructure and Recapitalisation Proposal. The information set out in this section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in the Booklet. To find the more detailed information refer to the relevant section in the Booklet as noted in the table.

Feature	Summary	Section(s) in Booklet
<b>Who is the issuer of this Booklet?</b>	<p>Velocity Property Group Limited in respect of the Notice of Extraordinary General Meeting and Explanatory Memorandum.</p> <p>360 Capital FM Limited, the responsible entity of the Trust, in respect of the PDS.</p>	See Important Notices section.
<b>What is the Restructure and Recapitalisation Proposal</b>	<p>The Company is currently a south east Queensland residential property development company.</p> <p>If the Restructure and Recapitalisation Proposal is implemented, a new ASX listed stapled group will be established to focus on commercial real estate debt throughout Australia and New Zealand.</p> <p>The Board believes the repurposing of the Group is in the best interests of Shareholders.</p> <p>The steps to implement the Restructure and Recapitalisation Proposal are summarised in section 2.2.</p>	See sections 2 and 3.
<b>What approvals are required?</b>	<p>The implementation of the Restructure and Recapitalisation Proposal is dependent upon a number of Resolutions of Shareholders at the Extraordinary General Meeting to be held on 17 February 2020 at 1:00pm AEST.</p> <p>A summary of the Resolutions are set out in section 2.3 and a detailed analysis is set out in section 0.</p>	See sections 2.3 and 0.
<b>What is the Group's proposed investment strategy?</b>	<p>After the Stapling Date, the Group's proposed investment strategy is to:</p> <ul style="list-style-type: none"> <li>drive secure income returns through the development of a diversified portfolio of secured commercial real estate loans across Australia and New Zealand;</li> <li>build an investment management platform that will have the flexibility to invest in commercial real estate debt from senior to mezzanine and enhanced loan structures; and</li> <li>generate fee income from a substantial and growing real estate loan origination business.</li> </ul>	See sections 3.2 and 3.4.
<b>What will be the structure of the Group?</b>	Under the Restructure and Recapitalisation Proposal, the stapled Group, (to be called " <b>Dealt Group</b> ") will be created, consisting of the	See sections 3.6.

Feature	Summary	Section(s) in Booklet
	<p>Company (to be renamed "<b>Dealt Limited</b>") and the Trust (to be called "<b>Dealt Trust</b>").</p> <p>A "stapled entity" or "stapled group" refers to a type of investment structure that is comprised of two or more entities:</p> <ul style="list-style-type: none"> <li>• a unit trust, like the Trust, which holds passive investments and is treated as a flowthrough trust for tax purposes and so does not pay tax itself on income to which investors are entitled, subject to certain required tax withholdings (mainly deducted from distributions paid to non-resident Unitholders); and</li> <li>• a company which carries on an active business.</li> </ul> <p>Units in the unit trust and shares in the companies are "stapled" together and trade as one security on the ASX.</p>	
<b>Responsible Entity</b>	<p>360 Capital FM Limited ABN 15 090 664 396 (AFSL No. 221474) (the <b>Responsible Entity</b>) will be appointed as the responsible entity of the Trust.</p> <p>The Responsible Entity is a member of the 360 Capital Group.</p>	See section 3.10.
<b>Group Investment Manager</b>	<p>It is proposed that the Company and the Responsible Entity will enter into an investment management agreement with 360 Capital Finance Management Pty Limited (<b>Group Investment Manager</b>).</p> <p>The Group Investment Manager is a member of the 360 Capital Group.</p> <p>The Group Investment Manager will provide ongoing asset management and fund administration services to the Group.</p>	See section 3.6(a) .
<b>What are the advantages of the Restructure and Recapitalisation Proposal?</b>	<p>The key advantages of the Restructure and Recapitalisation Proposal are described in section 4 of this Booklet. These include:</p> <ul style="list-style-type: none"> <li>• exposure to real estate debt markets through a pool of private commercial real estate loans which are not usually available to retail investors;</li> <li>• a Target Return of 6.00% per annum;</li> <li>• a proven, experienced management team with an average of more than 20 years' experience in deriving value from mispriced or undervalued investment opportunities.</li> </ul>	See section 4.
<b>What are the disadvantages of the Restructure and</b>	<p>The key disadvantages of the Restructure and Recapitalisation Proposal are described in section 5 of this Booklet. These include:</p>	See section 5.

Feature	Summary	Section(s) in Booklet
<b>Recapitalisation Proposal?</b>	<ul style="list-style-type: none"> <li>changed investment strategy with an alternative risk profile;</li> <li>a reduced NTA per Stapled Security after implementation;</li> <li>an increase in registry fees, audit fees and tax fees as well as one off costs in connection with the Restructure and Recapitalisation Proposal; and</li> <li>some foreign holders may have their holdings sold if the Company considers that it is not reasonable for the Company to comply with laws of another jurisdiction in implementing the Restructure and Recapitalisation Proposal.</li> </ul>	
<b>Distributions and dividends</b>	<p>After the Stapling Date, for distributions from the Trust, it is intended that distributions will be paid monthly commencing from month ending 30 June 2021.</p> <p>After the Stapling Date, for dividends from the Company, the Board will determine when any dividends are declared taking into account current year earnings, trading outlook and capital requirements.</p> <p>The New Company Constitution and the Trust Constitution each allow for distribution reinvestment arrangements, however these are currently not in effect.</p>	See section 3.11(a).
<b>Fees and expenses</b>	<p>Under the Trust Constitution, the Responsible Entity will be entitled to receive a management fee of up to 0.65% p.a. of the gross asset value of the Trust for performing its role as the responsible entity of the Trust and be reimbursed for costs incurred in the proper performance of its duties. However, the Responsible Entity will only be paid 0.05% for so long as the Group Investment Manager is appointed under the Group Investment Management Agreement. The Responsible Entity will exercise its right to be reimbursed costs incurred in the proper performance of its duties.</p> <p>The Group Investment Manager will be paid a fee of 0.60% per annum of the gross asset value of the Trust pursuant to an investment management agreement (<b>Group Investment Management Agreement</b>).</p>	See section 9.
<b>What are the key risks for the Restructure and Recapitalisation Proposal</b>	<p>There are certain risks that could impact the Group in connection with the implementation of the Restructure and Recapitalisation Proposal.</p> <p>These include risks specific to the proposed investment strategy like credit default risk and interest rate risk, risks specific to the Group like</p>	See Section 7.

Feature	Summary	Section(s) in Booklet
	dependence on key personnel and liquidity and other general investment risks.	
<b>What are the tax implications of the Restructure and Recapitalisation Proposal?</b>	<p>Ernst &amp; Young have provided a Taxation Report which is set out in Annexure C. This Taxation Report provides a general summary of the Australian tax implications for Australian resident Shareholders regarding the Restructure and Recapitalisation Proposal. This is not advice and each Shareholder should seek independent advice.</p> <p>The Company is also seeking a Class Ruling from the ATO confirming certain taxation implications for Shareholders, including confirmation that the distribution of Units should be treated as a return of capital for tax purposes.</p>	See the Taxation Report.
<b>What happens if I do not vote, or vote against, the Resolutions and the Resolutions are passed?</b>	<p>The Board encourages all Shareholders to review this Booklet and carefully consider whether they support the Restructure and Recapitalisation Proposal.</p> <p>If you don't vote on the Resolutions, or you vote against the Resolutions, and the Resolutions are passed and the Restructure and Recapitalisation Proposal proceed, the consequences of the Restructure and Recapitalisation Proposal will still apply to you. You will acquire Units in the Trust and those Units will be Stapled to your Shares.</p>	
<b>What if I am a Foreign Holder?</b>	<p>The invitation to approve the Restructure and Recapitalisation Proposal and the offer to acquire units in the Trust is being made to Shareholders whose registered address is in Australia, Singapore or Malaysia (<b>Eligible Shareholders</b>).</p> <p>The invitation to approve the Restructure and Recapitalisation Proposal and to acquire units in the Trust is not being made to Shareholders whose registered address is not in Australia, Singapore or Malaysia (<b>Ineligible Foreign Shareholders</b>).</p> <p>In accordance with relief that has been granted by ASIC, Units will not be acquired by Ineligible Foreign Shareholders. In accordance with the ASIC relief, if the Responsible Entity considers that, in respect of an Ineligible Foreign Shareholder, it would be unreasonable to make an offer to that an Ineligible Foreign Shareholder to acquire Units, it may transfer such units to the Nominee for that Ineligible Foreign Shareholder.</p> <p>If the Restructure and Recapitalisation Proposal is implemented, then an Ineligible Foreign Shareholder may have their entire holding of Stapled Securities sold on market by the Nominee.</p> <p>If this is the case, then the Company and the Responsible Entity at the time are required to</p>	See section 12.3.

Feature	Summary	Section(s) in Booklet
	procure that the Nominee sells such Stapled Securities in the ordinary course of trading on ASX as soon as is reasonably practicable but no later than 30 Business Days following the date on which Stapled Securities start trading on ASX.	
<b>Are there cooling off rights?</b>	<p>There is no cooling-off period for Shareholders.</p> <p>If the Restructure and Recapitalisation Proposal proceeds, all Shareholders who are a Shareholder at the Capital Reduction Record Date will receive Units regardless of whether they voted on the Restructure and Recapitalisation Proposal and if they did vote, regardless of whether they voted for or against the Restructure and Recapitalisation Proposal.</p>	See section 3.19.

## Explanatory Memorandum

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### 1. Introduction

This Explanatory Memorandum has been prepared in connection with an Extraordinary General Meeting to be held on 17 February 2021 at 1:00pm AEST online. Please see the Notice of Meeting for further details.

This Explanatory Memorandum should be read in conjunction with, and forms part of, the Notice of Meeting set out on in Annexure A of this Booklet. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to support the Restructure and Recapitalisation Proposal and to approve the Resolutions referred to in the Notice of Meeting.

Capitalised terms and abbreviations used in this Explanatory Memorandum are defined in the Glossary in Section 13.

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## 2. Implementation of the Restructure and Recapitalisation Proposal

### 2.1 Background

On 29 July 2020, the Company announced that the Board would undertake a strategic and operational review to assess the various options available to the Company to maximise value for all Shareholders. During this review, the Board received a proposal from 360 Capital Group (ASX: TGP) to repurpose the business to focus on commercial real estate debt. On 4 September 2020, the Company then requested that the ASX suspend trading in its securities pending further consideration by the Board of the proposal.

The Restructure and Recapitalisation Proposal gives rise to a number of related party transactions between the Company, certain directors of the Company and 360 Capital and its related entities. For these reasons, the Board established an Independent Board Committee (**IBC**) comprising the Chair, Peter Lewis and Philip Raff, neither of whom are associated with 360 Capital Group, to separately consider the relevant related party transactions on behalf of the Board.

The key objectives of the Board in relation to the Restructure and Recapitalisation Proposal and the establishment of the IBC were to ensure:

- (a) Shareholders best interests are advanced by the proper consideration, negotiation and implementation of the Restructure and Recapitalisation Proposal and the proper ongoing conduct of the Company's business while the Restructure and Recapitalisation Proposal was being considered and implemented;
- (b) the Board and management were free from any actual undue influence or appearance of undue influence when considering the Restructure and Recapitalisation Proposal;
- (c) there was no actual, or appearance of any, conflict of interest, for the Board and management in their dealings with the 360 Capital Group in relation to the Restructure and Recapitalisation Proposal; and
- (d) the Board and the IBC had the opportunity to obtain appropriate advice and management support in relation to these matters.

The relevant related party transactions that the IBC considered included:

- (a) the terms of the proposed Business Acquisitions (which are further described in sections 3.4(c) and 11.4);
- (b) the terms of the proposed appointment of the Responsible Entity as the responsible entity of the Dealt Trust (which is further described in sections 3.6(c) and 11.8);
- (c) the terms of the proposed appointment of the Group Investment Manager (which is further described in sections 3.6(a) and 11.8); and
- (d) the proposed appointment of Cambridge Investment Partners as financial adviser in relation to the Restructure and Recapitalisation Proposal (which is further described in sections 3.10(c) and 11.12).

The IBC came to the view that it was prepared to recommend that Shareholders support the relevant related party transactions aspects of the Restructure and Recapitalisation Proposal.

After due consideration of the IBC's recommendations, the Board believe that all aspects of the Restructure and Recapitalisation Proposal are in the best interests of all Shareholders and the Board unanimously recommends that you support the Restructure and Recapitalisation Proposal by voting in favour of all of the Resolutions.



The ASX has indicated to the Company that the Restructure and Recapitalisation Proposal constitutes both a significant change in the nature of the Company's activities as well as significant change in the scale of the size of the Company. The ASX has also indicated that the Company (in accordance with ASX Listing Rule 11.1.3) will need to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

The ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the Restructure and Recapitalisation Proposal may not proceed if ASX exercises that discretion.

If the Resolutions are approved it is expected that the Shares will continue to be suspended from quotation until the Company has implemented the Restructure and Recapitalisation Proposal and re-complied with Chapters 1 and 2 of the ASX Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

If the Resolutions are not approved, the Restructure and Recapitalisation Proposal will not proceed and the Company will request that ASX lift the suspension of trading in its securities. Any lifting of the suspension will be subject to demonstrating to ASX that the level of the Company's operations are sufficient to warrant the continued quotation of the Company's securities. The Board will then undertake a further review to assess the various options available to the Company to maximise value for all Shareholders. This may include an orderly sale of the Company or its assets and ultimately winding up, or exploration of a possible takeover.

## 2.2 Summary of transaction steps

The table below summarises the steps to implement the Restructure and Recapitalisation Proposal.

Step	Description	Further information
<b>Obtain Shareholder approval</b>	The Company will seek Shareholder approval to the Resolutions in the Notice of Meeting.	See section 10 for further details
<b>Undertake Capital Raising</b>	The Company will undertake the Capital Raising to raise up to \$93,400,000 (the <b>Maximum Subscription</b> ).	See section 3.12 for further details
<b>Implement new investment strategy</b>	If Shareholders approve the Resolutions and the Capital Raising achieves a minimum subscription of \$28,400,000 (the <b>Minimum Subscription</b> ) (together, the <b>Implementation Conditions</b> ), the Company will implement a new investment strategy to focus on commercial real estate debt including lending, origination and investment management.	See sections 3.2 and 3.4
<b>Complete Business Acquisitions</b>	If the Implementation Conditions are satisfied, the Company will complete the acquisition of two loan origination businesses (AMF Finance Pty Limited and Digital Software Solutions Pty Ltd).  As part of the acquisition of AMF Finance Pty Limited the Company will also acquire the management rights in relation to 360 Capital Residual Stock Fund, of which AMF Finance Pty Limited is the investment manager.	See sections 3.4(c) and 11.4

<b>Rename and adopt New Company Constitution</b>	If the Implementation Conditions are satisfied, the Company will be renamed "Dealt Limited" and it will adopt the New Company Constitution.	See sections 11.6, 11.6 and 12.4
<b>Implement a Stapled structure</b>	<p>If the Implementation Conditions are satisfied, the Company will be restructured as a stapled group (to be called the "<b>Dealt Group</b>") by.</p> <ul style="list-style-type: none"> <li>the Company establishing the Dealt Trust (<b>Trust</b>) and 360 Capital FM Limited (the <b>Responsible Entity</b>), an entity that is wholly owned by 360 Capital Group, being appointed as responsible entity of Trust;</li> <li>the Company capitalising Trust with cash to within the ranges of approximately \$20,000,000 to \$25,000,000 (if only the Minimum Subscription is achieved) or \$60,000,000 to \$70,000,000 (if the Maximum Subscription is achieved);</li> <li>the Company making an equal return of capital to Shareholders as at the Capital Reduction Record Date by way of an in-specie distribution of all the units in Trust, pro rata to their shareholding in the Company (<b>Capital Reduction</b>); and</li> <li>stapling the shares in each of the Company and the units in Trust on a 1:1 basis to be listed on the ASX and trading as Stapled Securities.</li> </ul>	Section 3.6(c)
<b>Changes to board and management</b>	If the Implementation Conditions are satisfied, the new Group will make certain changes to the management and directors of the Company and related employee incentive arrangements.	See sections 3.14 and 3.15
<b>Obtain new debt funding</b>	If the Implementation Conditions are satisfied, the new Group will enter into new debt facilities to fund the Group's investment strategy.	See section 3.11(j)
<b>Dispose of current business</b>	If the Implementation Conditions are satisfied, the Company will dispose of its current residential property development business, which comprises selling all remaining developed apartments and townhouses, a development site and ten residential investment units.	See section 3.163.16

The Board believes there are key benefits for the Group after the implementation of the Restructure and Recapitalisation Proposal which are described in section 4 of this Booklet.

There are also disadvantages of the Restructure and Recapitalisation Proposal which are described in section 5 of this Booklet.

The Board has considered the Restructure and Recapitalisation Proposal having regard to all relevant circumstances and believes it is in the best interests of the Company and its

Shareholders to have the opportunity to consider and vote on the Restructure and Recapitalisation Proposal.

## 2.3 Shareholder approval

The implementation of the Restructure and Recapitalisation Proposal is dependent upon a number of resolutions of Shareholders at the Extraordinary General Meeting to be held on 17 February 2021 at 1:00pm AEST online. Please see the Notice of Meeting for further details.

The table below summarises the Resolutions Shareholders must approve at the EGM for the Restructure and Recapitalisation Proposal to proceed.

Resolution	Description	Further information
<b>Resolution 1</b>	An ordinary resolution to approve the change in nature and scale of activities of the Company.	See section 11.1 for further details
<b>Resolution 2</b>	An ordinary resolution to approve the disposal of the main undertaking of the Company.	See section 11.2 for further details
<b>Resolution 3</b>	An ordinary resolution to approve the issue of up to 200,000,000 Shares under the Capital Raising (including the issue of 13,200,000 Shares to the Related Party Vendors as contemplated by Resolution 5 below).	See section 11.3 for further details
<b>Resolution 4</b>	An ordinary resolution to approve the Business Acquisitions.	See section 11.4 for further details
<b>Resolution 5</b>	An ordinary resolution to approve the issues of 13,200,000 Shares to the Related Party Vendors.	See section 11.5 for further details
<b>Resolution 6</b>	A special resolution to approve the change of the Company's name to "Dealt Limited".	See section 11.6 for further details
<b>Resolution 7</b>	A special resolution to approve the adoption of the New Company Constitution.	See section 11.7 for further details
<b>Resolution 8</b>	An ordinary resolution to approve the appointment of the Responsible Entity as responsible entity of the Trust and the appointment of 360 Capital Finance Management Pty Limited as the Group Investment Manager under the Group Investment Management Agreement.	See section 11.8 for further details
<b>Resolution 9</b>	An ordinary resolution to approve the Capital Reduction and Unit Distribution.	See section 11.9 for further details
<b>Resolution 10</b>	An ordinary resolution to approve the proposed employee incentive plan and the acquisition of Stapled Securities under that plan by the persons described in the Explanatory Memorandum.	See section 11.10 for further details
<b>Resolution 11</b>	An ordinary resolution to approve the increase to \$400,000 per annum to the fees payable to Non-Executive Directors Fees.	See section 11.11 for further details

<b>Resolution 12</b>	An ordinary resolution to approve the Financial Advisory Fee payable to Cambridge Investment Partners.	See section 11.12 for further details.
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Each of the above Resolutions are conditional upon the approval by Shareholders of each other Resolution. If any of the above Resolutions are not approved by Shareholders, all of the Resolutions will fail and the Restructure and Recapitalisation Proposal will not occur.

A detailed analysis of the Resolutions is set out in section 0.

**The Board unanimously recommends that Shareholders vote in favour of all of the Resolutions and support the Restructure and Recapitalisation Proposal.**

See the Notice of Meeting for the detailed text of the Resolutions being proposed at the EGM.

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## 3. Details of the Restructure and Recapitalisation Proposal

### 3.1 Current business

The Company listed on the ASX in February of 2017 having completed projects with a Gross Development Value (**GDV**) of approximately \$40,000,000 in the few years prior to listing. Since listing on ASX, the Company has gone on to develop projects with a GDV of \$150,000,000 in the last three years.

Having completed projects with a GDV of approximately \$85,000,000 in calendar year 2019, the Company secured a 19.99% cornerstone investment from TGP TOT JV Pty Limited (the **360 Capital Shareholder**), a member of the 360 Capital Group, with the intention of syndicating future developments to allow for further growth.

The onset of COVID-19 did not materially impact sales of completed stock but created sufficient uncertainty with regards to the Company's ability to successfully raise the necessary funds to syndicate development projects going forward. It followed that all development activities were paused in order for the Company to undertake a strategic review of the business.

The review concluded that, the appropriate path forward was to dispose of the Company's remaining development sites in an orderly manner and explore alternative business strategies.

The Board then received a proposal from 360 Capital Group to repurpose the business to focus on commercial real estate debt. The collaboration with 360 Capital Group resulted in the Restructure and Recapitalisation Proposal.

### 3.2 Proposed investment objective

The proposed investment objective of the Group under the Restructure and Recapitalisation Proposal is to generate a return to investors of 6% per annum (net of fees, costs and taxes incurred by the Group), paid monthly (**Target Return**). Shareholders should note that the Target Return is an objective of the Group and is not guaranteed and there is a risk that the Target Return may not be achieved.

The Group would aim to achieve the Target Return by establishing three business lines focused on commercial real estate debt:

- (a) **(balance sheet lending)** providing commercial real estate loans to a diversified pool of real estate developers and investors throughout the major metropolitan markets of Australia and New Zealand;
- (b) **(funds management)** building a commercial real estate debt fund management platform. This part of the business will raise capital from third party investors via individual syndicates, club structures and institutional and high net worth mandates. The Group will charge investment management fees to these investors for originating and managing commercial real estate loans. The funds will have flexible investment parameters that will be targeted to the third-party investor's preferences for risk and return; and
- (c) **(loan brokerage)** obtaining fee income from a substantial and growing real estate loan origination business. This business would charge borrowers application fees for assessing new loans on behalf of the Trust and loans managed by the investment management platform, and would charge brokerage fees for introducing borrowers to lenders which are paid on financial close of the loans.

### 3.3 Market/industry overview

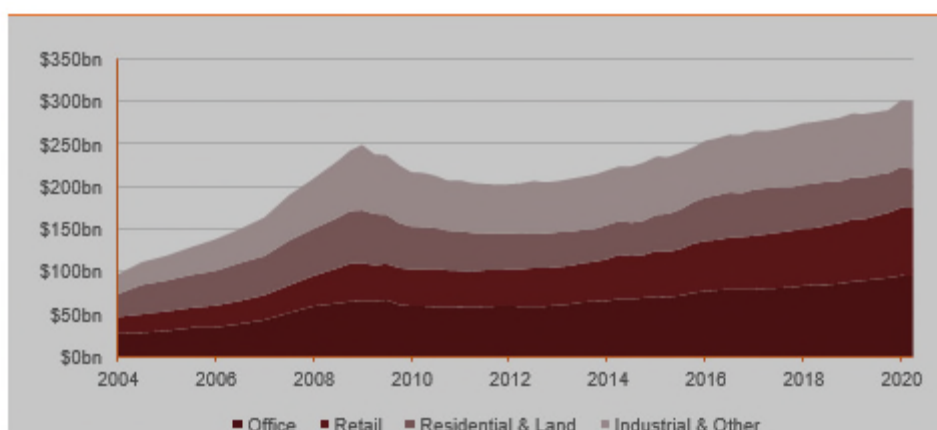
#### (a) The Australian private debt market

The Australian private debt market is one of the largest and more diverse domestic asset classes in Australia and is growing into an institutional asset class. For decades, traditional major banks dominated the domestic corporate loan landscape (70-80%) on account of greater, easier access and availability of credit. Tighter regulatory constraints and consistent strong demand for credit, has seen a gradual contraction of the major banks monopoly and the emergence of private, non-bank lenders to fill the gap and provide diversification.

The market's increased activity and prevalence in recent years is due to its unique risk profile by way of secured first mortgage, floating rate, corporate credit which coincides with ideal positioning within both the interest rate and credit cycles.

A major and specialised subset of the Australian private debt sector is the commercial real estate (CRE) loan market, which represents circa a fifth of the aggregate corporate loan book of the domestic banking system (domestic ADIs). CRE debt funding revolves around a particular commercial property asset (rather than a company) which can vary in terms of stages of development and improvements, seniority, geography and use of the underlying asset (Figure 1).

**Figure 1 - ADI CRE Exposure by Sector**



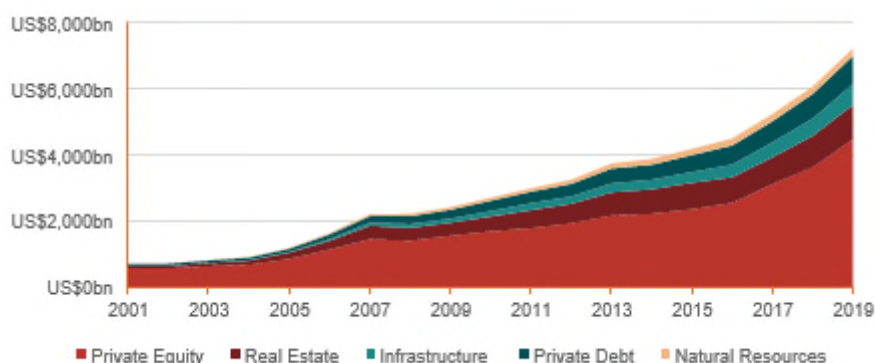
Source: BondAdvisor, Prequin Pro

Therefore, significant experience is required to operate within the market to ensure loan origination, robust risk and credit assessment and loan monitoring to prevent capital losses. Australian banks found this out the hard way when loose lending practices, elevated leverage and deteriorating economic conditions resulted in significant impairments to CRE loan books during the global financial crisis (GFC).

CRE lending has been proven to generate lucrative returns with limited capital volatility if risk is appropriately managed, as demonstrated by many non-bank CRE lenders, some of whom have been operating for over 20-30 years. The direct and indirect (funds) purchase of CRE has been a popular investment strategy for decades. While the broader asset class will always remain cyclical, the risk profile of CRE debt has substantially improved in the past decade.

Worldwide institutional investment has grown substantially to US\$845 billion (Figure 2) as investors have sought out income alternatives in a historically low interest-rate environment.

**Figure 2 = Global alternative assets under management**



Source: BondAdvisor, Prequin Pro

Note: To avoid double counting of available and unrealised value, funds of funds and secondaries are excluded.

In the private debt market, lending is generally undertaken on a direct basis between lender and borrower, as bilateral loans. These loans can be tailored to suit the underlying borrower's situation. This contrasts with syndicated loans, where multiple banks will lend to a single borrower to divide risk exposure. Due to the structuring of bilateral loans, they are relatively more illiquid compared to syndicated loans as they generally involve a buy-and-hold strategy and commitment of 12 to 24 months.

These private loans will generally be made to smaller borrowers (the middle-market) with loans typically less than A\$100 million. While some of Australia's largest buildings will involve loan syndication, most domestic CRE financing arrangements are conducted on a bilateral basis, especially given the unique circumstances and attributes of CRE assets.

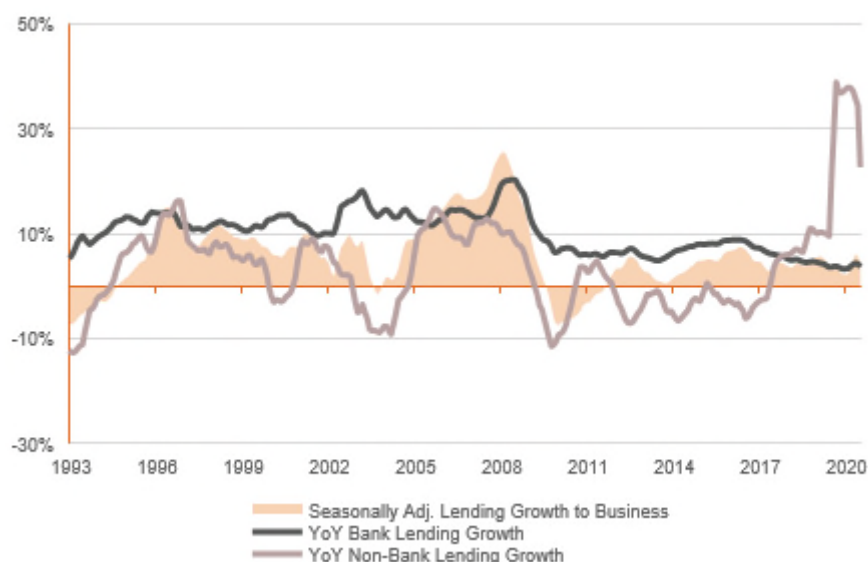
	Bilateral Loans	Syndicated Loans
<b>Loan Size</b>	\$2-\$100 million	>\$100 million
<b>No. of Lenders</b>	Single: loans are made on a one-on-one basis with a single borrower and a lender.	Multiple: Multiple banks will form a 'syndicate' and collectively lend to a single borrower.
<b>Public Information</b>	Lower: Bilateral contracts are highly confidential with the terms generally giving the lender significant non-public information about the borrower.	Higher: As syndicated loans typically involve large public companies, there is some public disclosure with collection from a number of self-reported data vendors.
<b>Covenants</b>	Due to risk concentration for the lender and usually bespoke requirements of the borrower, bilateral agreements tend to have more robust covenant packages.	As syndicated loans are generally made to the largest borrowers and for common purposes, contracts typically have a greater degree of standardisation and less restrictive covenant packages.
<b>Credit Spread</b>	Higher: Bilateral loans are usually made to smaller and relatively riskier borrowers. As a result, lenders will usually require a greater risk premium.	Lower: Syndicated loans are usually made to larger and relatively less risky borrowers. As a result, lenders will usually require a lower risk premium.
<b>Liquidity</b>	Lower: As there is less standardisation and only a single borrower, bilateral loans have a very limited secondary market.	Higher: Syndicated loans have some degree of liquidity either between syndicate participants or other large banks.

<b>Non-Bank Participation</b>	Higher: Due to the attractive risk profile which can be tailored to the lender, confidentiality of agreements and lower capital requirements, there is a greater participation from non-bank lenders.	Lower: Banks usually offer loans at competitive rates due to additional ancillary attached to a particular borrower (bank accounts, hedging) making the return profile of syndicated loans unattractive to non-bank lenders. Greater capital requirements also impose a barrier to entry.
<b>Fee Structure</b>	Although the all-in cost of funding may be higher, bilateral agreements are usually subject to a limited number of fees.	Syndicated loans typically involve syndication fees and agent / arranger fees. However, the all-in cost of funding will generally still be lower due to smaller capital spread.

Source: BondAdvisor

Historically, this participation has been cyclical with the domestic corporate loan landscape remaining a major bank-dominated market with APRA figures indicating that the majors represent 70-80% of all domestic corporate lending. As illustrated in the below table from 2017 until early 2020 non-bank lending experienced strong growth and substantially outperformed bank lending on a growth basis.

**Figure 3 - shows Australian Corporate Lending Growth**



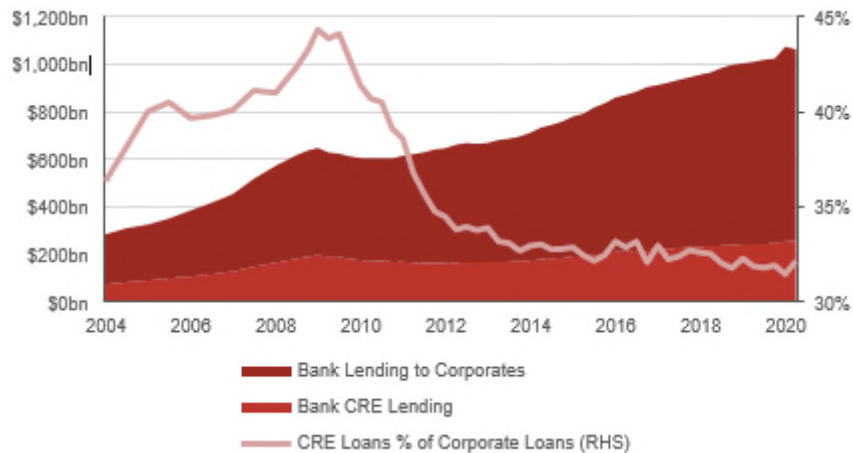
Source: BondAdviser, RBA

CRE lending, is a specialised, yet major component of the middle-market corporate loan universe where lenders participate in the development of new or established real estate across office, industrial, retail or residential developments. In addition to this development-based lending is residual stock lending which involves a developer as they sell left-over apartment stock, is an increasingly important aspect of the CRE market at this point in the cycle.

The total domestic CRE exposure is estimated to be ~A\$300 billion according to APRA, demonstrating the size and breath of the market. As the next figure illustrates, this exposure has proportionally declined within the corporate loan books of banks, highlighting the inverse trend seen across the broader Australian private debt market.



Figure 4 shows Australian Banking System Domestic CRE Exposure

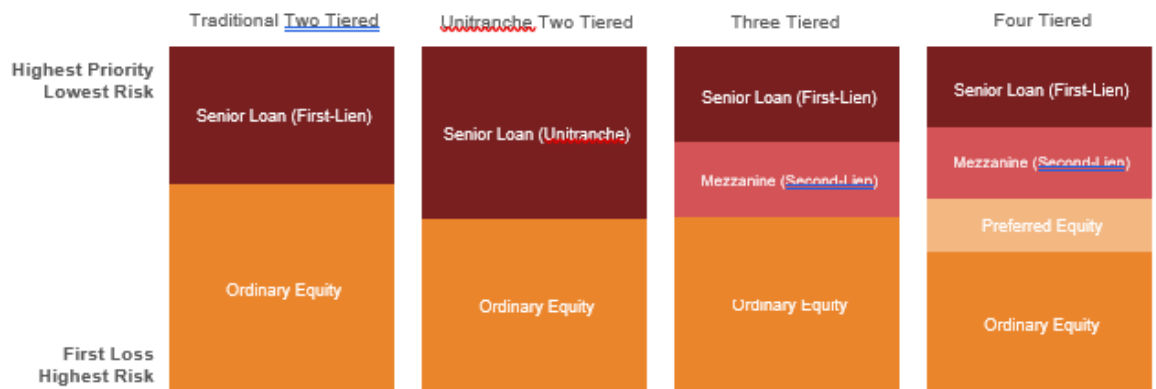


Source: BondAdviser, APRA

### (b) Seniority and the capital structure

Commercial property assets are generally financed from a mix of debt and equity capital structures with loans secured to the underlying real estate/project. Within each class, investors can be subordinated depending on the specific funding composition of the underlying asset. Equity forms the residual value of the asset once the debt is subtracted from its market value. A first lien loan is a type of senior debt where debt holders have the highest priority claims to the collateral of the loan in the event of default. Claims on the collateral of second-lien loans (also known as mezzanine financing) rank behind claims of first-lien loans. Due to the implied risk in a wind-up scenario, second-lien loans usually price at a premium to first-lien loans. As both obligation types are typically structured as secured arrangements, CRE loans almost always rank ahead of other investors in the capital structure.

Capital structure examples:



Source: BondAdviser

The credit quality of an asset will usually be represented by the loan-to-value ratio (**LVR**) which describes the proportion of debt used to fund an asset or other project- specific measures. The debt value advanced should reflect the borrower's credit risk and will be contingent on many factors such as facility size, term, equity buffer, credit risk (and associated covenant package), purpose, the demand / supply dynamics of the market (business credit availability, alternative funding sources), liquidity and can also be linked to certain conditions (credit deterioration or prepayment triggers).

Material shifts in the perceived credit risk of the borrower from the loan's credit spread will impact capital value and can be driven by many factors summarised below.

<b>Qualitative Factors</b>	<ul style="list-style-type: none"> <li>• Macro environment</li> <li>• Property conditions</li> <li>• Management</li> <li>• Alternate uses</li> <li>• Geographic area</li> </ul>
<b>Quantitative Factors</b>	<ul style="list-style-type: none"> <li>• Credit spreads</li> <li>• Default probability</li> <li>• Recovery rates</li> <li>• Credit metrics</li> <li>• Covenant package</li> <li>• Property valuation</li> <li>• Cost-to-Complete</li> </ul>
<b>Profitability</b>	<ul style="list-style-type: none"> <li>• Interest rate</li> <li>• Other fees</li> <li>• Undrawn portion</li> <li>• Fixed / floating</li> </ul>
<b>Facility Characteristics</b>	<ul style="list-style-type: none"> <li>• Collateral</li> <li>• Loan term</li> <li>• Size</li> </ul>
<b>Market Factors</b>	<ul style="list-style-type: none"> <li>• Demand / supply</li> <li>• Reference rates</li> <li>• Banking</li> <li>• Regulation</li> <li>• Alternative capital sources</li> <li>• Refinancing</li> <li>• Economic conditions</li> </ul>

Source: BondAdviser.

(c) **CRE funding structure examples:**

	<b>Investment / Residual Stock</b>	<b>Development</b>
<b>Asset Base</b>	Established single assets such as commercial office, industrial or retail.	Unestablished single assets.
<b>Funding Structure</b>	Senior (30-60%), Equity (40-70%).	Senior (30-50%), Mezzanine (0-20%), Equity (30-50%).
<b>Security</b>	Secured against established assets.	Secured against underlying land, borrower's assets or project.
<b>Funding Use</b>	Senior debt is used to fund the acquisition of the asset, with the remainder utilised for redevelopment.	Funding facilitates initial purchase of site, with progressive drawdown as the development progresses.
<b>Primary Covenants</b>	LVR and ICR.	Cost-to-Complete and Debt Service tests.
<b>Debt Repayment</b>	Asset rental stream, settlements or refinancing.	Pre-sales, settlements, deposits, refinancing or asset sales.
<b>Yield / Risk / Control</b>	Lower.	Higher.

(d) **The opportunity**

Due to regulatory restraints and market conditions outlined above, the Group expects market conditions to continue to remain conducive for debt instruments secured by commercial real estate.

Notwithstanding the dislocation in the credit market and current COVID-19 pandemic, Australia remains an attractive investment proposition as evidenced by a long history of economic growth, population growth fuelling future credit growth, safe investment harbour as one of the six safest investment destinations globally according to Dun & Bradstreet.

It is proposed that the Group will provide real estate loans across all major Australian and New Zealand metropolitan markets that are aligned to opportunities that demonstrate the following rationale:

- underlying real estate assets supported by strong fundamentals;
- thorough due diligence and rigorous stress testing of borrower project feasibilities;
- detailed review of borrower track record and financial position; and
- application of appropriate risk mitigation strategies.

### 3.4 Proposed investment strategy

The proposed investment strategy is to originate or acquire mortgage loans collateralised by high-quality commercial real estate assets that are owned, operated, and developed by experienced and well-capitalised sponsors and located in liquid markets with strong underlying fundamentals. The Group would also intend to invest in mezzanine loans, preferred equity and other debt-oriented instruments with these characteristics.

It is proposed that the Group will have three business lines:

#### (a) **Balance Sheet Lending**

The Group will provide registered commercial real estate mortgage financing to a diversified pool of developers and investors throughout the metropolitan markets of Australia and New Zealand. The Group will invest in loans to quality assets and projects in proven locations, matched with appropriate exit strategies.

Any loans would have the following investment criteria:

##### (i) **Loan Profile**

Assuming the Maximum Subscription is achieved and the Group enters into a finance facility to provide for an additional \$100,000,000, it is contemplated that total lending capacity will be \$160,000,000 to \$170,000,000 (noting that the Company will capitalize the Trust with between \$60,000,000 and \$70,000,000 if the Maximum Subscription is achieved):

- minimum loan principal of \$5,000,000 per transaction;
- maximum loan principal of up to \$35,000,000 per transaction;
- maximum single borrower exposure of \$35,000,000; and
- 3 year average term, ranging from 12 months to a maximum of 5 years.

##### (ii) **Loan-To-Value Ratio (LTV) and Loan-To-Cost Ratio (LTC)**

- first mortgage secured positions up to a maximum LTV ratio of 75% for any individual loan investment;
- aggregate loan portfolio will target a portfolio LTV ratio of 65%; and
- for construction loans – a maximum LTC of 80% and LTV of 70%.

- (iii) Location
  - o All Australian and New Zealand CBD and metropolitan markets and a small number of regional cities with a population of 200,000 or greater.
- (iv) Loan Types
  - o Residual Stock Loans (These loans are typically for recently completed residential apartments and townhouses in developments which have reached practical completion and occupation certificates and individual titles have been issued. Developers will utilise these loans to repay the construction loan or release some equity from the unsold apartments or townhouses. The loans typically have a term of 12 months to 2 years and enable the developer to conduct an orderly sell down of the remaining apartments or townhouses).
  - o Income producing investment properties (This could include office, retail, industrial and other commercial investment properties).
  - o Development construction loans.
  - o Site Loans. This could include both sites with existing development approvals and land with the potential to secure development approvals for future redevelopment.
- (v) Borrowers
  - o Reputable borrowers with sound track records, financial capacity, asset and / or project specific expertise and experienced management teams.
- (vi) Covenants
  - o Financial covenants package and non-financial covenants including financial statements, insurance, valuations and other certified external reports as are appropriate.

(b) **Fund Management**

This part of the business will seek to raise capital from third party investors via individual syndicates, club structures and institutional and high net worth mandates. The Group will charge investment management fees to these investors for originating and managing commercial real estate loan investments. The funds will have flexible investment parameters that will be targeted to the third-party investor's preferences for risk and return. The business may also earn performance fees for delivering returns above pre-agreed benchmarks.

Fees are typically charged as a percentage of gross assets under management and can vary depending on the type of investors and the size of the fund or mandate. They typically range from 0.65% to 1.25% of assets under management.

The funds management business will structure commercial real estate debt investments across all real estate asset classes.

The fund management business will work alongside the Group origination and brokerage businesses, AMF and DSS (described further in section 3.4(c) below), to source suitable loans for investment.

Benefitting from a strong track record developed over 15 years of operation the Group Investment Manager will utilise its existing broad network of investors and industry participants to source third party capital and mandates to invest across all forms of real estate loans.

Sample investors include:

- Australian Superannuation Funds
- Family Offices
- Local and International Investment Banks
- Global Private Equity Investors
- Foreign Institutional Investors and Sovereign Wealth Funds

(c) **Loan Brokerage Businesses**

If approved by Shareholders, the Company will acquire two significant loan origination businesses – AMF Finance Pty Limited (**AMF**) and Digital Software Solutions Pty Ltd (**DSS**).

**AMF**

*Background*

Similar to the residential mortgage market a significant number of debt brokerage businesses have been established in recent years to cater for the growing demand from borrowers to source competitive commercial real estate loans from banks and non-bank lenders. These businesses charge a fee for introducing a borrower to a lender which is paid at financial settlement of the loan. The brokerage fee is typically paid by the borrower and is often included in the amount borrowed.

AMF was established in 2017 in response to the changing dynamics and tighter regulatory environment within the Australian real estate finance market. In particular, with the growth of non-bank lenders a market opportunity arose to establish a sophisticated commercial real estate debt origination/brokerage business.

AMF's commercial real estate debt origination/brokerage business has generated transactions across the capital stack for various property asset classes including but not limited to multi dwelling residential, accommodation, childcare, over 55s seniors living, medical centres and office. Transactions have included:

- structured finance;
- bridging investment finance;
- senior commercial development finance; and
- mezzanine commercial property finance.

The AMF team are highly experienced real estate professionals with experience in both debt and equity investing. The combined experience and private lending market knowledge of the team and the streamlined processes facilitate fast communication and decisions between borrowers and lenders.

*Comprehensive Data Base*

AMF is a business that has a comprehensive data base of over 2,700 finance brokers, developers and market participants who receive regular updates and correspondence. AMF has a strong online presence via an active LinkedIn page and website showcasing past and current deals. AMF tracks every DA submitted to keep up to date with market activity and potential new developer relationships and private lending transactions. From time to time, AMF sponsors mortgage broking

conferences and attends real estate and property development information seminars and workshops and networking events. The company has an introducer/referrer incentivisation program and facilitates on-line applications. AMF utilises standardised loan documentation which can facilitate financial close within 2-6 weeks subject to the status of the valuation report and nature of the loan.

AMF has benefited from a comprehensive digital marketing strategy which has generated significant deal flow and market awareness. The business is scalable and well positioned to continue its growth journey.

#### *Fee Model*

AMF is set up to receive both application fees and brokerage fees. If the Restructure and Recapitalisation Proposal is implemented, AMF will receive application fees for originating loans for the Trust and for any fund or mandates managed by the fund management arm of the business. This income will flow through to the Company within the stapled structure. When a loan is introduced by a third-party broker the application fees are reduced slightly as detailed below.

<b>Direct</b>	<b>Broker Referred</b>
1.50% to 2.50% + GST of the Facility Limit	1.0% to 1.50% + GST of the Facility Limit
Relates to instances where there is a direct relationship between AMF and the Developer/Borrower, with no intermediary party.	Relates to instances where the transaction is introduced by either a broker/advisor/intermediary who has the relationship with the Developer/Borrower.

Details of the terms of the proposed acquisition of AMF is set out in section 11.4.

## **DSS**

#### *Background*

Founded in May 2018, Digital Software Solutions Pty Limited was established with the sole purpose of creating an online solution for loan brokerage, underwriting, negotiation and execution of commercial real estate loans. DSS receives brokerage fees for introducing borrowers to lenders. DSS currently has a panel of 40 approved lenders to introduce loan transactions to. Prior to being accepted as an approved lender, the lender is required to agree to the terms and conditions of the platform.

The 3 co-founders are all executives of 360 Capital Group and combined have over 50 years of experience in all forms of real estate including residential and commercial investment and development. In particular they have been involved in reviewing over \$3 billion and writing over \$220 million of non-bank real estate credit transactions during the preceding 3 years. The co-founders have deep contact networks across out the Australasian property sector including equity and debt providers.

Development of the initial prototype commenced in October 2018 with Talos LLC engaged in January 2019 to develop the online application. DSS raised seed capital in June 2019 from 360 Capital Group to complete development. DSS was launched in early 2020.

#### *Who owns the Intellectual Property?*

The co-founders identified a lack of sophistication, consistency and transparency in underwriting real estate credit particularly in the non-bank sector. DSS capitalised

on the rise of alternative lenders and the growing funding gap left by traditional banks within the Australian market. Whilst online lending solutions proliferate in the residential mortgage and small business lending sector there are no solutions for the more complex and less homogenous areas of commercial real estate development and investment financing.

All intellectual property is solely owned by DSS.

#### *Recent Partnerships*

In September 2020, DSS secured an investment from Amyn Gillani, CEO and Founder of Talos Digital LLC and Mentor at WeWork Labs and the Founder Institute. The investment was for \$400,000 or 10.0% of the ordinary equity in DSS. As part of this investment, services were provided in kind for future development of the application and to secure the support of Amyn in expanding DSS's reach into the Americas.

#### *Fee Model*

DSS runs a two-tier pricing model subject to the type of loan scenario and input required from DSS's broker team.

<b>Basic</b>	<b>Premium</b>
0.2% of the Facility Limit	0.2% to 1.0% of the Facility Limit
Limited intervention by DSS Brokers	Deal mandated and structured by DSS Brokers

Details of the terms of the proposed acquisition of DSS is set out in section 11.4.

The Group may acquire similar origination businesses to help consolidate this strong position. Over time this part of the business has potential to contribute meaningfully to EBITDA in addition to providing a major source of suitable investment opportunities for the rest of the Group.

- 360 Capital Residual Stock Fund

#### *Background*

Resulting from the COVID-19 pandemic and other market conditions during 2020, 360 Capital Group identified that there was significant residential supply currently under construction across Australian capital cities which was coinciding with reduced consumer sentiment and tightening in residential (consumer) mortgage lending, a dynamic which resulted in a significant number of developments reaching completion with no immediate purchasers.

This created an opportunity to provide registered first mortgage financing to completed residential apartment and townhouse stock at conservative Loan to Value ratios and superior risk adjusted returns.

These loans are typically for recently completed residential apartments and townhouses in developments which have reached practical completion and occupation certificates and individual titles have been issued. Developers will utilise these loans to repay the construction loan or release some equity from the unsold apartments or townhouses. The loans typically have a term of 12 months to 2 years and enable the developer to conduct an orderly sell down of the remaining apartments or townhouses.

Accordingly, in October 2020, 360 Capital Group launched the 360 Capital Residual Stock Fund (**360RSF**) as an unlisted, closed ended 3-year mortgage fund investing in a diversified portfolio of well secured, senior loans to completed, individually titled residential apartment and townhouses throughout Australian metropolitan markets. 360RSF is open to retail and wholesale investors targeting a 6.00% p.a. paid as monthly distributions from lending activities.

#### *Key features of 360RSF*

360 Capital FM Limited as the responsible entity for 360RSF is seeking to raise up to \$50 million through the issue of units at an initial offer price of \$1.00 per unit.

The product disclosure statement for 360RSF can be downloaded at [www.360capitalforms.com.au/360-capital-residual-stock-fund](http://www.360capitalforms.com.au/360-capital-residual-stock-fund).

#### *RSF Investment Manager*

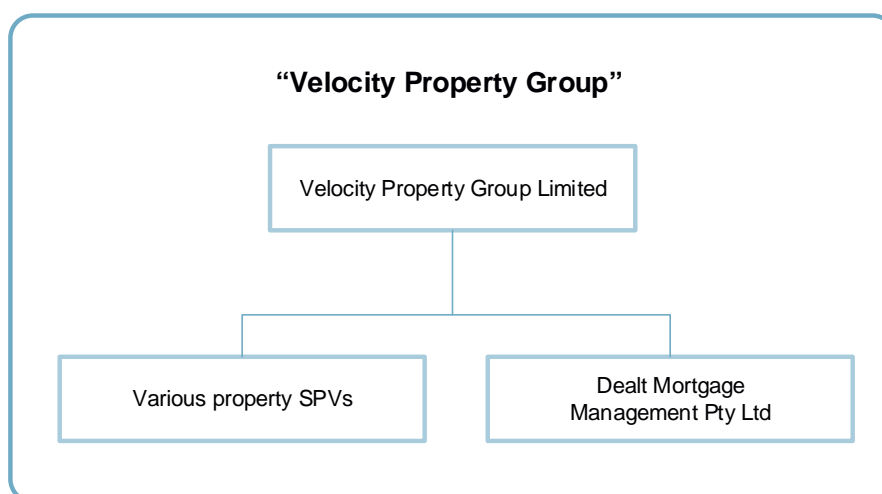
360RSF has appointed AMF as investment manager of the 360RSF under the terms of an investment management agreement. Under that agreement AMF will be entitled to receive a fee of 0.60% per annum plus GST of deployed capital.

If the Restructure and Recapitalisation Proposal is implemented, when the Company acquires AMF it will, indirectly, acquire the management rights in relation to 360RSF.

### 3.5 Current structure

The Group is currently structured as a company structure.

The diagram below illustrates the current structure:



### 3.6 Proposed new structure

#### (a) General

It is proposed that the stapled Group (to be called "**Dealt Group**") will be created, consisting of the Company (to be renamed "**Dealt Limited**") and the Trust (to be called "**Dealt Trust**").

The stapled structure is proposed in response to the different activities that are proposed to be undertaken by the Group and provides an effective way to separate the passive income activities and the business income activities in the most efficient structure.

