



ARSN 150 256 161

US Masters Residential Property Fund

Unsecured Notes Paying 7.75% p.a. Maturing 2021 Prospectus

Prospectus for the offer of a minimum of 500,000 URF Notes III and up to 1,000,000 URF Notes III with the ability to accept oversubscriptions of up to a further 500,000 URF Notes III, at an offer price of \$100 per URF Note III to raise a minimum of \$50 million and up to \$100 million, with the ability to accept oversubscriptions of up to a further \$50 million.

Responsible Entity:

WALSH & COMPANY

INVESTMENTS LIMITED

ACN 152 367 649 | AFSL 410 433



Contents

Important notices	ii
ASIC and ASX guidance for retail investors	v
Letter from the Responsible Entity	vi
1. Investment overview	1
2. Key note terms	7
3. About URF	10
4. Risks	39
5. Australian tax considerations	47
6. Additional information	51
7. How to apply	58
8. Definitions and interpretation	62
Annexure A – Terms of issue of URF Notes III	68
Corporate directory	82



Important notices

This Prospectus (**Prospectus**) is dated 23 January 2017 and was lodged with the Australian Securities & Investments Commission (**ASIC**) on that date. It is issued by Walsh & Company Investments Limited (ACN 152 367 649) solely in its capacity as responsible entity for the US Masters Residential Property Fund (ARSN 150 256 161) (**Issuer**) and is an invitation to apply for a minimum of 500,000 URF Notes III and up to 1,000,000 URF Notes III, at an Offer Price of \$100 per URF Note III to raise a minimum of \$50 million and up to \$100 million, with the ability to accept oversubscriptions up to a further \$50 million (**Offer**).

URF Notes III are “unsecured notes” for the purposes of Section 283BH of the *Corporations Act 2001* (Cth) and are “debt securities” for the purposes of the Guidance Note 34 (Naming Conventions for Debt and Hybrid Securities) issued by the ASX.

The Issuer is issuing the URF Notes III as the responsible entity for US Masters Residential Property Fund (**URF** or the **Fund**). If Walsh & Company Investments Limited (**Walsh & Company**) ceases to be the responsible entity of URF, it ceases to have any obligation in relation to the URF Notes III. Furthermore, under the terms of issue of the URF Notes III:

- Walsh & Company is not liable to pay or satisfy any obligations in relation to the URF Notes III except out of the assets of URF against which the Issuer is actually indemnified, and the URF Notes III Trustee and URF Notes III Noteholders may only enforce their rights against Walsh & Company to the extent of the Issuer’s right of indemnity;
- if any of the URF Notes III Trustee and URF Notes III Noteholders do not recover all money owing to them arising from non performance of obligations by the Issuer, they may not seek to recover the shortfall by bringing proceedings against Walsh & Company in its personal capacity; and
- the URF Notes III Trustee and each URF Notes III Noteholder have no rights to recover from Walsh & Company in its personal capacity in respect of any loss or damage that they suffer as a result of a breach or non performance by Walsh & Company of its obligations in relation to URF Notes III which cannot be satisfied out of the assets of URF of which Walsh & Company is actually indemnified.

However, if the liability of Walsh & Company is not fully satisfied out of the assets of URF, then Walsh & Company is liable to pay out of its own funds the unsatisfied amount of that liability, but only to the extent of the total amount, if any, by which the assets of URF have been reduced by reason

of fraud, gross negligence or breach of trust by the Issuer in the performance of its duties as the responsible entity of URF.

None of ASIC, ASX Limited (**ASX**) or its respective officers take responsibility for the contents of this Prospectus.

This document is important and requires your immediate attention. It contains general financial and other information. It has not been prepared having regard to your investment objectives, financial situation or specific needs. It is important that you carefully read this Prospectus in its entirety before deciding whether to invest in URF Notes III. In considering the Prospectus, it is important that you consider the risk factors that could affect the financial performance of URF Notes III, including loss of investment and income. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional advisor before deciding whether to invest.

No URF Notes III will be issued on the basis of this Prospectus after the expiry date, being the date 13 months after the date of this Prospectus.

ASX listing

The Issuer will apply within seven days after the date of this Prospectus for quotation of the URF Notes III on the ASX.

The fact that the ASX may quote the URF Notes III is not to be taken in any way as an indication of the merits of the Issuer. Neither the ASX nor its officers, take any responsibility for the contents of this Prospectus. If the ASX permits quotation of the URF Notes III, quotation will commence as soon as practicable after holding statements are dispatched.

The Issuer does not intend to issue any URF Notes III unless, and until, permission has been granted for the URF Notes III to be quoted on the ASX on terms acceptable to the Issuer. If permission is not granted for the URF Notes III to be quoted before the end of three months after the date of this Prospectus or a longer period permitted by the Corporations Act or with the consent of ASIC, all Application Monies received under the Prospectus will be refunded without interest to Applicants in full within the time prescribed by the Corporations Act.

Documents relevant to the Offer

In addition to this Prospectus, the following documents are relevant to the Offer and can be obtained from <http://www.usmrpf.com.au/investor-centre/announcements/>



- full terms of the URF Notes III (see also Annexure A to this Prospectus); and
- the Trust Deed (see Section 6.4 for a summary).

It is important you read these documents in full, in addition to the Prospectus, before you make a decision to invest in URF Notes III.

Exposure period

The Corporations Act prohibits the processing of applications to subscribe for URF Notes III under this Prospectus (**Applications**) in the seven-day period after the lodgement of this Prospectus (**Exposure Period**). The Exposure Period may be extended by ASIC for up to a further seven days. The Exposure Period allows this Prospectus to be examined by potential investors prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

No guarantee

None of either the Issuer, Walsh & Company, its respective controlled entities, or any other party makes any representation or gives any guarantee or assurance as to the market price of URF Notes III or any particular rate of return. An investment in URF Notes III is subject to investment risks. These risks are discussed in Section 4. You should consider this Section of the Prospectus carefully before deciding whether to invest.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by the Issuer in connection with the Offer.

Except as required by law, the Issuer does not intend to update or revise forward-looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

The Issuer and the URF Note III Registrar disclaim all liability, whether in negligence or otherwise, to persons who trade URF Notes III before receiving their holding statement.

Forward-looking statements

This Prospectus may contain forward-looking statements which are subject to known and unknown risks, uncertainties and other important factors (including risks described in Section 4) that could cause the actual results, events, performance or achievements of URF or URF Notes III to be materially different from those expressed or implied in such statements.

The Issuer gives no assurance that the anticipated results, events, performance or achievements expressed or implied in forward-looking statements will be achieved and applicants are cautioned not to place undue reliance on these forward-looking statements.

Past performance is not a reliable indicator of future performance.

Responsibility statement by URF Notes III Trustee

The URF Notes III Trustee, being Australian Executor Trustees Limited:

- has not authorised or caused the issue, submission, dispatch or provision of this Prospectus, and does not make any statement or purport to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based;
- nor any of its directors, employees, officers, affiliates, agents, advisors, intermediaries or related bodies corporate (each a “related person”) assume any responsibility for the accuracy or completeness of any information contained in this Prospectus;
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Prospectus, or any statements in, or omissions from this Prospectus, other than the references to its name and the statements(s) and/or reports(s) (if any) specified below and included in this Prospectus with its written consent;
- has given, and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- does not, nor does any related person, make any representation as to the truth and accuracy of the contents of this Prospectus;
- has relied on the Issuer for the accuracy of the contents of this Prospectus; and
- does not, nor does any related person, make any representation or warranty as to the performance of URF Notes III or the payment of interest or the redemption of URF Notes III.



The interest payments on the URF Notes III are obligations of the Issuer and are not guaranteed by the URF Notes III Trustee or any of its directors, employees, officers, affiliates, agents, advisors, intermediaries, related bodies corporate or any other entity.

The obligation to redeem URF Notes III in accordance with their terms is a direct obligation of the Issuer. Neither the URF Notes III Trustee nor any of its directors, employees, officers, affiliates, agents, advisors, intermediaries, related bodies corporate or any other entity guarantees the redemption of, or prepayment of, any principal under the URF Notes III.

The URF Notes III Trustee is not responsible for monitoring the Issuer's compliance with the Trust Deed nor the Issuer's business except as required by law.

Currency and rounding

Unless otherwise indicated, references to dollar values are references to the lawful currency of Australia.

Any discrepancies between totals and the sum of all the individual components in the tables contained in this Prospectus are due to rounding.

Date of information

Unless otherwise stated, information in this Prospectus is current as at the date of this Prospectus.

Electronic Prospectus

An electronic version of this Prospectus is available from the Fund's website at <http://www.usmrpf.com.au>. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website from Australia. It is not available to persons in other jurisdictions (including the US).

If you access the Prospectus electronically, please ensure that you download and read the Prospectus in its entirety.

Copy of this Prospectus

If you request a paper copy of the Prospectus during the Offer period, the Issuer will provide one to you within five days of receiving such a request.

Definition of terms

Defined terms and abbreviations included in the text of this Prospectus are set out in the Definitions and Interpretation in Section 8.

A reference to time in this Prospectus is a reference to Sydney time unless otherwise stated.



ASIC and ASX guidance for retail investors

ASIC has published a guide for retail investors who are considering investing in bonds called “*Investing in corporate bonds?*” (**ASIC Guide**), which raises issues that may be relevant to your consideration of URF Notes III. A free copy of the ASIC Guide and other information about the advantages and disadvantages of investing in corporate bonds can be obtained from ASIC’s MoneySmart website at **www.moneysmart.gov.au**.

The ASX has also issued an ASX education brochure on the ASX listed bonds. It is called “*Understanding Bonds*” and can be found at **www.asx.com.au**.

Investments in URF Notes III are investments in debt securities of the Issuer and may be affected by ongoing performance, financial position and solvency of the Issuer. URF Notes III are not deposit liabilities or protected accounts under the *Banking Act 1959* (Cth).

Where can I obtain further information about the Issuer and URF Notes III?

You should focus on the financial position of the Issuer when deciding to invest in URF Notes III.

The Issuer is a disclosing entity for the purposes of the Corporations Act. As a result, the Issuer is subject to regular reporting and disclosure obligations under the Corporations Act and must also immediately lodge a continuous disclosure notice to the ASX (subject to certain exceptions) if it becomes aware of information that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of documents lodged with ASIC and the ASX by the Issuer can be obtained from, or inspected at, an ASIC office and can also be obtained from **www.asx.com.au**.



Letter from the Responsible Entity

23 January 2017

Dear Investor,

On behalf of the board of Walsh & Company Investments Limited (**Responsible Entity** or **Walsh & Company**) as responsible entity for the US Masters Residential Property Fund (**URF** or the **Fund**), I am pleased to invite you to subscribe for unsecured notes being issued by the Responsible Entity solely in its capacity as responsible entity for the US Masters Residential Property Fund (**URF Notes III**).

The URF Notes III carry an annual interest rate of 7.75%, payable quarterly in arrears and maturing on 24 December 2021, approximately five years (four years and 10 months) from the expected Issue Date.

Under this Prospectus, the Issuer is offering a minimum of 500,000 URF Notes III and up to 1,000,000 URF Notes III, with the ability to accept oversubscriptions of up to a further 500,000 URF Notes III, at an Offer Price of \$100 per URF Note III. The Offer will raise a minimum of \$50 million and up to \$100 million, with the ability to accept oversubscriptions up to a further \$50 million. Proceeds from the issue of URF Notes III will be used to fund URF's investment strategy, including renovations of properties in the portfolio and acquisitions of new properties, and for general business and financing purposes (potentially including debt servicing of URF Notes I, URF Notes II and URF Notes III).

The Offer is being made to Australian investors only. The Issuer has allocated a Priority Offer of up to \$50,000 (500 URF Notes III) for each Applicant who is a URF unitholder (**Unitholder**) or URF Noteholder (either URF Notes I or URF Notes II) at 5:00pm on the Offer Closing Date. An Applicant who holds URF units (**Units**) as well as URF Notes I and/or URF Notes II (**URF Notes**) is entitled to apply for up to \$100,000 (1,000 URF Notes III) under the Priority Offer.

The final allocation given to Applicants under this Offer, including the Priority Offer, may be subject to scaling at the discretion of the Responsible Entity depending on demand, the cash requirements of the Fund at the time of allotment (as determined by the Responsible Entity) and to assist the Responsible Entity to develop a balanced register of URF Notes III Noteholders.

The US Masters Residential Property Fund was established in June 2011 and was listed on the Australian Securities Exchange (**ASX**) in July 2012. At 20 January 2017, the market capitalisation of URF was approximately \$709 million, with 30 June 2016 consolidated total assets of \$1,130 million and 30 June 2016 net assets of \$501 million.

The Fund was established to seek to take advantage of the significant drop in home prices in the US between 2006 and 2011 by investing in freestanding and multi-tenant houses in the New York metropolitan area and presently invests in property in Brooklyn, Manhattan and Queens, New York and Hudson County, New Jersey.

The Fund, through its controlled entities or joint venture investments, has built a portfolio of New York metropolitan area residential housing and apartments, and as at 31 December 2016 directly or indirectly held interests in 1,572 housing units across 601 freestanding houses and 14 apartment buildings.

The Fund is currently the largest Australian-listed property trust with a primary strategy of investing in US residential property. It seeks to achieve long-term returns through a combination of income from rental yields along with potential for long-term capital growth.

The Fund employs an integrated business model, with an historically successful strategy of acquiring properties at attractive valuations, renovating the properties to high standards, and professionally leasing and managing the properties for rental income and potential long-term capital growth.

The Fund is continuing to develop its property portfolio with a focus on acquisitions and renovations and as such is not currently generating sufficient operating cash flow to pay all interest on the URF Notes or redeem the URF Notes if they were redeemable at the date of this Prospectus. The Fund is expected to continue to experience net cash outflows in the short term as it continues the development and renovation of properties. See Section 3.4 for details.



While there have been a number of equity raisings since the Fund's listing, URF previously raised \$150 million of debt in December 2014 under its offer of URF Notes I and \$90.5 million of debt in October 2015 under its offer of URF Notes II. URF Notes I listed on the ASX on 5 January 2015 and mature on 24 December 2019. URF Notes II listed on the ASX on 27 October 2015 and mature on 24 December 2020. The URF Notes III have broadly similar terms to, and will rank pari passu with (the same as), the URF Notes. See Section 1.6 for details of the differences between the terms of URF Notes and URF Notes III.

Detailed information about the Offer and financial and operating performance of the Issuer is set out in this Prospectus. A detailed description of the key risks associated with an investment in the Issuer is provided in Section 4. These risks include the risk that the Fund may have insufficient funds to pay Interest on, or repay the Face Value of, the URF Notes III when these fall due and that while URF Notes III may be quoted on the ASX, the liquidity of the URF Notes III may be low and holders may not be able to sell the URF Notes III on the ASX at an acceptable price or at all.

I encourage you to read this Prospectus carefully and in its entirety before making your investment decision.

On behalf of the board, I invite you to consider this new investment opportunity.

Yours sincerely,



Alex MacLachlan

Chairman of the Responsible Entity

Walsh & Company Investments Limited





Section 1: Investment overview



1. Investment overview

1.1 Key dates

Offer Opening Date	1 February 2017
Offer Closing Date	13 February 2017
Issue and allotment of URF Notes III	20 February 2017
Trading of URF Notes III expected to commence on the ASX.	23 February 2017

Note: The above dates are indicative only and may vary. The Issuer may vary the dates and times of the Offer (including varying the Offer Closing Date) without notice.

This Section is only a summary. Detailed information is provided in the following sections of this Prospectus and it is important that you read the Prospectus, the Terms and the Trust Deed in their entirety before making any decision to apply for URF Notes III.

1.2 About the Offer

	Summary	More information
Issuer	Walsh & Company Investments Limited (ACN 152 367 649) solely in its capacity as responsible entity for the US Masters Residential Property Fund (ARSN 150 256 161).	Section 3.8
URF Notes III	The URF Notes III are interest bearing unsecured notes issued by the Issuer. The URF Notes III are “debt securities” for the purposes of Guidance Note 34 (Naming Conventions for Debt and Hybrid Securities) issued by the ASX.	Section 2 and Annexure A
Offer	The Offer comprises an offer of a minimum of 500,000 URF Notes III and up to 1,000,000 URF Notes III, with an ability to accept oversubscriptions for a further 500,000 URF Notes III (Offer). At an offer price of \$100 per URF Note III, the Offer will raise a minimum of \$50 million and up to \$100 million with the ability to raise an additional \$50 million through oversubscriptions.	Section 7.1
Offer Price	\$100 per URF Note III.	Section 7.1
Minimum amount to be raised	A minimum amount of \$50 million (500,000 URF Notes III) must be raised by the Offer Closing Date. If this minimum amount is not raised by that date, all Application Monies will be refunded, without interest.	Section 7.1
Minimum subscription per applicant	\$2,000 (20 URF Notes III). Applications for greater than \$2,000 must be in multiples of \$500 (5 URF Notes III).	Section 7.2
Priority Offer	Under the Priority Offer, the Issuer has allocated up to 500 URF Notes III for each Applicant who is a Unitholder or URF Noteholder on the Offer Closing Date. An Applicant who holds Units as well as URF Notes I and/or URF Notes II is entitled to apply for up to 1,000 URF Notes III under the Priority Offer. Applicants under the Priority Offer should include their individual Priority Offer Reference Number in the space provided on the Application Form at the back of this Prospectus or in the section provided in the online Application Form. The final allocation given to Applicants under this Offer, including the Priority Offer, may be subject to scaling at the discretion of the Responsible Entity depending on demand, the cash requirements of the Fund at the time of allotment (as determined by the Responsible Entity) and to assist the Responsible Entity to develop a balanced register of URF Notes III Noteholders.	Section 7.1



	Summary	More information
Purpose of the Offer	The purpose of the Offer is to raise funds to: • provide additional capital to URF to fund URF's investment strategy, including renovations of properties in the portfolio and acquisitions of new properties and for general business and financing purposes (potentially including debt servicing of URF Notes and URF Notes III); • pay the costs of the Offer; and • provide working capital to the Fund and at the US REIT level as required.	Section 3.9
Who can participate in the Offer?	Members of the general public who have a registered address in Australia.	Section 7.1 and 7.6
Superannuation funds	Superannuation funds can invest subject to the investment mandate of the particular fund and the trustee's general powers and duties.	
How do I apply for URF Notes III?	The procedures for making an investment in the URF Notes III are described in Section 7.	Section 7
No cooling-off period	There is no cooling-off period in relation to this Offer.	Section 7.1
Underwriting	This Offer is not underwritten.	Section 7.1
ASX quotation	The Issuer will apply for quotation of URF Notes III on the ASX. It is expected that URF Notes III will be quoted under the ASX code "URFHC". Completion of the Offer is conditional on the ASX approving the application.	Section 7.4

1.3 Key note terms

	Summary	More information
Face Value	The initial Face Value of each URF Note III will be \$100 but may be reduced by partial early repayment of Face Value.	Section 2.1 and Annexure A
Interest rate	URF Notes III will pay Interest on the outstanding Face Value at a fixed rate of 7.75% per annum until maturity or Redemption.	Section 2.3 and Annexure A
Interest payments	Interest payments will be made quarterly until maturity or Redemption. The first Interest Payment Date for URF Notes III is 31 March 2017.	Section 2.4 and Annexure A
Term	Unless Redeemed early, URF Notes III mature on 24 December 2021, representing a term of approximately five years (four years and 10 months) from the expected Issue Date. See Section 2.2 for information about circumstances that may give rise to an early Redemption.	Section 2.2 and Annexure A



1.4 Fees and costs

Question	Summary	More information
Fees and costs of the Offer¹	Under the Investment Management Agreement (as amended) between the Investment Manager and the US REIT, the Investment Manager will receive a debt arranging fee which equates to 1% of the gross proceeds raised by URF Notes III. The Investment Manager may elect to pay away some or all of the debt arranging fee to AFSL Holders. The Responsible Entity, on behalf of the Fund, will pay AFSL Holders a stamping fee equal to 1.025% of amounts raised and allocated under Applications bearing the stamp of the AFSL Holder. For the avoidance of doubt, the AFSL Holders who are entitled to receive this stamping fee includes, but is not limited to, Dixon Advisory & Superannuation Services Limited, who is a related party of Walsh & Company Investments Limited, the responsible entity of URF. Including the debt arranging fee and the stamping fee, expenses in relation to the Offer are estimated to be \$1.2 million to \$3.3 million, including ASX listing fees, legal, tax, accounting and registry services. The debt arranging fee, the stamping fee and ASX listing fees (estimated to be \$1.1 million to \$3.2 million) will be paid out of the Fund or by US REIT. All other costs of the Offer, including any additional stamping fees, will be borne by Walsh & Company and not reimbursed out of the Fund.	Section 6.9
Fees and costs are payable by a URF Notes III Noteholder	No fees, charges, brokerage, commission or stamp duty is payable by you on your Application for URF Notes III. You may be required to pay brokerage if you sell your URF Notes III after URF Notes III are quoted on the ASX.	

1.5 Key investment risks

Some of the key risks of an investment in URF Notes III are highlighted below. You should consider these risks, as well as the other risks described in Section 4, before making any decision to invest in URF Notes III.

Risk	Summary	More information
Priority risk – Subordinated and unsecured creditors	URF Notes III are unsecured liabilities. If the Issuer becomes insolvent, URF Notes III rank behind senior debt and creditors preferred by law, and rank pari passu with (the same as) other unsecured creditors of the Fund (including URF Noteholders and the Contingent Liabilities if they become due and payable by URF).	Section 4.2(a)
Interest payment and Face Value Repayment risk	The Issuer may fail to pay Interest or repay Face Value when required. See Section 3.11(g) for information regarding the Fund's Interest Cover Ratio. A low Interest Cover Ratio may indicate that the Issuer could face difficulties in servicing its debt if earnings decrease or interest rates increase and the Issuer does not have access to sufficient cash to service the debt.	Section 4.2(b) and (c)
Early Redemption by the Issuer	URF Notes III do not mature until the Maturity Date, but URF has early Redemption and repayment rights from the First Call Date and may also fully (but not partially) Redeem all URF Notes III if a Tax Event or a Change of Control Event occurs.	Section 4.2(d)
No individual right to Redeem	Individual URF Notes III Noteholders cannot require the Redemption of their URF Notes III unless the URF Notes III Trustee is obliged to under the Terms or the Trust Deed, and fails to do so for a period of 20 Business Days.	Section 4.2(e)
Potential additional indebtedness	URF may issue additional URF Notes III, securities that rank equally with URF Notes III and other indebtedness senior to URF Notes III.	Section 4.2(f)
Market risk	The market price of URF Notes III on the ASX will fluctuate and you may lose money you invested if you sell URF Notes III.	Section 4.2(g)
Liquidity risk	Liquidity of URF Notes III may be low and holders may not be able to sell at an acceptable price.	Section 4.2(h)

1. All fees are expressed inclusive of GST (where applicable) and net of RITC (where applicable).



Risk	Summary	More information
Amendment to URF Notes III Terms	In certain circumstances, the Issuer may amend the Terms of the URF Notes III. These amendments will apply to your URF Notes III even if you did not approve them.	Section 4.2(i)
Risk of non compliance with covenants and undertakings not an Event of Default	URF may fail to meet covenants or undertakings under existing or new debt instruments or the Trust Deed. This may not constitute an Event of Default under the Terms of the URF Notes III.	Section 4.2(j) and (k)
Risk of poor Fund performance	The Fund remains in a growth phase with historically negative cash flows. URF's cash flows and future operating performance may also be negatively impacted by risks associated with the property markets it operates in, including the possibility that rental income may be lower and/or vacancy costs higher from Portfolio properties. This may impact the Issuer's ability to pay Interest or repay Face Value when required.	Sections 4.3(a), (b) and (c)
Risk of the US and New York residential property market and the Fund's concentrated geographic focus	The Fund invests in a concentrated geographic location and will be highly correlated to the performance of the property market in that area. If the US economy or the residential property market that the Fund invests in performs poorly, the Fund's performance is likely to be affected. These factors may impact the Issuer's ability to pay Interest or repay Face Value when required.	Sections 4.3(b) and (c)
Borrowing, deposit and refinance risk	URF may be unable to refinance its debt facilities when required, including the URF Notes III, at maturity, or may find that refinance is only available on terms materially less favourable. The Fund may incur additional liabilities where its controlled entities fail to comply with certain financial covenants.	Sections 4.3(d) and (e)
Renovation risk	As at 31 December 2016 the Fund had 91 properties in its renovation pipeline. The Fund is therefore exposed to risks associated with carrying out property renovations.	Section 4.3(f)
Joint venture risk	US REIT and its controlled entities may invest in joint ventures with joint venture partners. These joint venture parties may not meet their obligations. These joint ventures may restrict US REIT's ability to redistribute returns from its joint venture investments and defaults by joint venture partners may negatively impact on URF's performance.	Section 4.3(g)
Key personnel risk	The departure of key staff or consultants may have an adverse effect on the future earnings of the Issuer and its ability to service the URF Notes III.	Section 4.3(h)
Foreign exchange risk	Fluctuations in the value of the US dollar against the Australian dollar may impact on the Issuer's ability to repay Interest and Face Value.	Section 4.3(i)
Gearing risk	Any increase in the Leverage Ratio and Gearing Ratio, or a decrease in the Interest Cover Ratio, may adversely impact the Fund's ability to refinance existing debt or borrow additional funds. A decrease in the Interest Cover Ratio may be indicative of a decrease in the Fund's ability to service existing debt. A higher Leverage Ratio or Gearing Ratio may adversely affect the ability of URF Notes III Noteholders to recover all amounts owing under an Insolvency Event.	Sections 3.11(g) and 4.3(j)
Interest rate risk	Changes in US interest rates may have a positive or negative impact directly on the income of the Issuer. Changes in interest rates may also affect the market more broadly and the value of the Issuer's underlying assets.	Section 4.3(k)
Taxation and other regulatory risk	Regulation applying to URF may change. This may impact on URF's operations and accounting and tax treatment.	Sections 4.3(l) (m), (n) and (o)

1.6 Additional information

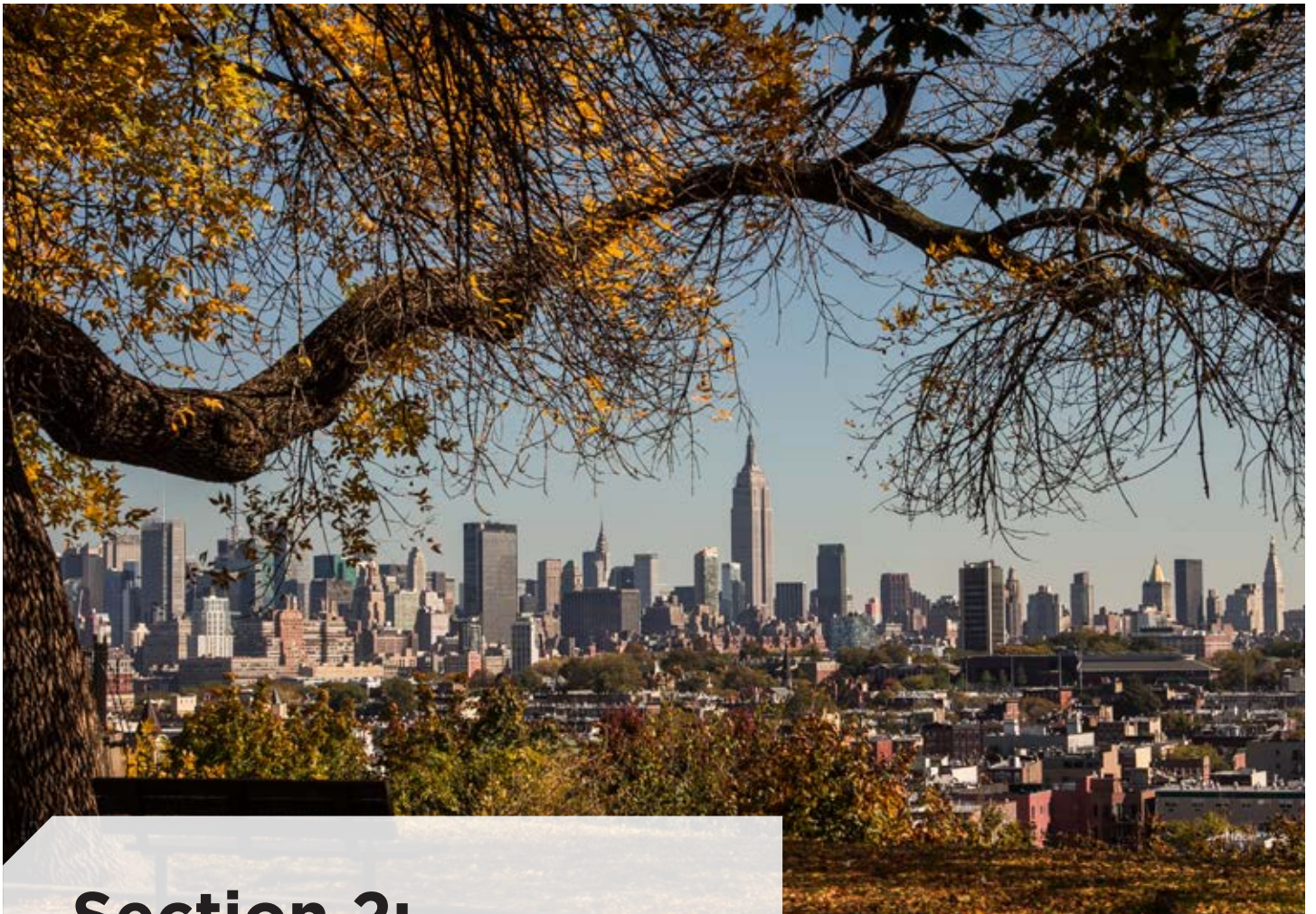
Question	Summary	More information
Rating	It is not anticipated that URF Notes III will receive a credit rating from any rating agency.	



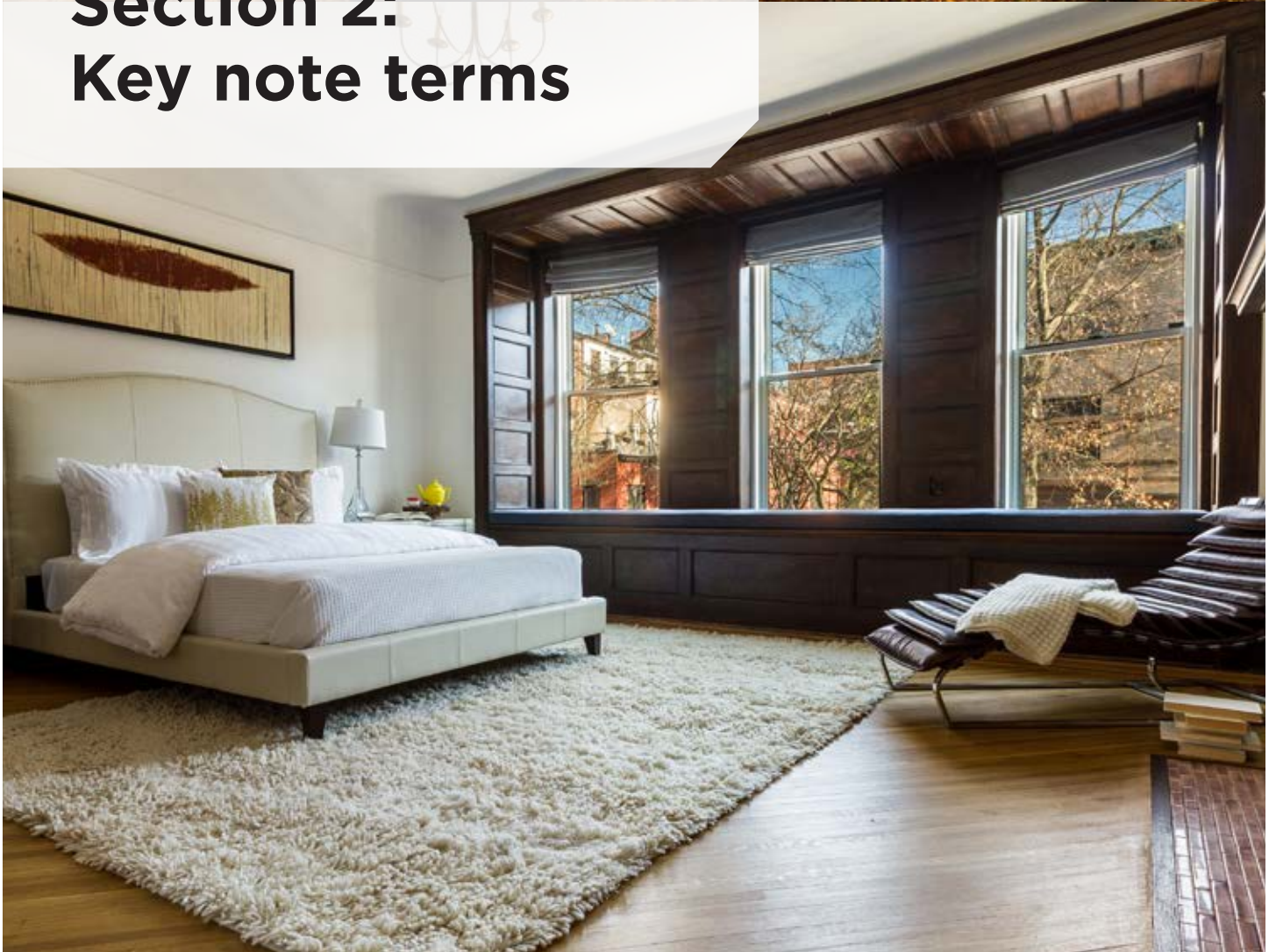
Question	Summary	More information
Ranking	URF Notes III are unsecured liabilities of the Issuer. If an Insolvency Event occurs (for example, if a liquidator is appointed to wind up URF), the URF Notes III will effectively rank: • behind senior debt of the Issuer; • behind unsecured creditors preferred by law; • pari passu with (the same as) other unsecured creditors of the Issuer (including URF Noteholders and the Contingent Liabilities if they become due and payable by URF); and • ahead of Units. At 30 June 2016 the Fund and its controlled entities had \$528.7 million of debt.² Of this, \$236.3 million is owed at the Fund level, consisting entirely of the outstanding face value of the URF Notes. This debt will rank equally with the URF Notes III. An additional \$292.4 million of secured debt is owed by the Fund's controlled entities. As your claim is only against the Issuer, it is only recoverable out of the assets of the Issuer, including the Issuer's interests in its controlled entities or joint venture entities. Accordingly, any debt or liabilities of these controlled entities or joint venture entities will effectively rank ahead of your claim.	Section 4.2(a)
Funding of payments	The Responsible Entity will adopt a disciplined approach to managing the financial affairs of the Issuer and meeting its obligations under the URF Notes III. Interest payments are expected to be funded through one or more of the following means: • using the Fund's operating income, including distributions and other payments from US REIT in turn sourced from US REIT's operating income, property sales and financing facilities; • investing surplus cash in interest bearing deposit accounts and subsequently drawing down that account as Interest on the URF Notes III becomes due and payable; • investing surplus cash into other instruments, including debentures, notes or other instruments until such time as the Interest on the URF Notes III becomes due and payable; • entering into various borrowing arrangements from time to time; and • undertaking further capital raisings. The Responsible Entity expects to fund Redemption of the URF Notes III through one or more of the following means: • issuing additional securities; • entering into additional borrowing arrangements or refinancing existing borrowing arrangements of URF and its controlled entities; • applying accumulated profits from the operations of URF and its controlled entities; • disposal of underlying properties; and • issuing Units or other equity or hybrid securities.	
Changes to URF's borrowing policy	The Fund's current borrowing policy is outlined in Section 3.15. The Responsible Entity, on behalf of the Fund, currently intends to seek an ordinary resolution of URF Notes III Noteholders should there be any material change to its borrowing policy that may adversely impact on the Fund's ability to redeem the URF Notes III on the Maturity Date.	Section 3.15
What are the key differences between URF Notes and URF Notes III?	In December 2014, the Fund raised \$150 million of unsecured debt in the form of the URF Notes I (ASX: URFHA). In October 2015, the Fund raised \$90.5 million of unsecured debt in the form of URF Notes II (ASX: URFHB). URF Notes III rank pari passu with (the same as) these other URF Notes for payment. The URF Notes III have been issued with Terms that are materially the same as the terms of the URF Notes, except as set out below: • URF Notes III have a maturity date of 24 December 2021 (URF Notes I have a maturity date of 24 December 2019 and URF Notes II have a maturity date of 24 December 2020); and • URF Notes III have a First Call Date of 24 December 2019 (the "First Call Date" for URF Notes I is 24 December 2017 and the "First Call Date" for URF Notes II is 24 December 2018).	

