

# Barrack St Investments Limited ACN 167 689 821

## Statement on information relating to Management Services Agreement

---

### Fees payable to the Manager and fee calculation method

- 1 The Manager will be paid a Management Fee and a Performance Fee under Schedule 1 of the Management Services Agreement.
- 2 The Manager will be paid a Management Fee of 1% per annum (plus GST) calculated monthly based on the net tangible assets of Barrack St Investments Limited (**Company**).
- 3 The Manager will also be paid a Performance Fee from the Company at the end of each financial year, calculated and accrued monthly using the following formula:

$$P = 20\% \times (A - B) \times \text{Portfolio Net Asset Value at the end of the last day of the relevant month}$$

where:

P is the Performance Fee for the relevant month;

A is the Investment Return of the Portfolio for the relevant month; and

B is the Benchmark Return for the relevant month.

- (a) 'Investment Return' means the percentage by which the Portfolio Net Asset Value at the end of the last day of the relevant month exceeds or is less than the Portfolio Net Asset Value at the end of the last day of the month immediately prior to the relevant month, excluding any additions to or reductions in equity in the Company during the relevant month, dividend reinvestments, new issues, the exercise of share options, share buy-backs, payment of dividends and the payment of tax.
  - (b) 'Benchmark Return' means, in respect of the relevant month is 1/12 of 8%.
  - (c) 'Portfolio Net Asset Value' means net value of the Portfolio calculated before tax on realised and unrealised gains and before the deduction of the Performance Fee.
- 4 If the Manager elects to provide tertiary services, being financial accounting and secretarial services, the Manager is entitled to charge an additional fee that does not exceed the fee paid by the Company to the previous service provider, adjusted for annual changes in the CPI (clause 5.2).

### Variations to fees

- 5 The Management Services Agreement requires the variation of fees to be in writing and signed by both parties (clause 22(a)). However, under clause 22(b), a material change to fees requires both the written consent of the Manager and the approval by ordinary resolution of the ordinary shareholders in general meeting.

### Terms of payment of fees

- 6 The Management Fee is paid monthly.

- 7 The Performance Fee for each month will be aggregated (including any negative amounts carried forward) and paid annually in arrears for the financial year if the aggregate Performance Fee for that financial year is a positive amount.
- 8 If the aggregate Performance Fee for a financial year is a negative amount, no Performance Fee is payable to the Manager in respect of that financial year, and the negative amount is carried forward to the following financial year. Any negative aggregate Performance Fee amounts from previous financial years that are not recouped in a financial year shall be carried forward to the following financial year.
- 9 The Management Services Agreement does not grant the Manager a right to be issued securities in the Company in lieu of fees.

### **Exclusivity**

- 10 The Management Services Agreement does not preclude the Manager from providing management services to any other entity in relation to assets of the same kind as those held by the Company. Clause 8.1 states that the Manager is not prohibited from entering into any agreement with any third party similar or identical to the agreement.
- 11 On the other hand, the Management Services Agreement precludes the Company from appointing another entity as a manager. Clause 8.3 states that the appointment of the Manager by the Company to manage the Portfolio is exclusive.

### **Further investment opportunities to the Company**

- 12 The Manager has been engaged to carry out all things it reasonably considers necessary for the administration, management and conduct of the Company, which would include introducing investment opportunities to the Company where the Manager considers appropriate.

### **Powers and discretions of the Manager**

- 13 The Manager has been engaged to carry out all things it reasonably considers necessary for the administration, management and conduct of the Company, which necessitates discretion on the part of the Manager.
- 14 Among the Manager's primary services are:
  - (a) managing the investment of the Company's portfolio, including keeping it under review;
  - (b) identifying, evaluating and implementing the acquisition and disposal of investments by the Company;
  - (c) promoting investment in the Company by the general investment community; and
  - (d) providing investor relationship services.
- 15 The Manager must, however, exercise such powers in accordance with the instructions set out in the Management Services Agreement, which include:
  - (a) providing the Company with quarterly reports on investment performance;
  - (b) ensuring investments by the Company are only made in Authorised Investments, as defined in the Management Services Agreement;

- (c) complying with the investment policy of the Company as determined from time to time; and
- (d) reporting to the Board of the Company in relation to the performance of the Manager's secondary and tertiary services, which including information technology support, office services and company secretarial services.

#### **Powers and discretions retained by the Board**

- 16 The Management Services Agreement grants the Manager the extensive power and discretion with respect to management of the Company's portfolio and acquiring and disposing of investments by the Company.
- 17 However, as identified above, the Manager is accountable to the Company for the Manager's investment performance, and must make investment decisions in accordance with the Company's investment policy and within the parameters of the 'Authorised Investments' stipulated in the agreement (clause 3). The Manager is also accountable to the Board in respect of the Management's performance of its secondary and tertiary services (clauses 4.3 and 5.3).
- 18 Additionally, in the event of any material and substantial breach of the agreement by the Manager, the Board has the discretion to give written notice to the Manager specifying the breach and requiring it to be remedied. If the Manager fails to remedy the breach within 14 days of such written notice, the Board has the discretion to terminate the Management Services Agreement by written notice to the Manager (clause 11.2).

#### **Related party transactions**

- 19 Where the Manager proposes to the Company that it acquire assets from, or dispose of any assets to, a related party of the Manager, the Manager must identify the related party nature of the transaction to the Board, and ensure that any representative of the Manager on the Board of the Company declares the interest and refrains from voting on the proposal (clause 15).

#### **Termination rights of a party upon change of control**

- 20 No termination rights exist upon change of control of the other party to the Agreement.
- 21 The only circumstances for termination of the Management Services Agreement are set out in clause 11 of the Management Services Agreement.
  - (a) The Company may terminate the Management Services Agreement by written notice to the Manager in the event of any material and substantial breach of the Agreement by the Manager, provided that before termination the Manager has failed to remedy the breach within 14 days of receiving notice from the Company.
  - (b) The Manager may terminate the Agreement on three months' notice in the event of any material and substantial breach of the Agreement by the Company, provided that before termination the Company has failed to remedy the breach within 14 days of receiving notice from the Manager.
  - (c) After the initial term, the Company at general meeting may resolve by ordinary resolution to terminate the Agreement at any time.
  - (d) If the Management Services Agreement is terminated, then in certain circumstances the Manager is also entitled to a termination payment equal to 5% of the net tangible assets of the Company at the date of termination, reduced by 1/60 for each calendar month

elapsed between the commencement date of the relevant management term and the termination date.

**Pre-emptive rights over Company's portfolio upon a change of control**

- 22      No pre-emptive rights exist for termination of the Management Services Agreement upon change of control of the other party to the Agreement.