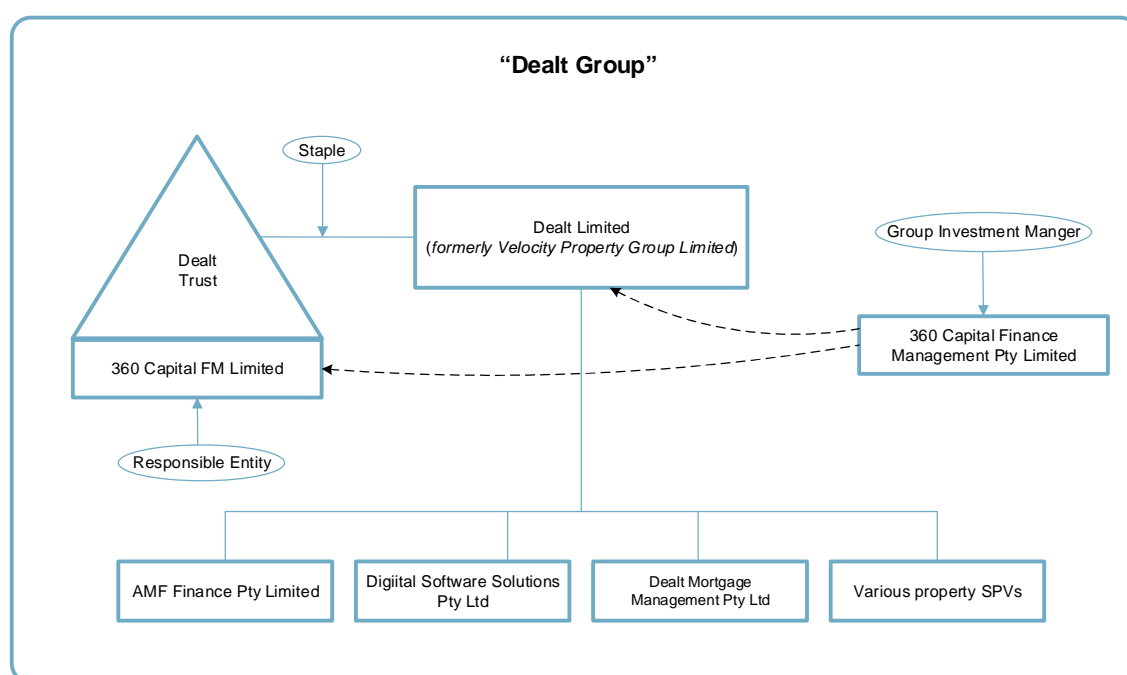


The Company, which was previously used for conducting real estate development activities, will continue to sell down existing development assets over the near term in the existing structure until they have been fully realised.

The Trust is being created for the purposes of providing new capital for investments in real estate loan products. The Trust will be a managed investment scheme with an external responsible entity (being the Responsible Entity). This structure will also be used to invest into other managed investment schemes alongside 3rd party capital investing into real estate loan assets. These structures are widely used and market accepted structures and familiar to many investors in this sector.

It is also proposed that the Company and the Responsible Entity will enter into a Group Investment Management Agreement with 360 Capital Finance Management Pty Limited (**Group Investment Manager**). The Group Investment Manager is a member of the 360 Capital Group (see further details about the 360 Capital Group below at section 3.10 below). The Group Investment Manager will have a dedicated resource from the 360 Capital Group, James Quigley, whose responsibility will be to look after the interests of the Group. James will not have responsibility for the day to day management of any other fund in the 360 Capital Group. Please see section 6.2 for James' bio which demonstrates his extensive experience as a real estate fund manager. A detailed summary of the proposed Group Investment Management Agreement is set out in section 12.7.

The diagram below illustrates the proposed new structure:



#### (b) What is a "stapled entity"

A "stapled entity" or "stapled group" refers to a type of investment structure that is comprised of two or more entities:

- a unit trust, like the Trust, which holds passive investments and is treated as a flowthrough trust for tax purposes and so does not pay tax itself on income to which investors are entitled, subject to certain required tax withholdings (mainly deducted from distributions paid to non-resident Unitholders); and
- a company which carries on an active business.

Units in the unit trust and shares in the companies are "stapled" together and trade as one security on the ASX.

A stapled structure generally allows distributions from underlying passive property fund investments held by the stapled unit trust to be directly distributed to securityholders (subject to any required tax withholdings). The stapled company is taxed at the prevailing company tax rate.

(c) **Establishment of the Trust and the Capital Reduction**

To establish the new Group, the Company has established the Trust with nominal capital and appointed the Responsible Entity to be the responsible entity of Trust under the terms of the Trust Constitution.

As at the date of this Booklet, all of the Units in the Trust are owned by the Company and the Trust has been registered as a managed investment scheme under the Corporations Act.

If the Implementation Conditions are satisfied and the Capital Raising achieves the Maximum Subscription, the Company will capitalise the Trust with cash raised from the Capital Raising to within the ranges of \$60 million to \$70 million. After this the Trust will have issued to the Company in total approximately 211,389,937 Units which is equal to the total number of Shares on issue, in return for the Company paying the Trust approximately \$60,000,000 to \$70,000,000 by way of subscription for the Units.

If the Implementation Conditions are satisfied but the Capital Raising achieves the Minimum Subscription, the Company will capitalise the Trust with cash raised from the Capital Raising to within the ranges of \$20,000,000 to \$25,000,000. After this the Trust will have issued to the Company in total approximately 81,389,937 Units which is equal to the total number of Shares on issue, in return for the Company paying the Trust approximately \$20,000,000 to \$25,000,000 by way of subscription for the Units.

The Company proposes to then make an in-specie distribution to each registered holder of Shares, one Unit for every one Share held by the holder on the Capital Reduction Record Date.

The Unit Distribution will be made to Shareholders (other than Ineligible Foreign Shareholders) on a pro rata (1:1) basis by way of an equal capital reduction under section 256C of the Corporations Act.

Shareholders will not be required to pay any consideration for the Units, as the Company will make an appropriate Capital Reduction to reflect the distributions.

The Units to be distributed are valued at approximately \$0.28 to \$0.33 (calculated based on the Capital Raising achieving the Maximum Subscription) or at \$0.25 to \$0.31 (calculated based on the Capital Raising achieving the Minimum Subscription). The net economic impact of the Restructure and Recapitalisation Proposal on the value of an investment by a Shareholder will be neutral (note the specific tax implications in the Taxation Report in Annexure C). This is because although Shareholders will receive Units, the value of each Unit will cause a corresponding reduction in the value of a Share.

It is currently intended that the record date for determining entitlements to receive the Units pursuant to the Unit Distribution will be 10:00am AEST on 5 May 2021 (**Capital Reduction Record Date**). Any changes to the timetable for the Restructure and Recapitalisation Proposal will be announced to the ASX.

On completion of the Restructure and Recapitalisation Proposal, Shareholders will hold Stapled Securities, each comprising of one Share and one Unit. These two securities will be quoted and traded together as a Stapled Security on the ASX under the name of Dealt Group.

(d) **Timetable**

The indicative timetable for the Capital Reduction is:

Event	Date
Capital Reduction Record Date	5 May 2021 at 10:00am AEST
Deferred settlement trading commences in Stapled Securities Admission of Trust to the Official List	6 May 2021
Effective date for distribution of Units and Stapling Last day of trading of Stapled Securities on a deferred settlement basis	6 May 2021
Completion of dispatch of holding statements	7 May 2021
Commencement of normal trading of Stapled Securities	7 May 2021

These times and dates are indicative only and may change.

### 3.7 Governance of the new Group

The Responsible Entity Board and the Board are not the same and accordingly each has their own corporate governance and compliance obligations under the Corporations Act and the Listing Rules. Each of the Trust and the Company has its own constitution which sets out the rights and obligations of each respective entity and the unitholders (in the case of the Trust) and shareholders (in the case of the Company).

Notwithstanding this, the Group has created a governance framework in line with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). This includes various corporate governance policies designed to promote the responsible management and conduct of the Group.

Both the Responsible Entity Board and the Board will be responsible for ensuring that the Trust and the Company is properly managed to protect and enhance Stapled Securityholder interests, and that the Group and personnel operate in an appropriate environment of corporate governance.

The Board will have overall responsibility for the corporate governance of the Group, including approval and monitoring of key strategic objectives and performance goals. The Board will monitor the financial position and performance of the Group, oversee its business strategy and ultimately be responsible for approving the Group's strategic goals. The Board is integral to the determination of appropriate corporate governance arrangements for the Group and to the continual monitoring of those arrangements.

Further details on the Group's compliance with the ASX Recommendations are set out in section 10.

The Group's policies, codes and charters relevant to corporate governance are located on 360 Capital Groups website at [www.360capital.com.au/about-us/corporate-governance/](http://www.360capital.com.au/about-us/corporate-governance/).

### 3.8 Roles and responsibilities

In addition to the corporate governance of the Group, as a stapled structure the Responsible Entity Board and the Board have agreed the delineation of responsibility for the day to day operation and management of the Group.

As noted above, the Responsible Entity and the Company will enter into the Group Investment Management Agreement with the Group Investment Manager pursuant to which the Group Investment Manager will provide certain investment management services to the Group.

As between the Responsible Entity Board, the Board and the Group Investment Manager, the following matrix broadly identifies how these responsibility for the day to day operation and management of the Group has been allocated:

<b>Task</b>	<b>Company – responsibilities of the Board</b>	<b>Trust – responsibilities of the Responsible Entity Board</b>	<b>Group Investment Manager</b>
<b>General</b>	All matters which are required to be executed by the Company or any subsidiary of the Company	All matters which are required to be executed by the Trust or any subsidiary of the Trust	
<b>Strategy</b>	<ul style="list-style-type: none"> <li>Setting the strategic direction of the Group (including AMF and DSS)</li> <li>Preparing and approving all budgets for the Group</li> <li>Approving all acquisitions and divestments</li> </ul>	Approving and monitoring all balance sheet investments and investments made on behalf of third-party funds and mandates	Assisting the Board in developing the strategy for the Group including preparing recommendations and evaluating acquisitions and divestments.
<b>Committees</b>	Will form an Audit Risk and Compliance Committee and a Credit Committee		
<b>Financial management and reporting</b>	<ul style="list-style-type: none"> <li>Preparing all statutory financial statements, reports and providing final sign off in relation to the same</li> <li>Preparing results announcements and presentations</li> </ul>	Providing input as required in relation to the financial statements and reports etc. prepared by the Board	Assisting the Board with the preparation of all financial management and reporting matters together with all announcements and presentations
<b>Communications and marketing</b>	All investor relations dealings and liaison with ASX and ASIC	Provide input as required in relation to marketing communications	Assisting the Board with the preparation of all marketing and investor relations materials
<b>Compliance and risk management</b>	All corporate governance matters	Responding on corporate governance matters relating to the Trust and input in relation to quarterly compliance reports	Monitoring adherence to compliance plans and assisting with compliance reporting
<b>Capital management</b>	<ul style="list-style-type: none"> <li>Approving capital allocation across the Group</li> <li>Capital management initiatives including</li> </ul>	Approving capital management matters as they relate to the Trust	Assisting with development of strategies for capital management and recommendations. Sourcing and negotiating finance

	capital raising/ buy backs etc.		facilities and advising on capital raisings and restructures
<b>Transactions</b>	Source and manage all new loans (via AMF and DSS) including preparing recommendations to the Credit Committee.  Providing investment management services (via AMF) to SPV trusts with third-party capital	Approving all loan investments and divestments for the Trust and third-party funds.  Acting as responsible entity (or trustee as necessary) for any SPV Trusts established with third-party capital	Initiating new investment funds, 3rd party mandates and raising capital
<b>Operations</b>	Overall day to day management of the Group	Monitoring the performance and activities of the Group Investment Manager	

### 3.9 Investment process

An overview of the proposed process in relation to implementing the investment strategy of the Group (being the origination, lending and follow on management of loans) is set out below:

- AMF or DSS will 'originate' a loan in relation to a potential borrower (**New Loan**).
- AMF will review the New Loan with the Group Investment Manager and the Group Investment Manager will submit a paper to the Credit Committee (**Credit Paper**).
- The Credit Committee will review the Credit Paper including the relevant terms of the loan as proposed and set out in the Credit Paper. The Credit Committee may endorse the New Loan on the terms set out in the Credit Paper or may decline to endorse the New Loan. The Credit Committee may work with the Group Investment Manager to finalise terms of the New Loan and provide a subsequent endorsement.
- Following review by the Credit Committee, the Group Investment Manager will prepare a recommendation to the Responsible Entity Board in relation to the New Loan.
- The Responsible Entity Board will consider each recommendation from the Group Investment Manager and will make the final decision whether or not to proceed with a New Loan.
- Once a New Loan has been executed, AMF will commence managing the New Loan.

### 3.10 Information about the Responsible Entity, 360 Capital Group and Cambridge Investment Partners

#### (a) 360 Capital FM Limited

The Responsible Entity, 360 Capital FM Limited, is wholly owned by the 360 Capital Group and holds an AFSL (AFSL 221 474) issued by ASIC which authorises it to act as responsible entity of the Trust.

While the Responsible Entity is a member of the 360 Capital Group, it has an independent board which comprises a majority of directors which are independent of the 360 Capital Group.

As a wholly owned subsidiary of 360 Capital Group, the Responsible Entity is reliant on 360 Capital Group for access to adequate resources, including directors, management, staff, functional support (such as company secretarial, responsible managers, legal, compliance and risk, finance) and financial resources. 360 Capital Group has made such resources available to the Responsible Entity.

Please see section 6.2 for biographies of the board of the Responsible Entity.

**(b) 360 Capital Group**

360 Capital Group is an ASX-listed (ASX: TGP), investment and funds management group concentrating on strategic investment and active management of alternative assets. As at the date of this Booklet, the 360 Capital Group has a market capitalisation of approximately \$214.6 million and manages listed and unlisted funds on behalf of investors.

360 Capital Group senior management team has an average of 20 years' experience across the Australian real estate, banking, finance and funds management sectors.

360 Capital is approximately 34% owned by the directors and management team of 360 Capital.

**(c) Cambridge Investment Partners**

The Company has appointed Cambridge Investment Partners as financial adviser in relation to the Restructure and Recapitalisation Proposal.

Cambridge Investment Partners is a corporate advisory firm providing distribution capabilities to investment managers. Established in 2019 as a wholly owned subsidiary of 360 Capital Group, Cambridge Investment Partners collaborates with investment managers to provide advice and assistance into how to market, communicate and distribute listed and unlisted products. Cambridge Investment Partners leverages relationships across multiple channels including research houses, independent financial advisers, banks, stockbrokers, wealth management firms, investment platforms, family offices and consultants growing capital in order to bring investment opportunities to investors.

Under the engagement terms with Cambridge Investment Partners the Company has agreed, subject to obtaining Shareholder approval, to pay Cambridge Investment Partners a financial advisory fee of 1.0% of the amount raised by the Company under the Capital Raising (the **Financial Advisory Fee**).

A detailed summary of the engagement terms with Cambridge Investment Partners is set out in section 11.12.

### **3.11 Additional Trust information**

Further details in respect of the Trust are set out below.

**(a) Distribution policy**

It is intended that Trust distributions be paid monthly, though this policy remains at the discretion of the Responsible Entity. Correspondence will be made to investors via ASX announcement. The first distribution is expected to occur month end June 2021. Distributions are not intended to be paid out of borrowings.

**(b) Valuation policy**

The Responsible Entity will calculate the net asset value of the Trust at least every 6 months in line with its unit pricing policy.

In respect of assets it owns and controls, the Trust intends to engage an external valuation firm to undertake an independent valuation of the assets at least once in each two-year period.

In respect of assets it does not entirely own (including where it has a shareholding or unitholding in an investment vehicle), the valuation policies in respect of those assets will be subject to the valuation policies of those investment vehicles which may be outside the control of the Trust.

**(c) Liquidity and withdrawals**

While the Trust is listed, Units are not able to be redeemed or withdrawn from the Trust except under a withdrawal offer or a buy back of Units which satisfies the Constitution, the Corporations Act and the ASX Listing Rules.

It is expected, subject to the Trust's admission to the Official List and the quotation of the Units on the ASX, that Stapled Securities Units will commence trading on the ASX on or about 6 May 2021 on a deferred settlement basis. Stapled Securities may be sold on the ASX by Stapled Securityholders instructing their stockbroker.

**(d) Capital Management**

The Responsible Entity will periodically review the capital structure of the Trust and, where considered appropriate and together with the Board, undertake capital management initiatives in respect of the Group which may involve the issue of other Stapled Securities (through bonus options issues, placement, pro-rata issues, etc.) or the buy back of Stapled Securities.

**(e) Changes to Investment Strategy**

It is expected that the Group's investment strategy will be implemented as detailed in this Booklet. The Company and the Responsible Entity reserves the right to change the Group's investment strategy should it be in the best interests of Stapled Securityholders, subject to any approval it may require under the ASX Listing Rules.

**(f) Fees**

Refer to section 9 for a summary of the fees applicable.

**(g) Hedging**

*Foreign Currency Risk Hedging Policy*

The Trust may be exposed to foreign currency risk arising from investment in non-AUD denominated assets. This means that a portion of distribution income attributable to the Trust may fluctuate in line with a change in AUD/global exchange rates.

To the extent possible, corresponding debt will be taken out in the same currency of the asset to manage foreign currency risk.

The Trust may enter into derivatives to facilitate foreign currency hedging to manage AUD/global exchange rate risk. The Trust will not enter into derivative products for speculative purposes. The Trust will always ensure that it will have sufficient cash to meet any derivative obligations.

*Interest Rate Risk Hedging Policy*

The Trust may have exposure to interest rate risk, as the Trust may take on debt which is set on a floating benchmark rate plus a margin. This means that a portion of distribution income attributable to the Trust may fluctuate in line with a change in interest rates.

The Trust may enter into derivatives to facilitate interest rate hedging, to hedge the underlying floating rate risk arising from distribution income. The Trust will not enter into derivative products for speculative purposes. The Trust will always ensure that it will have sufficient cash to meet any derivative obligations.

(h) **Reporting to Stapled Securityholders**

For accounting and reporting purposes, the Trust will operate on a financial year basis, with a year end of 30 June. The Trust will formally report to Stapled Securityholders on a half yearly basis as at 30 June and 31 December.

(i) **Denomination**

The Trust will be Australian dollar denominated.

(j) **Borrowings**

It is proposed that the Group will enter into financing facilities of up to \$100 million which it will then use to finance senior loans to borrowers secured by registered first mortgages.

For this purpose, the Group has executed a term sheet with a major European Bank (**Lender**) for a debt facility. The Lender has commenced due diligence with the aim of executing all documentation by March 2021.

Key terms of the proposed debt facility are detailed below:

<b>Parties</b>	
<b>Borrower</b>	A special purpose trust established and wholly owned by the Responsible entity as responsible entity of the Trust
<b>Lender</b>	European Bank
<b>Structure of facility</b>	It is proposed that the Lender will issue loan notes to the Borrower ( <b>Senior Notes</b> ).
<b>Key Terms</b>	
<b>Purpose</b>	The Borrower will use the proceeds of the issuance of Senior Notes to acquire Eligible Loans (defined below) to be made by the Borrower and to pay any fees and expenses in respect of the facility.
<b>Eligible Loans</b>	An initial portfolio of existing first ranking residential mortgage loans, secured against the Eligible Properties (defined below), which meet the eligibility criteria ( <b>Portfolio</b> ).  Additional loans which meet the Eligibility Criteria may be added to the Portfolio with the prior approval of the Lender.
<b>Eligible Properties</b>	Completed, subdivided, residential stock available for sale, which secures the Eligible Loans and meets the eligibility criteria.
<b>Senior Note Limit</b>	Up to A\$100,000,000 or as otherwise agreed between the Borrower and the Lender
<b>Senior Advance Rate</b>	In respect of each Eligible Loan or Eligible Property, the amount that the Borrower will apply from the proceeds of the issuance of Senior Notes is the lesser of:  1) 50% of the principal balance of the Eligible Loan;  2) 35% of the market value of the Eligible Property as per the initial independent valuation (excluding any GST)  or as otherwise agreed by the Lender.
<b>Maturity</b>	36 months from financial close or as otherwise agreed with the Lender.
<b>Redraw</b>	The Bank will offer a redraw facility with drawdowns permitted against additional Eligible Loans to be included in the Portfolio, provided that following the drawdown the aggregate Senior Notes outstanding will not exceed the Senior Note Limit and



	the Senior Notes outstanding in respect of the Eligible Loan will not exceed the Advance Rate and in all cases with the prior approval of the Lender.
<b>Security</b>	
<b>Ranking and Security</b>	<p>First ranking senior security package shall be in a form and substance satisfactory to the Lender, including but not limited to:</p> <ol style="list-style-type: none"> <li>1) First ranking security over all of the assets and undertaking of the Borrower (which will include the first ranking benefit of any and all security provided to the Borrower in respect of the Eligible Loans);</li> <li>2) Bank account deed giving security over all the Borrower's bank accounts; and</li> <li>3) Acceptable inter-creditor terms.</li> </ol>
<b>Covenants &amp; Undertakings</b>	
<b>Financial Covenants</b>	<ol style="list-style-type: none"> <li>1) Eligible Property loan to valuation ratio (<b>Eligible Property LTV</b>) equal to or less than 40% calculated as the weighted average of the loan to valuation ratio for each Eligible Property based on the principal balance of the Eligible Loan to the latest Independent Valuation of the Eligible Property (excluding any GST); and</li> <li>2) Portfolio loan to valuation ratio (<b>Portfolio LTV</b>) equal to or less than 55% calculated as the ratio of the outstanding Senior Notes to the outstanding aggregate principal balance of all Eligible Loans in the Portfolio. Where an Eligible Loan has defaulted, it will be included in the Portfolio LTV calculation with the principal balance to be based on its market value, as agreed with the Lender.</li> </ol> <p>Compliance with the Eligible Property LTV covenant and Portfolio LTV covenant (each an <b>LTV covenant</b>) is required at all times, to be tested monthly and on each Drawdown.</p>

The above summary is indicative of the proposed terms of financing facilities that the Group may enter into to finance senior loans. The final terms of any financing facilities may vary from that described above.

### 3.12 Capital Raising

#### (a) General

The Company proposes to undertake the Capital Raising to raise up to \$93,400,000 (**Maximum Subscription**) at an issue price of \$0.50 per Share on the terms of a prospectus and product disclosure statement to be issued in connection with the Capital Raising (**Offer Document**).

The minimum subscription proposed for the Capital Raising is AUD \$28,400,000 (**Minimum Subscription**).

#### (b) Structure of the Capital Raising

The Capital Raising is proposed to be structured as follows:

- **Priority Offer:** this offer will be open to Shareholders who hold Shares at the Capital Raising Record Date and who have a registered address in Australia, New Zealand. This offer will also be open to Shareholders who holds Shares at the Capital Raising Record Date and who have a registered address in, Singapore or Malaysia subject to certain restrictions to be detailed in the Offer Document.
- **360 Capital Offer:** this offer will be open to persons who hold securities in 360 Capital Group Limited (ASX: TGP), 360 Capital REIT (ASX: TOT), 360 Capital Digital Infrastructure Fund (ASX: TDI) or 360 Capital Enhanced Income Fund (ASX:TCF) as at the Capital Raising Record Date who have a registered address in Australia or New Zealand;

- **General Offer:** this offer will be open to Retail Clients or Wholesale Clients who have a registered address in Australia or New Zealand. This offer will also be open to Wholesale Clients who have a registered address in, Singapore or Malaysia; and
- **Broker Firm Offer:** this offer will be is open to Retail Clients or Wholesale Clients who have a registered address in Australia or New Zealand who have received a firm allocation from their broker.

If either of Shareholder approval to the Resolutions or the Minimum Subscription is not obtained, the Restructure and Recapitalisation Proposal will not proceed.

(c) **Timetable**

The indicative timetable for the Capital Raising is:

Event	Date
Offer Document for Capital Raising filed with ASIC	2 February 2021
Capital Raising Record Date	18 February 2021 at 10:00am AEST
Capital Raising offer period commences	18 February 2021
Capital Raising offer period closes	28 April 2021
Issue of Shares under Capital Raising	4 May 2021

These times and dates are indicative only and may change.

(d) **Use of funds**

Funds raised from the Capital Raising will be used for the following purposes.

- (e) to fund the cash consideration for the Business Acquisitions;
- (f) to repay the Company's existing external borrowings;
- (g) to fund the new investment strategy; and
- (h) to fund the costs of the Restructure and Recapitalisation Proposal.

The table below summarises the application of funds (excluding the Shares valued at \$6,600,000 to be issued to fund part of the consideration for the Business Acquisitions):

			\$M	Timing
Minimum Subscription	Application of Funds	Total	28.4	
	Growth Equity and Working Capital		7.1	1 - 1.5 yrs
	Repay debt facilities		4.0	Immediate
	Residual Stock Funding		15.0	Immediate
	Business Acquisitions (cash component)		0.4	Immediate
	Offer Costs		1.9	Immediate
	Total Application of Funds		28.4	
Maximum Subscription			\$M	

Application of Funds	Total	93.4
Repay debt facilities	26.6	Immediate
Business Acquisitions (cash component)	0.4	Immediate
Growth Equity and Working Capital	37.5	1 - 3+ yrs
Offer costs	3.9	Immediate
Residual Stock Funding	25.0	< 1 yr
Total Application of Funds	93.4	

The Group will on completion of the Capital Raising have sufficient working capital to carry out its objectives as stated in this Booklet.

### 3.13 Existing and proposed capital structure

The proposed capital structure of the Group on a pre and post basis following completion of the Restructure and Recapitalisation Proposal and the issue of all Shares and Units contemplated by this Booklet is set out below.

	Minimum Subscription	Maximum Subscription
Shares currently on issue	11,389,937	11,389,937
New Shares to be issued at \$0.50 each under the Capital Raising including Shares issued in relation to the Business Acquisitions	70,000,000	200,000,000
<b>Total Shares on issue on completion of Capital Raising and Business Acquisitions</b>	<b>81,389,937</b>	<b>211,389,937</b>
<b>Total Stapled Securities on issue on completion of the Unit Distribution</b>	<b>81,389,937</b>	<b>211,389,937</b>

The Company also has on issue 7,142,857 options at an exercise price of \$1.40 per share issued to 360 Capital REIT (a listed stapled entity comprising 360 Capital Active REIT ARSN 602 303 613 and 360 Capital Passive REIT ARSN 602 304 432) (ASX:TOT).

Other than the securities described above, The Trust does not have on issue any other types of equity or debt securities.

Following completion of the Restructure and Recapitalisation Proposal, the percentage of Stapled Securities which will be able to be traded on ASX (excluding any Stapled Securities which are subject to a restriction on trading and the Stapled Securities held by the Related Party Vendors, Philip Raff and the 360 Capital Shareholder) will be greater than 20% of the number of Stapled Securities on issue.

### 3.14 Changes to the Board and management

The Board is presently comprised of Peter Lewis, Tony Pitt, James Storey and Philip Raff.

Peter Lewis was appointed as a director of the Company on 2 November 2020 and was elected chair.

Separately in relation to the management team of the Company, it is proposed that Philip Raff will retire as Managing Director and become a non-executive Director. Phillip Young will continue as Chief Financial Officer and Company Secretary.

The Board will have responsibility for setting the strategic direction of the Group and Group activities and profitability.

The Board will assess and approve acquisitions and divestments of Group businesses and be responsible for approving key company hires.

The Board will be responsible for overseeing the capital structure of the Group and maintaining prudent gearing levels.

Please see section 6 for biographies of the Board and its management team.

### **3.15 Executive Incentive Plan**

If the Implementation Conditions are satisfied, the Group proposes to adopt an Executive Incentive Plan (**Executive Incentive Plan**).

The Group is committed to maintaining a remuneration strategy which is designed to attract, retain and motivate appropriately qualified and experienced senior executives. Key principles in developing the remuneration structure and levels include the creation of longer term securityholder value, alignment with securityholder interests, market competitiveness, recognition of individual performance and experience and group performance.

The Group reviews its remuneration policies and practices on an ongoing basis in order to ensure that they are consistent with its strategic goals and human resources objectives and to ensure that they are designed to enhance corporate and individual performance.

The proposed Executive Incentive Plan and is designed to:

- assist with the attraction and retention of executives, senior managers and employees;
- continue to motivate and drive performance at both the individual and corporate level; and
- strengthen the alignment between employee and securityholder interests.

It is proposed to issue Stapled Securities under the Executive Incentive Plan to employees of the Group. It is estimated a total of 389,800 Stapled Securities will be issued in the first year to current and future employees. The maximum number of Stapled Securities proposed to be issued under the Executive Incentive Plan following the approval is no more than 1,169,400.

A detailed summary of the proposed Executive Incentive Plan is set out in section 12.8. In addition, a copy of the Executive Incentive Plan and is available for review by Shareholders at the registered office of the Company until the date of the EGM. A copy of the Executive Incentive Plan can also be sent to Shareholders upon request.

### **3.16 Disposal of current business**

If the Implementation Conditions are satisfied, it is intended that the Company will dispose of its current residential property development business and residential investment assets.

As at the date of this Explanatory Memorandum, the Group has interests in the following project and development sites:

Type	Remaining Stock	Gross Realisable Value
Residual Stock	14	\$24,696,250
Investment Properties	10	\$5,954,659
Development Sites	1	\$9,570,000
<b>Total</b>	<b>25</b>	<b>\$40,220,909</b>

### **Residual stock**

Whilst not immune to the impact of COVID-19 the Group has managed to maintain sales momentum of its luxury, owner occupied projects. This has included 17 settlements of completed lots across the ONE Bulimba Riverfront, Ellerslie Residences and Parque on Oxford portfolio during the second half of FY20 for a gross value of approximately \$25.4m and a further 12 in the current financial year for a gross value of approximately \$19.2m.

Based on current marketing plans, the remaining residual stock is expected to sell in the current financial year.

### **Investment properties**

The investment property portfolio is being prepared for sale and a comprehensive marketing campaign is planned to begin early in the 2021 calendar year.

### **Development sites**

Since the decision was made to dispose of the development sites there has been strong interest from several parties. The Palm Beach site has sold and settled on 15 December 2020. The remaining site at Burleigh Heads is under contract, is unconditional and is expected to settle in late March 2021.

## **3.17 What are the tax implications of the Restructure and Recapitalisation Proposal?**

Ernst & Young have provided a general summary of the Australian tax implications for Australian resident Shareholders regarding the Restructure and Recapitalisation Proposal in the Taxation Report in Annexure C.

This is not advice and each Shareholder should seek independent advice.

The Company has applied for a class ruling for the benefit of Shareholders. The class ruling requests confirmation from the ATO that, amongst other things, the income tax treatment for Shareholders is as discussed in the Taxation Report.

## **3.18 ASX approval**

The re-admission of the Company and the admission of the Trust to the Official List and the re-quotations of the Shares and the quotation of the Units is subject to approval by the ASX.

Within one week of the date of this Booklet, the Company will re-apply for the Company to be admitted to the Official List of the ASX and quotation of the Shares and the Responsible Entity will apply for the Trust and for quotation of the Units (as stapled to the Shares and traded as Stapled Securities). If ASX does not grant the applications, the Restructure and Recapitalisation Proposal will not proceed.

ASX reserves the right to remove one or more entities with stapled securities from the Official List if any of their securities cease to be stapled together, or any equity securities are issued by one entity which are not stapled to equivalent securities in the other entity or entities.

### **3.19 Is there a cooling-off period?**

There is no cooling-off period for Shareholders.

If the Restructure and Recapitalisation Proposal proceeds, all Shareholders will receive Units regardless of whether they voted on the Restructure and Recapitalisation Proposal and if they did vote, regardless of whether they voted for or against the Restructure and Recapitalisation Proposal.

### **3.20 Discretion**

The Board retains a discretion on whether to proceed with the proposed Restructure and Recapitalisation Proposal. If Shareholders pass the Resolutions, the Board may resolve not to proceed should market conditions or other factors impacting on the Restructure and Recapitalisation Proposal cause the Directors to believe that proceeding with the Restructure and Recapitalisation Proposal would not be in the best interests of the Shareholders.

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#### 4. **What are the advantages of the Restructure and Recapitalisation Proposal?**

The Board believes that the implementation of the Restructure and Recapitalisation Proposal offers the following potential benefits to Stapled Securityholders.

**(a) Expanded prospects for growth**

The Group will benefit from an expanded range of new businesses all focusing on the growing market opportunity of commercial real estate loans.

The business will provide an integrated platform that will transform the Group into a diversified commercial real estate debt business that will focus on three key business lines – Origination, Investment Management and Lending.

The implementation of the Restructure and Recapitalisation Proposal provides the potential to increase returns to Stapled Securityholders.

**(b) Diversification of income streams**

The Company derives the majority of its income from the development of residential apartments in South East Queensland. The Company also derives rental income from its investment property portfolio (\$678,834 or 1.3% of total income in FY20).

The implementation of the Restructure and Recapitalisation Proposal Transaction will result in Stapled Securityholders receiving additional income streams over and above those currently held.

This diversification is expected to strongly reduce the Group's risk profile.

**(c) Potential re-rating**

Following the proposed Capital Raising, the Group's net assets are expected to increase significantly. The Group's enlarged scale and liquidity is likely to be of greater interest to institutional investors, and their greater interest could create increased demand for Stapled Securities and thereby potentially further increase liquidity and value to investors.

**(d) Distribution Income**

Following the proposed Capital Raising and the repurposing of the business, the Group intends to make a distribution to investors of 6% per annum paid monthly. The proposed regular distributions will benefit those investors seeking a regular distribution income.

**(e) Experienced Management Team**

The senior management team from the Responsible Entity will complement the management team of the Group. The combined team will provide deep levels of experience in all aspects of equity and debt real estate investing. Furthermore the team has an extensive network throughout the property and finance industries to assist the Group in securing new investment opportunities for both lending and investment management.

**(f) Maturing Asset Class**

The non-bank lending market continues to mature and gain market share away from the major four banks. As a result, the asset class is becoming increasingly accepted by institutional investors as an attractive investment which in turn should see more capital and opportunities arise for businesses like the Group.

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## 5. What are the disadvantages of the Restructure and Recapitalisation Proposal?

The Board has identified the following potential disadvantages of the implementation of the Restructure and Recapitalisation Proposal:

(a) **Slight reduction in NTA per Stapled Security**

The Group NTA per Stapled Security is expected to reduce on a pro forma basis after implementation of the Restructure and Recapitalisation Proposal. This reduction in NTA is a result of the transaction costs incurred and the AMF & DSS business acquisition intangible assets (such as software & goodwill) recognised in relation to the implementation of the Restructure and Recapitalisation Proposal.

(b) **Business and investment risks**

The implementation of the Restructure and Recapitalisation Proposal involves business and investment risks which are summarised in section 7.

(c) **Ineligible Foreign holders**

Shareholders whose registered address is outside Australia, Singapore or Malaysia may be adversely affected because the implementation of the Restructure and Recapitalisation Proposal could involve the sale of their holding on market through a nominee if the Company considers that it is not reasonable for the Company to comply with laws of another jurisdiction in implementing the implementation of the Restructure and Recapitalisation Proposal.

(d) **Increase in annual fees**

The Restructure and Recapitalisation Proposal will also result in an increase in annual listing fees of approximately \$15,000 per annum under the Minimum Subscription scenario or \$30,000 per annum under the Maximum Subscription scenario.

(e) **One-off costs**

In addition there are one-off adviser costs in implementing the Restructure and Recapitalisation Proposal. These are estimated to be approximately \$1.9m net of recoverable GST under the Minimum Subscription scenario and approximately \$3.9m net of recoverable GST based on the Maximum Subscription scenario. These costs are proposed be paid for out of funds raised by the Capital Raising.

(f) **Summary**

The Board consider that the significant benefits provided by the Restructure and Recapitalisation Proposal outweigh the following potential disadvantages describe above.



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## 6. Key people

### 6.1 The Company

#### (a) Board

##### **Peter Lewis**

Non-executive Chair

Peter Lewis is the Chair of McGrath Ltd, a director of the ABC, Pump Group Australia, a member of the Advisory Board for Anacacia Capital and an advisor for Gravity Media Group. He previously held board and advisory positions with 360 Capital ANI Management, Capitol Health Limited, International Grammar School Sydney, TXA Australia Pty Ltd, Norwest Productions Pty Ltd, Australian News Channel Pty Ltd, B Digital Ltd, Vividwireless Pty Ltd, and Yahoo 7 Australia. He has extensive experience in financial management and has been the CFO of Seven Network Ltd, Seven Group Holdings Ltd, Seven Media Group, and Seven West Media Ltd.

Peter is a Fellow of the Institute of Chartered Accountants in Australia, a member of the Australian Society of Certified Practicing Accountants, and a Fellow of the Governance Institute of Australia.

##### **Tony Pitt**

Non-executive Director

Tony is a founding Director of 360 Capital Group and has worked in the property and property funds management industries for over 20 years. As Managing Director, Tony is responsible for the Group's investments, strategic direction and overall Group strategy. He has overseen the IPO on the ASX of three AREITs since 2012 as well as the creation of various unlisted funds, undertaken various corporate acquisitions and disposals, mergers and acquisitions and the ASX listing of 360 Capital Group.

Tony has formerly held numerous senior roles and directorships at Mirvac Group, James Fielding Group and Paladin Australia. He also held positions at Jones Lang LaSalle and CB Richard Ellis. He graduated from Curtin University with a Bachelor of Commerce (Property), has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.

##### **James Storey**

Non-executive Director

James has 15 years' experience in real estate funds management with significant experience investing across debt, equity and corporate transactions. James was the Fund Manager of the 360 Capital Office Fund (ASX: TOF) and 360 Capital Industrial Fund (ASX: TIX) with a combined gross assets of over A\$1.1b and is currently the Head of Real Assets and Fund Manager of 360 Capital REIT (ASX:TOT).

Prior to his tenure at 360 Capital, James held the role of Investment Manager at Brookfield Office Properties, Senior Analyst at Valad Property Group and worked for Ernst & Young within its Transaction Advisory Services team.

James has a Bachelor of Business (Property Economics) from the University of Western Sydney and a graduate certificate of applied finance and investment. He is also a licensed real estate agent and qualified valuer.

##### **Philip Raff**

Managing Director

Philip completed a Bachelor of Business and after a brief stint with a Chartered Accounting Firm began a twenty-year career in the PC Industry primarily focused on IT Deployments and Business Transformation. He left the PC Industry in 2013 and began funding property

developments in Brisbane with Velocity Property Qld. This collaboration was formalised in 2015 with the creation of the Company.

Phillip is also a licensed Real Estate Agent in Singapore where he lives with wife and three children and is the Treasurer of his daughters' gymnastics club

(b) **Management**

**Phillip Young**

Chief Financial Officer

Phillip joined the Group in July 2016 as Chief Financial Officer and was appointed Company Secretary in August 2016. Prior to joining the Group, Phillip spent 13 years at Findex (formerly Crowe Horwath), a national mid-tier accounting firm. Phillip is a member of the Chartered Accountants of Australia & New Zealand and the Governance Institute of Australia.

Phillip holds a Bachelor of Business in Accounting and Information Systems from Central Queensland University as well as a Graduate Diploma of Chartered Accounting. He is also a current member of the Urban Development Institute of Australia (UDIA) Qld finance and taxation committee.

## **6.2 The Responsible Entity**

(a) **Board of Directors of Responsible Entity**

The board of the Responsible Entity are responsible for the management of the operations of the Trust. While the Responsible Entity delegates investment management services to other entities, it retains ultimate responsibility for these functions.

The board of the Responsible Entity is comprised of five Directors, four of whom are independent non-executive Directors, including the Chairman. The biographies of the board members are set out below:

**David Van Aanholt**

Non-executive Chairman

David has over 30 years' experience in the property and funds management industry. Prior to establishing his own property group in 2007, David worked for the ASX listed Goodman Group where he was the Chief Executive Officer (Asia Pacific) and was responsible for Goodman's operations in Australia, New Zealand, Hong Kong and Singapore. Prior to working for Goodman David held senior roles at Paladin Australia and CDH Properties (acquired by KPMG). David holds a Bachelor of Business (Land Economy), a Post Graduate Diploma in Management, a Masters in Business Administration and he is a Fellow of the Australian Property Institute.

David is a non-executive Director and Chair of Kennard's Self Storage Group and a Councillor at the University of New England where he sits on the Audit and Risk, Finance and Infrastructure, Innovation and Remuneration Committees.

**Tony Pitt**

Managing Director

See section 6.1(a).

**John Ballhausen**  
Non-executive Director

John is a financial services professional with over 35 years' experience. He is a founder of Quay Business Services Limited providing trustee and responsible entity services to fund managers. He is also a non-executive director of Arctic Intelligence.

John founded Rimcorp Property Limited and became its Managing Director. In 2008, Rimcorp was successfully sold with approximately \$100 million in funds under management spread over four registered property schemes. Before 2002 John held the position of Chief Investment Officer with HIH Insurance, with responsibility for more than \$3 billion of investments across fixed interest, equities and property asset classes. John has a Bachelor of Commerce from the University of NSW, is a Fellow of the Financial Services Institute of Australasia and a Graduate of the Australian Institute of Directors.

**Graham Lenzner**  
Non-executive Director

Graham has had a career spanning four decades, with particular emphasis on funds management and financial markets. Graham was an Executive Director of the Armstrong Jones Group for 12 years, the last four years as Joint Managing Director. Other previous roles include Finance and Deputy Managing Director of Aquila Steel, General Manager Finance and Investments of MMI Insurance Limited and Director Head of Equities with Schroder Darling Management Limited. Graham has served on the board of a number of public and private companies.

**Andrew Moffat**  
Non-executive Director

Andrew has in excess of 23 years of corporate and investment banking experience, including serving as a director of Equity Capital markets and Advisory for BNP Paribas Equities (Australia) Limited. Andrew is the sole principal of Cowoso Capital Pty Ltd, a company providing corporate advisory services. Andrew is also a Director of Pacific Star Network Limited and a Director of ICP Funding Pty Ltd. His past public company directorships include Rubik Financial limited, Keybridge Capital Limited, CCK Financial Solutions Limited, itX Group Limited and Infomedia Limited.

(b) **Senior Management**

**Glenn Butterworth**  
Chief Financial Officer and Joint Company Secretary

Glenn is a key executive within the business and is responsible for all 360 Capital's financial management activities. Glenn has over 25 years' experience and joined 360 Capital from Mirvac Group where he spent 11 years, most recently as Financial Controller of the Mirvac's Investment Division where he was responsible for Mirvac Property Trust, listed and wholesale managed funds and partnership structures and has a wealth of transactional and financial management experience. Glenn was appointed joint Company Secretary on 11 December 2019.

Glenn is a Chartered Accountant and holds a Bachelor of Commerce and commenced his career as an accountant at Deloitte.

**James Storey**  
Head of Real Assets

See section 6.1(a)

**Chris Chase**  
Head of Credit

Chris joined 360 Capital in 2019 and is responsible for the strategy and execution of the groups diversified credit strategy.

Chris has over 14 years' experience in banking and corporate finance across Australia and Asia with significant experience in origination, structuring and portfolio management of diversified loan portfolios for mid-market and institutional borrowers.

Chris has experience structuring and executing complex corporate lending transactions, including growth capital and leverage and acquisition finance across a range of industries including Healthcare, Telecommunications, Retail, Transport & Logistics, Business Services, Technology and Diversified Industrials.

Prior to joining 360 Capital, Chris spent time at Macquarie Bank, CBA and ANZ within their Corporate Finance, Corporate Banking and Institutional businesses. Chris holds a Bachelor of Business (Finance & Accounting) from the University of Technology and is a CPA.

**Kim Child**  
General Counsel and Joint Company Secretary

Kim joined the Group and was appointed Company Secretary of 360 Capital Group in August 2020 having previously worked with the Group in private practice.

Kim has over 10 years of legal experience and has practiced corporate law in London and Sydney including at top tier firms Clayton Utz and King & Wood Mallesons. Kim has gained experience advising investors, asset and fund managers, financial institutions and listed and unlisted entities on strategic transactions in the corporate real estate sector.

Kim holds a Bachelor of Laws and is qualified to practice in both New South Wales and the UK.

## **6.3 Group Investment Manager**

**James Quigley**  
Fund Manager

James has more than 25 years' experience in real estate investment, funds management and transactions across Australia. James has significant experience managing funds both unlisted and listed delivering strong returns for investors and originating and executing transactions across all real estate asset classes. James has a track record across a well-diversified range of national and international property and private equity real estate groups.

Prior to joining the 360 Capital Group, James spent time at Fortius Funds Management, LaSalle Investment Management, Morgan Stanley Real Estate Investing, Mirvac and Lend Lease.

## **6.4 AMF**

**Genevieve Naughton**  
Debt Transaction Manager

Genevieve has over 8 years' experience across real estate development and construction finance, loan origination and financial planning. Prior to her current role, Genevieve was Risk and Compliance manager at Lambert Capital, a family office located in Melbourne. Genevieve has a Bachelor of Business majoring in Economics and Finance at RMIT University and an advanced diploma in Financial Planning.

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## 7. Material business risks

This section focuses on the major risks that could impact the Group assuming that the Restructure and Recapitalisation Proposal is approved and proceeds as intended.

It does not purport to be an exhaustive list of every risk that may be associated with an investment in the Group now or in the future.

The consequences associated with each risk are partially or completely outside the control of the Company and the Responsible Entity and, if they were to eventuate, may adversely affect the future operating performance of, and the value of an investment in, the Group.

### 7.1 Risks specific to the proposed investment strategy

#### (a) Credit default risk

There are various factors which could adversely impact the ability of credit counterparties that have borrowed funds, to fulfil their payment obligations or which may cause other events of default. These include but are not limited to changes in financial and other market conditions, interest rates, government regulations or other policies, the macro-economic environment, changes in law and taxation, natural disasters, terrorism, social unrest and civil disturbances.

As a result, borrowers may not fulfil their payment or other obligations in full, or at all, and/or may cause, or fail to rectify, other events of default under the loan. The Group may, in these circumstances, suffer from reduced income and therefore have a reduced ability to pay distributions, as well as be required to exercise any contractual rights of enforcement that it has against the borrower, in order to recover its investment. As such, there is no guarantee that the Group will be able to recover its investment, which may adversely impact an investment in the Group.

#### (b) Interest rate risk

As a lender of debt facilities, the Group may be exposed to fluctuations in interest rates. Central bank interest rates (RBA cash rate and RBNZ cash rate) are correlated to base rates, which are used as a basis to price corporate loans. Accordingly, any movement in interest rates may have an adverse effect on the Group's financial performance and position.

#### (c) Early repayment risk

The Group will have exposure to private credit investments with a range of maturities, and it is possible that any of these facilities may be repaid earlier than anticipated. The extent of borrowers prepaying or refinancing their debt facilities, whether contractual or at their election, may be subject to general market conditions, borrower financial capacity amongst other factors, which may result in early repayment of principal, resulting in a lower return to the Group than originally forecast.

#### (d) Risk of non-performing loans (NPLs)

Loan investments made by the Group may become non-performing for a variety of reasons, including non-payment of principal or interest, as well as non-financial breaches by borrower. Such NPLs may require a substantial amount of workout negotiations and/or restructuring which may entail, among other things, substantial irrecoverable costs, a substantial reduction in the interest paid, a substantial write-down of the principal of the loan and/or a substantial change in the terms, conditions and covenants. However, even if a restructure of the NPL were to be successfully accomplished, there is potential risk that, upon maturity replacement "take-out" financing will not be available.

It is possible that the Group may find it necessary or desirable to pursue (either itself of or through the appropriate counterparty) enforcement of an underlying security. Any enforcement process can be lengthy and expensive, which could have a material negative impact on the Group's anticipated return.

(e) **Subordination risk**

Certain subordinate or mezzanine investments to which the Group may have exposure to, could typically be subordinated to or rank behind other senior credit providers. The ability of the Group as a provider of such loans, to influence the borrower especially during periods of financial distress or following insolvency, is likely to be substantially less than that of senior creditors. In many cases, the remedies available in relation to breach of loan terms, including the ability to foreclose on any collateral securing such loan investments, will be subject to the rights of any senior lenders and contractual inter-creditor provisions.

In addition, certain subordinated loans which the Group may have exposure to, may not be protected by financial covenants. As a result, the Group may not be able to take the steps necessary to protect its investments in a timely manner or at all, which could reduce Investor distribution payments and/or returns.

If the Group is wound-up, Stapled Securityholders will rank behind secured and unsecured creditors of the Group. If there is a shortfall of funds on winding-up, there may be a risk that Stapled Securityholders will receive less than the NTA per Stapled Security.

(f) **Covenant risk**

Covenants are often put in place by lenders to protect themselves from borrowers defaulting on their obligations due to financial underperformance. Where lending markets become competitive between credit providers, the level of covenant reporting in loan documents may be significantly reduced or not provided at all. Such loans are referred to as “covenant lite”.

The private real estate loans to which the Group could have exposure, may be made on such terms, which can carry more risk to the lender than traditional loans. As a result, the Group may be exposed to a greater level of risk, which could adversely impact investment performance.

(g) **Implementation of investment strategy**

There is no guarantee that the implementation of the investment strategy will yield the target annual return. In addition, until the Group is fully invested, the Group may not meet the investment target and the portfolio may not satisfy the indicative investment strategy, including diversification.

## **7.2 Risks specific to the Group**

(a) **Dependence on key personnel**

The Company and the Responsible Entity depend on the skills and experience of its staff and employees. With only a small number of employees, it is essential that appropriately skilled staff be available in sufficient numbers. The Company and the Responsible Entity require staff to have a variety of skills and expertise, some of which may be considered niche specialties in which there are limited practitioners available for recruitment. While the Company and the Responsible Entity has initiatives to mitigate this risk, the loss of key staff may have a negative impact on the Group Investment Manager. The loss of key staff to a competitor may amplify this impact.

(b) **Dilution**

Potential capital raisings undertaken in future by the Group, may dilute the holdings of Stapled Securityholders.

(c) **Distributions may vary**

The ability of the Group to pay distributions is dependent upon the Group having sufficient cash resources and distributable income. Amongst other matters, variances in the costs of operating the Group may affect the level of income available for distribution, as well as the

timing of distributions. As the Group's investment mandate is opportunistic and not definitive, it is not possible to quantify income and capital returns of any new investments.

**(d) Liquidity risk**

Investors should be aware there are certain risks associated with Stapled Securities being listed on the ASX. There can be no guarantee that an active market will develop, or liquidity will be maintained, and the number of potential buyers or sellers of the Stapled Securities on the ASX at any given time may vary. This may increase the volatility of the market price of the Stapled Securities and therefore affect the market price at which holders are able to buy or sell Stapled Securities. Stapled Securityholders who wish to sell their Stapled Securities may be unable to do so at a price acceptable to them. The market price of the Stapled Securities could trade on the ASX at a discount to NTA per Stapled Security.

**(e) General fundamental exposures**

Underlying risks in investments may include changes in Australian and international economic conditions, inflation, changes in interest rates, changes in equity market conditions, environmental concerns, regulatory/compliance issues, geopolitical instability or changes in investor sentiment.

**(f) No operating performance history of the Group**

The Group proposed investment strategy is a newly formed entity with no financial, operating or performance history. The information in this Booklet about the investment objective of the Group are not projections nor the result of any simulated future performance. There is a risk the Group's investment objective will not be achieved.

**(g) Availability of suitable investment opportunities**

The performance of the Group is to a large extent dependent on the ability of the senior management team within the Company and the Responsible Entity to identify and source suitable investment opportunities. Such opportunities are subject to market conditions and other factors outside the control of the senior management team. Failure of the Company or the Responsible Entity to identify, source and enter into suitable investments will adversely affect returns available to the Group.

**(h) Competitive landscape and action of others**

The Group will operate in a competitive landscape alongside other issuers of private credit strategies with competing product offerings and geographic presence. In addition, the Group may face competition from new entrants into the private credit market from competitors that may have significant advantages including greater name recognition, longer operating history, lower operating costs, pre-existing relationships with current or potential customers and greater financial, marketing and other resources.