2. At 31 December the Fund and its controlled entities had \$546.8 million (amortised cost) of debt.





Section 2: Key note terms



2. Key note terms

A summary of the key terms of the URF Notes III is set out below. For more detail and a copy of the full terms of the URF Notes III, please see Annexure A.

2.1 Face Value

The initial Face Value of each URF Note III will be \$100 but may be reduced by partial early repayment of the Face Value.

2.2 Redemption and early repayments

Unless Redeemed earlier, Redemption of the URF Notes III will occur on 24 December 2021.

The Issuer may elect to Redeem or partially repay all of the URF Notes III on the First Call Date (being 24 December 2019) or any Interest Payment Date after the First Call Date. Any partial repayment will reduce the outstanding Face Value of each URF Note III and will be paid to URF Notes III Noteholders on a pro rata basis on the relevant record date.

The Issuer may elect to fully (but not partially) Redeem all of the URF Notes III if there is a Tax Event or Change of Control Event. The URF Notes III Trustee may also require the Redemption of all of the URF Notes III after an Event of Default.

There is no early repayment premium payable on the URF Notes III.

2.3 Interest rate

Interest is payable on the outstanding Face Value at a fixed rate of 7.75% per annum until maturity or Redemption.

2.4 Interest payment dates

Interest is scheduled to be paid quarterly in arrears on the following dates, until all URF Notes III have been Redeemed:

- 31 March;
- 30 June;
- 30 September; and
- 31 December.

If any of these scheduled dates is not a Business Day, then the payment will generally be made on the next Business Day, unless the scheduled date is 30 June in which case the payment will be made on the immediately preceding Business Day. If a payment is postponed until the next Business Day or brought forward to the preceding Business Day, there is no adjustment to the amount of

Interest payable. The first Interest payment will be made on 31 March 2017.

2.5 Record Date

Interest will be paid to URF Notes III Noteholders whose details are recorded with the URF Note III Registrar at close of business on the Record Date, which is the date that is eight days prior to the relevant Interest Payment Date or such other date as determined by the Issuer and communicated to the URF Notes III Noteholders and the ASX or such other date as may be required by the ASX.

2.6 Interest payments

Payments of Interest and repayment of the Face Value will be paid by electronic transfer to a bank account maintained with a financial institution nominated by the URF Notes III Noteholder.

2.7 Repayment of Face Value on maturity

Subject to any early Redemption events, on the Maturity Date, you will receive:

- Face Value; plus
- the final payment of Interest for the period from (and including) the preceding Interest Payment Date to (but excluding) the Maturity Date.

2.8 URF Notes III Noteholders early Redemption rights

URF Notes III Noteholders do not have a right to request that their URF Notes III be Redeemed early for any reason.

To realise your investment, you can sell your URF Notes III on the ASX, although there is a risk that the liquidity of URF Notes III may be low and you may not be able to sell your URF Notes III at an acceptable price or at all.

2.9 Event of Default

An Event of Default will occur if:

- an Insolvency Event occurs with respect to the Issuer;
- the Issuer fails to pay the Face Value or Interest on the due date for payment and has not rectified that default within 10 Business Days;
- the Issuer commits a material breach of its obligations under the Terms that is remediable and does not



remedy that default within 30 Business Days after receiving written notice of that default from the URF Notes III Trustee;

- the Issuer commits a material breach of its obligations under the Terms and that breach cannot be remedied, and the Issuer receives a notice from the URF Notes III Trustee referring to the breach and stating that in 30 Business Days an Event of Default will occur; or
- the URF Notes III cease to be Listed without the cessation having first been approved by a URF Notes III Noteholder Resolution, and the Issuer does not remedy that cessation within 30 Business Days after receiving notice of that cessation from the URF Notes III Trustee.

If an Event of Default occurs and is subsisting, the URF Notes III Trustee may declare that all URF Notes III are to be Redeemed for their Face Value plus any final Interest payment for the final Interest Period and may make a claim for this amount in the winding up. The URF Notes III Trustee must require all of the URF Notes III to be fully (but not partially) Redeemed if an Event of Default occurs and is subsisting, it is so directed by a Special Resolution, it is indemnified to its reasonable satisfaction and it is not restricted or prohibited from taking such action by any court order or any applicable law.

Unless the URF Notes III Trustee is obliged to take action to enforce the rights of the URF Notes III Noteholders and fails to do so within 20 Business Days, individual URF Notes III Noteholders are not entitled to take action to require the Redemption of their URF Notes III. If any URF Notes III Noteholder takes any action to enforce the obligations of the Issuer under the URF Notes III following a failure by the Trustee to take any action it is required to take under the Trust Deed or the Terms within the required time periods, then that URF Notes III Noteholder must take such action in its own name and not in the name of the URF Notes III Trustee.

To realise your investment, you can sell your URF Notes III on the ASX (unless the Event of Default arises as result of the URF Notes III ceasing to be Listed on the ASX). However, even if the URF Notes III remain Listed on the ASX, there is a risk that the liquidity of URF Notes III may be low and you may not be able to sell your URF Notes III at an acceptable price or at all.

2.10 No security or guarantee

URF Notes III are not secured by any assets of the Issuer or its controlled entities and do not have the benefit of any guarantee from any controlled entities of the Issuer.

2.11 Voting rights

URF Notes III Noteholders:

- may vote at the meetings for URF Notes III Noteholders in accordance with the Trust Deed; and
- do not have a right to vote at meetings of Unitholders or URF Noteholders.

2.12 Amendments of the Terms

The Issuer may amend the Terms if:

- the amendment has been approved by a Special Resolution of URF Notes III Noteholders; and
- without the consent of URF Notes III Noteholders in limited other circumstances.

2.13 URF Notes III Trustee

Pursuant to the Trust Deed, Australian Executor Trustees Limited (ACN 007 869 794) is appointed as trustee for the URF Note III Noteholders.

2.14 Governing law

The Trust Deed and Terms are governed by the laws of New South Wales, Australia.





Section 3: About URF



3. About URF

3.1 Overview of URF

The US Masters Residential Property Fund was established in June 2011 and was listed on the ASX in July 2012. Walsh & Company Investments Limited is the responsible entity and URF Investment Management Pty Limited is the investment manager, providing investment management services to the US REIT. At 20 January 2017, the market capitalisation of URF was approximately \$709 million (based on the \$2.05 closing price of Units traded on the ASX on that date).

The Fund was established to seek to take advantage of the significant drop in homes prices in the US between 2006 and 2011 by investing in freestanding and multi-tenant houses in the New York metropolitan area. It presently invests in property in Brooklyn, Manhattan and Queens, New York and Hudson County, New Jersey.

The Fund, through its controlled entities, has built a portfolio of New York metropolitan area residential housing and apartments and as at 31 December 2016, directly or indirectly held interests in 1,572 housing units across 601 freestanding homes, a 67.50% interest in a joint venture (Golden Peak II, LLC) with US\$49.6 million³ of multi-dwelling residences across 13 apartment buildings and a 63.7% interest in a joint venture which owns a US\$18.6 million⁴ 84-unit apartment building.

The Fund is currently the largest Australian-listed property trust with a primary strategy of investing in US residential property. It seeks to achieve long-term returns through a combination of income from rental yields along with potential for long-term capital growth.

The Responsible Entity believes that, as an active investor in the New York metropolitan area residential market, the Fund is well positioned to continue to take advantage of current market conditions and create value for Unitholders through investment in the US housing market. The Fund employs an integrated business model, with an historically successful strategy of acquiring properties at attractive valuations, renovating the properties to high standards, and professionally leasing and managing the properties for rental income and potential long-term capital growth.

The Fund conducts all its New York metropolitan residential investment through the US Masters Residential Property (USA) Fund (**US REIT**), a Maryland Real Estate Investment Trust.

3.2 The Responsible Entity

Walsh & Company was appointed as responsible entity for the Fund effective on 22 June 2015 after the previous responsible entity, Dixon Advisory & Superannuation Services Limited, decided that the Fund should be operated by a dedicated responsible entity company. Walsh & Company and Dixon Advisory & Superannuation Services Limited are both part of the Dixon Advisory Group. ASIC granted relief to allow this change of responsible entity to occur without a Unitholder meeting subject to certain conditions. Walsh & Company Investments Limited was appointed as responsible entity for URF after all conditions imposed by ASIC were met.

In addition to being the responsible entity of URF, Walsh & Company Investments Limited is also the responsible entity for each of Emerging Markets Masters Fund, Australian Property Opportunities Fund I, Fund II and Fund III, US Select Private Opportunities Fund I, Fund II and Fund III, and New Energy Solar Fund.

3. The Fund's interest being US\$33.5 million.

4. The Fund's interest being US\$11.8 million.



3.3 Investment portfolio

Overview

As at 31 December 2016, URF's investment portfolio comprised of direct or indirect interests in 1,572 housing units across 601 freestanding houses and 14 apartment buildings. A summary of the portfolio is presented below.

TABLE 1: SUMMARY OF THE PORTFOLIO

Freestanding portfolio ⁴		
Area	Properties	Value (US\$)
Brooklyn	110	282,352,325
Hudson Premium	135	244,018,735
Hudson Workforce	323	140,228,691
Manhattan	25	89,809,617
Queens	8	11,553,348
TOTAL	601	767,962,716

Multi-family portfolio ⁵		
Joint Venture Investments	Units	Value (US\$) ⁶
Golden Peak II, LLC	400	33,486,750
515 West 168th Street	84	11,847,430
TOTAL	484	45,334,180

As at 31 December 2016, the Fund through the US REIT owned 601 freestanding properties (565 at 31 December 2015) with a total book value of \$1.065 billion⁷. This value includes the market value of the existing portfolio as at 30 June 2016 plus the cost of additions (including renovations) in the period to 31 December 2016. The 31 December 2016 portfolio value represents a 24% increase in the book value of freestanding properties since the prior year balance date of 31 December 2015 (\$862.5 million), including, \$22.5 million increase in the fair market value of freestanding properties in the six-months to 30 June 2016. The increase in fair market value of the freestanding portfolio in the six months to 30 June 2016 reflects the positive real estate market conditions in the New York metropolitan area as well as the acquisition and renovation strategy of the Fund. The property values stated as at 31 December 2016 do not include any valuation adjustment since 30 June 2016 as a consequence of the 31 December 2016 valuation and appraisal process, which at the date of this Prospectus has not concluded.

In addition to freestanding properties, the Fund has acquired interests in multi-family properties through joint venture arrangements. The carrying value of the Fund's proportionate interest in the multi-family properties owned by Golden Peak II, LLC at 31 December 2016 is US\$33.5 million, representing a 31% premium to acquisition cost. The property values stated as at 31 December 2016 do not include any valuation adjustment since 30 June 2016 as a consequence of the 31 December 2016 valuation and appraisal process, which at the date of this Prospectus has not concluded. In December 2016, the Fund acquired an interest in an 84-unit apartment building at 515 West 168th Street. The Fund's proportion of the total purchase price was US\$11.8 million.

5. All data is as at 31 December 2016, unless otherwise stated and excludes any impact of the 31 December 2016 valuation and appraisal process.
Source: Walsh & Company.

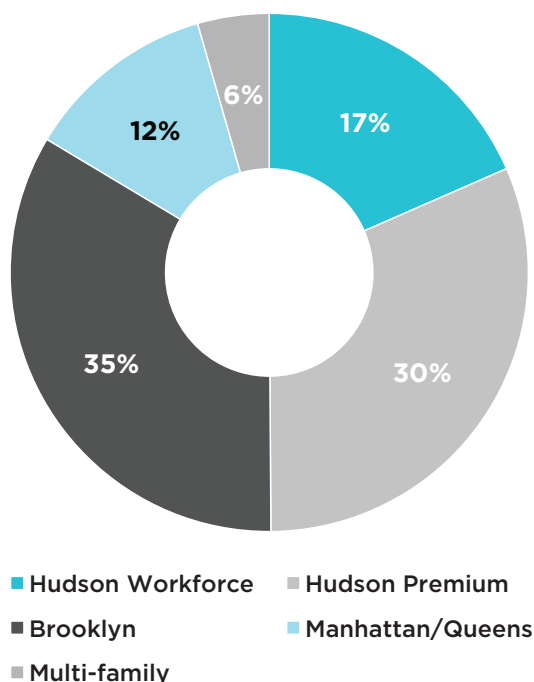
6. Values stated reflect the Fund's proportionate share.

7. US\$767,962,716 translated at AUD exchange rate at 31 December 2016 (AUD/USD 0.7208).



The relative contributions of each of the Fund's investment areas to the portfolio are summarised below:

PROPERTY DISTRIBUTION – BY VALUE



Source: Walsh & Company

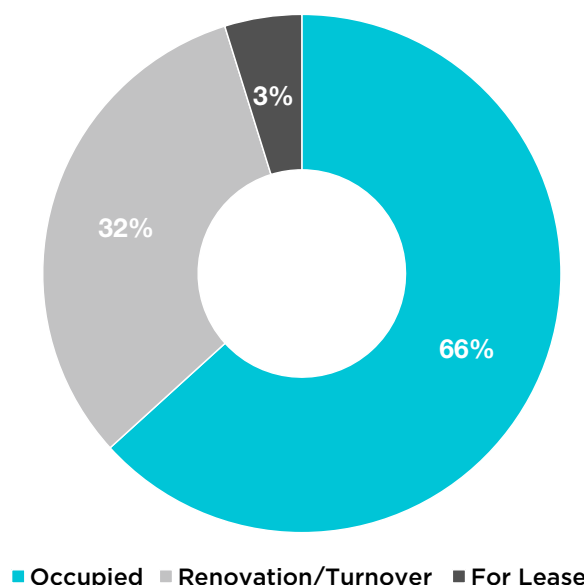
Note: As at 31 December 2016.

During 2016, the Fund, through US REIT, completed US\$50.3 million of renovations. This allowed the completion of 38 large-scale renovations and 79 small-scale renovations across 109 properties. The renovations completed during the period are expected to make a material additional contribution to annual rental income.

As at 31 December 2016, there remained a further 91 properties in the renovation pipeline which were at various stages of completion. The majority of these properties are located in Brooklyn, Manhattan and Hudson County. Many of these properties require larger and more complex renovations and hence have an extended time period to move from acquisition to leasing. Renovations of the majority of these properties are expected to be progressively completed over the coming 30 months and, once completed, the capital improvements are expected to contribute additional annual rent of approximately US\$12.5 million.

The property status of freestanding properties as at 31 December 2016 is summarised below.

PROPERTY STATUS – BY VALUE



Source: Walsh & Company

Note: As at 31 December 2016. Numbers may not add due to rounding.

Moving forward URF intends to continue acquiring properties in the New York metropolitan area and specifically in Brooklyn, Manhattan and Queens, New York and Hudson County, New Jersey.

The Fund targets individual pockets of these neighbourhoods that are experiencing growth and gentrification and offer attractive rental income as well as potential for long-term capital growth. New acquisitions are typically obtained through a mix of both on- and off-market deals. The Fund maintains a flexible and opportunistic acquisition strategy within its target areas, acquiring properties that are immediately rent-ready and offer predictable cash flows, as well as properties that the Fund considers to have value-added potential which the Fund can seek to unlock through Dixon Projects' award winning architectural design and project management capabilities.



Freestanding properties

The Fund's strategy in relation to freestanding properties is to acquire properties that comprise one to four family houses in select neighbourhoods in the target investment areas at attractive valuations. Following acquisition, the Fund seeks to renovate properties, where required, to maximise rental income while providing tenants with quality property management services. The Responsible Entity believes that many of the Fund's property investments have been acquired at or below replacement cost.

The Fund has strong relationships in the real estate markets within its target investment areas and has seen an ample supply of housing stock with strong rental demand for its freestanding properties.

The Fund has acquired a variety of properties with varying rental yields and growth outlooks, including a mix of higher-end residences that typically generate lower current rental yields while providing greater potential long-term rental rate and capital appreciation upside, as well as workforce housing that typically generates higher current income but with more modest long-term rental rate and capital appreciation upside.

Select freestanding properties

In relation to each of the properties described below:

- a) the amount the property was acquired for includes acquisition costs and fees;
- b) renovation costs include the capitalised holding costs (including interest) incurred during the renovation of the property and costs and fees paid to Dixon Projects; and
- c) valuations were carried out as part of the 30 June 2016 valuation and appraisal process and represent fair market values for each property determined in accordance with the Issuer's normal valuation procedures. At the date of this Prospectus, the 31 December 2016 valuation and appraisal process has not concluded and these valuations are therefore not used in this Prospectus other than for the properties listed below.

568 Park Place

568 Park Place is located in one of Brooklyn's most unique neighborhoods, Crown Heights, which has quickly become a melting pot of numerous demographic groups. When the fund purchased 568 Park Place in April 2013, it was an outdated, poorly maintained two-family townhouse with all the potential to create a stunning single-family home.

At the time of acquisition, the property had a one bedroom, one bathroom garden floor apartment, with a three bedroom, two bathroom duplex above it. Given the creative nature of the neighborhood, the Dixon Projects' team knew that a high-end, modern design would fit this property perfectly. Now re-imagined as a beautiful single-family town home, the property features four bedrooms and three bathrooms, with a modern white interior throughout, including a beautiful designer kitchen which opens onto a patio in the rear. A landscaped backyard creates an oasis away from the hustle and bustle of New York City. The exterior of the property was painted black to give the property a modern and unique look.

This property was acquired for US\$715,000 in April 2013 and incurred renovation costs of US\$1,274,939. The property's most recent valuation was US\$2,700,000 (November 2016). The property is currently leased for US\$8,989 per month.



211 Powers Street

211 Powers Street is located just steps from the Grand Street L subway stop, on a quintessential East Williamsburg block. Nestled among some of Brooklyn's most exciting nightlife and noted restaurants, the property's location is a haven for young professionals and growing families alike.

The Fund through US REIT acquired the property in May 2016 as an outdated three-family property, typical for the Manhattan suburb. Dixon Projects limited the extent of the renovation in an up-and-coming location. Making good use of a restrained budget, the Projects' team transformed the property into a spacious six bedroom, three bathroom, single-family residence complete with a recreation room and study. The renovation has added fresh, on-trend finishes while maximising the number of bedrooms, crucial for optimising the property on the leasing market.

This property was acquired for US\$1,775,000 in May 2016 and incurred renovation costs of US\$484,253. The property's most recent valuation was US\$2,400,000 (December 2016). The property is currently leased for US\$8,720 per month.



109 Beacon Avenue

Located in the southernmost part of Jersey City Heights, the Fund through US REIT purchased this 1980's home in August 2012, along with 111 Beacon Avenue, next door. At the time of acquisition, this outdated two-family property had low-end finishes and fixtures throughout the home.

Dixon Projects was given the task of taking this outdated home and turning it into a modernised residence. Unit 1 received new flooring, tiles, fixtures and a manicured backyard for entertaining. It also received a completely modernised kitchen with an expanded and updated bathroom. Unit 2 underwent a more cosmetic renovation, including new tiling in the bathroom, and new fixtures and fittings in the kitchen. The result was a stunning two-family home.

This property was acquired for US\$200,000 in August 2012 and incurred renovation costs of US\$112,893. The property's most recent valuation was US\$575,000 (December 2016). Both units in the property are currently leased, generating a gross rental income of US\$3,165 per month.



341 Hancock Street

Acquired in 2013, 341 Hancock Street is located on an historic block in Bedford-Stuyvesant. At the time of acquisition, the property was divided into small rental units, and although habitable, portions of the home had not been updated for many years. The Investment Manager saw great potential in this area of Bedford-Stuyvesant, encouraged by recent waves of gentrification, which brought new restaurants, bars, amenities, and interest to the neighborhood. These trends have continued and this home is now located in one of Brooklyn's most desirable townhome pockets, continuing to benefit from transformation of the immediate area, as well as excellent access to transportation on nearby Fulton Street.

Since acquiring this property, Dixon Projects has transformed 341 Hancock into an elegant single-family residence, fit for the character of the neighborhood. An optimised layout now boasts six bedrooms and six-and-a-half bathrooms, along with a landscaped backyard and deck for entertaining. Every effort was made to preserve the historical charm of this home, including the restoration of the grand staircase and original parlor shutters. These historical features are complimented by modern luxuries such as high-end Whirlpool appliances, glossy white cabinetry, and grey Caesarstone countertops.

This property was acquired for US\$1,333,000 in May 2013, and incurred renovation costs of US\$948,906. The property's most recent valuation was US\$2,650,000 (September 2016) and is currently rented for US\$6,763 per month.

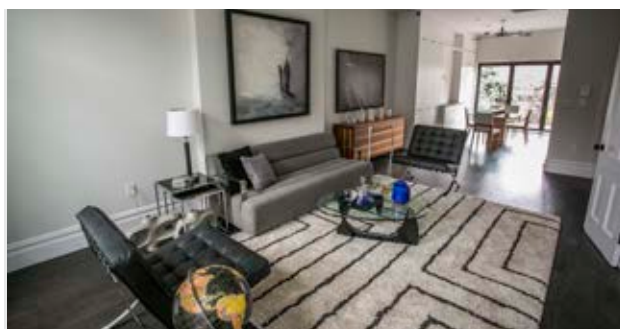


283 1st Street

Acquired by the Fund through US REIT in 2013, and situated just off Park Slope's bustling commercial corridor of 5th Avenue, 283 1st Street gave the Fund a chance to create a luxurious single-family townhome in one of Brooklyn's most prestigious neighborhoods. Tenants of this property can take advantage of numerous subway trains at nearby Union Street, walk to Prospect Park in roughly 10 minutes, and make the most of Park Slope's renowned public schooling options. The property itself is located among a row of similar townhomes on a tree-lined block, creating a quintessential Brooklyn living experience.

At the time of acquisition, the property was dilapidated and in need of significant renovations. The Investment Manager was able to see great potential in the hints of original detail that still remained, such as marble mantels and ornate woodwork on the parlor level. Initially designed as a two-family residence, with a garden unit that was once a commercial space, the home has since undergone a gut renovation to become a single-family home with four bedrooms and four-and-a-half bathrooms. The interior features custom kitchen cabinetry from a local woodworker, a NanaWall sliding glass door system onto a rear deck, and a luxurious marble master bathroom. On the exterior, the home has undergone a complete Brownstown façade repair, with a landscaped backyard and new windows throughout.

This property was acquired for US\$1,800,000 in August 2013, and has since incurred renovation costs of US\$1,584,749. The property's most recent valuation was US\$4,100,000 (November 2016) and is currently rented for US\$13,795 per month.

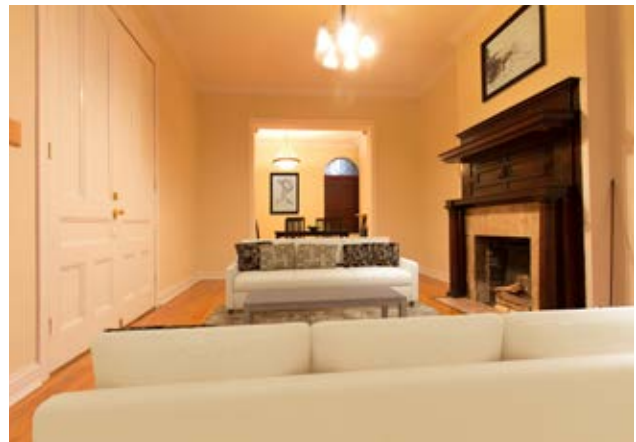


121 Palisade Avenue

Acquired in 2011, 121 Palisade Avenue is conveniently located on a main thoroughfare of Jersey City Heights, providing convenient access to public transportation and local amenities. The immediate neighborhood has seen rapid price appreciation over the last few years as renters and home buyers priced out of Hoboken and Downtown Jersey City search for more affordable options. The neighborhood has also seen an influx of local amenities to cater to the area's new residents.

At the time of acquisition, the property was fully tenanted, with the three units providing existing cash flow. Additionally, each unit had its own utilities so the property was well suited to serve as rental stock in one of Jersey City's most rapidly growing areas. As the tenants moved out of the three units, the Fund used this opportunity to send the Dixon Projects' team in to conduct renovations to add increased appeal. By renovating the kitchens and bathrooms, laying down new floors, updating fittings and fixtures, as well as repainting, the upgrades for each unit led to increased cash flow at the time of re-leasing.

This property was acquired for US\$350,000 in October 2011, and incurred renovation costs of US\$113,664. The property's most recent valuation was US\$848,000 (December 2016). All units are currently rented, generating a rental income of \$4,670 per month.



7 Spruce Street

Located within walking distance to the Journal Square PATH (Port Authority Trans-Hudson), 7 Spruce Street is situated in the southern section of Jersey City Heights. This detached two-family home features a quaint brick façade and plenty of windows to let in natural light.

Purchased in livable but poorly maintained condition, the Dixon Projects' team was asked to undertake some value-add renovations at the property. These alterations included renovating the bathrooms with brand new fixtures and fittings, a complete remodel of the kitchen in Unit 1, laying down all new hardwood floors, and repainting the units to give them a fresh and bright feel. The renovations that Dixon Projects performed allowed the Dixon Leasing team to re-rent the units at a premium.

This property was acquired for US\$250,000 in June 2013 and incurred a renovation cost of US\$89,859. The property's most recent valuation was US\$625,000 (December 2016). Both units are currently occupied, generating a rental income of US\$3,070 per month.



37B Gautier Avenue

Acquired by the Fund through US REIT in November of 2012, 37B Gautier Avenue is located in the Journal Square section of Jersey City. The Investment Manager saw potential in this area of Jersey City because of the large amount of developments going on nearby. These developments have continued and this home is now located in one of the most coveted parts of Journal Square. Residents of this property can take full advantage of the PATH train station in Journal Square, which provides direct transportation to Manhattan, or enjoy local amenities such as nearby Lincoln Park. The property also comes with two car parking spaces.

At the time of acquisition, the property was divided into two rental units, both in a state of disrepair. Unit 2 received a new entry hall, new flooring, and paint work. The kitchen and bathroom in this unit also received a gut renovation. Dixon Projects updated Unit 1 with new fixtures and paint to provide a fresh look for new tenants. These updates instantly transformed this property into one of the most desirable homes in the area.

This property was acquired for US\$240,000 in November 2012 and incurred renovation costs of US\$130,878. The property's most recent valuation was US\$645,000 (November 2016). Both units in the property are currently leased, generating a rental income of US\$3,305 per month.



Leading construction expertise

The Fund focuses on leading edge renovations to maximise the Fund's portfolio potential. Dixon Advisory USA provides construction expertise to the Fund through Dixon Projects. Dixon Projects oversees the entire renovation process including planning, permitting, procurement, construction management and interior design.

In June 2015 Dixon Advisory USA was awarded the "Rising Star Award" in the New York Construction Awards for 2015. The awards are an annual event that honour valuable contributions to New York City by industry leaders in construction, design and development.

Investing in the community

The Fund is committed to the betterment of the local neighbourhoods and communities in which it operates. Reflecting this commitment, Dixon Advisory USA has been awarded by the Jersey City Landmarks Conservancy the Preservation Initiative Award in 2014 and the Excellence in Preservation Award in 2016.

These awards recognise the Fund's "mindful renovations of architecturally significant Jersey City properties, including many outside of the historic districts" and highlights the unique capabilities of Dixon Projects' architectural design and project management teams.

Multi-family properties

The Fund's strategy in relation to multi-family properties is to invest in niche small- and medium-sized multi-family properties, typically apartment buildings with 20 to 100 units. These small- to medium-size multi-family properties generally fall below the size threshold for large institutional investors while remaining beyond the financial scope of most individual investors or local groups. The Fund's multi-family investments to date have been made through a number of joint ventures.

These multi-family properties allow the Fund to harness increased economies of scale and operational efficiencies in property management and leasing as well as allowing for structural diversity and geographic spread of the Fund's investments.



In line with the Fund's proven strategy for freestanding properties, the Fund invests in multi-family properties with attractive rental income and potential for long-term capital growth. While multi-family properties are often subject to increased regulation (including statutory limitations on rental increases), natural turnover of tenants and, where appropriate, cosmetic and functional improvements can allow for above average year-on-year rental increases for these types of properties.

3.4 Profile of URF earnings

Financial performance

As at the date of this Prospectus, the full year financial report for the year ended 31 December 2016, including the half-yearly valuation and appraisal process, has not been finalised. As such, all balances referenced to 31 December 2016 are unaudited. Information in this Section 3.4 is current to the dates stated.

The Fund continues to steadily increase rental income through a combination of incrementally adding to its core freestanding residential property portfolio and delivering renovated properties to market. In the twelve months to 31 December 2016, the Fund generated rental income of US\$22.2 million, up 36.7% over the twelve months to 31 December 2015. The Responsible Entity anticipates rental revenue will continue to grow through 2017 as more completed properties are delivered from the renovation pipeline.

The Fund has not finalised its operating results for the financial year ended 31 December 2016 at the date of this Prospectus. The Fund recorded a pre-tax loss of \$29,057 for the six month period ended 30 June 2016. This compares with a profit before tax of \$31,754,805 in the six month period ended 30 June 2015. The primary factors contributing to the movement in the pre-tax result include:

- a smaller positive fair value movement on the Fund's freestanding portfolio (\$22,465,336 in the six month period ended 30 June 2016 compared with \$34,779,673 in the six month period ended 30 June 2015);
- a reduction in the share of profits of jointly controlled entities due to the wind down of the Fund's investments with Excelsior Equities (\$888,652 in the six month period ended 30 June 2016 compared with \$8,706,883 in the six month period ended 30 June 2015); and
- an increase in interest expense reflected in profit or loss due to additional borrowings incurred in order to fund property acquisitions and renovations (\$10,588,635 in the six month period ended 30 June 2016 compared with \$2,450,108 in the six month period ended 30 June 2015).

The pre-tax result in the six month period ended 30 June 2015 also includes a fair value gain on derivative instruments of \$1,087,365 (nil in the six month period ended 30 June 2016) and a foreign currency gain on financial instruments of \$1,278,040, which in the six month period ended 30 June 2016 was a loss of \$1,294,550.

Foreign exchange impact

As the Fund's Portfolio assets are located in the United States, movements in the exchange rate between the Australian and US dollar can have a material positive or negative impact on the reported financial position and performance of the Fund. Since inception of the Fund in June 2011 to 30 June 2016 the unrealised foreign exchange gain was \$135.2 million including an unrealised foreign exchange loss for the six months to 30 June 2016 of \$14.7 million.

The Fund is a long-term investor and the Responsible Entity does not anticipate realising foreign exchange gains or losses. In the event that the Fund is required, or chooses, to divest a material proportion of its assets in the US to exchange into Australian dollars, depending on the prevailing exchange rate at the time, this may have a positive or negative impact on the Fund. The Fund does not currently hedge its foreign exchange exposure. Refer to Section 3.17 of this Prospectus for details of the Fund's hedging policy.

Cash flow profile

The Fund remains in a growth phase with a significant proportion of cash outflows used to finance the Fund's property acquisition and renovations. The Fund had cash outflows related to acquisitions of investment property and improvements of \$78.8 million for the six months to 30 June 2016 (\$98.7 million for the six months to 30 June 2015) and \$195.9 million for the 12 months to 31 December 2015 (\$147.3 million for the twelve months to 31 December 2014). The Fund's cash flow requirements for these periods were primarily met through a combination of existing cash balances, bank loans, loan notes and equity financing.

As at 30 June 2016, 32% of the Fund's freestanding properties by value were in various stages of renovation and therefore not generating rental revenue. This contributed to net operating cash outflows of \$24.2 million for the six months to 30 June 2016 (\$17.6 million for the six months to 30 June 2015) and \$30.6 million for the 12 months to 31 December 2015.

Use of proceeds and financing strategy

Proceeds from the issue of URF Notes III will be used to fund URF's investment strategy, including renovations of properties in the portfolio and acquisitions of new properties, and for general business and financing



purposes (potentially including debt servicing of URF Notes and URF Notes III).

As noted above, with 32% of the Fund's freestanding properties by value in the renovation or renovation pipeline phase and therefore not earning rental revenue as at 31 December 2016 (compared to 33% as at 31 December 2015), current operating cash flows of the Fund would not in isolation support the payment of interest or principal in relation to URF Notes III. By deploying a significant portion of the proceeds from URF Notes III towards the renovation of properties, the Responsible Entity believes the Fund will be able to significantly increase its cash flow generation, both through revenue growth as renovated properties are leased out and through cash operating margin expansion, as the Fund is already bearing a majority of the operating expenses associated with properties under renovation, such as property taxes, insurance, and utilities.

See Section 3.3 for further information regarding the Fund's investment portfolio including the number of properties leased, vacant and undergoing or scheduled for renovation as at 31 December 2016.

The Fund seeks to maintain diversity of funding sources, maturities and terms in order to optimise its capital structure and manage risk. The Fund targets a consolidated long-term leverage ratio of approximately 50% (See Section 3.11 for information regarding the Fund's gearing and leverage ratios and Section 3.15 for the Fund's borrowing policy). At the discretion of the Responsible Entity and depending on market conditions, proceeds from any further debt or equity issues may be used to complete renovation works, acquire new properties, for working capital or to service or refinance debt (including URF Notes and URF Notes III).

3.5 Target investment area

URF has a current investment focus on the New York metropolitan area, which is often referred to as the "Tri-State Area". Broadly speaking, the New York metropolitan area encompasses the populated areas in the states of New Jersey, New York, and Connecticut that are within typical commuting distance of Manhattan. The New York metropolitan area is the most densely populated area in the United States and is the largest metropolitan area in the US by both population and economic output.

The Fund has focused its investment strategy in the New York metropolitan area since inception in 2011. Within the New York metropolitan area, the Fund focuses on investment within undervalued neighbourhoods experiencing growth and gentrification, specifically in Brooklyn, Manhattan and Queens, New York and Hudson County, New Jersey.

The Responsible Entity believes the target investment area offers compelling real estate market dynamics and demographics, including a deep and well-established housing stock, proximity and direct public transport access to Manhattan, and a high-population density.

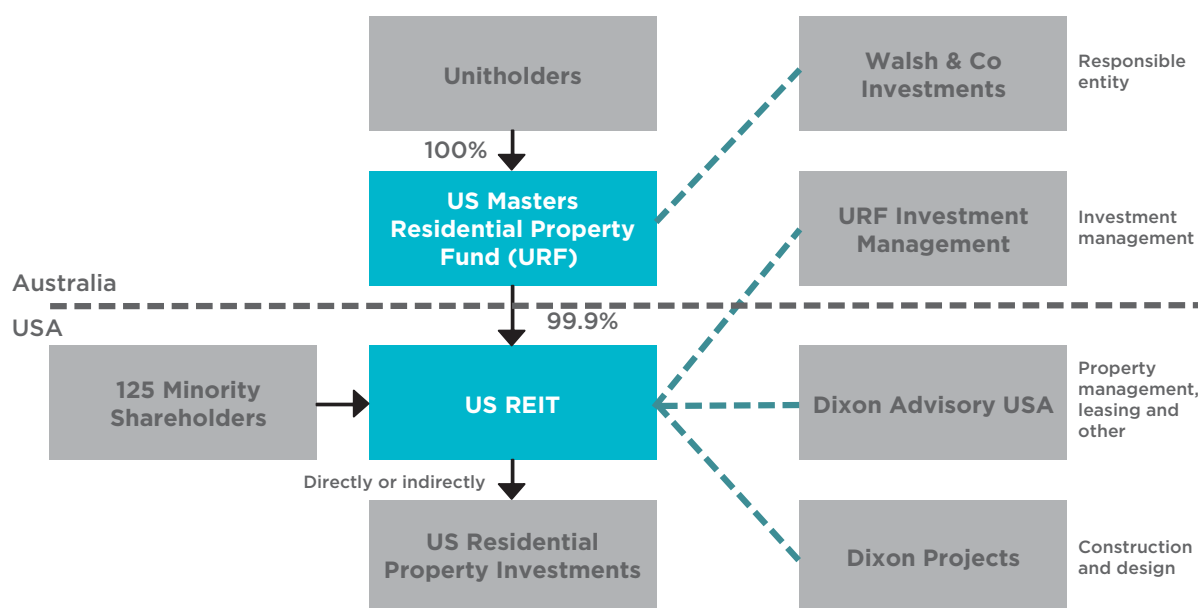
The US REIT's investment properties currently represent a balance of premium and workforce housing.

Within the target investment area, strength in the New York metropolitan area housing market since the US housing market lows of 2012 has been driven by a strong economic expansion, jobs growth, positive demographics, a tightening supply in the housing market and rising rental rates.



3.6 Structure of URF

The diagram below sets out the simplified ownership structure and key management arrangements for the Fund and its controlled and associated entities.



Note: URF Notes III to be issued from the US Masters Residential Property Fund (URF).

All of the Issuer's real estate assets are held through the US REIT and its controlled entities. The US REIT has elected to be treated as a real estate investment trust (**REIT**) as defined in the Code and US Treasury Department regulations promulgated under the Code for US federal income tax purposes.

The Issuer holds all of the common shares in the US REIT. To comply with the US Treasury Department regulations, an additional 125 US Persons hold minority interests in the US REIT with an aggregate equity value of less than approximately 0.1% of the aggregate contributed equity of the US REIT. These interests take the form of non voting preferred shares (except for such voting rights provided by the declaration of trust of the US REIT and under Maryland law) and are entitled to a fixed cumulative distribution per annum from the US REIT.

Walsh & Company Investments Limited is the responsible entity of the Fund. The Responsible Entity's duties include establishing the Fund's compliance plan and procedures and monitoring against regulatory and legislative requirements, the issuance of disclosure documents, the appointment and monitoring of external service providers to the Fund and overall administration.

URF Investment Management Pty Limited is the investment manager of US REIT and is a related body corporate of Walsh & Company Investments Limited. The Investment Manager provides investment management services to US REIT, including overseeing the assessment of market conditions and investment opportunities, and the selection and recommendation of properties for investment, monitoring the Fund's portfolio, and determining and recommending the sale of properties in the Fund's portfolio.

Dixon Advisory Group has also established Dixon Advisory USA, a wholly-owned US subsidiary responsible for providing ongoing property management and other support services to the US REIT. These services are provided through a mix of in-house capabilities and external consultants and contractors.

Dixon Projects is the construction subsidiary of Dixon Advisory USA. Dixon Projects' role is to oversee all aspects of renovation design and delivery of the Fund's properties and transform them into highly desirable rental properties. Highlighting the unique capabilities of Dixon Projects' talented and highly experienced architectural design and project management teams, Dixon Advisory USA was awarded the Rising Star Award in the New York Construction Awards 2015 and was awarded both the



Preservation Initiative Award in 2014 and the Excellence in Preservation Award in 2016 by the Jersey City Landmarks Conservancy in recognition of the Dixon Advisory USA's efforts to preserve historic homes throughout Jersey City. The quality of Dixon Projects' work is also reflected in the above market rents the Fund is able to achieve at many of its properties, including achieving record rents in several areas within which the Fund operates.

Dixon Realty Advisory LLC trading as Pure Properties (**Pure Properties**) is another subsidiary of Dixon Advisory USA. Pure Properties acts as a licensed real estate broker in the Fund's target investment area and has sub-contracted licensed real estate salespeople to provide brokerage services. When the Fund wishes to sell a property, it may on a non exclusive basis contract with Pure Properties for the provision of real estate brokerage services. For these services, Pure Properties will charge the Fund a brokerage commission (that is at or below market rates) which will be paid in full to the relevant sub-contractor. As a result, Pure Properties will not retain any brokerage commissions relating to the sale of Fund properties.

3.7 Joint ventures

The Fund has joint venture agreements with Urban American, a highly experienced US-based joint venture partner, to acquire, renovate, manage, lease and hold multi-dwelling properties. Urban American has over 19 years of experience acquiring, improving and operating housing in the New York metropolitan area. Urban American has a strong track record of upgrading occupancy and increasing income through the rehabilitation of apartment buildings, strict adherence to municipal regulations, and the reduction of expenses through various cost savings measures and capital expenditures that increase operating and energy efficiency.

Urban American is not related to the Responsible Entity or any of its associates.

The counterparty risk disclosed in Section 4.4(d) applies to any party to a joint venture agreement.

3.8 Issuer of URF Notes III

The Issuer of URF Notes III is the responsible entity of the US Masters Residential Property Fund. The URF Notes III Trustee will hold the benefit of undertakings given by the Issuer in respect of its operations and the URF Notes III on trust for URF Notes III Noteholders and will act to enforce the Trust Deed and rights of URF Notes III Noteholders under the Trust Deed.

3.9 Application of proceeds of the Offer

The proceeds of issue of the URF Notes III will be initially retained by the Issuer and may be invested in cash deposit accounts or other investment instruments in the currency denomination as determined at the time by the Issuer. It is expected that a portion of the funds will then be advanced to US REIT for application primarily in the development and renovation of properties held directly by US REIT or by other controlled entities of US REIT. The optimal approach to deployment of this cash will be determined as circumstances require.

Proceeds will also be used to acquire properties, for general business and financing purposes (potentially including debt servicing of URF Notes and URF Notes III) at both the Fund and US REIT level and to pay the costs of the Offer. No decision has been made about the amounts or proportions of the proceeds that will be used for each purpose, with the decision to be influenced by the amount raised and the commercial opportunities that arise.

It is not anticipated that the funds raised under the Offer will be applied specifically to pay distributions. However, access to the proceeds of the Offer will enable cash derived from other sources (for example rental income or the proceeds of debt funding at the US REIT level), to be applied to other purposes, including the payment of distributions, and the issue of URF Notes III might therefore assist in the payment of distributions to Unitholders.

3.10 URF investment objectives and strategy

The Fund's objective is to provide Unitholders with:

- a) exposure to a diversified portfolio of US-based residential property assets within the target investment area;
- b) regular, tax-effective distributions of income; and
- c) potential for long-term capital growth in the underlying property portfolio.

There is no guarantee that the Fund will be successful in achieving these objectives.

The Fund seeks to meet its objectives through the following strategy:

- a) investing in a portfolio of US residential property and holding these properties with the aim of deriving a steady rental income stream and capital gains from long term holdings;
- b) acquiring US property in regions that the Investment Manager believes have positive investment dynamics in the residential market; and
- c) using gearing in cases where gearing will enhance after-tax returns.



3.11 Financial information

a) Overview

This Section contains historical and pro forma historical financial information of the Issuer (**Financial Information**), which is comprised of the following:

- historical audited consolidated profit and loss statement for the year ended 31 December 2015 and historical auditor-reviewed consolidated profit and loss statements for the half-year ended 30 June 2016 (Section 3.11(c));
- historical audited consolidated statement of financial position as at 31 December 2015 and historical auditor-reviewed consolidated statement of financial position as at 30 June 2016 (Section 3.11(d));
- historical audited consolidated cash flow statement for the year ended 31 December 2015 and historical auditor-reviewed consolidated cash flow statement for the half-year ended 30 June 2016 (Section 3.11(e));
- historical unaudited pro forma consolidated statement of financial position as at 30 June 2016 illustrating the impact of additional equity raised by the Fund post this date to 31 December 2016 and the payment of the 30 June 2016 distribution (including the issue of units under the distribution reinvestment plan); and historical unaudited pro forma consolidated statement of financial position as at 30 June 2016 illustrating the impact at that date of the additional equity raised to 31 December 2016, the payment of the 30 June 2016 distribution (including the issue of units under the distribution reinvestment plan) and completion of the Offer and expenditure of funds associated with the Offer (Section 3.11(f)); and
- historical and pro forma financial ratios (Section 3.11(g)).

The Issuer is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules, including an obligation to lodge half-yearly and annual financial reports with ASIC.

The Issuer's most recent financial report was for the half-year ended 30 June 2016 (**2016 Half Yearly Report**) and the most recent annual financial report was for the year ended 31 December 2015 (**2015 Annual Report**).

Copies of the 2016 Half Yearly Report and the 2015 Annual Report can be obtained from www.asx.com.au and www.usmrpf.com.au.

The Financial Information should be read in conjunction with the notes set out in the 2015 Annual Report, the notes set out in the 2016 Half Yearly Report, the risks described in Section 4 and other information contained in this Prospectus.

The Directors are responsible for the preparation and presentation of the Financial Information.

b) Basis of Preparation

The Financial Information has been derived from:

- the 2016 Half Yearly Report which was auditor-reviewed by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards; and
- the 2015 Annual Report, which was audited by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards.

The auditor's opinion issued to the Fund's unitholders in relation to the 2015 Annual Report was unmodified. The auditor's review conclusion issued to the Fund's unitholders in relation to the 2016 Half Yearly Report was unmodified.

The pro forma Financial Information detailed below has been prepared by the Directors of the Responsible Entity to illustrate the financial position of the Fund as at 30 June 2016, adjusted for the impact of additional equity raised after that date to 31 December 2016, the payment of the 30 June 2016 distribution (including the issue of units under the distribution reinvestment plan) and completion of the Offer and expenditure of funds associated with the Offer.

The accounting policies used in preparation of the Financial Information detailed below are consistent with those set out by the Issuer in its 2015 Annual Report and the 2016 Half Yearly Report. The significant accounting policies are set out below in Section 3.11(h) below.



c) Consolidated profit and loss statements

The auditor-reviewed consolidated profit and loss statement for the six months ended June 2016 and the audited consolidated profit and loss statement for the 12 months ended 31 December 2015 of the Fund are provided below.

\$'000	6 months to 30 June 2016	12 months to 31 December 2015
Investment property rental income	14,685	21,960
Insurance proceeds	-	141
Interest income	516	1,313
Other income	-	-
Total revenue	15,201	23,414
Fair value movement of investment properties	22,465	40,763
Fair value movement in forward foreign currency derivative	-	1,087
Share of profits/(losses) of jointly controlled entities	889	13,713
Investment property expenses	(7,398)	(13,758)
Net foreign currency gain/(loss)	(1,295)	1,961
Management fees	(9,937)	(14,421)
Listing fees	(120)	(311)
Professional fees	(1,202)	(2,341)
Marketing	(103)	(364)
Responsible Entity and related entity recharges – salaries and wages	(4,278)	(7,737)
Responsible Entity and related entity recharges – office administration	(3,518)	(4,609)
Interest expense	(10,589)	(10,311)
Impairment of investment property	-	(183)
Investment property disposal costs	(10)	(947)
Bad debt expense	(79)	(107)
Other expenses	(55)	(474)
(Loss)/Profit before income tax	(29)	25,375
Income tax expense	(12,164)	(25,311)
(Loss)/Profit for the period	(12,193)	64
Exchange difference on translation of foreign operations (nil tax)	(14,687)	66,843
Share of jointly controlled entities' reserve movements (nil tax)	(408)	(157)
Total comprehensive (loss)/income for the period attributable to Unitholders	(27,288)	66,750



d) Consolidated statements of financial position

The auditor-reviewed consolidated statement of financial position as at 30 June 2016 and the audited consolidated statement of financial position as at 31 December 2015 of the Fund are provided below.

\$'000	As at 30 June 2016	As at 31 December 2015
CURRENT ASSETS		
Cash and cash equivalents	108,012	133,557
Receivables	393	590
Other assets	12,011	19,091
Prepayments	283	321
Investment properties held for sale	6,357	5,775
Total current assets	127,056	159,334
NON CURRENT ASSETS		
Investment in jointly controlled entities	50,550	81,195
Investment properties	944,797	862,539
Security deposits	336	343
Other assets	6,771	3,905
Total non current assets	1,002,454	947,982
Total assets	1,129,510	1,107,316
CURRENT LIABILITIES		
Payables	23,246	30,645
Borrowings	68,945	24,654
Forward foreign currency derivative	-	-
Total current liabilities	92,191	55,299
NON CURRENT LIABILITIES		
Deferred tax liabilities	76,399	65,868
Borrowings	459,785	450,825
Other non current liabilities	168	182
Total non current liabilities	536,352	516,875
Total liabilities	628,543	572,174
Net assets	500,967	535,142
EQUITY		
Unit capital	381,833	388,720
Reserves	135,216	150,311
Accumulated losses	(16,082)	(3,889)
Total equity	500,967	535,142



e) Consolidated cash flow statements

The auditor-reviewed consolidated cash flow statement for the six months ended 30 June 2016 and the audited consolidated cash flow statement for the 12 months ended 31 December 2015 of the Fund are provided below.

\$'000	6 months to 30 June 2016	12 months to 31 December 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers	14,823	22,676
Cash paid to suppliers	(29,136)	(44,826)
Insurance proceeds	-	141
Interest received	598	1,192
Interest paid	(10,487)	(9,794)
Net cash used in operating activities	(24,202)	(30,611)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of investment property, including improvements	(78,819)	(195,874)
Investment in jointly controlled entities	(2)	(1,847)
Payments for property related deposits	(3,371)	(3,333)
Distributions received from jointly controlled entity investments	29,110	653
Proceeds from the sale of investment properties	532	12,451
(Investment in)/Proceeds from term deposits	7,081	(19,091)
Disposal costs on the sale of investment properties	(10)	(947)
Net cash used in investing activities	(45,479)	(207,988)
CASH FLOW FROM FINANCING ACTIVITIES		
Gross proceeds from secured bank loans and loan notes	97,595	253,537
Proceeds from issue of unit capital	-	19,462
Payment of issue costs	-	-
Payment of transaction costs related to loans and borrowings	(4,967)	(17,730)
Payment of interest reserve and escrow accounts	(3,132)	(2,745)
Distributions paid	(6,696)	(11,927)
Bank loan repayments	(36,509)	(70,072)
Net cash flow from financing activities	46,291	170,525
Net (decrease)/increase in cash and cash equivalents	(23,390)	(68,074)
Cash and cash equivalents at beginning of period	133,557	191,281
Effect of exchange rate fluctuations on cash held	(2,155)	10,350
Cash and cash equivalents at end of period	108,012	133,557



f) Unaudited pro forma consolidated and adjusted statements of financial position

As at 30 June 2016 the Fund and its controlled entities had consolidated debt of \$528.7 million. Post balance date to 31 December 2016 the Fund's issued Units increased as a result of a unit placement, a unit purchase plan and a distribution reinvestment plan.

The following pro forma statement of financial position illustrates the Fund's financial position as at 30 June 2016, adjusted for the impact of additional equity raised to 31 December 2016, the payment of the 30 June 2016 distribution (including the issue of units under the distribution reinvestment plan), and adjustments to reflect completion of the Offer and expenditure of funds associated with the Offer as at that date. The financial results for the six months to 31 December 2016 and any valuation adjustment since 30 June 2016 as a consequence of the 31 December 2016 property portfolio valuation and appraisal process are not included in the pro forma adjustments.

\$'000	Actual 30 June 2016 (reviewed)	Unaudited pro forma adjustment 30 June 2016 ¹	Unaudited pro forma 30 June 2016 adjusted statement of financial position	Unaudited pro forma \$50 million ² offer - statement of financial position	Unaudited pro forma \$100 million ³ offer - statement of financial position	Unaudited pro forma \$150 million ⁴ offer - statement of financial position
Cash and cash equivalents	108,012	93,677	201,689	250,561	299,512	348,477
Other current assets	19,044		19,044	19,044	19,044	19,044
Total current assets	127,056		220,733	269,605	318,556	367,521
Total non current assets	1,002,454		1,002,454	1,002,454	1,002,454	1,002,454
Total assets	1,129,510	93,677	1,223,187	1,272,059	1,321,010	1,369,975
Payables	23,246	(14,463)	8,783	8,783	8,783	8,783
Borrowings	68,945		68,945	68,945	68,945	68,945
Total current liabilities	92,191		77,728	77,728	77,728	77,728
Deferred tax liabilities	76,399		76,399	76,399	76,399	76,399
Borrowings	459,785		459,785	509,785	559,785	609,785
Other non current liabilities	168		168	168	168	168
Total non current liabilities	536,352		536,352	586,352	636,352	686,352
Total liabilities	628,543	(14,463)	614,080	664,080	714,080	764,080
Net assets	500,967	108,140	609,107	607,979	606,930	605,895

Notes:

- Reflects the issue of 51,489,904 Units on 13 September 2016 and 1,285,000 Units on 20 September 2016 at a price of \$1.95 per unit under the URF placement and unit purchase plan, the issue of 3,643,300 units on 1 August 2016 at a price of \$2.02 per unit under the Fund's distribution reinvestment plan (included as a distribution liability in Payables of the historical auditor-reviewed statements of financial position as at 30 June 2016) and the cash payment of the 30 June 2016 distribution of \$7,103,562 (included as a distribution liability in Payable of the historical auditor-reviewed statements of financial position as at 30 June 2016).
- Assumes a capital raising under the Offer of 500,000 URF Notes III (the minimum size of the Offer) to raise \$50 million and associated Offer costs of approximately \$1.1 million. Offer costs are calculated inclusive of GST (where applicable) and net of RITC (where applicable).
- Assumes a capital raising under the Offer of 1,000,000 URF Notes III to raise \$100 million and associated Offer costs of approximately \$2.1 million. Offer costs are calculated inclusive of GST (where applicable) and net of RITC (where applicable).
- Assumes a capital raising under the Offer of 1,500,000 URF Notes III (the maximum size of the Offer including the maximum potential oversubscriptions under the Offer) to raise \$150 million and associated Offer costs of approximately \$3.2 million. Offer costs are calculated inclusive of GST (where applicable) and net of RITC (where applicable).



g) Historical and Pro Forma Financial Ratios

The Corporations Act requires that an offer-specific prospectus for an offering of “simple corporate bonds” include disclosure regarding the Gearing Ratio, Interest Cover and Working Capital Ratio for an issuer on a consolidated basis. The URF Notes III are not “simple corporate bonds” within the meaning of the Corporations Act. Nevertheless, to assist potential investors to understand the financial position and performance of URF, the following disclosure regarding these ratios has been included. Information on the Fund's leverage ratio, being the traditional ratio adopted by the Fund to establish its long-term target gearing level of approximately 50%, is also provided below.

The ratios included below have been calculated based on:

- the auditor-reviewed consolidated statement of financial position as at 30 June 2016;
- the auditor-reviewed consolidated profit and loss statement for the six months to 30 June 2016;
- the unaudited pro forma consolidated statement of financial position as at 30 June 2016 incorporating the impact of additional equity raised by the Fund post this date to 31 December 2016 and the payment of the 30 June 2016 distribution (including the issue of units under the distribution reinvestment plan);
- the unaudited pro forma consolidated statement of financial position as at 30 June 2016 incorporating the impact of additional equity raised by the Fund post this date to 31 December 2016, payment of the 30 June 2016 distribution (including the issue of units under the distribution reinvestment plan) and completion of the Offer and expenditure of funds associated with the Offer.

Ratios have been provided for the purposes of this Prospectus only, based on the assumptions outlined, and will not be specified in the financial statements reported by the Fund.

\$'000	Actual 30 June 2016 (reviewed)	Unaudited pro forma 30 June 2016 adjusted	Unaudited pro forma \$50 million Offer	Unaudited pro forma \$100 million Offer	Unaudited pro forma \$150 million Offer
Leverage Ratio	49%	45%	47%	49%	51%
Leverage Ratio (look through)¹	48%	44%	46%	48%	50%
Gearing Ratio	125%	101%	109%	118%	126%
Gearing Ratio (look through)²	132%	106%	115%	123%	132%
Interest Cover^{3,4} (6 months to 30 June 2016)	1.0x	1.0x	0.9x	0.8x	0.8x
Working Capital Ratio	1.4x	2.8x	3.5x	4.1x	4.7x

Notes:

1. The look through leverage ratio includes the Fund's proportional share of gross debt (\$76 million) and gross assets (\$148 million) in its equity accounted joint venture investments.
2. The look through gearing ratio includes the Fund's proportional share of total liabilities (\$77 million) and total equity (\$71 million) in its equity accounted joint venture investments.
3. EBITDA used in the 30 June 2016 Interest Cover calculation includes an unrealised fair value movement in investment properties of \$34.8 million (non cash). If the unrealised fair value movement (non cash) were removed, the EBITDA for the six months to 30 June 2016 and therefore the interest cover ratio would be negative.
4. Interest on URF Notes III is calculated at 7.75% per annum on their Face Value plus periodic amortisation of capitalised Offer costs and is included for six months.



The following table illustrates adjustments made to EBITDA and Net Interest for the relevant periods.

\$'000	6 months to 30 June 2016
Interest income	516
Interest expense	(10,589)
Capitalised interest ¹	(8,996)
Net interest/(expense)	(19,069)
Profit/(Loss) before income tax	(29)
Net interest/(expense)	19,069
Depreciation and amortisation	-
EBITDA	19,040

Notes:

1. Interest related to construction and renovation of Portfolio properties capitalised against fair value movement of investment properties.

Gearing Ratio and Leverage Ratio

$$\text{Gearing Ratio} = \frac{\text{Total liabilities}}{\text{Total equity}}$$

The Gearing Ratio is in the form required to be contained in an offer-specific prospectus for an offering of "simple corporate bonds". The Gearing Ratio does not represent the traditional gearing ratio adopted by the Fund, which has been included as the Leverage Ratio below.

The Leverage Ratio is the traditional ratio adopted by the Fund for the purpose of establishing its maximum target long-term gearing ratio of approximately 50%. As a result of completion of the Offer, the Leverage Ratio will increase towards this target long-term gearing ratio.

$$\text{Leverage Ratio} = \frac{\text{Gross debt}}{\text{Gross assets}}$$

The Gearing Ratio and the Leverage Ratio indicate the extent to which the assets of the Issuer are funded by debt. Generally, a higher ratio indicates greater use of borrowings to fund a business. The impact that this would have on the URF Notes III will depend on where this additional borrowing will rank in the Fund's debt structure.

Look-through ratios provide the full exposure of the Fund to debt instruments, including underlying entities accounted as equity investments and the extent to which total assets of the Issuer are funded by debt.

Interest Cover

$$\text{Interest Cover} = \frac{\text{EBITDA}}{\text{Net interest expense}}$$

Interest Cover gives an indication of the Issuer's ability to meet its interest payments from earnings. It therefore provides important information about the Issuer's financial sustainability and the risks associated with the Issuer's level of borrowings. A low Interest Cover may indicate that the Issuer could face difficulties in servicing its debt (including the URF Notes III) if earnings decrease or interest rates increase and the Issuer does not have access to sufficient cash reserves to service that debt.

Working Capital Ratio

$$\text{Working Capital Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

The Working Capital Ratio indicates whether the issuer has sufficient short-term assets to meet its short-term liabilities. Generally, a higher ratio indicates a greater ability to meet liabilities (including the liability to pay Interest on the URF Notes III) over the short term (including unexpected liabilities).



h) Significant Accounting Policies

The accounting policies listed below represent the significant accounting policies which have been adopted in the preparation of the Financial Information set out in this Section 3.11.

i) Basis of Consolidation

The consolidated entity incorporates US Masters Residential Property Fund and the entities it controls (**Subsidiaries**) (together the **Fund** or **Group**). Control is achieved when US Masters Residential Property Fund:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners and to the non controlling interests even if this results in the non controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

ii) Foreign Currencies

A. Translation of Foreign Currency Transactions

The functional and presentation currency of the Fund is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies that are outstanding at the reporting date are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

Exchange differences on monetary items are recognised through profit and loss in the period in which they arise. Differences arising on a monetary item forming part of the net investment in a foreign operation are taken to the foreign currency translation reserve on consolidation.

B. Translation of Financial Reports of Foreign Operations

The functional currency of US Masters Residential Property Fund's subsidiaries is United States dollars. As at the reporting date, the assets and liabilities of these entities are translated into Australian dollars at the rate of exchange ruling at the Statement of Financial Position date and, other than fair value gains/losses on investment properties, the Profit and Loss Statement is translated at the average exchange rates for the year. Fair value gains/losses on investment properties are translated using the exchange rate prevailing on the date the directors determine the fair value of the underlying properties.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

iii) Investment Property

A. Recognition and Measurement

Investment property comprising residential real estate assets held to earn rental income and/or for capital appreciation is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value, representing the assessed amount that would be received to sell the asset in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. The best evidence of fair value is given by current prices in an active market for a similar property in the same location and condition. Changes in the fair value of investment property are recorded in profit or loss as and when they arise.



B. Determination of Fair Value

At each reporting date, the fair values of investment properties are assessed using management's knowledge of relevant market factors impacting the residential markets in which the Fund invests, and supported by engagement of suitably qualified external property valuers to assist in determination of active market prices (fair values). Properties are categorised into homogeneous groupings displaying similar characteristics for the purpose of assessing fair value movements.

C. Held for Sale

At balance date, investment properties that are under contract for sale or otherwise designated to be sold are classified as held for sale. These contracts are expected to be settled within 12 months of the balance date. Investment properties classified as held for sale are presented separately in the consolidated statement of financial position as a current asset.

iv) Interests in jointly-controlled entities

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Fund reports its interests in jointly controlled entities using the equity method. Under this method, an investment in a joint venture is initially recognised at cost and adjusted thereafter to recognise the Fund's share of the profit or loss and other comprehensive income of the joint venture.

v) Taxes

Under current Australian income tax legislation, the Fund is not liable to pay income tax provided Unitholders are presently entitled to the Fund's distributable income. If this is the case, the Fund's taxable income (including assessable realised capital gains) is taxed in Unitholders hands.

The Fund's US subsidiary, US Masters Residential Property (USA) Fund (**US REIT**), has elected to be taxed as a US real estate investment trust (**REIT**) under US federal taxation law, and on this basis should generally not be subject to US income taxes on that portion of the US REIT's taxable income or capital gains which are distributed to the US REIT's Shareholders, provided that the US REIT

has complied with and continues to comply with the requirements of the Code and maintains its REIT status.

The US REIT may ultimately realise a capital gain or loss on disposal of investment properties. This may result in a US income tax liability to the Fund if the proceeds from the disposal are not reinvested in a qualifying asset and certain other requirements are met.

If the capital gain is realised, it may give rise to a foreign income tax offset which may be available to Unitholders. A deferred tax liability is recognised at 35% based on the temporary difference between the carrying amount of the investment property assets in the Consolidated Statement of Financial Position and their associated tax cost bases. The US tax consequences relating to property sales are complicated and the tax position which would apply depends on specific circumstances which can only be determined at a future disposal date. The tax position can vary from a zero tax liability position to the 35% withholding rate tax position adopted, which would apply if the REIT were to make a distribution to its parent during the year in which a capital gain is realised on disposal of investment property assets. Furthermore, the US government has passed legislation that has the potential to eliminate or significantly reduce withholding tax on distributions of capital gains made by the US REIT, provided certain specified criteria are satisfied. If all qualifying criteria are satisfied in a year where a capital gain is realised and distributed, then such distribution would be subject to withholding at the lower operating profit distribution rate of 15% rather than the 35% rate currently applied. The Fund has not met the eligibility criteria on a consistent basis in historical years, and based on the assessed improbability of meeting these criteria in future years, it has continued to recognise a deferred tax liability based on the current 35% withholding tax rate applied.

A current tax liability is recognised in the financial statements for realised gains on disposals of US investment properties, except where the proceeds of such disposals are reinvested in a qualifying asset and certain other requirements are met.

vi) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity 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.



vii) Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequently receivables are measured at amortised cost using the effective interest method less impairment losses.

viii) Payables

Liabilities for creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Fund.

ix) Other Financial Liabilities Including Borrowings

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities, including borrowings, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Borrowing costs directly relating to the acquisition or construction of investment properties that take a substantial period of time to get ready for its intended use (i.e. “qualifying assets”) are capitalised to the carrying value of the underlying investment property until such time as the assets are considered substantially ready for their intended use. Where funds are borrowed specifically to finance the acquisition or construction of investment properties, the amount capitalised represents the actual borrowing costs incurred.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest rate method.

x) Impairment of Assets

The directors of the Responsible Entity assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, an estimate is made of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, through profit and loss.

xi) Revenue

A. Rental Income

Rental income from operating leases where the Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term.

Costs that are directly associated with negotiating and executing the ongoing renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are deferred and amortised on a straight-line basis over the lease term.

B. Interest Income

Interest income is recognised as the interest accrues using the effective interest rate method.

xii) Critical Accounting Estimates and Judgements

In the application of the Fund's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies which are subject to significant accounting estimates and judgements include estimation of fair value of Investment Properties and the recognition of deferred tax liabilities.