If competitor product offerings are perceived to be superior to the Group's, or competitors are able to offer more competitive offers, the Group may lose existing or potential customers, which may materially adverse the performance of the Group.

**(i) Due diligence on investments**

Some investments by the Group may be made based on limited due diligence conducted only in respect of publicly available information. This may increase the risk of individual investments and could lead to material adverse effects on the performance of the Group.

**(j) Currency and exchange rate risk**

The Group may invest an amount of capital in foreign currency denominated assets. Investing in foreign currency denominated assets poses additional risks. The performance of foreign currency denominated assets can be adversely affected by the different political, regulatory and economic environments in countries where the investments are made, and fluctuations in

foreign currency exchange rates may also adversely affect the value of foreign currency denominated assets. Furthermore, adverse political, economic, legal and tax, or social conditions in international markets may affect the value of the Group's investments. Deriving income in overseas jurisdictions and returning that income to Australia may also give rise to tax inefficiencies and tax charges.

**(k) Leverage and cash management risk**

The Group is targeting a maximum loan to value ratio of 70% of gross asset value. The Group has executed a term sheet with a major European Bank for a debt facility for the purpose of lending to residual stock. The Group's use of borrowing's will create certain additional risks which can increase the potential loss to Stapled Securityholders.

Where the Group borrows money to support its investment activity, and in the event the Group is not able to repay its finance provider, the Group may be required to forfeit its assets in order to repay the debt owed. Further, where the Group offers draw down facilities, and it does not have the cash available to meet its obligations, the Group may be required to fund such shortfall by either borrowing or selling the loan in the secondary market (which may be at a loss to the market value of the loan). This situation may arise where the Group experiences defaults in the portfolio or fails to manage its cash appropriately.

**(l) Regulatory environment**

The Group may be exposed to changes in regulations and legislation in domestic and foreign markets which it participates including but not limited to accounting, investments and taxation. Any of these changes may adversely impact either the Group, the Group's investments or an investment in the Group.

**(m) Valuation risk**

The value of the portfolio may be determined based on valuations. Given the Group's investment strategy, the Group may have exposure to debt investments and securities where publicly accessible market values may not be available, and the Company or the Responsible Entity will have to rely on internal policies and procedures and their reasonable judgement to determine the fair value of such investments. No assurance can be given to the value determined by the Company or the Responsible Entity and its affiliates or third-party administrators, will represent the value that will be realised by the Group.

## **7.3 General investment risks**

**(a) Bribery, corruption, or other improper acts**

The Company, the Responsible Entity or the Group may incur fines or penalties, damage to its reputation or suffer other adverse consequences, if its directors, officers, employees, consultants, agents, service providers or business partners (as applicable) violate, or are alleged to have violated, anti-bribery and corruption laws in any of the jurisdictions in which it operates.

Each of the Company, the Responsible Entity or the Group cannot guarantee that its internal policies and controls will be effective in each case, to ensure that it is protected from reckless or criminal acts committed by its directors, officers, employees, consultants, agents, service providers or Group partners (as applicable) that would violate Australian laws or the laws of any other country in which the Company, the Responsible Entity or the Group operate.

Any such improper actions could subject the Company, the Responsible Entity or the Group to civil or criminal investigations in Australia or overseas, could lead to substantial civil or criminal monetary and non-monetary penalties, and could damage the reputation of the Company, the Responsible Entity or the Group. Even the allegation or appearance of improper or illegal actions could damage the reputation of the Company, the Responsible Entity or the Group and result in significant expenditures in investigating and responding to such actions and may in turn have an adverse effect on future financial performance and position.



**(b) Litigation**

In the ordinary course of operations, the Company, the Responsible Entity or the Group may be involved in disputes and possible litigation. These may include but are not limited to, disputes in relation to contractual obligations and any legal claims or third-party losses. It is possible that a material or costly dispute, or litigation could affect the value of the assets or expected income of the Group, which may have an adverse effect on an investment in the Group.

**(c) Legal and regulatory matters**

There is the risk that changes in any law, regulation or government policy affecting the Group's operations (which may or may not have a retrospective effect) will have an effect on the asset portfolio and/or the Group's performance. This may include changes to taxation regimes.

**(d) Forward-looking statements**

There can be no guarantee that the assumptions and contingencies on which the forward-looking statements, opinions and estimates are based will ultimately prove to be valid or accurate. The forward-looking statements, opinions and estimates depend on various factors, many of which are outside the control of the Company and the Responsible Entity.

**(e) Tax rules**

There may be tax implications for Stapled Securityholders arising from investing in the Group, the receipt of distributions (if any) and capital returns from the Group, and on any disposal of Stapled Securities. In addition, an investment in the Stapled Securities involves tax considerations that may differ for each Stapled Securityholder.

Tax law is complex and is subject to regular change. Changes in tax law, including various proposed but as yet not enacted changes in tax law may adversely impact the Group's future financial performance and position. Resulting changes in tax arrangements in addition, future changes to other laws and regulations or accounting standards, which apply to the Group from time to time, could materially adversely affect the Group's future financial performance and position.

**(f) No guarantee in respect of investment**

The above list of risk factors should not be taken as an exhaustive list of the risks faced by the Group or by investors in the Group. The above factors, and others not specifically referred to above, may materially affect the financial performance or position of the Group and the value of the Stapled Securities. The Stapled Securities carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX.

Furthermore, there is no guarantee that the Stapled Securities will remain continuously quoted on the ASX, which could impact the ability of prospective Stapled Securityholders to sell their Stapled Securities.

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## 8. Financial information

### 8.1 Introduction

The section contains a summary of the financial information of the Group, which includes:

- (a) the unaudited pro forma statement of financial position as at the date of this Booklet (**Pro Forma Financial Information**) (see section 8.2);
- (b) Directors' material assumptions used in the preparation of the Pro Forma Financial Information (see section 8.3);
- (c) capital structure of the Group on implementation of the Restructure and Recapitalisation Proposal (see section 8.4);
- (d) pro forma cash of the Group on implementation of the Restructure and Recapitalisation Proposal (see section 8.5); and
- (e) significant accounting policies of the Group (see section 8.6).

The information in this section should also be read in conjunction with the risk factors set out in section 7 and other information contained in this Booklet.

### 8.2 Pro Forma Financial Information

The Pro Forma Financial Information set out below is unaudited and has been prepared to illustrate the financial position of the Group following completion of the implementation of the Restructure and Recapitalisation Proposal as if such events had occurred as at the date of this Booklet.

The Pro Forma Financial Information is intended to be illustrative only and will not reflect the actual position and balances as at the date of this Booklet or at the date of implementation of the Restructure and Recapitalisation Proposal.

The Pro Forma Historical Financial Information has been prepared in accordance with the principles and significant accounting policies set out in section 8.6.

Tables 1 & 2 below highlight the pro forma statement of financial position if the Maximum Subscription is achieved from the Capital Raising.

Table 1: Summary Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 30 June 2020 under the Maximum Offer Scenario.

Audited					Impact of the Offer Adjustments	Pro Forma	Pro Forma Stapled Group	
\$'000s	Notes	30-Jun-20	VP7 material movement adjustments	VP7 Pro forma balance sheet 30-Jun-20		30-Jun-20	Company 30-Jun-20	Trust 30-Jun-20
Assets								
Cash and cash equivalents	1, 2, 3	2,615	9,475	12,090	37,688	49,777	4,777	45,000
Trade and other receivables	-	115	-	115	301	416	416	-
Inventories	3	56,416	(38,475)	17,940	-	17,940	17,940	-
Other	-	171	-	171	-	171	171	-
Total current assets		59,316	(29,000)	30,315	37,989	68,304	23,304	45,000
Investment properties	-	5,955	-	5,955	-	5,955	5,955	-
Property, plant and equipment	-	1,058	(1,049)	9	-	9	9	-
Equity Accounted Investments	6	-	-	0	25,000	25,000	0	25,000
Goodwill	4	-	-	0	5,303	5,303	5,303	-
Intangibles	5	42	-	42	1,234	1,276	1,276	-
Total non-current assets		7,055	(1,049)	6,006	31,537	37,543	12,543	25,000
Total assets		66,371	(30,049)	36,321	69,526	105,847	35,847	70,000
Liabilities								
Trade and other payables	-	1,126	-	1,126	76	1,202	1,202	-
Borrowings	1, 3	36,094	(24,762)	11,332	(11,332)	-	-	-
Income tax	-	1,112	-	1,112	-	1,112	1,112	-
Employee benefits	-	120	-	120	-	120	120	-
Redeemable preference shares	3	922	(922)	-	-	-	-	-
Total current liabilities		39,375	(25,685)	13,690	(11,256)	2,434	2,434	-
Borrowings	1	15,310	-	15,310	(15,310)	-	-	-
Deferred tax	-	26	-	26	-	26	26	-
Total non-current liabilities		15,336	-	15,336	(15,310)	26	26	-
Total liabilities		54,711	(25,685)	29,026	(26,566)	2,460	2,460	-
Net assets		11,660	(4,364)	7,296	96,092	103,387	33,387	70,000
Equity								
Issued capital	1, 4	15,951	-	15,951	96,217	112,168	42,168	70,000
Reserves	-	473	-	473	-	473	473	-
Retained profits / (accumulated losses)	-	(6,733)	(2,395)	(9,128)	(126)	(9,254)	(9,254)	-
Non-controlling interest	3	1,970	(1,970)	-	-	-	-	-
Total equity		11,660	(4,364)	7,296	96,092	103,387	33,387	70,000

Table 2: Detailed Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 30 June 2020 under the Maximum Offer Scenario.

		Audited		Pro Forma Adjustments					Pro Forma	
\$'000s	Notes	30-Jun-20	Capital Raise	Transaction Costs	Residual stock fund commitment	Dealt acquisition	AMF acquisition	Repayment of VP7 debt	Material Transactions post 30 June 2020	30-Jun-20
<b>Assets</b>										
Cash and cash equivalents	1, 2, 3	2,615	93,400	(3,946)	(25,000)	(398)	273	(26,641)	9,475	49,777
Trade and other receivables		115	-	-	-	202	98	-	-	416
Inventories	3	56,416	-	-	-	-	-	-	(38,475)	17,940
Other		171	-	-	-	-	-	-	-	171
Total current assets		59,316	93,400	(3,946)	(25,000)	(196)	372	(26,641)	(29,000)	68,304
Investment properties		5,955	-	-	-	-	-	-	-	5,955
Property, plant and equipment		1,058	-	-	-	-	-	-	(1,049)	9
Equity Accounted Investments	6	-	-	-	25,000	-	-	-	-	25,000
Goodwill	4	-	-	-	-	2,593	2,710	-	-	5,303
Intangibles	5	42	-	-	-	1,234	-	-	-	1,276
Total non-current assets		7,055	-	-	25,000	3,827	2,710	-	(1,049)	37,543
Total assets		66,371	93,400	(3,946)	-	3,631	3,082	(26,641)	(30,049)	105,847
<b>Liabilities</b>										
Trade and other payables		1,126	-	(38)	-	31	82	-	-	1,202
Borrowings	1, 3	36,094	-	-	-	-	-	(11,332)	(24,762)	-
Income tax		1,112	-	-	-	-	-	-	-	1,112
Employee benefits		120	-	-	-	-	-	-	-	120
Redeemable preference shares	3	922	-	-	-	-	-	-	(922)	-
Total current liabilities		39,375	-	(38)	-	31	82	(11,332)	(25,685)	2,434
Borrowings	1	15,310	-	-	-	-	-	(15,310)	-	-
Deferred tax		26	-	-	-	-	-	-	-	26
Total non-current liabilities		15,336	-	-	-	-	-	(15,310)	-	26
Total liabilities		54,711	-	(38)	-	31	82	(26,641)	(25,685)	2,460
Net assets		11,660	93,400	(3,909)	-	3,600	3,000	-	(4,364)	103,387
<b>Equity</b>										
Issued capital	1, 4	15,951	93,400	(3,783)	-	3,600	3,000	-	-	112,168
Reserves		473	-	-	-	-	-	-	-	473
losses)		(6,733)	-	(126)	-	-	-	-	(2,395)	(9,254)
Non-controlling interest	3	1,970	-	-	-	-	-	-	(1,970)	-
Total equity		11,660	93,400	(3,909)	-	3,600	3,000	-	(4,364)	103,387

**Notes:**

1. The impact of the offer is summarised below:

Capital Raising proceeds (excluding the Shares valued at \$6,600,000 to be issued to fund part of the consideration for the Business Acquisitions)	93,400,000
Costs of the Restructure and Recapitalisation Proposal	(3,946,000)
<b>Net Capital Raising proceeds</b>	<b>89,454,000</b>
To be allocated as follows:	
Debt reduction	26,641,350
Equity accounted investments	25,000,000
Business Acquisitions (cash component)	400,000
Working capital	37,412,650
<b>Total</b>	<b>89,454,000</b>

Of the \$3,946,000 costs of the Restructure and Recapitalisation Proposal, \$3,782,908 is allocated to share capital. This represents financial advisor fees, lead manager fees and a portion of legal and accounting fees. Consequently, share capital will be reduced by this amount.

Of the \$26,641,350 debt reduction, \$9,590,095 relates to the residual stock facility at ONE Bulimba Riverfront and \$10,000,000 relates to the note facility, both of which are funded by 360 Capital Group entities. The balance of \$7,051,255 relates to various bank and non-bank facilities secured by Velocity's trading stock and/or investment properties.

2. DSS & AMF held cash balances at 30 September 2020 of \$1,707 & \$273,462 respectively.
3. The Company's material trading activities (i.e. property acquisitions and sales) post 30 June 2020 are summarised below:

Cash and cash equivalents	9,474,989
Reduction in inventory	38,475,429
Reduction in property, plant & equipment	1,048,899
Repayments of borrowings	24,762,460
Repayment of redeemable preference shares	922,450
Repayment of non-controlling interests	1,969,659
Retained losses/(profits)	2,394,770

Since 30 June 2020, the Company has settled the sale of 5 apartments and 1 townhouse at ONE Bulimba Riverfront, 3 townhouses and 2 apartments at Parque

on Oxford, the final apartment at ONE Palm Beach, the Two27 Palm Beach development site as well as its commercial office in Bulimba. Furthermore, it has unconditional sale contracts for one further apartment at ONE Bulimba Riverfront and the Burleigh Heads development site which is scheduled to settle in the March 2021 quarter.

Conditional sale contracts have been issued and included in the pro forma financial statements. Refer to section 8.3 for additional information on these contracts.

4. Goodwill represents the excess of the consideration paid for the shares in DSS and AMF of \$4,000,000 and \$3,000,000 respectively above their net assets acquired. \$400,000 of the total consideration is being paid in cash (to a US based Shareholder in Deal) with the balance to be settled by Shares in the Company.
5. Intangibles represents software, patents and trademark costs incurred by DSS for the establishment of the online platform for origination, underwriting, negotiation and execution of commercial real estate debt deals.
6. Equity accounted investments represents commitments to invest in unlisted residual stock funds in line with the approved investment criteria.

Tables 3 & 4 below highlight the pro forma statement of financial position if the Minimum Subscription is achieved under the Capital Raising.

Table 3: Summary Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 30 June 2020 under the Minimum Offer Scenario.

Audited						Pro Forma	Pro Forma Stapled Group	
			VP7 material movement adjustments	VP7 Pro Forma balance sheet 30-Jun-20	Impact of the Offer Adjustments		Company 30-Jun-20	Trust 30-Jun-20
\$'000s	Notes	30-Jun-20				30-Jun-20		
Assets								
Cash and cash equivalents	7, 8, 9	2,615	9,475	12,090	(2,658)	9,432	4,432	5,000
Trade and other receivables	-	115	-	115	301	416	416	-
Inventories	9	56,416	(38,475)	17,940	-	17,940	17,940	-
Other	-	171	-	171	-	171	171	-
Total current assets		59,316	(29,000)	30,315	(2,357)	27,958	22,958	5,000
Investment properties	-	5,955	-	5,955	-	5,955	5,955	-
Property, plant and equipment	-	1,058	(1,049)	9	-	9	9	-
Equity Accounted Investments	12	-	-	0	15,000	15,000	0	15,000
Goodwill	10	-	-	0	5,303	5,303	5,303	-
Intangibles	11	42	-	42	1,234	1,276	1,276	-
Total non-current assets		7,055	(1,049)	6,006	21,537	27,543	12,543	15,000
Total assets		66,371	(30,049)	36,321	19,180	55,501	35,501	20,000
Liabilities								
Trade and other payables	-	1,126	-	1,126	100	1,226	1,226	-
Borrowings	7, 9	36,094	(24,762)	11,332	(4,000)	7,332	7,332	-
Income tax	-	1,112	-	1,112	-	1,112	1,112	-
Employee benefits	-	120	-	120	-	120	120	-
Redeemable preference shares	9	922	(922)	-	-	-	-	-
Total current liabilities		39,375	(25,685)	13,690	(3,900)	9,790	9,790	-
Borrowings	7	15,310	-	15,310	(10,000)	5,310	5,310	-
Deferred tax	-	26	-	26	-	26	26	-
Total non-current liabilities		15,336	-	15,336	(10,000)	5,336	5,336	-
Total liabilities		54,711	(25,685)	29,026	(13,900)	15,126	15,126	-
Net assets		11,660	(4,364)	7,296	33,080	40,376	20,376	20,000
Equity								
Issued capital	7, 10	15,951	-	15,951	33,230	49,181	29,181	20,000
Reserves	-	473	-	473	-	473	473	-
losses)	-	(6,733)	(2,395)	(9,128)	(150)	(9,278)	(9,278)	-
Non-controlling interest	9	1,970	(1,970)	-	-	-	-	-
Total equity		11,660	(4,364)	7,296	33,080	40,376	20,376	20,000



Table 4: Detailed Statutory Historical Statement of Financial Position and Pro Forma Historical Statement of Financial Position as at 30 June 2020 under the Minimum Offer Scenario.

		Audited		Pro Forma Adjustments						Pro Forma
					Residual stock			Repayment of	Material	
\$'000s	Notes	30-Jun-20	Capital Raise	Transaction Costs	fund commitment	Dealt acquisition	AMF acquisition	360 Capital Group Debt	Transactions post 30 June 2020	30-Jun-20
Assets										
Cash and cash equivalents	7, 8, 9	2,615	28,400	(1,933)	(15,000)	(398)	273	(14,000)	9,475	9,432
Trade and other receivables		115	-	-	-	202	98	-	-	416
Inventories	9	56,416	-	-	-	-	-	-	(38,475)	17,940
Other		171	-	-	-	-	-	-	-	171
Total current assets		59,316	28,400	(1,933)	(15,000)	(196)	372	(14,000)	(29,000)	27,958
Investment properties		5,955	-	-	-	-	-	-	-	5,955
Property, plant and equipment		1,058	-	-	-	-	-	-	(1,049)	9
Equity Accounted Investments	12	-	-	-	15,000	-	-	-	-	15,000
Goodwill	10	-	-	-	-	2,593	2,710	-	-	5,303
Intangibles	11	42	-	-	-	1,234	-	-	-	1,276
Total non-current assets		7,055	-	-	15,000	3,827	2,710	-	(1,049)	27,543
Total assets		66,371	28,400	(1,933)	-	3,631	3,082	(14,000)	(30,049)	55,501
Liabilities										
Trade and other payables		1,126	-	(13)	-	31	82	-	-	1,226
Borrowings	7, 9	36,094	-	-	-	-	-	(4,000)	(24,762)	7,332
Income tax		1,112	-	-	-	-	-	-	-	1,112
Employee benefits		120	-	-	-	-	-	-	-	120
Redeemable preference shares	9	922	-	-	-	-	-	-	(922)	-
Total current liabilities		39,375	-	(13)	-	31	82	(4,000)	(25,685)	9,790
Borrowings	7	15,310	-	-	-	-	-	(10,000)	-	5,310
Deferred tax		26	-	-	-	-	-	-	-	26
Total non-current liabilities		15,336	-	-	-	-	-	(10,000)	-	5,336
Total liabilities		54,711	-	(13)	-	31	82	(14,000)	(25,685)	15,126
Net assets		11,660	28,400	(1,920)	-	3,600	3,000	-	(4,364)	40,376
Equity										
Issued capital	7, 10	15,951	28,400	(1,770)	-	3,600	3,000	-	-	49,181
Reserves		473	-	-	-	-	-	-	-	473
losses)		(6,733)	-	(150)	-	-	-	-	(2,395)	(9,278)
Non-controlling interest	9	1,970	-	-	-	-	-	-	(1,970)	-
Total equity		11,660	28,400	(1,920)	-	3,600	3,000	-	(4,364)	40,376

**Notes:**

7. The impact of the offer is summarised below:

Capital Raising proceeds (excluding the Shares valued at \$6,600,000 to be issued to fund part of the consideration for the Business Acquisitions)	28,400,000
Costs of the Restructure and Recapitalisation Proposal	(1,933,197)
<b>Net Capital Raising proceeds</b>	<b>26,466,803</b>
To be allocated as follows:	
Debt reduction	4,000,000
Equity accounted investments	15,000,000
Business Acquisitions (cash component)	400,000
Working capital	7,066,803
<b>Total</b>	<b>26,466,803</b>

Of the \$1,933,197 costs of the Restructure and Recapitalisation Proposal, \$1,770,162 is allocated to share capital. This represents financial advisor fees,

lead manager fees, underwriting fees and a portion of legal and accounting fees. Consequently, share capital will be reduced by this amount.

Of the \$14,000,000 debt reduction, \$4,000,000 relates to the residual stock facility at ONE Bulimba Riverfront from proceeds of the offer. \$10,000,000 relates to the note facility and payment is made from cash and cash equivalents available at 30 June 2020 plus cash and cash equivalents generated by the Company's post 30 June 2020 material trading activities (refer to note 9 below), both facilities are funded by 360 Capital Group entities.

8. DSS & AMF held cash balances at 30 September 2020 of \$1,707 & \$273,462 respectively.
9. The Company's material trading activities (i.e. property acquisitions and sales) post 30 June 2020 are summarised below:

Cash and cash equivalents	9,474,989
Reduction in inventory	38,475,429
Reduction in property, plant & equipment	1,048,899
Repayments of borrowings	24,762,460
Repayment of redeemable preference shares	922,450
Repayment of non-controlling interests	1,969,659
Retained losses/(profits)	2,394,770

Since 30 June 2020, the Company has settled the sale of 5 apartments and 1 townhouse at ONE Bulimba Riverfront, 3 townhouses and 2 apartments at Parque on Oxford, the final apartment at ONE Palm Beach, the Two27 Palm Beach development site as well as its commercial office in Bulimba. Furthermore, it has unconditional sale contracts for one further apartment at ONE Bulimba Riverfront and the Burleigh Heads development site which is scheduled to settle in the March 2021 quarter.

Conditional sale contracts have been issued and included in the pro forma financial statements. Refer to section 8.3 for additional information on these contracts.

10. Goodwill represents the excess of the consideration paid for the shares in DSS and AMF of \$4,000,000 and \$3,000,000 respectively above their net assets acquired. \$400,000 of the total consideration is being paid in cash (to a US based Shareholder in DSS) with the balance being settled by Shares in the Company.
11. Intangibles represents software, patents and trademark costs incurred by DSS for the establishment of the online platform for origination, underwriting, negotiation and execution of commercial real estate debt deals.
12. Equity accounted investments represents commitments to invest in unlisted residual stock funds in line with the approved investment criteria.

### **8.3 Directors' material assumptions in the preparation of the Pro Forma Financial Information**

The Pro Forma Financial Information has been prepared by the Directors on the basis of the following assumptions:

1. Net realisable value of inventory:

Inventory is measured at the lower of costs or net realisable value. Independent third-party valuations were conducted in June 2020 across the Company's trading stock that resulted in adjustments to the net realisable value of inventory of approx. \$4.7m for the year ended 30 June 2020.

As at the date of this Booklet, the Directors have considered these valuations and based on current market assessments and sales rates have formed the opinion that approx. \$0.5m of fair value write downs to inventory are required.

2. Fair value of investment properties:

The basis of the valuation of investment properties is fair value (less selling costs and GST if applicable). Independent third-party valuations of the Company's investment property portfolio were carried out in June 2020 resulting in fair value of investment properties being reduced by approx. \$1.1m for the year ended 30 June 2020.

As at the date of this Booklet, the Directors have considered these valuations and based on current market assessments have formed the opinion that no further material adjustments to investment properties are required.

3. Acquisition of DSS and AMF

After thorough due diligence by the Company's management team, the acquisition of DSS and AMF by the Company was conducted at arm's length and on commercial terms.

4. Fair value of intangibles

The Directors have assessed the fair value of the intangibles acquired through the acquisition of DSS to be the cost recorded on DSS's balance sheet as at 30 September 2020 being \$1,233,751.

5. Conditional sale contracts

Conditional sale contracts have been issued for the remaining strata-title apartments adjoining the Burleigh Heads development site subject to an unconditional contract for sale. The Directors anticipate these contracts to go unconditional upon the satisfactory completion of the due diligence period expect to be finalised in the December 2020 quarter. The material impacts of these contracts have been adopted in the pro forma financial information presented and include cash & cash equivalent receipts of \$726,584, reduction of inventory of \$2,345,602 and borrowings repaid of \$1,547,016.

## 8.4 Pro Forma capital structure

Set out below is the anticipated capital structure of the Group on the implementation of the Restructure and Recapitalisation Proposal:

	Minimum Subscription	Maximum Subscription
Shares currently on issue	11,389,937	11,389,937
New shares to be issued under the Capital Raising including Shares issued in respect of the Business Acquisitions	70,000,000	200,000,000
<b>Total Shares on issue on completion</b>	<b>81,389,937</b>	<b>211,389,937</b>



## 8.5 Pro forma cash

Set out below is a reconciliation of the pro forma cash balance:

	Minimum Subscription	Maximum Subscription
Audited 30 June 2020 Balance	2,614,647	2,614,647
Proposed Capital Raising proceeds (excluding Shares valued at \$6,600,000 to be issued to fund part of the consideration for the Business Acquisitions)	28,400,000	93,400,000
Transaction costs incurred	(1,933,197)	(3,946,000)
DSS cash balance acquired	1,707	1,707
AMF cash balance acquired	273,462	273,462
Equity accounted investments	(15,000,000)	(25,000,000)
Business Acquisitions (cash component)	(400,000)	(400,000)
Repayment of debt	(14,000,000)	(26,641,350)
Material transactions post 30 June 2020	9,474,989	9,474,989
<b>30 June 2020 pro forma balance</b>	<b>\$9,431,607</b>	<b>49,777,455</b>

## 8.6 Significant accounting policies

A summary of significant accounting policies that have been adopted in the preparation of the unaudited Pro Forma Financial Information set out in section 8.2, and which will be applied prospectively in the preparation of the financial statements of the Group for the financial year ending 30 June each year, is set out as follows.

### Basis of preparation

The Pro Forma Financial Information has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit entities. The financial information also complies with the International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB'). The Pro Forma Financial Information is presented in an abbreviated form and does not contain all the disclosures, statements or comparative information required by the Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Pro Forma Financial Information has been prepared under the historical cost convention, except for, where applicable, the revaluation of investment properties or trading stock net realisable value when this value is lower than cost.

The preparation of the Pro Forma Financial Information requires the use of certain critical accounting estimates and for management to exercise its judgement in the process of applying the Company's accounting policies.

The accounting policies have been consistently applied throughout this Notice of Meeting and Explanatory Memorandum.

### Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled to in exchange for transferring goods or services to a customer. Revenues are recognised net of the amount of associated GST unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of revenue.

### **Sale of properties**

For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

This recognition is considered to be at settlement for the sale of the properties.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash at bank earns interest at fixed or variable rates based on the bank deposit rates.

### **Inventories accounting policy**

Trading stock is measured at the lower of cost or net realisable value. Development costs include land, the costs of acquiring the land, consultants, holding and finance costs incurred from when the land is acquired until the project is fully developed and sold. These costs are recognised as an expense in the period in which revenue is generated through the settlement of a project or sale of a property.

Deposits paid for the committed acquisition of trading stock are classified as trading stock.

### **Net realisable value of inventory**

Net realisable value is based on the estimated selling price in the ordinary course of business (net of selling costs and GST). This assessment reflects current market assessments and previous experience. It is also based on management's intentions in the planned manner of the disposal of the asset, either through development and sale or disposal as is. The Company periodically assesses whether trading stock is held at the lower of cost or net realisable value with an estimate made at least at each reporting date. To assist with making the net realisable value estimate, independent third-party valuation reports will be commissioned where appropriate. Where the carrying amount of trading stock exceeds the net realisable value, a write-down to reduce its value to net realisable value is recorded.

### **Investment Properties**

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the Company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Investment properties also include properties under construction for future use as investment properties. When an investment property is developed, costs include the cost of construction incurred up to the point where the asset is complete, which is the point at which it is capable of being operated as intended. Until completion, these are carried at the lower of fair value or cost.

Transfers are made to investment properties when and only when there is a change in use, evidenced by ending of owner occupation or a change of intention to hold the property for long-term rental and capital appreciation which is usually accompanied with an operating lease to another party.

Transfers are made from investment properties when, and only when there is a change in use evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Upon completion or acquisition, thereafter the basis of the valuation of investment properties is fair value (less selling costs and any GST if applicable). Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration rental yields or returns on investment.

### **Accounting policy for property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Plant and equipment	3-15 years
Office equipment	1-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Business combination**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

### **Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment.

The gain or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually.

### **Accounting policy for trade and other payable**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current. Where borrowings are required to be repaid out of specific property settlements, which are not available for redraw, the borrowings are classified as current to the extent settlements are projected to occur within 12 months from reporting date.

### **Issued Capital**

Ordinary shares are classified as equity.

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another; an analysis is

undertaken, which includes a verification of the major inputs applied in the latest valuation and comparison, where applicable, with external sources of data.

## 9. Fees and other costs

### 9.1 Consumer advisory warning

The Corporations Act requires the following standard consumer advisory warning in disclosure documents. The information in the consumer advisory warning is standard across documents and is not specific to the Group.

DID YOU KNOW?	TO FIND OUT MORE
<p><b>Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.</b></p> <p><b>For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100 000 to \$80 000).</b></p> <p><b>You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.</b></p> <p><b>Your employer may be able to negotiate to pay lower administration fees. Ask the fund or your financial adviser.</b></p>	<p>If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (<b>ASIC</b>) website (<a href="http://www.moneysmart.gov.au">www.moneysmart.gov.au</a>) has a managed investment fee calculator to help you check out different fee options.</p>

### 9.2 Fees and other costs

The following table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Group as a whole. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Taxes are discussed in the Taxation Report.

Unless stated otherwise, all fees and costs set out in this Section 9 are expressed inclusive of GST, less the maximum reduced input tax credits claimable by the Group.

You should read all the information about fees and costs as it is important to understand their impact on your investment.

<i>Group</i>		
Type of fee or cost	Amount <sup>1</sup>	How and when paid
Fees when your money moves in or out of the managed investment product		
<i>Establishment fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Withdrawal fee</i>	Nil	Not applicable

<sup>1</sup> Including GST less any reduced input tax credit, as applicable.

The fee on each amount you take out of your investment		
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable
Management costs		
<i>The fees and costs for managing your investment</i>	<p><b>Responsible Entity Management Fee</b></p> <p>The Responsible Entity is entitled to receive a management fee for acting as the responsible entity of the Trust equal to 0.65% of the gross asset value of the Trust. However, the Responsible Entity will only be paid 0.05% for so long as the Group Investment Manager is appointed under the Group Investment Management Agreement.</p> <p>The Responsible Entity is indemnified and is entitled to be reimbursed out of the assets of the Trust for all expenses incurred in relation to the proper performance of its duties or exercise of its powers (estimated as approximately \$10,000 per annum if the Minimum Subscription is achieved under the Capital Raising or \$35,000 per annum if the Maximum Subscription is achieved under the Capital Raising. This is equal to 0.03% of the net asset value of the Group under both scenarios at the date of the Unit Distribution).</p> <p><b>Group Investment Manager Management Fee</b></p> <p>The Group Investment Manager is entitled to receive a management fee equal to 0.60% of the gross asset value of the Trust (estimated as approximately \$120,000 per annum if the Minimum Subscription is achieved under the Capital Raising or \$420,000 per annum if the Maximum Subscription is achieved under the Capital Raising. This is equal to 0.30% of the net asset value of the Group at the date of the Unit Distribution if the Minimum Subscription is achieved or 0.41% of the net asset value of the Group if the Maximum Subscription is achieved).</p>	<p>Payable within 5 business days of the end of month, out of the Trust's income and assets.</p> <p>Expenses are reimbursable to the Responsible Entity from the Trust's income and assets as and when incurred.</p> <p>Payable quarterly in advance out of the Trust's income and assets.</p>
Service fees		
<i>Switching fee</i> The fee for changing investment options	Nil	Not applicable

### 9.3 Example of annual fees and costs for the Group

The following table gives an example of how the fees and costs in the Group can affect your investment over a one year period. You should use this table to compare this product with other managed investment products. All amounts are exclusive of GST.

<i>Trust</i>		
Type of fee or cost	Amount	Balance of \$50,000 with a contribution of \$5,000 during the year
Contribution fees	Nil	Not applicable
<b>Plus</b> Management costs		For every \$50,000 you have in the Group, you will be charged the following amounts during the year:
Management fees comprising the Responsible Entity Management Fee and Group Investment Manager Management Fee	0.65% of the gross asset value of the Trust.	\$165 if the Minimum Subscription is achieved - \$220 if the Maximum Subscription is achieved.
Operating expenses of the Group	5.51% per annum if the Minimum Subscription is achieved or 2.15% per annum if the Maximum Subscription is achieved of the net asset value of the Group (estimated at approximately \$2.2 million per annum)	\$2,755 if the Minimum Subscription is achieved - \$1,075 if the Maximum Subscription is achieved
<b>Equals</b> cost of the Group		If you had an investment of \$50,000 at the beginning of the year, you would have been charged \$2,920 (if the Minimum Subscription is achieved) - \$1,300 (if the Maximum Subscription is achieved).

## 9.4 Additional explanation of fees and costs

### Reimbursement of expenses

To the extent permitted by the Corporations Act, the Responsible Entity is entitled to recover all costs and expenses it incurs in the proper performance of its duties as responsible entity of the Trust, including in relation to the establishment, registration, operation, administration and management of the Trust including:

- complying with any law, the ASX Listing Rules and any of the requirements of ASIC;
- the identification, acquisition, realisation, insurance, valuation, custody, management, supervision, repair, maintenance, receipt, collection or distribution of or other dealing with assets of the Trust;
- obtaining and servicing of financial accommodation (including bank fees, interest, expenses, charges and borrowing costs);
- appointing or otherwise engaging any agent, delegate, advisory, developer, development manager, development advisory, real estate agent, marketing agent, administrator or other person (including an associate) for any purpose in connection with the Trust;
- underwriting of any subscriptions for or purchase of Units including fees and indemnity amounts and amounts which may become payable because of a breach (except for negligence, fraud or breach of trust) of the underwriting contract by the responsible entity;



- keeping the financial records relating to the Trust, and keeping, preparing, distributing and/or lodging the accounts relating to the Trust and complying with any obligations with respect to the accounts relating to the Trust and any audit of those accounts;
- the termination of the Trust and winding up of the Trust; and
- the implementation of any proposal or any restructuring or listing of the Trust.

The Responsible Entity estimates that it will incur costs of managing and administering the Trust (exclusive of its management fee) of approximately \$471,871 per annum which is equal to 0.7% of the Trust's gross asset value or 0.5% of the net assets of the Group if the Maximum Subscription is achieved at the date of the Unit Distribution. This is an estimate only and the actual expenses incurred by the Responsible Entity may differ. These costs are included in the estimated \$2.2 million operating expense of the Group mentioned in the previous table.

The Responsible Entity is entitled to recover all such expenses from the assets or income of the Trust, including any amounts payable to a member of the Company. Any amounts paid to members of the Group and/or Group will be under arrangements that are on an arm's length basis where the fees are in accordance with market rates for the relevant services provided.

### **Taxes**

For information in relation to the taxation implications associated with an investment in the Group please see the Taxation Report.

### **Costs borne by the Group**

The Company has paid or will pay approximately \$1,933,197 (if the Minimum Subscription is achieved) to \$3,946,000 (if the Maximum Subscription is achieved) in estimated fees for advisers and consultants. Please refer to section 12.13 for a breakdown of the costs paid to specific advisers and consultants up to the date of this Booklet.

These costs are one-off in nature and will be paid by the Company from the funds raised by the Capital Raising. For further information, see Offer Cost below.

### **Fee changes**

The amounts charged to reimburse the Responsible Entity for the costs of operating the Trust may vary. For example, the allocation of human and other resources in the Group will depend on whether asset opportunities are being pursued for the Trust. The Responsible Entity may charge more or less than the estimated operating expenses shown in the table above but any such reallocation of the cost burden within the Group according to need will not affect the returns of Stapled Securityholders.

The Responsible Entity may not increase the fees payable to it above the amounts set out in the Trust Constitution without a special resolution of holders of Stapled Securities first having varied the Trust Constitution. A special resolution requires 75% of the votes (by value) cast on the resolution being in favour of it.

### **Operating Expenses**

The Company will incur operating expenses in carrying out its active loan origination and fund management businesses, including:

- wages and superannuation to key management personnel and administration staff;
- directors fees;
- professional and compliance fees (audit, accounting, taxation, registry and listing fees);

- legal
- sales & marketing;
- insurances; and
- website costs

It is estimated that the Company will incur expenses of approximately 1.7% of the net assets of the Group if the Maximum Subscription is achieved. These costs are paid for by the Group when they are incurred. These costs are not charged directly to Stapled Securityholders, however, these costs are an additional cost to the Stapled Securityholders as they are deducted from the income or assets of the Group.

#### **Offer costs**

The Group has paid one off costs associated with the Restructure and Recapitalisation Proposal. The total cash expenses in connection with the Restructure and Recapitalisation Proposal (including legal, accounting, taxation, advisory and listing fees) were approximately \$1,933,197 (if the Minimum Subscription is achieved) to \$3,946,000 (if the Maximum Subscription is achieved) (net of recoverable GST). For the avoidance of doubt, these costs are one off and are proposed to be paid for out of the funds raised by the Capital Raising and therefore have not been included in the ongoing expenses in section 9.2 or the example in section 9.3. These one off costs equate to 4.8% (if the Minimum Subscription is achieved) to 3.8% (if the Maximum Subscription is achieved) of the net asset value of the Group. The dollar value of these net costs based on an average account balance of \$50,000 is \$2,400 (if the Minimum Subscription is achieved) to \$1,900 (if the Maximum Subscription is achieved) (**Offer Costs**).

## 10. Corporate governance and Group policies

### 10.1 General

Each of the Board and the Responsible Entity Board have their own respective corporate governance and compliance obligations in relation to the Company and the Trust respectively under the Corporations Act and the ASX Listing Rules.

Responsibility for the Group's overall corporate governance will, however, rest with the Board.

The Group will adopt a governance framework, including relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for the Group's business and which are designed to promote the responsible management and conduct of the Group. Under the Group Investment Management Agreement, the Group Investment Manager will assist the Board in relation to compliance by the Company and the Trust with all relevant laws, including the ASX Listing Rules and the Corporations Act.

In putting in place practices and procedures for the governance of the Group, the Board and the Responsible Entity Board considered a number of key matters with particular focus on:

Issue	How this has been considered and addressed
Potential conflicts of duty and interest	<p>The Responsible Entity and the Group Investment Manager are both members of the 360 Capital Group. Appropriate protocols are already in place between the Responsible Entity and the Group Investment Manager to manage potential conflicts which may arise.</p> <p>To assess the related party aspects of the Restructure and Recapitalisation Proposal and its relative advantages and disadvantages, the Board established an Independent Board Committee with members who are not associated with 360 Capital Group.</p> <p>It is also noted that the Responsible Entity Board is largely comprised of independent directors and is different to the Board.</p>
Different governance protocols	<p>Both 360 Capital Group (of which the Responsible Entity is a member) and the Company have adopted the 4<sup>th</sup> edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Principles). Accordingly, the Board and the Responsible Entity Board are already aligned in their reporting practices.</p> <p>Notwithstanding this, the boards have reviewed their reporting practices and it is proposed that the Company will adopt the protocols of the 360 Capital Group to ensure that the Group will be fully aligned in its standards of corporate governance.</p>

### 10.2 Corporate governance policies

As noted above, both the 360 Capital Group, of which the Responsible Entity and the Group Investment Manager is a member, and the Company have adopted and report in a manner that is consistent with the 4<sup>th</sup> edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

It is proposed that the policies and charters that will be adopted by the Group will be underpinned by the policies and charters adopted generally by the 360 Capital Group all of which can be found on the 360 Capital Group website here: [www.360capital.com.au/about-us/corporate-governance/](http://www.360capital.com.au/about-us/corporate-governance/).

These policies and charters have all been prepared with regard to the ASX Corporate Governance Principles and Recommendations.

- **Code of Conduct** – This policy will set out the standards of ethical behaviours and integrity that the Group expects of its officers and employees.

- **Continuous Disclosure** – The Group will need to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure that it discloses to the ASX any information concerning the Group which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Stapled Securities.

This policy will set out procedures and measures which are designed to ensure that the Group complies with its continuous disclosure obligations.

- **Risk Framework** – This framework is designed to assist the Group to identify, evaluate, monitor and manage risks affecting its business.
- **Securities Trading Policy** – This policy is designed to maintain investor confidence in the integrity of Group's internal controls and procedures and in particular to provide guidance to directors, executives and any employees on avoiding any conflicts of interest or breaches of insider trading laws.
- **Communications Policy** – This policy sets out the practices which will be adopted to ensure effective and efficient communication with investors.
- **Diversity Policy** – This policy sets out objectives for achieving diversity amongst directors, executives and employees.
- **Compliance Plan** – Sets out the procedures for compliance with the Corporations Act and the Trust Constitution. This plan will be overseen by the Responsible Entity Board with relevant input from the Board and compliance with it will be audited annually.
- **Compliance Committee**

The Responsible Entity Board comprises a majority of independent members (in accordance with 601JA of the Corporations Act). Accordingly, there is no Compliance Committee. The Responsible Entity Board considers breaches arising during the course of the operation of the Trust, any audit issues raised, and reports of managers, key employees and service providers throughout the reporting year. Provision is made in the Responsible Entity Board's ordinary meeting agenda for the consideration of critical compliance and risk management issues as they arise. Standard compliance and risk management reporting to the Responsible Entity Board occurs on a quarterly basis, generally in February, June, August and November of each year.

### 10.3 Compliance with ASX Corporate Governance Principles and Recommendations

In accordance with ASX Listing Rule 4.10.3 and Guidance Note 9, set out below are the ASX Corporate Governance Council's eight principals of corporate governance and the extent to which the Group will seek to comply with the recommendations for each.

#### Principle 1: Lay solid foundations for management and oversight

##### *Roles and responsibilities of the board*

The business of the Company will be managed under the direction of the Board comprising Mr Peter Lewis, Mr Tony Pitt, Mr James Storey and Mr Philip Raff.

The business of the Trust will be managed under the direction of the Responsible Entity Board comprising Mr David van Aanholt, Mr Tony Pitt, Mr John Ballhausen, Mr Graham Lenzner and Mr Andrew Moffat.

Each of the Board and the Responsible Entity Board will meet independently of each other on a regular basis and each is required to discuss pertinent business developments and issues

and including a review of the operations and performance of the Company and the Trust (respectively).

Provision is made at each regular meeting for the consideration of critical compliance and risk management issues as they arise in relation to the relevant entity, and, at the meetings of the Board, generally as they relate to the Group.

The conduct of the Board will be governed by the Constitution of the Company, the Corporations Act and the 360 Capital Board Charter.

The conduct of the Responsible Entity Board will be governed by the Trust Constitution, the constitution of the Responsible Entity, the Corporations Act and the 360 Capital Board Charter.

Pursuant to the 360 Capital Board Charter, each of the Board and the Responsible Entity Board must ensure that the investment strategy of the Company and the Trust (respectively) is aligned with the expectations of Stapled Securityholders and that the Group is effectively managed in a manner that is properly focused on its investment strategy as well as conforming to regulatory and ethical requirements.

The primary objectives of the Board will be to:

- set and review the strategic direction of the Group;
- approve and monitor key budgets, business plans, financial statements and financial policies;
- approve all material transactions (noting that the Responsible Entity Board will be responsible for approving all loan investments);
- establish, promote and maintain proper processes and controls to maintain the integrity of financial accounting, financial records and reporting;
- develop and implement key corporate policies, procedures and controls as necessary to ensure appropriate standards of accountability, risk management, and corporate governance and responsibility;
- ensure that Stapled Securityholders receive high quality, relevant, and accurate information in a timely manner;
- determine and adopt distribution policies.

The Responsible Entity Board must provide assistance to the Board to ensure that the Responsible Entity complies with all of the objectives in so far as they relate to the Trust and the Group. The Responsible Entity Board is also responsible for monitoring compliance with its AFSL and other rules and regulations, in respect of its management of the Trust.

#### *Delegation of authority*

The day to day activities of the Group are formally delegated by the Board and the Responsible Entity Board to the Group Chief Financial Officer and the Group Investment Manager.

The Board and the Responsible Entity Board's role is to monitor and measure these activities.

The Group may establish (and delegate powers to) Committees to assist carrying out functions effectively and efficiently. A charter will be adopted for each such Committee setting out the scope of its responsibility and relevant administrative and procedural arrangements.

#### *Performance Reviews*

The performance of all Directors of the Board and management of the Group are reviewed and assessed each year by the Board.

Separately, as the Responsible Entity Board is responsible for the operation of a number of other listed, registered and unregistered funds, the Responsible Entity has its own selection process in relation to its directors. Responsibility for this has been delegated to a Nomination and Remuneration Committee established by the Responsible Entity Board.

### *Diversity*

A Diversity Policy has been adopted which includes measurable objectives for achieving diversity and to assess annually the objectives and its progress towards those objectives. The Diversity Policy can be viewed at <http://360capital.com.au/about-us/corporate-governance/>

## **Principle 2: Structure the board to be effective and add value**

Section 6 sets out full details of all of the directors of the Board and the Responsible Entity Board.

The directors of the Board and the Responsible Entity Board possess a range of skills which, as a group, enable the Board and the Responsible Entity Board to discharge their obligations respectively in relation to the Company and the Trust and as a Group.

The following table summarises the key skills:

### **Key Skills / Experience:**

Financial Acumen	Governance and Regulatory Compliance
ASX Listed Entity Experience	Debt and Equity Markets
Industry Experience	Strategy Development
Funds Management / Financial Services	Investor Relations
Risk Management	Leadership and communication

To date, the Board has not established a nomination committee to facilitate the process of the appointment and reappointment of directors to the Board. The Board believes a separate nomination committee would not bring any additional efficiencies, transparency, focus or independent judgement needed on decisions regarding the composition of the Board. To enable the Board to discharge its duties and responsibilities effectively, at least once a year the Board will discuss matters regarding but not limited to:

- board succession planning generally;
- induction and continuing professional development programs for directors;
- the appointment and re-election of directors; and
- the process for recruiting a new director, including evaluating the appropriate balance of skills, knowledge, experience, independence and diversity.

The directors of the Responsible Entity Board have established a Nomination and Remuneration Committee, comprising of two non-executive, independent directors as well as one executive director. The Chairman of the Committee is an independent director. The Committee oversees the nomination and remuneration of directors and senior executives, including succession planning generally and reviewing board composition to ensure an appropriate mix of skill, knowledge, experience, independence and diversity. The Committee is also responsible for the induction of new directors as well as identifying and if deemed necessary implementing appropriate professional development opportunities for directors to help develop and maintain directors' skills and knowledge needed to perform their role as directors effectively. Current Committee composition comprises Mr Andrew Moffat (Chair), Mr

Graham Lenzner and Mr Tony Pitt. The Nomination and Remuneration Committee Charter can be found at <http://360capital.com.au/about-us/corporate-governance/> with two meetings held during the year attended by all Committee members. Details of each director's relevant skills, experience and expertise are set out at <http://www.360capital.com.au/about-us/the-group-board/>.

### **Principle 3: Instil a culture of acting lawfully, ethically and responsibly**

The Group will aspire to act lawfully, ethically and responsibly in accordance with the highest standards of honesty, integrity and fairness at all times.

The Group has adopted a number of policies, procedures and guidelines aimed at ensuring that anyone who is employed by or works in the Group complies with a set of guiding principles, consistent with the above values:

- Code of Conduct; this policy sets out minimum acceptable standards of behaviour.
- Whistle-blower Policy; this policy identifies an intolerance of any corrupt, illegal or other undesirable conduct by staff including the victimisation of any individual who intends to report or has reported such conduct as a protected disclosure in accordance with the policy.
- Anti-bribery Policy: this policy prohibits staff from engaging in activity that constitutes bribery or corruption, and provides guidelines as to what constitutes bribery or corruption and outlines reporting processes and procedures which ensure that breaches are escalated to the Board's immediate attention if and as required.

The above policies can be found at <http://360capital.com.au/about-us/corporate-governance/>.

### **Principle 4: Safeguard integrity of corporate reports**

The Group recognises the critical importance of accurate and timely reporting of financial information, performance and management of risk. Each of the Board and the Responsible Entity Board have established their own audit and risk committees which assist in fulfilling their duties in this respect.

The audit and risk committee established by the Board will also be responsible for the activities of the Group including:

- monitoring the establishment of an appropriate internal control framework, including information systems and its operation and considering enhancements;
- assessing corporate risk (including economic, environmental and social sustainability risks) and compliance with internal controls;
- reviewing reports on the adequacy of insurance coverage;
- monitoring compliance with relevant legislation and regulatory requirements (including continuous disclosure obligations);
- reviewing the nomination, performance and independence of the external auditors, including recommendations for the appointment or removal of any external auditor and the rotation of the audit engagement partner;
- any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;
- reviewing financial statements and other financial information distributed externally and otherwise provide a true and fair view of the financial position and performance of the Group;

- reviewing management processes supporting external reporting, including the appropriateness of the accounting judgements of choices made by management in preparing the financial reports and statements; and
- preparing and recommending for approval by the Board, the corporate governance statement for inclusion in the annual report or any other public document.

Prior to the Board approving any financial statements in relation to the Group, the Chief Financial Officer of the Company will provide a declaration that, in their opinion, the financial records for that entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### **Principle 5: Make timely and balanced disclosure**

ASX continuous disclosure requirements are included in the Communications and ASX Disclosure Policy and the Continuous Disclosure Policy.

The policies reflect the Group's commitment to ensuring that all material information is immediately notified to the ASX for dissemination to the market in accordance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. The policies also set out the relevant procedures for internal updating.

The Communications and ASX Disclosure Policy and Continuous Disclosure Policy are available on the website at <http://360capital.com.au/about-us/corporate-governance/>.

#### **Principle 6: Respect the rights of securityholders**

The fundamentals underpinning the corporate governance ethos within the Group are that Stapled Securityholders should be able to hold the management to account for the Group's performance.

The Group will engage with its Stapled Securityholders to provide them with appropriate information and facilities to allow them to exercise their rights as securityholders effectively.

The Board is committed to ensuring securityholders receive clear, concise and effective information on a timely basis and facilitates the delivery of financial services disclosures through existing and emerging electronic means.

As previously noted the Group has adopted a Communications and ASX Disclosure Policy.

#### **Principle 7: Recognise and manage risk**

As stated previously each Board has established an Audit and Risk Committee. Please refer to Principle 4 for further details.

The Group also has a Risk Management Program which outlines the process for identifying, monitoring and mitigating risks as well as generic sources of risk.

The Group is committed to acting responsibly and ethically and operating their businesses in a manner that is sustainable.