3.12 Board of Responsible Entity

Walsh & Company Investments Limited is the responsible entity of the Fund. The Board of the Responsible Entity consists of Alex MacLachlan, Tristan O'Connell and Tom Kline.

Alex MacLachlan, BA (Cornell), MBA (Wharton) Managing Director, CEO – Funds Management, Walsh & Company



Alex joined the Dixon Advisory Group in 2008 to lead the then newly formed Funds Management division. Alex focused the efforts of the Funds Management division on providing Dixon Advisory Group clients with access to asset classes and investment opportunities that would normally only be

available to institutional investors. From funds under management of under \$100 million at the time of his commencement, Alex has grown the Funds Management division to over \$3 billion of funds under management today, with investments across residential and commercial property, fixed income, private equity, listed equities and renewable energy.

In addition to his role as CEO of Funds Management, Alex also leads the strategy and growth of Dixon Advisory USA, a leading provider of urban single-family home rentals in the New York metropolitan area. Alex conceived the idea of establishing a business to acquire and manage homes in urban areas experiencing strong growth and gentrification in 2008. Between 2008 and 2010, Alex researched and developed the investment thesis and business model for what would become Dixon Advisory USA, and in late 2010, Dixon Advisory USA was launched. Today, Dixon Advisory USA manages assets of over \$1 billion.

Alex is a member of the Dixon Advisory Group Investment Committee. During his career, Alex has developed strong relationships with investment professionals around the globe who provide significant economic and investment insights. This enables Alex to identify and execute unique investment opportunities and take a disciplined approach to investing.

He presents for the Dixon Advisory Group on asset allocation, financial, and general macroeconomic trends.

Prior to joining the Dixon Advisory Group, Alex was an investment banker at UBS AG, where he rose to Head of Energy for Australasia. During his tenure in investment banking, Alex worked on more than \$100 billion in mergers and acquisitions and capital markets transactions, advising some of the world's leading companies.

Tristan O'Connell, BComm (ANU), CPA Finance Director – Dixon Advisory Group



Tristan joined the Dixon Advisory Group in 2005 as Chief Financial Officer after 10 years' experience in corporate financial and management roles within the wholesale financial markets industry. He is currently a director of Walsh & Company Investments Limited, the responsible

entity for each of Emerging Markets Masters Fund, Australian Property Opportunities Funds I, II & III, US Select Private Opportunities Funds I, II & III, New Energy Solar Fund and the Fund. Tristan is also a trustee of the US REIT.

Tristan's previous roles included Financial Controller of Tullett Prebon in Australia, one of the world's leading inter-dealer broker firms specialising in over-the-counter interest rate, foreign exchange, energy and credit derivatives. Tristan subsequently held senior finance roles for Tullett Prebon in Singapore and London. Tristan returned to Australia to be responsible for the financial management and growth of the Dixon Advisory Group.

Tristan has a Bachelor of Commerce from the Australian National University, is a member of CPA Australia and is a Fellow of the Financial Services Institute of Australasia.

Tom Kline, BComm, LLB (Hons) (ANU) CEO – New Energy Solar Limited



Tom is the CEO of New Energy Solar Limited, which forms part of the New Energy Solar Group, a renewable energy entity. He is a director of Fort Street Real Estate Capital, Chairman of Australian Masters Yield Fund No 4 Limited and Australian Masters Yield Fund No 5 Limited, and is a director of

Walsh & Company Investments Limited, the responsible entity for each of New Energy Solar Fund, Emerging Markets Masters Fund, Australian Property Opportunities Funds I, II & III, US Select Private Opportunities Funds I, II & III and the Fund.

Tom previously was the Chief Operating Officer of Walsh & Company Investments Limited. Tom continues to work as part of the senior management of Walsh & Company Investments Limited to drive the growth and performance of the business and deliver investment opportunities for investors.



Before commencing with the Dixon Advisory Group, Tom worked at UBS AG in Sydney. During his time at UBS, he was a member of the Power, Utilities and Infrastructure team and advised on a wide range of public and private mergers and acquisitions and capital market transactions. Tom advised some of Australia's leading energy generators and infrastructure players including EnergyAustralia and Transurban Group. Tom also advised energy and utility companies on the proposed introduction of Australia's federal carbon trading scheme (Carbon Pollution Reduction Scheme) and implications for fossil fuel and renewable energy generation.

Prior to joining UBS AG, Tom served in the Corporate Finance division of Deloitte. While at Deloitte, he worked in the Transaction Services, Business Modelling and Valuations teams.

Tom has a Bachelor of Commerce and Bachelor of Laws (with honours) from Australian National University.

3.13 Board of the Investment Manager

URF Investment Management Pty Limited, a related party of the Responsible Entity, is the Investment Manager of the Fund. The Board of the Investment Manager consists of Alan Dixon, Alex MacLachlan, Tom Kline and Phillip Lois.

Alan Dixon, BComm (ANU), CA CEO – Dixon Advisory USA



Alan joined the Dixon Advisory Group, in Canberra, in 2001. The Dixon Advisory Group was founded in 1986 by his father, Daryl, as a leading consultant on retirement strategies and advice. By 2001, the firm was one of Australia's leading independent advisors and consultants. Alan joined with

the vision of expanding it to be a full-service private wealth management business focused on the then nascent self-managed superannuation (SMSF) sector. Under Daryl's Chairmanship and Alan's role as the Group Managing Director, the Dixon Advisory Group grew from under \$200 million of funds under advice in 2001 to over \$6 billion today, a compound annual growth rate of approximately 25% for more than a decade, with the business now employing over 400 staff across offices in Sydney, Melbourne, Canberra and New York. The Dixon Advisory Group is today the largest privately owned, vertically integrated wealth management business focused on the SMSF sector.

Alan relocated to New York full-time in early 2012 to manage the growing operations of Dixon Advisory USA. Applying his experience at the Dixon Advisory Group in

building an institutional business in a highly fragmented retail industry, Alan has rapidly built Dixon Advisory USA into a leader in the urban single-family home rental business, building a highly scalable, vertically integrated operation covering all aspects of the single-family property investment cycle. Today, Dixon Advisory USA employs a staff of 130, dedicated to managing URF's portfolio of over \$1 billion.

Prior to joining the Dixon Advisory Group, Alan was a successful property investment banker at Ord Minnett, a predecessor firm to JP Morgan, and ABN AMRO Corporate Finance, and commenced his career at Price Waterhouse.

Alan has a Bachelor of Commerce from the Australian National University and is a Member of the Institute of Chartered Accountants in Australia. He is also a SPAA Accredited SMSF Specialist Advisor™.

Phillip Lois, BChem (Hons I) (Sydney), BComm (Sydney) Deputy Chief Financial Officer – Dixon Advisory Group



Phillip joined Dixon Advisory Group in 2010 and is currently the Deputy Chief Financial Officer of Dixon Advisory Group.

One of Phillip's key focuses throughout his time at Dixon Advisory Group has been the management of the Fund. Phillip was previously the Chief Financial Officer of the

Fund, a role that he held from 2011 to 2015. During this time, Phillip was responsible for all the finance functions of the Fund, ensuring that the Fund's financial controls, reporting and management processes were of the highest standard. Phillip was also responsible for managing numerous key external relationships such as banking, insurance and debt financing and was instrumental in overseeing the Fund's growth from initially \$70 million in assets to over \$1 billion in assets today. Phillip brings an in-depth understanding of the Fund's strategy, operations and processes to the board of the Investment Manager.

Prior to joining Dixon Advisory Group, Phillip was an investment banker at UBS AG in the natural resources sector, where he worked with many of Australia's and the world's leading natural resources companies, advising on and executing mergers and acquisitions and capital markets transactions.

Phillip holds a Bachelor of Commerce majoring in accounting and finance and a Bachelor of Chemical Engineering from the University of Sydney.



Alex MacLachlan, BA (Cornell), MBA (Wharton)
Managing Director, CEO – Funds Management,
Walsh & Company

See previous.

Tom Kline, BComm, LLB (Hons) (ANU)
CEO – New Energy Solar

See previous.

3.14 US Executive Team

David Orr, BComm, LLB (ANU)
Executive Director and COO – Dixon Advisory USA



David is an investment expert with over a decade of experience across Australian Financial Services and US property. David joined Dixon Advisory (Australia) in 2005, working in a number of roles across the Investment Advisory and Corporate Finance teams. In 2008, David became Dixon

Advisory's youngest director when promoted to Head of Investment Advisory, Canberra. Two years later, David relocated to Sydney to head its Investment Team and took on a number of national responsibilities. In his time in Australia, David was responsible for building investment teams, training and mentoring staff in addition to negotiating debt transactions for the Australian Masters Corporate Bond Series and subsequent Australian Masters Yield Fund Series. David has also developed strategy, processes and training for several firm-wide projects, including two hostile corporate actions, a number of legislative changes and staff and client engagement.

David moved to New York in 2014 and is the Executive Director and Chief Operating Officer of Dixon Advisory USA. In this role David, in conjunction with Alan Dixon, is responsible for the strategic direction of Dixon Advisory USA. This includes overseeing several business units in the Fund, managing the Fund's relationships with investors, analysts, media and joint venture partners and assisting with capital market operations. David actively looks for new business opportunities to improve and grow the Fund.

David has a Bachelor of Laws and a Bachelor of Commerce from the Australian National University and a Graduate Diploma in Applied Finance and Investment from Kaplan Professional Australia. David is a member of the Stockbrokers Association of Australia and a Senior Fellow at the Financial Services Institute of Australia (FINSIA).

Kevin McAvey, BSBA Finance (Suffolk University)
Joint Chief Financial Officer



As Joint Chief Financial Officer, Kevin is primarily responsible for overseeing capital markets, modelling, and forecasting for the US Masters Residential Property Fund. Prior to his current position, Kevin played a key role working within the Fund's Acquisition Division, identifying and analysing

prospective investments throughout Hudson County, Brooklyn, Manhattan, and Queens. He has also previously served in the role of Associate Director, Finance and Operations, helping the Fund to secure debt financing, as well as working to improve the day-to-day operations of the business.

Before joining Dixon Advisory USA, Kevin worked in Baseball Operations for the New York Yankees organisation. Kevin graduated from Suffolk University in Boston, MA with a Bachelor of Business Administration in Finance.

Paul McInerney, BSBA Finance (Texas A&M), CA
Joint Chief Financial Officer



As Joint Chief Financial Officer for the US Masters Residential Property Fund, Paul is responsible for the implementation and oversight of key accounting controls and processes and for ensuring compliance with applicable regulatory accounting frameworks.

Prior to his current role, Paul worked at Deloitte Touche Tohmatsu as a Senior Audit Manager. In this role, Paul led the statutory audit of some of Australia's largest property and fund management companies. Paul holds a Bachelor of Business Administration, majoring in Finance from Texas A&M. He has been a member of the Institute of Chartered Accountants since 2007.



Priscilla Porter
Executive Director, Property Management



Priscilla has spent over 14 years in residential real estate management in the New York metropolitan area. Priscilla currently leads the team of property professionals who are responsible for all aspects of leasing and property management. She has extensive experience in all

the major property types including high-rise apartments, town homes and freestanding houses.

Previously Priscilla was responsible for managing a 1,500-unit apartment building complex in Queens, New York with over 55 staff. Over the years, Priscilla has been instrumental in the process of implementing methods that have been proven to work on large apartment buildings and the individual residential housing market. This is crucial to achieving the long-term property management goals for the Fund.

Ezequiel (Zeke) Ortiz
Executive Director



Zeke brings 16 years of experience in New York metropolitan area real estate. Through his career, Zeke has been involved in all elements of property transactions. Zeke is responsible for the co-ordination and management of the acquisition and evaluation teams to ensure a highly streamlined

process for the identification, evaluation and acquisition of real estate investments for the Fund.

Since joining Dixon Advisory USA, Zeke has worked to provide a consistent and dependable set of methodology for the acquisition team to achieve the highest quality results on a timely basis. Prior to joining Dixon Advisory USA, Zeke has held positions across valuations, sales, brokerage and construction roles. Zeke is a licensed New Jersey Real Estate Broker.

3.15 Borrowings and borrowing policy

The Fund, US REIT and its directly or indirectly owned subsidiaries may borrow or assume debt to fund the purchase or renovation of properties or any other purpose consistent with the Fund's objectives. Any borrowings undertaken by US REIT or its directly or indirectly owned subsidiaries may be secured against the properties held by those entities and may be supported by guarantees provided by URF.

At 30 June 2016 the Fund and its controlled entities had \$528.7 million (amortised cost) of debt⁸.

Of this, \$236.3 million (amortised cost) is owed at the Fund level, consisting entirely of the outstanding face value of the URF Notes. The remaining \$292.4 million (amortised cost) is owed by the Fund's controlled entities, consisting of secured debt (at amortised cost).⁹

In December 2014, the Fund raised \$150 million of unsecured debt in the form of the URF Notes I (ASX: URFHA). In October 2015, the Fund raised a further \$90.5 million of unsecured debt in the form of the URF Notes II (ASX: URFHB). Each of these URF Notes are on terms that are broadly similar to, but not identical with, the Terms of the URF Notes III. See Section 1, Investment overview for an explanation of the key differences between the Terms of the URF Notes III and the terms of these other URF Notes. Some of the proceeds of those raisings have been advanced by the Fund to US REIT under convertible notes to fund US REIT's acquisitions and operations.

The secured debt that various subsidiaries of US REIT have obtained is across eleven distinct loan facilities (as at 31 December 2016) provided by three lending institutions. Two of these facilities, the Fortress Facility and the Centennial Facility (as defined below), are subject to certain guarantees in limited circumstances provided by US REIT and URF.

The Fortress facility is a US\$150 million debt facility, comprising three- and five-year maturity dates across a US\$85 million revolving loan sub-facility and a US\$65 million term loan sub-facility (**Fortress Facility**). At 31 December 2016 the Fortress Facility was drawn to US\$68 million (approximately \$94 million¹⁰).

As part of the security granted to support the Fortress Facility, URF and US REIT have provided a limited guarantee and indemnity in favour of Fortress under which they each guarantee the obligations of the borrowers in limited circumstances (including where a borrower becomes subject to insolvency proceedings) and they each provided a limited indemnity in respect of, among other things, compliance by the borrowers with

8. At 31 December 2016, the Fund and its controlled entities had \$546.8 million (amortised cost) of debt.

9. There was an additional US\$21.8 million of debt in the Fund's joint venture investments (URF's proportional interest only) at 31 December 2016.

10. Conversion to AUD based on 31 December 2016 exchange rate (AUD/USD 0.7208).



environmental and other regulatory matters and certain negative pledge undertakings given by the borrowers to Fortress. As a result, URF has a contingent liability equal to the debt drawn under the Fortress Facility which, if payable, will rank pari passu with (the same as) other unsecured debts of URF including the debt owing to URF Notes III Noteholders.

The Centennial facility is a US\$125 million debt facility (**Centennial Facility**). It has a maturity date of February 2021. At 31 December 2016 the Centennial Facility was drawn to US\$89.6 million (approximately \$124 million¹¹).

As part of the security granted to support the Centennial Facility, URF has provided a limited guarantee and indemnity in favour of Centennial under which it guarantees the obligations of the borrowers in limited circumstances (including a scenario in which the borrower fails to comply with certain financial covenants, as well as the failure to remove any additional encumbrances on the underlying security). As a result, URF has a contingent liability equal to the debt drawn under the Centennial Facility which, if payable, will rank pari passu with (the same as) other unsecured debts of URF, including the debt owing to URF Notes III Noteholders.

The Fund has a borrowing policy that addresses the Fund's approach to managing risks associated with borrowing. The policy follows two key elements in relation to borrowings:

- a) the Fund seeks to maintain a target consolidated long-term leverage ratio of 50%. This ratio is calculated using the formula for Leverage Ratio set out in Section 3.11(g); and
- b) the Fund seeks to maintain diversity of funding sources, maturities, and terms in order to optimise its capital structure and manage risk.

As such, the Fund maintains flexibility as to the structure, domicile and currency of its borrowings. The Fund may also, on a temporary basis, maintain a consolidated long-term leverage ratio that exceeds its target ratio of 50%.

In light of the above and recognising current market conditions, the URF Notes III will be raised at the Fund level in Australian dollars.

The Responsible Entity regularly monitors this policy and may, from time to time, amend the policy as it sees appropriate in light of future circumstances and market conditions.

Specifically, in relation to URF Notes III, the Issuer may, at its absolute discretion but subject to the Terms, seek to Redeem or partially repay all URF Notes III from the First Call Date and on any Interest Payment Date after the First Call Date.

With the proceeds raised from the issue of URF Notes III,

the Issuer expects to continue the work funded from the proceeds raised from the issue of URF Notes and complete further renovations and make more of the Fund's Portfolio assets available to lease. As additional properties are leased to tenants, they may be used as security for debt funding sourced from the US, and the Fund may consider using some or all of that debt funding to refinance all or part of the URF Notes III or the URF Notes.

The Responsible Entity, on behalf of the Fund, currently intends to seek an ordinary resolution of URF Notes III Noteholders should there be any material change to its borrowing policy that may adversely impact on the Fund's ability to redeem the URF Notes III on the Maturity Date.

3.16 Risk management policy

The Responsible Entity has a risk management process in place that includes maintaining a compliance plan (which is audited every year) and a compliance committee. The compliance plan sets out how the Responsible Entity will ensure compliance with both the Corporations Act and the Fund's Constitution when operating the Fund. The compliance committee, comprising a majority of members who are independent of the Responsible Entity (one representative from the Responsible Entity and two external representatives), monitors compliance with the compliance plan.

The risk management processes of the Fund include a comprehensive compliance framework including compliance policy, training and monitoring elements. The compliance plan of the Fund, lodged with and available from ASIC, is audited externally on an annual basis, in addition to an annual audit of financial statements.

3.17 Foreign exchange hedging policy

The Fund receives income streams and holds assets which are denominated in US dollars. The payment obligations in relation to URF Notes III and the existing URF Notes are Australian dollar obligations. The Fund does not presently intend to hedge these for currency risk. The Fund may re-evaluate the hedging policy in the event of changes to prevailing exchange rates, economic conditions and the Fund's circumstances. As the majority of the underlying assets of the Fund are currently denominated in US dollars and will continue to be denominated in US dollars, the value of the assets held by the Fund (expressed in Australian dollars) and the US dollar equivalent of the Australian dollar amounts to be paid in relation to the URF Notes III and the existing URF Notes, will fluctuate with changes in the exchange rate between the Australian dollar and the US dollar.

11. Conversion to AUD based on 30 December 2016 exchange rate (AUD/USD 0.7208).



Any US dollar denominated borrowings taken out by the Fund will act as a natural hedge against this foreign currency exposure. URF Notes III and URF Notes are denominated in Australian dollars and as such, the leverage ratio of the Fund will be impacted by changes in the exchange rate, along with other Fund specific factors.

3.18 Capital management policy

Subject to any restrictions imposed under the Corporations Act, Listing Rules and the Fund's Constitution, the Fund aims to apply active capital management strategies.

The Fund may undertake a buyback of its Units in the event that they trade at a sizeable discount to NAV. The Fund will need to obtain Unitholder approval for the buyback and comply with any Corporations Act, Listing Rules and Constitution restrictions if it intends to buyback more than 10% of the smallest number of Units on issue over the previous 12 months. To fund the buyback of Units, the Fund may employ gearing and/or look to liquidate some of its investments.

3.19 Distribution policy

The Responsible Entity determines the distributable income of the Fund for each financial year.

The Responsible Entity intends to distribute 100% of the Fund's operating income (which excludes unrealised gains and losses) as the distributable income of the Fund for each financial year. However, the Responsible Entity may in its sole and absolute discretion determine that the distributable income for the financial year will be some other amount, whether income or capital, which the Responsible Entity considers appropriate for the distribution for that financial year.

3.20 Valuation and appraisal policy

Each investment property is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value, representing the assessed amount that would be received to sell the asset in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. The best evidence of fair value is given by current prices in an active market for a similar property in the same location and condition. Changes in the fair value of investment properties are recorded through the profit and loss as and when they arise. The Fund engages suitably qualified independent valuers to assist in their assessment of fair market value at each reporting date.

3.21 Cash management policy

The Fund's cash management policy does not include a limit on the amount of cash, term deposits and cash equivalents that can be held by the Fund. The Fund's policy allows for cash to be held for an indefinite period until suitable residential property investments have been identified.

3.22 Raising further equity

The Fund may at a future date decide to raise further capital by issuing further Units. A further issue may, for example, be contemplated if there is significant demand for investment in the Fund, if there remains attractive opportunities for investment in US residential property, which the Responsible Entity can pursue with additional capital, or if it is beneficial to existing Unitholders to do so.

A holding of URF Notes III does not confer any right to participate in further issues of securities by the Issuer.

3.23 Issuing further URF Notes III or debt securities

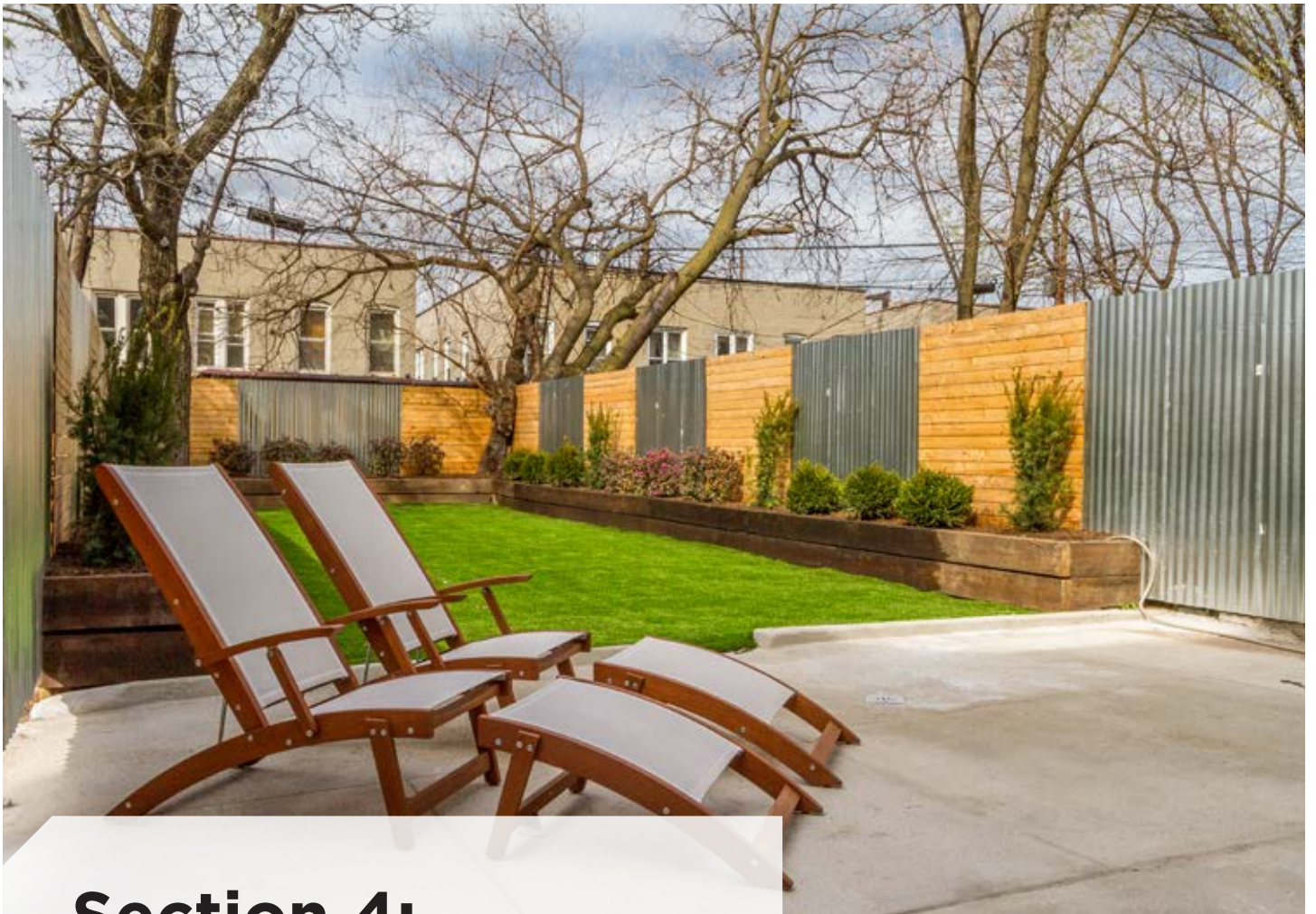
The Fund may at a future date decide to issue further URF Notes III or other debt in the Fund (including by raising further URF Notes, other debt securities or via loans) or its controlled entities. A further issue of URF Notes III, URF Notes or other debt securities may be contemplated if there is demand for investment in those notes within the Fund's borrowing policy parameters.

Other debt securities issued by the Fund could have the same or different interest rates, maturities and terms and conditions as URF Notes III and which may rank after, equally with, or ahead of URF Notes III for payment of principal or interest (including on insolvency) whether or not secured.

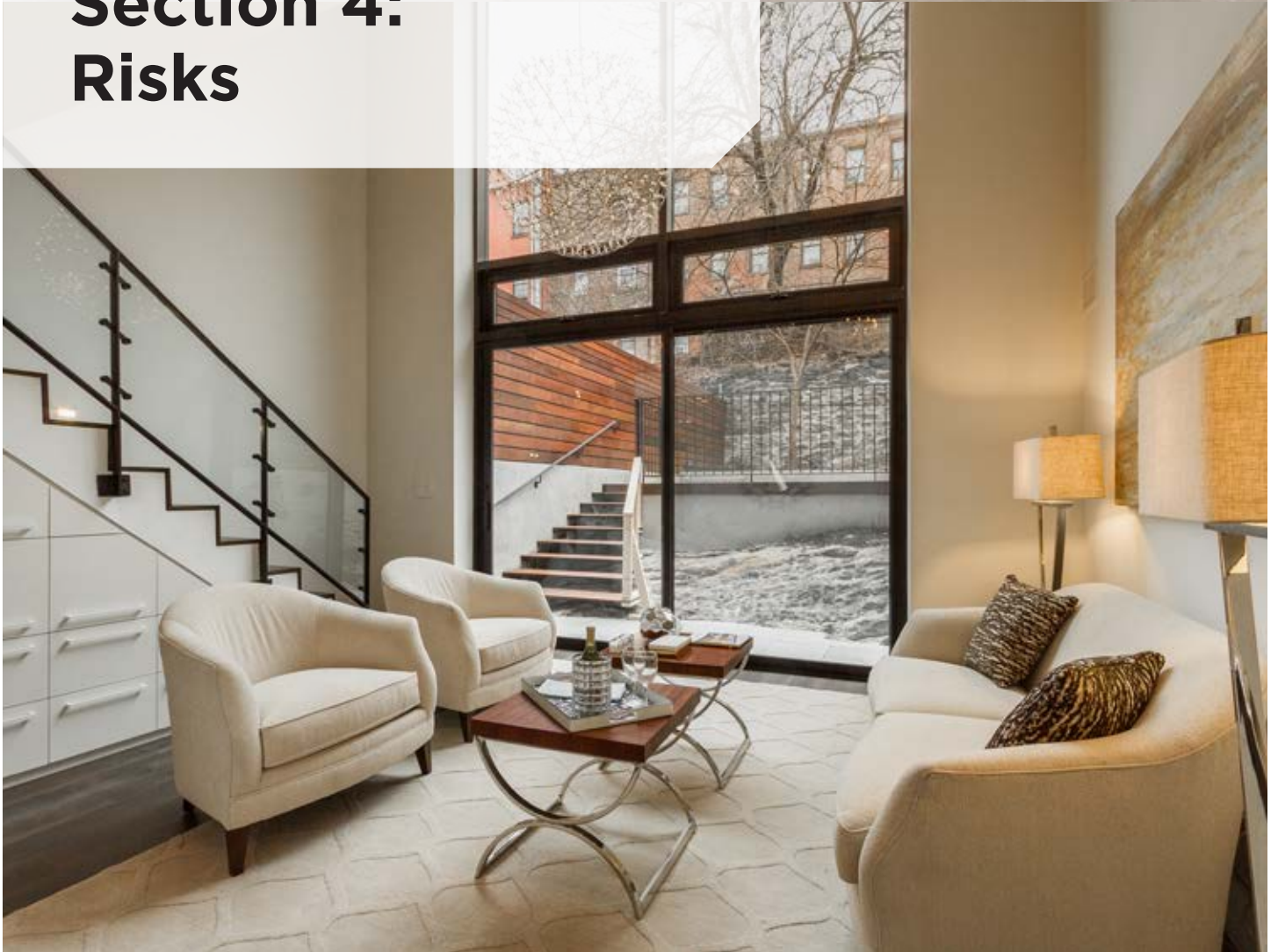
If such securities rank equally with or ahead of URF Notes III, they may affect your ability to recover Interest or Face Value due to you on an Insolvency Event or the occurrence of any other Event of Default.

At the date of this Prospectus, there are no pre-planned future issues of either URF Notes, URF Notes III or other debt securities.





Section 4: Risks



4. Risks

4.1 Introduction

An investment in the URF Notes III issued by the Issuer will be exposed to a number of risks, which may either individually, or in combination, materially and adversely affect the future operating and financial performance of the Issuer, its investment returns and the value of an investment in URF Notes III.

Risks that the Directors believe are key risks associated with URF Notes III specifically are described in Section 4.2 below. Specific investment risks related to the business conducted by the Issuer are set out in Section 4.3. General investment risks are discussed in Section 4.4.

Prospective investors should be aware that this is not an exhaustive list of the risks associated with an investment in the URF Notes III and should be considered in conjunction with other information disclosed in this Prospectus. Investors should also note that the occurrence or consequences of some of the risks described in this section of the Prospectus are partially or completely outside the control of the Issuer and the Directors. There can be no guarantee that the Issuer will achieve its stated objectives or that any forward-looking statements or forecasts contained in this Prospectus will be realised or otherwise eventuate.

Investors should have regard to their own investment objectives and financial circumstances and should consider seeking professional guidance from their stockbroker, solicitor, accountant or other independent professional advisor before deciding whether to invest.

4.2 Specific risks associated with URF Notes III

a) Priority Risk – Subordinated and Unsecured Creditors

If the Issuer becomes insolvent, URF Notes III Noteholders' claims will rank after the claims of any secured creditors and creditors preferred by law.

URF Notes III are unsecured liabilities and will effectively rank, in an Insolvency Event (for example, if a liquidator is appointed to wind up URF):

- behind senior debt;
- behind unsecured creditors preferred by law;

- pari passu with (the same as) other unsecured creditors of the Issuer, including URF Notes and the Contingent Liabilities if they become due and payable by URF; and
- ahead of ordinary units in URF.

At 30 June 2016 the Fund and its controlled entities had \$528.7 million (amortised cost) of debt¹².

Of this, \$236.3 million (amortised cost) is owed at the Fund level, consisting entirely of the outstanding face value of the URF Notes. The remaining \$292.4 million (amortised cost) is owed by the Fund's controlled entities, consisting of secured debt (at amortised cost).¹³

If at any time an Insolvency Event occurs in relation to the Fund, any amount owing to URF Notes III Noteholders will only be paid after all amounts owing to all other creditors ranking ahead of URF Notes III Noteholders have been paid.

After the claims of creditors preferred by law and secured creditors are satisfied, if there are insufficient assets to satisfy all of the unsecured creditors of the Issuer (including the URF Notes III Noteholders and the URF Noteholders), there is a risk that you may lose some or all of the money you invested in URF Notes III. As the URF Notes III rank pari passu with (the same as) the URF Notes, if an Insolvency Event occurs there may be competing claims between URF Noteholders (for then-outstanding face value plus accrued but unpaid interest) and URF Notes III Noteholders as well as other unsecured creditors of the Issuer (that will include the Contingent Liabilities if they become due and payable by URF – see Section 3.15 for more information about the Fortress Facility and this contingent liability) to recover amounts owed by the Issuer.

As your claim is only against the Issuer, it is only recoverable out of the assets of the Issuer, being the Issuer's investments in its controlled entities or joint venture entities and its cash reserves. Accordingly, any debt or liabilities of these controlled entities or joint venture entities will effectively rank ahead of your claim in relation to the ability to recover your claim from the assets of those entities.

12. At 31 December 2016 the Fund and its controlled entities had \$546.8 million (amortised cost) of debt.

13. There was an additional US\$21.8 million of debt in the Fund's joint venture investments (URF's proportional interest only) at 31 December 2016.



b) Interest payment and Face Value repayment

Depending upon its performance and financial position, the Issuer may fail to pay some or all of the Interest or fail to repay the Face Value on URF Notes III. Section 3.11(g) outlines the Fund's Interest Cover Ratio, calculated depending on the amount raised under this Offer. A low Interest Cover may indicate that the Issuer could face difficulties in servicing its debt if earnings decrease or interest rates increase and the Issuer does not have sufficient cash reserves to service the debt.

If the Issuer does not repay some or all of the Face Value, this means that you may lose some or all of the money you invested in URF Notes III.

If an Event of Default occurs and is subsisting, the URF Notes III Trustee may declare that all URF Notes III are to be Redeemed for their Face Value plus any unpaid Interest plus any final Interest payment for the last Interest Period and may make a claim for this amount in the winding-up of the Issuer.

However, the URF Notes III Trustee can only be required to take enforcement action if it is indemnified to its reasonable satisfaction. There is a risk that the URF Notes III Trustee would not take enforcement action if it were not indemnified.

c) Face Value Repayment timing risk

URF Notes III do not mature until 24 December 2021, approximately five years (four years and 10 months) after the expected Issue Date, although the URF Notes III may be Redeemed earlier in certain circumstances.