#### **Principle 8: Remunerate fairly and responsibly**

As previously stated, 360 Capital Group has established a Nomination and Remuneration Committee. Please refer to Principle 2 for further details on the Nomination and Remuneration Committee.

Remuneration of the Responsible Entity is included in the Trust's Constitution. The Responsible Entity is entitled to claim asset management fees, reimbursement for all



expenses reasonably and properly incurred in relation to the Trust or in performing its obligations under the Constitution, and acquisition and disposal fees.

As noted at Principle 2, the Company does not have a remuneration committee at present. Executive and key management personnel remuneration and other terms of employment are reviewed annually, having regard to performance goals set at the start of the year, independent advice and industry market comparison reports.

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## 11. Resolutions

### 11.1 Resolution 1 - Approval to the change of activities

#### (a) General

Resolution 1 seeks Shareholder approval to the change in nature and scale of activities of the Company.

If the Implementation Conditions are satisfied, the Group's investment strategy will be changed to focus on commercial real estate debt as detailed in sections 3.3 and 3.4.

Under this investment strategy its business operations will become diversified across additional income streams (commercial real estate lending, investment management and loan origination), across all real estate asset classes and across all Australian and New Zealand metropolitan markets.

The Group will not undertake any more residential property development and will dispose of its current residential property development business. Further detail in respect of the arrangements to dispose of its current business is set out in section 3.16.

#### (b) ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where a listed entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the Official List.

ASX has indicated to the Company that the Restructure and Recapitalisation Proposal constitutes both a significant change in the nature of the Company's activities as well as a significant change in the scale of the size of the Company. The ASX has also indicated that the Company will need to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

Re-complying with ASX's admission and quotation requirements involves (among other things):

- completing an Appendix 1A Application for Admission to the ASX Official List (ASX Listing) and the accompanying Information Form and Checklist (ASX Listings) and paying the applicable initial listing fee;
- having a structure (including a capital structure) and operations that are appropriate for a listed entity;
- issuing a prospectus or PDS;
- meeting ASX's minimum free float requirement;
- meeting ASX's minimum spread requirement;
- meeting the profit test or assets test;

- complying with Chapter 9 of the ASX Listing Rules in relation to any "restricted securities" it has on issue or is proposing to issue;
- unless ASX chooses not to apply this requirement, having the entity's quoted securities (except options) issued or sold for at least 20 cents in cash;
- unless ASX chooses not to apply this requirement, having any options the entity has issued exercisable for at least 20 cents in cash;
- satisfying ASX that each director or proposed director, the CEO or proposed CEO, and the CFO or proposed CFO at the date of admission is of good fame and character; and
- having any securities issued under a prospectus or PDS admitted to quotation within the time limits prescribed under the Corporations Act.

Accordingly, the Restructure and Recapitalisation Proposal may not proceed if those requirements are not met.

The ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to quote its securities and therefore the Restructure and Recapitalisation Proposal may not proceed if ASX exercises that discretion.

If the Resolutions are approved it is expected that the Shares will continue to be suspended from quotation until the Company has implemented the Restructure and Recapitalisation Proposal and re-complied with Chapters 1 and 2 of the ASX Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement. If the Resolutions are not approved, the Restructure and Recapitalisation Proposal will not proceed.

## **11.2 Resolution 2 - Approval of disposal of main undertaking**

### **(a) General**

Resolution 2 seeks Shareholder approval to the disposal of the main undertaking of the Company.

If the Implementation Conditions are satisfied, it is intended that the Company would dispose of its current residential property development business.

Further information in respect of the proposed arrangements to dispose of the relevant assets are set out in section 3.16.

### **(b) ASX Listing Rule 11.2**

ASX Listing Rule 11.2 requires a listed entity to obtain the approval of its Shareholders to a disposal of its main undertaking. The implementation of the Restructure and Recapitalisation Proposal will constitute a disposal by the Company of its main undertaking for these purposes.

If the Resolutions are approved it is expected that the Shares will continue to be suspended from quotation until the Company has implemented the Restructure and Recapitalisation Proposal and re-complied with Chapters 1 and 2 of the ASX Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement. If the Resolutions are not approved, the Restructure and Recapitalisation Proposal will not proceed.

### 11.3 Resolution 3 - Approval of Capital Raising

#### (a) General

Resolution 3 seeks Shareholder approval to the issue of up to 200,000,000 Shares under the Capital Raising (including the issue of 13,200,000 Shares to the Related Party Vendors as contemplated by Resolution 5 below).

Subject to the Company obtaining Shareholder approval to the various matters in the Notice of Meeting, the Company will undertake the Capital Raising to raise up to \$93,400,000. If the Minimum Subscription is not obtained, the Capital Raising will not proceed.

Further information in respect of the terms of the Capital Raising is set out in section 3.12.

#### (b) ASX Listing Rule 7.1

ASX Listing Rule 7.1 imposes a limit on the number of securities that an entity can issue or agree to issue in a 12 month period without securityholder approval. Generally, an entity may not, without securityholder approval, issue in any 12 month period more than 15 per cent of the number of securities on issue 12 months before the date of issue.

The proposed issue of Shares under the Capital Raising will exceed the 15 per cent limit. Accordingly, Shareholders are requested to approve the issue of Units under the Shares under the Capital Raising for the purposes of ASX Listing Rule 7.1.

For the purposes of Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- the persons who will be offered Shares under the Capital Raising is set out in section 3.12(b);
- the Company may issue up to 200,000,000 Shares under the Capital Raising (including the issue of 13,200,000 Shares to the Related Party Vendors as contemplated by Resolution 5 below);
- it is proposed that the Company will issue up to 200,000,000 Shares under the Capital Raising (including the issue of 13,200,000 Shares to the Related Party Vendors on completion of the Business Acquisitions, as contemplated by Resolution 4 below) on 4 May 2021 (which is a date no later than 6 months after the date of the EGM); and
- the issue price of Shares under the Capital Raising is \$0.50.

### 11.4 Resolution 4 - Approval of the Business Acquisitions

#### (a) General

Resolution 4 seeks Shareholder approval of the Business Acquisitions.

#### AMF

On 23 December 2020 the Company entered into a Share Sale Agreement to acquire all of the shares in AMF held by the current shareholders of AMF (the **AMF Share Sale Agreement**).

Further information in respect of AMF and its business is set out in section 3.4 under the heading "AMF".

The material terms of the AMF Share Sale Agreement are set out below:

Term	Summary	
<b>Buyer</b>	The Company	
<b>AMF Sellers and AMF Sale Shares</b>	AMF Sellers	AMF Sale Shares
	360 Capital FM Limited ACN 090 664 396	5
	360 Capital Property Limited ACN 146 484 433	5
<b>Conditions</b>	Completion is conditional on the satisfaction of the Implementation Conditions. If the Implementation Conditions are not satisfied by 31 May 2021, either party may terminate the agreement.	
<b>Sale and purchase</b>	On completion, each AMF Seller must sell all of its AMF Sale Shares free from all encumbrances and the Buyer must buy all of the AMF Sale Shares.	
<b>AMF Purchase Price</b>	\$3,000,000	
	The Purchase Price payable to the AMF Sellers ( <b>AMF Related Party Vendors</b> ) will be satisfied by the issue of Shares in the Company. The number of Shares to be issued to each of the AMF Related Party Vendors is an amount equal to an AMF Related Party Vendor's respective proportion of AMF Sale Shares multiplied by the AMF Purchase Price then divided by the issue price of Shares under the Capital Raising (ie. \$0.50). In accordance with this formula, the AMF Related Party Vendors would be issued the following Shares:	
	360 Capital FM Limited	3,000,000
	360 Capital Property Limited	3,000,000
<b>Completion</b>	Completion will occur 1 Business Day after the Implementation Conditions are satisfied.  On Completion, the Company will issue the relevant Shares in the Company to the AMF Related Party Vendors.	
<b>Warranties</b>	<p>Each AMF Seller provides several title and capacity warranties in respect of itself and the AMF Sale Shares held by it.</p> <p>Each AMF Seller provides several company warranties in respect of AMF. The warranties provided are usual for a share sale and include warranties in respect of:</p> <ul style="list-style-type: none"> <li>• the accounts of AMF;</li> <li>• conduct of the business;</li> <li>• liabilities and financing arrangements;</li> <li>• contracts of AMF;</li> <li>• intellectual property;</li> <li>• no employees;</li> <li>• legal proceedings;</li> <li>• disclosure; and</li> <li>• tax.</li> </ul>	
<b>Limitations</b>	<p>A claim for any breach of a warranty are subject to usual limitations, including:</p> <ul style="list-style-type: none"> <li>• a claim must be made within 12 months from completion occurring;</li> </ul>	

	<ul style="list-style-type: none"> <li>except for a claim arising out of a breach of a tax warranty or a title and capacity warranty, the minimum amount of any single claim must exceed \$30,000;</li> <li>except for a claim arising out of a breach of a tax warranty or a title and capacity warranty, the minimum amount of claims in aggregate must exceed \$100,000;</li> <li>except for a claim arising out of a breach of a tax warranty or a title and capacity warranty, the maximum aggregate amount that the Sellers are required to pay in respect of any warranty claims is an amount equal to 10% of the AMF Purchase Price;</li> <li>the maximum aggregate amount that the Sellers are required to pay in respect of any claim arising out of a breach of a tax warranty or a title and capacity warranty is 100% of the AMF Purchase Price; and</li> <li>the maximum aggregate amount that each AMF Seller is required to pay in respect of all claims whenever made is limited to that AMF Seller's respective proportion of the warranty caps referred to above.</li> </ul>
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If the Implementation Conditions are satisfied, the Company will complete the acquisition of AMF in accordance with the AMF Share Sale Agreement. If the Implementation Conditions are not satisfied, the completion of the acquisition of AMF will not proceed.

## DSS

On 23 December 2020 the Company entered into a Share Sale Agreement to acquire all of the shares in Dealt held by the current shareholders of DSS (the **Dealt Share Sale Agreement**).

Further information in respect of DSS and its business is set out in section 3.4 under the heading "DSS".

The material terms of the DSS Share Sale Agreement are set out below:

Term	Summary	
<b>Buyer</b>	The Company	
<b>DSS Sellers and DSS Sale Shares</b>	DSS Sellers	DSS Sale Shares
	TT Investments Pty Limited ACN 098 158 028	84,500
	Hold Co Pty. Ltd ACN 164 508 178	84,500
	Glenn Butterworth	84,500
	Amyr Gillani	56,333
	360 Capital Property Limited ACN 146 484 433)	253,498
<b>Conditions</b>	Completion is conditional on the satisfaction of the Implementation Conditions. If the Implementation Conditions are not satisfied by 31 May 2021, either party may terminate the agreement.	
<b>Sale and purchase</b>	On completion, each DSS Seller must sell all of its DSS Sale Shares free from all encumbrances and the Buyer must buy all of the DSS Sale Shares.	
<b>DSS Purchase Price</b>	<p>\$4,000,000</p> <p>The Purchase Price payable to Amyr Gillani (who is a US citizen) will be satisfied by the Buyer paying a cash payment equal to Amyr Gillani's respective proportion of DSS Sale Shares multiplied by the DSS Purchase Price (ie. \$400,000).</p> <p>The Purchase Price payable to the other DSS Sellers (<b>DSS Related Party Vendors</b>) will be satisfied by the issue of Shares in the Company. The number of</p>	

	<p>Shares to be issued to each of the DSS Related Party Vendors is an amount equal to a DSS Related Party Vendor's respective proportion of DSS Sale Shares multiplied by the DSS Purchase Price then divided by the issue price of Shares under the Capital Raising (ie. \$0.50). In accordance with this formula, the DSS Related Party Vendors would be issued the following Shares:</p> <table border="1"> <tr> <td>TT Investments Pty Limited</td><td>1,200,000</td></tr> <tr> <td>Hold Co Pty. Ltd</td><td>1,200,000</td></tr> <tr> <td>Glenn Butterworth</td><td>1,200,000</td></tr> <tr> <td>360 Capital Property Limited</td><td>3,600,000</td></tr> </table>	TT Investments Pty Limited	1,200,000	Hold Co Pty. Ltd	1,200,000	Glenn Butterworth	1,200,000	360 Capital Property Limited	3,600,000
TT Investments Pty Limited	1,200,000								
Hold Co Pty. Ltd	1,200,000								
Glenn Butterworth	1,200,000								
360 Capital Property Limited	3,600,000								
<b>Completion</b>	<p>Completion will occur 1 Business Day after the Implementation Conditions are satisfied.</p> <p>On Completion, the Company will pay the cash component of the DSS Purchase Price to Aryn Gillani and issue the relevant Shares in the Company to the DSS Related Party Vendors.</p>								
<b>Warranties</b>	<p>Each DSS Seller provides several title and capacity warranties in respect of itself and the DSS Sale Shares held by it.</p> <p>Each DSS Seller provides several company warranties in respect of DSS. The warranties provided are usual for a share sale and include warranties in respect of:</p> <ul style="list-style-type: none"> <li>• the accounts of DSS;</li> <li>• conduct of the business;</li> <li>• liabilities and financing arrangements;</li> <li>• contracts of DSS;</li> <li>• intellectual property;</li> <li>• no employees;</li> <li>• legal proceedings;</li> <li>• disclosure; and</li> <li>• tax.</li> </ul>								
<b>Limitations</b>	<p>A claim for any breach of a warranty are subject to usual limitations, including:</p> <ul style="list-style-type: none"> <li>• a claim must be made within 12 months from completion occurring;</li> <li>• except for a claim arising out of a breach of a tax warranty or a title and capacity warranty, the minimum amount of any single claim must exceed \$40,000;</li> <li>• except for a claim arising out of a breach of a tax warranty or a title and capacity warranty, the minimum amount of claims in aggregate must exceed \$100,000;</li> <li>• except for a claim arising out of a breach of a tax warranty or a title and capacity warranty, the maximum aggregate amount that the Sellers are required to pay in respect of any warranty claims is an amount equal to 10% of the DSS Purchase Price;</li> <li>• the maximum aggregate amount that the Sellers are required to pay in respect of any claim arising out of a breach of a tax warranty or a title and capacity warranty is 100% of the DSS Purchase Price; and</li> <li>• the maximum aggregate amount that each DSS Seller is required to pay in respect of all claims whenever made is limited to that DSS Seller's respective proportion of the warranty caps referred to above.</li> </ul>								

If the Implementation Conditions are satisfied, the Company will complete the acquisition of DSS in accordance with the DSS Share Sale Agreement. If the Implementation Conditions are not satisfied, the completion of the acquisition of DSS will not proceed.

(b) **ASX Listing Rule 10.1**

Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, the following persons, without obtaining approval from the holders of the entity's ordinary securities:

- a related party;
- a child entity;
- a substantial (10%+) holder;
- an associate of a person referred to above; or
- a person whose relationship to the entity or a person referred to above is such that, in ASX's opinion, the transaction should be approved by securityholders.

An asset is deemed to be substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The AMF Related Party Vendors and the DSS Related Party Vendors (together the **Related Party Vendors**) are respectively associates of a related party or substantial holder of the Company.

The total equity interests of the Company as at 30 June 2020 (as set out in the FY2020 Annual Report lodged with ASX on 25 August 2020, being the latest accounts given to ASX under the ASX Listing Rules), is \$9,690,455. 5% of the equity interests of the Company as at 30 June 2020 is therefore \$484,522.75.

As the value of the consideration for both the AMF acquisition and the DSS acquisition) exceeds this amount, Listing Rule 10.1 is to apply to each proposed acquisition. The Company therefore is seeking Shareholder approval for the Proposed Acquisition to comply with Listing Rule 10.1.

For the purposes of Listing Rule 10.5, the following information is provided in relation to the proposed acquisition of AMF:

- the sellers of the AMF Sale Shares are 360 Capital FM Limited and 360 Capital Property Limited;
- 360 Capital FM Limited and 360 Capital Property Limited (being each wholly owned by 360 Capital Group) are associates a substantial holder (ie. 360 Capital Shareholder);
- the assets being acquired are the AMF Sale Shares;
- the consideration for the acquisition of the AMF Sale Shares is the AMF Purchase Price (as set out in the table above);
- the acquisition of the AMF Sale Shares will be funded by the issue of Shares as detailed above;
- if the Implementation Conditions are satisfied, it is expected that the completion of the acquisition of the AMF Sale Shares will occur on 4 May 2021;



- a summary of the material terms of the AMF Share Sale Agreement is set out above.

For the purposes of Listing Rule 10.5, the following information is provided in relation to the proposed acquisition of DSS:

- the sellers of the DSS Sale Shares are TT Investments Pty Limited, Hold Co Pty. Ltd, Glenn Butterworth, Aryn Gillani and 360 Capital Property Limited;
- TT Investments Pty Limited is a vehicle controlled by Tony Pitt and Hold Co Pty. Ltd is a vehicle controlled by James Storey and those vehicles are associates of a related party (ie. as both are Directors);
- Glenn Butterworth is Chief Financial Officer of 360 Capital Group and in respect of this matter he is an associate of the related parties, Tony Pitt and James Storey;
- 360 Capital Property Limited (being wholly owned by 360 Capital Group) is an associate of a substantial holder (ie. 360 Capital Shareholder);
- the assets being acquired are the DSS Sale Shares;
- the consideration for the acquisition of the DSS Sale Shares is the DSS Purchase Price (as set out in the table above);
- the acquisition of the DSS Sale Shares will be funded by in part by funds raised from the Capital Raising and by the issue of Shares as detailed above;
- if the Implementation Conditions are satisfied, it is expected that the completion of the acquisition of the DSS Sale Shares will occur on 4 May 2021; and
- a summary of the material terms of the DSS Share Sale Agreement is set out above.

Listing Rule 10.5.10 provides that the notice of meeting to obtain shareholder approval sought for the purpose of Listing Rule 10.1 must include a report on the Business Acquisitions from an independent expert.

**The Independent Expert's Report prepared by BDO Corporate Finance (East Coast) Pty Ltd sets out a detailed examination of the Business Acquisitions to enable Shareholders to assess its merits. The Independent Expert has concluded that the Business Acquisitions are fair and reasonable to Shareholders.**

**Shareholders are encouraged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.**

For the purposes of ASX Guidance Note 12, the Company confirms that it has undertaken appropriate enquiries into the assets and liabilities, financial position and performance, profits and losses, and prospects of AMF and DSS and is satisfied that the Business Acquisitions are in the interests of the Company and its Shareholders.

## **11.5 Resolution 5 - Approval of issue of Shares as Consideration**

### **(a) General**

Resolution 5 seeks Shareholder approval to the issue to 13,200,000 Shares to the Related Party Vendors under the terms of the Business Acquisitions.

If the Implementation Conditions are satisfied, the Company will complete the acquisition of AMF in accordance with the AMF Share Sale Agreement and issue 6,000,000 Shares to the AMF Related Party Vendors.

If the Implementation Conditions are satisfied, the Company will complete the acquisition of DSS in accordance with the DSS Share Sale Agreement and issue 7,200,000 Shares to the DSS Related Party Vendors.

(b) **ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires securityholder approval to be obtained where an entity issues, or agrees to issue, securities to

- a related party;
- a substantial (30%+) holder;
- a substantial (10%+) holder and who had nominated a director to the board of the entity;
- an associate of a person referred to above; or
- a person whose relationship with the entity or a person referred to above is such that is, in ASX's opinion, the issue should be approved by securityholders.

The Related Party Vendors are respectively associates of a related party or substantial holder of the Company.

For the purposes of Listing Rule 10.13, the following information is provided in relation to the issue of up to 6,000,000 Shares to the AMF Related Party Vendors:

- 360 Capital FM Limited and 360 Capital Property Limited (being each wholly owned by 360 Capital Group) are associates of the a substantial holder who had nominated a director to the board of the entity (ie. 360 Capital Shareholder);
- the number of Shares to be issued are:

Person	Number of Shares
360 Capital FM Limited	3,000,000
360 Capital Property Limited	3,000,000

- if the Implementation Conditions are satisfied, it is expected that the issue of the Shares will occur on 4 May 2021 (which is a date no later than 6 months after the date of the EGM);
- the issue price of Shares to be issued to the AMF Related Party Vendors is \$0.50;
- the purpose of the issue to satisfy part of the consideration for the acquisition of the AMF Sale Shares; and
- a summary of the material terms of the AMF Share Sale Agreement is set out above.

For the purposes of Listing Rule 10.13, the following information is provided in relation to the issue of up to 7,200,000 Shares to the DSS Related Party Vendors:

- the persons to be issued Shares are TT Investments Pty Limited, Hold Co Pty. Ltd, Glenn Butterworth and 360 Capital Property Limited;
- TT Investments Pty Limited is a vehicle controlled by Tony Pitt and Hold Co Pty. Ltd is a vehicle controlled by James Storey and those vehicles are associates of a related party (ie. as both are Directors);

- Glenn Butterworth is Chief Financial Officer of 360 Capital Group and in respect of this matter he is an associate of the related parties, Tony Pitt and James Storey;
- 360 Capital Property Limited (being wholly owned by 360 Capital Group) is an associate of a substantial holder (ie. 360 Capital Shareholder);
- the number of Shares to be issued are:

Person	Number of Shares
TT Investments Pty Limited	1,200,000
Hold Co Pty. Ltd	1,200,000
Glenn Butterworth	1,200,000
360 Capital Property Limited	3,600,000

- if the Implementation Conditions are satisfied, it is expected that the issue of the Shares will occur on 4 May 2021 (which is a date no later than 6 months after the date of the EGM);
- the issue price of Shares to be issued to the DSS Related Party Vendors is \$0.50;
- the purpose of the issue to satisfy part of the consideration for the acquisition of the DSS Sale Shares; and
- a summary of the material terms of the DSS Share Sale Agreement is set out above.

## 11.6 Resolution 6 - Approval of change of Company name

### (a) General

Resolution 6 seeks Shareholder approval to change of the Company's name to "Dealt Limited".

If the Resolutions are passed, the change of name will be effective on and from the date of the EGM

### (b) Section 157(1)(a) of the Corporations Act

Section 157(1)(a) of the Corporations Act provides that if a Company wishes to change its name it must pass a special resolution adopting the new name. Accordingly, Shareholders are requested to approve the change of name for the purpose of the Corporations Act.

## 11.7 Resolution 7 - Adoption of New Company Constitution

### (a) General

Resolution 7 seeks Shareholder approval to adopt the New Company Constitution of the Company in place of the Current Company Constitution.

In order for the Restructure and Recapitalisation Proposal to proceed, the New Company Constitution must be adopted as it includes a number of provisions to facilitate the Restructure and Recapitalisation Proposal, in particular the Stapling Provisions.

A summary of the Stapling Provisions and certain other material provisions of the New Company Constitution is set out in section 12.4.

If the Resolutions are passed, the adoption of the New Company Constitution will be effective on and from the date of the EGM.

**(b) Section 136(1)(b) of the Corporations Act**

Section 136(1)(b) of the Corporations Act provides that if a Company wishes to adopt a new constitution it must pass a special resolution adopting the new constitution. Accordingly, Shareholders are requested to approve the adoption of the New Company Constitution for the purposes of the Corporations Act.

## **11.8 Resolution 8 - Approval of appointment of the Responsible Entity and the Group Investment Manager**

**(a) General**

Resolution 8 seek Shareholder approval of the appointment of the Responsible Entity as responsible entity of the Trust and the Group Investment Manager in accordance with the terms of the Group Investment Management Agreement.

Prior to the date of the Booklet, the Company established the Trust with nominal capital and appointed the Responsible Entity to be the responsible entity of Trust.

If the Restructure and Recapitalisation Proposal is implemented, the Responsible Entity will continue in its role as responsible entity of the Trust and will exercise or perform its duties, powers, discretions, and obligations in connection with the Trust in accordance with the Trust Constitution and the Corporations Act. Under the terms of the Trust Constitution, the Responsible Entity will be entitled to receive a management fee and will be entitled to be reimbursed costs incurred in the proper performance of its duties. Refer to section 9 for a summary of the fees applicable and section 12.5 which summarises a number of the rights that the Responsible Entity has under the Trust Constitution.

Separately, if the Restructure and Recapitalisation Proposal is implemented, it is proposed that the Company and the Responsible Entity will enter into a Group Investment Management Agreement with the Group Investment Manager. Under the proposed Group Investment Management Agreement, the Group Investment Manager will be entitled to a management fee may also be entitled to receive fees on its removal. Refer to section 9 for a summary of the fees applicable and the detailed summary of the proposed Group Investment Management Agreement set out in section 12.7 which outlines the rights of the Group Investment Manager.

**(b) ASX Guidance Note 26**

ASX Guidance Note 26 provides guidance for listed entities on the ASX's approach to determining whether a management agreement is appropriate for a listed entity and the impact that securityholder approval has in that regard. In accordance with the recommendations in ASX Guidance Note 26, ASX encourages listed entities that are proposing to enter into a management agreement to seek securityholder approval to the agreement. For this purpose, the Company seeks Shareholder approval of the appointment of the Responsible Entity as responsible entity of the Trust and the Group Investment Manager in accordance with the terms of the Group Investment Management Agreement.

## **11.9 Resolution 9 - Approval of Capital Reduction**

**(a) General**

Resolution 9 seeks Shareholder approval of the Capital Reduction and Unit Distribution."

If the Implementation Conditions are satisfied, the Company proposes to make an in-specie distribution to each registered holder of Shares, one Unit for every one Share held by the holder on the Capital Return Record Date.

The Unit Distribution will be made to Shareholders (other than Ineligible Foreign Shareholders) on a pro rata (1:1) basis by way of an equal capital reduction under section 256C of the Corporations Act.

**(b) Part 2J.1 of the Corporations Act**

The distribution of assets by a company to its shareholders is regulated by the Corporations Act.

Such a distribution is referred to as a "capital reduction" as the value of the company is reduced by the value of the assets distributed by the company.

The Capital Reduction and Unit Distribution constitute a reduction of capital of the Company by way of an in specie distribution to Shareholders and is categorised as an equal reduction under the Corporations Act.

It is an equal reduction because it only relates to Shares, is applicable to each Shareholder in proportion to the number of Shares held and the terms of the reduction are the same for each Shareholder. A reduction of capital made in this way is required under section 256C of the Corporations Act to be approved by Shareholders by ordinary resolution. Accordingly, Shareholders are requested to approve the Capital Reduction and Unit Distribution for the purposes of the Corporations Act.

The Corporations Act also requires in section 256B that for the Capital Reduction and Unit Distribution to proceed it must also satisfy the following tests:

- it is fair and reasonable to the Shareholders as a whole; and
- it does not materially prejudice the Company's ability to pay its creditors.

The Board considers that the proposed Capital Reduction and Unit Distribution:

- is fair and reasonable to Shareholders as a whole because they are all treated in the same manner given that the distribution of Units is on a pro rata basis; and
- will not materially prejudice the Company's ability to pay its creditors.

## **11.10 Resolution 10 - Approval of Executive Incentive Plan**

**(a) General**

Resolution 10 seeks Shareholder approval to the adoption of the Executive Incentive Plan.

If the Implementation Conditions are satisfied, the Group proposes to adopt the Executive Incentive Plan.

**(b) ASX Listing Rule 7.2**

ASX Listing Rule 7.1 requires that a company obtain shareholder approval prior to the issue of securities representing more than 15% of the issued capital of the Company. ASX Listing Rule 7.2 set out a number of exceptions to Listing Rule 7.1, one of which (Exception 13) is an issue of securities under an employee incentive scheme if, within three years before the date of issue, the shareholders of the Company approved the issue of securities under the scheme.

For the purposes of ASX Listing Rule 7.2, the following disclosures are provided to Shareholders:

- a summary of the terms of the New EIP is set out in section 12.8;

- no Stapled Securities have been issued yet under the Executive Incentive Plan, and
- the maximum number of Stapled Securities proposed to be issued under the Executive Incentive Plan following the approval is no more than 1,169,400.

If Shareholders do not approve Resolution 10, the Group will still be able to make issues of Stapled Securities under the Executive Incentive Plan, however, such issues will not be excluded from the calculation of the maximum number of new Stapled Securities that can be issued by the Group in any 12 month period.

It should be noted that the Executive Incentive Plan excludes non-executive directors of the Company from participation but executive directors may participate. Any future issues of Stapled Securities under the Executive Incentive Plan to a related party (such as an executive director) or a person whose relation with the company or the related party is, in the ASX's opinion, such that approval should be obtained, will require additional Stapled Securityholder approval under ASX Listing Rule 10.14 at the relevant time.

The Executive Incentive Plan provides that for any Stapled Securities, options or performance rights granted to executive directors of the Company (or their associates) under the Executive Incentive Plan, the Stapled Securities to be acquired by the relevant executive director on the grant of Stapled Securities, exercise of the options or satisfaction of the performance rights must be purchased on-market (or will otherwise require Stapled Securityholder approval under LR 10.14). ASX Listing Rule 10.15B provides an exception to the approval requirement (under LR 10.14) for the grant of such Stapled Securities, options/performance rights, because securities purchased on-market do not dilute the interests of other securityholders and by definition they must be effected at market prices (so do not raise pricing concerns associated with an issue of securities).

## 11.11 Resolution 11 - Approval of fees payable to Non-Executive Directors

Resolution 11 seeks Shareholder approval to increase the limit on aggregate Non-Executive Directors' remuneration in any financial year (**Fee Pool**) by \$150,000 from \$250,000 to \$400,000.

Under clause 19.5(a) of the Current Company's Constitution and ASX Listing Rule 10.17, the Fee Pool may only be increased with Shareholder approval.

The current Fee Pool was approved by shareholders prior to the Company listing on the ASX. If shareholder approval is not obtained, the current Fee Pool will remain at \$250,000.

The Directors are seeking shareholder approval to increase the Fee Pool for the following reasons:

- the number of Non-Executive directors is expected to increase in the coming years, as part of the Group's ongoing planning strategy reflecting the Group's new investment strategy and to ensure that the Board continues to have a balance of skills, knowledge and experience;
- the current Fee Pool is low by market standards and was set when the Company first listed in February 2017;
- to ensure the Company has the ability to remunerate competitively and attract and retain high calibre Non-Executive Directors; and
- to allow for some growth in Non-Executive directors' remuneration in the future to reflect market competitiveness for Non-Executive directors with the skills and experience appropriate for the Company's business;

The remuneration of Non-Executive directors for the year ended 30 June 2020 is detailed in the Remuneration Report set out in the Company's Annual Report. No securities have been issued to any non-executive director under ASX Listing Rules 10.11 or 10.14 with shareholder approval within the last three years.

## 11.12 Resolution 12 - Approval of Financial Advisory Fee payable to Cambridge Investment Partners

### (a) General

Resolution 12 seeks Shareholder approval to the Financial Advisory Fee payable by the Company to Cambridge Investment Partners.

The Company has appointed Cambridge Investment Partners as financial adviser in relation to the Restructure and Recapitalisation Proposal. In consideration for the provision of these services the Company has agreed, subject to obtaining Shareholder approval, to pay Cambridge Investment Partners a financial advisory fee of 1.0% of the amount raised by the Company under the Capital Raising.

The Financial Advisory Fee is only payable by the Company if the Implementation Conditions are satisfied and the Capital Raising achieves the Minimum Subscription. Under the Minimum Subscription scenario, the Financial Advisory Fee payable would be \$350,000 and based on the Maximum Subscription scenario it could be as much as \$1,000,000.

The material terms of the engagement of Cambridge Investment Partners is set out below:

Term	Summary
<b>Parties</b>	The Company and Cambridge Investment Partners
<b>Scope of engagement</b>	<ul style="list-style-type: none"> <li>Undertaking, in consultation with the Company's management, a customary business and financial analysis of the Restructure and Recapitalisation Proposal, including an analysis of the feasibility and potential pricing of the Capital Raising.</li> <li>Assisting the Company in developing a strategy to effect the acquisition of assets and subsequent Capital Raising, including advising in relation to the size, structure, syndicate make-up and timing of the Capital Raising.</li> <li>Assist in the preparation/modifications of any financial modelling for the acquisition of assets and subsequent Capital Raising based on assumptions provided by the Company's management.</li> <li>Assist the Company in preparing or modifying relevant documents and marketing materials for the Capital Raising (including any disclosure documents and management presentations).</li> <li>Participate in discussions between the Company and its legal, taxation and accounting advisors on how to structure the Capital Raising.</li> <li>Participate in discussions with the due diligence committee ("DDC"), if a DDC is required, in relation to the Capital Raising as a member of the DDC.</li> <li>Co-ordinate the marketing of the Capital Raising to institutional, sophisticated and professional investors located in Australia and other agreed jurisdictions including providing them such information about the Company and its portfolio of investments (existing and proposed) as may be appropriate and acceptable to the Company.</li> <li>Advise and assist the Company in documenting, negotiating and consummating the Restructure and Recapitalisation Proposal.</li> <li>Assist with the communication and media strategy in relation to the Restructure and Recapitalisation Proposal.</li> <li>Assist the Company and its legal and other professional advisers in relation to its dealings with regulatory bodies.</li> <li>Be available to meet with the Board to discuss the proposed Restructure and Recapitalisation Proposal and its financial implications.</li> </ul>

	<ul style="list-style-type: none"> <li>Provide such other assistance to the Company in accordance with the Restructure and Recapitalisation Proposal as agreed in writing from time to time.</li> </ul>
<b>Fees and expenses</b>	<p>Subject to the Company obtaining Shareholder approval under ASX Listing Rule 10.1, the Company will to pay Cambridge Investment Partners a financial advisory fee of 1.0% of the amount raised by the Company under the Capital Raising.</p> <p>The Company will reimburse Cambridge Investment Partners for all expenses incurred in entering into and performing the services under the engagement.</p>
<b>Termination</b>	Either party may terminate the engagement at any time on written notice.

If the Implementation Conditions are satisfied and the Capital Raising achieves the Minimum Subscription, the Company will pay the Financial Advisory Fee on the settlement of the Capital Raising. If the Implementation Conditions are not satisfied (which means the Capital Raising will not proceed), the Financial Advisory Fee will not be paid.

**(b) ASX Listing Rule 10.1**

Listing Rule 10.1 states that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, the following persons, without obtaining approval from the holders of the entity's ordinary securities:

- a related party;
- a child entity;
- a substantial (10%+) holder;
- an associate of a person referred to above; or
- a person whose relationship to the entity or a person referred to above is such that, in ASX's opinion, the transaction should be approved by securityholders.

An asset is deemed to be substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

Cambridge Investment Partners is an associate of a substantial holder of the Company.

The total equity interests of the Company as at 30 June 2020 (as set out in the FY2020 Annual Report lodged with ASX on 25 August 2020, being the latest accounts given to ASX under the ASX Listing Rules), is \$9,690,455. 5% of the equity interests of the Company as at 30 June 2020 is therefore \$484,522.75. As set out above, the amount of the Financial Advisory Fee may exceed this amount. Accordingly, the Company is seeking Shareholder approval to the Financial Advisory Fee to comply with Listing Rule 10.1.

For the purposes of Listing Rule 10.5, the following information is provided in relation to the Financial Advisory Fee:

- the Financial Advisory Fee is payable Cambridge Investment Partners the sellers of the AMF Sale Shares are 360 Capital FM Limited and 360 Capital Property Limited;
- Cambridge Investment Partners (being wholly owned by 360 Capital Group) is an associate a substantial holder (ie. 360 Capital Shareholder);
- the Company will receive the services from Cambridge Investment Partners are set out above;
- the consideration payable for the services from Cambridge Investment Partners of the Financial Advisory Fee;



- the Financial Advisory Fee will be funded by funds raised from the Capital Raising;
- if the Implementation Conditions are satisfied and the Capital Raising achieves the Minimum Subscription, the Company will pay the Financial Advisory Fee on the settlement of the Capital Raising, which is expected will occur on 3 May 2021;
- a summary of the material terms of the engagement of Cambridge Investment Partners is set out above.

Listing Rule 10.5.10 provides that the notice of meeting to obtain shareholder approval sought for the purpose of Listing Rule 10.1 must include a report on the Financial Advisory Fee from an independent expert.

**The Independent Expert's Report prepared by BDO Corporate Finance (East Coast) Pty Ltd sets out a detailed examination of the Financial Advisory Fee to enable Shareholders to assess its merits. The Independent Expert has concluded that the Financial Advisory Fee is fair and reasonable to Shareholders.**

**Shareholders are encouraged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.**

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## **12. Additional information**

### **12.1 ASIC relief**

To facilitate the Restructure and Recapitalisation Proposal, the Company and the Responsible Entity have applied to ASIC for the following modifications to and exemptions from the operation of the Corporations Act as it applies to the Group:

- Stapling relief (sections 601FC(1)(c), 601FC(1)(e), 601FD(1)(c), 601FD(1)(d), 601FD(1)(e) and 601FE(1)) - relief to enable the Responsible Entity to consider the interests of Stapled Securityholders as a whole (rather than their interest solely as members of the Trust).
- Related party relief (section 601LC) - modification or exemption to allow the Responsible Entity to provide financial benefits out of Trust property to other entities within the Group and their subsidiaries while Stapling arrangements are in place;
- Financial Services Guide relief (section 941A) - relief from the requirement for the Responsible Entity to prepare a Financial Service Guide and give it to Shareholders who are retail clients;
- Licensing relief (section 911A) - relief in respect of the requirements for the Company to hold an Australian Financial Services Licence;
- Foreign holder relief (section 601QA(1)(a)): relief from the requirement for the Responsible Entity to treat foreign holders equally in respect of the Stapling; and
- Secondary sale relief (sections 707(3) and 707(4): modification to allow the on-sale of any of Shares issued to the Related Party Vendors on completion of the Business Acquisitions where the sale occurs within 12 months after they are issued.

### **12.2 ASX Waivers and confirmations**

To facilitate the Restructure and Recapitalisation Proposal and the re-admission of the Company to the Official List of the ASX, the Company has applied to ASX for the following waivers and confirmations from the ASX Listing Rules:

- ASX Listing Rule 1.1 Condition 3 - confirmation that this Booklet (subject to compliance with ASX Listing Rule 1.4, except as waived) will be sufficient instead of a prospectus in respect of the Company;
- ASX Listing Rule 1.4.7 - a waiver of the requirement for the Booklet to contain a statement that it contains all the information that would be required for inclusion under section 710 of the Corporations Act;
- ASX Listing Rule 1.4.7 - a waiver of the requirement for this Booklet to contain a statement that the Company has not raised any capital for the three months before the date of issue of this Booklet and will not need to raise any capital for three months after the date of issue of this Booklet;
- ASX Listing Rule 2.1 Condition 2 - a waiver of the condition that the issue price of a Share and a Unit must each be at least \$0.20;
- ASX Listing Rule 8.10 - a waiver to the extent necessary to permit the board of the Company to refuse to register a transfer of a Share, if it is not accompanied by a corresponding transfer of the other relevant stapled security;
- ASX Listing Rule 10.1 - a waiver to the extent necessary to permit the transfer of substantial assets between and within the Group on terms that are not arm's length and without the prior approval of Stapled Securityholders;

- ASX Listing Rule 10.13.5 - a waiver to the extent necessary to permit the Shares issued to the Related Party Vendors be issued on a date which is no later than 6 months after the EGM; and
- ASX Listing Rules 3.20 and 7.40 - confirmation in respect of the timetable requirements set out in those rules, and whether the proposed timetable for the Restructure and Recapitalisation Proposal is satisfactory.

To facilitate the Restructure and Recapitalisation Proposal and the admission of the Trust to the Official List of the ASX, the Responsible Entity has applied for the following waivers and confirmations from the ASX:

- ASX Listing Rule 1.4.7 - a waiver of the requirement for this Booklet to contain a statement that the Trust has not raised any capital for the three months before the date of issue of this Booklet and will not need to raise any capital for three months after the date of issue of this Booklet;
- ASX Listing Rule 2.1 Condition 2 - a waiver on the condition that the issue price of a Share and a Unit must each be at least \$0.20;
- ASX Listing Rule 6.24, item 1 of appendix 6A - a waiver to the extent necessary to allow the Trust to advise the ASX of an estimated distribution rate at the time required by item 1 of Appendix 6A and the actual rate be given to the ASX as soon as it becomes known;
- ASX Listing Rule 8.10 - a waiver to the extent necessary to permit the board of the Responsible Entity to refuse to register a transfer of a Unit, if it is not accompanied by a corresponding transfer of the other relevant stapled security;
- ASX Listing Rule 10.1 - a waiver to the extent necessary to permit the transfer of substantial assets between and within the Group on terms that are not arm's length and without the prior approval of Stapled Securityholders; and
- ASX Listing Rules 3.20 and 7.40 - confirmation in respect of the timetable requirements set out in those rules, and whether the proposed timetable for the Restructure and Recapitalisation Proposal is satisfactory.

## 12.3 Ineligible Foreign Shareholders

The Responsible Entity has applied to for relief from the requirements of section 601FC(1)(d) of the Corporations Act in relation to the treatment of Shareholders whose registered address, as at the Capital Reduction Record Date, is not in Australia, Singapore or Malaysia (**Ineligible Foreign Shareholders**).

Where the Responsible Entity considers that it would be unreasonable for to make an offer to acquire Units to an Ineligible Foreign Shareholder, it may transfer such Units to the Nominee.

Upon implementation of the Restructure and Recapitalisation Proposal, the Nominee will sell the Stapled Securities that would have been held by the Ineligible Foreign Shareholder. The Nominee is required to sell the Stapled Securities on-market in the ordinary course of trading on ASX as soon as reasonably practicable, but no later than 30 Business Days following the commencement of ordinary trading in Stapled Securities on ASX. The Nominee must remit the proceeds from any such sale to the Ineligible Foreign Shareholder as soon as reasonably practicable after receipt by of the sale proceeds (rounded to the nearest cent) after deducting any applicable fees, brokerage, tax and other expenses. In respect of Ineligible Foreign Shareholders with a small holding of Stapled Securities, these costs may represent a significant amount of the current market value of your holding.

## 12.4 New Company Constitution

In order for the Restructure and Recapitalisation Proposal to proceed, the New Company Constitution must be adopted as it includes a number of provisions to facilitate the Restructure and Recapitalisation Proposal, in particular the Stapling Provisions.

A copy of the New Company Constitution is available free of charge from the Company on request and a copy will be available at the EGM for Shareholders to inspect.

In summary, the Stapling Provisions under the New Company Constitution are as follows:

Term	Summary
<b>Power to staple</b>	Stapling commences on the date that the directors of the Company and the Responsible Entity determine as being the date on which the Stapling becomes effective and the Company announces the date on the ASX's announcement platform.
<b>Stapling ratio</b>	While Stapling applies, ordinary shares are to be Stapled to the attached securities in the ratio of one ordinary share to one of each category of attached securities. In the Company Constitution, attached securities are defined as each unit, share or other security in a stapled entity to which an ordinary share in the Company is attached.
<b>Stapling Provisions paramount</b>	If there is any inconsistency between any provision of a constitution relating to Stapling and any other provision, the provision relating to Stapling prevails.
<b>Reasonable endeavours</b>	The Company must use reasonable endeavours to procure that if the stapled securities are and continue to be officially quoted by ASX as one joint security, the stapled securities are dealt with in a manner consistent with the provisions relating to stapled securities in the Trust Constitution.
<b>Cessation of Stapling</b>	Stapling ceases when the Board declares Stapling ceases to apply to some or all ordinary shares, and such cessation is approved by a special resolution of Stapled Securityholders. It also ceases when: (i) the Company and the Responsible Entity agree to unstapling the securities; (ii) the Company is wound up; (iii) the attached securities cease for any reason to be transferable with ordinary shares; or (iv) the law prohibits Stapling,
<b>Allocation of issue price of a share in a stapled security</b>	Unless otherwise determined by the Company and the stapled entities or the responsible entity of the stapled entities, the issue price must be allocated in proportion to the net assets (adjusted for the net market value of its investments) of the Company and each other stapled entity at the relevant date.
<b>Conduct of stapled entities</b>	To the maximum extent permitted by law, the Company must cooperate with each stapled entity in everything relating to the stapling of the securities, including, for example: (i) compliance with ASX Listing Rules; (ii) disclosure; (iii) accounting, investment and valuation policies; (iv) meetings; (v) new issues and redemptions; (vi) distributions and re-investments; (vii) partly paid securities; and (viii) reporting.
<b>Dealings</b>	There must be no dealing or disposition of any kind in relation to an ordinary share unless there is also an identical dealing or disposition by the same parties with each attached security in a stapled entity to which that ordinary share is Stapled.
<b>Offers of ordinary shares</b>	The Company must not offer ordinary shares for subscription or sale unless: (i) it also offers, or procures that offers are made of, at the same time and to the same person, the same number of attached security in each stapled entity for subscription or sale; and (ii) the offer is on condition that the offeree may not accept the offer unless the offeree also accepts the offer for attached securities in each stapled entity.
<b>Reorganisations</b>	The Company must not consolidate, subdivide, cancel or reorganise ordinary shares unless at the same time there is a corresponding consolidation,

	subdivision, cancellation or reorganisation of the attached securities in each other stapled entity.
<b>Issue price</b>	A stapled security may be issued or redeemed for a price calculated by aggregating the price for the issue or redemption of an ordinary share in the particular circumstances fixed by the Company Constitution with the price for issue or redemption or buy back of an attached security in each stapled entity in those circumstances fixed by their constitutions. Alternatively, subject to the Corporations Act, the Company may keep valuation records and financial records for the stapled entities as an economic entity and may use the net asset value of the economic entity to calculate the issue price or redemption price of a stapled security.
<b>Regard to interests of holders in stapled entities</b>	In exercising its powers or discretions or performing its functions under the Company Constitution, the Company may take into account the interests of holders of attached securities in stapled entities other than in the Company and exercise its powers and discretions or perform its functions even though to do so would be for the benefit of those persons and not for the direct benefit of Shareholders.
<b>Indemnity and remuneration</b>	If the responsible entity of a stapled entity is entitled to indemnity, to reimbursement or to payment of remuneration under the constitution of that stapled entity, the Company may provide indemnity, reimbursement or payment to the responsible entity of that stapled entity out of the Company's assets.
<b>Guarantees</b>	The Company may in connection with the Stapling or the relationship created by the Stapling give any guarantee or indemnity or become liable for the payment of money or the performance of any contract or other obligation by any person including any stapled entity or the responsible entity of any stapled entity.
<b>Modification</b>	Whilst Stapling applies, the consent of the stapled entities must be obtained to any modification to the Company Constitution which directly affects the terms on which ordinary shares are Stapled or removes any restriction on the transfer of an ordinary share if that restriction also exists for the attached securities unless that restriction is simultaneously removed for all attached securities.
<b>Stapled Securities Register</b>	The Directors must maintain or cause to be maintained a stapled security register of holders of ordinary shares which records the names of the shareholders, the number of ordinary shares held and the number of each category of attached securities held by the Shareholders to which each Shareholder's ordinary shares are stapled and any additional information required by the ASX Listing Rules or determined from time to time by the Directors.

Other material provisions of the New Company Constitution are:

<b>Term</b>	<b>Summary</b>
<b>Dividends</b>	The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the timing for determining entitlements to the dividend and the timing and method of payment. Shareholders will be entitled to participate in any dividends according to their rights and interests.
<b>Buy back of Shares and cancellation</b>	Subject to the ASX Listing Rules, the Corporations Act and any applicable ASIC instrument, the Company may effect a buy back of Shares (whether on market or not) on any terms and at any times it determines.
<b>Board discretion</b>	The Board may determine that the method of payment by the Company of a dividend or a return of capital, a buy back or otherwise, may include any or all of the payment of cash, the issue of new shares or other securities and the transfer of assets (including shares or other financial products in another body corporate or trust). The Board may authorise any person to act as agent and attorney for the shareholders to do all things necessary (including execute any document and agree to be a member of another company, trust or entity) to effect any such transfer of assets.

<b>Board</b>	The minimum number of Directors that may comprise the Board is three and the maximum is ten. The Company may pass a resolution varying that number but the minimum must not be less than three. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the Directors, who will then hold office until the end of the next annual general meeting of the Company.
<b>Board decisions</b>	Resolutions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote.
<b>Non-executive Director remuneration</b>	Non-executive Directors are entitled to such remuneration as determined by the Directors but which must not exceed in aggregate the maximum amount determined by Shareholders at a general meeting.
<b>Indemnity</b>	The Company, to the extent permitted by law, indemnifies each Director against any liability incurred by that Director as an officer of the Company including for legal costs incurred by the Director associated with proceedings relating to liability of that Director. The Company may, to the extent permitted by law, pay the premium on a policy of insurance in respect of a person who is or has been an officer or auditor of the Company.
<b>Meetings</b>	The rights of Shareholders to requisition, attend and vote at meetings are generally as prescribed by the Corporations Act and ASX Listing Rules except as modified by the Company Constitution.
<b>Small holdings</b>	The Company may in its discretion from time to time sell or buy back any Share held by a Shareholder which comprise less than a Marketable Parcel (as that term is defined in the ASX Listing Rules) as notified by the Company Entity to Shareholders from time to time without request by the Shareholder. The Company Entity must notify the Shareholder in writing of its intention to sell or buy back Shares. The Company will not sell or redeem the relevant Shares: (i) before the expiry of 6 weeks from the date of the notice given; or (ii) if, within the 6 weeks allowed, the Shareholder advises the Company that the Unitholder wishes to retain the Shares.
<b>Winding-up</b>	If the Company is wound up, Shareholders will be entitled to participate in any surplus assets of the Company according to their rights and interests.
<b>Ineligible Foreign Shareholders</b>	Provision to give effect to the treatment of Ineligible Foreign Shareholders as described in section 12.3.

## 12.5 Rights and liabilities attaching to Units

The Units have been issued as fully paid and will rank equally for distributions and other rights from the date of issue.

Since the Units will be transferred to Shareholders pursuant to the Unit Distribution (respectively), no monetary liability attaches to them.

The rights and liabilities attaching to Units are determined by the Trust Constitution, applicable law and the ASX Listing Rules.

This section contains a summary of the rights and liabilities attaching to Units under the Trust Constitution and the Corporations Act. In the absence of any amendment to the Trust Constitution or changes in applicable law or the ASX Listing Rules, these rights and liabilities will attach to the Units. This is not an exhaustive summary or definitive statement of the rights and liabilities attaching to Units.