As a result, there is a risk that you will not receive repayment of the Face Value before 24 December 2021. There is also a risk that the business, financial position and financial performance of the Issuer could change significantly over this period.

d) Early Redemption by the Issuer

The Issuer has the right to Redeem part or all of the Face Value of all URF Notes III on the First Call Date (being 24 December 2019, approximately three years from the expected Issue Date) and any Interest Payment Date after the First Call Date.

The Issuer may redeem all but not part of the Face Value of all URF Notes III before or after the First Call Date following a Tax Event or a Change of Control Event. However, the Issuer is not required to do so even if one of these events occurs.

Depending on market conditions at the time, you may not be able to reinvest the amount you receive on Redemption at a similar rate of return to the rate of return you expected on your URF Notes III if you had held them until the Maturity Date and the timing or occurrence of the Redemption may not coincide with your individual preferences.

e) No Individual Right to Redeem

Under the Trust Deed, individual URF Notes III Noteholders are not entitled to take action to require the Redemption of their URF Notes III unless the URF Notes III Trustee is obliged to take action to enforce the rights of the URF Notes III Noteholders under the Trust Deed and fails to do so within 20 Business Days. For a summary of the Trust Deed, including the circumstances in which the URF Notes III Trustee is required to take action to enforce the rights of the URF Notes III Noteholders, see Section 6.4.

If the URF Notes III Trustee does not take action to require the Redemption of the URF Notes III, you may still be able to sell your URF Notes III on the ASX at the prevailing market price unless the URF Notes III have ceased to be Listed. However, even if the URF Notes III remain Listed, URF Notes III may be trading at a market price below the Face Value and the market for URF Notes III may not be liquid.

f) Potential Additional Indebtedness

The Terms do not contain any covenants preventing the Issuer, US REIT or any of their controlled entities from raising more debt, requiring those entities to refrain from certain business changes or requiring those entities to operate within certain ratio limits.

The Issuer therefore has the right to raise more debt and issue further securities that could have the same or different interest rates, maturities and terms and conditions as URF Notes III. This debt or further securities may rank for payment of principal or interest (including on insolvency) after, equally with, or ahead of URF Notes III, whether or not secured. Following completion of this Offer, the Issuer may also issue further URF Notes III at the discretion of the Responsible Entity within the leverage and other relevant policies of the Fund at the time of issue. A holding of URF Notes III does not confer any right to participate in further issues of securities by the Issuer.

Any further debt raising or issue of further securities may affect your ability to recover Interest or Face Value due to you on an Insolvency Event occurring.

Controlled entities of the Issuer (including US REIT and its controlled entities) may also raise more debt within the leverage and other relevant policies of the Fund from time to time.

As your claim is only against the Issuer, it is only recoverable out of the assets of the Issuer, being the Issuer's investments in controlled entities or joint venture entities and its cash reserves. Accordingly, any debt or liabilities (of whatever rank) of these controlled entities or joint venture entities will effectively rank ahead of your claim in relation to the ability to recover your claim from the assets of those entities.



g) Market Risk

The Issuer will apply for quotation of URF Notes III on the ASX. The market price of URF Notes III on the ASX will fluctuate due to various factors, which may include:

- changes in Australian and international economic conditions, interest rates, credit margins, inflation rates and foreign exchanges rates;
- the performance or financial position of the Issuer;
- movements in the market price of equity and/or other debt issued by the Issuer or by other issuers;
- changes in investor perceptions and sentiment in relation to the Issuer, the property industry or the US economy; and
- other major Australian or international events such as hostilities and tensions and acts of terrorism.

URF Notes III may trade at a market price below the Face Value from time to time and the market price may be more sensitive than that of equity (including Units) to changes in interest rates, credit margins and other market prices.

h) Liquidity

The market for URF Notes III may not be liquid and may be less liquid than that of equity (including Units).

If liquidity is low, there is a risk that if you wish to sell your URF Notes III prior to the Maturity Date, you may not be able to do so at an acceptable price or at all.

i) Amendment to URF Notes III Terms

The Issuer may amend the Terms in two ways:

- without the consent of URF Notes III Noteholders but with the approval of the URF Notes III Trustee and subject to compliance with relevant laws — if the amendment is of a formal, technical or minor nature; to cure an ambiguity or correct any manifest error; or necessary or expedient to comply with any applicable law; or
- with the consent of URF Notes III Noteholders — by a Special Resolution being passed.

In both cases, the Terms of all URF Notes III will be amended. All URF Notes III Noteholders will be subject to the amended Terms, which may not coincide with their individual preferences.

j) Breach of Trust Deed not an Event of Default

The Issuer has given undertakings to the URF Notes III Trustee under the Trust Deed. These include obligations imposed by Chapter 2L of the Corporations Act. A failure to comply with these obligations or undertakings given by the Issuer under other debt instruments does not constitute an Event of Default entitling the URF Notes III Trustee to require early Redemption of URF Notes III. If the Issuer fails to comply with its obligations under the Trust Deed, the rights of the URF Notes III Trustee are limited to contractual rights and rights at common law and in

equity. These rights include the right to seek to recover damages suffered by URF Notes III Noteholders as a result of any breach and may in some circumstances include the ability to seek an order for specific performance of the obligations of the Issuer under the Trust Deed.

k) URF Notes Event of Default not an Event of Default

The Issuer has issued URF Notes on terms that are broadly similar, but not identical, to the Terms of the URF Notes III and which rank *pari passu* with (the same as) the URF Notes III. The terms of the URF Notes impose certain obligations on the Issuer, including obligations imposed by Chapter 2L of the Corporations Act. A failure to comply with these obligations does not of itself constitute an Event of Default entitling the URF Notes III Trustee to require early Redemption of URF Notes III.

4.3 Risks specific to the business

a) Risk of Poor Fund Performance

The Fund remains in a growth phase, with a significant proportion of cash outflows used to finance the Fund's property acquisition and renovations, of \$78.8 million and \$195.9 million for the six months to 30 June 2016 and 12 months to 31 December 2015. As at 30 June 2016, 32% of the Fund's freestanding properties by value were in various stages of renovation and therefore not generating rental revenue. This contributed to net operating cash outflows of \$24.2 million and \$30.6 million for the six months to 30 June 2016 and 12 months to 31 December 2015 respectively.

Proceeds from the Offer are currently primarily intended to be invested in the acquisition, development and renovation of the Fund's Portfolio assets (See Section 3.9 for details). As a result, while the Responsible Entity believes the Fund will be able to significantly increase its cash flow generation in the medium term, in the short term it is anticipated that the Fund will continue to experience negative cash outflows. See Section 3.4 for details.

Cash flows may be adversely affected by a number of factors including delays in implementing URF's renovation strategy, cost overruns in undertaking renovations, increasing vacancies, delays in leasing properties and a fall in market rents that can be achieved for the Issuer's properties.

The ability of the Issuer to pay Interest on the URF Notes III will depend on, among other things, the Issuer being able to draw surplus cash deposits; rental income received by US REIT and its controlled entities, the proceeds of financing or refinancing by US REIT and its controlled entities, equity raisings, or, disposal of assets. Similarly, the ability of the Issuer to repay the Face Value at maturity will depend upon the Issuer having access to funds from the sources set out above or any replacement financing package obtained by URF on or before that date. There can be no certainty that the operating cash flow derived by US REIT and its controlled entities will be sufficient to



meet obligations to pay Interest and to redeem the Face Value of the URF Notes III at maturity.

b) Concentrated Geographic Focus

The Fund will continue to invest in the New York metropolitan area, with a current focus on Brooklyn, Manhattan and Queens, New York and Hudson County, New Jersey. The Fund's performance will therefore be highly correlated to the performance of the property market in this area. If the residential property market performs poorly, the Fund's performance is likely to be affected.

c) Risks of the US and New York Metropolitan Area Residential Property Market

There are a number of risks regarding an investment in US real estate and the New York metropolitan area, including, without limitation:

- declines in the value of US real estate, both in the New York metropolitan area and across the broader property market in general. This may reduce the value of URF's Portfolio and, in certain circumstances:
 - i) increase the cost of current financing;
 - ii) affect the ability to raise new or refinance existing debt as it falls due, or on acceptable terms;
 - iii) reduce the market price of URF Notes and URF Notes III; or
 - iv) decrease the likelihood that URF Notes III Noteholders would receive all amounts owing in the event of insolvency;
- fluctuating vacancy rates and the ability of the US REIT to have the properties tenanted;
- a downturn in the US economy or a recession that may place downward pressure on rents achievable in the marketplace and future capital growth prospects;
- the possibility of default by tenants on their obligations which would reduce the income to the Issuer, thereby reducing the amount available to pay interest;
- US interest rate fluctuations which may lead to an increase in housing foreclosures; and
- any other factor which may impact property values and rental rates of the US and specifically the residential property markets of Brooklyn, Manhattan and Queens, New York and Hudson County, New Jersey.

d) Borrowing and Deposit Risk

The Issuer, through the US REIT, has secured and intends to obtain further US dollar denominated borrowings. There is a risk that any loan will need to be repaid at short notice or cannot be replaced post expiry. The main reason for this would be if the US REIT breached its obligations to the lender or a new facility was not available in the time required. The US REIT may then need to sell properties if a new facility could not be secured. This could be at a less than favourable time and have adverse tax implications.

The Issuer (directly or indirectly) would explore obtaining replacement loans, but this may prove more difficult in some circumstances.

There is a risk that the Fund or its controlled entities may fail to comply with certain obligations under financing agreements and the Fund may incur additional liabilities.

There is also a risk that the provider of the loan may not meet its obligations or may suffer financial difficulty.

The Issuer manages these borrowing risks by following strict investment and risk guidelines and dealing with respected lenders. It is important to note that borrowing may increase the potential return of the Issuer but may also increase its potential losses.

The Issuer also has US dollar denominated cash deposits. These cash deposits are not insured. The Issuer manages this deposit risk by only dealing with reputable financial institutions.

e) Refinancing Risk

URF Notes III Noteholders are exposed to the risk that any of the Issuer, the US REIT, their subsidiaries or a joint venture entity the Issuer has invested in may not be able to refinance debt facilities they may enter into as they fall due, or that refinancing is only available on terms materially less favourable.

f) Renovation Risk

As at 31 December 2016, the Fund had 91 properties in its renovation pipeline. As such, the Fund may be subject to additional risks associated with carrying out property renovation including cost and budget overruns, local council delays and delays in the timing of cash flows generated from the investments. These may impact on the Issuer's ability to pay Interest and repay Face Value when required.

g) Joint Venture Risk

There is a risk that any joint venture partner of US REIT may fail to meet its obligations, including managing the properties appropriately, in accordance with the terms of the applicable joint venture agreement. While there are remedies available to the Issuer and the US REIT in the event of non performance by its joint venture partners, the value of the assets held under the joint venture may be negatively impacted by the non performance.

As investments are often made through a joint venture vehicle, the Issuer may not undertake or influence investment related decisions (including redistribution of any properties) without the consent of its fellow joint venture investor. This may limit the ability of the Issuer to redistribute an investment.

h) Key Personnel Risk

There is a risk that the departure of key staff or consultants with particular expertise in US Residential Property investment and management, whether they are staff or



directors of the Fund, Responsible Entity, the US REIT, Dixon Advisory USA or Dixon Projects or, with respect to investment through joint ventures that are externally managed, the joint venture management entity, may have an adverse effect on the future earnings of the Issuer and its ability to service the URF Notes III.

i) Foreign Exchange Risk

The Fund's investments are in the US residential property market through the Fund's investment in the US REIT. The assets and liabilities of the US REIT and its controlled entities are denominated in US dollars. The URF Notes III will form an Australian denominated liability for the Issuer.

The Fund's ability to service URF Notes III may be affected by increases and decreases in the value of the US dollar relative to the Australian dollar whenever any of the US REIT's income is distributed to the Fund or the value of the Fund's net assets is calculated.

An increase in the value of the US dollar against the Australian dollar will mean the distributions from the US REIT and the value of the US REIT's assets less any liabilities will be worth more when converted into Australian dollars, but if the value of the US dollar falls those distributions and investments will be worth less in Australian dollar terms.

Additionally, the US dollar equivalent of the Australian dollar amounts to be paid, as interest and on redemption of the URF Notes III and URF Notes, fluctuates with changes in the Australian dollar US dollar exchange rate. Any fluctuations may have an adverse impact on the Issuer's ability to repay interest and principal of the URF Notes III and the URF Notes.

The value of the Australian dollar has been subject to significant fluctuations with respect to the US dollar in the past and may be subject to significant fluctuations in the future. The Issuer does not currently intend to hedge the potential foreign exchange impacts of raising URF Notes III in Australian dollars to invest in assets held by the Fund and valued in US dollars. However, borrowing of US dollar denominated debt provides a partial natural hedge. Investors should accordingly consider the impact of an adverse change in the Australian dollar US dollar exchange rate on the Fund's ability to repay interest and principal on the URF Notes III.

j) Gearing Risk

Section 3.11(g) outlines the Fund's Leverage Ratio, Gearing Ratio and Interest Cover Ratio.

The issue of the URF Notes III will increase the Fund's debt and consequently, at least initially, increase the Leverage Ratio and Gearing Ratio and decrease the Interest Cover Ratio (as highlighted in Section 3.11(g) Pro Forma Financial Ratios).

The Fund's Leverage Ratio and Gearing Ratio may further increase, and the Interest Cover Ratio further decrease, for a range of reasons including if any one (or more) of

the following occurred: the Fund undertakes further borrowings or issues further debt, the value of the Fund's property portfolio declines, or the Fund has poor financial performance.

Any increase in the Leverage Ratio and Gearing Ratio, or a decrease in the Interest Cover Ratio, may adversely impact the Fund's ability to refinance existing debt or borrow additional funds, or the cost at which it can do so.

A decrease in the Interest Cover Ratio may be indicative of a decrease in the Fund's ability to service existing debt, or the likelihood of servicing existing debt. This or other adverse changes in credit ratios may negatively impact demand for URF Notes III, and/or the price at which they trade.

Furthermore, under an Insolvency Event, a higher Leverage Ratio or Gearing Ratio may adversely affect the ability of URF Notes III Noteholders to recover all amounts owing.

The Directors are comfortable with the proposed Fund gearing and believe the Fund has sufficient financial resources to service its existing debt, including any URF Notes III issue.

k) Interest Rate Risk

In light of the debt obtained by the US REIT and its joint venture entities, changes in US interest rates may have a positive or negative impact directly on the income of the Issuer. Changes in interest rates may also affect the market more broadly and positively or negatively affect the value of the Issuer's underlying assets.

l) Australian and US Taxation Laws and Accounting Standards

Under existing law, the US REIT has elected to be taxed as a REIT and it is intended that the US REIT will be owned and operated so it qualifies as a "REIT" under the Code. Given the highly technical and complex nature of the rules governing status as a REIT, the importance of factual determinations and the possibility of future changes in circumstances or law, no assurance can be given that the US REIT has qualified or remains qualified as a REIT.

The US laws relating to taxation of REITs are constantly being examined and any change to such laws could adversely affect the ability of the US REIT to qualify as a REIT for US federal income tax purposes. Any changes to the tax rate of the Issuer may affect the ability of the Issuer to pay interest or redeem the URF Notes III on the Maturity Date. In addition, changes to accounting standards by the Australian Accounting Standards Board may affect the reported earnings and financial position of the Issuer.

m) REIT Qualification and Double Tax Treaty Risks

Although the Issuer believes that, under current law, the US REIT has elected to be taxed as a REIT in a timely manner and it is intended that the US REIT will be owned and operated so that it will qualify as a REIT under the Code,



because of the highly technical and complex nature of the rules governing status as a REIT, the importance of factual determinations, and the possibility of future changes in circumstances or law, no assurance can be given that the US REIT has qualified or will remain qualified, as a REIT under the Code.

Currently, distributions from the US REIT are expected to have some portion which is tax deferred. However, distributions from the US REIT and distributions from the Issuer could be adversely affected if the US REIT is not recognised under US taxation laws as a REIT and the Issuer does not qualify as a regularly traded listed Australian property trust for the purposes of the protocol to the Double Tax Treaty.

If the US REIT were to fail to qualify for US federal income tax purposes as a REIT in any taxable year, its taxable income would be subject to US tax at regular corporate rates in that year and possibly in future years. This may significantly affect the amount of cash available for distribution. Unless entitled to relief under specific statutory provisions, the US REIT would be disqualified from re-electing taxation as a REIT for the four taxable years following the year during which qualification was lost.

For the US REIT to qualify as a REIT under the Code, no more than 50% of the value of its shares may be owned directly or indirectly, by five or fewer individuals (including holders of Units in the Issuer and other entities that are treated as individuals for these purposes) during the last half of any taxable year of the US REIT (**5/50% Rule**). If the US REIT were to fail to satisfy the 5/50% Rule, it is likely it would not qualify as a REIT and would be required to pay US federal income tax at ordinary corporate rates.

In general, if distributions are paid by a REIT to a non US Unitholder and these distributions are not attributable to capital gains, they are subject to 30% US withholding tax to the extent of the US tax based earnings and profits (**Ordinary Dividends**). The Double Tax Treaty generally provides that Ordinary Dividends paid by a REIT to a regularly traded listed Australian property trust are generally subject to a 15% US withholding tax. There can be no assurance that the Fund will be “regularly” traded for this purpose. Furthermore, if the Issuer has reason to know that any Unitholder owns 5% or more of the beneficial interest in the Issuer, then the Unitholder will generally be deemed to hold a corresponding portion of the Issuer’s interest in the US REIT and will be generally deemed to be beneficially entitled to the US REIT Ordinary Dividends paid on such interest. In general, the US REIT Ordinary Dividends paid in respect of such a Unitholder will be subject to a reduced 15% withholding tax rate only if:

- the Unitholder is an individual treated as owning an interest of not more than 10% in the US REIT;
- the Unitholder is treated as owning an interest of not

more than 5% of any class of shares in the US REIT and the Ordinary Dividends are paid with respect to a class of shares that is publicly traded; or

- the Unitholder is treated as owning an interest of not more than 10% of the US REIT and the gross value of no single interest in real property held by the US REIT exceeds 10% of the gross value of the US REIT’s total interest in real property.

The Issuer should not be liable to pay Australian income tax on the basis that the Unitholders will be presently entitled to all of the distributable income of the Issuer. The Issuer may be liable to pay income tax if, in any given year, it is classified as a public trading trust. If URF is classified as a public trading trust, the Issuer would be subject to Australian income tax at the corporate tax rate. This may affect the ability of the Issuer to pay Interest or redeem the URF Notes III on the Maturity Date. Although the intention is that the Issuer should not be classified as a public trading trust, the activities of the Issuer need to be reviewed on an annual basis to confirm that this is, in fact, the case.

n) Foreign Investment in Real Property Tax Act

A foreign person that owns “United States Real Property Interests” (USRPI), including an interest in a REIT, are subject to US federal income tax on the gains arising on the sale of such USRPI or sale of the REIT interest, at the rates applicable to corporations under FIRPTA. Pursuant to FIRPTA, withholding on gains from the disposition of a USRPI is required under Section 1445 of the Code at a rate of 15%. However, the Protecting Americans from Tax Hikes Act of 2015 provides an exemption for qualified shareholders. A “qualified shareholder” is a foreign person which does not own more than 10% of the REIT that (1) is eligible for a reduced rate of withholding under a comprehensive income tax treaty with the United States; (2) is a “qualified collective investment vehicle;” and (3) satisfies certain recordkeeping requirements on the identity of its owners. As of December 18, 2015, “qualified foreign pension funds” are exempt from FIRPTA.

Changes in government legislation, including changes to the Double Tax Treaty, changes to taxation laws in the US and Australia, and changes in interpretation of the tax legislation by the US or Australian tax authorities, may affect future earnings and the relative attractiveness of investing in the Issuer. Currently, the United States Congress is debating comprehensive tax reform which may change, in whole or in part, tax provisions discussed in this Prospectus. As substantially all of the investments in the Issuer are within the US and the Issuer is resident in Australia, changes to the tax laws in the US or Australia or interpretation of tax laws by US or Australian tax authorities may adversely impact the Issuer.

o) Regulatory Risk

Freestanding and multi-family properties are often



subject to a range of local regulations (including statutory limitations on rental increases). Any changes to such regulations may adversely affect the Issuer's future income. The Issuer has in place strategies to appropriately manage the regulatory requirements and will only invest where the Issuer is satisfied that the benefits of the investment outweigh the additional regulatory requirements.

4.4 General/Other risks

a) Macroeconomic Risks

The US residential property market and the value of the assets of the Fund can be affected by changes in various macroeconomic conditions. Changes in the US or international economic, technological, political or regulatory environment, as well as inflation, acts of terrorism, and market sentiment, can have a negative or positive impact on asset values.

b) Regulatory Risk

Changes in Government legislation, regulation and policy may affect future earnings and values of assets held by the Fund. Changes in accounting standards may also affect the reported earnings and financial position of the Fund in future financial periods.

c) Taxation Risk

Changes to the taxation laws and policies in Australia, the US or other relevant jurisdiction might adversely impact the Fund and/or URF Notes III Noteholders.

d) Counterparty Risk

There is a risk that counterparties which deal with the Fund and the US REIT do not perform their obligations which may affect the value of, and returns from, the Fund's assets and its ability to service and/or repay the URF Notes III. The Fund seeks to reduce these risks by engaging only with reputable parties.

e) No Guarantee

Neither the Issuer, nor the Responsible Entity nor any other person gives a guarantee regarding the payment of interest or principal of URF Notes III.

f) Litigation Risk

In the course of its operations, the Fund (directly or indirectly through the US REIT, a subsidiary of the US REIT or a joint venture) may be involved in disputes and litigation. The extent of such disputes and litigation cannot be ascertained at this time, but there are risks that costly disputes or litigation may adversely affect the profitability of the Fund, value of its assets and ability to service and/or repay the URF Notes III.

g) Force Majeure

Force majeure is the term generally used to refer to an event beyond the control of any party, including acts of God, fire, floods, earthquakes, hurricanes, blizzards, wars and strikes. These events may adversely affect the Fund and/or URF Notes III Noteholders.





Section 5: Australian tax considerations



5. Australian tax considerations

5.1 Australian tax considerations

This section of the Prospectus provides a general summary of the key Australian income tax consequences for entities that are individuals and companies (that are Australian Residents) or complying superannuation entities and who do not hold the URF Notes III in the course of carrying on business at or through a permanent establishment offshore and who subscribe for URF Notes III pursuant to the Offer and hold the URF Notes III on capital account for Australian tax purposes.

a) Qualifications

This summary only takes into account the Australian tax consequences for URF Notes III Noteholders who (i) acquire the URF Notes III pursuant to the Offer and (ii) do not hold the URF Notes III in the course of trading or dealing in securities or otherwise hold the URF Notes III on revenue account or as trading stock and (iii) are not associates of the Issuer. In addition, this summary does not take into account the potential application of the Taxation of Financial Arrangement (TOFA) rules which may apply to a URF Notes III Noteholder, depending on the URF Notes III Noteholder's individual circumstances. Furthermore, the summary assumes that all transactions in relation to the URF Notes III are undertaken at arm's length.

This is a general summary only and is not intended to be and should not be taken as definitive Australian tax advice to a URF Notes III Noteholder and does not consider all possible circumstances that may affect the position of each URF Notes III Noteholder. Applicants should be aware that the actual Australian tax implications of investing in the URF Notes III may differ from those summarised in this Prospectus, depending on their individual circumstances. It is therefore recommended that Applicants seek independent professional advice having regard to their own specific circumstances in considering an investment in the URF Notes III.

This summary is based on the Australian tax laws, regulations and administrative practice of the Australian Taxation Office as at the date of this Prospectus. Applicants should be aware that any changes (with either prospective or retrospective effect) to the tax laws, regulations and/or administrative practices may affect the tax treatment of the Fund and the URF Notes III Noteholders as described in this Prospectus.

b) Interest Payable on URF Notes III

Individual and companies that are Australian Residents will be required to include interest payments in their assessable income.

Australian complying superannuation funds holding the URF Notes III should not be required to include the interest payments in their assessable income if the URF Notes III are segregated current pension assets. To the extent the URF Notes III are not segregated current pension assets, interest payments should be included in assessable income (subject to any reduction in relation to the current pension exemption amount).

c) Redemption of URF Notes III

Where URF Notes III Noteholders receive accrued interest on redemption of the URF Notes III, the Australian income tax consequences should be as described in Section 5.1(b) above.

To the extent that the URF Note III is not a segregated current pension asset of an Australian complying superannuation fund and is redeemed for an amount less than the Face Value, the URF Notes III Noteholder may be entitled to claim a deduction on revenue account for the loss on redemption.

However, a loss on redemption of URF Note III should not be deductible if having regard to the financial position of the Issuer, and perceptions of the financial position of the Issuer, and other relevant matters, it would be concluded that the redemption of the URF Note III took place for the reason (or for reasons that included the reason) that there was an apprehension or belief that the Issuer was or would be likely to be, unable or unwilling to discharge all liability to pay amounts under the URF Note III.

Where a deduction is not available, the URF Notes III Noteholder may be entitled to claim a capital loss.

To the extent the URF Notes III are segregated current pension assets of an Australian complying superannuation fund, any loss on the redemption of the URF Notes III should be disregarded.

d) Sale of URF Notes III

URF Note III unitholders that are individuals or companies will be required to include any gain on disposal (calculated as the difference between the sale price and the Face Value) in their assessable income. Australian complying superannuation funds that are URF Note III unitholders will, to the extent the URF Note III is not a segregated current pension asset, also be required to include any gain on disposal (calculated as the difference between the sale price and the Face Value) in their assessable income (subject to any reduction for current pension exemption amounts).

To the extent the URF Note III is not a segregated current pension asset of an Australian complying superannuation



fund and the Note is disposed of in an arm's length transaction, the Noteholder may be entitled to claim a deduction on revenue account for any loss on disposal (calculated as the difference between the Face Value and the sale price). However, a deduction will not be available if having regard to the financial position of the Issuer, perceptions of the financial position of the Issuer and any other relevant matters, it could be concluded that the URF Note III was disposed of for the reason (or for reasons that included the reason) that there was an apprehension or belief that the Issuer was or would be likely to be, unable or unwilling to discharge all liability to pay amounts under the URF Note III.

Where a deduction is not available, the URF Notes III Noteholder may be entitled to claim a capital loss.

To the extent the URF Notes III are segregated current pension assets of an Australian complying superannuation fund, any loss on the disposal of the URF Notes III should be disregarded.

e) Quotation of Australian Business Numbers or Tax File Numbers

The Issuer is required to deduct Pay-As-You-Go withholding tax from interest paid to URF Notes III Noteholders at the highest marginal tax rate, including the Medicare Levy and Temporary Budget Repair Levy (currently 49%) if the URF Notes III Noteholder has not quoted either their Tax File Number or Australian Business Number and none of the relevant exemptions apply. URF Notes III Noteholders should generally be entitled to an income tax credit for any such tax withheld.

f) Stamp Duty

No stamp duty should be payable in Australia on the issue, redemption or disposal of the URF Notes III.

g) GST

The acquisition, disposal and redemption of URF Notes III should not be subject to GST.

5.2 Foreign Account Tax Compliance Act

The *Foreign Account Tax Compliance Act* (**FATCA**) is a US tax law aimed at financial institutions and other financial intermediaries to prevent tax evasion by US citizens and other US tax residents through use of non US investments and accounts.

FATCA generally imposes a 30% withholding tax on "US persons" who fail to comply with its requirements for (1) certain US source income (including interest and dividends); (2) from 1 January 2019, the gross proceeds from the sale or other disposition of property that produce certain US source income; and (3) from 1 January 2019 at the earliest, "foreign passthru payments" (a term not yet defined under FATCA) made by certain non US entities.

Australia has signed an Intergovernmental Agreement (**IGA**) with the US to implement FATCA in Australia. The FATCA provisions were introduced through Division 396 in Schedule 1 of the Taxation Administration Act 1953 (Cth), to be administered by the ATO. Under the IGA and FATCA provisions, Reporting Australian Financial Institutions have due diligence and reporting obligations.

URF is an Australian Financial Institution under the IGA. The Responsible Entity, on behalf of URF, intends to fully comply with the FATCA obligations as determined by the FATCA regulation, the IGA and any associated guidance from the ATO. These obligations include (but are not limited to) the Responsible Entity documenting the status of Investors that are US Persons, a US controlled entity or a non complying FATCA financial institution. The Responsible Entity is then obligated by law to report certain information on applicable investors to the ATO which will in turn report this information to the US Internal Revenue Service.

In order to comply with their FATCA obligations, the Responsible Entity is obligated to request certain information from its investors. Certain information collected will be reported to the ATO, which will in turn report this information to the US Internal Revenue Service.

A Reporting Australian Financial Institution that complies with its obligations under the Australian IGA will not generally be subject to FATCA withholding on amounts it receives, and will not generally be required to deduct FATCA withholding from payments it makes with respect to the Notes, other than in certain prescribed circumstances.

Neither URF, the Responsible Entity nor the URF Notes III Trustee are liable for any loss an investor may suffer as a result of their compliance with FATCA.

URF and the Responsible Entity will also provide information about their FATCA status when required so that FATCA withholding is not applied to payments received on investments (for example dividends paid on US securities). If the Responsible Entity (on behalf of the Fund) suffers any amount of FATCA withholding and is unable to obtain a refund for such withholding, the Responsible Entity (on behalf of the Fund) will not be required to compensate investors for any such withholding and the effects of these amounts will be reflected in the returns of the Fund.

This information is of a general nature only. Please consult your tax advisor should you wish to understand the implications of FATCA on your particular circumstances.

5.3 Common Reporting Standard

The common reporting standard (**CRS**) is a global reporting standard for the Automatic Exchange of



Financial Information developed by the Organisation for Economic Co-operation and Development (**OECD**). Australia has signed the multilateral convention and legislation to implement CRS in Australia, which has been enacted through Division 396 in Schedule 1 of the Taxation Administration Act 1953 (Cth), to be administered by the ATO. CRS commences for Australian financial institutions from 1 July 2017, with the first reporting of information in 2018. Under CRS, Reporting Australian Financial Institutions have due diligence and reporting obligations.

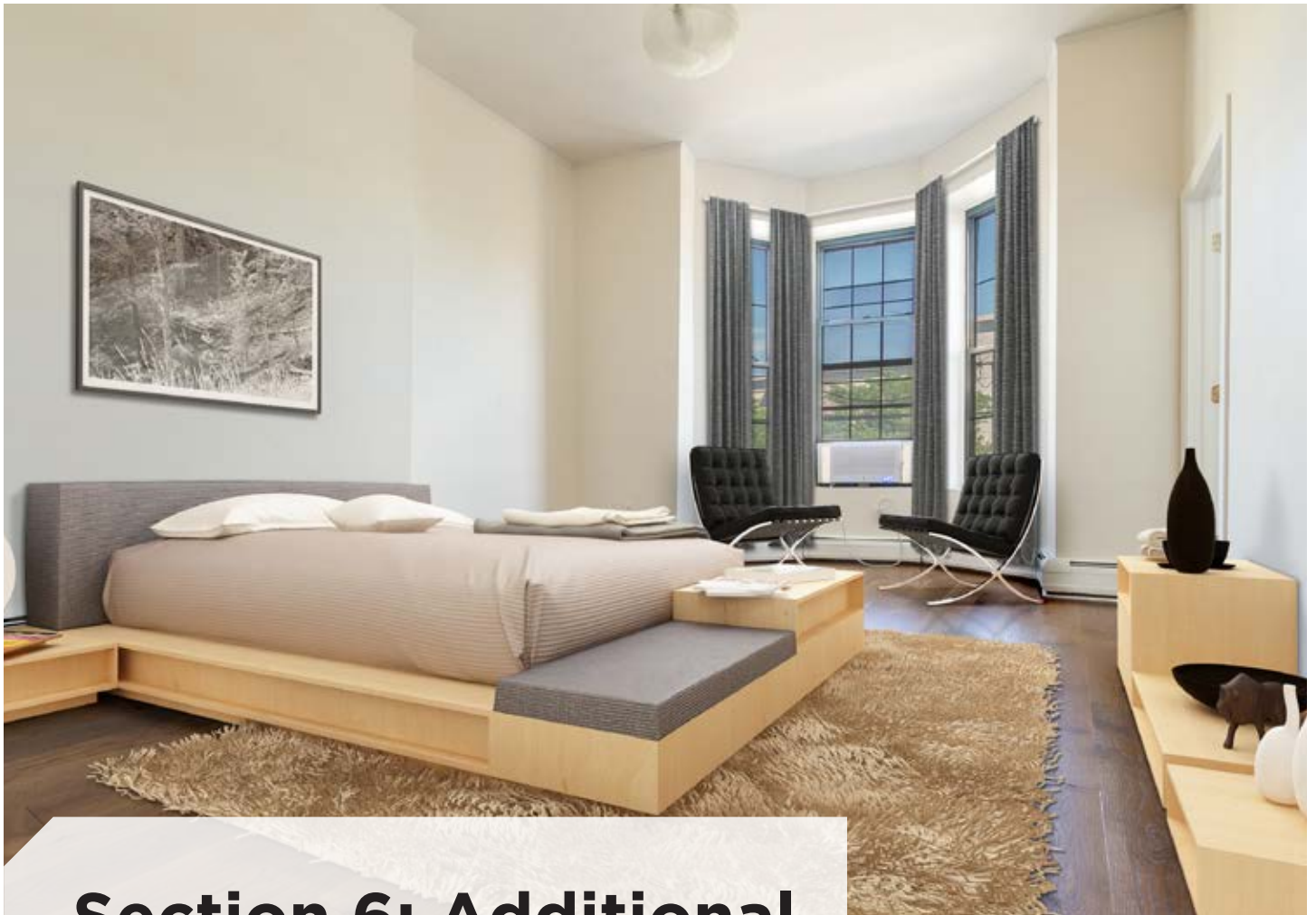
URF will be an Australian Financial Institution under CRS. The Responsible Entity, on behalf of URF, has certain obligations under CRS and associated guidance from the ATO which include (but are not limited to) the Responsible Entity documenting the status of Investors that are non residents of Australia and certain entities controlled by non residents of Australia. The Responsible Entity is then obligated by law to report certain information on applicable investors to the ATO which may in turn report this information to the tax authority in the applicable jurisdictions.

In order to comply with their CRS obligations, the Responsible Entity is obligated to request certain information from investors. Certain information collected will be reported to the ATO, which may in turn report this information to the tax authority in the applicable jurisdictions. Penalties can apply if investors fail to provide the information or provide false information.

Neither URF, the Responsible Entity nor the URF Notes III Trustee are liable for any loss an investor may suffer as a result of their compliance with CRS.

This information is of a general nature only. Please consult your tax advisor should you wish to understand the implications of CRS on your particular circumstances.





Section 6: Additional information



6. Additional information

6.1 No material breaches of loan covenants or debt obligations

The Issuer and other members of the URF Group have not materially breached any loan covenants or debt obligations in the two years prior to the date of this Prospectus.

6.2 Compliance with Chapter 2M and Section 674 of the Corporations Act

As at the date of this Prospectus, the Issuer has complied with the provisions of Chapter 2M of the Corporations Act as they apply to the Issuer and section 674 of the Corporations Act.

6.3 Information excluded from Continuous Disclosure

While URF is listed on the ASX, under the Listing Rules certain information may be excluded from being disclosed under URF's continuous disclosure obligations.

As at the date of this Prospectus there is no information about URF that has not been disclosed under URF's continuous disclosure obligations that:

- a) is information that investors and their professional advisors would reasonably require to make an informed assessment of:
 - i) the assets and liabilities, financial position and performance, profits and losses and prospects of URF; and
 - ii) the rights and liabilities attaching to the URF Notes III; and
- b) is reasonable for investors, and their professional advisors, to expect to find in this Prospectus.

6.4 URF Notes III Trust Deed

The Issuer and the URF Notes III Trustee have entered into a trust deed, constituted under New South Wales law, and dated on or around the date of this Prospectus (**Trust Deed**), which includes the Terms as a schedule. The Terms are also set out in Annexure A.

The Issuer will provide a copy of the Trust Deed upon request free of charge to potential investors during the period until the Issue Date and thereafter to URF Notes

III Noteholders who request a copy. A copy of the Trust Deed can also be obtained free of charge by any person during the Offer Period, from <http://www.usmrpf.com.au/investor-centre/announcements/>

The URF Notes III Trustee has agreed to act as the trustee for the URF Notes III Noteholders (as described below) pursuant to the terms of the Trust Deed. The URF Notes III will be issued subject to the terms and conditions of the Trust Deed.

The URF Notes III Trustee is not responsible for monitoring compliance by the Issuer with its covenants and obligations under the Trust Deed or any other activities or status of the Issuer except as required by law. In this regard, the URF Notes III Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act including:

- a) to exercise reasonable diligence to ascertain whether:
 - i) the property of the Issuer that is or should be available will be sufficient to repay the amounts lent by URF Notes III Noteholders in respect of the URF Notes III;
 - ii) the Issuer has breached the Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act; and
- b) unless the URF Notes III Trustee is satisfied the breach will not materially prejudice URF Notes III Noteholders, it must do everything in its power to ensure the Issuer remedies such a breach.

While other duties of the URF Notes III Trustee are set out in Chapter 2L of the Corporations Act, the following is a summary of only the principal provisions of the Trust Deed:

a) Priority of the URF Notes III Trustee

All monies that are received by the URF Notes III Trustee under the Trust Deed will be applied first in payment of any amounts owing to the URF Notes III Trustee in connection with the Trust Deed, the URF Notes III or any Additional Transaction Documents, secondly in payment of any amounts owing to an appointee under the Trust Deed, being a receiver, receiver and trustee, official trustee, liquidator, administrator or similar official appointed to the Issuer or its assets, and thirdly in or towards payment of all amounts due and payable under each URF Note III by the Issuer under the Trust Deed equally and without preference or priority amongst the relevant URF Notes III Noteholders.

The balance (if any) of the money remaining after those payments will be returned to the Issuer.



b) Appointment of URF Notes III Trustee and Declaration

The URF Notes III Trustee holds on trust for URF Notes III Noteholders:

- i) the sum of \$10;
- ii) all right, title and interest vested in the URF Notes III Trustee in, to and under the Trust Deed, including all rights and benefits under them;
- iii) the benefit of all undertakings, covenants, agreements, representations and warranties made or given or agreed to or in favour of, or granted to or for the benefit of, the URF Notes III Trustee under the Trust Deed;
- iv) the right to enforce the Issuer's duty to repay the aggregate Face Value on the URF Notes III, any Interest and any other monies payable to the URF Notes III Trustee or the URF Notes III Noteholders under or pursuant to the Trust Deed;
- v) the right to enforce any other duties that the Issuer has under the Terms, the Trust Deed or Chapter 2L of the Corporations Act;
- vi) all money paid to the URF Notes III Trustee under the Trust Deed in its capacity as trustee of the URF Notes III Trust;
- vii) the net proceeds of all money received or recovered by the URF Notes III Trustee under the Trust Deed and Chapter 2L of the Corporations Act whether by enforcement or otherwise (after deduction of fees, costs, charges, expenses and other amounts paid or incurred in accordance with the Trust Deed and Chapter 2L of the Corporations Act);
- viii) the benefit of all claims, actions and demands arising in respect of the powers conferred on the URF Notes III Trustee, a URF Notes III Noteholder, or an Attorney or Controller (each as defined in the Trust Deed) appointed under the Trust Deed or any applicable law; and
- ix) all other property acquired by the URF Notes III Trustee and intended to be held for the benefit of the URF Notes III Noteholders or the URF Notes III Trustee from time to time on the terms and conditions of the Trust Deed.

c) The Issuer's Obligations

The Issuer is obliged, among other things, to:

- i) pay the amounts due and payable in respect of the URF Notes III under and in accordance with the Trust Deed;
- ii) comply with its obligations under the Terms;
- iii) comply with all statutory and regulatory requirements applicable to it (including under the Listing Rules and

under Chapter 2L of the Corporations Act) to the extent they relate to obligations under the Trust Deed.

d) URF Notes III Trustee Undertakings

The URF Notes III Trustee has undertaken that it will, among other things:

- i) act continuously as trustee of the trust declared under the Trust Deed until the earlier of that trust being terminated, or the retirement or removal of the URF Notes III Trustee in the manner provided for under the Trust Deed or the Corporations Act;
- ii) subject to being indemnified to its satisfaction, if the URF Notes III Trustee becomes actually aware of the occurrence of an Event of Default, promptly convene a meeting of URF Notes III Noteholders to seek directions from the URF Notes III Noteholders in the form of a Special Resolution as to the action it should take in relation to the Event of Default;
- iii) comply with its duties under Chapter 2L of the Corporations Act;
- iv) act honestly and in good faith and exercise the diligence and prudence that a person carrying on the business of a professional trustee would exercise;
- v) not interfere with the conduct of the business of the Issuer except to the extent necessary to comply with the URF Notes III Trustee's obligations under the Corporations Act; and
- vi) keep appropriate records and keep the assets held by the URF Notes III Trustee on trust for the URF Notes III Noteholders separate from all other assets of the URF Notes III Trustee.

e) URF Notes III Trustee Limitation of Liability and Indemnity

The URF Notes III Trustee is not liable to the Issuer, the URF Notes III Noteholders or any other person in any capacity other than as trustee under the Trust Deed, except where the URF Notes III Trustee acts fraudulently, negligently or wilfully defaults under the Trust Deed. The URF Notes III Trustee, its officers, directors, employees, attorneys and affiliates are entitled to be indemnified by the Issuer and out of the property of the URF Notes III Trust in respect of, among others, all costs, losses, expenses, demands or claims suffered by the URF Notes III Trustee in the execution of the trust created under the Trust Deed, or the exercise of any right under the Trust Deed, Terms or Additional Transaction Documents.

f) Action by URF Notes III Trustee

The URF Notes III Trustee is required at all times, to act in accordance with its obligations under the Terms, the Trust Deed, the Corporations Act and applicable law.

Subject to the Trust Deed, the Terms and the Additional Transaction Documents, the URF Notes III Trustee need



not take any action to enforce the early redemption rights available on default under the Terms, or exercise any other power, right or discretion under the Trust Deed, unless all of the following conditions are met:

- i) the URF Notes III Trustee is requested to take action by a Special Resolution; and
- ii) the URF Notes III Trustee is indemnified to its satisfaction against all costs, charges, liabilities and expenses which the URF Notes III Trustee may incur in taking the action; and
- iii) the URF Notes III Trustee is not restricted or prohibited by any order of any competent court or any applicable law.

If the URF Notes III Trustee forms the view that such action directed by Special Resolution is or could be inconsistent with the Trust Deed, Note Terms, the Corporations Act or any other applicable law, it may take steps to seek a court direction to set aside or vary the Special Resolution. While the process to obtain a court direction is underway, the URF Notes III Trustee is not obliged to act under the Special Resolution.

g) Direct action by URF Notes III Noteholder

No URF Notes III Noteholder is entitled to proceed directly against the Issuer to enforce any right or remedy under or in respect of any URF Notes III, unless the URF Notes III Trustee, having become obliged to proceed, fails to do so within 20 Business Days and such failure is continuing. Any action that the URF Notes III Noteholder takes must be in its own name and not in the name of the URF Notes III Trustee.

h) Fees and Expenses

Under the Trust Deed, the Issuer will pay the URF Notes III Trustee by way of a fee for its services such amounts as may be agreed between the Issuer and the URF Notes III Trustee. The Issuer will also pay the URF Notes III Trustee's costs and expenses arising out of, among other things, the URF Notes III Trustee acting as trustee under the Trust Deed (including reasonable legal fees, costs and disbursements) as well as additional fees for any enforcement action that the URF Notes III Trustee takes in relation to the Trust Deed following the occurrence of an Event of Default or any duties agreed by the Issuer to be outside the scope of the normal duties of the URF Notes III Trustee.

i) Retirement and Removal

The URF Notes III Trustee may retire by giving written notice to the Issuer, which will not be effective until two months after the date of the notice has passed and provided that the appointment of a new trustee is effective.

The Issuer may remove the URF Notes III Trustee and appoint a new trustee in its place if:

- i) any of the events referred to in section 283BD of the Corporations Act occur in relation to the URF Notes III Trustee;
- ii) the URF Notes III Trustee is liquidated;
- iii) the URF Notes III Trustee is in material breach of any of its obligations under the Trust Deed, the Terms or any Additional Transaction Document and:
 - A. the breach is not capable of remedy; or
 - B. the breach is capable of remedy and has not been remedied within 10 Business Days after receiving written notice of the default from the Issuer requiring that the default be remedied;
- iv) the URF Notes III Trustee ceases to carry on business;
- v) a receiver, receiver and trustee, official trustee, liquidator, administrator or similar official is appointed to the URF Notes III Trustee; or
- vi) any license, consent, authorisation, permit or similar thing the URF Notes III Trustee is required to hold to carry out its obligations and duties under or in respect of the Trust Deed is revoked or not renewed.

If the Issuer fails to appoint a new trustee within the notice period (in the case of the URF Notes III Trustee's retirement) or otherwise within 14 days of the Issuer's removal of the URF Notes III Trustee becoming effective, the URF Notes III Trustee may, so long as the Issuer has not made an appointment, appoint a new trustee without the further approval of the Issuer or URF Notes III Noteholders.

j) Meetings

The URF Notes III Trustee or the Issuer may at any time convene a meeting of the URF Notes III Noteholders and must do so if required by the Corporations Act or the Trust Deed. The Trust Deed contains a process to allow URF Notes III Noteholders holding not less than 10%, in terms of the aggregate Face Value of the URF Notes III on issue at the time of the direction, to direct the URF Notes III Trustee to convene a meeting of URF Notes III Noteholders for certain purposes.

A meeting of URF Notes III Noteholders has, by URF Notes III Noteholder Resolution or by Special Resolution in circumstances required by the Trust Deed, the power to:

- i) give directions to the URF Notes III Trustee (by Special Resolution) to require it to take action under the Terms where there has been an Event of Default (provided certain conditions are met);
- ii) sanction the release of the Issuer from all or part of its liability to pay the principal monies and interest owing on any Notes;
- iii) in accordance with the Corporations Act, approve the release of the URF Notes III Trustee from liability



for anything done or omitted to be done by the URF Notes III Trustee or any other person.

URF Notes III Noteholder resolutions are decided on a show of hands unless a poll is demanded. On a poll, each URF Notes III Noteholder is entitled to one vote for each \$1 of paid up Face Value of the URF Notes III they hold.

k) Alteration

Subject to all applicable laws, the Issuer and the URF Notes III Trustee may jointly amend the Trust Deed:

- i) pursuant to a URF Notes III Noteholder Resolution or Special Resolution, as applicable; or
- ii) without the consent of URF Notes III Noteholders, if the Issuer and the URF Notes III Trustee are each of the opinion that such amendments are:
 - A. of a formal or technical or minor nature;
 - B. made to cure any ambiguity or correct any manifest error;
 - C. necessary or expedient to enable the URF Notes III to be listed on any stock exchange or offered for subscription or for sale under applicable laws; or
 - D. necessary to comply with the provisions of any statute or requirements of any statutory authority or the requirements of any securities exchange on which the Issuer may propose to seek listing of the URF Notes III,

and, in the case of items C. and D. above, the Issuer has provided to the URF Notes III Trustee or the URF Notes III Trustee has obtained a legal opinion in form and substance satisfactory to the URF Notes III Trustee (acting reasonably), addressed to the URF Notes III Trustee or otherwise able to be relied on by the URF Notes III Trustee from legal advisors of recognised standing in New South Wales opining that such amendment (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) is otherwise not materially prejudicial to the interests of URF Notes III Noteholders as a whole.

l) Issue of Further URF Notes III

The Issuer may issue further URF Notes III, without the consent of URF Notes III Noteholders, having the same Terms (except in relation to the Issue Date, the first Interest Period, the first Interest Payment Date and the amount to be paid in respect of the first payment of Interest). Such notes shall be consolidated and form a single series and rank *pari passu* with (the same as) the URF Notes III then outstanding.

6.5 Other documents relevant to the Offer

Section 712 of the Corporations Act provides that instead of setting out information that is contained in a document that has been lodged with ASIC, a prospectus may simply refer to the document. The following documents lodged with ASIC may be relevant to the Offer:

- the Issuer's full consolidated financial report for the full year ended 31 December 2013, contained in the ASX announcement dated 25 February 2014. Information that may be relevant includes the Directors' Report, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows;
- the Issuer's full consolidated financial report for the full year ended 31 December 2014, contained in the ASX announcement dated 20 February 2015. Information that may be relevant includes the Director's Report, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows;
- the Issuer's full consolidated financial report for the full year ended 31 December 2015, contained in the ASX announcement dated 24 February 2016. Information that may be relevant includes the Director's Report, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows;
- the Issuer's half-year report for the half-year ending 30 June 2016 contained in the ASX announcement dated 19 August 2016. Information that may be relevant includes the Directors' Report, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows; and
- the Trust Deed.

The information in each document is incorporated by reference into this Prospectus. The Issuer will provide a copy of these documents free of charge to any person who requests a copy during the Offer Period.

6.6 Selling restrictions

This Prospectus does not constitute an offer of URF Notes III in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person who receives this Prospectus (including nominees, trustees or custodians) should seek advice on and observe those restrictions.



The Offer to which this Prospectus relates is available to persons receiving this Prospectus (electronically or otherwise) in Australia. It is not available to persons receiving it in any other jurisdiction.

This Prospectus is not an offer or an invitation to acquire securities in any country other than Australia. In particular, this document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States.

This Prospectus may not be released or distributed in the United States or to any US Person. Any securities described in this Prospectus have not been, and will not be, registered under the Securities Act or the securities law of any state or other jurisdiction of the United States, and may not be offered or sold within the United States, or to, or for the account or benefit of, any US Person, except in a transaction exempt from, or not subject to, the registration requirements under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

6.7 URF Notes III Trustee's privacy policy

The URF Notes III Trustee may collect your personal information for the primary purpose of providing trustee services to the Issuer and for ancillary purposes detailed in its privacy policy. The URF Notes III Trustee may disclose your personal information, such as your name and contact details, along with your account information to its related bodies corporate, the Issuer, professional advisors, the land titles office and/or as otherwise instructed by the Issuer. The URF Notes III Trustee is also permitted to collect and disclose your personal information when required or authorised to do so by law. The URF Notes III Trustee is not likely to disclose your personal information to overseas recipients. Your personal information will be used in accordance with the URF Notes III Trustee's privacy policy. The privacy policy contains information about how you may access or correct your personal information held by the URF Notes III Trustee and how you may complain about a breach of the Australian Privacy Principles. You may obtain a copy of the privacy policy at www.aetlimited.com.au/privacy.

6.8 Consents and responsibility statements

Each of the parties referred to below (each a **Consenting Party**) to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context

in which it is named and a statement included in this Prospectus with its consent as specified below.

Each of the Consenting Parties, has given, and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to being named in the Prospectus in the form and context in which it is named:

- a) Australian Executor Trustees Limited;
- b) Deloitte Touche Tohmatsu;
- c) Watson Mangioni Lawyers Pty Limited;
- d) Boardroom Pty Limited;
- e) URF Investment Management Pty Limited; and
- f) Urban American.

Deloitte Touche Tohmatsu is the auditor of the Fund. Deloitte Touche Tohmatsu has consented to the inclusion of references to the auditor-reviewed and audited financial statements of the Fund in this Prospectus. No Consenting Party has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. None of the Consenting Parties has authorised or caused the issue of this Prospectus. None of the Consenting Parties makes any offer of URF Notes III.

The issue of this Prospectus has been authorised by each director of the Responsible Entity. Each director of the Responsible Entity has consented to the lodgement and issue of this Prospectus and has not withdrawn that consent.

6.9 Costs of the Offer¹⁴

Under the Investment Management Agreement (as amended) between the Investment Manager and the US REIT, the Investment Manager is entitled to receive a debt arranging fee of up to 4% of the gross proceeds of debt received by US REIT. In connection with the proceeds of the Offer to be made available to US REIT, the Investment Manager has agreed to accept a reduced debt arranging fee that equates to 1% of the gross proceeds of the Offer. The Investment Manager may elect to pay away some or all of the debt arranging fee to AFSL Holders.

The Responsible Entity, on behalf of the Fund, will pay AFSL Holders a stamping fee equal to 1.025% of amounts raised and allocated under Applications bearing the stamp of the AFSL Holder. For the avoidance of doubt, AFSL Holder includes, but is not limited to, Dixon Advisory & Superannuation Services Limited who is entitled to receive this fee.

Including the debt arranging fee, stamping fee and ASX listing fees, expenses in relation to the Offer are estimated to be \$1.2 million to \$3.3 million depending on the size of

14. All fees are expressed inclusive of GST (where applicable) and net of RITC (where applicable).



the URF Notes III Offer. The debt arranging fee, stamping fee and ASX listing fees (estimated to be \$1.1 million to \$3.2 million) will be paid out of the Fund or by US REIT. All other costs of the Offer, including any additional stamping fees, legal, tax, accounting and registry fees, will be borne by Walsh & Company and not reimbursed out of the Fund.

6.10 Interests of advisors

Other than as disclosed in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, or any firm in which any such person is a partner and no promoter of the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer:

- has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Issuer, or in the Offer, or in any asset acquired or proposed to be acquired by the Issuer in connection with the Offer; or
- has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Issuer or the Offer.

Watson Mangioni Lawyers Pty Limited has acted as Australian legal advisor to the Issuer in relation to the Offer. The Responsible Entity has paid, or agreed to pay, approximately \$60,000 (inclusive of GST and excluding disbursements) for these services up until the date of this Prospectus. Further amounts may be paid to Watson Mangioni Lawyers Pty Limited in accordance with its normal time-based charges.

Australian Executor Trustees Limited has acted as trustee for the URF Notes III Trust in relation to the Offer. The Issuer has paid, or agreed to pay, an initial establishment fee and an annual fee for these services. Further amounts may be paid to Australian Executor Trustees Limited in accordance with the Trust Deed.

Boardroom Pty Limited has acted as the registrar for the URF Notes III and will be paid an establishment fee for these services. Further amounts may be paid to Boardroom Pty Limited in accordance with their terms of engagement.

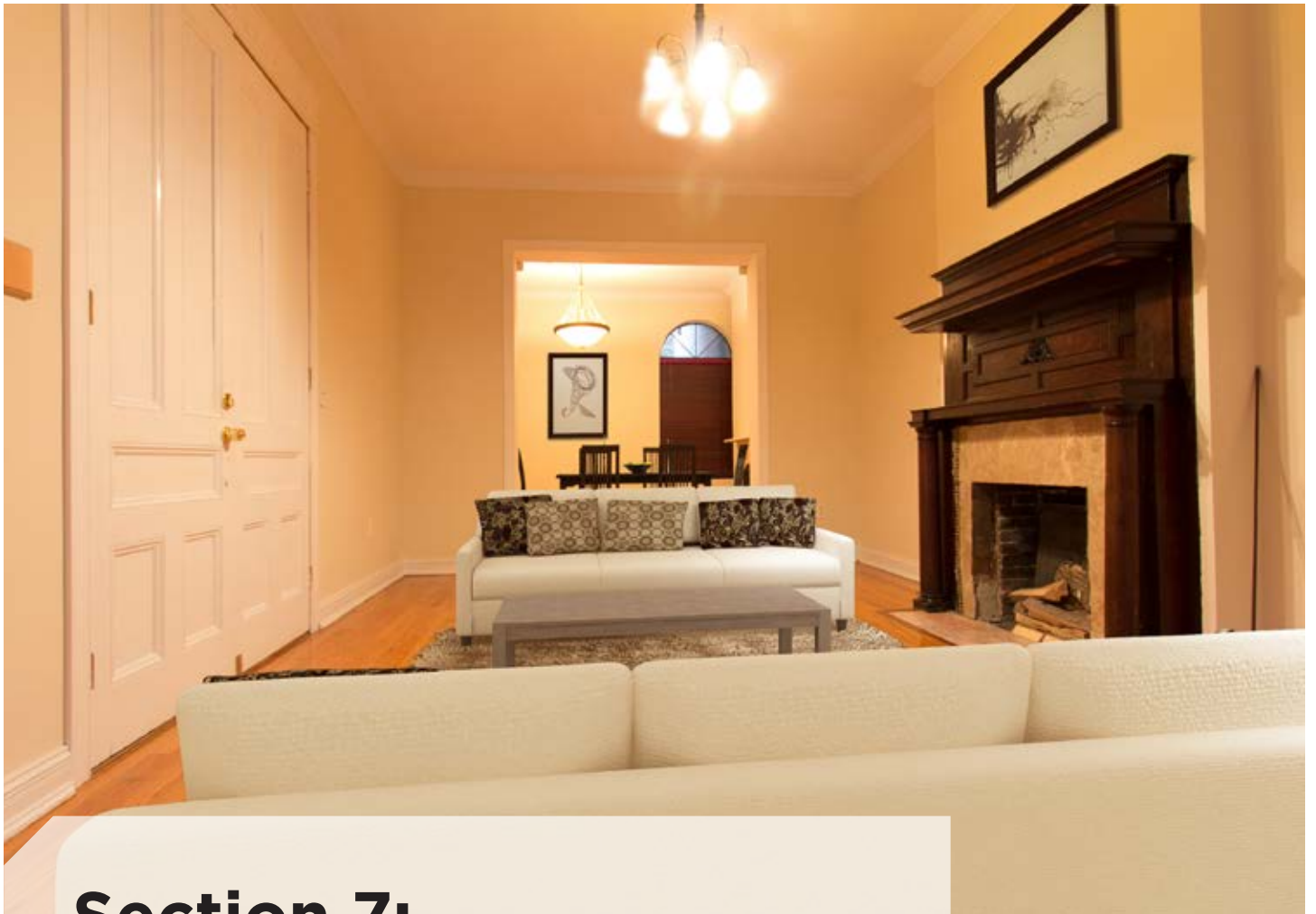
6.11 Interests of Directors of the Responsible Entity

Other than as set out below or elsewhere in this Prospectus, no Director of the Responsible Entity or proposed director:

- has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Issuer, or in the Offer, or in any asset acquired or proposed to be acquired by the Issuer in connection with the Offer; or
- has been paid or agreed to be paid any amount, or has been given or agreed to be given any other benefit, either to induce him or her to become, or to qualify him or her as, a Director of the Responsible Entity or otherwise for services rendered by him or her in connection with the formation or promotion of the Fund or the Offer.

The Directors, either directly or indirectly through family investment vehicles or superannuation funds, intend to apply for URF Notes III but at the date of this Prospectus, no decision about the number of URF Notes III to be applied for by each of them has been made.





Section 7: How to apply



7. How to apply

This is a summary only. This Prospectus should be read in its entirety before making any decision to apply for URF Notes III.

7.1 The Offer

The Issuer is offering for subscription a minimum of 500,000 URF Notes III up to 1,000,000 URF Notes III with the ability to accept oversubscriptions of up to 500,000 URF Notes III. URF Notes III are offered at \$100 per URF Note III, to raise a minimum of \$50 million and up to \$100 million, with the ability to accept oversubscriptions of up to a further \$50 million.

Under the Priority Offer, the Issuer has allocated up to 500 URF Notes III for each Applicant who is a Unitholder or URF Noteholder at the Closing Date. An Applicant who holds Units as well as URF Notes I and/or URF Notes II is entitled to apply for up to 1,000 URF Notes III under the Priority Offer. The final allocation given to Applicants under this Offer, including the Priority Offer, may be subject to scaling at the discretion of the Responsible Entity depending on demand, the cash requirements of the Fund at the time of allotment (as determined by the Responsible Entity) and to assist the Responsible Entity to develop a balanced register of URF Notes III Noteholders.

To participate in the Offer, your Application must be received by URF by 5:00 p.m. (Sydney time) on the Closing Date. Applicants under the Priority Offer should include their individual Priority Offer Reference Number in the space provided on the Application Form at the back of this Prospectus or in the section provided in the online Application Form. The Offer is not underwritten.

The Offer will only be made to investors who have a registered address in Australia. The Directors intend to participate in the Offer but at the date of this Prospectus, no decision about the number of URF Notes III to be applied for by each Director has been made. Where a Director is a Unitholder or a URF Noteholder on the Closing Date, an allocation may be made to a Director under the Priority Offer.

Early lodgement of Applications is recommended as the Issuer may close the Offer at any time after the expiry of the exposure period without prior notice. The Issuer may extend the Offer in accordance with the Corporations Act.

There is no cooling-off period in relation to the Offer.

7.2 Minimum subscription

The Offer Price of each URF Note III is \$100. Applicants must apply for a minimum of 20 URF Notes III, which is a minimum investment of \$2,000. Applications for greater than 20 URF Notes III, must be in multiples of five URF Notes III (\$500).

7.3 Applications

Applications under the Offer can be made using the Application Form issued with and attached to this Prospectus and through the online Application Form at **www.usmrpf.com.au**. Delivery versus payment method (DvP) is also available for Applicants under the Offer through their Broker. The online application portal will not open under after the Exposure Period has ended. Applicants under the Priority Offer must ensure they provide their individual Priority Offer Reference Number when making an Application.

The Corporations Act prohibits the processing of Applications during the Exposure Period.

The Exposure Period allows this Prospectus to be examined by potential investors prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be given to Applications received during the Exposure Period.

Applications and Application Monies for URF Notes III under the Offer received after 5:00 p.m. (Sydney time) on the Offer Closing Date will not be accepted and will be returned to potential investors, without interest. The Issuer may extend the Offer Closing Date.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.



Applications made on a paper Application Form must be accompanied by payment in Australian currency. Completed paper Application Forms, together with Application Monies, should be forwarded to the following address:

POSTAL

US Masters Residential Property Fund Notes Offer
c/- Walsh & Company
GPO Box 575
Canberra ACT 2601

HAND DELIVERED

Canberra

US Masters Residential Property Fund Notes III Offer
c/- Walsh & Company
Level 1, 73 Northbourne Avenue
Canberra, ACT 2601

Sydney

US Masters Residential Property Fund Notes III Offer
c/- Walsh & Company
Level 15, 100 Pacific Highway
North Sydney NSW 2060

Melbourne

US Masters Residential Property Fund Notes III Offer
c/- Walsh & Company
Level 2, 250 Victoria Parade
East Melbourne VIC 3002

You do not need to return the Application Form if you have applied using the online Application Form. For an online Application to be complete you must submit your Application Monies via BPAY before 5.00 p.m. (Sydney time) on the Offer Closing Date.

Payment by cheque or bank draft

Cheque(s) and bank draft(s) must be drawn on an Australian branch of a financial institution and made payable to **"URF Trust Account"** and crossed **"Not Negotiable"**. Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn. Accordingly, Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s). If the amounts of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the URF Notes III you have applied for in your Application Form, you may be taken to have applied for such lower number of URF Notes III as your cleared Application Monies will pay for (and to have specified that number on your Application Form) or your Application may be rejected and any cleared Application Monies in excess of \$10 returned via cheque or direct deposit (where available).

Payment by BPAY

You may apply for URF Notes III online and pay your Application Monies by BPAY. Applicants wishing to pay by BPAY should complete the online Application Form accompanying the electronic version of this Prospectus which is available at www.usmrpf.com.au and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number (**CRN**)). You do not need to complete and return a paper Application Form if you pay by BPAY.

You should be aware that you will only be able to make a payment via BPAY if you are a holder of an account with an Australian Financial Institution which supports BPAY transactions.

When completing your BPAY payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use your CRN, your Application will not be recognised as valid. It is your responsibility to ensure that payments are received by 5.00 p.m. (Sydney time) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY, and policies with respect to processing BPAY transactions may vary between banks, credit unions or building societies. The Fund and the Responsible Entity accept no responsibility for any failure to receive Application Monies or payments by BPAY before the Offer Closing Date arising as a result of, among other things, processing of payments by financial institutions.

The Application constitutes an offer by the Applicant to subscribe for URF Notes III on the terms and subject to the conditions set out in this Prospectus. However, a binding contract to issue URF Notes III will only be formed at the time URF Notes III are allotted to Applicants.

The Issuer reserves the right to not proceed with the Offer at any time before the issue of URF Notes III to successful Applicants. If the Offer does not proceed, Application Monies will be fully refunded. No interest will be paid on any Application Monies refunded as a result of not proceeding with the Offer.

7.4 Allotment

The Issuer will not allot URF Notes III until the ASX has granted permission for quotation of the URF Notes III unconditionally or on terms acceptable to the Issuer.

It is expected that the issue of URF Notes III under the Offer will take place around 20 February 2017. Application Monies will be held in a separate account until the Issue Date. This account will be established and kept by the Issuer on behalf of the Applicants. The Issuer may retain any interest earned on the Application Monies pending the issue of URF Notes III to successful Applicants.



The Issuer reserves the right to accept, reject or scale back any Application, in its absolute discretion.

Where the number of URF Notes III allotted is less than the number applied for or where no allotment is made, the surplus Application Monies in excess of \$10 will be returned to Applicants (without interest) by cheque or direct deposit (where available) within seven days of the Offer Closing Date.

It is the responsibility of each Applicant to confirm their holding before trading in URF Notes III. Applicants who sell URF Notes III before they receive an initial statement of holding do so at their own risk. The Issuer and URF Notes III Registrar disclaim all liability, whether in negligence or otherwise, to persons who sell URF Notes III before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by a broker or otherwise.