Term	Summary
<b>Trust</b>	<p>The Trust is a managed investment scheme registered with ASIC and the main rules governing its operation are set out in the Trust Constitution. The Corporations Act (subject to the relief given by ASIC as referred to in Section 12.2), the ASX Listing Rules (subject to the waivers given by ASX as referred to in Section 12.5) and the general law of trusts are also relevant to the rights and obligations of the Responsible Entity and Unitholders. The main provisions of the Trust Constitution that deal with the respective rights and obligations of Unitholders and the Responsible Entity are summarised below.</p>
<b>Units</b>	<p>The beneficial interest in the Trust is divided into a changeable number of units. Each Unit confers on its holder an undivided interest in the Trust. It confers an interest in the Trust's assets as a whole and not an interest in any particular asset.</p> <p>Subject to the law and to the ASX Listing Rules, the Responsible Entity may allot and issue unissued Units (including in different classes) to any person, on any terms (including as to fees) at any time and in any numbers and having attached thereto such preferred, deferred or other rights, restrictions and obligations as the Responsible Entity thinks fit in its absolute discretion and further with power to classify or reclassify or designate or redesignate the same in any manner which the Responsible Entity thinks fit (including into classes or into a different class). The Responsible Entity may, in its absolute discretion, accept or reject all or part of an application for Units without giving any reason.</p>
<b>Issue price</b>	<p>The Trust Constitution contains provisions regarding the calculation of the issue price of Units and also has provisions relevant to Stapled Securities.</p> <p>Generally while Stapled Securities are officially quoted, Units will be issued at an issue price as follows:</p> <ul style="list-style-type: none"> <li>• in the case of a proportionate offer to investors, subject to the ASX Listing Rules and any applicable ASIC relief, the Responsible Entity may issue Units at a price that is up to 50% less than the issue price otherwise determined;</li> <li>• in the case of a reinvestment of distributions, the Responsible Entity may issue Units at a price that is up to 50% less than the issue price otherwise determined;</li> <li>• subject to the Corporations Act, the ASX Listing Rules and any applicable ASIC instrument, the Responsible Entity may issue Units at a price determined by the Responsible Entity including determining the issue price by reference to a specified formula set out in a document other than in the Trust Constitution;</li> <li>• subject to: (i) any rights, obligations and restrictions attaching to any particular Units; (ii) the clauses dealing with issue price above; and (iii) the stapling provisions dealing with the issue price, a Unit may be issued at a price determined by the Responsible Entity provided the aggregate of the issue price of the Unit and the issue price of a unit, share or other security in each stapled entity to which that Unit is Stapled is equal to the market price for the Stapled Securities.</li> </ul> <p>The issue price of a Stapled Security will be determined by:</p> <ul style="list-style-type: none"> <li>• aggregating the price for the issue of a Unit in the particular circumstances fixed by the Trust Constitution with the price for the issue of a Share in the circumstances fixed by the Company Constitution; or</li> <li>• alternatively, subject to the Corporations Act, the Responsible Entity may keep valuation records and financial records for the stapled entities as an economic entity and may use the net asset value of the economic entity to calculate the issue price or redemption price of a stapled security instead of aggregating the values of units, shares or other securities comprising a stapled security.</li> </ul>
<b>Allocation of proceeds of issue</b>	<p>The Responsible Entity may apply money received for the issue of Stapled Securities to the stapled entities in proportion to the net asset value of the Trust assets and the net asset value of, or the value of the units, shares or other</p>

	securities in the stapled entities worked out under their constitutions, or may apportion the receipts or payments between the stapled entities as the Responsible Entity thinks fit.
<b>Issue price of a Unit as part of a Stapled Security</b>	<p>The allocation of the issue price of a Stapled Security between the Unit and a share, unit or other security in each stapled entity will be determined as follows:</p> <ul style="list-style-type: none"> <li>the Responsible Entity and the stapled entity or the responsible entity of each other stapled entity may determine what part of the issue price of the Stapled Security is to be allocated to the Unit and to the unit, share or other security in each stapled entity; and</li> <li>unless otherwise determined by the Responsible Entity and the stapled entity or the responsible entity of the stapled entities, the issue price must be allocated in proportion to the net assets (adjusted for the net market value of its investments) of the Trust and each other stapled entity at the relevant date.</li> </ul>
<b>Distributions</b>	<p>Subject to the rights attaching to any particular Unit, Unitholders are generally entitled to share in distributions out of the Trust in proportion to the number of Units they hold.</p> <p>The Responsible Entity may allow Unitholders to reinvest some or all of any distribution to acquire Units.</p> <p>The Responsible Entity may at any time also distribute capital of the Trust to Unitholders pro rata according to the number of Units they hold. Such distributions may be in the form of cash, cheque, direct deposit or property or additional Units.</p>
<b>Redemption</b>	Unitholders do not have any right to have their Units redeemed.
<b>Buy back of Units and cancellation</b>	Subject to the ASX Listing Rules, the Corporations Act and any applicable ASIC instrument, the Responsible Entity may effect a buy back of Units by purchasing Units (whether on market or not) on any terms and at any times it determines.
<b>Transfer of Stapled Securities</b>	Subject to the rules applicable while the Trust is admitted to an uncertificated trading system and to their terms of issue, Stapled Securities may be transferred by whatever written transfer form the Responsible Entity may require from time to time. Except as permitted by the ASX Listing Rules, a Unitholder must not dispose of "restricted securities" (as defined in the ASX Listing Rules) during the applicable restriction period.
<b>Meetings</b>	<p>The rights of Unitholders to requisition, attend and vote at meetings are generally as prescribed by the Corporations Act and ASX Listing Rules except as modified by the Trust Constitution.</p> <p>The Responsible Entity may convene a meeting of Unitholders or Unitholders of a class at any time and may determine the time and place and the manner in which the meeting will be conducted.</p>
<b>Unitholder's liability</b>	<p>Except as expressly provided for in the Trust Constitution and subject to any contrary agreement with a Unitholder, if there are insufficient assets in the Trust to meet the liabilities of the Responsible Entity in relation to the Trust, a Unitholder does not have to make up the difference or indemnify or make a payment to the Responsible Entity or any of its creditors. A Unitholder's liability is limited to the unpaid part (if any) of the issue price of its units. A Unitholder has no liability to the creditors of the Responsible Entity.</p> <p>Notwithstanding any other provision in the Trust Constitution (whether express or implied) each Unitholder and former Unitholder indemnifies the Responsible Entity (both on its own account and on account of the Trust) for:</p> <ul style="list-style-type: none"> <li>any unpaid amounts due by the Unitholder or former Unitholder on any basis (including under the Trust Constitution, pursuant to the Trust's disclosure document, or pursuant to the Corporations Act) to the Responsible Entity (either on its own account or on account of the Trust); and</li> <li>any tax or expense in relation to or referable to a Unitholder or former Unitholder (or the Responsible Entity's estimate of it) that is</li> </ul>



	<p>incurred by the Responsible Entity or that the Responsible Entity reasonably expects to incur, including where that tax or expense is incurred as a consequence of an action or omission of, or which is requested by, or otherwise arises as a result of an attribute of the Unitholder or former Unitholder.</p>
<b>Powers</b>	<p>In addition to its powers arising under the Trust Constitution and by law, the Responsible Entity has all the powers in respect of the Trust that it is possible to confer on a natural person or corporation by law and as though it were the absolute and beneficial owner of the entirety of the assets of the Trust acting in its personal capacity. Subject to the Corporations Act, the Responsible Entity may appoint, engage or replace delegates, sub-agents, agents, attorneys, sub-attorneys, custodians, nominees or otherwise engage any person to hold title to any asset of the Trust or to exercise or perform any of its duties, powers, discretions, and obligations in connection with the Trust.</p>
<b>Rights, limitation of liability and indemnity of the Responsible Entity</b>	<p>Subject to the law and the ASX Listing Rules, the Responsible Entity and any one or more its associates may at any time hold Units and deal with itself in any capacity, including but without limitation subscribing for, purchasing, holding or otherwise dealing with Units.</p> <p>Without limiting its liability under the Corporations Act or other relevant laws, if the Responsible Entity acts without actual fraud or gross negligence or wilful default, the Responsible Entity is not liable in contract, tort, under statute or otherwise to Unitholders for any loss suffered in any way relating to the Trust and will not be liable to Unitholders to any greater extent than the extent to which it is entitled to be and is indemnified for such liabilities out of the Trust's assets.</p> <p>In addition to any other rights of indemnity or reimbursement which it may have under the Trust Constitution or at law, the Responsible Entity is indemnified and is entitled to be reimbursed out of the Trust's assets for all liabilities and losses incurred by it in relation to the proper performance of its duties in relation to the operation, administration and management of the Trust or otherwise in connection with the Trust. This right of indemnity and reimbursement shall continue in favour of the Responsible Entity after it has ceased to be responsible entity of the Trust.</p>
<b>The Responsible Entity's fees and expenses</b>	<p>The Responsible Entity is entitled to be paid management fees from the assets of the Trust as described in clause 14.3 of the Trust Constitution. In addition to any other rights to indemnity or reimbursement which it may have under the Trust Constitution or at law, the Responsible Entity is indemnified and entitled to be paid or reimbursed from the assets of the Trust for all expenses incurred in relation to the proper performance of its duties or exercise of its powers.</p>
<b>Termination and winding up</b>	<p>The Trust terminates on the earlier of:</p> <ul style="list-style-type: none"> <li>the day before 80 years after the Trust was established;</li> <li>the date specified by the Responsible Entity as the date the Trust is to terminate in a notice given to Unitholders;</li> <li>the Unitholders fix a date of termination, or resolve to terminate the Trust, by a resolution that has been passed at a meeting on a poll by a special resolution; and</li> <li>the occurrence of an event requiring the winding up of the Trust under a provision of the Corporations Act or of any other applicable law.</li> </ul> <p>If the Trust has been terminated then, subject to any court orders or directions to the Responsible Entity, the following provisions will apply:</p> <ul style="list-style-type: none"> <li>the Responsible Entity must give to each Unitholder notice of the termination and of its intention to wind up the Trust;</li> <li>no units may be issued or redeemed;</li> <li>subject to the Trust Constitution, the Responsible Entity will as soon as reasonably practicable after giving the notice under paragraph (a) above realise all of the Trust assets in such a manner as the Responsible Entity considers appropriate and pay, discharge or provide for (which provision may be made for such period of time as</li> </ul>

	<p>the Responsible Entity thinks fit) all liabilities (whether actual, contingent or prospective) and all expenses of or in connection with the Trust including those anticipated in connection with the winding up of the Trust; and</p> <ul style="list-style-type: none"> <li>the net proceeds of realisation and all other cash forming part of the Trust assets will be distributed to the Unitholders in proportion to the number of units held by them at the date of the distribution.</li> </ul>
<b>Amendment</b>	<p>While the Trust is registered, the Trust Constitution may be modified, repealed or replaced in accordance with the Corporations Act. While the Trust is not registered, the Responsible Entity may amend the Trust Constitution by supplemental deed.</p>
<b>Stapling</b>	<p>The Responsible Entity may declare by written notice that Units are Stapled to any securities in one or more other stapled entities.</p> <p>While Stapling applies, a Unit is Stapled to a Share (together comprising a Stapled Security) and there must be no dealing or disposition of any kind in relation to a Unit unless there is an identical dealing or disposition by the same parties with each Share to which the Unit is Stapled. The Responsible Entity must not consolidate, subdivide, cancel or reorganise Units unless at the same time there is a corresponding consolidation, subdivision, cancellation or reorganisation of the Shares.</p> <p>In exercising its powers or discretions or performing its functions under the Trust Constitution or in relation to the Trust, the Responsible Entity may as it sees fit:</p> <ul style="list-style-type: none"> <li>take into account the interests of holders of units, share or other securities in stapled entities other than in the Trust; and</li> <li>exercise its powers and discretions or perform its functions even though to do so would be for the benefit of those persons and not for the direct benefit of Unitholders.</li> </ul> <p>The Responsible Entity may in connection with the Stapling or the relationship created by the Stapling give any guarantee or indemnity or become liable for the payment of money or the performance of any contract or other obligation by any person including any stapled entity or the responsible entity of any stapled entity.</p> <p>To the extent permitted by law, the Responsible Entity must cooperate with each stapled entity or the responsible entity of each stapled entity in everything relating to the stapled securities. This includes, for example, the Responsible Entity ensuring the Trust and stapled entities: (i) comply with the ASX Listing Rules; (ii) adopt consistent accounting, investment and valuation policies; (iii) hold Unitholders' meetings concurrently or where necessary consecutively; (iv) agree on the terms and timing of all new issues, buy backs, bonus and rights issues, placements and redemptions; (v) coordinate the announcement and payment of distributions; (vi) coordinate all distribution or dividend reinvestment plans; and (vii) report to Unitholders consistently and at the same times.</p>
<b>Unstapling</b>	<p>The Responsible Entity may by written notice declare that Stapling ceases to apply to some or all of the Units. Unitholders may, by special resolution, determine that Stapling will cease to apply to some or all of the Units.</p> <p>In addition, Stapling will automatically cease to apply to all Units if:</p> <ul style="list-style-type: none"> <li>the Trust is terminated by winding up;</li> <li>the units, shares or other securities in any stapled entity to which the Units are stapled cease for any reason to be transferable only with Units; or</li> <li>the law prohibits the Stapling.</li> </ul> <p>If Stapling ceases to apply to a Unit, the clauses in the Trust Constitution which provide the consequences of Stapling cease to operate in respect of that Unit. If Stapling ceases to apply to all Units, the Responsible Entity must do everything reasonably necessary to give effect to the cessation of Stapling including:</p> <ul style="list-style-type: none"> <li>amending any records of the managed investment scheme;</li> </ul>

	<ul style="list-style-type: none"> <li>transferring any property or paying any tax; and</li> <li>giving directions or consents to the Company.</li> </ul>
<b>Small holdings</b>	The Responsible Entity may in its discretion from time to time sell or redeem any Units held by a Unitholder which comprise less than a Marketable Parcel (as that term is defined in the ASX Listing Rules) as notified by the Responsible Entity to Unitholders from time to time without request by the Unitholder. The Responsible Entity must notify the Unitholder in writing of its intention to sell or redeem Units. The Responsible Entity will not sell or redeem the relevant Units: (i) before the expiry of 6 weeks from the date of the notice given; or (ii) if, within the 6 weeks allowed, the Unitholder advises The Responsible Entity that the Unitholder wishes to retain the Units.

## 12.6 The Stapling Deed

The Company and the Responsible Entity will enter into a Stapling Deed which will provide that, from the Stapling Date, the Company and the Responsible Entity as the responsible entity of the Trust must cooperate in respect of the Stapling of the Shares to the Units.

A summary of the material terms of the proposed Stapling Deed are set out below.

<b>Term</b>	<b>Summary</b>
<b>Stapling Date</b>	The Stapling Date means the date as determined by the Group on which Stapling becomes effective, and is announced by the Company on the ASX's announcement platform, being the date on which the Shares become Stapled to the Units.
<b>Transfers</b>	A transfer of Shares or Units in any of the Dealt Group Entities can only be completed if it is accompanied by a transfer of an equal number of Units or Shares in the other Group Entity.
<b>Issue, repurchase or redemption</b>	Any issue, repurchase or redemption of Shares or Units by a Group Entity will be matched by an issue, repurchase or redemption of an equal number of Units or Shares in the other Group Entity.
<b>Co-ordination</b>	The parties must co-ordinate their statutory disclosures, adopt consistent accounting and valuation policies, maintain the same auditor, maintain common directors, and agree on the timing and terms of new issues, bonus and rights issues, placements, redemption and buy backs of Stapled Securities.
<b>Regard to the interests of Stapled Securityholders</b>	While Stapling applies, the parties may, in exercising any power of discretion, have regard to the interests of Stapled Securityholders as a whole and not only to the interests of Shareholders or Unitholders (as the case may be) considered separately.
<b>Financial benefits</b>	While Stapling applies, each party may if called upon by the other party, procure that it and any of its controlled entities extend financial benefits to each other, including by way of lending money, giving guarantees or engaging in joint borrowing.
<b>Consolidations, subdivisions or reorganisations</b>	While Stapling applies, no party may consolidate, subdivide, cancel or reorganise their respective securities unless at the same time there is a corresponding consolidation, subdivision, cancellation or reorganisation of the attached securities in each other stapled entity.
<b>Issue price of a Stapled Security</b>	The parties agree on what part of the amount payable for the issue, redemption or buy back of (or option to subscribe for) a Stapled Security is to represent the price payable for the issue, redemption or buy back (or option to subscribe) for each of the Units and Shares comprising the Stapled Security. Unless otherwise determined by the Company and the Responsible Entity, this is done on the basis of the relative net asset values of the Unit and Share components

	of the Stapled Security agreed between the parties prior to the issue, redemption or buy back or granting of the Stapled Security or option.
<b>Single entity</b>	<p>An investment in a Stapled Security will operate like an investment in a single coordinated entity and specifically:</p> <ul style="list-style-type: none"> <li>• Stapled Securities will trade together as one security on the ASX and will not be able to be traded or dealt with separately;</li> <li>• Stapled Securityholders will receive combined reports for the Group; and</li> <li>• subject to a distribution being made, Stapled Securityholders will receive a combined distribution and dividend payment each half year.</li> </ul>

## 12.7 Group Investment Management Agreement

The Company and the Responsible Entity propose to appoint the Group Investment Manager on an exclusive basis, to be the manager of the Group under the terms of a Group Investment Management Agreement (**Group Investment Management Agreement**).

Under the proposed Group Investment Management Agreement, the Company and the Responsible Entity are jointly and severally liable for their respective obligations, including the payment of fees and expenses to the Group Investment Manager.

A summary of the material terms of the Group Investment Management Agreement are set out below.

<b>Term</b>	<b>Summary</b>
<b>Services</b>	<p>The services include:</p> <ul style="list-style-type: none"> <li>• implementing the investment strategy as varied from time to time by the Company and the Responsible Entity;</li> <li>• providing overall investment strategy, including market analysis, including economic fundamentals and capital market dynamics in relevant markets;</li> <li>• evaluating investment performance, including: <ul style="list-style-type: none"> <li>➤ the performance of each asset relative to the market outlook;</li> <li>➤ reviewing and making recommendations in relation to acquisitions, hold and exit strategies;</li> <li>➤ reviewing the potential for improving net operating income and asset value;</li> <li>➤ preparing any recommendations which are aimed at optimising the return on, and increasing the value of, the Group; and</li> <li>➤ balancing overall risks and returns;</li> <li>➤ reviewing investment strategies and making evaluations and recommendations of investment opportunities;</li> </ul> </li> <li>• considering, undertaking due diligence and recommending potential investment opportunities presented to the Company and the Responsible Entity; and</li> <li>• providing services in relation to a proposed acquisition or disposal by the Company and the Responsible Entity of an interest in assets, including: <ul style="list-style-type: none"> <li>➤ reviewing market conditions and making recommendations in relation to the acquisition or disposal (as relevant);</li> <li>➤ providing an objective and detailed review of any third party offer to sell or purchase an interest in assets (as relevant); and</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>➤ proposing a structure for the transaction and a marketing plan for the acquisition or sale (as relevant);</li> <li>•</li> </ul>
<b>Term</b>	<p>The initial term of the Group Investment Management Agreement is ten years.</p> <p>Securityholders may, by special resolution, remove the Group Investment Manager by written notice in any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• gross negligence that has a material adverse effect on the Group or which constitutes wilful misconduct, fraud or bad faith of the relevant entity in connection with its obligations under the relevant investment document;</li> <li>• insolvency of the relevant entity; or</li> <li>• unremedied material breach of a provision of the relevant investment document, by the relevant entity, which is not remedied that causes a material adverse effect on the Group</li> </ul> <p>(each a <b>Cause Event</b>) provided the Securityholders have, by special resolution, approved a replacement.</p> <p>In all other circumstances, following the expiry of the 10th anniversary of the date of the agreement, the Responsible Entity may remove the Group Investment Manager on six months' notice.</p>
<b>Fees</b>	<p>The Group Investment Manager will be entitled to a management fee of 0.60% per annum (exclusive of GST) of the gross asset value of the Trust, payable quarterly in advance.</p>
<b>Expense recovery</b>	<p>The Group Investment Manager is entitled to recover all taxes, costs charges and expenses properly incurred in connection with it carrying out its functions under the Group Investment Management Agreement, including in connection with the investment and management of the assets of the Group.</p>
<b>Powers and discretions</b>	<p>In carrying out its functions under the Group Investment Management Agreement, the Group Investment Manager has the powers of a natural person to deal with the assets of the Fund.</p>
<b>Effect on termination</b>	<p>In circumstances where the Group Investment Manager has been removed other than for a Cause Event, or the Responsible Entity has terminated the Group Investment Management Agreement, the following must be paid:</p> <ul style="list-style-type: none"> <li>• any accrued (as at the date of removal) and unpaid fees and other monies payable to the Company, the Responsible Entity or the Group Investment Manager (as the case may be);</li> <li>• an amount equal to management fees for an 18 month period must be paid; and</li> <li>• all charges and expenses incurred in enacting a handover to a replacement.</li> </ul> <p>In circumstances where the Group Investment Manager has been removed for a Cause Event, the following must be paid:</p> <ul style="list-style-type: none"> <li>• any accrued (as at the date of removal) and unpaid fees and other monies payable to the Company, the Responsible Entity or the Group Investment Manager (as the case may be);</li> <li>• an amount equal to management fees for a 6 month period must be paid; and</li> <li>• all charges and expenses incurred in enacting a handover to a replacement.</li> </ul>
<b>Indemnity</b>	<p>The Company and the Responsible Entity will indemnify the Group Investment Manager for any loss it suffers in connection with the proper performance by it under the Group Investment Management Agreement.</p> <p>The Group Investment Manager will indemnify the Company and the Responsible for any loss arising as a result of its default.</p>

<b>Conflicts</b>	The Group Investment Manager may provide services to other entities in conflict with its obligations under the Group Investment Management Agreement. However, the Group Investment Manager must maintain policies and procedures for the purposes of managing any such potential conflicts.
<b>Retirement</b>	The Group Investment Manager may retire on 60 days' notice to the Company and the Responsible Entity.
<b>Amendment</b>	Subject to the ASX Listing Rules and any relevant laws, the Investment Management may be amended by the written agreement between the Company, the Responsible Entity and the Group Investment Manager.

## 12.8 Executive Incentive Plan

If the Implementation Conditions are satisfied, the Group proposes to adopt an Executive Incentive Plan.

A summary of the material terms of the Executive Incentive Plan are set below.

<b>Term</b>	<b>Summary</b>
<b>Purpose and overview</b>	<p>The Executive Incentive Plan allows the Board to offer awards to employees which provide the opportunity to acquire Stapled Securities for the purpose of:</p> <ul style="list-style-type: none"> <li>• attracting, motivating and retaining employees;</li> <li>• rewarding employees for achieving individual and Group performance;</li> <li>• aligning the interests of employees with those of Stapled Securityholders; and</li> <li>• facilitating conduct and good risk practices through the use of malus provisions.</li> </ul>
<b>Types of awards</b>	<p>Under the Executive Incentive Plan, the Group may grant to participants Stapled Securities, options to acquire Stapled Securities (<b>Options</b>) or performance rights to acquire Securities (<b>Rights</b>) (collectively, <b>Awards</b>) which vest and become exercisable (<b>Rights and Options</b>), subject to the satisfaction of the relevant vesting conditions, as determined by the Board.</p> <p>For grants of Options and Rights, and provided it is stated in the invitation letter, the Board has the discretion to settle exercised Rights or Options in cash (equal to the value the participant would have received had the Board elected to settle Rights and Options in Stapled Securities).</p> <p>For any Options or Rights granted to executive directors of the Company (or their associates), the Stapled Securities to be acquired by the relevant executive director (or associate) on exercise of the Options or satisfaction of the Rights must be purchased on-market (or will otherwise require the approval of Stapled Securityholders in accordance with Listing Rule 10.14).</p> <p>For grants of Rights and Options, the Board may in its absolute discretion provide a dividend equivalent in respect of a Right or Option held by a participant at any time until the Right or Option is settled. For the avoidance of doubt, the Board may determine to provide a dividend equivalent only on Rights or Options that have vested or which have not yet vested.</p> <p>For a dividend equivalent that will be paid on Rights or Options, the Board may determine that the dividend equivalent:</p> <ul style="list-style-type: none"> <li>• vest on a particular day;</li> <li>• be subject to conditions; or</li> <li>• be subject to any terms and conditions as determined by the Board in its absolute discretion.</li> </ul>

	Dividend equivalents may be settled in cash or Stapled Securities (or a combination of both) at the Board's discretion.
<b>Eligibility</b>	Any employee (including any executive directors) of the Group or its subsidiaries, or any other person who is determined by the Board to be eligible may participate in the Executive Incentive Plan, other than any non-executive directors of the Group. As at the date of this Booklet it is not intended that any director will participate in the Executive Incentive Plan,
<b>Grant of Awards</b>	The offer must be in writing and specify, amongst other things, the consideration payable (if any) to be granted Awards, the number or value of Awards to be granted or how that number or value will be determined, the dates upon which the Awards will be granted or how that date will be determined (if applicable), any conditions to be satisfied before vesting or exercise and whether Rights and / or Options can be settled in cash, as determined by the Board.
<b>Financial assistance</b>	Under the Executive Incentive Plan, the Board may, at its discretion, provide financial assistance to participants to acquire Awards where consideration is payable to be allocated Awards. Financial assistance may be in the form of a loan. The loan may be interest-free, limited or full recourse, and a maximum loan term of no more than 10 years.
<b>Restrictions on transfer</b>	The Awards granted under the Executive Incentive Plan are not transferrable without Board consent with the exception of certain dealings in the event of death of the participant or as required by law.  Awards may only be granted to the participant directly unless the Board determines otherwise.
<b>Vesting criteria and dates</b>	The Executive Incentive Plan rules enable the Board to determine the applicable vesting criteria for a grant of Awards (which may include performance conditions, service conditions (or both), and to set a timetable for vesting of Awards in the relevant invitation letter.  The Board has the discretion to set performance hurdles or to link vesting solely to a defined service period in order to drive key employee / director retention and reward key employees and directors over a sufficient period whereby their strategic impact can be realised.
<b>Trading restrictions</b>	Stapled Securities allocated on the exercise of Options or Rights will not be subject to any further trading restrictions unless stated otherwise in the invitation letter.  Subject to the Group's Security Trading Policy and any further trading restrictions stated in the invitation letter or imposed by law, participants' will be free to deal in the Stapled Securities acquired following the vesting of Stapled Securities or exercise of vested Options / Rights.
<b>Lapse of Awards</b>	To the extent Awards granted under the Executive Incentive Plan do not satisfy vesting conditions (if any), unless otherwise determined by the Board, Awards will lapse or be forfeited.  Awards may also lapse in other circumstances such as on cessation of employment, where the participant transfers their Awards other than in accordance with the rules of the Executive Incentive Plan, or enters, or purports to enter, into any scheme, arrangement or agreement which may alter the economic benefit to be derived from the Awards.
<b>Malus</b>	The Board may vary downwards (including to nil) the number of Awards which may vest as the Board deems fit, if in its discretion, it determines that the performance of the Group, any member of the Group, any business, area or team, and the conduct, capability or performance of the participant or former participant justifies the variation.
<b>Cessation of employment</b>	General rule (unvested Awards):  Where a participant ceases employment before the end of the vesting period (except where cessation occurs as a result of resignation or termination for cause (including gross misconduct), a pro-rata number of unvested Awards will remain "on-foot" post cessation (based on the proportion of the relevant vesting

	<p>period that has elapsed) and may vest at the end of the original vesting period to the extent that any performance hurdle (where applicable) has been achieved (or has been deemed to have been achieved) when tested at the end of the performance period.</p> <p>If a participant ceases employment due to death, all unvested Awards will immediately vest and be transferred to the participant's estate in accordance with all relevant laws.</p> <p>Exception (unvested Awards):</p> <p>Where the participant ceases employment before the vesting date due to:</p> <ul style="list-style-type: none"> <li>• resignation; or</li> <li>• termination for cause (including gross misconduct),</li> </ul> <p>all unvested Awards will lapse or be forfeited on the cessation date unless the Board determines otherwise.</p> <p>Any Awards that do not vest in accordance with the above will lapse or be forfeited immediately.</p> <p>The Executive Incentive Plan rules also allow the Board to determine that another treatment applies upon cessation.</p>
<b>Vested Awards</b>	<p>Unless a participant's employment is terminated for cause (including gross misconduct), any vested Rights / Options (including those that subsequently vest) must be exercised by the earlier of:</p> <ul style="list-style-type: none"> <li>• 90 days of ceasing employment; or</li> <li>• 90 days following vesting; or</li> <li>• the date the Award lapses.</li> </ul> <p>Any vested Rights / Options not exercised within this period will automatically lapse.</p> <p>If a participant's employment is terminated for cause (including gross misconduct), all vested but unexercised Rights and Options will lapse on cessation of employment unless the Board determines another treatment.</p>
<b>Change of Control</b>	<p>Board discretion on a change of control</p> <p>If a change of control event occurs, the Board may determine in its absolute discretion the treatment of the participant's Awards and the timing of such treatment, which may include determining that the Awards:</p> <ul style="list-style-type: none"> <li>• vest in full or in part;</li> <li>• remain subject to the applicable performance / vesting conditions and / or vesting period(s);</li> <li>• become subject to substitute or varied performance / vesting conditions and/or period(s) which, in the view of the Board, are no more difficult to achieve than the original conditions and/or no longer than the original period(s) (as applicable); or</li> <li>• in respect of Options or Rights, must be exercised on a particular date,</li> </ul> <p>having regard to any matter the Board considers relevant, including, without limitation, the circumstances of the event (including the value being proposed to event), the extent to which the applicable performance / vesting conditions have been satisfied (or estimated to have been satisfied) at the time of the event, and/or the proportion of the period that has passed at the time of the event.</p> <p>Default treatment (where the Board does not exercise discretion)</p> <p>Where the Board does not exercise a discretion, upon a change of control, a pro-rata number of the participant's unvested Awards (based on the proportion of the period that has elapsed at the time of the change of control) will vest to the extent that the performance / vesting conditions have been satisfied (or are estimated to have been satisfied).</p> <p>For each vested Right or Option (including those that vest on a change of control) requiring exercise, the participant shall have 30 days from the date of</p>



	<p>the change of control, or such other period as the Board determines, in which to exercise the Rights or Options. Any Rights or Options not exercised within this period will lapse.</p> <p>For any vested Stapled Securities which are subject to trading restrictions (if any), the trading restrictions will be lifted within 30 days from the date of the change of control, or such other period as the Board determines.</p>
<b>Governing law</b>	<p>The Executive Incentive Plan and all Awards made under it will be governed by and construed in accordance with the laws of the state of New South Wales and the Commonwealth of Australia.</p>
<b>Variation of capital/ reorganisation of capital</b>	<p>If there is a variation of capital event, the Board in its absolute discretion may adjust:</p> <ul style="list-style-type: none"> <li>the number of Rights or Options to which a participant is entitled (including granting or lapsing Rights or Options);</li> <li>the exercise price of Rights or Options;</li> <li>the amount payable by a participant for the acquisition of a Right or Option.</li> </ul> <p>It is intended that the Board would exercise its discretion to ensure that participants do not enjoy a windfall gain and do not suffer a material detriment as a result of any corporate action.</p> <p>If new Rights or Options are granted as part of such an adjustment, or Stapled Securities are allocated to a participant with respect to a grant of Stapled Securities as a result of a variation of capital, such Awards will, unless the Board determines otherwise, be subject to the same terms and conditions as the original Awards, including without limitation, any condition.</p> <p>If there is a reorganisation of capital, the rights of each Participant who has been allocated Awards will be adjusted in the manner required by the ASX Listing Rules applying at the time of the reorganisation.</p> <p>If there is a pro-rata issue or bonus issue of new Stapled Securities to Stapled Securityholders:</p> <ul style="list-style-type: none"> <li>each participant who has been allocated Stapled Securities will participate in the issue in the same manner as Stapled Securityholders;</li> <li>each Participant who has been allocated Rights or Options may not participate in</li> <li>the new issue unless his or her Rights or Options have vested and if applicable been exercised in accordance with the Executive Incentive Plan; and</li> <li>the exercise price, or number of Stapled Securities over which the Rights or Options may vest or may be exercised, as applicable, will, in the case of a pro-rata issue, be adjusted in accordance with Listing Rule 6.22.2 (or any replacement rule) and, in the case of a bonus issue, be adjusted in accordance with Listing Rule 6.22.3 (or any replacement rule).</li> </ul>
<b>Amendments</b>	<p>Subject to the following paragraphs, the Executive Incentive Plan (or all or any of the rights or obligations attaching to an Award) may be amended or modified at any time by the Board.</p> <p>Where any amendments / modifications are made, the Board must provide written notification to participants affected by any amendment made as soon as reasonably practicable after any such amendment has been made.</p> <p>Without consent from a participant, the Board may not exercise its amendment discretion in a way that materially reduces the rights of any participant with respect to an Award or Stapled Security that is subject to the Executive Incentive Plan, except for an amendment that is made primarily for complying with present or future laws applicable to the Executive Incentive Plan or a member of the Group or to correct any manifest error or mistake.</p>

	<p>The Board may prospectively exercise its discretion to unilaterally amend the Executive Incentive Plan rules.</p> <p>Any amendment made may be given such retrospective effect, if so determined by the Board and agreed to by a participant.</p>
<b>Sourcing of Stapled Securities and employee share trust</b>	<p>The Board (on behalf of the Group) may establish an employee share trust to acquire and hold Stapled Securities allocated to participants under the Executive Incentive Plan and administer any trading restrictions on Stapled Securities.</p> <p>Where applicable, the Group (or a Group company) will procure the transfer of the amounts required by the trustee to acquire Stapled Securities. Subject to restrictions imposed by law or the Group's Stapled Securities Trading Policy, the trustee will apply these amounts to acquire Stapled Securities for allocation to participants upon the vesting of Awards, whether:</p> <ul style="list-style-type: none"> <li>• by subscribing for new Stapled Securities to be issued by the Group; or</li> <li>• by purchasing existing Stapled Securities on the ASX or via an off-market transfer, as determined by the Board.</li> </ul> <p>The Board will determine the terms upon which a trustee may hold any Stapled Securities subject to disposal restrictions under the Executive Incentive Plan in trust on behalf of a Participant in accordance with the Executive Incentive Plan.</p>
<b>Other information</b>	<p>Where new Stapled Securities may be used to satisfy Awards granted under the Executive Incentive Plan, Stapled Securityholder approval will be required before any Awards can be issued to any director or related party of the group under the Executive Incentive Plan.</p>

## 12.9 The Company is a disclosing entity

The Company is a listed disclosing entity for the purposes of the Corporations Act and, therefore, it is subject to regular reporting and disclosure obligations.

Specifically, like all listed entities, the Company is required to continuously disclose to the market any information of which it is aware that a reasonable person would expect to have a material effect on the price or the value of Shares.

Copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:

- the most recent annual financial statements lodged with ASIC by the Company for the year ended 30 June 2020;
- any half year financial report lodged with ASIC after the lodgement of the above annual report and before the date of the Booklet; and
- all continuous disclosure notices given by the Company after the lodgement of its annual financial statements with ASIC for the year ended 30 June 2021.

Requests for free copies of these documents may be made by contacting the Share Registry – Boardroom Pty Limited on 1300 737 760 (callers in Australia) or +61 2 9290 9600 (callers outside Australia) between 8.30 am and 5.00 pm AEST on Business Days.

In addition, copies of all documents lodged with the ASX in relation to the Company can be inspected at the registered office of the Company during normal business hours. The Company's website at [www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au) also includes a wide range of information on the Company (including copies of the above documents) and its activities.

Upon admission to the Official List, the Trust will be a listed disclosing entities for the purposes of the Corporations Act and subject to regular reporting and disclosure obligations including the continuous disclosure obligations.

## **12.10 If the Restructure and Recapitalisation Proposal does not proceed**

If the Restructure and Recapitalisation Proposal does not proceed:

- the Company will continue to be structured and to operate as it currently does;
- the Shares will continue to trade on the ASX;
- the Company will have incurred costs in connection with the Restructure and Recapitalisation Proposal as set out in section 12.13 (reflecting legal, tax, valuation and financial advisory fees and expenses) and which will be borne by the Company; and
- the rights of Shareholders will remain unchanged.

## **12.11 CHESS and holding statements**

The Group will apply to participate in CHESS and, in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules, will maintain an electronic issuer sponsored sub register and an electronic CHESS sub register.

Following the Stapling of the Stapled Securities under the Restructure and Recapitalisation Proposal, Stapled Securityholders will receive an initial statement of holding (similar to a bank account statement) that sets out the number of Stapled Securities that they hold.

This statement will also provide details of a Stapled Securityholder's Holder Identification Number (**HIN**) in the case of a holding on the CHESS sub register, or Securityholder Reference Number (**SRN**) in the case of a holding on the issuer sponsored sub register. Stapled Securityholders will be required to quote their HIN or SRN, as appropriate, in all dealings with a stockbroker or the Registry.

Stapled Securityholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Stapled Securityholder's sponsoring broker, in the case of a holding on the CHESS sub register, or through the Registry in the case of a holding on the issuer sponsored sub register. Group or the Registry may charge a fee for these additional issuer sponsored statements.

## **12.12 Litigation and claims**

As far as the Board is aware, there are no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Group is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Group.

## **12.13 Interests of the Directors, the Responsible Entity directors, experts and advisers**

The Company has appointed legal, accounting, tax and financial advisers to assist it in connection with the Restructure and Recapitalisation Proposal. Each adviser is entitled to receive their professional fees in accordance with either time-based or fixed fee basis.

Other than as set out below or elsewhere in this Booklet, no:

- director of the Company or the director or the Responsible Entity;

- person named in this Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Booklet; or
- promoter of the Company or the Trust,

in relation to the Restructure and Recapitalisation Proposal, has, or had within 2 years before the date of this Booklet, any interest in:

- the formation or promotion of the Company or the Trust;
- any property acquired or proposed to be acquired by the Company or the Trust in connection with its formation or promotion or in connection with the Restructure and Recapitalisation Proposal; or
- the Unit Distribution; and

no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a Responsible Entity director or otherwise for services rendered by him or her in connection with the formation or promotion of the Trust or the Restructure and Recapitalisation Proposal.

Clayton Utz has acted as legal advisor to the Company in connection with the Restructure and Recapitalisation Proposal. The Company has paid or agreed to pay approximately \$253,500 (plus GST) for these services to the date of this Booklet. Further amounts may be paid to Clayton Utz in accordance with its agreed fee arrangements.

Ernst & Young has provided taxation advice to the Company in connection with the Restructure and Recapitalisation Proposal and prepared the Taxation Report along with preparation and lodgement of the class ruling with the ATO. The Company has agreed to pay approximately \$100,000 (plus GST) for these services to the date of this Booklet. Further amounts may be paid to Ernst & Young in accordance with its agreed fee arrangements.

The Independent Expert has prepared the Independent Expert's Report. The Company has agreed to pay approximately \$65,000 (plus GST) for these services to the date of this Booklet. Further amounts may be paid to BDO Corporate Finance (East Coast) in accordance with its agreed fee arrangements.

Set out below is a table which indicates the Shares held by the Directors (or their associates) as at the date of preparation of this Booklet:

Director	Number of Shares
Peter Lewis	0
Tony Pitt	0
James Storey	0
Philip Raff	1,051,177 Philip Raff also has a beneficial interest in 5,715 Shares registered in the name of KR Williams Pty Ltd atf KR Williams Super Fund

The 360 Capital Shareholder is an associate of Tony Pitt and James Storey and holds 2,276,766 Shares.

## 12.14 Consents

Each of the parties named in the table below as a consenting party:

- has given and has not, before the date of this Booklet, withdrawn its written consent to be named in this Booklet in the form and context in which it is named;
- has given and has not, before the date of this Booklet, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names below, and the references to those statements and reports in the form and context in which they are included in this Booklet;
- does not make, or purport to make, any statement in this Booklet other than those statements referred to below in respect of that party's name (and consented to by that party); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Booklet.

Consenting party	Named as	Statement
Clayton Utz	Named in the Corporate Directory as Legal Adviser to the Company.	Clayton Utz makes no statements in this Booklet and no statement is included in this Booklet based on any statement made by Clayton Utz.
Ernst & Young	Named in the Corporate Directory as Tax Adviser to the Company.	The Taxation Report relates to tax consequences of Restructure and Recapitalisation Proposal.
BDO Corporate Finance (East Coast)	Independent Expert	The Independent Expert's Report relates to certain aspects of the Restructure and Recapitalisation Proposal.
Crowe Audit Australia	Velocity's auditor.	Crowe makes no statements in this Booklet and no statement is included in this Booklet based on any statement made by Crowe Audit Australia (other than references to financial statements having been audited).
Boardroom Pty Limited	Named in the Corporate Directory as the share registry for the Company.	Boardroom Pty Limited has had no involvement in the preparation of this Booklet or in relation to the Restructure and Recapitalisation Proposal other than consenting to being named as Share Registrar.

Other than as disclosed above, none of these firms and companies has caused or authorised the issue of this Booklet or have in any way been involved in the implementation of the Restructure and Recapitalisation Proposal.

## 12.15 Labour standards and environmental, social or ethical considerations

The Responsible Entity as responsible entity of the Trust does not directly take labour standards or environmental, social or ethical considerations into account for the purpose of selecting, retaining or realisation of investments for the Trust. However, sometimes these matters do indirectly affect the economic factors upon which investment decisions are based.

## 12.16 Related party transactions

The Restructure and Recapitalisation Proposal and the ongoing management of the Trust's assets may involve a number of related party transactions.

In summary:

- the AMF Related Party Vendors and the DSS Related Party Vendors will respectively sell their AMF Sale Shares and their DSS Sale Shares to the Company - see section 11.4 for further information;
- the Company will issue 6,000,000 Shares to the AMF Related Party Vendors and 7,200,000 Shares to the DSS Related Party Vendors in accordance with the AMF Share Sale Agreement and the DSS Share Sale Agreement (as applicable) - see section 11.4 for further information;
- the Responsible Entity (which is a member of the 360 Capital Group) has been appointed as responsible entity of the Trust - see section 11.8 for further information;
- the Company and the Responsible Entity as responsible entity of the Trust, as a result of the stapling arrangements between the Company and the Trust, will have an ongoing relationship that will be governed by the Corporations Act, ASX Listing Rules, the respective constitutions of the Company and the Trust and the Stapling Deed - see sections 12.4, 12.5 and 12.6 for further information;
- the Company and the Responsible Entity will have an ongoing relationship with the Group Investment Manager (which is a member of the 360 Capital Group) - see sections 11.8 and 12.7 for further information;
- Cambridge Investment Partners (which is a member of the 360 Capital Group) has been appointed as financial adviser - see section 11.12 for further information;
- as at the date of this Booklet, the 360 Capital Shareholder holds 19.99% of the issued Shares. The Company understands that the 360 Capital Shareholder will not participate in the Capital Raising. It is expected that if the Capital Raising achieves the Minimum Subscription, the 360 Capital Shareholder's voting power in Stapled Securities will reduce to 16.1% and, if the Capital Raising achieves the Maximum Subscription, the 360 Capital Shareholder voting power in Stapled Securities will be diluted to 6.2%;
- as set out in section 6, Tony Pitt is a non-executive Director of the Company and is also a director of the Responsible Entity and Managing Director of 360 Capital Group; and
- as set out in section 6, James Storey is a non-executive Director of the Company and is also Head of Real Assets at 360 Capital Group.

The Board believes that, whilst certain of the matters identified above may constitute related party transactions, the relevant terms are reasonable in the circumstances as the relevant persons have been dealing at arm's length and hence these matters do not require approval under Chapter 2E of the Corporations Act.

## 12.17 FATCA

The Foreign Account Tax Compliance Act (**FATCA**) is a United States (**US**) tax law which was enacted in 2010 for the purpose of improving tax information reporting regarding US persons in respect of their offshore investments to the United States Internal Revenue Service (**IRS**).

On 28 April 2014, an Inter-Government Agreement (**IGA**) was signed between Australia and the US to facilitate the implementation of FATCA by Australian financial institutions. As a

result, the Trust have been registered with the IRS as a Reporting Australian Financial Institution for FATCA purposes.

In order to comply with FATCA requirements, the Responsible Entity:

- may require investors to provide certain information regarding their identification and will undertake certain due diligence procedures with respect to investors of the Trust to determine their status for FATCA reporting purposes. This information may be required at the time the Unit Distribution is made or at any time after the Stapled Securities have been issued; and
- will report annually to the IRS, via the ATO, in relation to relevant investors' financial information required by the ATO (if any) in respect of any investment in the Trust.

Accordingly, by participating in the Unit Distribution, prospective Stapled Securityholders agree to provide the Responsible Entity with certain identification and related information in order to enable it to comply with its obligations in connection with the FATCA.

Given that the Units are being distributed to existing Shareholders, the Company already possesses the information required to comply with FATCA requirements and will provide this information to the Responsible Entity as needed in accordance with the New Company Constitution and Trust Constitution.

## **12.18 AML and CTF**

The Responsible Entity is bound by laws about the prevention of money laundering and the financing of terrorism, including the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (**AML/CTF Act** or **AML/CTF Rules**). By participating in the Unit Distribution you agree:

- to provide to the Responsible Entity any information or documents which the Responsible Entity reasonably requests to be provided in order to comply with the AML/CTF Act or AML/CTF Rules. Information requested may include, identification checks and procedures, including, in relation to an individual investor's name, address and date of birth and for an investor that is a company, details of its directors and beneficial shareholders; and
- to the extent permitted by law, if the Responsible Entity forms the view (in its reasonable opinion), that they are required to disclose information in order to comply with the AML/CTF Act or AML/CTF Rules, such disclosure will not be a breach of any obligation or duty the Responsible Entity owes to investors and the Responsible Entity will not incur any liability to any investor in respect to such disclosure.

## **12.19 Personal information**

In participating in the Unit Distribution, you are providing information to the Responsible Entity through the Registry that may be personal information for the purposes of the Privacy Act 1988 (Cth).

The Responsible Entity and the Registry on each of their behalf, collect, hold, use and disclose that personal information in order to service your needs as an investor, provide facilities and services that you request, inform you about other products and services offered by the Responsible Entity or other entities in the Group, carry out appropriate administration and as otherwise required or authorised by law.

Your personal information may also be disclosed to and used by the Responsible Entity and other members of the Group for any of the above purposes.

If you do not consent to the Responsible Entity's use of your personal information, the Responsible Entity will not be able to administer your Stapled Security holding and/or inform

you about other products and services offered by the Responsible Entity or other entities in the Group.

Your personal information may also be disclosed to the Responsible Entity's agents and service providers involved with the administration of the Trust on the basis that they deal with such information in accordance with their respective privacy policies. These entities may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. This may include Canada, India, New Zealand, The Philippines, The United Kingdom and the United States of America. For this reason, the Responsible Entity will not take further steps to ensure that the overseas recipients do not breach the Australian Privacy Principles under the Privacy Act 1988 (Cth) in relation to any personal information disclosed to overseas recipients. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Trust's investor base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Stapled Securities and for associated actions.

Your personal information may also be disclosed to regulators or other government agencies (including ASIC and the ATO), and the public by way of public registers maintained by regulators or other bodies.

Under the Privacy Act 1988 (Cth), you may request access to your personal information held by (or on behalf of) the Responsible Entity. You may be required to pay a reasonable charge to the Registry in order to access your personal information. You can request access to your personal information by contacting:

the Privacy Officer  
360 Capital FM Limited  
Level 8, 56 Pitt Street  
Sydney NSW 2000

If any of your information is not correct or has changed, you may request it to be corrected.

You may also make a complaint regarding the handling of your personal information by the Responsible Entity or the Registry. The Responsible Entity privacy policy contains information regarding the exercise of such rights in relation to access, correction and complaints. They also contain information about dealing with complaints. You can obtain a copy of the Responsible Entity privacy policy on request.

## **12.20 Dispute resolution**

The Company and the Responsible Entity have in place a dispute resolution process to assess and respond to customer concerns as quickly and efficiently as possible.

If you have a complaint about a product or service offered by the Company or the Responsible Entity please contact the Investor Relations Team on 1300 082 130 (free call from within Australia) or +61 2 8016 2884 (from outside Australia) or email [investor.relations@360capital.com.au](mailto:investor.relations@360capital.com.au). They will either try to resolve your complaint or put you in contact with someone who is better placed to resolve the complaint.

You may also write to the Company or the Responsible Entity at:

The Complaints Officer  
360 Capital FM Limited



GPO Box 5483  
Sydney NSW 2001

Please provide the details and reason for your complaint. The Company or the Responsible Entity will acknowledge the complaint in writing as soon as practicable and in any event within 14 days from receipt and report back to you as soon as practicable and in any event no more than 45 days after receipt.

The Financial Ombudsman Service Limited (**FOS**) provides an independent complaints resolution scheme approved by ASIC. If you are dissatisfied with the Company or the Responsible Entity's response to your complaint, you may contact the FOS. The FOS's contact details are:

Financial Ombudsman Service Limited  
GPO Box 3  
Melbourne VIC 3001  
(Australia)

Telephone:

For consumers: 1800 367 287

For international callers: +61 3 9613 7366

Email: [info@fos.org.au](mailto:info@fos.org.au)

Please note that a complaint must first be submitted to Velocity's or the Responsible Entity's complaints handling process before it can be referred to the FOS.

## **12.21 Lodgement with ASIC**

The Company has lodged with ASIC a copy of this Booklet in accordance with section 256C(5), section 257D(3) and section 1015B of the Corporations Act.

## **12.22 Further information**

Further information about the Company and the Trust is available in electronic form from the Company website: [www.velocitypropertygroup.com.au](http://www.velocitypropertygroup.com.au).

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## 13. Glossary

In this Booklet, the following terms have the meanings shown.

<b>360 Capital</b>	360 Capital Group Limited ACN 113 569 136 (ASX: TGP).
<b>360 Capital Shareholder</b>	TGP TOT JV Pty Limited ACN 618 476 681.
<b>360RSF</b>	The 360 Capital Residual Stock Fund.
<b>AEST</b>	Australian Eastern Standard Time.
<b>AMF</b>	AMF Finance Pty Limited ACN 120 390 749.
<b>AMF Share Sale Agreement</b>	The meaning given in section 11.4(a).
<b>AMF Related Party Vendors</b>	The meaning given in section 11.4(a).
<b>AMF Sale Shares</b>	The meaning given in section 11.4(a).
<b>AMF Sellers</b>	The meaning given in section 11.4(a).
<b>APRA</b>	Australian Prudential Regulation Authority.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited as operator of the Australian Securities Exchange or the Australian Securities Exchange, as the context requires.
<b>ASX Listing Rules</b>	The official Listing Rules of the ASX.
<b>ATO</b>	The Australian Taxation Office.
<b>Board</b>	The board of directors of the Company.
<b>Business Acquisitions</b>	The business acquisitions contemplated by Resolution 4 (see sections 3.4(c) and 11.4).
<b>Business Day</b>	A business day for the purposes of the ASX Listing Rules.
<b>Cambridge Investment Partners</b>	Cambridge Investment Partners Pty Limited ACN 637 415 402.
<b>Capital Raising</b>	The capital raising described in section 3.12.
<b>Capital Raising Record Date</b>	The date in the Important Dates section.
<b>Capital Reduction</b>	The equal reduction of capital by the Company proposed to be satisfied by the Unit Distribution described in section 3.6(c).
<b>Capital Reduction Record Date</b>	The date in the Important Dates section.
<b>Company</b>	Velocity Property Group Limited ABN 66 605 935 153 (to be renamed Dealt Limited if the Restructure and Recapitalisation Proposal is implemented).

<b>CHESS</b>	Clearing House Electronic Sub-register System.
<b>Corporations Act</b>	The Corporations Act 2001 (Cth).
<b>Current Company Constitution</b>	The current constitution of the Company.
<b>Dealt Group</b>	The Group
<b>Development Loans</b>	Loans for the purpose of funding the construction of residential or commercial development projects
<b>Directors</b>	The directors of the Company.
<b>Dollars or \$</b>	Australian dollars.
<b>DSS</b>	Digital Software Solutions Pty Ltd.
<b>DSS Share Sale Agreement</b>	The meaning given in section 11.4(a).
<b>DSS Related Party Vendors</b>	The meaning given in section 11.4(a).
<b>DSS Sale Shares</b>	The meaning given in section 11.4(a).
<b>DSS Sellers</b>	The meaning given in section 11.4(a).
<b>EGM</b>	The Extraordinary General Meeting of Shareholders convened to consider the Resolutions as detailed in the Notice of Meeting.
<b>Eligible Shareholders</b>	A person registered as the holder of Shares on the date of the EGM whose registered address is in Australia, Singapore or Malaysia.
<b>Explanatory Memorandum</b>	This Explanatory Memorandum.
<b>Fee Pool</b>	The meaning given in section 11.11.
<b>Group Entity</b>	The Company or the Trust.
<b>Financial Advisory Fee</b>	The meaning given in section 3.10.
<b>Group</b>	<p>(a) Prior to Stapling Date, the Company and its subsidiaries; and</p> <p>(b) after the Stapling Date, the stapled group consisting of the Company and the Trust (and their respective subsidiaries)</p>
<b>Group Investment Manager</b>	360 Capital Finance Management Pty Limited ACN 120 282 626.
<b>Group Investment Management Agreement</b>	The investment management agreement to be entered into between the Company, the Responsible Entity and the Group Investment Manager as the described in 12.7.
<b>HIN</b>	Holder Identification Number.
<b>Implementation Conditions</b>	Shareholders approving the Resolutions and the Capital Raising achieving the Minimum Subscription.