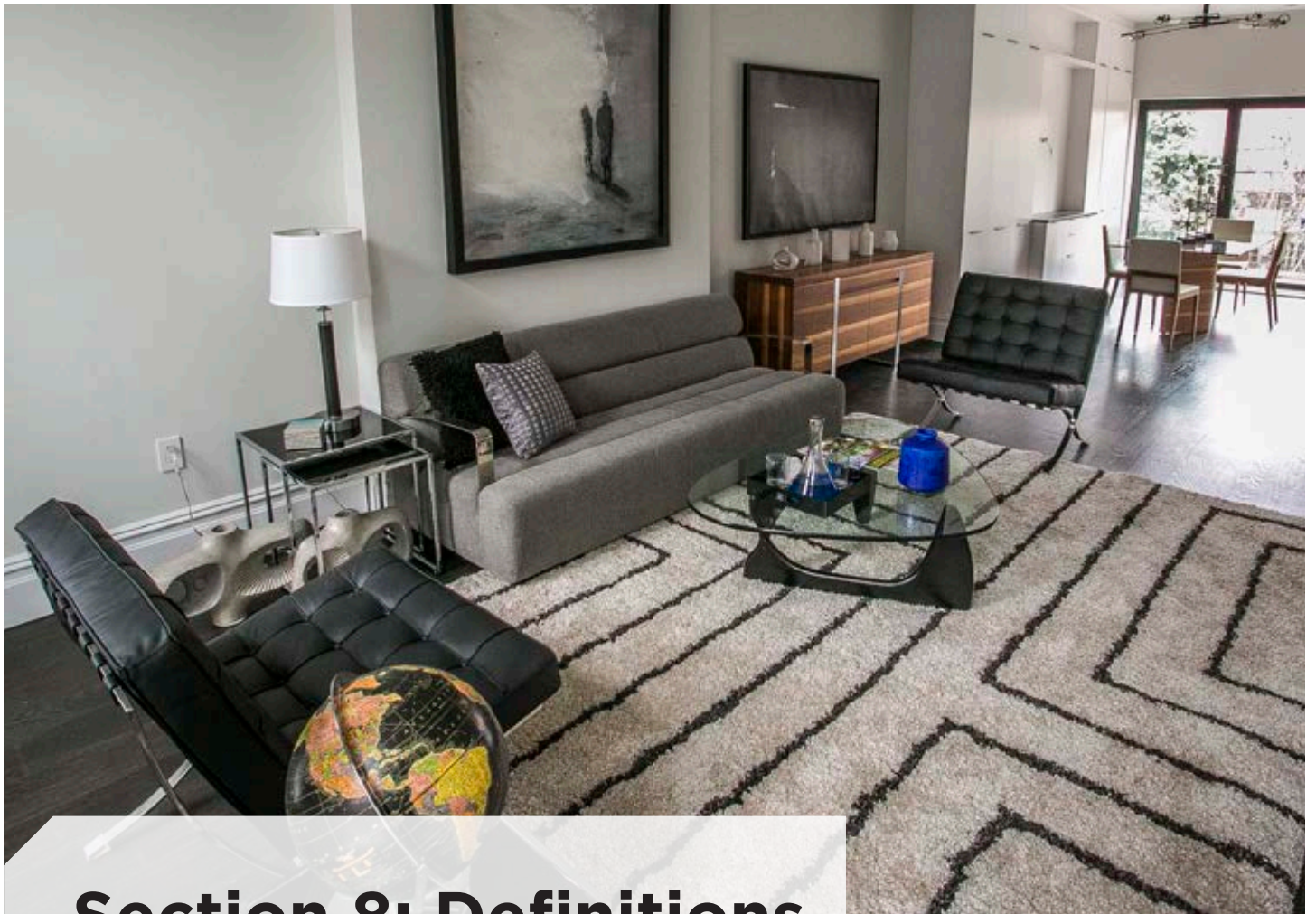
7.5 No brokerage or stamp duty

Applicants do not have to pay brokerage or stamp duty on Applications for URF Notes III. However, URF Notes III Noteholders may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of URF Notes III on the ASX.

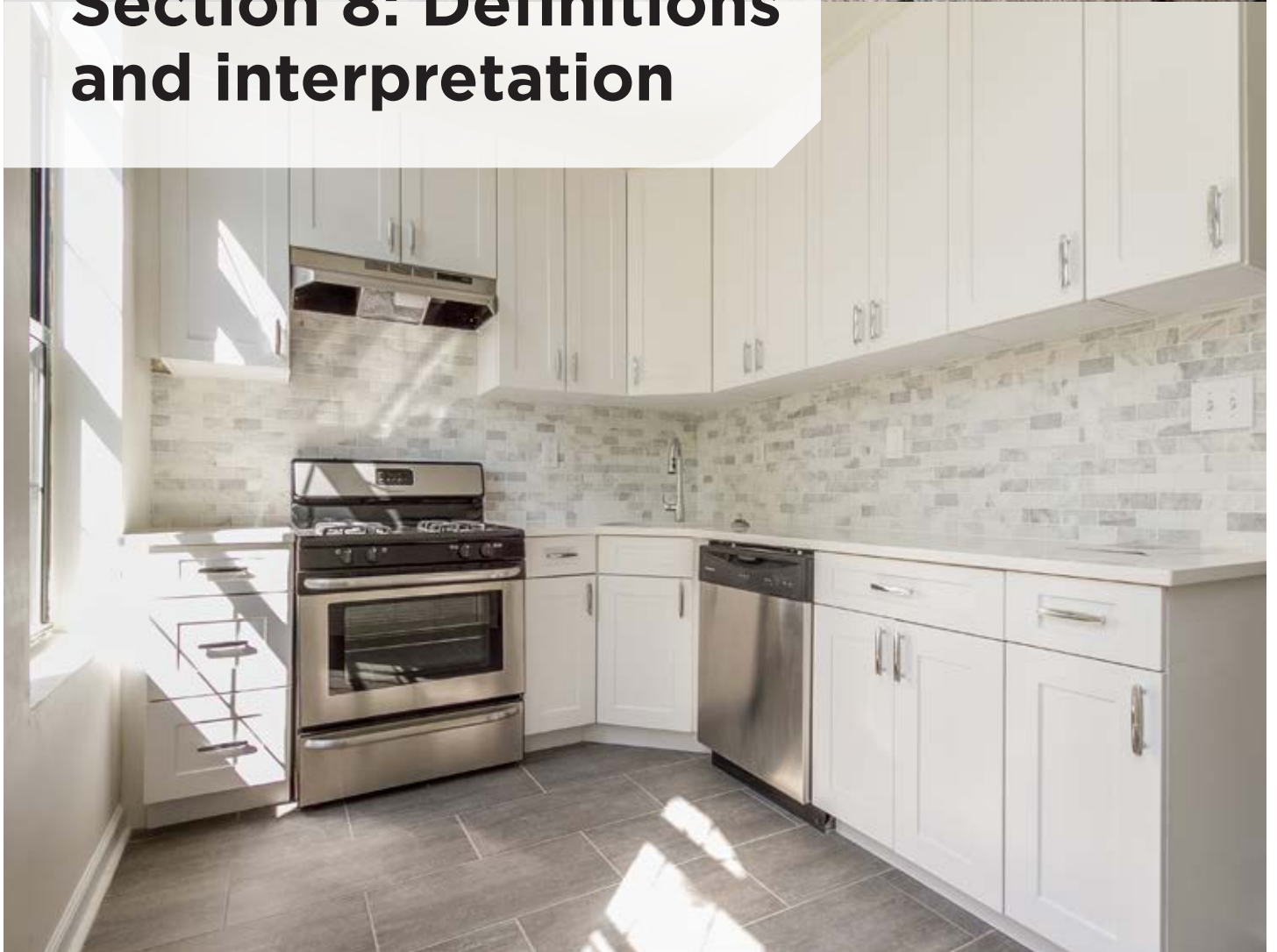
7.6 Overseas investors

The Offer is an offer to Australian investors. The Offer does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.





Section 8: Definitions and interpretation



8. Definitions and interpretation

8.1 Defined terms

In this Prospectus:

Additional Transaction Document	means any document or agreement which the Issuer and the URF Notes III Trustee (acting on the direction of URF Notes III Noteholders by Special Resolution), at any time agree to be a 'Transaction Document' for the purposes of the Trust Deed.
AFSL Holder	means a holder of an Australian Financial Services Licensee pursuant to section 911A(2)(b) of the Corporations Act. It includes, but is not limited to, Dixon Advisory & Superannuation Services Limited, a related party of the Responsible Entity and of the Investment Manager.
Applicant	means an applicant for URF Notes III under this Prospectus.
Application	means an application for URF Notes III under this Prospectus.
Application Form	means the application form attached to this Prospectus or the online application form available at www.usmrpf.com.au .
Application Monies	means the Offer Price multiplied by the number of URF Notes III applied for.
ASIC	means the Australian Securities & Investments Commission.
Associate	has the same meaning as in the Corporations Act.
ASX or Australian Securities Exchange	means ASX Limited or the securities exchange operated by ASX Limited.
ATO	means the Australian Taxation Office.
Broker	means any organisation selected by the Issuer to act as a broker to the Offer.
Business Days	has the meaning given to that term in the Listing Rules.
Centennial	means Centennial Bank, the provider of the Centennial Facility.
Centennial Facility	has the meaning given to that term in Section 3.15.
Contingent Liabilities	means the contingent liabilities under the Centennial Facility and the Fortress Facility described in more detail in Section 3.15.
Change of Control Event	has the meaning given in Clause 1.1 of the Terms.
CHES	means Clearing House Electronic Subregister.
Code	means the United States Internal Revenue Code of 1986, as amended.
Corporations Act	means the <i>Corporations Act, 2001</i> (Cth).
Directors or Board	means the directors of the Responsible Entity.
Dixon Advisory Group or Dixon Advisory	means Dixon Advisory Group Pty Limited (ACN 080 207 076) and its subsidiaries.
Dixon Advisory & Superannuation Services Limited	means Dixon Advisory & Superannuation Services Limited (ACN 103 071 665) (AFSL 231143).
Dixon Advisory USA	means Dixon Advisory USA, Inc, a wholly-owned subsidiary of Dixon Advisory Group Limited.
Dixon Projects	means Dixon Projects, LLC.
Dixon Realty	means Dixon Realty Advisory LLC trading as Pure Properties.



Double Tax Treaty	means the Convention Between the Government of the United States of America and the Government of Australia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 1982, and any subsequent protocols and successor treaties.
Event of Default	means any of the following events, whether or not it is within the control of the Issuer: (a) Insolvency Event: an Insolvency Event occurs with respect to the Issuer; (b) failure to pay amount when due: the Issuer fails to pay the Face Value or Interest on the due date for payment and has not rectified that default within 10 Business Days; (c) remediable failure: the Issuer commits a material breach of its obligations under the Terms that is remediable and does not remedy that default within 30 Business Days after receiving notice of that default from the URF Notes III Trustee; (d) non remediable failure: the Issuer commits a material breach of its obligations under the Terms and that breach cannot be remedied, and the Issuer receives a notice from the Trustee referring to the breach and stating that in 30 Business Days an Event of Default will occur; or (e) URF Notes III ceasing to be Listed without approval: the URF Notes III cease to be Listed, without the cessation having first been approved by a URF Notes III Noteholder Resolution, and the Issuer does not remedy that cessation within 30 Business Days after receiving notice of that cessation from the URF Notes III Trustee.
Face Value	means the amount outstanding on each URF Note III, initially being \$100 per URF Note III and as reduced by any repayments from time to time.
FATCA	means the US Foreign Account Tax Compliance Act, as amended.
First Call Date	means 24 December 2019.
FIRPTA	means the US Foreign Investment in Real Property Tax Act of 1980, as amended.
Fortress	means FCCD Limited, the provider of the Fortress Facility.
Fortress Facility	has the meaning given to that term in Section 3.15.
Fund	means US Masters Residential Property Fund (ARSN 150 256 161).
Gearing Ratio	means the ratio calculated using the formula set out as the “Gearing Ratio” in Section 3.11(g).
GST	means the goods and services tax, value added tax, or similar tax, if any, on goods and services and other things payable in accordance with <i>A New Tax System (Goods and Services Tax) Act 1999</i> or another relevant and applicable legislation or law whether in Australia, the US or another jurisdiction.
Holding Statement	means a statement issued to URF Notes III Noteholders by the URF Notes III Registrar which sets out the number of URF Notes III issued to that URF Notes III Noteholder.
IGA	has the meaning given in Section 5.2.
Insolvency Event	means in relation to an entity: a) members of URF pass an effective resolution for the Winding Up of URF; b) a liquidator or provisional liquidator of URF is made or appointed or an application is made for the appointment of a liquidator or provisional liquidator and that application is not withdrawn or set aside within 10 Business Days; c) a court makes an order to Wind Up URF (other than to effect a solvent reconstruction); d) an administrator of URF is appointed under Sections 436A, 436B or 436C of the Corporations Act; or e) a receiver or receiver or manager is appointed over the assets of URF.
Interest	means interest payable on each URF Note III.
Interest Cover Ratio	means the ratio calculated using the formula set out as ‘Interest Cover’ in Section 3.11(g).
Interest Payment Date	means 31 March, 30 June, 30 September and 31 December each year until all URF Notes III have been Redeemed. If any of these schedule dates is not a Business Day, then the payment will be made on the next Business Day, unless the schedule date is 30 June in which case the payment will be made on the immediately preceded Business Day. If a payment is postponed until the next Business Day, or brought forward to the preceding Business Day, there is no adjustment to the amount of Interest payable. The first payment will be made on 31 March 2017.



Interest Period	means each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However: a) the first Interest Period commences on (and includes) the Issue Date; b) in the Interest Period ending on 30 June in any year ends on (and includes) 30 June; c) any Interest Period commencing on 30 June in any year commences on (but excludes) 30 June; and d) the final Interest Period ends (but excludes) the Redemption Date.
Investment Manager	means the investment manager of the Fund, currently URF Investment Management Pty Limited (ACN 600 188 805), a corporate authorised representative (CAR No. 1009350) of Walsh & Company Asset Management Pty Limited (ACN 159 902 708, ASFL 450 257).
Issue Date	means the date URF Notes III are issued which is expected to be 20 February 2017.
Issuer	means Walsh & Company Investments Limited (ACN 152 367 649) solely in its capacity as responsible entity for the US Masters Residential Property Fund (ARSN 150 256 161).
Leverage Ratio	means the ratio calculated using the formula set out as the 'Leverage Ratio' in Section 3.11(g).
Listed	in respect of the URF Notes III or the Units, means admitted to the official quotation on the ASX, whether or not quotation of the URF Notes III or the Units, as the case may be, is deferred, suspended or subjected to a trading halt.
Listing Rules	means the listing rules of the ASX, with any modificational waivers which the ASX may grant to the Issuer from time to time.
Maturity Date	means 24 December 2021, being approximately five years (four years and 10 months) from the expected Issue Date.
Minimum Subscription	means an Application for a minimum of 20 URF Notes III, which is a minimum investment of \$2,000.
NAV	means the net asset value of Units.
Offer	means the offer of a minimum of 500,000 and up to 1,000,000 URF Notes III, with the ability to accept oversubscriptions of up to 500,000 URF Notes III, at an offer price of \$100 per URF Note III, to raise a minimum of \$50 million and up to \$100 million with the ability to accept oversubscriptions up to a further \$50 million.
Offer Closing Date	means the date by which valid Application's must be received being 13 February 2017 or such other date as the Issuer may determine in its discretion.
Offer Opening Date	means the date the Offer opens, expected to be 1 February 2017.
Offer Period	means the period from the Offer Opening Date to the Offer Closing Date.
Offer Price	means \$100 per URF Note III.
Portfolio	means the portfolio of investments of the Issuer from time to time.
Priority Offer	means the Priority Offer of up to 500 URF Notes III to each Applicant who is a Unitholder or URF Noteholder on the Closing Date. An Applicant who holds Units and URF Notes I and/or URF Notes II is entitled to apply for up to 1,000 URF Notes III under the Priority Offer.
Priority Offer Reference Number	means the individual reference number provided to Unitholders and URF Noteholders to be used in applying under the Priority Offer.
Prospectus	means this prospectus as modified or varied by any supplementary document issued by the Issuer and lodged with the ASIC from time to time.
Pure Properties	means Dixon Realty Advisory LLC trading as Pure Properties.
Record Date	means, for payment of Interest: a) subject to paragraph b) below, the date that is eight calendar days prior to the Interest Payment Date; b) such other date as determined by the Issuer and communicated to ASX or such other date as may be required by ASX.
Redemption	means the process through which the Issuer repays the Face Value and pays any other amounts due and payable under the Terms. Once the Issuer has repaid and/or paid these amounts, the Issuer's obligations under the URF Notes III are terminated and the URF Notes III are cancelled. Redeem and Redeemed have corresponding meanings.



Redemption Date	means the date on which the Redemption occurs.
REIT	means real estate investment trust.
Related Body Corporate	has the meaning given to that term under Section 50 of the Corporations Act.
Relevant Interest	has the meaning set out in the Corporations Act.
Responsible Entity	means the responsible entity of the Fund from time to time being, as at the date of this Prospectus, Walsh & Company Investments Limited (ACN 152 367 649).
RITC	Reduced input tax credit arising under the GST Act.
Securities Act	means the US Securities Act of 1933, as amended, and the rules promulgated thereunder.
Special Resolution	has the meaning given to that term in the Trust Deed.
Tax Event	means the circumstances where the issuer is or would be required to pay an Additional Amount (as defined in the Terms) as a result of any change in, or amendment to, the laws of a Relevant Tax Jurisdiction (as defined in the Terms) or any change in their application or official or judicial interpretation or administration, which change or amendment becomes effective on or after the Issue Date.
Terms	means the terms of issue of the URF Notes III that are attached as a schedule to the Trust Deed as set out in Annexure A.
Trust Deed	means the trust deed entered into between the Issuer and the URF Notes III Trustee dated on or around the date of this Prospectus.
Unit	means fully paid ordinary units in the Fund.
Unitholder	means a registered holder of Units.
Urban American	means Urban American Holdings, LLC.
URF	means US Masters Residential Property Fund (ARSN 150 256 161).
URF Group	means the Fund and its controlled entities.
URF Note	means a note that is either a URF Note I or a URF Note II.
URF Noteholder	means a registered holder of URF Notes.
URF Note I	means a note issued by the Responsible Entity, in its capacity as responsible entity of URF, pursuant to the trust deed dated 2 December 2014 and entitled “Unsecured Notes Trust Deed” entered into between the Responsible Entity and Australian Executor Trustees Limited (ACN 007 869 794) and maturing on 24 December 2019, as Listed on the ASX with the ASX code URFHA.
URF Note II	means a note issued by the Responsible Entity, in its capacity as responsible entity of URF, pursuant to the trust deed dated 29 September 2015 and entitled “Unsecured Notes Trust Deed” entered into between the Responsible Entity and Australian Executor Trustees Limited (ACN 007 869 794) and maturing on 24 December 2020, as Listed on the ASX with the ASX code URFHB.
URF Note III	means a note at an initial offer price of \$100 at the date of this Prospectus.
URF Notes III Noteholder	means a registered holder of URF Notes III.
URF Notes III Noteholder Resolution	has the meaning given to the term “Ordinary Resolution” in the Trust Deed.
URF Notes III Registrar	means Boardroom Pty Limited (ACN 003 209 836).
URF Notes III Trustee	means Australian Executor Trustees Limited (ACN 007 869 794) or any other trustee that the Issuer appoints.
URF Notes III Trust	means the trust declared in Clause 2 of the Trust Deed.
US, USA or United States	means The United States of America.
US REIT	means the US Masters Residential Property (USA) Fund, a Maryland Real Estate Investment Trust.



US Person	has the meaning given to it in Rule 902(k) under Regulation S of the Securities Act.
USRPI	means US real property interest as defined by Section 897 of the Code.
Walsh & Company	means Walsh & Company Investments Limited (ACN 152 367 649).
Winding Up and Wind Up	have the meaning given in the Terms.
Working Capital Ratio	means the ratio calculated using the formula set out as “Working Capital Ratio” in Section 3.11(g).

8.2 Interpretation

In this Prospectus the following rules of interpretation apply unless the context otherwise requires:

- a) words and phrases not specifically defined in this Prospectus have the same meaning that is given to them in the Corporations Act and a reference to a statutory provision is to the Corporations Act unless otherwise specified;
- b) the singular includes the plural and vice versa;
- c) a reference to an individual or person includes a corporation, partnership, joint venture, association, authority, company, state or government and vice versa;
- d) a reference to any gender includes both genders;
- e) a reference to clause, section, annexure or paragraph is to a clause, section, annexure or paragraph of or to this Prospectus, unless the context otherwise requires;
- f) a reference to “dollars” or “\$” is to Australian currency;
- g) a reference to “US dollars” or “US\$” is a reference to the currency of the USA;
- h) in this document, headings are for ease of reference only and do not affect its interpretation; and
- i) except where specifically defined in the Prospectus, terms defined in the Corporations Act have the same meaning in this Prospectus.

8.3 Governing law

This Prospectus is governed by the laws of New South Wales.





Annexure A - Terms of issue of URF Notes III



Terms of issue of URF Notes III

1. Interpretation

1.1. Definitions

Additional Amount means an additional amount payable under Clause 11.1.

ADI means an “authorised deposit taking institution” as defined in the Banking Act 1959 (Cth).

Aggregate Face Value means at any time the aggregate face value of all the URF Notes III issued by the Issuer and which have not been redeemed, repaid, repurchased or otherwise cancelled.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

ASX Settlement Operating Rules means the business rules of the clearing and settlement facility maintained by ASX Settlement Pty Limited (ACN 008 504 532).

Assets has the meaning given in the constitution of URF dated 15 May 2012.

Australian Tax Act means the Income Tax Assessment Act 1936 (Cth) and, where applicable, the Income Tax Assessment Act 1997 (Cth).

Business Day means a day which is a business day for the purposes of the Listing Rules and on which banks are open for general banking business in Sydney, New South Wales, excluding a Saturday, Sunday or public holiday.

Call Date means the First Call Date and each Interest Payment Date after the First Call Date.

Change of Control means:

- (a) URF becomes a Controlled Entity of another entity;
- (b) a person’s voting power in URF increases above 50%;
- (c) a person is in a position to cast or control the casting of more than 50% of the maximum number of votes that may be cast at a general meeting of members of URF;
- (d) a person acquires units representing more than 50% of the issued units of URF (excluding any part of those issued units that carry no right to participate beyond a specified amount in its distribution of income or assets of URF); or
- (e) US Masters Residential Property (USA) Fund ceases to be a Controlled Entity of URF; or
- (f) URF Units cease to be Listed.

For the avoidance of doubt, a change in the Responsible Entity does not constitute a Change of Control.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ACN 008 504 532).

CHESS Approved Securities means securities that are “CHESS approved” for the purpose of the Listing Rules.

Control has the meaning given in Section 50AA of the Corporations Act.

Controlled Entity means an entity under the Control of another entity.

Controller has the same meaning as in the Corporations Act.

Corporations Act means the Corporations Act 2001 (Cth).

Equal Ranking Debt means all present and future unsecured debts and monetary obligations of the Issuer other than the Junior Ranking Debt.

Event of Default means any of the following events, whether or not it is within the control of the Issuer:

- (a) Insolvency Event: an Insolvency Event occurs with respect to the Issuer;
- (b) failure to pay amount when due: the Issuer fails to pay the Face Value or Interest on the due date for payment and has not rectified that default within 10 Business Days;
- (c) remediable failure: the Issuer commits a material breach of its obligations under the Terms that is remediable and does not remedy that default within 30 Business Days after receiving notice of that default from the URF Note III Trustee;
- (d) non-remediable failure: the Issuer commits a material breach of its obligations under the Terms and that breach cannot be remedied, and the Issuer receives a notice from the URF Note III Trustee referring to the breach and stating that in 30 Business Days an Event of Default will occur; or
- (e) URF Notes III ceasing to be Listed without approval: the URF Notes III cease to be Listed, without the cessation having first been approved by an Ordinary Resolution, and the Issuer does not remedy that cessation within 30 Business Days after receiving notice of that cessation from the URF Note III Trustee.

Face Value means the face value of each URF Note III issued by the Issuer and which has not been redeemed,



repaid, repurchased or otherwise cancelled, with the initial Face Value of each URF Note III being the amount per URF Note III specified in the Prospectus pursuant to which the URF Note III was issued.

First Call Date means 24 December 2019.

Holding Statement means a holding statement evidencing that the person named on it is the holder of the number of URF Notes III shown on it.

Insolvency Event means in relation to an entity:

- (a) members of URF pass an effective resolution for the Winding Up of URF;
- (b) a liquidator or provisional liquidator of URF is made or appointed or an application is made for the appointment of a liquidator or provisional liquidator and that application is not withdrawn or set aside within 10 Business Days;
- (c) a court makes an order to Wind Up URF (other than to effect a solvent reconstruction);
- (d) an administrator of URF is appointed under Sections 436A, 436B or 436C of the Corporations Act;
- (e) a receiver or receiver or manager is appointed over the assets of URF.

Interest means interest payable to a URF Note III Noteholder under Clause 5.1.

Interest Payment Date means 31 March, 30 June, 30 September and 31 December each year until all URF Notes III have been Redeemed. If any of these schedule dates is not a Business Day, then the payment will be made on the next Business Day, unless the schedule date is 30 June in which case the payment will be made on the immediately preceded Business Day. If a payment is postponed until the next Business Day or brought forward to the preceding Business Day, there is no adjustment to the amount of Interest payable. The first payment will be made on 31 March 2017.

Interest Period has the meaning given in Clause 5.2.

Interest Rate means the rate specified in the Prospectus pursuant to which the URF Note III was issued.

Issue Date means the date of issue of a URF Note III and the subscriber's name entered into the Register.

Issuer means the Responsible Entity in its capacity as responsible entity for URF.

Issuer Redemption Date has the meaning given in Clause 6.6(b)(ii).

Issuer Reduction Date has the meaning given in Clause 6.7(b)(ii).

Junior Ranking Debt means:

- (a) all present and future unsecured debts and monetary obligations of the Issuer which rank, or are expressed

to rank, after URF Notes III or the Issuer's obligations in respect of the URF Notes III; and

- (b) all URF Units, and other units in URF, present and future.

Listed, in respect of the URF Notes III or the URF Units, means admitted to the official quotation on the ASX, whether or not quotation of the URF Notes III or the URF Units, as the case may be, is deferred, suspended or subjected to a trading halt.

Listing Rules means the official listing rules of ASX for the time being, subject to any modification or waivers in their application which may be granted by ASX.

Maturity Date means 24 December 2021.

Moneys Owing means the Aggregate Face Value, any interest payable on the URF Notes III and any other moneys payable to the URF Note III Trustee or the URF Note III Noteholders under or pursuant to these Terms and, in relation to a URF Note III Noteholder, means that portion of those moneys which is owing to that URF Note III Noteholder.

Notes Trust Fund has the same meaning as in the Trust Deed.

Offshore Associate means an associate (as defined in Section 128F of the Australian Tax Act) of the Issuer that is either:

- (a) a non-resident of Australia which does not acquire URF Notes III in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires URF Notes III in carrying on a business at or through a permanent establishment outside Australia.

Ordinary Resolution means:

- (a) a resolution in writing signed by URF Note III Noteholders who hold more than 50%, in terms of aggregate face value, of the URF Notes III on issue, which resolution may be contained in one document or in several documents in like form each signed by one or more URF Note III Noteholders, but only if a copy of the resolution has been delivered to all persons who would otherwise be entitled to receive notice of a meeting and in like form); or
- (b) a resolution passed at a meeting of URF Note III Noteholders, duly called and held under Clause 21 of the Trust Deed, by more than 50% of the votes cast.

Principal Sum means, in respect of a URF Note III, the total amount paid up on the issue of the URF Note III, being the Face Value as reduced from time to time in accordance with these Terms.

Prospectus means a prospectus under Chapter 6D of the Corporations Act issued in connection with an offer of URF Notes III for subscription.



Record Date has the meaning given to that term in the Listing Rules.

Redemption means redemption of a URF Note III in accordance with Clause 6 and **Redeem** has a corresponding meaning.

Redemption Date means, in respect of a URF Note III, the date of Redemption of that URF Note III.

Redemption Sum has the meaning given in Clause 6.1

Registry means Boardroom Pty Limited (ACN 003 209 836) or any other person appointed by the Issuer to maintain the URF Note III Register and perform any payment and other duties as specified in that agreement.

Relevant Tax Jurisdiction means Australia or any relevant political sub-division.

Responsible Entity means the responsible entity of US Masters Residential Property Fund from time to time being at the date of the Trust Deed Walsh & Company Investments Limited (ACN 154 367 649).

Senior Creditor means a senior secured creditor of the Issuer other than as the holder (or trustee for the holders) of a URF Note III, an Equal Ranking Debt or a Junior Ranking Debt.

Special Resolution has the meaning set out in Clause 22.2 of the Trust Deed.

Taxes means federal and state taxes from time to time including income tax (including any tax on gains arising from the disposal of assets), withholding tax, sales tax, value added or goods and services tax, fringe benefits tax, stamp duty, payroll tax, land tax, financial institutions duties, registration and other duties, bank accounts debits tax and other levies, imposts, deductions and charges together with interest on those amounts and penalties with respect to them and charges, fees or other amounts made on or in respect of them, except if imposed on, or calculated having regard to, the net income of the URF Note III Noteholder.

Term means the term of a URF Note III being the period from (and including) the Issue Date until (but excluding) the Maturity Date, unless the URF Note III is Redeemed early, in which case the Term ends on Redemption.

Terms mean these terms and conditions, as amended from time to time.

Trust Deed means the trust deed between the Issuer and the URF Note III Trustee dated on or about 20 January 2017.

URF means US Masters Residential Property Fund (ARSN 150 256 161).

URF Note III means an unsecured debt obligation, denominated in Australian dollars, and issued or to be issued by the Issuer which is constituted by and is owing under the Trust Deed, the details of which are recorded in, or evidenced by, entry into the URF Note III Register but

excluding any such notes which at the relevant time have been redeemed (in whole or in part), repaid, repurchased or otherwise cancelled.

URF Note III Noteholder means a person or persons whose name is or names are for the time being entered in the URF Note III Register as a holder of a URF Note III.

URF Note III Register means the register of URF Note III Noteholders.

URF Note III Trustee means the trustee of the URF Notes III Trust created by the Trust Deed from time to time, being initially Australian Executor Trustees Limited (ABN 84 007 869 794).

URF Notes III Trust means the trust declared in Clause 2 of the Trust Deed.

URF Unit means an ordinary unit in URF, being an undivided share in the beneficial interest in URF.

Winding Up means the winding up of URF or the appointment of a liquidator or provisional liquidator of URF (and where the appointment is made by a court, by a court of competent jurisdiction in Australia) and **Wound Up** and **Wind Up** have a corresponding meaning.

1.2. Additional Definitions

Unless otherwise expressly defined in these Terms, terms defined in the Trust Deed have the same meaning in these Terms.

1.3. Interpretation

- (a) A reference to a Clause, or Schedule is a reference to a Clause, or Schedule of these Terms unless the contrary intention is indicated.
- (b) If any action falls due for performance on a day other than a Business Day, it need not be done until the next Business Day.
- (c) A reference to \$ or dollar is to Australian currency.
- (d) A reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute.
- (e) Unless otherwise defined, financial terms have the meaning ascribed to them in accordance with generally accepted accounting principles consistently applied in Australia, and in any event, in accordance with the Corporations Act.

1.4. ASX rules

- (a) The Terms are to be interpreted subject to:
 - (i) the Listing Rules, while the URF Notes III are Listed; and



- (ii) the ASX Settlement Operating Rules, while the URF Notes III are CHESS Approved Securities.

(b) Where the Listing Rules:

- (i) require the amendment of the Terms to enable URF Notes III to be listed for quotation, or to retain quotation, on the ASX;
- (ii) require an amendment to the Terms to enable URF Notes III to be treated in accordance with Listing Rules on a reorganisation or reconstruction of capital of the Issuer; or
- (iii) would prohibit a reorganisation or reconstruction of capital of the Issuer unless the Terms were amended,

the Issuer may make the necessary amendment to the Terms in accordance with Clause 12 by notice given to all URF Note III Noteholders without requiring the agreement or approval of URF Note III Noteholders.

1.5. Insolvency related references to the Issuer and URF

In these Terms:

- (a) any reference to the insolvency of the Issuer or URF is a reference to the Issuer in its capacity as trustee and responsible entity of URF being unable to pay its debts as and when they fall due in that capacity as a consequence of either:
 - (i) the assets of URF being insufficient to enable the Issuer to meet those debts; or
 - (ii) the Issuer having lost its right of indemnity against the assets of URF in connection with those debts; and
- (b) any reference to:
 - (i) the liquidation, dissolution, Winding Up or administration of URF;
 - (ii) URF having a receiver or receiver and manager appointed over any of its assets of URF;
 - (iii) a payment being declared a voidable preference under Part 5.7B of the Corporations Act;
 - (iv) any distress or other execution being levied against any assets of URF;
 - (v) the exercise of any set off or counter-claim against URF; or
 - (vi) any other act, matter or thing governed by Chapter 5 of the Corporations Act occurring in relation to URF,

is a reference only to those things occurring to the Issuer in its capacity as trustee and responsible entity of URF in connection with obligations owed by the Issuer in that capacity.

2. Acknowledgment

2.1. Acknowledgment

The Issuer acknowledges that it is indebted to the URF Note III Noteholder to the extent of the Principal Sum.

3. Nature of URF Notes III

3.1. Status

- (a) A URF Note III confers rights on the URF Note III Noteholder as a creditor of the Issuer for an amount equal to the Principal Sum and all other Moneys Owed from time to time.
- (b) A URF Note III is an unsecured debt obligation constituted by, and owing under, the Trust Deed.

3.2. Obligations of the Issuer

The obligations of the Issuer are obligations of the Responsible Entity in its capacity as responsible entity for the US Masters Residential Property Fund and, subject to Clause 16, not in its personal capacity.

3.3. Ranking

- (a) URF Notes III constitute unsecured debt obligations of the Issuer which rank equally without any preference among themselves and the repayment of which ranks in priority behind certain other obligations of the Issuer in the manner specified in these Terms.
- (b) The claims of the URF Note III Trustee and URF Note III Noteholders against the Issuer in respect of URF Notes III (**Noteholder Claims**) are, in the event of a winding up of the Issuer, subject in right of payment to payment in full of the claims of all Senior Creditors.
- (c) Subject to the following, the URF Note III Trustee and each URF Note III Noteholder must not, and each is taken to have waived, to the fullest extent permitted by law, any right to prove in a winding up of the Issuer as a creditor in respect of any Noteholder Claim other than as a claim which is subject to and contingent upon prior payment in full of the claims of Senior Creditors. Nothing in this Clause 3.3(c) prevents the URF Note III Trustee from proving in a winding up of the Issuer in its personal capacity.
- (d) Neither the URF Note III Trustee nor any URF Note III Noteholder may exercise its voting rights (as a creditor in respect of URF Notes III) in a winding up of the Issuer so as to defeat the provisions of this Clause 3.3.
- (e) Neither the URF Note III Trustee nor any URF Note III Noteholder is entitled to set-off any amounts, merge accounts or exercise any other rights the effect of which is or may be to reduce the amount payable by the Issuer in respect of the URF Notes III held by any URF Note III Noteholder.



- (f) For the avoidance of doubt, payments of Interest under these Terms are subject to this Clause 3.3.

3.4. Currency

URF Notes III are denominated in Australian dollars.

3.5. No other rights

- (a) A URF Note III does not confer any rights to a URF Note III Noteholder:
- (i) to attend or vote at a general meeting of the Issuer;
 - (ii) to subscribe for new securities or to participate in any bonus issue of securities by the Issuer; or
 - (iii) to otherwise participate in the profits or property of the Issuer or to benefits produced by the Issuer (including financial benefits or benefits consisting of rights or interests in property held by the Responsible Entity for members of the US Masters Residential Property Fund) except by receiving payments as set out expressly in these Terms.
- (b) The Issuer may from time to time, without the consent of the URF Note III Noteholders, issue further notes having the same terms as the URF Notes III in all respects except for the date and calculation of the first interest payment under those notes, so as to form part of the same series as the URF Notes III.
- (c) The issue of URF Notes III does not restrict the ability of the Issuer to issue any other notes, shares or securities, or incur or guarantee any indebtedness, upon such terms as the Issuer may determine.
- (d) By accepting an issue or transfer of a URF Note III, a URF Note III Noteholder:
- (i) agrees to be bound by these Terms and the Trust Deed; and
 - (ii) acknowledges that it is a creditor of the Issuer and subject to the limitations on rights arising under the URF Notes III set out in this Clause 3.5.

4. Title

4.1. Issue

URF Notes III are issued in registered form by entry in the URF Note III Register.

4.2. Title

- (a) Title to any URF Note III is determined by registering the URF Note III Noteholder in the URF Note III Register.
- (b) Title to any URF Note III passes when it is registered in the name of the transferee in the URF Note III Register.

4.3. No certificate

No certificates will be issued to URF Note III Noteholders unless the Issuer is required to do so under any applicable law.

4.4. CHES

The rights of a URF Note III Noteholder holding an interest in URF Notes III that are CHES Approved Securities are subject to the ASX Settlement Operating Rules.

4.5. Recognition

Except as ordered by a court of competent jurisdiction or as required by law, the Issuer:

- (a) may treat the registered holder of any URF Notes III as the absolute owner (notwithstanding any notice of ownership or writing on the URF Note III or any notice of previous loss or theft or of any trust or any other interest) and is not bound to take notice of or to admit the execution of any trust, whether express, implied or constructive or any other right, title or interest of any other person, to which any URF Note III may be subject.
- (b) is not required to obtain any proof of ownership and is not required to verify the identity of the registered holder.
- (c) is not required to recognise or give effect to any legal or equitable interest in any URF Note III not entered on the URF Note III Register notwithstanding that the Issuer may have actual or constructive notice thereof.

5. Interest

5.1. Interest

- (a) The Issuer must pay Interest to a URF Note III Noteholder at the Interest Rate on the Principal Sum from the Issue Date to Redemption of that URF Note III.
- (b) Interest accrues daily from and including the first day of each Interest Period to and including the last day of that Interest Period.
- (c) Interest must be calculated on the basis of a 365 day year.
- (d) The Issuer must pay Interest on each Interest Payment Date.
- (e) Interest paid under this Clause 5.1 is an unsecured debt obligation of the Issuer (whether or not paid out of profits of the Issuer).

5.2. Interest Period

- (a) For the purposes of this Clause 5, subject to Clause 5.2(b), **Interest Period** means each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date.
- (b) However:
 - (i) the first Interest Period commences on (and includes) the Issue Date;
 - (ii) the Interest Period ending on 30 June in any year ends on (and includes) 30 June;



- (iii) any Interest Period commencing on 30 June in any year commences on (but excludes) 30 June; and
- (iv) the final Interest Period ends on (but excludes) the Redemption Date.

5.3. Rounding

If the amount of Interest payable under this Clause 5 includes a fraction of a cent, the amount of Interest payable must be rounded to the nearest one Australian cent with one half of an Australian cent being rounded up to one Australian cent.

6. Redemption

6.1. Redemption Sum

For the purposes of this Clause 6, the **Redemption Sum** for a URF Note III is the Principal Sum together with all accrued but unpaid Interest on that URF Note on the date for Redemption.

6.2. Redemption by Issuer

If not previously Redeemed and cancelled by the Issuer, the Issuer must redeem each URF Note III on the Maturity Date and must pay to the URF Note III Noteholder the Redemption Sum.

6.3. Notice to URF Note III Trustee

The Issuer agrees to promptly (and in any event no later than 2 Business Days after it becomes aware thereof) notify the URF Note III Trustee in writing of an Event of Default or a Change of Control.

6.4. Redemption on Default

On the occurrence of an Event of Default, if required by the URF Note III Trustee by written notice in accordance with the Trust Deed, the Issuer must redeem all URF Notes III on issue on the date of delivery of that notice and must pay the Redemption Sum for each URF Note III on issue on that date.

6.5. No Redemption at option of URF Note III Noteholder

Without affecting Clause 6.4, URF Note III Noteholders have no right to request Redemption of their URF Notes III at any time.

6.6. Early Total Redemption

- (a) The Issuer may Redeem all (but not some) of the URF Notes III on issue on any of the Call Dates for the Redemption Sum.
- (b) To Redeem URF Notes III under Clause 6.6(a), the Issuer must:
 - (i) deliver to the URF Note III Trustee and Registry a certificate signed by two directors or a director and a secretary of the Responsible Entity stating

that the Issuer is entitled to Redeem URF Notes III under this Clause 6.6 and setting out a statement of the facts showing that the conditions giving rise to the right of the Issuer to Redeem under this Clause 6.6 have occurred;

- (ii) give notice to the URF Note III Trustee and the Registry and to URF Note III Noteholders by issuing an ASX announcement of its intention to Redeem the URF Notes III, specifying the date for redemption being the date which is at least 15 Business Days after the date of that notice (**Issuer Redemption Date**), and the amount payable on redemption of those URF Notes III on that date;
- (iii) pay the Redemption Sum to each URF Note III Noteholder on the Issuer Redemption Date on each URF Note III redeemed; and
- (iv) procure that the URF Note III Register is amended to reflect the redemption of URF Notes III in accordance with this Clause 6.6.

The URF Note III Trustee has no obligation to investigate any matters certified to it pursuant to clause 6.6(b)(i).

6.7. Early Reduction of Principal Sum

- (a) The Issuer may reduce the Principal Sum of all (but not some) of the URF Notes III on issue on any of the Call Dates.
- (b) To reduce the Principal Sum of URF Notes III under Clause 6.7(a), the Issuer must:
 - (i) deliver to the URF Note III Trustee and Registry certificate signed by two directors or a director and a secretary of the Responsible Entity stating that the Issuer is entitled to reduce the Principal Sum of all URF Notes III under this Clause 6.7 and setting out a statement of the facts showing that the conditions giving rise to the right of the Issuer to Redeem under this Clause 6.7 have occurred;
 - (ii) give notice to the URF Note III Trustee and the Registry and to URF Note III Noteholders by issuing an ASX announcement of its intention to reduce the Principal Sum of URF Notes III, specifying the date for reduction of the Principal Sum being an Interest Payment Date which is at least 15 Business Days after the date of that notice (**Issuer Reduction Date**), and the amount payable on reduction of the Principal Sum of those URF Notes III on that date;
 - (iii) pay an amount equal to the reduction of the Principal Sum to each URF Note III Noteholder on the Issuer Reduction Date on each URF Note III together with all accrued but unpaid Interest on the URF Notes III.



The URF Note III Trustee has no obligation to investigate any matters certified to it pursuant to clause 6.7(b)(i).

6.8. Early Redemption for tax reasons

(a) If, as a result of any change in, or amendment to, the laws of a Relevant Tax Jurisdiction, or any change in their application or official or judicial interpretation or administration, which change or amendment becomes effective on or after the Issue Date, the Issuer is or would be required to pay an Additional Amount, the Issuer may Redeem all (but not some) URF Notes III before their Maturity Date for the Redemption Sum.

(b) However, the Issuer may only Redeem under this Clause 6.8 if:

(i) the Issuer has:

A. delivered to the URF Note III Trustee and Registry a certificate signed by two directors or a director and a secretary of the Responsible Entity stating that the Issuer is entitled to Redeem URF Notes III under this Clause 6.8 and setting out a statement of the facts showing that the conditions giving rise to the right of the Issuer to Redeem under this Clause 6.8 have occurred; and

B. given notice of its election to do so at least 30 days (and no more than 60 days) prior to the proposed Redemption Date to the URF Note III Trustee and the Registry and to URF Note III Noteholders by issuing an ASX announcement;

(ii) the proposed Redemption Date is an Interest Payment Date; and

(iii) the notice of Redemption is not given earlier than 90 days before the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay any Additional Amounts.

The URF Note III Trustee has no obligation to investigate any matters certified to it pursuant to clause 6.8(b)(i)(A).

6.9. Early Redemption on a Change of Control

(a) If a Change of Control Event occurs, subject to Clause 6.9(b), then:

(i) the Issuer may Redeem all (but not some) URF Notes III before their Maturity Date for the Redemption Sum; and

(ii) the Issuer must notify the URF Note III Trustee, the Registry and the URF Note III Noteholders by issuing an ASX announcement:

A. of the occurrence of the Change of Control Event as soon as practicable after becoming aware of the event specifying the date on which the Change of Control Event occurred; and

B. of its intention (if applicable) to exercise its right to Redeem URF Notes III under this Clause 6.9 within 20 Business Days of the date on which the Change of Control Event occurred.

(b) The Issuer may only Redeem under this Clause 6.9 if the notice given under Clause 6.9(a)(ii)(B) indicates that the Issuer intends to Redeem on a proposed Redemption Date which is:

(i) an Interest Payment Date;

(ii) at least 30 days (and no more than 60 days) after the date the notice is given to the URF Note III Trustee, the Registry and ASX; and

(iii) no later than 180 days after the occurrence of the Change of Control Event.

6.10. Repurchase

The Issuer may, at any time, to the extent permitted by any applicable law and the Listing Rules, purchase URF Notes III on the ASX or otherwise, and at any price. URF Notes III purchased under this Clause 6.10 may be held, resold or cancelled at the option of the Issuer, subject to compliance with any applicable law and the Listing Rules.

7. Default

7.1. Action upon Event of Default

(a) Upon the occurrence of an Event of Default, and at any time while that Event of Default subsists, the URF Note III Trustee may, or if so directed by a Special Resolution, must, by written notice to the Issuer, give a notice to the Issuer under Clause 6.4.

(b) At any time after the occurrence of an Event of Default, the URF Note III Trustee may at its discretion and without further notice institute such proceedings as it may think fit to recover the Moneys Owning.

(c) Nothing in this Clause 7.1 prevents the URF Note III Trustee bringing proceedings to recover Moneys Owning to it other than in its capacity as a URF Note III Noteholder or acting on behalf of URF Note III Noteholders.

7.2. Knowledge of Event of Default

The URF Note III Trustee is taken not to have knowledge of the occurrence of an Event of Default unless the URF Note III Trustee has received written notice from a URF Note III Noteholder or the Issuer stating that an Event of Default has occurred and describing it.

7.3. No obligation to inform

Nothing contained in this Deed imposes on the URF Note III Trustee an obligation to inform any URF Note III Noteholders of any breach by the Issuer of any provision of the Trust Deed.



7.4. Notice to URF Note III Noteholders

Subject to the URF Note III Trustee firstly being indemnified to its satisfaction from the property of the URF Notes III Trust, if the URF Note III Trustee becomes actually aware of the occurrence of an Event of Default, the URF Note III Trustee must promptly convene a meeting of URF Note III Noteholders in accordance with Clause 21 of the Trust Deed at which it must seek directions from the URF Note III Noteholders in the form of a Special Resolution as to the action it should take in relation to that Event of Default.

7.5. Waiver

The URF Note III Trustee must not waive or authorise any Event of Default unless directed to do so by a Special Resolution.

7.6. URF Note III Trustee not bound to enforce

The URF Note III Trustee need not take any action contemplated by Clause 6.4 or exercise any other power, right or discretion under the Trust Deed (including the granting of any waiver or consent or the making of any determination) unless all the following conditions are satisfied:

- (a) the URF Note III Trustee is directed to take the action by a Special Resolution; and
- (b) the URF Note III Trustee is indemnified, to its satisfaction, against all costs, charges, liabilities and expenses which may be incurred by it in connection with that action; and
- (c) the URF Note III Trustee is not restricted or prohibited from taking such action by any order of any competent court or any applicable law.

If the URF Note III Trustee forms the view that such action is or could be inconsistent with the Trust Deed, these Terms or the Corporations Act or any other applicable law, it may take steps to seek (and, if the court so determines, to obtain) as soon as reasonably practicable a court direction or order to set aside or vary the direction given by Special Resolution, and, while those steps are underway, the URF Note III Trustee is not obliged to take any action or proceedings it has been directed to take by Special Resolution.

7.7. No individual enforcement

Unless the URF Note III Trustee, having become obliged to take action to enforce the rights of the URF Note III Noteholders under the Trust Deed and these Terms fails to do so within 20 Business Days of being obliged to do so and such failure is continuing, the rights of each URF Note III Noteholder to enforce the obligations of the Issuer under the URF Notes III are limited to the exercise of its rights to enforce and seek due administration by the URF Note III Trustee of the Trust Deed. In particular, unless the URF Note III Trustee having become obliged to take action to enforce the rights of the URF Note III Noteholders under the Trust Deed and these Terms fails to do so within 20

Business Days of being obliged to do so and such failure is continuing, no URF Note III Noteholder may, with respect to payment of any amount due under the URF Notes III held by it:

- (a) sue the Issuer;
- (b) obtain judgment against the Issuer; or
- (c) apply for or seek a Winding up of the Issuer.

If any URF Note III Noteholder takes any action to enforce the obligations of the Issuer under the URF Notes III following a failure by the URF Note III Trustee to take any action it is required to take under the Trust Deed or these Terms within the required time periods, then such URF Note III Noteholder must take such action in its own name and not in the name of the URF Note III Trustee.

8. Transfer

8.1. Transfer

A URF Note III Noteholder may transfer URF Notes III:

- (a) for so long as URF Notes III are CHESS Approved Securities, in accordance with the rules and regulations of CHESS and the ASX Settlement Operating Rules; or
- (b) at any other time:
 - (i) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act; or
 - (ii) by any proper or sufficient instrument of transfer of marketable securities under applicable law.

The Issuer must not charge any fee on the transfer of URF Notes III.

8.2. Stamp Duty

The URF Note III Noteholder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with the transfer, assignment or other dealing with its URF Notes III.

8.3. Registration

Subject to the rules and regulations of CHESS and the ASX Settlement Operating Rules while the URF Notes III are CHESS Approved Securities, where the Issuer receives an instrument of transfer in accordance with Clause 8.1, the Issuer must:

- (a) enter the named transferee in the URF Note III Register; and
- (b) re-issue and dispatch any Holding Statements for the URF Notes III being transferred in the name of that transferee to that transferee.

8.4. Owner

Subject to the rules and regulations of CHESS and the



ASX Settlement Operating Rules while the URF Notes III are CHESS Approved Securities, the transferor remains the owner of such URF Notes III until the name of the transferee is entered into the URF Note III Register.

9. Registration

9.1. Issuer to maintain a URF Note III Register

The Issuer must establish and maintain or cause to be maintained a URF Note III Register.

9.2. Issuer to update URF Note III Register

The Issuer will enter or cause to be entered on the URF Note III Register the names and addresses of each URF Note III Noteholder, the number of URF Notes III held by each URF Note III Noteholder, the corresponding Issue Date and the date of transfer (if any) of the URF Notes III to or from each URF Note III Noteholder.

9.3. URF Note III Noteholders to notify Issuer of changes in details

A URF Note III Noteholder must promptly notify the Issuer of any change of its name or registered address accompanied by such evidence as the Issuer may reasonably require.

9.4. Joint holders

The Issuer's obligations to register joint holders of any URF Notes III may be effectively discharged by performance in favour of any one or more of those registered joint holders.

10. Payments

10.1. Summary of payment provisions

Payments in respect of URF Notes III, subject to the Trust Deed, must be made in accordance with this Clause 10.

10.2. Payments subject to law

All payments are subject to applicable law, but without prejudice to the provisions of Clause 10.

10.3. Payments on Business Days

If any payment:

- (a) is due on a day (other than 30 June each year) which is not a Business Day, then the due date for payment will be the next Business Day;
- (b) is due on any 30 June which is not a Business Day, then the due date for payment will be the immediately preceding Business Day; or
- (c) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the first following day on which banks are open for general banking business in that place.

In none of these cases will there be any adjustment to the amount payable by reason of any delay or early payment.

10.4. Payment of Interest

Payments of Interest (other than Interest included in a Redemption Sum) must be made to the person registered on the Record Date for that payment as the holder of that URF Note III.

10.5. Payment of Redemption Sum

Payments of the Redemption Sum must be made to the person registered at 10.00 a.m. on the Redemption Date as the holder of that URF Note III.

10.6. Payments to accounts

Moneys payable by the Issuer to a URF Note III Noteholder may be paid by crediting an Australian dollar bank account maintained in Australia with a financial institution and nominated in writing by the URF Note III Noteholder by close of business on the relevant Record Date (or in the case of Redemption, by close of business on the fifth Business Day prior to the Redemption Date) or in any other manner the Issuer decides.

10.7. Unsuccessful attempts to pay

If the URF Note III Noteholder has not notified the Registry of an account for the purposes of payment under Clause 10.6 or the transfer of any amount for crediting the nominated account does not complete for any reason (other than an error made by or on behalf of the Issuer), the Issuer is treated as having paid the amount on the date on which it would otherwise have made the payment and a notice must be sent to the address most recently notified by the URF Note III Noteholder advising of the uncompleted payment. In that case, unless the Issuer decides to complete the payment to the applicable URF Note III Noteholder by another method, the amount of the uncompleted payment must be held on deposit in a non-interest bearing account maintained by the Issuer or the Registry with an ADI until the URF Note III Noteholder nominates a suitable Australian dollar account maintained in Australia for crediting with the payment or the claim becomes void. No additional interest is payable in respect of any delay in payment. The account in which a payment is held under this Clause 10.7 may be used to hold payments due to other holders of URF Notes III but for no other purpose.

10.8. Payment to joint URF Note III Noteholders

A payment to any one of joint URF Note III Noteholders discharges the Issuer's liability in respect of the payment.

10.9. No set-off, counterclaim or deductions

All payments in respect of URF Notes III must be made:

- (a) in full without set-off or counterclaim by the Issuer in respect of claims by the Issuer against the holders of



URF Notes III, except as permitted by Clause 11.3; and

- (b) without any withholding or deduction in respect of Taxes, unless the withholding or deduction is required by law or permitted by Clause 11.3.

11. Taxation

11.1. Withholding tax

Subject to Clause 11.2, if a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of a URF Note III such that the URF Note III Noteholder would not actually receive on the due date the full amount provided for under the URF Note III, then:

- (a) the Issuer may deduct the amount for the Taxes (and any further withholding or deduction applicable to any further payment due under Clause 11.1(b)); and
- (b) if the amount deducted or withheld is in respect of Taxes imposed by a Relevant Tax Jurisdiction, the amount payable is increased so that, after making the deduction and further deductions applicable to additional amounts payable under this Clause 11.1, the URF Note III Noteholder is entitled to receive (at the time the payment is due) the amount it would have received if no deductions or withholdings had been required to be made.

11.2. Withholding tax exemptions

No Additional Amounts are payable under Clause 11.1(b) in respect of any URF Note III:

- (a) to, or to a third party on behalf of, a URF Note III Noteholder who is liable to such Taxes in respect of that URF Note III by reason of the person having some connection with a Relevant Tax Jurisdiction other than the mere holding of that URF Note III or receipt of payment in respect of that URF Note III;
- (b) to, or to a third party on behalf of, a URF Note III Noteholder who could lawfully avoid (but has not so avoided) such Taxes by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or similar case for exemption to any tax authority;
- (c) to, or to a third party on behalf of, a URF Note III Noteholder who is an Offshore Associate and not acting in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act;
- (d) to, or to a third party on behalf of, an Australian resident URF Note III Noteholder or a non-resident URF Note III Noteholder carrying on business in Australia at or through a permanent establishment of the non-

resident in Australia, if the URF Note III Noteholder has not supplied an appropriate tax file number, an Australian business number or other exemption details;

- (e) to, or to a third party on behalf of, a URF Note III Noteholder on account of amounts which the Australian Commissioner of Taxation requires the relevant Issuer to withhold under section 255 of the Income Tax Assessment Act 1936 (Cth) or section 260-5 of Schedule 1 of the Taxation Administration Act 1953 (Cth); or
- (f) if the Taxes have been imposed or levied as a result of the URF Note III Noteholder being party to or participating in a scheme to avoid such Taxes, being a scheme which the Issuer was neither a party to nor participated in.

11.3. Tax File Number

- (a) The Issuer must deduct tax from payments of Interest on URF Notes III at the highest marginal tax rate plus the highest Medicare levy if a URF Note III Noteholder has not supplied an appropriate tax file number, Australian business number or exemption details.
- (b) If a URF Note III Noteholder supplies exemption details and the Issuer subsequently determines that the relevant exemption was not available, the Issuer may recover the amount that should have been deducted from the relevant URF Note III Noteholder and may deduct that amount from any subsequent payment due to that URF Note III Noteholder in respect of URF Notes III.

12. Amendment

12.1. Amendment without consent

- (a) Subject to compliance with any applicable laws and the Listing Rules, the Issuer may amend these Terms with the approval of the URF Note III Trustee and without the agreement or approval of URF Note III Noteholders, if each of the Issuer and the URF Note III Trustee is of the opinion that such amendment is:
 - (i) of a formal or technical or minor nature;
 - (ii) made to cure any ambiguity or correct any manifest error; or
 - (iii) necessary or expedient to comply with any applicable law.
- (b) The URF Note III Trustee's approval to an amendment of these Terms under Clause 12.1(a) is subject to the Issuer providing the URF Note III Trustee with an opinion of an Australian Legal Practitioner, addressed to the URF Note III Trustee, that the amendment is not materially prejudicial to the interests of the URF Note III Noteholders as a whole.



12.2. Amendment by Special Resolution of URF Note III Noteholders

The Issuer and the URF Note III Trustee are entitled with the authority of a Special Resolution of URF Note III Noteholders to make any amendment or addition to these Terms.

13. URF Note III Trustee capacity and limitation of liability

- (a) The URF Note III Trustee is not liable to the Issuer, any URF Note III Noteholder or any other person in any capacity other than as trustee of the URF Notes III Trust.
- (b) Any liability arising under or in connection with the Trust Deed or a URF Note III is limited to and can be enforced against the URF Note III Trustee only to the extent to which the URF Note III Trustee is actually indemnified out of the Notes Trust Fund for that liability. This limitation of the URF Note III Trustee's liability applies despite any other provision of the Trust Deed or these Terms and extends to all liabilities and obligations of the URF Note III Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Trust Deed or a URF Note III.
- (c) Neither the Issuer nor any URF Note III Noteholder may sue the URF Note III Trustee in any capacity other than as trustee of the URF Notes III Trust, including seeking the appointment of a Controller (except in relation to the Notes Trust Fund), a liquidator an administrator or any other similar person to the URF Note III Trustee or prove in any Liquidation of or affecting the URF Note III Trustee (except in relation to the Notes Trust Fund).
- (d) The Issuer and each URF Note III Noteholder waives each of their rights against the URF Note III Trustee, and each releases the URF Note III Trustee from any personal liability, in respect of any loss or damage which any of them may suffer as a consequence of a failure of the URF Note III Trustee to perform its obligations under the Trust Deed or a URF Note III, which cannot be paid or satisfied out of the Notes Trust Fund.
- (e) The provisions of this Clause 13 will not apply to any obligation or liability of the URF Note III Trustee to the extent arising as a result of the URF Note III Trustee's fraud, negligence or wilful default.
- (f) The Issuer and each URF Note III Noteholder each acknowledge that it is responsible for performing a variety of obligations under the Trust Deed and the Terms. No act or omission of the URF Note III Trustee (including any related failure to satisfy its obligations or breach of representation or warranty under the Trust Deed or these Terms) will be considered fraud, negligence or wilful default of the URF Note III Trustee

for the purposes of this Clause 13 to the extent to which the act or omission was caused or contributed to by any failure of the Issuer, a URF Note III Noteholder or any other person to fulfil its obligations relating to the URF Notes III Trust or by any other act or omission of the Issuer, a URF Note III Noteholder or any other person.

- (g) No attorney, agent or delegate appointed in accordance with the Trust Deed has authority to act on behalf of the URF Note III Trustee in any way which exposes the URF Note III Trustee to any personal liability and no such act or omission of any such person will be considered fraud, negligence or wilful default of the URF Note III Trustee for the purpose of this Clause 13.
- (h) The URF Note III Trustee is not obliged to do or refrain from doing anything under the Trust Deed or these Terms (including incur any liability) unless the URF Note III Trustee's liability is limited in the same manner as set out in this Clause 13.
 - (i) The provisions of this Clause 13:
 - (i) are paramount and apply regardless of any other provision of the Trust Deed or these Terms or any other instrument, even a provision which seeks to apply regardless of any other provision;
 - (ii) survive and enure beyond any termination of these Terms for any reason; and
 - (iii) are not severable from the Terms.

14. General

14.1. ASX quotation

The Issuer must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably required to procure the URF Notes III are quoted on ASX on or as soon as possible after their Issue Date, and remain quoted until Redemption.

14.2. Resolutions binding

The Trust Deed contains Clauses relating to the convening of meetings of the URF Note III Noteholders to consider any matter affecting their interests including certain variations of these Terms which require the consent of the URF Note III Noteholders. Resolutions passed at any meeting of the URF Note III Noteholders will be binding on all URF Note III Noteholders.

14.3. Governing Law

The laws of New South Wales govern these Terms. The Issuer and each URF Note III Noteholder submit to the non-exclusive jurisdiction of courts exercising jurisdiction there.

14.4. Duties and Taxes

The Issuer must bear any stamp duty payable on or in connection with the issue of the URF Notes III but the Issuer is not responsible for any duties or taxes which



may subsequently become payable in connection with the transfer, conversion, Redemption or any other dealing with the URF Notes III.

15. Notices

15.1. Service of Notices

(a) A notice may be given by the Issuer or the URF Note III Trustee to any URF Note III Noteholder, or in the case of joint URF Note III Noteholders to the URF Note III Noteholder whose name appears first in the URF Note III Register:

- (i) personally;
- (ii) by leaving it at the URF Note III Noteholder's address noted in the URF Note III Register or by sending it by prepaid post (airmail if posted to a place outside Australia) addressed to the URF Note III Noteholder's address noted in the URF Note III Register;
- (iii) by facsimile transmission to the facsimile number nominated by the URF Note III Noteholder;
- (iv) by publishing such notice in a national newspaper;
- (v) by the Issuer posting, at the request of the URF Note III Trustee, the notice on the Issuer's internet website;
- (vi) by the URF Note III Trustee posting such notice on its own internet website;
- (vii) by the Issuer issuing an ASX announcement; or
- (viii) by other electronic means, including by email, determined by the Issuer or the URF Note III Trustee.

If the notice is signed, the signature may be original or printed.

(b) A notice given by the Issuer, the URF Note III Trustee or a URF Note III Noteholder to the Issuer or the URF Note III Trustee must:

- (i) be in writing and signed by a person duly authorised by the sender; and
- (ii) be left at, or sent by prepaid post (airmail if posted from a place outside Australia) to the address below or the address last notified by the Issuer or URF Note III Trustee, or sent by a facsimile transmission to the fax number below or the fax number last notified by the Issuer or URF Note III Trustee:

Issuer:	Walsh & Company Investments Limited
Address:	Level 15 100 Pacific Highway North Sydney NSW 2060

Attention:	Hannah Chan
Facsimile:	1300 883 159
Email:	hannah.chan@ walshandco.com.au

or any other address of the Issuer notified by it from time to time.

URF Note III Trustee:	Australian Executor Trustee Limited
Address:	Level 22, 207 Kent Street Sydney NSW 2000

Attention:	Corporate Trust
Facsimile:	02 9028 5942

15.2. When notice considered to be received

Any notice is taken to be received:

- (a) if served personally or left at the intended recipient's address, when delivered;
- (b) if sent by prepaid post, on the second Business Day (or, if posted to or from a place outside Australia, the seventh day) after the date of posting;
- (c) if sent by facsimile or other electronic transmission, on production of a report by the machine or other system by which the transmission is sent indicating that the transmission has been made in its entirety to the correct fax number or other transmission address and without error; and
- (d) if published in a national newspaper, by each URF Note III Noteholder on the date of such publication; and
- (e) if published on a website or by way of ASX announcement, by each URF Note III Noteholder on the day following the date on which such notice is posted by the URF Note III Trustee or the Issuer (as applicable) on the website or issued as an ASX announcement (as applicable),

but if the result is that a Notice would be taken to be given or made on a day that is not a Business Day in the place to which the Notice is sent or is later than 5.00 p.m. (local time) it will be taken to have been duly given or made at the commencement of business on the next Business Day in that place.

16. Limitation of liability of responsible entity

16.1. Limitation of liability

(a) This limitation of the Responsible Entity's liability applies despite any other provisions of these Terms and extends to all Obligations of the Responsible Entity in any way connected with any representation,



warranty, conduct, omission, agreement or transaction related to these Terms.

- (b) The Responsible Entity enters into these Terms as responsible entity of URF and in no other capacity.
- (c) Each URF Note III Noteholder acknowledges that the Responsible Entity incurs the Obligations solely in its capacity as responsible entity of URF and that the party that acts as Responsible Entity ceases to have any obligation under these Terms if it ceases for any reason to be responsible entity of URF.
- (d) Subject to Clause 16.1(h), the Responsible Entity is not liable to pay or satisfy any Obligations except out of the Assets of URF against which it is actually indemnified in respect of any liability incurred by it as trustee of URF.
- (e) Subject to Clause 16.1(h), the URF Note III Trustee and URF Note III Noteholders may enforce their rights against the Responsible Entity arising from non-performance of the Obligations only to the extent of the Responsible Entity's right of indemnity out of the Assets of URF.
- (f) Subject to Clause 16.1(h), if any of the URF Note III Trustee and URF Note III Noteholders do not recover all money owing to it arising from non-performance of the Obligations it may not seek to recover the shortfall by:
 - (i) bringing proceedings against the Responsible Entity in its personal capacity; or
 - (ii) applying to have the Responsible Entity put into administration or wound up or applying to have a receiver or similar person appointed to the Responsible Entity or proving in the administration or winding up of the Responsible Entity.
- (g) Subject to Clause 16.1(h), the URF Note III Trustee and each of the URF Note III Noteholders waives their rights and release the Responsible Entity from any personal liability whatsoever, in respect of any loss or damage:
 - (i) which they may suffer as a result of any:
 - A. breach by the Responsible Entity of any of its Obligations; or
 - B. non-performance by the Responsible Entity of the Obligations; and
 - (ii) which cannot be paid or satisfied out of the assets of which the Responsible Entity is actually indemnified in respect of any liability incurred by it as trustee of URF.
- (h) These Terms are subject to this Clause 16.1 and the Responsible Entity is in no circumstances required to satisfy any liability of the Responsible Entity arising under, or for non-performance or breach of

any Obligations under or in respect of, these Terms or under or in respect of any other document to which it is expressed to be a party out of any funds, property or assets other than the Assets of URF under the Responsible Entity's control and in its possession as and when they are available to the Responsible Entity to be applied in exoneration for such liability PROVIDED THAT if the liability of the Responsible Entity is not fully satisfied out of the Assets of URF as referred to in this Clause 16.1, the Responsible Entity is liable to pay out of its own funds, property and assets the unsatisfied amount of that liability but only to the extent of the total amount, if any, by which the Assets of URF have been reduced by reasons of fraud, gross negligence or breach of trust by the Responsible Entity in the performance of its duties as responsible entity of URF.

- (i) No attorney, agent or other person appointed in accordance with these Terms has authority to act on behalf of the Responsible Entity in a way which exposes the Responsible Entity to any personal liability, and no act or omission of such a person will be considered fraud, gross negligence or breach of trust by the Responsible Entity for the purposes of this Clause 16.1.
- (j) In this clause Obligations means all obligations and liabilities of whatever kind undertaken or incurred by, or devolving upon, the Responsible Entity under or in respect of these Terms, and Assets includes all assets, property and rights real and personal of any value whatsoever.



Corporate directory

Directors of Walsh & Company Investments Limited

Alex MacLachlan (Chairman)

Tristan O'Connell

Tom Kline

Company Secretary

Hannah Chan

Simon Barnett

Registered Office

Level 15

100 Pacific Highway

North Sydney NSW 2060

URF Notes III Trustee

Australian Executor Trustees Limited

Level 22

207 Kent Street

Sydney NSW 2000

Fax: 02 9028 5942

Attention: Corporate Trust

Solicitors to the Offer

Watson Mangioni Lawyers Pty Limited

Level 23

85 Castlereagh Street

Sydney NSW 2000

Ph: (02) 9262 6666

Fax: (02) 9262 2626

URF Notes III Registrar

Boardroom Pty Limited

Level 12

225 George Street

Sydney NSW 2000

Ph: 1300 737 760

Securities Exchange Listing

Australian Securities Exchange

Fund Listing Code: URF

Intended Listing Code URF Note III: URFHC