<b>Independent Board Committee or IBC</b>	The independent committee established by the Board for the purposes of assessing the related party aspects of the Restructure and Recapitalisation Proposal.
<b>Independent Expert</b>	BDO Corporate Finance (East Coast) Pty Ltd ACN 050 038 170.
<b>Independent Expert's Report</b>	The independent expert's report set out in Annexure B.
<b>Ineligible Foreign Shareholder</b>	A person registered as the holder of Shares on the date of the EGM whose registered address is not in Australia, Singapore or Malaysia.
<b>LTC</b>	and Loan-To-Cost Ratio
<b>LTV</b>	Loan-To-Value Ratio
<b>Maximum Subscription</b>	The meaning given in section 3.12(a).
<b>Minimum Subscription</b>	The meaning given in section 3.12(a).
<b>New Company Constitution</b>	The proposed new constitution of the Company to be tabled at the EGM and adopted as the constitution of the Company in place of the Current Company Constitution.
<b>Notice of Meeting</b>	The Notice of Meeting accompanying this Booklet.
<b>Nominee</b>	A nominee appointed by the Company and the Responsible Entity to sell the Stapled Securities on behalf of Ineligible Foreign Shareholders in accordance with section 12.3.
<b>NTA</b>	Net tangible assets.
<b>Offer Costs</b>	The meaning given in section 9.4.
<b>Offer Document</b>	The meaning given in section 3.12(a).
<b>Official List</b>	The Official List of the ASX.
<b>PDS</b>	This Product Disclosure Statement in respect of the proposed acquisition of units in the Trust by Eligible Shareholders.
<b>Pro Forma Financial Information</b>	The unaudited pro forma statement of financial position as at the date of this Booklet (see section 8.2)
<b>Proxy Form</b>	The Proxy Form enclosed with this Booklet that can be used by Shareholders to appoint a proxy for the EGM.
<b>Registry</b>	Boardroom Pty Limited ACN 003 209 836.
<b>Related Party Vendors</b>	The meaning given in section 11.4(b).
<b>Residual Stock Loans</b>	Loans to completed, individually titled residential apartments and townhouses
<b>Restructure and Recapitalisation Proposal</b>	The proposal described in the Booklet.
<b>Resolutions</b>	The resolutions to be put to the Shareholders at the EGM in relation to the Restructure and Recapitalisation Proposal and as referred to in the Notice of Meeting.

<b>Responsible Entity</b>	360 Capital FM Limited ABN 15 090 664 396 (AFSL No. 221474) which is the responsible entity of the Trust.
<b>Responsible Entity Board</b>	The board of directors of the Responsible Entity
<b>Share</b>	An ordinary fully paid share in the Company.
<b>Stapled/Stapling</b>	In the case of a Share and Unit and, the "stapling" of them together so that none of them may be dealt with without the other being dealt with in an identical manner and at the same time and with such restriction on dealing being denoted on the register of each stapled entity in which the securities are on issue.
<b>Stapled Security</b>	A stapled security in the Group consisting of a Share and a Unit.
<b>Stapled Securityholder</b>	The holder of a Stapled Security.
<b>Stapling Date</b>	The date on which the Company declares by an announcement to the ASX that the Restructure and Recapitalisation Proposal is to be implemented, being the date on which the Shares become Stapled to the Units.
<b>Stapling Deed</b>	The deed to be entered into between the Company and the Responsible Entity concerning the Stapling of the Shares and the Units.
<b>Stapling Provisions</b>	The provisions in the New Company Constitution which deal with Stapling.
<b>Target Return</b>	The meaning given in section 3.2.
<b>Trust</b>	The Dealt Trust ARSN 646 156 005 established by the Trust Constitution.
<b>Trust Constitution</b>	The constitution of the Trust dated 13 November 2020.
<b>Shareholder</b>	The holder of a Share.
<b>Unit</b>	An ordinary fully paid unit in the Trust.
<b>Unit Distribution</b>	The in specie distribution of Units to Shareholders on a 1:1 basis.
<b>Unitholder</b>	The holder of a Unit.

## Annexure A Notice of Meeting

### VELOCITY PROPERTY GROUP

ABN 66 605 935 153

## NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting (**EGM**) of the holders of ordinary shares (**Shares**) of Velocity Property Group Limited (**Company**) will be held online at:

**Date:** 17 February 2021

**Time:** 1.00pm AEST

**Online:** Shareholders wishing to participate in the EGM may do so:

1. From their computer, by entering the URL into their browser:  
<https://web.lumiagm.com/383-236-702>
2. From their mobile device by either entering the URL in their browser:  
<https://web.lumiagm.com/383-236-702> or
3. Using the Lumi AGM app, which is available by downloading the app from the Apple App Store or Google Play Store.

Please log into the EGM by entering the following details:

1. Meeting ID: 383-236-702
2. Your Username - Voting Access Code, which is located on your proxy form or on your notification email.
3. Your postcode, which is the postcode registered to your holding if you are an Australian shareholder or your country code if you are an overseas shareholder.

Due to COVID-19 restrictions, we request that all Shareholders who want to attend this EGM do so virtually via the online link above. There will be no physical meeting.

Attending the Meeting online enables Shareholders to view the Meeting live and to also ask questions and cast direct votes at the appropriate times whilst the Meeting is in progress.

## ITEMS OF BUSINESS

The business of the EGM is to consider and, if thought fit, to pass the following resolutions:

### RESOLUTION 1: APPROVAL OF CHANGE OF ACTIVITIES

As an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 11.1 and for all other purposes, the change in nature and scale of activities of the Company described in the Explanatory Memorandum be approved."*

#### Voting Exclusion Statement

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

- the counterparties to the AMF Share Sale Agreement and the DSS Share Sale Agreement and any other counterparty to the transaction that, of itself or together with one or more other transactions, will result in a significant change to the nature or scale of the Company's activities and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of Shares); or
- any associate of those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with directions given to the proxy or attorney to vote on Resolution 1 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 1, in accordance with a direction given to the chair to vote on Resolution 1 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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 Resolution 1; and
  - (ii) the holder votes on Resolution 1 in accordance with directions given by the beneficiary to the holder to vote in that way.

### RESOLUTION 2: APPROVAL OF DISPOSAL OF MAIN UNDERTAKING

As an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, the disposal of the main undertaking of the Company as described in the Explanatory Memorandum be approved."*

#### Voting Exclusion Statement

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

- the acquirer of the Company's main undertaking and any other person who will obtain a material benefit as a result of the disposal of the Company's main undertaking (except a benefit solely by reason of being a holder of Shares); or

- any associate of those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with directions given to the proxy or attorney to vote on Resolution 2 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 2, in accordance with a direction given to the chair to vote on Resolution 2 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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 Resolution 2; and
  - (ii) the holder votes on Resolution 2 in accordance with directions given by the beneficiary to the holder to vote in that way.

### **RESOLUTION 3: APPROVAL OF CAPITAL RAISING**

As an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the issue of up to 200,000,000 Shares under the Capital Raising (including the issue of 13,200,000 Shares to the Related Party Vendors as contemplated by Resolution 5 below) on the terms described in the Explanatory Memorandum be approved."*

#### **Voting Exclusion Statement**

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

- 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 Shares); or
- any associate of those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with directions given to the proxy or attorney to vote on Resolution 3 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 3, in accordance with a direction given to the chair to vote on Resolution 1 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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 Resolution 3; and
  - (ii) the holder votes on Resolution 3 in accordance with directions given by the beneficiary to the holder to vote in that way.



## **RESOLUTION 4: APPROVAL OF BUSINESS ACQUISITIONS**

As an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, the acquisition by the Company of the shares in AMF Finance Pty Limited and Digital Software Solutions Pty Ltd on the terms described in the Explanatory Memorandum be approved."*

### **Independent Expert's Report**

**The Independent Expert's Report from BDO Corporate Finance (East Coast) Pty Ltd considers the Business Acquisitions aspect of the Restructure and Recapitalisation Proposal (see Annexure B). The Independent Expert has concluded that the Business Acquisitions are fair and reasonable to Shareholders.**

### **Voting Exclusion Statement**

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

- the sellers under the AMF Share Sale Agreement and the DSS Share Sale Agreement and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of Shares); or
- any associate of those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with directions given to the proxy or attorney to vote on Resolution 4 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 4, in accordance with a direction given to the chair to vote on Resolution 4 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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 Resolution 4; and
  - (ii) the holder votes on Resolution 4 in accordance with directions given by the beneficiary to the holder to vote in that way.

## **RESOLUTION 5: APPROVAL OF ISSUE OF SHARES AS CONSIDERATION**

As an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, the issue of 13,200,000 Shares to the Related Party Vendors in consideration for the Company's acquisition of the certain shares in AMF Finance Pty Limited and Digital Software Solutions Pty Ltd trading on the terms described in the Explanatory Memorandum be approved."*

### **Voting Exclusion Statement**

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

- the Related Party Vendors and any other person who will obtain a material benefit as a result of the issue of the Shares (except a benefit solely by reason of being a holder of Shares); or
- any associate of those persons.

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

- a person as proxy or attorney for a person who is entitled to vote on Resolution 5, in accordance with directions given to the proxy or attorney to vote on Resolution 5 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 5, in accordance with a direction given to the chair to vote on Resolution 5 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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 Resolution 5; and
  - (ii) the holder votes on Resolution 5 in accordance with directions given by the beneficiary to the holder to vote in that way.

## **RESOLUTION 6: APPROVAL OF CHANGE OF COMPANY NAME**

As a special resolution:

*"That, in accordance with section 157(1)(a) of the Corporations Act, that the change of the Company's name to "Dealt Limited" be approved with effect on and from the date of the EGM".*

### **No voting exclusions**

Shareholders are treated the same way in connection with Resolution 6 and they all have same interest in Resolution 6. Accordingly, neither the Corporations Act nor the ASX Listing Rules require that votes cast by or on behalf of any person on the Resolutions must be disregarded.

## **RESOLUTION 7: ADOPTION OF NEW COMPANY CONSTITUTION**

As a special resolution:

*"That, in accordance with section 136(1)(b) of the Corporations Act, the new constitution tabled at the meeting and signed by the chairman of the meeting for the purposes of identification, be adopted as the constitution of the Company in place of the current constitution with effect on and from the date of the EGM."*

### **No voting exclusions**

Shareholders are treated the same way in connection with Resolution 7 and they all have same interest in Resolution 7. Accordingly, neither the Corporations Act nor the ASX Listing Rules require that votes cast by or on behalf of any person on the Resolutions must be disregarded.

## **RESOLUTION 8: APPROVAL OF APPOINTMENT OF THE RESPONSIBLE ENTITY AND GROUP INVESTMENT MANAGER**

As an ordinary resolution:

*"That, for all purposes, the appointment of the Responsible Entity as responsible entity of the Trust and the Group Investment Manager in accordance with the terms of the Group Investment Management Agreement on the terms described in the Explanatory Memorandum be approved."*

### **Voting Exclusion Statement**

The Company will disregard any votes cast in favour of Resolution 8 by or on behalf of:

- any person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of Shares); or
- any associate of those persons.

However, this does not apply to a vote cast in favour of Resolution 8 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 8, in accordance with directions given to the proxy or attorney to vote on Resolution 8 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 8, in accordance with a direction given to the chair to vote on Resolution 8 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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 Resolution 8; and
  - (ii) the holder votes on Resolution 8 in accordance with directions given by the beneficiary to the holder to vote in that way.

## **RESOLUTION 9: APPROVAL OF CAPITAL REDUCTION**

As an ordinary resolution:

*"That, for the purposes of Part 2J.1 of the Corporations Act and for all other purposes, the reduction of the capital of the Company be approved by the Company distributing to each registered holder of fully paid ordinary shares in the Company as at 10:00am AEST on 5 May 2021 (or such other time and date which the Company declares by an announcement to ASX Limited to be the record date) one unit in the Trust for each fully paid ordinary share in the Company held by the holder."*

### **No voting exclusions**

Shareholders are treated the same way in connection with Resolution 9 and they all have same interest in Resolution 9. Accordingly, neither the Corporations Act nor the ASX Listing Rules require that votes cast by or on behalf of any person on the Resolutions must be disregarded.

## **RESOLUTION 10: APPROVAL OF EXECUTIVE INCENTIVE PLAN**

As an ordinary resolution:

*"That, for the purposes of exception 13 to ASX Listing Rule 7.1 and for Section 200E of the Corporations Act 2001 and for all other purposes the Executive Incentive Plan described in the Explanatory Memorandum be approved."*

### **Voting Exclusion Statement**

The Company will disregard any votes cast in favour of Resolution 10 by or on behalf of:

- a person who is eligible to participate in the Executive Incentive Plan; or
- any associate of those persons.

However, this does not apply to a vote cast in favour of Resolution 10 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 10, in accordance with directions given to the proxy or attorney to vote on Resolution 10 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 10, in accordance with a direction given to the chair to vote on Resolution 10 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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 Resolution 10; and
  - (ii) the holder votes on Resolution 10 in accordance with directions given by the beneficiary to the holder to vote in that way.

## **RESOLUTION 11: APPROVAL OF FEES PAYABLE TO NON-EXECUTIVE DIRECTORS**

As an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.17 and the Company's Constitution, the aggregate maximum amount of remuneration of the non-executive Directors be increased by \$150,000 per annum to \$400,000 per annum."*

### **Voting Exclusion Statement**

The Company will disregard any votes cast in favour of Resolution 11 by or on behalf of:

- a Director; or
- any associate of those persons.

However, this does not apply to a vote cast in favour of Resolution 11 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 11, in accordance with directions given to the proxy or attorney to vote on Resolution 11 in that way; or

- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 11, in accordance with a direction given to the chair to vote on Resolution 11 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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 Resolution 11; and
  - (ii) the holder votes on Resolution 11 in accordance with directions given by the beneficiary to the holder to vote in that way.

## **RESOLUTION 12: APPROVAL OF FINANCIAL ADVISORY FEE PAYABLE TO CAMBRIDGE INVESTMENT PARTNERS**

As an ordinary resolution:

*"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, the Financial Advisory Fee payable by the Company to Cambridge Investment Partners on the terms described in the Explanatory Memorandum be approved."*

### **Independent Expert's Report**

**The Independent Expert's Report from BDO Corporate Finance (East Coast) Pty Ltd considers the Financial Advisory Fee payable by the Company to Cambridge Investment Partners (see Annexure B). The Independent Expert has concluded that the Financial Advisory Fee is fair and reasonable to Shareholders.**

### **Voting Exclusion Statement**

The Company will disregard any votes cast in favour of Resolution 12 by or on behalf of:

- Cambridge Investment Partners and any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of Shares); or
- any associate of those persons.

However, this does not apply to a vote cast in favour of Resolution 12 by:

- a person as proxy or attorney for a person who is entitled to vote on Resolution 12, in accordance with directions given to the proxy or attorney to vote on Resolution 12 in that way; or
- the chair of the meeting as proxy or attorney for a person who is entitled to vote on Resolution 12, in accordance with a direction given to the chair to vote on Resolution 12 as the chair decides; or
- a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
  - (i) 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 Resolution 12; and
  - (ii) the holder votes on Resolution 12 in accordance with directions given by the beneficiary to the holder to vote in that way.

## **INTERDEPENDENT RESOLUTIONS**

Each of the above Resolutions are conditional upon the approval by Shareholders of each other Resolution. If any of the above Resolutions are not approved by Shareholders, all of the Resolutions will fail and the Restructure and Recapitalisation Proposal will not occur.

## **IMPORTANT NOTES**

### **REFER TO THE EXPLANATORY MEMORANDUM**

This Notice of Meeting should be read in conjunction with the Explanatory Memorandum accompanying this Notice of Meeting.

The Explanatory Memorandum contains an explanation of the Resolutions and detailed information about the Restructure and Recapitalisation Proposal. To enable you to make an informed decision as to how to vote on each of the Resolutions, please carefully read the Explanatory Memorandum. The Board unanimously recommends that Shareholders should vote in favour of all of the Resolutions.

The Explanatory Memorandum has been prepared to provide Shareholders with sufficient information to assess the merits of the Restructure and Recapitalisation Proposal and the Resolutions. You should read the Explanatory Memorandum in full before making any decisions in relation to the Resolutions.

### **DEFINED TERMS AND THE GLOSSARY**

Terms used in this Notice of Meeting which begin with an uppercase letter have the meaning given in the Glossary to the Booklet.

### **QUORUM**

The Current Company Constitution provides that two Shareholders present personally or by representative, attorney or proxy shall be a quorum for the EGM.

### **REQUIRED VOTING THRESHOLDS**

The vote on the Resolutions will be conducted by way of a poll. On a poll, Shareholders have one vote for each Share held.

Resolution 6 (Approval of change of Company name) and Resolution 7 (Adoption of New Company Constitution) are special resolutions and will be passed if at least 75% of the votes cast on the relevant resolutions are in favour.

Resolution 1 (Approval of change of activities), Resolution 2 (Approval of disposal of main undertaking), Resolution 3 (Approval of Capital Raising), Resolution 4 (Approval of Business Acquisitions), Resolution 5 (Approval of issues of Shares as consideration), Resolution 8 (Approval of appointment of the Responsible Entity and Group Investment Manager), Resolution 9 (Approval of Capital Reduction), Resolution 10 (Approval of Executive Incentive Plan), Resolution 11 (Approval of fees payable to non-executive Directors) and Resolution 12 (Approval of Financial Advisory Fee) are ordinary resolutions and will be passed if more than 50% of the votes cast on the relevant resolutions are in favour.

### **VOTING INSTRUCTIONS**

#### **Voting entitlement**

Persons holding Shares at 1:00pm AEST on 16 February 2021 will, for the purposes of determining voting entitlements at the EGM, be taken to be Shareholders.

#### **How to vote**

Shareholders may vote by attending the meeting online, by proxy or by authorised representative.

#### **Proxies and authorised representatives**

A Shareholder who is entitled to attend and vote at the EGM has the right to appoint a proxy to attend and vote for them. The proxy does not have to be a Shareholder.

Shareholders holding two or more Shares can appoint either one or two proxies. Where two proxies are appointed, the appointing Shareholder can specify the number of votes or the proportion of the

Shareholder's votes they want each proxy to exercise. If no number or proportion is specified, each proxy may exercise half of the Shareholder's votes. Neither proxy may vote on a show of hands.

Corporate Shareholders must provide the Company with satisfactory evidence of the appointment of any corporate representative, prior to the commencement of the EGM.

A proxy can be either an individual or a body corporate. Should you appoint a body corporate as your proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at meetings; and
- provides the Company with satisfactory evidence of the appointment of its corporate representative prior to commencement of the EGM.

The chairman of the EGM is deemed to be appointed if a signed proxy is returned which does not contain the name of a proxy. In addition, if you direct your proxy how to vote and your nominated proxy does not attend the EGM, or attends but does not vote, on a poll on a resolution, the chairman of the EGM will act in place of the nominated proxy and vote in accordance with any instructions.

A proxy form and a reply paid envelope are enclosed with this Notice of Meeting. If you wish to appoint two proxies, please obtain an additional form from the Company's Share Registry or make a photocopy of the enclosed proxy form. To be effective, a duly completed proxy form and the power of attorney (if any) under which the proxy form is signed or a certified copy of the relevant authority must be received at the Company's Share Registry or at the Company's registered office prior to 1:00pm AEST on 15 February 2021.

Under clause 16.14 of the Current Company Constitution, a person who has satisfied the Directors not less than 48 hours before the EGM that the person is entitled to a Share by operation of law, may exercise all rights attached to the Share in relation to the EGM, as if the person were the registered holder of the Share.

Proxies may be returned as follows:

**By mail or in person to:**

Boardroom Pty Limited:

*By mail:*

Share Registry – Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001

*In person:*

Share Registry – Boardroom Pty Limited,  
Level 12  
225 George Street  
Sydney NSW 2000\* During business hours (Monday to Friday, 9:00am–5:00pm)

**By facsimile to:**

+61 2 9290 9655

**Online at:**

To use this facility please follow the instructions on your enclosed proxy form.

**Undirected proxies**

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on each item by marking either "For", "Against" or "Abstain" against each item of business on the Proxy Form. If in respect



of any of the items of business against which you do not direct your proxy how to vote, you are authorising your proxy to vote as they decide.

If the chairman of the EGM is your proxy, you can direct the chairman how to vote on each item by marking either "For", "Against" or "Abstain" against each item of business on the Proxy Form. However, if the chairman is your proxy and you do not mark any of the boxes opposite the Resolutions, then by signing and returning the proxy form you will be expressly authorising the chairman to vote as he sees fit in respect of the relevant Resolution. The chairman intends to vote available undirected proxies in favour of all Resolutions.

### **How to vote**

Shareholders may vote by attending the meeting online, by proxy or by authorised representative.

### **Voting of jointly held Shares**

Clause 4.1(c) of the Current Company Constitution provides that if two or more joint holders purport to vote, the vote of the joint holder whose name appears first in the Register will be accepted, to the exclusion of the other joint holder or holders.

### **Attendance**

This is a virtual meeting and can only be attended online.

### **Appointment of chairman**

Under clause 16.8 of the Current Company Constitution, the Chairman of the Board (##) is to be the chairman of the EGM. Failing him, another person appointed by the Board of directors will act as chairman of the EGM.

By order of the Board of directors.



Phillip Young  
Company Secretary  
23 December 2020

## **Annexure B Independent Expert's Report**



# INDEPENDENT EXPERT REPORT

## VELOCITY PROPERTY GROUP LIMITED

In relation to the;

- proposed acquisition of shares of Digital Software Solutions Pty Ltd and AMF Finance Pty Ltd from 360 Capital Group Limited;
- The Proposed Investment Management Agreement with 360 Capital FM Limited
- The Proposed Responsible Entity Fee with 360 Capital FM Limited
- The Proposed Financial Advisory Fee with Cambridge Investment Partners Pty Limited

22 December 2020

**OPINION: FAIR AND REASONABLE**

## FINANCIAL SERVICES GUIDE

Dated: 22 December 2020

This Financial Services Guide ('FSG') helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd ('BDO Corporate Finance, we, us, our').

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

### FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

### GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us approximately \$80,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

### REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### COMPLAINTS RESOLUTION

#### Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

#### Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly via the details set out below.

Australian Financial Complaints Authority  
GPO Box 3  
MELBOURNE VIC 3001  
Toll free: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

### COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

### CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - [cf.ecp@bdo.com.au](mailto:cf.ecp@bdo.com.au)

## SUMMARY OF FINDINGS

The Independent Directors  
Velocity Property Group Limited  
Unit 6, 59 Oxford Street  
BULIMBA QLD 4171

22 December 2020

Dear Directors

**INDEPENDENT EXPERT REPORT IN RELATION TO THE;**

- **PROPOSED ACQUISITION OF SHARES OF DIGITAL SOFTWARE SOLUTIONS PTY LTD AND AMF FINANCE PTY LTD FROM 360 CAPITAL GROUP LIMITED; AND**
- **THE PROPOSED INVESTMENT MANAGEMENT AGREEMENT WITH 360 CAPITAL FM LIMITED**
- **THE PROPOSED RESPONSIBLE ENTITY FEE WITH 360 CAPITAL FM LIMITED**
- **THE PROPOSED FINANCIAL ADVISORY FEE WITH CAMBRIDGE INVESTMENT PARTNERS PTY LIMITED**

**1. INTRODUCTION**

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF, we, us or our**) has been engaged by the independent directors (**Directors**) of Velocity Property Group Limited (**Velocity** or the **Company**) (proposed to be renamed '**Dealt Limited**') to prepare an independent expert report (**Report** or **IER**) in connection with the acquisition of 100% of the issued capital in Digital Software Solutions Pty Ltd (**Dealt**) and AMF Finance Pty Ltd (**AMF**) in exchange for 13.2 million new shares in Velocity (**Consideration Shares**) to be issued to the vendors and cash consideration of \$400,000 (the **Proposed Transaction**). The 360 Capital Group Limited (**360 Capital**) and its associated entities (together, **the 360 Capital Group**) holds interest in both Dealt and AMF.

As part of the Proposed Transaction, it is also proposed that 360 Capital Group will be appointed as investment manager for the Company and a newly established trust (**Dealt Trust**) (together, **the Stapled Entity**) pursuant to an Investment Management Agreement (**IMA**). The Dealt Trust will be established as part of the recapitalisation of Velocity (**Proposed Management Agreement**).

In addition to the above, under the Dealt Trust constitution, it is proposed that the responsible entity of the Dealt Trust, being 360 Capital FM Limited (**Responsible Entity**), will be entitled to receive a management fee (**Proposed Responsible Entity Fee**).

Under the wider recapitalisation and restructure of Velocity, a capital raise is proposed. The minimum capital to be raised is \$35m, and the maximum is \$100m. The Company has entered into an agreement with Cambridge Investment Partners Pty Limited (**Cambridge**), an entity associated with 360 Capital, for the provision of financial advisory services in connection with this capital raise (**Proposed Financial Advisory Fee**).

We have opined separately on whether the Proposed Management Agreement and the Proposed Responsible Entity Fee is on fair market terms, and whether the Proposed Financial Advisory Fee is fair and reasonable. Refer Section 16, Section 17 and Section 18 for details and our opinion related to the terms of the Proposed Management Agreement, Proposed Responsible Entity Fee, and Proposed Financial Advisory Fee, respectively.

**1.1. Background**

On 7 August 2020, Velocity received a proposal from 360 Capital Group to restructure and recapitalise the Company and expand its activities to real estate financing and debt activities within Australia and New Zealand. This proposal included, but was not limited to, the undertaking of up to a \$100 million capital raise, and the acquisition of 100% of Dealt and AMF. The 360 Capital Group has an interest in both Dealt and AMF.

In December 2020 the Company conditionally entered into a Share Sale Agreement to acquire all of the shares in AMF held by the current shareholders of AMF (**AMF Share Sale Agreement**).

In December 2020, the Company conditionally entered into a Share Sale Agreement to acquire all of the shares in Dealt held by the current shareholders of Dealt (**Dealt Share Sale Agreement**).

As consideration for the acquisition of AMF and Dealt, Velocity will issue 13.2 million new Velocity shares to the vendors except Talos LLC (**Talos**). We note that \$0.4m will be paid in cash to Talos, as it is a United States entity. The Consideration Shares and the additional \$0.4m in cash paid to the Talos is together referred to as the **Consideration**.

The Proposed Transaction is subject to a number of conditions precedents including, but not limited to Shareholder approval.

As part of the Proposed Transaction, it is also proposed that 360 Capital Group will be appointed as investment manager for the Stapled Entity pursuant to an IMA. The Dealt Trust will be established as part of the recapitalisation of Velocity. It is proposed that the Dealt Trust will invest in senior secured commercial real estate loans that meet the approved criteria.

In addition to the above, under the Dealt Trust constitution, the Responsible Entity will be entitled to receive a management fee for performing its role as the responsible entity of the Dealt Trust.

Under the wider recapitalisation and restructure of Velocity, a capital raise is proposed. The minimum capital to be raised is \$35m, and the maximum is \$100m. The Company has entered into an agreement with Cambridge regarding the Proposed Financial Advisory Fee.

This Report should be read in full along with all other documentation provided to Shareholders including the Notice of Meeting (**Transaction Document**) and additional documents prepared by Velocity.

## 2. PURPOSE

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires a substantial asset from a related party, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the latest published accounts.

The total equity interests of the Company as at 30 June 2020 (as set out in its FY20 annual report, being the latest accounts given to ASX under the ASX Listing Rules), is \$9,690,455 with 5% of the equity interests of the Company as at 30 June 2020 is therefore \$484,522.

As the value of the consideration for both the AMF acquisition and the Dealt acquisition exceeds this amount, Listing Rule 10.1 is to apply to each proposed acquisition.

The 360 Capital Group holds shares in Dealt and AMF. The 360 Capital Group is a substantial shareholder of the Company.

ASX Listing Rule 10.10.2 requires the Transaction Document for Shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded, being the shareholders who are not associated with 360 Capital Group.

Accordingly, an independent experts' report is required for the Proposed Transaction and the Proposed Management Agreement. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to the non-associated Shareholders of Velocity (**Shareholders**).

## 3. APPROACH

In preparing our IER, we have considered the requirements of:

- ▶ ASX Listing Rule 10.1
- ▶ Chapter 2E of the Corporations Act 2001 (Cth) (the **Act**)
- ▶ RG 111 Content of expert reports
- ▶ RG 112 Independence of experts
- ▶ RG 76 Related party transactions.

RG 111 establishes guidelines in respect of independent expert reports under the Corporations Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist shareholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

### 3.1. Fairness

RG 111.57 states that a related party transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

In the case of the Proposed Transaction, we have considered the acquisition of 100% of Dealt and AMF. We have defined the financial benefit to be provided by Velocity as the 13.2 million shares in Velocity to be paid to the vendors (excluding Talos) plus the \$0.4m in cash to be paid to Talos collectively defined as the Consideration. The assets being acquired by Velocity are 100% of the issued capital in Dealt and AMF, which we have defined as the 'Assets to be Acquired'.

### 3.2. Reasonableness

In accordance with paragraph 60 of RG111, an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons to vote for the proposal.

When deciding whether a transaction is 'reasonable', factors an expert might consider include:

- ▶ the financial situation and solvency of the entity;
- ▶ the alternative options available to the entity;
- ▶ the entity's bargaining position;
- ▶ whether there is selective treatment of any shareholder; and
- ▶ any special value of the transaction to the purchaser.

## 4. SUMMARY OF OPINION - Proposed Transaction

**We have concluded that Proposed Transaction is fair and reasonable to Shareholders.**

A summary of our analysis in forming the above opinion is provided below. This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

In undertaking our assessment of fairness, we have had regard to the ASIC RG 111.

### 4.1. Fairness Assessment

The Proposed Transaction will be fair if the Consideration to be issued by Velocity is equal to or less than the value of the Assets to be Acquired, being Dealt and AMF.

The result of our fairness analysis under the guidance provided by ASIC is summarised below.

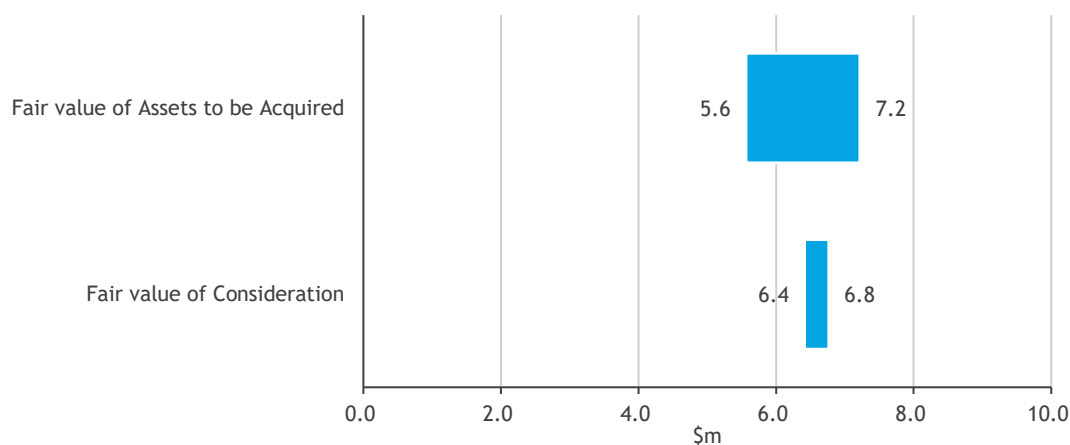
**Table 1: Fairness assessment**

\$000s	Low	Mid	High
Fair value of Assets to be Acquired	5,566	6,391	7,216
Fair value of the Consideration	6,415	6,589	6,763

Source: BDOCF analysis



**Figure 1: Graphical summary of fairness assessment**



Source: BDOCF analysis

We note that the fair value of the Consideration is within the fair value range of the Assets to be Acquired. As such, the Proposed Transaction fair to Shareholders.

#### 4.2. Reasonableness Conclusion

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes there are sufficient reasons for Shareholders to accept the Proposed Transaction in the absence of a superior offer.

We have assessed the reasonableness of the Proposed Transaction by considering the factors set out in Table 2.

**Table 2: Summary of factors considered in the reasonableness assessment**

Advantages	
<b>The Proposed Transaction is fair</b>	Under RG 111, a transaction is reasonable if it is fair. As determined in Section 13, the Proposed Transaction is fair.
<b>Ability to leverage 360 Capital Group's expertise</b>	Through the proposed Investment Management Agreement, the combined group comprising Velocity, Dealt and AMF may be able to leverage off the experience of the 360 Capital Group.
<b>Diversification of risk</b>	If the Proposed Transaction is approved by Shareholders, Velocity will acquire Dealt and AMF. The two acquired companies will provide a range of services not currently provided by Velocity. The acquisition provides Velocity shareholders diversified exposure to a portfolio of commercial real estate senior loans throughout metropolitan Australia and New Zealand.
<b>Increase in size and scale of Velocity</b>	<p>If the Proposed Transaction is approved, there is a proposed capital raise of between \$35 million and \$100 million. Post the Proposed Transaction and the associated capital raise, there will be between 81.4 million and 211.4 million shares on issue. Based on the capital raise price of \$0.50, the market capitalisation of Velocity will increase to between \$40.7m and \$105.7m.</p> <p>In general larger companies are followed more closely by analysts and brokers, and generally have greater liquidity on the ASX.</p>
Disadvantages	
<b>Shareholders' investment profile will change as a result of the Proposed Transaction</b>	<p>Velocity shareholders will be exposed to different risk profiles if the Proposed Transaction is approved. Velocity is a residential property company that is involved in the development and sale of residential properties. The Company is not currently developing any properties, and has planned to dispose of its remaining development sites in an orderly manner and explore an alternative business strategy. In contrast, AMF Finance originates alternative lending and structured financing solutions to Australian real estate investors and developers whilst Dealt is a financial technology company that has developed an online real estate loan origination platform.</p> <p>As a result of the above, Velocity shareholders may not wish to be exposed to the adjusted risk profile of the enlarged group following the Proposed Transaction.</p>
<b>Early stage nature of Dealt and AMF</b>	Dealt is an e-commerce, start-up company in the financial technology space. AMF has a limited operating history. The acquisition of Dealt and AMF increases the overall risk profile of Velocity shares.
Other considerations	
<b>Future of Velocity if the Proposed Transaction is rejected</b>	If the Proposed Transaction is rejected by Shareholders, the Company will undertake a further review that may include an orderly sale of the Company assets and ultimately winding up, or exploration of a possible takeover.

Source: BDOCF analysis

Based on the above analysis, we consider the Proposed Transaction to be reasonable to Shareholders for the following key reasons:

- The Proposed Transaction is fair. Under RG 111, a transaction is reasonable if it is fair. As determined in Section 13, the Proposed Transaction is fair.
- Through the Proposed Investment Management Agreement, the combined group may be able to leverage off the experience of 360 Capital Group.
- If the Proposed Transaction is approved by Shareholders, Velocity will acquire Dealt and AMF which will provide Velocity shareholders diversified exposure to a portfolio of commercial real estate senior loans throughout metropolitan Australia and New Zealand.
- If the Proposed Transaction is approved, there is a proposed capital raise of between \$35 million and \$100 million. This increase in size and scale may lead to a closer following of Velocity by analysts and brokers, and the Company may have greater liquidity on the ASX.

## 5. SUMMARY OF OPINION - Proposed Management Agreement

**We have concluded that the Proposed Management Agreement is on fair market terms.**

We have assessed the Proposed Management Agreement and considered the following main factors;

- ▶ The management fee to be paid under the IMA falls within the range of the comparable agreements surveyed.
- ▶ The services provided per the IMA are consistent with the agreements sampled in the market.

Based on the factors discussed above, we consider the Proposed Management Agreement to be based on fair market terms.

## 6. SUMMARY OF OPINION - Proposed Responsible Entity Fee

**We have concluded that the Proposed Responsible Entity Fee is on fair market terms.**

We have assessed the Proposed Responsible Entity Fee and considered the following main factors;

- ▶ We have surveyed responsible entity fees in the market, and note they range from 0.025% to 0.063% where no other fees are payable, and from 0.025% to 0.08% where other fees are also payable (including investment management fees and performance fees). Based on this, we consider the responsible entity fee of 0.05% of gross asset value to fall within the range of the sampled agreements.
- ▶ We note that under the terms of the agreement, the Responsible Entity Fee will increase to 0.65% if the group investment manager is not appointed under the IMA. In this scenario, the Responsible Entity would be required to provide both the responsible entity services and the investment management services.

Based on the factors discussed above, we consider the Proposed Responsible Entity Fee to be based on fair market terms.

## 7. SUMMARY OF OPINION - Proposed Financial Advisory Fee

**We have concluded that the Proposed Financial Advisory Fee is fair and reasonable.**

We have assessed the Proposed Financial Advisory Fee and considered the following main factors;

- ▶ The fee under the Proposed Financial Advisory Fee agreement is 1.0% of the gross proceeds received. Based on the minimum and maximum capital to be raised, the fee will be between \$350k and \$1.0m (plus reimbursable expenses of approximately \$20,000).
- ▶ Based on our assessment, we observed financial advisory fees in the market where the fee was based on a percentage of gross proceeds to range from 0.50% to 2.00%. Where the fee was fixed, we observed fees ranging from \$500k to \$2.7m and an implied percentage of gross proceeds ranging from 0.9% to 2.7%.

Based on the factors discussed above, we consider the Proposed Financial Advisory Fee to be within the ranges observed above and therefore consider it to be fair and reasonable.

## 8. OTHER MATTERS

### 8.1. Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDOCF has not considered the effect of the Proposed Transaction on the particular circumstances of individual Shareholders. Some individual Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in this IER. Accordingly, individual Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual shareholder in relation to the Proposed Transaction may be influenced by their particular circumstances and accordingly the Shareholders are advised to seek their own independent advice.

Approval or rejection of the Proposed Transaction is a matter for individual Shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. The Shareholders should carefully consider the Transaction Document. The Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

### 8.2. General requirements in relation to the IER

In preparing the IER ASIC requires the independent expert, when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated

by those persons affected by the Proposed Transaction. In preparing the IER we considered ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- ▶ particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the past, between BDO Services Pty Ltd or BDOCF and any of the parties to the Proposed Transaction;
- ▶ the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- ▶ that we have relied on information provided by the Directors and Management of Velocity (**Management**) and 360 Capital Group (**360 Management**) and that we have not carried out any form of audit or independent verification of the information; and
- ▶ that we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

### 8.3. Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

### 8.4. Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out in **Appendix 1**.

### 8.5. Sources of information

**Appendix 2** to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by Velocity.

Under the terms of our engagement, Velocity has agreed to indemnify BDOCF and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

### 8.6. Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and the Shareholders to assist them in their decision to approve or reject the Proposed Transaction. This IER is to accompany the Transaction Document to be sent to the Shareholders to consider the Proposed Transaction and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without our written consent. We accept no responsibility to any person other than the Directors and the Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER within the Transaction Document. Apart from this IER, we are not responsible for the contents of the Transaction Document or any other document associated with the Proposed Transaction. We acknowledge that this IER may be lodged with regulatory authorities.

### 8.7. Summary

This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

### 8.8. Financial Service Guide

BDOCF holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.



Yours faithfully

**BDO CORPORATE FINANCE (EAST COAST) PTY LTD**

A stylized, handwritten signature in black ink, consisting of several overlapping, sweeping strokes that form a series of peaks and valleys.

**David McCourt**  
Director

A stylized, handwritten signature in black ink, featuring a large, prominent 'S' followed by a series of loops and a final horizontal stroke.

**Sebastian Stevens**  
Director



# INDEPENDENT EXPERT REPORT

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## **1. PURPOSE AND BACKGROUND**

### **1.1. Purpose**

We have been engaged by the Directors of Velocity to prepare an IER setting out our opinion as to whether the Proposed Transaction is fair and reasonable to Shareholders, whether the Proposed Management Agreement and the Proposed Responsible Entity Fee is on fair market terms, and whether the Proposed Financial Advisory Fee is fair and reasonable.

This IER is to accompany the Transaction Document to be provided to Shareholders in connection with the Proposed Transaction and the Proposed Management Agreement. It has been prepared to assist and enable Shareholders to assess the merits of the Proposed Transaction, Proposed Management Agreement, Proposed Responsible Entity Fee and Proposed Financial Advisory Fee and to decide whether to approve these transactions.

A summary of the background to the terms of the Proposed Transaction is set out below.

### **1.2. Background to the Proposed Transaction**

On 7 August 2020, Velocity received a proposal from 360 Capital Group to restructure and recapitalise the Company and expand its activities to real estate financing and debt activities within Australia and New Zealand. This proposal included, but was not limited to, the undertaking of up to a \$100 million capital raise, and the acquisition of Dealt and AMF from 360 Capital Group. The 360 Capital Group has an interest in both Dealt and AMF.

In December 2020, the Company conditionally entered into the AMF Share Sale Agreement.

In December 2020, the Company conditionally entered into the Dealt Share Sale Agreement.

As consideration for the acquisition of AMF and Dealt, Velocity will issue 13.2 million new Velocity shares to the vendors except Talos. We note that \$0.4m will be paid in cash to Talos, as it is a United States entity. The Consideration Shares and the additional \$0.4m in cash paid to the Talos is together referred to as the Consideration.

The Proposed Transaction is subject to a number of conditions precedents including, but not limited to Shareholder approval.

As part of the Proposed Transaction, it is also proposed that 360 Capital Group will be appointed as investment manager for the Stapled Entity pursuant to an IMA. The Dealt Trust will be established as part of the recapitalisation of Velocity. It is proposed that the Dealt Trust will invest in senior secured commercial real estate loans that meet the approved criteria.

In addition to the above, under the Dealt Trust constitution, the Responsible Entity will be entitled to receive a management fee for performing its role as the responsible entity of the Dealt Trust.

Under the wider recapitalisation and restructure of Velocity, a capital raise is proposed. The minimum capital to be raised is \$35m, and the maximum is \$100m. The Company has entered into an agreement with Cambridge (an entity associated with 360 Capital) regarding the Proposed Financial Advisory Fee.

This Report should be read in full along with all other documentation provided to Shareholders including the Transaction Document and additional documents prepared by Velocity.

## **2. SCOPE AND LIMITATIONS**

### **2.1. Scope**

The scope of the procedures we undertook in forming our opinion on whether the Proposed Transaction is fair and reasonable to the Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the fair market value of various securities, assets and liabilities. For the purposes of our opinion, the term fair market value is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

### **2.2. Summary of regulatory requirements**

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires a substantial asset from a related party, when the consideration to be paid for the asset or the value of the asset being disposed constitutes more than 5% of the equity interest of that entity at the date of the latest published accounts.

The total equity interests of the Company as at 30 June 2020 (as set out in its FY20 annual report, being the latest accounts given to ASX under the ASX Listing Rules), is \$9,690,455 with 5% of the equity interests of the Company as at 30 June 2020 is therefore \$484,522.

As the value of the consideration for both the AMF acquisition and the Dealt acquisition exceeds this amount, Listing Rule 10.1 is to apply to each proposed acquisition.

The 360 Capital Group holds shares in Dealt and AMF and are a substantial shareholder of the Company.

ASX Listing Rule 10.10.2 requires the Transaction Document for Shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded, being the shareholders who are not associated with 360 Capital Group.

Accordingly, an independent experts' report is required for the Proposed Transaction and the Proposed Management Agreement. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to the Shareholders.

In preparing our IER, we have considered the requirements of:

- ▶ ASX Listing Rule 10.1
- ▶ Chapter 2E of the Act
- ▶ RG 111 Content of expert reports
- ▶ RG 112 Independence of experts
- ▶ RG 76 Related party transactions.

### **2.3. Basis of assessment**

In determining whether the Proposed Transaction is fair and reasonable to the Shareholders, we have had regard to:

- ▶ RG 111 'Content of expert reports'
- ▶ RG 112 'Independence of experts'

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- ▶ Is the offer 'fair'?
- ▶ Is it 'reasonable'?

The terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

### **2.4. Fairness - Proposed Transaction**

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.

RG 111.58 states where the Related Party Transaction consists of an asset acquisition by the entity, it is 'fair' if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the asset being acquired. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Our analysis has been performed by comparing the value of the:

- ▶ Assets to be Acquired by Velocity, being Dealt and AMF; and
- ▶ Financial benefit being provided by Velocity for Dealt and AMF, being the Consideration.

### **2.5. Reasonableness - Proposed Transaction**

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it notwithstanding that it may not be regarded as 'fair'.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- ▶ the bidder's pre-existing voting power in securities in the target;
- ▶ other significant security holding blocks in the target;
- ▶ the liquidity of the market in the target's securities;
- ▶ taxation losses, cash flow or other benefits through achieving 100% ownership of the target;

- ▶ any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc.;
- ▶ the likely market price if the offer is unsuccessful; and
- ▶ the value to an alternative bidder and likelihood of an alternative offer being made.

## **2.6. General requirements in relation to the IER**

In preparing the IER ASIC requires the independent expert, when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Proposed Transaction. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- ▶ particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO Services Pty Ltd or BDOCF and any of the parties to the Proposed Transaction;
- ▶ the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- ▶ that we have relied on information provided by the Directors and Management of Velocity and that we have not carried out any form of audit or independent verification of the information provided; and
- ▶ that we have received representations from the Directors and Management of Velocity in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

## **2.7. Assessment of the Proposed Management Agreement**

We have compared the terms of the Proposed Management Agreement to similar agreements in the market. Based on this analysis, we have assessed whether the Proposed Management Agreement represents fair market value.

## **2.8. Assessment of the Proposed Responsible Entity Fee**

We have compared the terms of the Proposed Responsible Entity Fee agreement to similar agreements in the market. Based on this analysis, we have assessed whether the Proposed Responsible Entity Fee represents fair market value.

## **2.9. Assessment of the Proposed Financial Advisory Fee**

We have compared the terms of the Proposed Financial Advisory Fee to similar agreements in the market. Based on this analysis, we have assessed whether the Proposed Financial Advisory Fee is fair and reasonable to Shareholders.

## **2.10. Special value**

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the FMV. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of FMV as it relates to the individual circumstances of special purchasers.

## **2.11. Reliance on information**

This IER is based upon financial and other information provided by the Directors, Management and other representatives of Velocity. We have also been provided with information directly by representatives of Velocity. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, Velocity has agreed to indemnify BDOCF and BDO Services Pty Ltd, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

## 2.12. Limitations

We acknowledge that this IER may be lodged by the Directors with regulatory and statutory bodies and will be included in the Transaction Document to be sent to the Shareholders. The Directors acknowledge that our IER has been prepared solely for the purposes noted in the Transaction Document and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of Velocity. We understand that the Directors have been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

We note that the IER does not deal with the individual investment circumstances of the Shareholders and no opinion has been provided in relation to same. Some individual Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the Proposed Transaction is fair and reasonable. An individual Shareholder's decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Transaction Document or any other document. We have provided consent for inclusion of the IER in the Transaction Document. Our consent and the Transaction Document acknowledge that we have not been involved with the issue of the Transaction Document and that we accept no responsibility for the Transaction Document apart from the IER.

## 2.13. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- ▶ assumptions outlined in the valuation sections;
- ▶ that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- ▶ information sent out in relation to the Proposed Transaction to the Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects;
- ▶ publicly available information relied on by us is accurate, complete and not misleading;
- ▶ if the Proposed Transaction is implemented, that it will be implemented in accordance with the stated terms;
- ▶ the legal mechanisms to implement the Proposed Transaction are correct and effective; and
- ▶ there are no undue changes to the terms and conditions of the Proposed Transaction or material issues unknown to us.

## 3. PROFILE OF VELOCITY

### 3.1. Overview

Velocity is a public company listed on the Australian Securities Exchange (ASX:VP7) based in Brisbane, Australia, and is a boutique residential property development company specialising in luxury residential apartments, townhouses and homes. As a vertically integrated business, Velocity manages the project development process from site sourcing, concept design, through to marketing, sales and the final handover of the completed product. Design and construction of the projects are tendered out to external parties.

### 3.2. Strategic and operational review

The impact of the COVID-19 crisis since March 2020 presented a range of operational challenges for the Company and significantly impacted its operations. As such, on 29 July 2020, the Board of Velocity announced that it would undertake a strategic and operational review to assess the options available to the Company.

The strategic review resulted in the Company selling its Two27 development site in Palm Beach, QLD in July. Further, the Company noted that it would assess the various options available to Velocity to maximise value for all shareholders and provide an update on these when it announces its FY20 results. As at the date of this report Velocity had no active development projects.

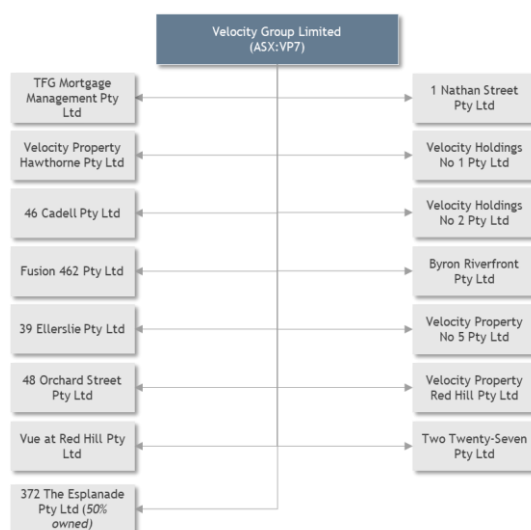
On 7 August 2020, Velocity received a proposal from 360 Capital Group to restructure and recapitalise the Company and expand its activities to real estate financing and debt activities, within Australia and New Zealand including but not limited to:

- ▶ Undertaking of up to a \$100m recapitalisation;
- ▶ restructuring Velocity into a stapled security by stapling a trust to the Company; and
- ▶ acquiring 100% of the equity Dealt and AMF.

### 3.3. Company structure

An overview of Velocity's company structure is illustrated below:

**Figure 2: Corporate structure<sup>1</sup>**



Source: Velocity Annual Report as at 30 June 2020, Management information

<sup>1</sup> Dormant entities include 1 Nathan Street, Velocity Holdings No 1, 46 Cadell, 48 Orchard & Vue at Red Hill. These five entities are currently going through a members voluntary liquidation with ASIC documents lodged in mid-September 2020.

### 3.4. Directors and management

The current board of directors of Velocity consists of four members, as indicated below.

**Table 3: Directors and key management personnel**

Director/manager name	Capacity
Mr Peter Lewis	Chairman & Non-executive Director
Mr Tony Pitt*	Director (Non-executive)
Mr Philip Raff	Managing Director (Executive)
Mr James Storey*	Director (Non-executive)
Mr Phillip Young	Chief Financial Officer & Company Secretary

Note: Tony Pitt is also the Managing Director at 360 Capital Group and James Storey is the Head of Real Assets at 360 Capital Group

Source: Management information

### 3.5. Historical Statement of Profit or Loss and Other Comprehensive Income

The historical statements of profit or loss and other comprehensive income of Velocity are set out in the table below. The income statements for the financial years ended 30 June 2018 (FY18), 30 June 2019 (FY19) and 30 June 2020 (FY20) are based on audited financial statements.

**Table 4: Velocity's Historical Statement of Profit or Loss and Other Comprehensive Income**

\$'000s	Notes	FY18	FY19	FY20
<b>Revenue</b>				
Revenue from sales of properties	1	17,149	38,175	49,069
Other revenue from operations		254	652	679
<b>Total revenue</b>		<b>17,402</b>	<b>38,827</b>	<b>49,748</b>
<b>Expenses</b>				
Cost of property development and construction	2	(13,986)	(32,027)	(53,040)
Employee benefits expense		(1,158)	(1,278)	(1,831)
Depreciation and amortisation expense		(13)	(39)	(45)
Administration and other expenses	3	(2,094)	(2,417)	(4,164)
<b>Total expenses</b>		<b>(17,250)</b>	<b>(35,761)</b>	<b>(59,080)</b>
<b>Profit/(loss) before income tax (expense)/benefit</b>		<b>152</b>	<b>3,066</b>	<b>(9,333)</b>
Income tax (expense)/benefit		(54)	(763)	14
<b>Profit/(loss) after income tax (expense)/benefit</b>		<b>98</b>	<b>2,303</b>	<b>(9,318)</b>
Other comprehensive income for the year, net of tax		-	-	-
<b>Total comprehensive income for the year</b>		<b>98</b>	<b>2,303</b>	<b>(9,318)</b>
<i>Profit/(loss) for the year is attributable to:</i>				
Non-controlling interest		(60)	1,698	409
Shareholders of Velocity Property Group Limited		158	605	(9,727)
<b>Total comprehensive income/(loss) for the year</b>	<b>4</b>	<b>98</b>	<b>2,303</b>	<b>(9,318)</b>

Source: Velocity Annual Report as at 30 June 2018, 30 June 2019 and 30 June 2020

Notes to the above statement of profit or loss and other comprehensive income are detailed below:

1. Revenue increased 122% to \$38.6m in FY19 following the completion of The Hathaway and ONE Palm Beach Developments. Growth in FY20 was 28% to \$49.7m driven by the sales at the completion of the ONE Bulimba Riverfront and Parque on Oxford developments. Development activities in this period were impacted by the onset of COVID-19.
2. The net realisable value of inventory was written down by \$4.7m as a result of reduction in property values due to COVID-19.
3. A \$1.1m net fair value loss was realised on Velocity's investment properties in FY20 based on independent third party valuations, carried out on all of Velocity's residential investment properties.
4. Of the \$9.3m loss in FY20, \$400k was attributable to the non-controlling interests and \$9.7m attributable to the Shareholders of Velocity.

### 3.6. Historical Statement of Financial Position

The Historical Statement of Financial Position for Velocity as at 30 June 2018, 30 June 2019 and 30 June 2020, as per the audited statutory accounts, and as at 31 October 2020 as per management accounts, are set out below.

**Table 5: Velocity's Historical Statement of Financial Position**

\$'000s	Notes	30-Jun-18 Audited	30-Jun-19 Audited	30-Jun-20 Audited	31-Oct-20 Mgmt Acct
<b>Assets</b>					
Cash and cash equivalents		3,720	1,839	2,615	4,028
Trade and other receivables		63	50	115	-
Inventories	1	64,941	86,134	56,416	44,444
Other current assets		311	632	171	539
<b>Total current assets</b>		<b>69,036</b>	<b>88,656</b>	<b>59,316</b>	<b>49,011</b>
Investment properties	2	7,214	7,018	5,955	5,955
Property, plant and equipment		1,096	1,119	1,058	51
Intangibles		3	27	42	-
<b>Total non-current assets</b>		<b>8,313</b>	<b>8,165</b>	<b>7,055</b>	<b>6,006</b>
<b>Total assets</b>		<b>77,349</b>	<b>96,821</b>	<b>66,371</b>	<b>55,017</b>
<b>Liabilities</b>					
Trade and other payables		3,950	3,425	1,126	-
Borrowings	3	43,763	62,105	36,094	27,808
Income tax		-	1,050	1,112	-
Employee benefits		26	76	120	-
Redeemable preference shares	4	3,197	922	922	-
Other current liabilities		-	-	-	1,719
<b>Total current liabilities</b>		<b>50,936</b>	<b>67,578</b>	<b>39,375</b>	<b>29,527</b>
Borrowings		7,783	8,596	15,310	15,462
Deferred tax		689	402	26	-
<b>Total non-current liabilities</b>		<b>8,473</b>	<b>8,998</b>	<b>15,336</b>	<b>15,462</b>
<b>Total liabilities</b>		<b>59,408</b>	<b>76,576</b>	<b>54,711</b>	<b>44,989</b>
<b>Net assets</b>		<b>17,941</b>	<b>20,244</b>	<b>11,660</b>	<b>10,030</b>
<b>Equity</b>					
Issued capital		15,217	15,217	15,951	15,951
Reserves		473	473	473	473
Retained profit		2,390	2,994	(6,733)	(8,364)
<b>Equity attributable to shareholders of Velocity</b>		<b>18,079</b>	<b>18,684</b>	<b>9,690</b>	<b>8,059</b>
Non-controlling interest		(138)	1,561	1,970	1,970
<b>Total equity</b>		<b>17,941</b>	<b>20,244</b>	<b>11,660</b>	<b>10,030</b>

*Note: In the October 2020 management accounts, trade and other receivables are contained within other current assets. Trade and other payables, income tax and employee benefits are contained within other current liabilities. Redeemable preference shares are contained within current borrowings.*

*Source: Velocity Annual Report as at 30 June 2018, 30 June 2019 and 30 June 2020, and Velocity management accounts as at 31 October 2020*

Notes to the above statement of financial position are detailed below:

1. Inventories relate to ready for sale or in-process property developments and relevant expenditure such as land consultants, construction costs, statutory charges and finance costs. Development projects are recorded at the lower of cost or net realisable value. As at 30 June 2020, Velocity's active development portfolio is presented below in Table 6. Post 30 June 2020, Velocity has settled the sale of a number of townhouses, apartments and a commercial office. Further, it has unconditional sale contracts for the final townhouse at ONE Bulimba Riverfront and the Two27 Palm Beach development site settling in the final quarter of the 2020 calendar year.



**Table 6: FY20 development projects outstanding**

Property	Updates
ONE Palm Beach	Settlements commenced in FY19 and continued in FY20 resulting in the development being 94% sold with the last remaining apartment exchanging post 30 June 2020.
Ellerslie Residences and Parque on Oxford	The remaining three houses sold during the current period and the Ellerslie Residences stage of the development is now sold out. Settlements at Parque on Oxford commenced in January 2020 and continued throughout FY20 with 44% sold as at 30 June 2020. Since balance date, one apartment and two townhouses have also settled and the Group anticipates the remaining apartment & townhouses to sell in FY21.
ONE Bulimba Riverfront	Initial settlements commenced in December 2019 and continued through FY20 with 50% sold as at 30 June 2020. Since balance date, a further four apartments have settled. Sales had initially been slower than expected immediately after completion due to market conditions and the onset of COVID-19. Sales are now progressing steadily and the Group anticipates the remaining townhouse and apartments to sell in FY21.
Two27, Palm Beach	The Group completed the demolition of the existing dwellings in anticipation of commencing construction before the onset of the COVID-19 pandemic. Construction commencement was delayed and the uncertainty of the local resale estate market resulted in a decision to sell the site. On 29 July, the Group announced they had an unconditional contract for the sale of the site at \$11.2m and the property was sold.
First Avenue, Burleigh Heads	The Group finally received unconditional development approval in July 2020 and is currently reviewing multiple options with respect to this site and the adjoining properties the Group controls.

Source: Velocity FY20 Annual Report

- Velocity held ten residential investment properties in Queensland as at 30 June 2020. These properties were independently valued at 30 June 2020 resulting in a reduction in the value of these assets of \$1.1m.
- Borrowings consist of bank loans, non-bank loans and a \$10m loan note facility from 360 Capital Group. The notes mature in December 2021 and are convertible into ordinary shares (subject to shareholder approval) at \$1.40 per share (originally convertible 4 cents per share but adjusted after 35:1 share consolidation in March 2020). In FY20, the Singapore non-bank working capital facility was settled using funds from 360 Capital Group's investment. We note that in FY20, Velocity repaid all of its foreign currency borrowings, with no foreign currency assets or liabilities as at 30 June 2020 held by the group. The assets of trading stock, investment properties and lands and buildings have been pledged as security for the current and non-current borrowings.
- Redeemable preference shares in FY18, FY19 and FY20 relate to the ONE Palm Beach Project. Velocity held a 50% stake with another project partner (former land owner), who owned the remaining 50%. This represents the remaining value of the original contribution of the land site by the former land owner, net of proceeds received when the site was acquired by Velocity. The redeemable preference shares were repaid from the final net proceeds on the sale of the project after all secured project debt is repaid.

### 3.7. Ordinary shares

The top ten shareholders of Velocity held c.50% of the total shares on issue at 28 August 2020. The top ten shareholders as per latest shareholders register are set out below.

**Table 7: Velocity top 10 shareholders**

Rank	Shareholder	Current shares	% of total shares
1	TGP TOT JV Pty Limited*	2,276,766	19.99%
2	Mr Philip John Raff	1,051,177	9.23%
3	Evergreen Street Pty Ltd	918,898	8.07%
4	8 Investment Pte. Ltd.	380,849	3.34%
5	Mr Brendon Craig Ansell	294,011	2.58%
6	Mr Regan Lee Baker	201,177	1.77%
7	Citicorp Nominees Pty Limited	169,528	1.49%
8	HSBC Custody Nominees (Australia) Limited	168,656	1.48%
9	Mr Soon Piang Lincoln Teo	144,585	1.27%
10	Eng Seng Lau	109,609	0.96%
<b>Top ten shareholders</b>		<b>5,715,256</b>	<b>50.18%</b>
Other shareholders		5,674,681	49.82%
<b>Total shareholders</b>		<b>11,389,937</b>	<b>100.00%</b>

Note: TGP TOT JV Pty Limited is the joint venture between 360 Capital Group and 360 Capital REIT

Source: Velocity shareholder register at 28 August 2020



### 3.8. Share options

As at 30 June 2020, there were 7,142,858 options outstanding in relation to Velocity ordinary shares. These options are those attached to the \$10m debt provided by the 360 Capital Group as discussed at Note 3 of Section 3.6.

## 4. PROFILE OF THE 360 CAPITAL GROUP

### 4.1. Overview

The 360 Capital Group is an investment and funds management group, focussed on strategic and active management of alternative assets. Its four investment strategies which make up its alternative assets management and investment strategy are:

- ▶ real assets;
- ▶ private equity;
- ▶ public equity; and
- ▶ credit.

### 4.2. Company structure

360 Capital Group comprises 360 Capital Group Limited together with 360 Capital Investment Trust, a listed stapled security (ASX:TGP). 360 Capital Group manages the following listed stapled entities; 360 Capital REIT (TOT) (ASX:TOT) comprising 360 Capital Passive REIT and 360 Capital Active REIT and 360 Capital Digital Infrastructure Fund (ASX:TDI) comprising 360 Capital digital Infrastructure Fund and 360 Capital Digital Fund 2 (Funds), these Funds comprise managed investment schemes listed on the ASX. These Funds are externally managed by 360 Capital FM Limited, the responsible entity, which is a wholly-owned subsidiary of 360 Capital Group Limited.

### 4.3. Investment in Velocity

In December 2019, 360 Capital Group and TOT acquired a 19.99% equity stake in Velocity via their 50/50 joint venture investment company TGP TOT JV Pty Ltd. The transaction included a subscription for shares and notes, as well as a commitment from 360 Capital REIT (TOT) to provide Velocity with a residual stock facility for Velocity's Bulimba project, totalling \$23.7m for an 18-month term.

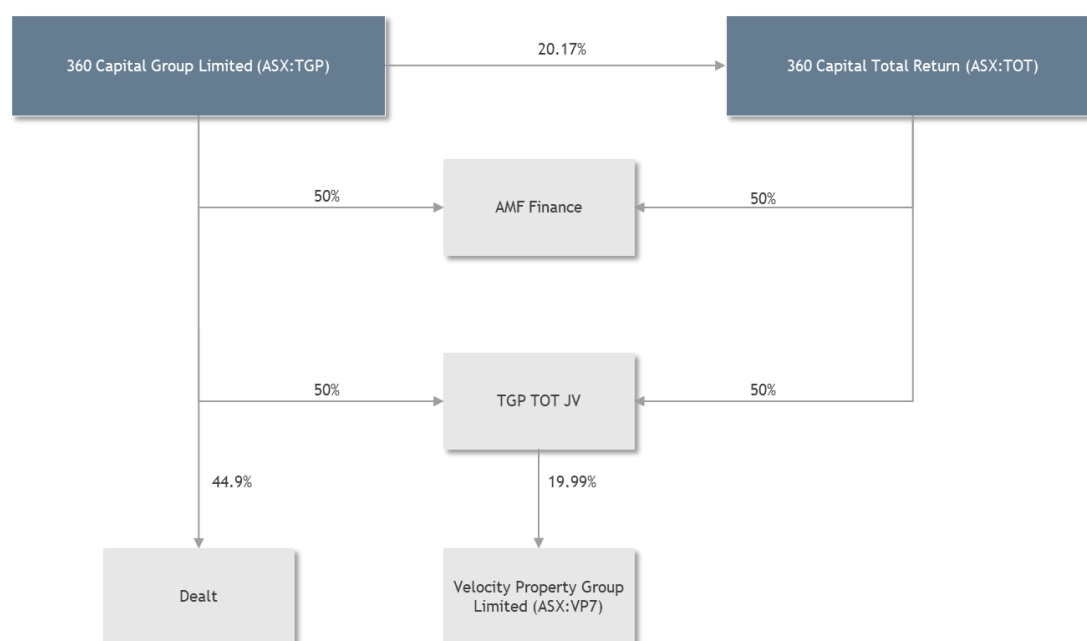
### 4.4. Investment in Dealt and AMF

Currently, 360 Capital Group owns 44.99% of Dealt. Talos owns 10% of Dealt, and the remaining 45.01% interest is held separately by Tony Pitt (director of 360 Capital Group), James Storey and Glenn Butterworth (both key management of 360 Capital Group).

AMF is 50% owned by 360 Capital Group and 50% owned by TOT.

A graphical representation of the above investments is set out below.

**Figure 3: Corporate Structure**



Source: 360 Capital Group FY20 Annual Report

Note: 360 Capital Group Limited (ASX:TGP) increased their holding in 360 Capital Total Return (ASX:TOT) from 19.99% as at 30 June 2020 to 20.17% as at 17 December 2020 as a result of TOT buybacks performed throughout the period.

#### 4.5. Directors and management

The board of directors and senior management of 360 Capital Group are set out below.

**Table 8: Directors and key management personnel**

Director/manager name	Capacity
Mr David van Aanholt	Independent Chairman
Mr Tony Pitt	Group Managing Director
Mr William Ballhausen	Non-Executive Independent Director
Mr Andrew Moffatt	Non-Executive Independent Director
Mr Graham Lenzner	Non-Executive Independent Director
Mr Glenn Butterworth	CFO and Joint Company Secretary
Mr James Storey	Head of Real Assets
Mr Christopher Chase	Head of Private Credit
Mr Dennison Hambling	Head of Public and Private Equity

Source: 360 Capital Group Annual Report as at 30 June 2020

### 5. PROFILE OF DEALT

#### 5.1. Overview of Dealt

Founded in 2018, Dealt is a financial technology company that has developed an online real estate loan origination, underwriting, negotiation, and execution platform. Dealt's platform searches for products from over 150 lenders and matches to the requirements of each borrower. Lenders are then given the opportunity to bid on loans of interest and negotiate terms.

Dealt's goal is to provide a marketplace where lenders and borrowers can more efficiently transact, by facilitating the collection, transfer and analysis of information to enable the subsequent negotiation and approval of deals. Dealt has recently closed its first deal and has a pipeline for future revenue generation.

The development of the initial prototype commenced in October 2018, with Talos engaged in January 2019 to develop the online application. Dealt raised seed capital in June 2019 from 360 Capital to complete development of the platform and Dealt was launched in early 2020.

In July 2019, 360 Capital Group acquired a 50% interest in Dealt. In September 2020, Talos acquired 10% of the outstanding equity.

A schedule of the outstanding shareholdings is set out below.

**Table 9: Dealt capitalisation**

Shareholder	Shares held	Ownership %
360 Capital	253,499	45%
Glenn Butterworth	84,500	15%
Tony Pitt	84,500	15%
James Storey	84,500	15%
Talos LLC	56,333	10%
<b>Total shares outstanding</b>	<b>563,331</b>	<b>100%</b>

Source: 360 Management information

#### Key development milestones

Dealt's initial development feasibility product was launched in November 2019, with a soft launch of its site finance product occurring in March 2020. All other products are expected to be launched in October 2020.

Dealt has partnered with Archistar, a property technology and generative design company which assists property professionals find, assess and design profitable property development sites anywhere in Australia. Further, Dealt is also in advanced discussions with another group to become the finance provider for its listing sites.

On 3 September 2020, Dealt issued 56,333 shares to Talos. These shares represented 10% of the share capital of Dealt.

The shares were issued to Talos as:

1. A payment of an invoice for services rendered. This invoice was for US\$166,605 and related to website development, customer relationship management (CRM), and project management.
2. A prepayment for future services to be provided. The services to be provided by Talos were valued at US\$128,395 and relates to additional development of the website and CRM, and streamlining of processes including capturing and organising user data.

360 Management has advised that the value of the invoices were negotiated on arm's length terms, and that the same amount would have been paid in cash if Talos had not agreed to accept shares.

## 5.2. Dealt's Historical Statement of Profit or Loss and Other Comprehensive Income

The historical statements of profit or loss and other comprehensive income of Dealt are set out in the table below. The income statements for the financial years FY19 and FY20 are based on management accounts.

**Table 10: Dealt's Historical Statement of Profit or Loss and Other Comprehensive Income**

\$'000s	FY19	FY20
<b>Expenses</b>		
Finance charges	(0)	(1)
Meals and entertainment	(0)	(3)
Marketing and advertising	(1)	(63)
Salary and wages	-	(129)
Operating and maintenance	(0)	(25)
Taxes and insurance	-	(25)
<b>Total expenses</b>	<b>(2)</b>	<b>(245)</b>
<b>Net income/(loss)</b>	<b>(2)</b>	<b>(245)</b>

Source: 360 Management information

## 5.3. Dealt's Historical Statement of Financial Position

The Historical Statement of Financial Position for Dealt as at 30 June 2019 and 30 June 2020, as per the management accounts, are set out below.

**Table 11: Dealt's Historical Statement of Financial Position**

\$'000s	30-Jun-19	30-Jun-20
<b>Assets</b>		
Cash and cash equivalents	1	9
Other current assets	(43)	27
<b>Total current assets</b>	<b>(42)</b>	<b>36</b>
Software	292	978
Patents and trademarks	-	30
<b>Total assets</b>	<b>250</b>	<b>1,045</b>
<b>Liabilities</b>		
GST refunded	-	25
<b>Total current liabilities</b>	<b>-</b>	<b>25</b>
<b>Total liabilities</b>	<b>-</b>	<b>25</b>
<b>Net assets</b>	<b>250</b>	<b>1,020</b>
<b>Equity</b>		
Common stock	252	1,267
Retained earnings	(2)	(247)
<b>Total equity</b>	<b>250</b>	<b>1,020</b>

Source: 360 Management Information

## 6. PROFILE OF AMF

### 6.1. Overview of AMF

AMF is 50% owned by 360 Capital Group and 50% owned by TOT. Based in Sydney, Australia, and established in 2017, AMF Finance originates alternative lending and structured financing solutions to Australian real estate investors and developers, and receives all establishment fees on developed transactions written by 360 Capital Group entities, including TOT.

AMF has developed a data base of over 2,700 finance brokers, developers and market participants who receive regular updates and correspondence. AMF generates revenue via an introducer/referrer incentivisation program and facilitates on-line applications, and utilises standardised loan documentation which can facilitate financial close within two to four weeks subject to the status of the valuation report and nature of the loan.

AMF's commercial real estate debt origination/brokerage business has generated transactions across the capital stack for various property asset classes including but not limited to multi dwelling residential, accommodation, childcare, over 55s seniors living, medical centres and office. Transactions have included:

- ▶ Structured Finance
- ▶ Bridging Investment Finance
- ▶ Site Finance
- ▶ Stretch Senior Commercial Development Finance
- ▶ Mezzanine Commercial Property Finance

### 6.2. AMF's Historical Statement of Profit or Loss and Other Comprehensive Income

The historical statements of profit or loss and other comprehensive income of AMF are set out in the table below. The income statements for the financial years FY18, FY19 and FY20 are based on management accounts.

**Table 12: AMF's Historical Statement of Profit or Loss and Other Comprehensive Income**

\$'000s	Notes	FY18*	FY19	FY20
<b>Revenue</b>				
Application fee revenue	1	1,373	830	1,388
Interest income		-	16	10
<b>Total revenue</b>		<b>1,373</b>	<b>846</b>	<b>1,397</b>
Other income		-	31	54
<b>Total revenue and other income</b>		<b>1,373</b>	<b>877</b>	<b>1,451</b>
<b>Expenses</b>				
Employment expenses		(264)	(554)	(524)
Administration expenses		(139)	(199)	(555)
<b>Total expenses</b>		<b>(403)</b>	<b>(753)</b>	<b>(1,079)</b>
<b>EBIT</b>		<b>970</b>	<b>124</b>	<b>372</b>
Income tax benefit/(expense)		(267)	(34)	(104)
<b>Statutory profit after tax</b>		<b>703</b>	<b>90</b>	<b>268</b>

\*FY18 represents a stub period for the 8 months ended 30 June 2018 as the Company began operations in October 2017.

Source: 360 Management information

Notes to the above statement of profit or loss and other comprehensive income are detailed below:

1. Revenue increased by 65% in FY20 largely due to \$429k in broker establishment fees which offset directly in administrative expenses. Without the broker establishment fees, revenue grew by approximately 16.5% in FY20. FY18's revenue was \$1.4m and was driven by a lack of liquidity in the non-bank market which allowed AMF to charge higher fees. Management of AMF does not expect this level of fees to be sustainable in the future.

### 6.3. AMF's Historical Statement of Financial Position

The Historical Statement of Financial Position for AMF as at 30 June 2018, 30 June 2019 and 30 June 2020, as per the management accounts, are set out below.

**Table 13: AMF's Historical Statement of Financial Position**

\$'000s	30-Jun-18	30-Jun-19	30-Jun-20
<b>Assets</b>			
Cash and cash equivalents	-	782	316
Receivables	1,081	23	(48)
<b>Total current assets</b>	<b>1,081</b>	<b>805</b>	<b>268</b>
<b>Total assets</b>	<b>1,081</b>	<b>805</b>	<b>268</b>
<b>Liabilities</b>			
Trade and other payables	111	71	(7)
Deferred tax liability	-	(59)	(59)
Provision for income tax	267	-	(27)
<b>Total current liabilities</b>	<b>378</b>	<b>12</b>	<b>(93)</b>
<b>Total liabilities</b>	<b>378</b>	<b>12</b>	<b>(93)</b>
<b>Net assets</b>	<b>703</b>	<b>793</b>	<b>361</b>
<b>Equity</b>			
Retained earnings	703	793	361
<b>Total equity</b>	<b>703</b>	<b>793</b>	<b>361</b>

Source: Management information

Management advise that Velocity will acquire 100% of the shares of AMF, including cash, noting that the quantum will be reduced by way of a cash dividend be paid prior to completion.

## 7. OVERVIEW OF THE PROPOSED MANAGEMENT AGREEMENT

In addition to the Proposed Transaction, the Company will enter into an IMA with 360 Capital Group. The 360 Capital Group will provide asset and fund administration services to the Company. The fee for these services is 0.60% per annum of the gross asset value of the Dealt Trust that will be stapled to the Company.

## 8. OVERVIEW OF THE PROPOSED RESPONSIBLE ENTITY FEE

Under the Dealt Trust constitution, the Responsible Entity will be entitled to receive a management fee of up to 0.65% per annum of the gross asset value of the Dealt Trust for performing its role as the responsible entity. The Responsible Entity will be reimbursed for costs incurred in the proper performance of its duties. However, the Responsible Entity will only be paid 0.05% for so long as the group investment manager is appointed under the IMA. The Responsible Entity will exercise its right to be reimbursed costs incurred in the proper performance of its duties.

## 9. OVERVIEW OF THE PROPOSED FINANCIAL ADVISORY FEE

Under the agreement with Cambridge, it is proposed that Velocity will pay the following:

- Financial Advisory Fee: a financial advisory fee of 1.0% of the total equity capital raised by the Company under the transaction to Cambridge payable promptly on the day the Company receives the subscription moneys payable for all of the units offered under the transaction; and
- Reimbursement of expenses: in addition to any fees payable to Cambridge, the Company will reimburse Cambridge for all expenses incurred in entering into and performing services under the agreement including fees, disbursements and other charges of Cambridge's legal counsel.

## 10. FAIRNESS ASSESSMENT AND VALUATION METHODOLOGY

### 10.1. Fairness assessment overview

The Proposed Transaction is fair if the value of the Assets to be Acquired is less than or equal to the value of the Consideration Shares.

Accordingly, we have undertaken an assessment of:

- ▶ The value of the Assets to be Acquired (100% of the shares in Dealt and AMF); and
- ▶ The value of the Consideration Shares (13.2 million Velocity shares) plus \$400,000 in cash.

The valuation methods commonly used for the above analyses are considered below.

### 10.2. Valuation methods

Details of common methodologies for valuing businesses and assets are included at Appendix 3. The principal methodologies which can be used are as follows:

- ▶ Discounted cash flow (DCF)
- ▶ Capitalisation of earnings (COE)
- ▶ Net asset value (NAV)
- ▶ Net tangible assets on a realisation basis (NRV)
- ▶ Quoted market price basis (QMP).
- ▶ Recent capital raise

Set out below is a discussion around the valuation methods we consider appropriate for the purposes of undertaking our valuation assessment of the Assets to be Acquired and the Consideration Shares.

### 10.3. Selected valuation methods for the Assets to be Acquired and Consideration Shares

In accordance with RG 111.15, we have considered the fair market value of the Assets to be Acquired and the Consideration Shares on the basis of “a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid”. This approach does not take into account the particular circumstances of any specific transaction, and therefore we have not considered whether there is any premium in value attached to the strategic benefits or gains from synergies that may be inherent in an acquisition by a specific party, e.g. an industry competitor or supplier.

We consider the most appropriate valuation methodologies to be as follows;

**Table 14: Selection of valuation methodology - Consideration Shares**

Methodology	Appropriate	Explanation
QMP	✓	The QMP method represents the value that a Velocity Shareholder can receive for a share if sold on the ASX market.  The QMP basis is a relevant methodology to consider because Velocity shares are listed on the ASX and this reflects the value that a Velocity Shareholder will receive when selling to a willing but not anxious buyer. This price means that there is a regulated and observable market where Velocity shares can be traded. However, in order for the QMP to be considered appropriate, the Company's shares should be sufficiently liquid and the market should be fully informed of the Company's activities.
NAV	✓	The NAV approach considers the valuation of the net assets on a going concern basis and is usually appropriate where the majority of assets consist of cash or passive investments, or where the business is under performing. All assets and liabilities of the entity are valued at market value under this method and the combined market value forms the basis for the entity's valuation.

We have considered the following methodologies;

- ▶ We have not utilised the DCF methodology as there were no readily available forecasts at the time of the valuation.
- ▶ We have not utilised the COE methodology as Velocity has no active developments at this time. The Company is best valued using the assets currently available for sale on the balance sheet rather than historical earnings which may be different from future earnings.

**Table 15: Selection of valuation methodology - AMF**

Methodology	Appropriate	Explanation
COE	✓	The COE method places value on a business by estimating the likely future maintainable earnings (FME), capitalised at an appropriate multiple which reflects business outlook, business risk, investor expectations, future growth prospects, and other entity specific factors. The multiple is sourced from publicly traded comparable companies to understand the industry's pricing characteristics. Given AMF has historical earnings and would likely trade on a multiple of earnings in the open market, this approach is preferred.
NAV	✓	The NAV approach considers the valuation of the net assets on a going concern basis and is usually appropriate where the majority of assets consist of cash or passive investments, or where the business is under performing. All assets and liabilities of the entity are valued at market value under this method and the combined market value forms the basis for the entity's valuation. AMF has been valued using the balance sheet as at 30 June 2020.

We have considered the following methodologies;

- ▶ We have not utilised the DCF methodology as there were no readily available forecasts at the time of the valuation.
- ▶ We have not utilised the QMP methodology as AMF does not trade on a public exchange.

**Table 16: Selection of valuation methodology - Dealt**

Methodology	Appropriate	Explanation
Recent capital raise	✓	The recent capital raise method places value on a business by utilising the actual transaction price for shares in Dealt. The methodology provides an accurate measure of value for the Company providing that the share price in the transaction was negotiated at arms-length and that neither party was under compulsion to buy/sell. Since it appears the selected Dealt capital raise was negotiated at arm's length with an unrelated third party, we consider this approach to be reliable.
NAV	✓	The NAV approach considers the valuation of the net assets on a going concern basis and is usually appropriate where the majority of assets consist of cash or passive investments, or where the business is under performing. All assets and liabilities of the entity are valued at market value under this method and the combined market value forms the basis for the entity's valuation. Dealt has been valued using the balance sheet as at 30 June 2020.

We have considered the following methodologies;

- ▶ We have not utilised the DCF methodology as there were no readily available forecasts at the time of the valuation.
- ▶ We have not utilised the QMP methodology as Dealt does not trade on a public exchange.
- ▶ We have not utilised the COE methodology as Dealt is a pre-revenue, early-stage company with no historical earnings.

#### **10.4. Assessment of the Proposed Management Agreement**

We have compared the terms of the Proposed Management Agreement to similar agreements in the market. Based on this analysis, we have assessed whether the Proposed Management Agreement is on fair market terms.

#### **10.5. Assessment of the Proposed Responsible Entity Fee**

We have compared the terms of the Proposed Responsible Entity Fee to similar agreements in the market. Based on this analysis, we have assessed whether the Proposed Responsible Entity Fee is on fair market terms.

#### **10.6. Assessment of the Proposed Financial Advisory Fee**

We have compared the terms of the Proposed Financial Advisory Fee to similar agreements in the market. Based on this analysis, we have assessed whether the Proposed Financial Advisory Fee is fair and reasonable to Shareholders.

#### **10.7. Other valuation considerations**

##### **10.7.1. Future events**

The business of Velocity, AMF, and Dealt, assumed in this valuation, is that which exists at the current date.

Other growth potential, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

##### **10.7.2. Valuation in accordance with APES 225**

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

## 11. VALUATION OF ASSETS TO BE ACQUIRED - AMF

See below for the valuation assessment of the AMF, based upon the COE, and NAV methods.

### 11.1. AMF COE

The FME method utilises historical financial information and normalisation adjustments to assess a normalised expectation of future earnings. An appropriate multiple is then applied to the normalised earnings to determine an enterprise value. We have assessed AMF's operating profit in FY18, FY19, and FY20 along with normalisation adjustments for FY20, as set out in the table below.

**Table 17: Historical Normalised Earnings**

\$'000s	Notes	FY18*	FY19	FY20	Adjustments	FY20 Normalised
<b>Revenue</b>						
Application fee revenue	1	1,373	830	1,388	(429)	958
Interest income		-	16	10	-	10
<b>Total revenue</b>		<b>1,373</b>	<b>846</b>	<b>1,397</b>	<b>(429)</b>	<b>968</b>
Other income		-	31	54	-	54
<b>Total revenue and other income</b>		<b>1,373</b>	<b>877</b>	<b>1,451</b>	<b>(429)</b>	<b>1,022</b>
<b>Expenses</b>						
Employment expenses		(264)	(554)	(524)	-	(524)
Administration expenses	2	(139)	(199)	(555)	458	(97)
<b>Total expenses</b>		<b>(403)</b>	<b>(753)</b>	<b>(1,079)</b>	<b>458</b>	<b>(621)</b>
<b>EBIT</b>		<b>970</b>	<b>124</b>	<b>372</b>	<b>28</b>	<b>401</b>

\*FY18 represents a stub period for the 8 months ended 30 June 2018 as the Company began operations in October 2017.

Source: 360 Management information

The following adjustments have been made to the stated FY20 earnings;

1. Application fee revenue

This adjustment relates to the reallocation of \$429k related to broker establishment fees recorded as an expense that should have been recorded against revenue.

2. Administration expenses

This adjustment relates to the \$429k broker establishment fee adjustment discussed above, plus a \$28k termination fee adjustment. Per Management, the termination fee adjustment relates to a one-time employee termination payment that is considered non-recurring.

No normalisation adjustments were identified in FY18 and FY19. We note the normalised EBIT ranges from \$124k in FY19, to \$970k in the FY18 stub period. We do note that AMF generated high revenue in FY18 due to advantageous market conditions. 360 Management has advised that going forward, overheads are expected to approximate \$650k and revenue will be dependent on the deals and capital available, with the current average at approximately \$1m fees per year (i.e. EBIT of \$350k). This does not consider any synergies that may arise as a result of the Proposed Transaction.

Considering the above, we have adopted an EBIT range of \$350k to \$400k which incorporates the FY20 normalised EBIT as well as 360 Management's future expectations of AMF's performance on a standalone basis.

**Table 18: Selected FME range for AMF**

\$'000s	Selected FME range	
	Low	High
Concluded FME	350	400

Source: BDOCF analysis

#### 11.1.1. AMF Selected Multiple

To determine our selected multiple, we analysed a range of comparable companies all operating within the finance brokerage and similar industries which also generate their revenue from application fees. We have considered the trading multiples of companies of similar businesses listed on the ASX. We also considered multiples implied by merger and acquisition activity however, no transactions were identified with businesses similar to AMF. The results of our searches are set out in the table below. These multiples include a 20% control premium as Velocity is acquiring 100% of the equity of AMF. Full details of the companies sampled are at Appendix 4.



**Table 19: Comparable company multiples**

Company	Ticker	Country	Market* Cap (\$m)	EBIT Margin	EBIT Multiple - LFY
Consolidated Operations Group Limited	ASX:COG	Australia	105	8.3%	11.5
Mortgage Choice Limited	ASX:MOC	Australia	107	8.2%	8.8
Yellow Brick Road Holdings Limited	ASX:YBR	Australia	25	11.1%	1.3
Sequoia Financial Group Limited	ASX:SEQ	Australia	35	3.5%	7.9
N1 Holdings Limited	ASX:N1H	Australia	7	-17.0%	nmf
<b>Average</b>			<b>56</b>	<b>2.8%</b>	<b>7.4</b>
<b>Median</b>			<b>35</b>	<b>8.2%</b>	<b>8.3</b>
<i>*Includes a 20% control premium</i>					
				<b>Low</b>	<b>High</b>
<b>Selected Multiple</b>				<b>5.0</b>	<b>6.0</b>

Source: CapitalIQ and BDOCF analysis

We selected a range of 5.0x to 6.0x EBIT to value AMF. The comparable companies EBIT multiples range from 1.3x to 11.5x with a median of 8.3x. We considered the size, margins, and growth prospects of the guideline companies in relation to AMF in our multiple selection.

### 11.1.2. AMF Concluded COE Value

**Table 20: AMF COE Concluded Value**

\$'000s	AMF	
	Low	High
Concluded FME	350	400
Selected Multiple (#)	5.0	6.0
<b>Enterprise Value</b>	<b>1,750</b>	<b>2,400</b>
Plus: Cash*	316	316
Plus: Other Surplus assets/(liabilities)	-	-
Less: Debt	-	-
<b>Equity Value</b>	<b>2,066</b>	<b>2,716</b>

AMF held cash of \$316k at 30 June 2020 and cash is expected to be transferred with the business, however the quantum of cash will be reduced by way of a dividend pre disposal. We have included total cash in our assessment due to the uncertainty of the dividend and note it is not material to our fairness assessment.

Source: CapitalIQ and BDOCF analysis

As a result of the analysis and considerations discussed above. We estimate the fair value of equity for AMF to range from \$2.0m to \$2.7m.

### 11.2. AMF NAV

The net asset value of AMF is set out in the table below.

**Table 21: AMF NAV**

\$'000s	FY20
<b>Assets</b>	
Cash and cash equivalents	316
Receivables	(48)
<b>Total current assets</b>	<b>268</b>
<b>Total assets</b>	<b>268</b>
<b>Liabilities</b>	
Trade and other payables	(7)
Deferred tax liability	(59)
Provision for income tax	(27)
<b>Total current liabilities</b>	<b>(93)</b>
<b>Total liabilities</b>	<b>(93)</b>
<b>Net assets</b>	<b>361</b>

Source: Management Information

### 11.3. AMF FMV Conclusion

We utilised the FME and NAV approaches to value the equity of AMF. The results of our analyses are set out in the table below.

**Table 22: AMF FMV Conclusion**

\$'000s	Low	AMF Mid	High
FME Method	2,066	2,391	2,716
NAV Method	361	361	361
<b>Concluded Fair Value</b>	<b>2,066</b>	<b>2,391</b>	<b>2,716</b>

*Source: BDOCF analysis*

Ultimately, the NAV methodology provides a floor value for AMF, however, does not consider any future earning potential or growth. Due to a consistent history of earnings, we believe the FME method provides the most reliable valuation for AMF. We estimate the fair value of AMF's equity to range from \$2.0m to \$2.7m.

## 12. VALUATION OF ASSETS TO BE ACQUIRED - DEALT

We have valued Dealt with reference to the recent price at shares have been issued, and the value of net assets held by the business.

### 12.1. Dealt Recent Capital Raise Method

We have valued Dealt with reference to the price at which Dealt has recently issued shares.

On 3 September 2020, Dealt issues 56,333 shares to Talos. These shares represented 10% of the share capital of Dealt.

The shares were issued to Talos as:

1. A payment of an invoice for services rendered. This invoice was for US\$166,605 and related to website development, customer relationship management (CRM), and project management.
2. A prepayment for future services to be provided. The services to be provided by Talos were valued at US\$128,395 and relates to additional development of the website and CRM, and streamlining of processes including capturing and organising user data.

A summary of the payment breakdown is set out below.

**Table 23: Talos payment breakdown**

	Units	Value (\$)
Services rendered - to date	USD	165,605
Future services - as agreed	USD	128,395
<b>Total services</b>	<b>USD</b>	<b>294,000</b>
<b>USD/AUD exchange rate @ \$0.735</b>	<b>AUD</b>	<b>400,000</b>

*Source: 360 Management information*

We have been provided with invoices issued by Talos, and the related work schedules. 360 Management have advised that the value of the invoices were negotiated on arm's length terms, and that the same amount would have been paid in cash if Talos had not agreed to accept shares.

Based on the above, we have valued the 56,333 shares issued to Talos as at \$400,000. These shares represent 10% of Dealt, and the transaction implies a post money valuation of Dealt of \$4m.

We have selected a valuation range of between \$3.5 million and \$4.5 million. The low end of the range reflects that Talos' investment was made by providing services (including future services), and there is some inherent uncertainty as to the exact market value of these services. The high end of the range reflects a premium for control as Talos acquired 10% of Dealt, whereas Velocity will acquire 100% of Dealt.

**Table 24: Valuation of Dealt based on recent capital raise**

\$'000s	Low	Mid	High
Recent transaction method	3,500	4,000	4,500

Source: 360 Management information and BDOCF analysis

The concluded fair value of Dealt's equity from the recent capital raise method to range from \$3.5m to \$4.5m.

## 12.2. Dealt NAV Method

The fair value of Dealt's equity per the net asset value method is set out below.

**Table 25: Dealt NAV**

\$'000s	30-Jun-20
<b>Assets</b>	
Cash and cash equivalents	9
Receivables	(0)
Other current assets	27
<b>Total current assets</b>	<b>36</b>
Software	978
Patents and trademarks	30
<b>Total assets</b>	<b>1,045</b>
<b>Liabilities</b>	
GST refunded	25
<b>Total current liabilities</b>	<b>25</b>
<b>Total liabilities</b>	<b>25</b>
<b>Net assets</b>	<b>1,020</b>

Source: 360 Management Information

Dealt's value is derived primarily from its proprietary software and user interface. The intangible assets have been carried on the balance sheet at cost.

We estimate the value of Dealt's equity per the NAV method to be \$1.0m.

## 12.3. Dealt Concluded Value

**Table 26: Dealt Concluded Value**

\$'000s	Low	Dealt Mid	High
Recent capital raise method	3,500	4,000	4,500
NAV Method	1,020	1,020	1,020
<b>Concluded fair value</b>	<b>3,500</b>	<b>4,000</b>	<b>4,500</b>

Source: BDOCF analysis

Ultimately, the NAV methodology provides a floor value for the Company however, does not consider any future earning potential or growth. As Dealt's most recent transaction was entered into at arm's length with an unrelated third party supplier, we consider the most recent share purchase to provide the most reliable value indication for Dealt. We therefore consider the fair value of Dealt to range from \$3.5m to \$4.5m.

## 12.4. Value of the Assets to be Acquired

**Table 27: Value of the Assets to be Acquired**

\$'000s	Low	Assets to be Acquired Mid	High
AMF	2,066	2,391	2,716
Dealt	3,500	4,000	4,500
<b>Total Assets to be Acquired</b>	<b>5,566</b>	<b>6,391</b>	<b>7,216</b>

Source: BDOCF analysis

We estimate the fair value of the Assets to be Acquired to range from \$5.6m to \$7.2m.

### 13. VALUATION OF THE CONSIDERATION

We have valued the Consideration Shares by using the QMP method and NAV method.

#### 13.1. Quoted Market Prices for Velocity Securities

We have valued a Velocity share by analysing trading on the ASX.

RG 111.69 states that for the quoted market price methodology to be an appropriate methodology, there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- ▶ regular trading in a company's securities;
- ▶ approximately 1% of a company's securities are traded on a weekly basis;
- ▶ the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- ▶ there are no significant and unexplained movements in share price.

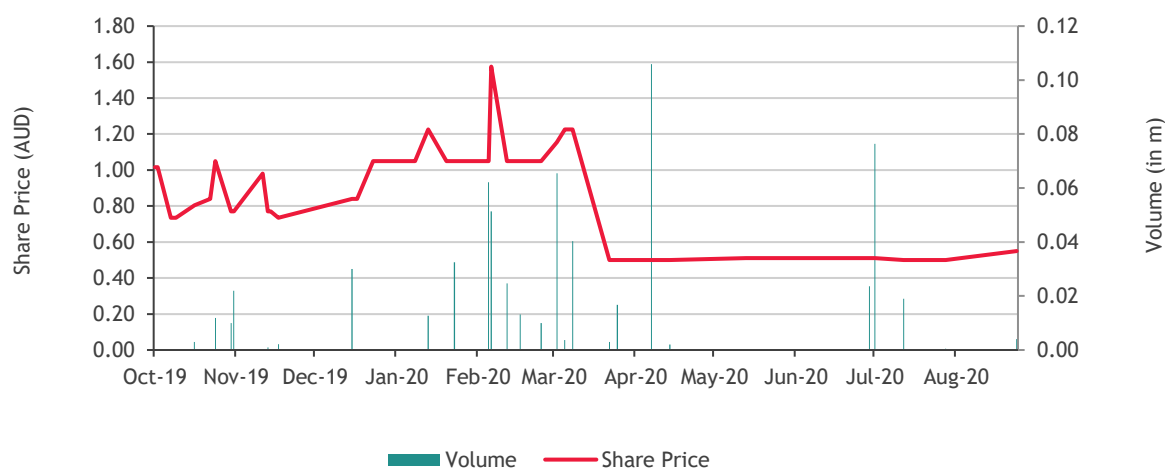
A company's shares should meet all of the above criteria to be considered 'liquid and active'. However, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

The Company's share price quoted on the ASX represents a minority level of value.

##### 13.1.1. Trading Price

Velocity announced a trading halt on 3 September 2020. We have analysed share prices and volumes for the 12 months to 2 September 2020.

**Figure 4: Monthly closing share price and trading volume (From 1 September 2019 to 2 September 2020)**



*Note: In March 2020, Velocity undertook a 35:1 share consolidation. CapitalIQ has retrospectively adjusted price data to reflect this*

*Source: CapitalIQ and BDOCF analysis*

On 25 August 2020, the Company released its FY20 annual report to its shareholders. Within the annual report, Velocity noted that on 7 August 2020, it had received a proposal from 360 Capital to restructure and recapitalise Velocity and expand its activities to real estate financing activities within Australia and New Zealand. This included, but was not limited to, the acquisition of certain related party assets from 360 Capital and its associates. The share price increased 10% following the announcement of the FY20 Annual Report.

Set out below is a summary of all of the Company's price-sensitive announcements in the twelve months prior to 2 September 2020.

**Table 28: Price sensitive announcements**

Date	Announcement	Share price - 1 day before	Share price - 1 day after	Change (\$)	Change (%)
25-Aug-20	VP7 FY20 annual report published	0.50	0.55	0.05	10.0%
29-Jul-20	Sale of Two27 Palm Beach development site	0.50	0.50	-	0.00%
6-Mar-20	Resignation of two directors	1.16	1.23	0.07	6.06%
2-Mar-20	Consolidation/Split of outstanding VP7 shares	1.05	1.16	0.11	10.0%
26-Feb-20	VP7 1H20 Results announcement	1.05	1.05	-	0.0%
7-Feb-20	Proposed issue of 250,000,000 options	1.05	1.58	0.53	50.0%
5-Feb-20	Notice of EGM to ratify 360 Capital shares, options and consolidation of issued share capital	1.05	1.05	-	0.0%
23-Dec-19	360 Capital to take a 19.99% stake in VP7 via equity investment	0.84	1.05	0.21	25.0%
25-Oct-19	VP7 FY19 annual report published	0.84	1.05	0.21	25.0%

*Note: In March 2020, Velocity undertook a 35:1 share consolidation. CapitalIQ has retrospectively adjusted price data to reflect this*

*Source: ASX website, Capital IQ and BDOCF analysis*

### 13.1.2. VWAP

The table below summarises trading for the 12 month period leading up to last trading day before the announcement of the Proposed Transaction, 2 September 2020.

**Table 29: VWAP for the 12 months ended 2 September 2020**

Period	Price (Low)	Price (High)	Price VWAP	Cumulative value	Cumulative volume	% of issued capital
	\$	\$	\$	\$000	000	
1 day						
1 week						
1 month	0.50	0.55	0.52	2.10	4.00	0.04%
3 months	0.50	0.55	0.51	62.90	123.59	1.09%
6 months	0.50	1.33	0.72	260.32	360.66	3.17%
12 months	0.50	1.58	0.88	572.63	647.51	5.76%

*Note: In March 2020, Velocity undertook a 35:1 share consolidation. CapitalIQ has retrospectively adjusted price data to reflect this*

*Source: CapitalIQ and BDOCF analysis*

The above table indicates that Velocity's shares display a low level of liquidity, with only 5.76% of the Company's current issued capital being traded on the ASX over the 12 month period. We note the following with respect to the VWAP over the period;

- ▶ The Velocity share price reached a high of \$1.58 on 7 February 2020, and a low of \$0.50 initially on 23 March 2020.
- ▶ The low of \$0.50 remained stagnant from 23 March 2020 through 29 July 2020 with very little trading volume (c.\$126k cumulative trading value).
- ▶ The VWAP over the 12 month period was \$0.88 with a cumulative trading volume of c.648k shares or 5.76% of issued capital.
- ▶ The date with the greatest trading volume was 8 April 2020 where 110k shares were traded at the 52-week low of \$0.50.

### 13.1.3. QMP Conclusion

We have selected a range of \$0.50 to \$0.55 being the high and the low of the last 3 months.

**Table 30: Quoted market price summary**

	Low	Mid	High
Quoted market price (\$)	0.50	0.53	0.55

### 13.2. Net Asset Valuation of Velocity

We consider the assessment of Velocity's net assets on a net realisable value basis to be appropriate, as the Company's primary assets are the residential properties it holds. The net realisable value represents the amount that could be distributed to Shareholders if the Company were to liquidate all of its property assets. The net asset value has been based on the estimated balance sheet position as at 31 December 2020. This balance sheet reflects the recent valuations of the properties that were conducted for the 30 June 2020 annual report and the material transactions which occurred between 30 June 2020 and 31 December 2020.

In preparing the value of Velocity's assets on a net realisable value, the estimated balance sheet as at 31 December 2020 has been presented.

**Table 31: Velocity's estimated balance sheet as at 31 December 2020**

\$'000s	Notes	30-Jun-20 Audited	Adjustments	31-Dec-20 Estimated
<b>Assets</b>				
Cash and cash equivalents	1	2,615	4,872	7,487
Trade and other receivables		115	-	115
Inventories	2	56,416	(28,909)	27,507
Other		171	-	171
<b>Total current assets</b>		<b>59,316</b>	<b>(24,037)</b>	<b>35,279</b>
Investment properties	3	5,955	-	5,955
Property, plant and equipment	4	1,058	(1,049)	9
Intangibles		42	-	42
<b>Total non-current assets</b>		<b>7,055</b>	<b>(1,049)</b>	<b>6,006</b>
<b>Total assets</b>		<b>66,371</b>	<b>(25,086)</b>	<b>41,285</b>
<b>Liabilities</b>				
Trade and other payables		1,126	-	1,126
Borrowings	5	36,094	(19,644)	16,451
Income tax	6	1,112	(750)	362
Employee benefits		120	-	120
Redeemable preference shares	7	922	(922)	-
Other current liabilities		-	-	-
<b>Total current liabilities</b>		<b>39,375</b>	<b>(21,316)</b>	<b>18,059</b>
Borrowings		15,310	-	15,310
Deferred tax		26	-	26
<b>Total non-current liabilities</b>		<b>15,336</b>	<b>-</b>	<b>15,336</b>
<b>Total liabilities</b>		<b>54,711</b>	<b>(21,316)</b>	<b>33,394</b>
<b>Net assets</b>		<b>11,660</b>	<b>(3,770)</b>	<b>7,890</b>
<b>Equity</b>				
Issued capital		15,951	-	15,951
Reserves		473	-	473
Retained profit/(accumulated losses)	8	(6,733)	(1,800)	(8,534)
<b>Equity attributable to shareholders of Velocity</b>		<b>9,690</b>	<b>(1,800)</b>	<b>7,890</b>
Non-controlling interest	9	1,970	(1,970)	-
<b>Total equity</b>		<b>11,660</b>	<b>(3,770)</b>	<b>7,890</b>

Source: Management information and BDOCF analysis

The following items were considered when determining the estimated statement of financial position of Velocity as at 31 December 2020.

#### 1. Cash and cash equivalents

Estimated movements of cash and cash equivalents consist of cash received from the sale of development sites and cash paid relating to income tax payable. Velocity has settled unconditionally the ONE Palm Beach Project, with all related debt and equity obligations being paid down by December 2020 (total repayment of redeemable preference shares (\$922k) and payout of the non-controlling interest related to Velocity's joint venture partner in relation to the project (\$1.97m)).

#### 2. Inventories

Velocity's inventory consists of development properties either in process or waiting to be sold. Velocity's accounting policy for the inventory is to use the lower of cost, or net realisable value on their balance sheets. Inventory is recorded at net realisable value after deducting both GST and selling costs.

The estimated inventories position at 31 December 2020 reflect the actual, expected and write-down of unconditional sales of development sites between 30 June 2020 and 31 December 2020. Based on current market assessments and sales rates, Management have formed the opinion that c.\$0.6m of fair value write downs to inventory are required and has been included accordingly.

3. Investment properties

Velocity obtained an independent valuation of the investment properties as at 30 June 2020 for the purposes of the FY20 annual report. The properties were revalued downwards as a result of the valuations. The valuations are net of GST and selling costs.

4. Property, plant and equipment

Property, plant and equipment is stated at net realisable value.

5. Borrowings

The Company's outstanding debt are recorded on the balance sheet at fair value and therefore no adjustment is necessary.

The estimated borrowings position at 31 December 2020 include the settling of debt funding associated with the sale of development sites between 30 June 2020 and 31 December 2020.

6. Income tax

\$750k of income tax payable was paid via cash between 30 June 2020 and 31 December 2020.

7. Redeemable preference shares

Redeemable preference shares totalling c.\$922k relate to the ONE Palm Beach Project. The redeemable preference shares are to be paid by 31 December 2020 using the final net proceeds on the sale of the project after all secured project debt is repaid.

8. Retained profit/(accumulated losses)

The estimated retained profit/accumulated losses position as at 31 December 2020 relate to the sale of development sites, the settling of outstanding debt and equity obligations and income tax payable incurred between 30 June 2020 and 31 December 2020.

9. Non-controlling interest

The net assets of Velocity has been adjusted for the payout of the non-controlling interest by 31 December 2020 as this represents a portion of one of Velocity's subsidiaries (ONE Palm Beach project) that is not owned by Velocity.

The value of Velocity's assets on a net realisable value basis is summarised in the table below.

**Table 32: Net Asset Valuation of Velocity**

\$'000s	Notes	31-Dec-20 Estimated	Adjusted NAV Low value	Adjusted NAV High value
<b>Assets</b>				
Cash and cash equivalents		7,487	7,487	7,487
Trade and other receivables		115	115	115
Inventories		27,507	27,507	27,507
Other		171	171	171
<b>Total current assets</b>		<b>35,279</b>	<b>35,279</b>	<b>35,279</b>
Investment properties		5,955	5,955	5,955
Property, plant and equipment		9	9	9
Intangibles		42	42	42
<b>Total non-current assets</b>		<b>6,006</b>	<b>6,006</b>	<b>6,006</b>
<b>Total assets</b>		<b>41,285</b>	<b>41,285</b>	<b>41,285</b>
<b>Liabilities</b>				
Trade and other payables		1,126	1,126	1,126
Borrowings		16,451	16,451	16,451
Income tax		362	362	362
Employee benefits		120	120	120
Redeemable preference shares		-	-	-
Other current liabilities		-	-	-
<b>Total current liabilities</b>		<b>18,059</b>	<b>18,059</b>	<b>18,059</b>
Borrowings		15,310	15,310	15,310
Deferred tax		26	26	26
<b>Total non-current liabilities</b>		<b>15,336</b>	<b>15,336</b>	<b>15,336</b>
<b>Total liabilities</b>		<b>33,394</b>	<b>33,394</b>	<b>33,394</b>
<b>Net assets</b>		<b>7,890</b>	<b>7,890</b>	<b>7,890</b>
Less: Operating costs	1		(1,500)	(1,500)
Less: Interest costs	2		(700)	(700)
Less: Liquidation costs	3		(500)	(200)
<b>Net realisable value</b>			<b>5,190</b>	<b>5,490</b>
Total shares outstanding as at 31 October 2020 (#000)	4		11,390	11,390
<b>Net realisable value per share (actuals)</b>	<b>5</b>		<b>0.46</b>	<b>0.48</b>

Source: Management information and BDOCF analysis

The following items were considered when determining the net realisable value of Velocity as at 31 December 2020.

1. Operating costs

Management expect the last of its properties to sell in March 2022. Therefore, in the event of a wind up of the Company, Velocity will continue to incur operational costs of c. \$100k per month (i.e. a total of c. \$1.5m over the 15 months until March 2022). We have deducted this from the estimated net assets of Velocity at 31 December 2020.

2. Interest costs

The Company currently has a loan facility in place with 360 Capital which has a loan repayment date of 23 December 2021. As this cannot be repaid early, Velocity will continue to incur interest until the repayment date. As such, a total of \$700k has been deducted from the estimated net assets of Velocity at 31 December 2020 (i.e. 7% of \$10 million loan facility over one year, from 31 December 2020 to 23 December 2021).

3. Liquidation costs

Liquidation costs have been estimated to range from \$200k to \$500k in the event of a liquidation of Velocity. Management note this includes various professional services that would be required in the event of a wind-up of the Company, minimal redundancy costs, and some operating and holding costs that would be incurred to realise/sell the remaining trading stock and investment properties. Management note there are no lease cancellation costs to consider, given that Velocity are currently on a month-to-month office lease.



#### 4. Total shares outstanding

As at 31 October 2020, the Company had c.11.4m shares outstanding. We have also considered the c.7.1m options outstanding that were issued to 360 Capital Group. Since the options have an exercise price of \$1.40 and would not exercise in the above scenario, they have not been included in total shares on issue.

#### 5. Value per share

The table above indicates then net realisable value of Velocity's equity per the NRV method ranges from \$5.2m to \$5.5m or \$0.46 to \$0.48 per share.

### 13.3. Conclusion as to the FMV of a Velocity share

A summary of our valuation is set out below.

**Table 33: Velocity FMV Summary**

Methodology	Low	Mid	High
Value of a Velocity share using QMP method	0.50	0.53	0.55
Value of a Velocity share using NAV method	0.46	0.47	0.48
<b>Preferred value of Velocity share</b>	<b>0.46</b>	<b>0.47</b>	<b>0.48</b>

Source: BDOCF analysis

We have adopted the NAV method over the QMP method, as our preferred value for a Velocity share. QMP method reflects the trading price of Velocity share on the ASX however, due to the overall illiquidity of the Velocity shares, and due to there being no trade of Velocity shares since 25 August 2020, we do not consider the QMP method to be as reliable as the NAV valuation.

The value from the NAV method is driven primarily by the value of the inventory, which has been stated at net realisable value and is net of selling costs and GST. Velocity's investment properties were independently valued at 30 June 2020, and the debt facilities are carried at fair value on the balance sheet. Material transactions occurring between 30 June 2020 and 31 December 2020 have been considered in presenting Velocity's estimated balance sheet position as at 31 December 2020. Furthermore, we have adjusted the net asset value for additional operating costs, interest costs, and liquidation costs to estimate the value of Velocity as if it were liquidated, and proceeds distributed to shareholders.

We consider a preferred value of \$0.46 to \$0.48 to be appropriate for a Velocity share.

### 13.4. Total value of the Consideration

As part of the Proposed Transaction, Velocity will issue 13.2 million shares as consideration for Dealt and AMF, as well as an additional \$0.4m in cash to Talos. A summary of the total value of the Consideration is set out below.

**Table 34: Total value of the Consideration**

000s	Low	Mid	High
Number of Consideration Shares to be issued	13,200	13,200	13,200
Preferred value of a Velocity share (\$)	0.46	0.47	0.48
<b>Total value of the Consideration Shares (\$)</b>	<b>6,015</b>	<b>6,189</b>	<b>6,363</b>
Add: Cash paid to Talos as consideration (\$)	400	400	400
<b>Total value of the Consideration (\$)</b>	<b>6,415</b>	<b>6,589</b>	<b>6,763</b>

Source: BDOCF analysis

## 14. ASSESSMENT OF FAIRNESS

### 14.1. Fairness assessment

RG 111.58 states where the Related Party Transaction consists of an asset acquisition by the entity, it is 'fair' if the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the asset being acquired. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Our analysis has been performed by comparing the value of the:

- ▶ Assets to be Acquired by Velocity, being Dealt and AMF, and
- ▶ the Consideration (comprising the Consideration Shares and \$0.4m to be paid to Talos).

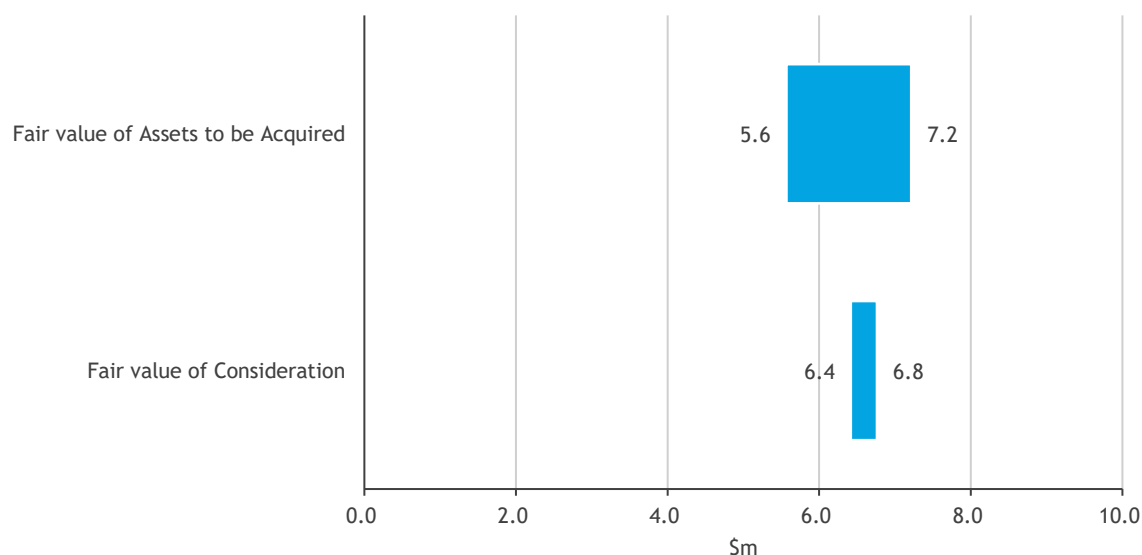
The result of our fairness analysis is summarised below.

**Table 35: Fairness summary**

\$000s	Low	Mid	High
Fair value of Assets to be Acquired	5,566	6,391	7,216
Fair value of Consideration	6,415	6,589	6,763

Source: BDOCF analysis

**Figure 5: Graphical summary of fairness assessment**



Source: BDOCF analysis

We note that the value of the Consideration is within the value range of the Assets to be Acquired. As such, the Proposed Transaction is fair to Shareholders.

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

## 15. REASONABLENESS ASSESSMENT

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes there are sufficient reasons for Velocity Shareholders to accept the Proposed Transaction in the absence of a superior offer.

We have assessed the reasonableness of the Proposed Transaction by considering the factors set out in Table 36.

**Table 36: Proposed advantages and disadvantages**

Advantages	
<b>The Proposed Transaction is fair</b>	Under RG 111, a transaction is reasonable if it is fair. As determined in Section 13, the Proposed Transaction is fair.
<b>Ability to leverage 360 Capital Group's expertise</b>	Through the proposed Investment Management Agreement, the combined group comprising Velocity, Dealt and AMF may be able to leverage off the experience of the 360 Capital Group.
<b>Diversification of risk</b>	If the Proposed Transaction is approved by Shareholders, Velocity will acquire Dealt and AMF. The two acquired companies will provide a range of services not currently provided by Velocity. The acquisition provides Velocity shareholders diversified exposure to a portfolio of commercial real estate senior loans throughout metropolitan Australia and New Zealand.
<b>Increase in size and scale of Velocity</b>	<p>If the Proposed Transaction is approved, there is a proposed capital raise of between \$35 million and \$100 million. Post the Proposed Transaction and the associated capital raise, there will be between 81.4 million and 211.4 million shares on issue. Based on the capital raise price of \$0.50, the market capitalisation of Velocity will increase to between \$40.7m and \$105.7m.</p> <p>In general larger companies are followed more closely by analysts and brokers, and generally have greater liquidity on the ASX.</p>
Disadvantages	
<b>Shareholders' investment profile will change as a result of the Proposed Transaction</b>	<p>Velocity shareholders will be exposed to different risk profiles if the Proposed Transaction is approved. Velocity is a residential property company that is involved in the development and sale of residential properties. The Company is not currently developing any properties, and has planned to dispose of its remaining development sites in an orderly manner and explore an alternative business strategy. In contrast, AMF Finance originates alternative lending and structured financing solutions to Australian real estate investors and developers whilst Dealt is a financial technology company that has developed an online real estate loan origination platform.</p> <p>As a result of the above, Velocity shareholders may not wish to be exposed to the adjusted risk profile of the enlarged group following the Proposed Transaction.</p>
<b>Early stage nature of Dealt and AMF</b>	Dealt is an e-commerce, start-up company in the financial technology space. AMF has a limited operating history. The acquisition of Dealt and AMF increases the overall risk profile of Velocity shares.
Other considerations	
<b>Future of Velocity if the Proposed Transaction is rejected</b>	If the Proposed Transaction is rejected by Shareholders, the Company will undertake a further review that may include an orderly sale of the Company assets and ultimately winding up, or exploration of a possible takeover.

Source: BDOCF analysis

Based on the above analysis, we consider the Proposed Transaction to be reasonable to Shareholders for the following key reasons:

- The Proposed Transaction is fair. Under RG 111, a transaction is reasonable if it is fair. As determined in Section 13, the Proposed Transaction is fair.
- Through the Proposed Investment Management Agreement, the combined group may be able to leverage off the experience of 360 Capital Group.
- If the Proposed Transaction is approved by Shareholders, Velocity will acquire Dealt and AMF which will provide Velocity shareholders diversified exposure to a portfolio of commercial real estate senior loans throughout metropolitan Australia and New Zealand.
- If the Proposed Transaction is approved, there is a proposed capital raise of between \$35 million and \$100 million. This increase in size and scale may lead to a closer following of Velocity by analysts and brokers, and the Company may have greater liquidity on the ASX.

## 16. OVERALL OPINION

We have considered the terms of the Proposed Transaction, as outlined in this Report, and have concluded that the Proposed Transaction fair and reasonable to Shareholders.

## 17. INVESTMENT MANAGEMENT AGREEMENT

As part of the Proposed Transaction, it is also proposed that 360 Capital Group will be appointed as investment manager for the Stapled Entity pursuant to an IMA. The Dealt Trust will be established as part of the recapitalisation of Velocity. It is proposed that the Dealt Trust will invest in senior secured commercial real estate loans that meet the approved criteria.

It is proposed that the Company will pay 360 Capital Group a fee of 0.60% per annum of the gross asset value of the Dealt Trust that will be stapled to the Company for various administrative and asset management services.

### 17.1. Services

A summary of the services provided by the Manager are set out below.

#### Asset and Fund Administration Services

The Manager will provide ongoing asset management and fund administration services including

- ▶ Implementing the Investment Strategy
- ▶ Providing overall investment strategy, including market analysis, economic fundamentals, and capital market dynamics
- ▶ Evaluating investment performance
- ▶ Reviewing due diligence and recommending potential investment opportunities
- ▶ Providing services in relation to a proposed acquisition or divestment including, reviewing market conditions and providing a recommendation, providing a detailed review of any third party offer, and proposing a structure/marketing plan for the acquisition/sale

#### Other key services

- ▶ **Operations** - The Manager will provide various administrative services to the Velocity including coordinating secretarial, legal, and other third-party advisors.
- ▶ **Valuations** - The Manager will recommend valuations of any assets as needed and procure valuation services.
- ▶ **Annual accounts** - The Manager will arrange for the provision of standard accounting services to prepare annual accounts and tax information.
- ▶ **Finance** - The Manager will facilitate the making of dividends/distributions to the Shareholders in accordance with the prevailing budget and strategy.
- ▶ **Budgeting and forecasting** - The Manager will prepare and provide a draft budget for the next financial year.
- ▶ **Disposal** - The Manager will dispose of an asset when instructed.
- ▶ **Record and approval payment expenditure** - The Manager will maintain records of and approve all expenditures.
- ▶ **Credit control** - The Manager will oversee the establishment of a credit committee to oversee the operations of the real estate mortgage financing business and review, analyse, and approve any potential debt investments or loans.

**Loan origination** - The Manager will advise on digital marketing campaigns and promotional activities for Dealt and AMF as well as source loans in addition to the loan origination activities of Dealt and AMF.

### 17.2. Fees

In consideration for the Manager providing the services outlined above, the Client will pay the Manager a fee equal to the amount that is 0.60% per annum of the Gross Asset Value of the Dealt Trust that will be stapled to the Company.

The fee will be calculated and accrued on a daily basis.

The fee will be paid out to the Manager quarterly in advance.

### 17.3. Assessment of IMA terms

To assess whether the IMA has been based on fair market terms, we have analysed comparable IMAs in the market as set out below. The below agreements represent fees paid by an investment vehicle to an investment manager and are comparable to the abovementioned IMA.

**Table 37: Australian commercial investment manager fees**

Company	% fee	Fee based on	Other fees paid	Services provided
Magellan Financial Group Limited	1.35%	Net asset value	Performance fees	Managing the assets of the Fund and overseeing the operations of the Fund. The management fees help cover all costs, charges, expenses and outgoings that are incurred in connection with the Fund (such as administration and accounting costs, registry fees, audit and tax fees, and investor reporting expenses).
KKR Credit Income Fund	0.88%	Net asset value	Performance fees up to 5% of the net annualised return for the period multiplied by the net asset value of the fund.	Investment manager services
360 REIT	0.65%	Gross asset value	Performance fees of 20% of any total return in excess of 12% per annum. Acquisition fee of up to 1.0% of the total purchase price of an investment. Disposal fee of up to 1.0% of the total sale price of an investment sold.	Investment manager services
Ingenia Communities	0.50%	Gross asset value	None	Responsible entity services including the acting ownership of the Scheme Property and the ability to borrow against the Scheme Property
Qualitas	1.54%	Net asset value	Responsible entity fee of 0.03% to 0.05% of NAV. Performance fee of 20.5% of any return over 8% per annum.	Responsible entity services, investment management services
US Masters Residential	0.33%	Gross asset value	None	Responsible entity services and administration services
Aspen Property Trust	0.50%	Gross asset value	None	Investment manager services
APN Property Group Convenience Retail REIT	0.65%	Gross asset value	None	Investment manager services including, property management, financial management, leasing and rent review and project supervision services
Rural Funds Group	1.05%	Adjusted gross asset value	None	Fund management and asset management services

Source: ASX information

We have also analysed management fees for several real estate focused Australian Exchange Traded Funds (ETFs) as set out below.

**Table 38: Australian real estate ETF management fees**

Fund	Ticker	Management fee
Vanguard REIT ETF	ASX:VAP	0.23%
Dow Jones Global Real Estate Index DJRE	ASX:DJRE	0.50%
VanEck MVA	ASX:MVA	0.35%
SPDR S&P/ASX 200 Listed Property Fund SLF	ASX:SLF	0.40%

Source: ASX information

These funds are significantly larger, and the services not as comprehensive as the services in the IMA. Therefore these are expected to be lower than the fees from the IMA.

#### 17.4. Conclusion on IMA terms

Based on the above observations we note the management fee incurred by Velocity to fall within the range of the sampled agreements. The most comparable management fee was paid by the 360 Capital REIT at 0.65% of gross asset value plus performance fees, acquisition fees, and disposal fees. The proposed IMA with Velocity is based on 0.60% of gross asset fees and does not include any additional fees. Based on the above analysis and discussion, we consider the Proposed Management Agreement to be on fair market terms.

## 18. PROPOSED RESPONSIBLE ENTITY FEE

As part of the Proposed Transaction, it is also proposed that 360 Capital FM Limited (the Responsible Entity) will be appointed as the responsible entity for the Stapled Entity. The Dealt Trust will be established as part of the recapitalisation of Velocity. It is proposed that the Dealt Trust will invest in senior secured commercial real estate loans that meet the approved criteria.

### 18.1. Services

The Responsible Entity is responsible for the Stapled Entity's proper corporate governance. The Responsible Entity's guiding principle in meeting this responsibility is to act honestly, in good faith and in the best interests of the Stapled Entity as a whole. The Responsible Entity, with reliance upon the group investment manager, will monitor the operational and financial position and performance of the Stapled Entity.

Accordingly, the Responsible Entity has created a framework for managing the Stapled Entity, including adopting relevant internal controls, risk management processes and corporate governance policies and practices, which it believes are appropriate for the Stapled Entity's business and which are designed to promote the responsible management and conduct of the Stapled Entity. Under the IMA, the group investment manager will agree to assist the Responsible Entity to comply with all relevant laws, including the ASX Listing Rules and the Corporations Act.

### 18.2. Fees

It is proposed that the Responsible Entity will be entitled to receive a management fee of up to 0.65% per annum of the gross asset value of the Dealt Trust for performing its role as the responsible entity. The Responsible Entity will be reimbursed for costs incurred in the proper performance of its duties. However, the Responsible Entity will only be paid 0.05% for so long as the group investment manager is appointed under the IMA. The Responsible Entity will exercise its right to be reimbursed costs incurred in the proper performance of its duties.

The fee will be calculated and accrued on a daily basis.

The fee will be paid out to the Responsible Entity within five business days of the end of each month.

### 18.3. Assessment of Proposed Responsible Entity Fee terms

To assess whether the Proposed Responsible Entity Fee has been based on fair market terms, we have analysed comparable fees in the market as set out below. The below fees represent those paid by an investment vehicle to Responsible Entity's and are comparable to the abovementioned Proposed Responsible Entity Fee. We have separated our analysis into standalone responsible entity fees, and responsible entity fees that are payable in conjunction with other fees (e.g. management and performance fees).

**Table 39: Australian commercial responsible entity fees**

Responsible Entity	Fund	% fee	Fee based on	Other fees paid	Services provided
<b>Standalone responsible entity fees</b>					
Equity Trustees Limited	NB Global Corporate Income Trust	0.025%	Net asset value	None	Responsible entity services
Equity Trustees Limited	Regal Investment Fund	0.04%	Net asset value	None	Responsible entity services
One Managed Investment Funds Limited	Gryphon Capital Income Trust	0.056% to 0.063%	Gross asset value	None	Responsible entity services
The Trust Company (RE Services Limited)	MCP Master Income Trust	0.03%	Net asset value	None	Responsible entity services
<b>Responsible entity fees paid in conjunction with other fees</b>					
360 Capital FM Limited	360 Capital Digital Infrastructure Fund (TDI)	0.05%	Gross asset value	Investment management fee of 1.35% of the NAV. Performance fee calculated and paid every 3 years where the Fund IRR is > 10% on a hurdle basis.	Responsible entity services. Investment management services

Responsible Entity	Fund	% fee	Fee based on	Other fees paid	Services provided
The Trust Company (RE Services) Limited	KKR Credit Fund	0.025% to 0.03%	Net asset value	Investment management fee of 0.88% of the NAV. Performance fee of 0.36% of the NAV.	Responsible entity services, investment management services
The Trust Company (RE Services) Limited	Qualitas Real Estate Income Fund	0.03% to 0.05%	Net asset value	Investment management fee of 1.54% of the NAV. Performance fee of 20.5% of any return over 8% per annum.	Responsible entity services, investment management services
Pengana Investment Management Limited	Pengana Private Equity Trust	0.05%	Net asset value	Investment management fee of 1.20% of the NAV. Performance fee of 20% of any return in excess of 8% per annum.	Responsible entity services, investment management services
Perpetual Trust Services Limited	Perpetual Credit Income Trust	0.03% to 0.05%	Net tangible assets	Investment management fee of 0.72% of the NTA.	Responsible entity services, investment management services
Walsh & Company	Evans & Partners Australian Flagship Fund	0.08%	Gross asset value	Investment management fee of 0.65% of the gross asset value. Performance fee of 10% of the return achieved above the higher of the Index Return Hurdle and the Absolute Return Hurdle	Responsible entity services, investment management services

Source: ASX information

#### 18.4. Conclusion on Proposed Responsible Entity Fee terms

We have surveyed responsible entity fees in the market, and note they range from 0.025% to 0.063% where no other fees are payable, and from 0.025% to 0.08% where other fees are also payable (including investment management fees and performance fees). Based on the above, we consider the responsible entity fee of 0.05% of gross asset value to fall within the range of the sampled agreements.

We note that under the terms of the agreement, the Proposed Responsible Entity Fee will increase to 0.65% if the group investment manager is not appointed under the IMA. In this scenario, the Responsible Entity would be required to provide both the responsible entity services and the investment management services.

We therefore consider the Proposed Responsible Entity Fee to be based on fair market terms.

### 19. PROPOSED FINANCIAL ADVISORY FEE

Under the wider recapitalisation and restructure of Velocity, a capital raise is proposed. The minimum capital to be raised is \$35m, and the maximum is \$100m. The Company has entered into an agreement with Cambridge regarding the Proposed Financial Advisory Fee.

Under the agreement with Cambridge, it is proposed that Velocity will pay the following amounts:

- Financial Advisory Fee: a financial advisory fee of 1.0% of the total equity capital raised by the Company under the transaction to Cambridge payable promptly on the day the Company receives the subscription moneys payable for all of the units offered under the transaction; and
- Reimbursement of expenses: in addition to any fees payable to Cambridge, the Company will reimburse Cambridge for all expenses incurred in entering into and performing services under the agreement including fees, disbursements and other charges of Cambridge's legal counsel.

#### 19.1. Assessment of Proposed Financial Advisory Fee

The proposed fee to be payable by the Company to Velocity under the Proposed Financial Advisory Fee under the minimum and maximum capital raise scenario is set out below.



**Table 40: Fees payable under the Proposed Financial Advisory Fee agreement**

	Gross proceeds of the offer (\$)	% Cambridge fee	\$ Implied Cambridge fee
Minimum raise	35,000,000	1.0%	350,000
Maximum raise	100,000,000	1.0%	1,000,000

Source: Management information

To assess whether the Proposed Financial Advisory Fee is fair and reasonable to Shareholders, we have analysed comparable fees in the market. These fees represent those paid by companies to financial advisors for their work performed in relation to an initial public offering and capital raise.

The observed financial advisory fees in the market are either based on a percentage of gross proceeds under the offer, or a fixed fee. Set out below is a summary of the financial advisory fees observed that are based on a percentage of gross proceeds, and the implied dollar fee.

**Table 41: Australian financial advisor fees (based on % of gross proceeds)**

Company	Prospectus/PDS date	Gross proceeds of the offer (\$)	Fee (%)	Implied fee (\$)
Whispir Limited	24-May-19	47,000,000	2.00%	940,000
Investec Australia Property Fund	3-May-19	100,000,000	0.50%	500,000

Source: ASX information

As set out above, the financial advisory fees based on a percentage of gross proceeds observed range from 0.50% to 2.00% of gross proceeds, with an implied fee of \$500k to \$940k. These were based on a raise of \$100m and \$47m, respectively.

Set out below is a summary of the financial advisory fees observed that are based on fixed fee, and the implied fee as a percentage of the gross proceeds raised under the offer.

**Table 42: Australian financial advisor fees (based on a fixed fee)**

Company	Prospectus/PDS date	Gross proceeds of the offer (\$)	Fixed fee (\$)	Implied fee as a % of gross proceeds of the offer
Youfoodz Holdings Limited	30-Oct-20	70,000,000	900,000	1.3%
Universal Store Holdings Limited	28-Oct-20	147,800,000	1,750,000	1.2%
Cluey Limited	23-Oct-20	30,000,000	500,000	1.7%
Adore Beauty Group	7-Oct-20	269,500,000	2,720,000	1.0%
Dusk Group Limited	2-Oct-20	70,000,000	800,000	1.1%
Plenti Group Limited	21-Aug-20	55,000,000	1,500,000	2.7%
Laybuy Group Holdings	10-Aug-20	80,000,000	717,500	0.9%
Primewest Group Limited	21-Oct-19	100,000,000	1,500,000	1.5%

Source: ASX information

As set out above, the financial advisory fees based on a fixed fee ranged from \$500k to \$2.7m, with the implied fees as a percentage of gross proceeds of the offer ranging from 0.9% to 2.7%. The gross proceeds raised under the offers ranged from \$30m to \$270m.

We note that the Company will reimburse Cambridge for all expenses incurred in entering into and performing services under the agreement including fees, disbursements and other charges of Cambridge's legal counsel. These expenses are expected to be approximately \$20,000.

## 19.2. Conclusion on Proposed Financial Advisory Fee terms

Based on the assessment performed in Section 19.1, we note the terms under the Proposed Financial Advisory Fee of 1.0% of gross proceeds raised under the offer (being \$350k under the minimum raise and \$1.0m under the maximum raise, plus reimbursable expenses of approximately \$20,000) are within the ranges observed in the market on both a dollar and percentage basis. We also note almost all fees observed excluded disbursements, consistent with the Proposed Financial Advisory Fee terms.

We therefore consider the Proposed Financial Advisory Fee to be fair and reasonable to Shareholders.



## 20. QUALIFICATIONS, DECLARATIONS AND CONSENTS

### 20.1. Qualifications

BDOCF is the licensed corporate finance arm of BDO Services Pty Ltd. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr David McCourt, B.Bus, CA, is a director of BDOCF. Mr McCourt is also a partner of BDO Services Pty Ltd. Mr McCourt has been responsible for the preparation of this IER.

Mr McCourt has over 20 years of experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr Sebastian Stevens, B.Bus, CPA is a Director of BDOCF. Mr Stevens is also a partner of BDO Services Pty Ltd.

Mr Stevens is the Director responsible for the review of this IER. Mr Stevens has over 25 years of experience in a number of specialist corporate advisory activities including company valuations advising on independent expert reports, due diligence investigations, preparation and review of business feasibility studies, public company floats, accounting, advising on mergers and acquisitions, preparation of information memoranda and other corporate investigations. Accordingly, Mr Stevens is considered to have the appropriate experience and professional qualifications to provide the advice offered.

### 20.2. Independence

BDOCF is not aware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

BDOCF considers itself to be independent in terms of RG 112 independence of experts, issued by ASIC.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for Velocity or 360 Capital Group in relation to the Proposed Transaction. Further, BDO has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with Velocity that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

BDOCF has previously been engaged by the 360 Capital Group to provide a limited scope valuation of the shares in Dealt. The Dealt business at the time of the limited scope valuation was substantially less developed than the current business. We have previously valued share based payments for the 360 Capital Group. In our opinion none of these previous engagements have impacted our independence.

BDOCF will receive a fee of up to \$80,000 plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

A draft of this IER was provided to the Directors and their advisors for review of factual accuracy on 10 December 2020. This draft concluded that the proposed transaction was not fair and not reasonable.

On 11 December 2020, BDOCF was advised of additional costs that would be incurred by VP7 in realising the remaining investment properties. Management advised that the all properties will be disposed by 31 March 2022, and that finance costs and overheads will be incurred during this period. These additional costs affected the NAV valuation of VP7 shares.

As a result of the additional information, our conclusion was amended to fair and reasonable.

### 20.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and the Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without the written consent of BDOCF. BDOCF accepts no responsibility to any person other than the Directors and the Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon BDOCF's consideration and assessment of information provided by the Directors, executives and Management of the Company.

## APPENDIX 1: GLOSSARY

Term	Definition
360 Capital	360 Capital Group Limited
360 Capital Group	360 Capital Group Limited and its associated entities
AMF	AMF Finance Pty Ltd
AMF Share Sale Agreement	Agreement to acquire all shares in AMF
APES 225	Accounting Professional & Ethical Standards Board Limited issued professional standard APES 225 on valuation services
Assets to be Acquired	100% of the equity of Dealt and AMF
1H20	6 months ended 31 December 2019
ASIC	Australian Securities & Investments Commission
360 Capital	360 Capital Group Limited
360 Capital Group	360 Capital and its associated entities
360 Management	Management of 360 Capital Group
ASX	Australian Securities Exchange
BDOCF, we, our or us	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
Cambridge	Cambridge Investment Partners Pty Ltd
COE	Capitalisation of earnings
Consideration	Consideration Shares and \$0.4m to be paid in cash to Talos LLC
Consideration Shares	Velocity shares issued as consideration for AMF and Dealt
Corporations Act	Corporations Act 2001
DCF	Discounted cash flow method
Dealt	Digital Software Solutions Pty Ltd
Dealt Limited	Proposed renaming of Velocity Property Group Limited pursuant to the recapitalisation and restructuring proposal
Dealt Share Sale Agreement	Agreement to acquire all shares in Dealt
Dealt Trust	The Dealt Trust ARSN 646 156 005 established by the Dealt Trust Constitution
Directors	Independent Directors of Velocity Property Group Limited
EBIT	Earnings before interest and taxes
EV	Enterprise value
FME	Future maintainable earnings
FMV	Fair market value
FSG	Financial Services Guide
FY18	Financial year ended/ending 30 June 2018
FY19	Financial year ended/ending 30 June 2019
FY20	Financial year ended/ending 30 June 2020
IER	Independent Expert Report
IMA	Investment Management Agreement between Dealt Limited, 360 Capital FM Limited as responsible entity of the Dealt Trust and 360 Capital Credit Management Pty Limited
Licence	Australian Financial Services Licence No: 247420
LTM	Last twelve months
Management	Management of Velocity
NAV	Net asset value
NPAT	Net Profit after Tax
NRV	Net realisable value
Proposed Financial Advisory Fee	The proposed fee paid to Cambridge Investment Partners Pty Ltd for the provision of financial advisory services in connection with the capital raise under the recapitalisation and restructuring of Velocity
Proposed Management Agreement	The proposal to appoint 360 Capital Group as investment manager for the Company and the Dealt Trust (together, the Stapled Entity)
Proposed Responsible Entity Fee	Under the Dealt Trust constitution, it is proposed the responsible entity of Dealt Trust, being 360 Capital FM Limited will be entitled to receive a management fee
Proposed Transaction	Placement of 13.2 million shares of Velocity Property Group as consideration for AMF Finance and Digital Software Solutions Pty Ltd
QMP	Quoted market price basis
Report or IER	Independent expert's report
Responsible Entity	360 Capital FM Limited
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
Shareholders	Shareholders of Velocity not associated with 360 Capital Group
Stapled Entity	The Company and the Dealt Trust, a newly established trust

Term	Definition
360 Capital	360 Capital Group Limited
Talos	Talos LLC
TOT	360 Capital REIT
Transaction Document	Notice of meeting dated on or about 15 February 2021
Velocity or the Company	Velocity Property Group Limited
VWAP	Volume Weighted Average Price

Source: BDOCF

## APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- ▶ Draft Notice of Meeting
- ▶ Velocity annual reports for the years ended 30 June 2019 and 30 June 2020 and management accounts for the period ended 31 October 2020
- ▶ Management adjustments for the period from 31 October 2020 to forecast 31 December 2020
- ▶ 360 Capital Group annual reports for the years ended 30 June 2019 and 30 June 2020
- ▶ Dealt management accounts for the years ended 30 June 2018, 30 June 2019, and 30 June 2020
- ▶ AMF management accounts for the years ended 30 June 2018, 30 June 2019, and 30 June 2020
- ▶ Dealt/Talos share subscription detail including subscription agreement and details of services previously rendered and to be provided
- ▶ Draft Investment Management Agreement
- ▶ Draft Proposed Financial Advisory Fee
- ▶ Draft Dealt Trust Constitution
- ▶ ASX announcements
- ▶ Discussions with the Independent Directors and management of Velocity and 360 Capital Group
- ▶ Information sourced from CapitalIQ and MergerMarket
- ▶ ASIC guidance notes and regulatory guides as applicable
- ▶ Other generally available public information

## APPENDIX 3: VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the fair market value of Velocity, the following commonly used business valuation methods have been considered:

### Discounted Cash Flow Method

The discounted cash flow (DCF) method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- ▶ the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- ▶ the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (NPV).

DCF is appropriate where:

- ▶ the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy;
- ▶ earnings or cash flows are expected to fluctuate significantly from year to year;
- ▶ the business or asset has a finite life;
- ▶ the business is in a 'start up' or in early stages of development;
- ▶ the business has irregular capital expenditure requirements;
- ▶ the business involves infrastructure projects with major capital expenditure requirements; or
- ▶ the business is currently making losses but is expected to recover.

### Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and exclude any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

### Net Asset Value Methods

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- ▶ separating the business or entity into components which can be readily sold, such as individual business securities or collection of individual items of plant and equipment and other net assets; and
- ▶ ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- ▶ orderly realisation (NRV): this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- ▶ liquidation: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- ▶ continuing operations (NAV): this is a valuation of the net assets on the basis that the operations of the business will continue. It estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding entity. Adjustments may need to be made to the book value of assets and liabilities to reflect their value based on the continuation of operations.

The net realisable value of a trading entity's assets will generally provide the lowest possible value for the business. The difference between the value of the entity's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where an entity is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding entity, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the entity's value could exceed the realisable value of its assets.

#### **Quoted Market Prices**

The price that an entity's security trades on an exchange can be an appropriate basis for valuation where:

- ▶ the security trades in an efficient market place where 'willing' buyers and sellers readily trade the entity's security; and
- ▶ the market for the entity's security is active and liquid.

#### **Other Valuation Considerations**

##### **Future events**

The businesses of Velocity, Dealt, and AMF to be considered in this valuation is that which exists as at the current date.

Future growth which arises from the commercialisation of the prospective resources has been considered in this valuation through our consideration of the fair market value of the tenements.

Other growth potentials, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

## APPENDIX 4: COMPARABLE COMPANY DESCRIPTIONS

**Table 40: Comparable Company Financial Information**

Ticker	Company Name	Business Description
ASX:COG	Consolidated Operations Group Limited	Consolidated Operations Group Limited provides equipment finance broking, finance aggregation, and commercial equipment financing activities for business assets in Australia.
ASX:MOC	Mortgage Choice Limited	Mortgage Choice Limited provides mortgage broking services in Australia.
ASX:AFG	Australian Finance Group Limited	Australian Finance Group Limited, together with its subsidiaries, provides mortgage broking services in Australia.
ASX:BFG	Bell Financial Group Limited	Bell Financial Group Limited provides stock broking, investment, and financial advisory services to private, institutional, and corporate clients.
ASX:YBR	Yellow Brick Road Holdings Limited	Yellow Brick Road Holdings Limited provides lending services in Australia.
ASX:SEQ	Sequoia Financial Group Limited	Sequoia Financial Group Limited, an integrated financial services company, provides financial products and services to retail and wholesale clients, and third party professional service firms primarily in Australia.
ASX:N1H	N1 Holdings Limited	N1 Holdings Limited provides mortgage broking services to customers in Australia.
ASX:ED1	Evans Dixon Limited	Evans Dixon Limited engages in financial services business in Australia and the United States.

Source: CapitalIQ



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## Annexure C Taxation Report



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The Directors  
Velocity Property Group Limited  
Level 14  
167 Eagle Street  
BRISBANE QLD 4000

22 December 2020

The Directors  
360 Capital FM Limited  
As Responsible Entity of the Dealt Trust  
Level 8  
56 Pitt Street  
SYDNEY NSW 2000

### Taxation Report

Dear Directors

This report has been prepared at the request of Velocity Property Group Limited (to be renamed "Dealt Limited") ("**Company**") and 360 Capital FM Limited as Responsible Entity of the Dealt Trust ("**Trust**") for inclusion in Annexure C of the Explanatory Memorandum ("**EM**") to be dated on or about 22 December 2020 for Shareholders in relation to the Restructure and Recapitalisation Proposal ("**Proposal**").

This report provides information of a general nature only, in relation to the Australian income tax implications relating to the acceptance of the Proposal for Australian resident individual Shareholders who hold their Shares on capital account. This report does not address the consequences that may arise if Shareholders hold their Shares as trading stock, on revenue account or if the Taxation of Financial Arrangement provisions apply in respect of a Shareholders' Shares. The information contained in this report is based on the taxation law, established interpretations of legislation, applicable case law and published Australian Taxation Office ("ATO") statements of administrative practice as at the date of this report. It is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every registered Shareholder.

Australian Income Tax Legislation may be amended at any time and therefore the taxation consequences discussed in this report may alter if there is a change in the taxation law after the date of this report. We have not been retained nor are we obliged to monitor or update the information in this report for any future legislative changes which may affect the correctness of the information after the date of this report.

The taxation consequences for a particular Shareholder may vary depending on their own specific circumstances. Accordingly, the information contained in this report, being of a general nature only, does not constitute taxation advice and cannot be relied upon as such. We disclaim all liability to any Shareholder for all costs, loss, damage and liability that the Shareholder may suffer or incur arising from or relating to the contents of our report or the provision of our report to the Shareholder or the reliance on our report by the Shareholder.

**Shareholders should seek appropriate independent professional taxation advice that considers the taxation implications of the Proposal to their own specific circumstances.**

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

This report is confined to income taxation issues which are only one part of the many matters that Shareholders need to consider when making a decision about their investments. Under the *Corporations Act 2001*, this advice is not required to be provided to Shareholders by a holder of an Australian Financial Services License ("AFSL"). Before making a decision about their investments, Shareholders should consider taking advice from a holder of an AFSL.

Capitalised terms used in this report have the same meaning as those in the Glossary in section 13 of the EM, unless otherwise defined.

### **Class Ruling**

The Company has made an application for a class ruling with the Australian Taxation Office ("ATO") which addresses some of the tax consequences of the Proposal. A copy of the ruling will be made available on the Company website once issued by the ATO. Although it is not anticipated to be the case, when the binding class ruling is issued by the ATO, it is possible that it may express a view that is contrary to that which is set out below.

### **Background**

Details of the Proposal are set out in the EM and are therefore not repeated in detail here. Terms of the Proposal will mean Shareholders who participate in the Proposal will ultimately acquire Units in the newly established Trust, following which the Units will be stapled to the Shares to form a stapled security (to be called the "Dealt Group").

### **Expected Australian income tax considerations**

#### **Capital Raising via issuance of new securities**

##### *Cost base of new Shares*

As a result of the capital raise, the cost base (or reduced cost base) of the Shares will include the money paid in acquiring each Share (including any incidental costs incurred on acquisition).

#### **Income tax consequences of the acquisition of AMF and DSS**

The Company's acquisition of AMF Finance Pty Ltd and Digital Software Solutions Pty Ltd under the Proposal should not give rise to any immediate Australian tax consequences for Shareholders.

#### **Return of capital by way of an *in-specie* distribution**

As part of the Proposal, the Company will be restructured as a stapled group. We understand that the restructure will be undertaken in the following manner:

- ▶ The Company will establish the Trust and 360 Capital FM Limited will be appointed as the Responsible Entity of the Trust;
- ▶ The Company will capitalise the Trust with cash to within the ranges of approximately \$20,000,000 to \$25,000,000 if only the Minimum Subscription is raised or \$60,000,000 to \$70,000,000 if the maximum Capital Raising is achieved;

- ▶ The Company will declare a return of capital to all Shareholders as at the Record Date by way of an *in-specie* distribution of all the Units in the Trust, pro rata to their security holding in the Company; and
- ▶ The Shares in the Company and Units in the Trust will be stapled together on a 1:1 basis forming a new stapled security to be listed on the ASX (to be named: Dealt Group).

The Company's return of capital by way of an *in-specie* distribution of Units in the Trust should constitute a payment made in respect of the Shares held for CGT purposes. Where the payment includes the giving of property (i.e., Units in the Trust), the amount of the payment should be deemed to be the market value of the property given.

The capital return by way of an *in-specie* distribution may result in the following potential tax consequences for participating Shareholders:

- ▶ If the capital return is less than the cost base of the Shares at the date the *in-specie* distribution is made, the cost base and reduced cost base of the Shares will be reduced (but not below nil) by the amount of the Capital Reduction amount. Further, a Shareholder cannot make a capital loss from the *in-specie* distribution; or
- ▶ If the amount of the Capital Reduction amount is more than the cost base of the Share, the Shareholder will make a capital gain. The amount of the capital gain is equal to that excess. If a Shareholder makes a capital gain, the cost base of the Share should be reduced to nil. Shareholders who are individuals, complying superannuation funds or trusts (conditions apply) who have held their Shares for at least 12 months before their disposal may be entitled to the CGT discount to the extent there is a net capital gain for the income year.

#### *Non-resident Shareholders*

Based on our enquiries, it should be accepted that the underlying value of the Company is principally derived from Australian real property. Consequently, only participating Shareholders that are not Australian residents for tax purposes and that own membership interests equal to or greater than 10% of Shares (either at the time of the buy-back or within a 12 month period during the 2 years preceding the buy-back) on an associate inclusive basis should be subject to Australian CGT on a capital gain that arises from the Capital Reduction by way of the *in-specie* distribution.

#### **Cost base of Units acquired in the Trust**

Each Unit acquired under the proposed Capital Reduction is taken to be acquired at the time of the return of capital. Broadly, the cost base of each Unit received by participating Shareholders will be its market value at the time of the return of capital. We have been advised that the Company will make information available on its website to assist Shareholders in determining the relevant market value of each Unit shortly after the Capital Reduction Date.

#### **Income tax consequences of stapling each Share to a Unit**

Following the Capital Reduction, a Shareholder will hold two CGT assets; the original Share (with an adjusted cost base as a result of the return of capital) and the Unit (with a market value cost base as set-out above).

Subsequently, each Share will be stapled to a Unit. After the stapling, the Shares and Units will be traded jointly as "Dealt Group" securities. The stapling should not result in any immediate Australian income tax consequences for Shareholders.

Each Share and Unit should continue to be treated as separate CGT assets under Australian Income Tax Legislation.

#### **On-going distributions paid on Stapled Securities**

If the Proposal is approved, Stapled Securityholders may in future receive trust distributions from the Trust and/or dividends in respect of their Shares.

##### *Trust distributions where the Trust qualifies as an AMIT*

We understand that the Responsible Entity intends to elect for the Attribution Managed Investment Trust (AMIT) regime to apply to the Trust. This regime will continue to apply, subject to the Trust continuing to satisfy the eligibility requirements.

The AMIT provisions contain rules that will impact the taxation treatment of the Trust. The Trust should not generally be liable for income tax where the Responsible Entity properly attributes all of the Trust's taxable income and tax offsets on a fair and reasonable basis to Unitholders each financial year.

Australian resident Unitholders should include in their assessable income for each year, the share of the Trust Components that are attributed to them, even if this amount is not paid in cash. The tax payable (if any) depends on the Unitholders individual tax profile and applicable tax rate.

Attributed amounts may be comprised of income, such as interest and gains from the realisation of investments. Where the Trust has losses, those losses are quarantined in the Trust and may not be passed on to Unitholders.

Each year Unitholders will be sent a tax statement, being an AMIT Member Annual Statement (AMMA Statement) that will indicate the amount which has been attributed to a Unitholder, its components and other relevant tax information.

The cost base of a Unitholders Units may be increased or decreased in certain situations such as where the cash distribution is less than or more than certain components attributed to Unitholders each year. The amount of any increase or decrease will be provided on the AMMA statement. Where the Trust attributes taxable amounts to Unitholders that are not paid in cash an upwards cost base adjustment can arise, whilst a cost base reduction arises where cash exceeds the attributed taxable components. Further, where a Unitholder's cost base is reduced to nil, further reductions in the cost base will be taken to be a capital gain for the Unitholder.

##### *Trust distributions where the Trust does not qualify as an AMIT*

Where the Trust does not satisfy the eligibility requirements to be an AMIT, the Trust should not be liable to Australian income tax on its net income provided the Unitholders are made presently entitled to the income of the Trust each year. Rather Unitholders will include their share of the net income of the Trust in their assessable income in the year in which they become presently entitled to their share of the income of the Trust.

Each year Unitholders will be sent an annual distribution statement that will indicate their share of the net income, its components and other relevant tax information.



#### *Receipt of dividends*

If the Company pays a dividend, Australian resident Shareholders will be required to include the amount of any dividends received in their assessable income when paid.

The precise tax consequences arising from the receipt of the dividend will vary depending on the nature of the Shareholder. Subject to our comments below, Australian resident individual Shareholders (and other Shareholders) may be required to gross up dividends included in their assessable income for any attached franking credits and may be entitled to a tax offset equal to the franking credit. Excess franking credits (that is, where franking offsets exceed income tax payable) may give rise to tax refunds for certain Shareholders.

Under Australian Income Tax Legislation, an Australian resident individual Shareholder must be a "qualified person" in order to be entitled to a tax offset in respect of the franked dividends received. The requirements of the qualified person test are complex and require, in broad terms, for the Shareholder to hold the shares or an interest in the shares at risk for a continuous period of 45 days during the relevant qualification period before being required to gross up the dividend to include the attached franking credit in their assessable income or becoming entitled to a tax offset. Shareholders should obtain their own advice based on their specific circumstances to confirm that they are entitled to the benefit of any tax offset in respect of any franked dividends received from the Company.

#### **Tax File Numbers and Australian Business Numbers**

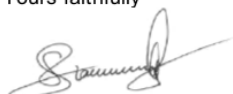
Shareholders are not required by law to provide a Tax File Number ("TFN"), however, if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax is required to be withheld from any income distribution entitlement or unfranked dividend at the highest marginal tax rate plus Medicare levy (currently 47%).

An entity that makes their investment in the Dealt Group in the course of an enterprise carried on by it may quote their Australian Business Number rather than a TFN.

#### **Goods and Services Tax ("GST")**

The acquisition of Stapled Securities as contemplated under the Proposal should not attract GST.

Yours faithfully



George Stamoulos  
Partner – Tax

## **Corporate Directory**

### **Directors**

Peter Lewis  
Tony Pitt  
Philip Raff  
James Storey

### **Company Secretary**

Phillip Young

### **Principal and Registered Office**

Level 14, 167 Eagle Street  
Brisbane, Qld, 4000

### **Tax Adviser**

Ernst & Young

### **Legal Adviser**

Clayton Utz

### **Auditors**

Crowe Audit Australia

### **Share Registrar**

Boardroom Pty Limited

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(outside Australia) +61 2 9290 9600

## YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 1:00pm on Monday 15 February 2021.**

### 🖨 TO VOTE ONLINE

- STEP 1:** VISIT <https://www.votingonline.com.au/vp7egm2021>
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- STEP 3:** Enter your Voting Access Code (VAC):

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### TO VOTE BY COMPLETING THE PROXY FORM

#### STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy.

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

##### Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- return both forms together in the same envelope.

#### STEP 2 VOTING DIRECTIONS TO YOUR PROXY

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

##### Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

#### STEP 3 SIGN THE FORM

The form **must** be signed as follows:

**Individual:** This form is to be signed by the securityholder.

**Joint Holding:** where the holding is in more than one name, all the securityholders should sign.

**Power of Attorney:** to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

#### STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **before 1:00pm on Monday 15 February 2021.** Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged using the enclosed Reply Paid Envelope or:

- 💻 **Online** <https://www.votingonline.com.au/vp7egm2021>
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited  
GPO Box 3993,  
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000 Australia

# Velocity Property Group Limited

ABN 66 605 935 153

☐

## Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

**Please note, you cannot change ownership of your securities using this form.**

## PROXY FORM

### STEP 1 APPOINT A PROXY

I/We being a member/s of **Velocity Property Group Limited** (Company) and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

**OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Extraordinary General Meeting of the Company to be held **Virtually on, Wednesday 17 February 2021 at 1:00pm** (Meeting) and at any adjournment of that Meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting intends to vote undirected proxies in favour of each of the items of business.

Defined terms not otherwise defined herein have the same meaning given to those terms in the Notice of an Extraordinary General Meeting, Explanatory Memorandum and Product Disclosure Statement for the Restructure and Recapitalisation Proposal dated 23 December 2020.

### STEP 2 VOTING DIRECTIONS

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

		FOR	AGAINST	ABSTAIN*			FOR	AGAINST	ABSTAIN*
<b>Res 1</b>	Approval to the change of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 7</b>	Adoption of New Company Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 2</b>	Approval of disposal of main undertaking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 8</b>	Approval of appointment of the Responsible Entity and the Group Investment Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 3</b>	Approval of Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 9</b>	Approval of Capital Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 4</b>	Approval of the Business Acquisitions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 10</b>	Approval of Executive Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 5</b>	Approval of issue of Shares as consideration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 11</b>	Approval of fees payable to non-executive directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Res 6</b>	Approval of change of Company name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>Res 12</b>	Approval of Financial Advisory Fee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / /