

US Masters Residential Property Fund



UNSECURED NOTES PAYING 7.75% p.a. MATURING 2020 PROSPECTUS

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

This Prospectus is issued by Walsh & Company Investments Limited solely in its capacity as responsible entity for the US Masters Residential Property Fund.

This offer is not underwritten.

ARSN 150 256 161

RESPONSIBLE ENTITY:

WALSH & COMPANY
INVESTMENTS LIMITED

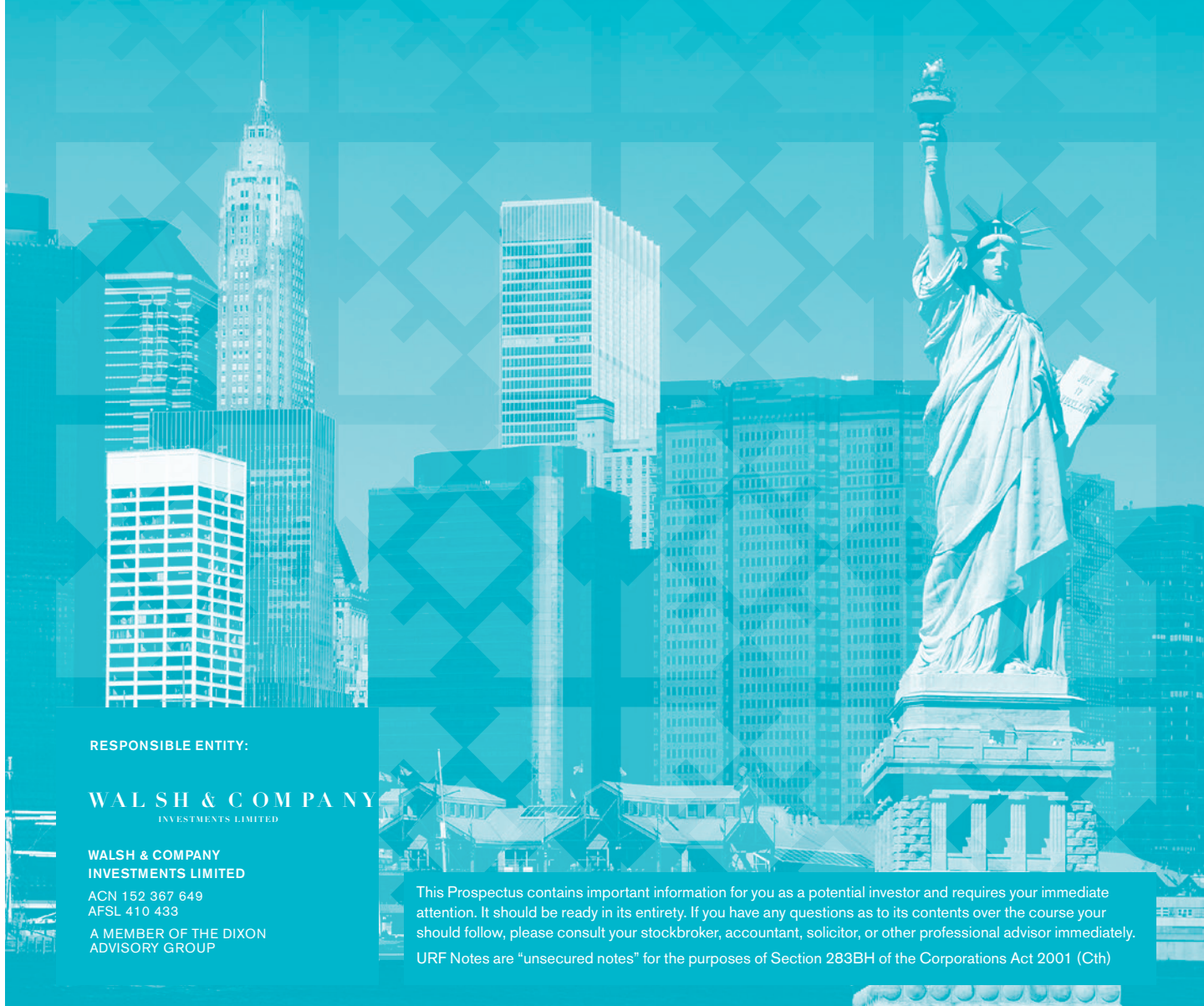
**WALSH & COMPANY
INVESTMENTS LIMITED**

ACN 152 367 649
AFSL 410 433

A MEMBER OF THE DIXON
ADVISORY GROUP

This Prospectus contains important information for you as a potential investor and requires your immediate attention. It should be read in its entirety. If you have any questions as to its contents over the course you should follow, please consult your stockbroker, accountant, solicitor, or other professional advisor immediately.

URF Notes are "unsecured notes" for the purposes of Section 283BH of the Corporations Act 2001 (Cth)



Important Notices

This Prospectus (**Prospectus**) is dated 29 September 2015 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 II up to 1,000,000 URF Notes II, at an offer price of \$100 per URF Note II to raise a minimum of \$50 million up to \$100 million, with the ability to accept oversubscriptions up to \$50 million (the **Offer**).

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

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

However, if the liability of Walsh is not fully satisfied out of the assets of URF, then Walsh 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 responsible entity of URF.

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

This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional advisor about its contents.

No URF Notes II 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 II on ASX.

The fact that ASX may quote the URF Notes II 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 granted admission to the ASX, quotation will commence as soon as practicable after holding statements are dispatched.

The Issuer does not intend to issue any URF Notes II unless and until permission has been granted for the URF Notes II to be quoted on the ASX on terms acceptable to the Issuer. If permission is not granted for the URF Notes II 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://usmastersresidential.com.au/announcements.htm>

- The full terms of the URF Notes II (see also Appendix A to this Prospectus);
- The Trust Deed (see Section 5.4 for a summary).

In addition to reading this Prospectus in full, it is important you read these documents in full before making a decision to invest in URF Notes II.

Investment Decision

Applicants should read this Prospectus in its entirety before deciding to apply for URF Notes II. This Prospectus does not take into account your individual investment objectives, financial situation or any of your particular needs. You should seek independent legal, financial and taxation advice

before making a decision whether to invest in the Issuer.

An investment in URF Notes II carries risks that could affect their performance, including loss of investment and income. The Issuer does not guarantee the market price of URF Notes II nor any particular rate of return. An outline of some of the risks that apply to an investment in the Issuer is set out in Section 3. You are urged to consider this Section of the Prospectus carefully before deciding to apply for URF Notes II.

Exposure Period

The Corporations Act prohibits the Issuer from processing Applications to subscribe for URF Notes II under this Prospectus in the seven day period after the date of the lodgement of this Prospectus (**Exposure Period**). This period may be extended by ASIC by up to a further seven days. This period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after expiry of that period. No preference will be conferred on Applications during the Exposure Period.

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 II Registrar disclaim all liability, whether in negligence or otherwise, to persons who trade URF Notes II before receiving their holding statement.

Responsibility Statement by URF Note II Trustee

The URF Note II 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 II or the payment of interest or the redemption of URF Notes II.

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

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

The URF Note II Trustee is not responsible for monitoring the Issuer's compliance with the Trust Deed nor the Issuer's business.

Forward Looking Statements

This Prospectus contains forward looking statements, which are identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends” and other similar words that involve risks and uncertainties. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. While the Issuer believes that the expectations reflected in the forward looking statements in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 3, as well as other matters as yet not known to the Issuer or not currently considered material by the Issuer, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Prospectus is qualified by this cautionary statement.

A reference to \$ or dollars in this Prospectus is a reference to Australian currency. A reference to time in this Prospectus is a reference to Sydney time unless otherwise stated.

Obtaining a Copy of this Prospectus

A paper copy of this Prospectus is available free of charge in Australia by calling 1300 454 801 from 8.30am until 5.00pm (Sydney time) Monday to Friday during the Offer Period.

This Prospectus is also available to Australian resident investors in electronic form at the Fund's website: <http://www.usmastersresidential.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 the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications for URF Notes II may be made:

- by completing the Application Form attached to or accompanying this Prospectus; or
- completing the Application Form through the online portal at <http://www.usmastersresidential.com.au> and pay your Application Monies through BPAY.

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.

Definition of terms

Defined terms and abbreviations included in the text of this Prospectus are set out in the Definitions and Interpretation in Section 7.

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 II. A free copy of the ASIC Guide can be obtained from ASIC’s MoneySmart website at www.moneysmart.gov.au.

ASX has also given guidance on ASX listed bonds. It is called “Understanding ASX Interest Rate Securities” and can be found at www.asx.com.au.

Investments in URF Notes II are debt securities of the Issuer and may be affected by ongoing performance, financial position and solvency of the Issuer. URF Notes II are not deposit liabilities or protected accounts under the Banking Act.

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

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

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 immediately (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 ASX can be obtained from, or inspected at, an ASIC office and can also be obtained from www.asx.com.au.

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Key Offer information

Key dates

Lodgement of Prospectus with ASIC	29 September 2015
Expected open of Offer (9:00am Sydney time)	7 October 2015
Expected close of Offer (5:00pm Sydney time)	19 October 2015
Issue and allotment of URF Notes II	26 October 2015
Expected despatch of holding statements	27 October 2015
Trading of URF Notes II expected to commence on ASX	30 October 2015

Note: This timetable is indicative only and subject to change. Unless otherwise indicated, all times are references to Sydney time. The Issuer reserves the right to vary the dates and time of the Offer, including to close the Offer early or to accept late Applications, either generally or in particular cases without notification.

Key dates for URF Notes II

First interest payment ¹	31 December 2015
Maturity date	24 December 2020

1. Interest is scheduled to be paid on the quarterly interest payment dates (31 March, 30 June, 30 September and 31 December each year) until all URF Notes II have been Redeemed. If any of these scheduled dates is not a Business Day, then the payment will 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 the Interest payable.

Key Offer statistics

Offer price per URF Note II	\$100
Minimum number of URF Notes II to be issued under the Offer	500,000 URF Notes II
Total maximum number of URF Notes II available under the Offer	1,000,000 URF Notes II plus any oversubscriptions up to 500,000 URF Notes II
Minimum gross proceeds raised under the Offer	\$50 million
Maximum gross proceeds raised under the Offer ¹	\$100 million plus up to \$50 million of oversubscriptions

1. The maximum number of URF Notes II that may be issued under this Offer relates to this Offer only. The Issuer may issue further URF Notes II at a later date in excess of this maximum where the Issuer reasonably believes target leverage ratios are consistent with the Fund's investment strategy at the time of issue.

Chairman's letter

29 September 2015

Dear Investor,

The Offer

On behalf of the board of Walsh & Company Investments Limited (**Responsible Entity**) 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 II**).

The URF Notes II carry an annual interest rate of 7.75%, payable quarterly in arrears and maturing on 24 December 2020, approximately five years and two months from the expected Issue Date.

Under this Prospectus, the Issuer is offering a minimum of 500,000 URF Notes II up to 1,000,000 URF Notes II, with the ability to accept oversubscriptions of up to 500,000 URF Notes II, at an offer price of \$100 per URF Note II. The Offer will raise a minimum of \$50 million up to \$100 million, with the ability to accept oversubscriptions up to \$50 million. Proceeds from the issue of URF Notes II will be used to fund its investment strategy including renovations of properties in the portfolio, acquisitions of new properties, and for working capital purposes and debt servicing purposes (including URF Notes and URF Notes II), consistent with the investment strategy of URF.

The Offer is being made to Australian investors only. The Responsible Entity, on behalf of the Fund, has allocated a Priority Offer of up to \$50,000 (500 URF Notes II) for each Applicant who is a Unitholder or URF Noteholder at 7:00pm on the Closing Date, with each Applicant who holds Units and URF Notes entitled to apply for up to \$100,000 (1,000 URF Notes II) under the Priority Offer. The final allocation given to Applicants under this Offer, including the Priority Offer, will be subject to scaling at the discretion of the Responsible Entity depending on demand, the cash requirement of the Fund at the time of Allotment (as determined by the Responsible Entity) and in order to assist the Responsible Entity to develop a balanced register of URF Note II Noteholders. 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 US Masters Residential Property Fund was established in June 2011 and is listed on the Australian Securities Exchange (**ASX**). At 22 September 2015, the market capitalisation of URF was approximately \$628 million, with 30 June 2015 consolidated total assets of \$911 million and net assets of \$500 million.

In December 2014, URF raised \$150 million under the URF Notes offer. The URF Notes listed on the ASX on 5 January 2015 and mature on 24 December 2019. The URF Notes II have broadly similar terms to, and will rank pari passu with, the URF Notes. See Section 1 for details of the differences between the terms of URF Notes and URF Notes II.

The Fund was established to seek to take advantage of the significant drop in home prices that occurred during the US housing collapse of 2006 to 2011 by investing in freestanding and multi-tenant houses in the New York metropolitan area, specifically in Hudson County, New Jersey, and Brooklyn, Manhattan and Queens, New York. The Fund has an integrated business model, with a 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 long term capital growth.

Since its establishment, the Fund, through its controlled entities, has built a portfolio of New York metropolitan area residential housing and apartments, consisting of 1,889 housing units across 543 freestanding houses and 27 apartment buildings. The Fund is the only listed fund that invests exclusively in New York metropolitan area freestanding and multi-tenant residential housing.

The Fund is continuing to develop its property portfolio with a focus on acquisition and renovation and as such is not currently generating sufficient operating cashflow to pay all interest on the URF Notes or URF Notes II or redeem the URF Notes or URF Notes II. 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 2.4 for details.

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 3. I encourage you to read this Prospectus carefully and in its entirety before making your investment decision. 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 II when these fall due and that while URF Notes II may be quoted on ASX, the liquidity of the URF Notes II may be low and holders may not be able to sell the URF Notes II on the ASX at an acceptable price or at all.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alex MacLachlan', with a long horizontal flourish extending to the right.

Alexander MacLachlan
Chairman of the Responsible Entity
Walsh & Company Investments Limited

1. Offer Summary

This is a summary only. This Prospectus should be read in full before making any decision to apply for URF Notes II. The following is an overview of the Issuer, key terms of the URF Notes II, key benefits and risks of investing in URF Notes II and a comparison between the terms of issue of the URF Notes II and URF Notes. Detailed information is provided in the following sections of this Prospectus, and it is important that you read this Prospectus, the Terms and Trust Deed in their entirety before deciding to invest in URF Notes II. If you have any questions, you should seek advice from your financial advisor or other professional advisor before deciding to invest.

The full Terms are contained in Annexure A. Rights and liabilities attaching to URF Notes II may also arise under the Corporations Act, ASX Listing Rules and other applicable laws.

Overview of the Issuer and URF Notes II

Question	Answer	More Information
Who is the 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). US Masters Residential Property Fund (URF or the Fund) is a listed registered managed investment scheme that invests indirectly in residential property located in the United States of America. As at 30 June 2015, URF had consolidated total assets of \$911 million and consolidated net assets of \$500 million. In respect of the six months ended 30 June 2015 URF earned a consolidated net profit before tax of \$31.8 million. The Fund experienced net cash outflows (from investing, \$91.5 million, and operating, \$17.6 million) of approximately \$109 million in the six months ended 30 June 2015, as it continued to invest in properties.	Section 2.1
What are the URF Notes II?	The URF Notes II are interest bearing unsecured notes issued by the Issuer. The URF Notes II are “debt securities” for the purposes of Guidance Note 34 (Naming Conventions for Debt and Hybrid Securities) issued by the ASX.	Annexure A
What is the Offer size?	A minimum of 500,000 URF Notes II up to 1,000,000 URF Notes II with the ability to accept oversubscriptions of up to 500,000 URF Notes II. Under this Prospectus, URF Notes II are offered at an offer price of \$100 per URF Note II to raise a minimum of \$50 million up to \$100 million, with the ability to accept oversubscriptions of up to \$50 million.	Section 6.1
What is the Priority Offer?	The Responsible Entity, on behalf of the Fund, has allocated, under the Priority Offer, up to 500 URF Notes II for each Applicant who is a Unitholder or URF Noteholder on the Closing Date, with each Applicant who holds Units and URF Notes entitled to apply for up to 1,000 URF Notes II under the Priority Offer. The final allocation given to Applicants under this Offer, including the Priority Offer, will be subject to scaling at the discretion of the Responsible Entity depending on demand, the cash requirement of the Fund at the time of Allotment (as determined by the Responsible Entity) and in order to assist the Responsible Entity to develop a balanced register of URF Note II Noteholders. Applicants under the Priority Offer should include their individual Priority Offer Reference Number in	Section 6.1

Question	Answer	More Information
	the space provided on the Application Form at the back of this Prospectus or in the section provided in the online Application Form.	
What will the proceeds of the Offer be used for?	The proceeds of the Offer will be used to: ➤ Provide additional capital to URF to fund its investment strategy, including renovations of properties in the portfolio, acquisition of new properties and for working capital purposes and debt servicing purposes (including URF Notes and URF Notes II), consistent with the investment strategy of URF; ➤ Pay the costs of the Offer; and ➤ Provide working capital to the Fund and US Masters Residential Property (USA) Fund (US REIT) level and to service URF Notes and URF Notes II, as required. It is not anticipated that the funds raised under the Offer will be applied specifically to pay distributions to Unitholders in relation to URF Notes and URF Notes II. 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 II might therefore assist in the payment of distributions to Unitholders to URF Noteholders and URF Notes II Noteholders.	Section 2.9
What is the face value of the URF Notes II?	The initial Face Value of URF Note II will be \$100 but may be reduced by partial early repayment of Face Value.	Annexure A
What is the Interest rate of URF Notes II, and when will it be paid?	URF Notes II will pay a fixed rate of Interest until maturity or Redemption, based on the outstanding Face Value, of 7.75% per annum. Interest payments will be made quarterly. The first Interest Payment Date for URF Notes being on 31 December 2015.	Annexure A
What is the term of URF Notes II and when will they mature?	Unless Redeemed early, URF Notes II mature on 24 December 2020, representing a term of approximately 5 years and 2 months from the expected Issue Date.	Annexure A
When can the URF Notes II be redeemed prior to the Maturity Date?	The URF Notes II can be Redeemed prior to the Maturity Date in the following situations: ➤ the Issuer is entitled to choose to Redeem or partially repay URF Notes II on the First Call Date (being 24 December 2018) and/or any Interest Payment Date after the First Call Date; ➤ if a Tax Event or a Change of Control Event occurs, the Issuer may elect to fully (but not partially) Redeem all of the URF Notes II; and ➤ if an Event of Default occurs and while it is subsisting, the URF Note II Trustee may require all of the URF Notes II to be fully (but not partially) Redeemed. The URF Note II Trustee must require all of the URF Notes II to be fully (but not partially) Redeemed if an Event of Default occurs and is	Annexure A

Question	Answer	More Information
	subsisting, it is so directed by a Special Resolution, it is indemnified to its reasonable satisfaction and is not restricted or prohibited from taking such action by any court order or any applicable law.	
When can the Issuer choose to redeem or partially repay URF Notes II?	The Issuer may choose to Redeem all, or make a partial repayment on all, of the URF Notes II on the First Call Date and/or any Interest Payment Date after the First Call Date. The First Call Date is 24 December 2018. Any partial repayment will reduce the outstanding Face Value of URF Notes II and will be paid to URF Notes II Noteholders on a pro-rata basis on the relevant record date. If the Issuer chooses to Redeem all, or make a partial repayment on all, of the URF Notes II in these circumstances, there is no early repayment premium payable in relation to the URF Notes II. In these circumstances, on the Redemption Date, you will receive: ➤ Face Value; plus ➤ a final payment of Interest for the period from (and including) the preceding Interest Payment Date to (but excluding) the Redemption Date. Investors should also refer to the circumstances where the Issuer has the option, but is not required, to Redeem all of URF Notes II from the Issue Date.	Annexure A
From the Issue Date, what other circumstances can allow the Issuer to elect to redeem all URF Notes II?	The Issuer has the option to Redeem all URF Notes II, from the Issue Date: ➤ if a Tax Event occurs; or ➤ if a Change of Control Event occurs. On the Redemption Date, in the case of a Tax Event or a Change of Control Event, you will receive: ➤ Face Value; plus ➤ a final payment of Interest for the period from (and including) the preceding Interest Payment Date to (but excluding) the Redemption Date.	Annexure A
Will the URF Notes II be rated?	It is not anticipated that URF Notes II will receive a credit rating from any rating agency.	
Where will URF Notes II rank in the Fund's debt structure?	URF Notes II 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 (the same as) with other unsecured creditors of the Issuer, including URF Noteholders; and ➤ ahead of ordinary units in URF. At 30 June 2015 URF (excluding its controlled entities) had \$150 million of debt, consisting of the outstanding face	

Question	Answer	More Information
	value of the URF Notes. Taking account of its controlled entities, URF had \$323 million of consolidated debt (net of capitalised debt raising costs) and an additional \$76 million of debt in its joint venture investments (URF's proportional interest only). If at any time an Insolvency Event occurs in relation to the Fund, any amount owing to URF Notes II Noteholders will only be paid after all amounts owing to all other creditors ranking ahead of URF Notes II Noteholders have been paid. 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 any cash it might hold. Accordingly, any debt or liabilities of these controlled entities and indirectly in joint venture entities will effectively rank ahead of your claim in relation to the ability to recover your claim from the assets of those controlled entities and joint venture entities. In addition to the debt incurred by its controlled entities and joint venture entities (see above), at the date of this Prospectus the Issuer had \$150 million debt incurred directly by URF (as opposed to the debt incurred through its controlled entities and joint venture entities) plus accrued but unpaid interest on that debt. This debt is unsecured, therefore, at the date of this Prospectus, \$150 million of debt plus the accrued but unpaid interest on that debt at the Issuer level ranks pari passu with the debt owing to URF Notes II Noteholders. URF also has a contingent liability to Fortress in respect of the Fortress Facility which, if it becomes due and payable by URF, would become another unsecured liability of URF that ranks pari passu with the debt owing to URF Notes II Noteholders. See Section 2.15 for more information about the Fortress Facility and this contingent liability.	
Can URF change its borrowing policy?	The Fund's current borrowing policy is outlined in Section 2.15 of this Prospectus. The Responsible Entity, on behalf of the Fund, currently intends to seek an ordinary resolution of URF Notes II 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 II.	Section 2.15
ASX quotation	The Issuer will apply for quotation of URF Notes II on ASX. It is expected that URF Notes II will be quoted under ASX code "URFHB". Completion of the Offer is conditional on ASX approving this application.	

Question	Answer	More Information
How will payments on the URF Notes II be funded?	The Responsible Entity will adopt a disciplined approach to managing the financial affairs of the Issuer and meeting its obligations under the URF Notes II. Interest payments are expected to be funded through one or more of the following means: ➤ utilising operating income, including distributions and other payments from US REIT in turn sourced from 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 II becomes due and payable; ➤ investing surplus cash into other instruments, including debentures, notes or other instruments until such time the Interest on the URF Notes II 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 II through one or more of the following means: ➤ issuing additional debt securities; ➤ entering into additional borrowing facilities or refinancing existing borrowing facilities 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.	
What are the key benefits of URF Notes II?	The key benefits of URF Notes II are: ➤ fixed rate interest payments; ➤ quarterly interest payments; ➤ listed on the ASX; and ➤ diversification, an opportunity to diversify investment exposure type to the Fund.	

Question	Answer	More Information
What are the key risks associated with investing in URF Notes II?	The key risks of any investment in the URF Notes II are highlighted below. Investors should bear these in mind, when considering whether to participate in the Offer: ➤ URF Notes II are unsecured liabilities that rank behind senior debt and rank pari passu with other unsecured creditors of the Fund (including URF Noteholders and, Fortress if the contingent liability to Fortress in respect of the Fortress Facility becomes due and payable by URF), other than creditors preferred by law; ➤ the Issuer may fail to pay Interest or repay Face Value when required. See Section 2.11(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; ➤ URF Notes II do not mature until the Maturity Date, but URF has early Redemption rights from the First Call Date and may also fully (but not partially) Redeem all URF Notes II if a Tax Event or a Change of Control Event occurs; ➤ Individual URF Notes II Noteholders cannot require the Redemption of their URF Notes II until after the URF Note II Trustee fails to do so, where it is obliged to under the Terms or Trust Deed, for a period of 20 Business Days. ➤ URF may issue additional URF Notes II, securities that rank equally with URF Notes II and other indebtedness senior to URF Notes II, subject to the Terms of the URF Notes II. ➤ The market price of URF Notes II on the ASX may fluctuate and you may lose money you invested if you sell URF Notes II. ➤ Liquidity of URF Notes II may be low. ➤ In certain circumstances, the Issuer may amend the Terms of the URF Notes II. ➤ URF operating performance may be negatively impacted, including the possibility that rental income may be lower and/or vacancy costs higher from Portfolio properties. ➤ 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. ➤ URF may be unable to refinance its debt facilities, including the URF Notes II, at maturity.	Investors should read these risks together with the other risks described in Section 3

Question	Answer	More Information
	➤ Global markets may be disrupted. ➤ The US economy may suffer a downturn, including a downturn in the US property market (specifically in the New York City metropolitan area). ➤ URF may fail to meet covenants on existing, or new, debt instruments. ➤ US REIT and its controlled entities may invest in joint ventures with joint venture partners. The joint venture 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. ➤ Regulation impacting URF may change.	
Who can participate in the Offer?	Members of the general public who have a registered address in Australia.	Section 6.1 and 6.7
How do I apply for URF Notes II?	The procedures for making an investment in the URF Notes II are described in Section 6.	Section 6
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched on or about 27 October 2015.	
What are the fees and costs of the Offer?	The Investment Manager is entitled to receive a debt arrangement fee of 2.2% (inclusive of GST) of the proceeds of the Offer, under the existing debt arrangement agreements with the Fund. However, the Investment Manager has waived its entitlement to this debt arrangement fee, in relation to the URF Notes II Offer under this Prospectus. The Responsible Entity, on behalf of the Fund, will pay AFSL Holders a stamping fee equal to 2.2% (inclusive of GST) 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 include Dixon Advisory & Superannuation Services Limited, who is a related party of Walsh & Company Investments Limited, the responsible entity of URF. Including this stamping fee, expenses in relation to the Offer are estimated to be \$1.3 million to \$3.4 million (inclusive of GST), including ASX listing fees, stamping fees, legal, tax, broking, accounting and registry services. The costs of the Offer will be borne by the Fund.	Section 5.9
What fees and costs are payable by a URF Notes II Noteholder?	No fees, charges, brokerage, commission or stamp duty is payable by you on your Application for URF Notes II. You may be required to pay brokerage if you sell your URF Notes II after URF Notes II are quoted on the ASX.	

Question	Answer	More Information
Is the Offer underwritten?	No. The Offer is not underwritten.	Section 6.1
Is there a Minimum Subscription?	You must apply for a minimum of 20 URF Notes II, which is a minimum investment of \$2,000. Applications for greater than 20 URF Notes II, must be in multiples of five URF Notes II (\$500).	Section 6.2
Is there a cooling off period?	No.	Section 6.1
Where can I find more information about this Prospectus or the Offer?	For more information, please call 1300 454 801 from 8.30am until 5.30pm (Sydney time), Monday to Friday. Additional documents relevant to URF will be available during the Offer Period from www.usmastersresidential.com.au/announcements.htm If you are uncertain as to whether an investment in the Issuer is suitable for you, please contact your stockbroker, financial advisor, accountant, lawyer or other professional advisor.	
Can the Offer be withdrawn?	The Issuer reserves the right not to proceed with the Offer at any time before the issue of URF Notes II 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.	Section 6.3

Further information about URF Notes II

Issue	Information	More information
Interest Payment Dates	Interest is scheduled to be paid quarterly in arrears on the following dates, until all URF Notes II 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 December 2015. It should be noted that, to assist you to complete your tax	Annexure A

Issue	Information	More information
	return, Interest scheduled to be paid for the Interest Period ending 30 June will include Interest payable up to (and including) 30 June and, if 30 June is not a Business Day, will be paid on the immediately preceding Business Day.	
Interest Payments	Interest will be paid to URF Notes II Noteholders whose details are recorded with the URF Note II 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 II Noteholders and ASX or such other date as may be required by the ASX. 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 II Noteholder.	Annexure A
Repayment of Face Value on the Maturity Date	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.	Annexure A
No early Redemption rights for URF Notes II Noteholders	URF Notes II Noteholders do not have a right to request that their URF Notes II be Redeemed early for any reason. To realise your investment, you can sell your URF Notes II on the ASX, although there is a risk that the liquidity of URF Notes II may be low, and you may not be able to sell your URF Notes II at an acceptable price or at all.	Annexure A
Change of Control Event	The Issuer has the right to fully (but not partially) Redeem all of the URF Notes II if a Change of Control Event occurs. URF Notes II Noteholders do not have a right to request that their URF Notes II be Redeemed if a Change of Control Event occurs. In addition, to realise your investment, you can sell your URF Notes II on the ASX, although there is a risk that the liquidity of URF Notes II may be low, and you may not be able to sell your URF Notes II at an acceptable price or at all.	Annexure A
Tax Event	The Issuer has the right to fully (but not partially) Redeem all of the URF Notes II if a Tax Event occurs. URF Notes II Noteholders do not have a right to request that their URF Notes II be Redeemed if a Tax Event occurs. In addition, to realise your investment, you can sell your URF Notes II on the ASX, although there is a risk that the liquidity of URF Notes II may be low, and you may not be able to sell your URF Notes II at an acceptable price or at all.	Annexure A

Issue	Information	More information
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 Note II 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 Note II Trustee referring to the breach and stating that in 30 Business Days an Event of Default will occur; or ➤ the URF Notes II cease to be Listed without the cessation having first been approved by URF Notes II Noteholder Resolution, and the Issuer does not remedy that cessation within 30 Business Days after receiving notice of that cessation from the URF Note II Trustee. If an Event of Default occurs and is subsisting, the URF Note II Trustee may declare that all URF Notes II 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 Note II Trustee must require all of the URF Notes II to be fully (but not partially) Redeemed if an Event of Default occurs and is subsisting, it is so directed by Special Resolution, it is indemnified to its reasonable satisfaction and is not restricted or prohibited from taking such action by any court order or any applicable law. Unless the URF Note II Trustee is obliged to take action to enforce the rights of the URF Notes II Noteholders and fails to do so within 20 Business Days, individual URF Notes II Noteholders are not entitled to take action to require the Redemption of their URF Notes II. If any URF Notes II Noteholder takes any action to enforce the obligations of the Issuer under the URF Notes II 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 such URF Notes II Noteholder must take such action in its own name and not in the name of the Trustee. In addition, to realise your investment, you can sell your URF Notes II on the ASX, unless the Event of Default arises as result of the URF Notes II ceasing to be Listed on the ASX. Even if the URF Notes II remain Listed on the ASX, there is a risk that the liquidity of URF Notes II may be low, and you may not be able to sell your URF Notes II at an acceptable price or at all.	Annexure A

Issue	Information	More information
No security or guarantee	URF Notes II 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.	
Voting rights for URF Notes II Noteholders	URF Notes II Noteholders do not have a right to vote at meetings of Unitholders of the Fund or URF Noteholders. URF Notes II Noteholders may vote at the meetings for URF Notes II Noteholders in accordance with the Trust Deed.	Section 5.4
Issuer rights to issue further securities	Subject to the Terms of the URF Notes II, the Issuer has the right to issue additional URF Notes II and has the right to issue other securities that have the same or different interest or distribution rates, maturities, or terms and conditions to URF Notes II and which may rank after, equally with, or ahead of URF Notes II whether or not secured. If such securities rank ahead of URF Notes II, 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. A holding of URF Notes II does not confer any right to participate in further issues of securities by the Issuer.	Annexure A
Amendments of the Terms	The Issuer may amend the Terms if the amendment has been approved by a Special Resolution of URF Notes II Noteholders, or without the consent of URF Notes II Noteholders in limited other circumstances.	Annexure A
Role of the URF Note II Trustee	The URF Note II Trustee holds the rights in relation to the URF Notes II on trust for URF Notes II Noteholders under the Trust Deed. In certain circumstances, the URF Note II Trustee will act on behalf of URF Notes II Noteholders such as when an Event of Default occurs and is subsisting. The URF Note II Trustee holds the right to enforce any obligations of the Issuer under the Terms and Trust Deed on trust for URF Notes II Noteholders. The URF Note II Trustee will be entitled to take any action against the Issuer to enforce any such obligations of the Issuer, subject to the terms of those documents. The URF Note II Trustee must take action to enforce the Terms and Trust Deed if it has been directed to do so by the required majority of URF Notes II Noteholders (or the Terms otherwise oblige it to act) and it is indemnified to its reasonable satisfaction and is not restricted or prohibited from taking such action by any court order or any applicable law. URF Notes II Noteholders will not be entitled to take any action to enforce any right or remedy under the Terms or Trust Deed unless the URF Note II Trustee fails to do so within a reasonable period after becoming required to take that action in accordance with the Trust Deed. If the URF Note II Trustee continues to fail to act, for a period of 20 Business Days, a URF Notes II Noteholder may take action in its own name and not in the name of the URF Note II Trustee.	Section 5.4

Issue	Information	More information
What are the key differences URF Notes and URF Notes II?	In December 2014, the Fund raised \$150 million of unsecured debt in the form of the URF Notes (ASX: URFHA). URF Notes II rank pari passu with URF Notes for payment. The URF Notes have been issued with terms that are materially identical to the Terms of the URF Notes II, except as set out below: ➤ URF Notes have a maturity date of 24 December 2019 (as opposed to the maturity date of 24 December 2020 for URF Notes II); and ➤ the “First Call Date” for URF Notes is 24 December 2017 (as opposed to the First Call Date of 24 December 2018 for URF Notes II).	
Governing law	New South Wales, Australia.	

2. About URF

2.1. Overview of URF

The US Masters Residential Property Fund was established in June 2011 and is listed on the ASX. Walsh & Company Investments Limited is the responsible entity and URF Investment Management Pty Limited is the investment manager of URF. At 22 September 2015, the market capitalisation of URF was approximately \$628 million.

URF was established to seek to take advantage of the significant drop in homes prices during the US housing collapse of 2006 to 2011 by investing in freestanding and multi-tenant houses in the New York metropolitan area, specifically in Hudson County, New Jersey, and Brooklyn, Manhattan and Queens, New York. This downturn in the US housing market coincided with a material strengthening of the Australian dollar against the US dollar, further improving the investment thesis for Australian investors.

The Responsible Entity believes that, as an early entrant into the US residential market, the Fund is well positioned to continue to take advantage of current market conditions and benefit from any recovery in the US housing market. URF is currently the largest Australian-listed property trust with a primary strategy of investing in direct US residential property. It is focused on long-term returns through a combination of income from rental yields along with potential long-term capital growth.

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

2.2. The Responsible Entity

Walsh & Company Investments Limited was appointed as responsible entity for URF effective on 22 June 2015 after the previous responsible entity, Dixon Advisory & Superannuation Limited, decided that the Fund should be operated by a dedicated responsible entity company. Walsh & Company Investments Limited and Dixon Advisory & Superannuation 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 the conditions imposed by ASIC were met.

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

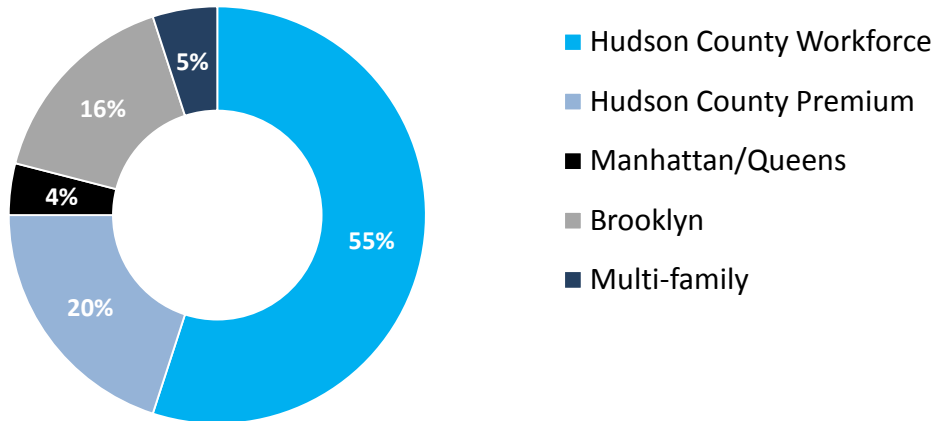
2.3. Investment Portfolio

As at 30 June 2015, URF, through US REIT, owned 543 freestanding properties, (534 at 31 December 2014), with a total book value of \$719.0 million (\$561.5 million at 31 December 2014). This represented a 28% increase in the total book value of owned freestanding properties since the prior balance date of 31 December 2014. The increase in total book value included a \$34.8 million increase in the fair market value of freestanding properties held at 30 June 2015. The increase in fair market value of freestanding properties in the 6 months to 30 June 2015 reflected the positive real estate market conditions in the New York metropolitan area as well as the acquisition and renovation strategy of the Fund. In particular, the areas of Bedford-Stuyvesant and Crown Heights in Brooklyn, Harlem in Manhattan and Downtown Jersey City and Hoboken in Hudson County were strong performers.

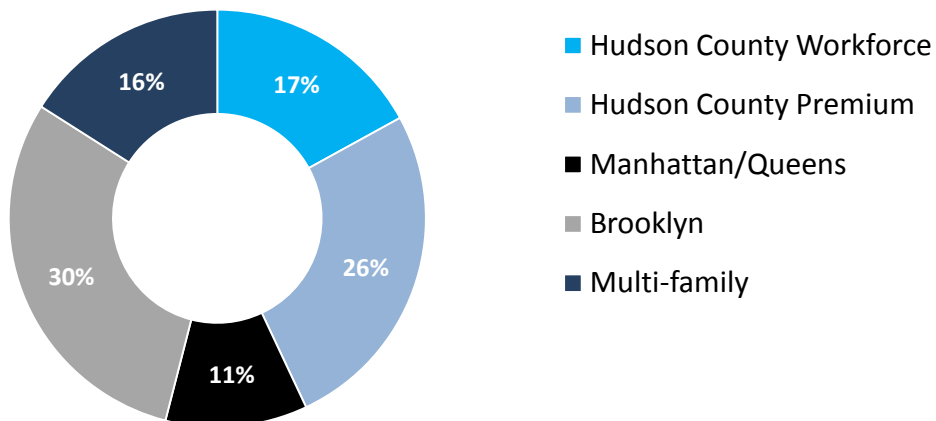
In the six months to 30 June 2015 the Fund also recognised a fair value increment of \$10 million on its multi-family portfolio, with multi-family properties located in Brooklyn, New York contributing significantly to this increment. At 30 June 2015, the book value of the Fund's multifamily portfolio was \$143.5 million (\$124.9 million at 31 December 2014) based on the Fund's proportionate share, reflecting an increase of 14.9% from 31 December 2014.

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

Property distribution - by number At 30 June 2015



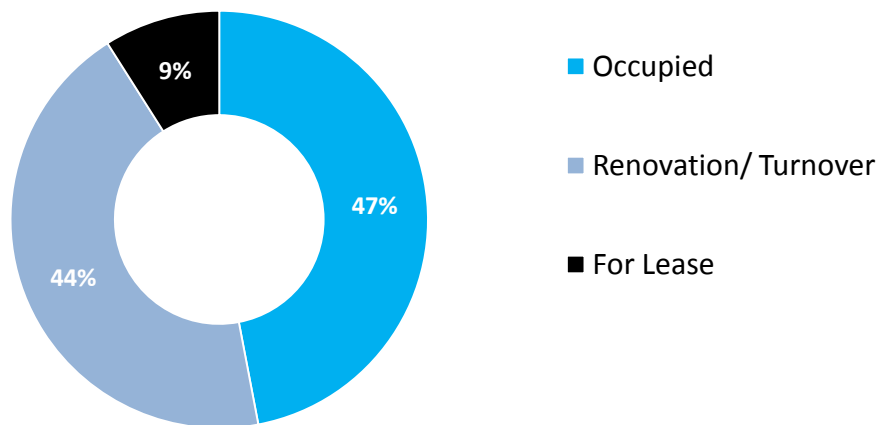
Property distribution - by value At 30 June 2015



As at 30 June 2015, URF, through US REIT, had a material proportion of properties in the renovation phase. As at 30 June 2015, 104 of URF's 543 freestanding properties (44% by value) are yet to undergo extensive renovation and are yet to generate rental income. The majority of renovation works of these 104 properties are expected to be completed over the next 3 – 24 months. At 31 December 2014, 116 properties were in the renovation pipeline at various stages of completion (41% by book value).

The property status of freestanding properties as at 30 June 2015 is summarised below.

Property status distribution - by value At 30 June 2015



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

The Fund targets individual pockets of these neighbourhoods that are undergoing rapid gentrification and offer strong 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 both 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 Project's award winning architectural design and project management capabilities.

Freestanding Properties

The Fund's strategy in relation to freestanding properties is to acquire one to four family houses in select neighbourhoods in the target investment areas at attractive valuations. Following acquisition, the Fund will seek to restore properties, where required, and maximise rental income while providing tenants with quality property management services. The Responsible Entity of the Fund 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 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, the amount the property was acquired for includes acquisition costs and fees, renovation costs include the capitalised holding costs (including interest) incurred during the renovation of the property and fees paid to Dixon Projects, and valuations were carried out as at 30 June 2015 and represent fair market values for each property determined in accordance with the Issuer's normal valuation procedures.

196 Hancock Street, Brooklyn

Purchased in June 2014 this Queen Anne style brownstone, built in the late 1800s by renowned architect Gilbert Alphonse Schellenger features all of the most desirable period details of a typical Brooklyn brownstone, including stained glass, floral ceiling moldings, carved stair railings, intricate woodwork, and several decorative fireplaces. Most notably, the home's parlor level has been remarkably well preserved, and makes for a stunning entrance into the property.

Prior to the Fund bidding on the property the Dixon Projects team went through an extensive inspection on the property, and it was determined that the property could be renovated and reconfigured into a spectacular single family home at a minimal renovation cost. The renovation removed the kitchens from the top two levels, which had been rental units, and seamlessly incorporated the former rental units with the lower levels. In addition, the existing kitchen on the garden level was repositioned to the parlor level, which now features interconnected kitchen, living, and dining areas. Finally, the team renovated the property's bathrooms, which now feature new tile and bathroom fixtures, and created a high-end chef's kitchen, complete with custom cabinetry and stainless steel appliances, giving 196 Hancock Street the perfect touch of modern amenity to juxtapose the home's abundance of old world charm.



US REIT acquired this property for US\$2.1 million and incurred renovation costs of US\$357,521. Its most recent valuation was US\$3.25 million (30 June 2015). The property is currently leased for US\$9,495 per month.

37 Prospect Place, Brooklyn

Located on one of the most picturesque blocks in Park Slope, Brooklyn, 37 Prospect Place was purchased by the Fund in December 2012 as an outdated two-family home, with low-end finishes and fixtures throughout the interior. Given the townhome's prime Park Slope location, the Fund knew that a high-end renovation would be most suitable for the property.

At the time of acquisition, the property had a one bedroom, one bathroom garden floor apartment, with a five bedroom, two and a half bathroom triplex above it. The Dixon Projects team undertook an extensive renovation on the property and transformed it into a stunning two-family home, which now boasts a beautiful one bedroom, one bathroom garden apartment, with a spacious and modern four bedroom, four and a half bathroom triplex above it. The renovation has added a fresh, modern upgrade in the form of new floors, lighting, bathrooms, and designer kitchens, and the upgrades now perfectly compliment the home's stunning original woodwork, fireplace mantles and inlay ceilings.

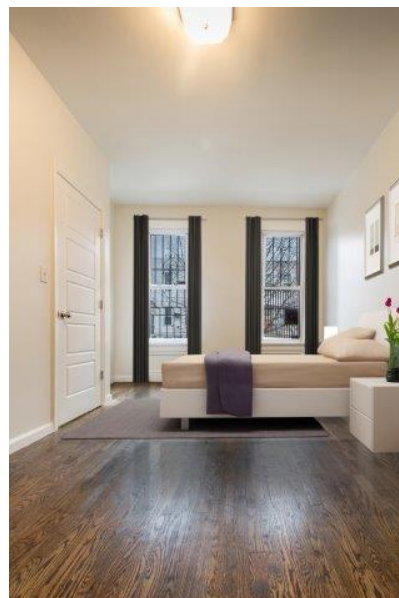


US REIT acquired this property for US\$1.495 million and incurred renovation costs of US\$644,485. Its most recent valuation was US\$3.6 million (30 June 2015). Both units in the property are currently leased, generating a gross rental income of US\$13,440 per month.

65 Harman Street, Brooklyn

The Bushwick section of Brooklyn has experienced a cultural revolution of late, with trendy bars, restaurants, and cafes transforming the neighborhood from once a dangerous and desolate area into what Vogue Magazine has labeled the “7th coolest neighborhood in the world.” Having placed an emphasis on targeting acquisitions within the neighborhood, the Fund has been able to realize substantial gains in Bushwick, with 65 Harman Street serving as a prime example.

When the Fund acquired the property in June 2014, it was a single family home that was illegally being used as two separate units. The interior featured two bedrooms and one and a half bathrooms on the lower level, with a one bedroom, one bathroom apartment upstairs. Both units were severely cramped, with low-end rental kitchens, bathrooms, and fittings. The Dixon Projects team immediately identified the value that could be realized by converting the property back into a functional and attractive single family home, and undertook a full renovation, fixing the layout, refinishing floors, installing beautiful bathrooms and creating a stunning modern kitchen.



US REIT acquired this property for US\$565,000 and incurred renovation costs of US\$173,945. Its most recent valuation was US\$1,250,000 (30 June 2015). The property is currently leased for US\$4,495 per month.

240 2nd Street, Downtown Jersey City

Located on a beautiful tree-lined block in the heart of Downtown Jersey City, 240 2nd Street was acquired by the Fund in December of 2012. The property was extremely outdated, lacked an open layout, and was outfitted with low-end finishes and fixtures that deterred many potential buyers that were looking for a high-end finished product.

When it was acquired, the property was a cramped three-family home, set up as a two bedroom, two bathroom duplex designed for the owner, with two rental apartments on the floors above it. After considering multiple renovation schemes, the Dixon Projects team ultimately decided to complete a gut renovation of the property, transforming it into a grand single family home, which now offers five bedrooms, six bathrooms and a spacious open concept layout. The interior of the home is of the highest quality and includes a beautiful designer kitchen, top of the line fixtures and fittings, stunningly remodelled bathrooms, and a backyard fit for entertaining.



US REIT acquired this property for US\$737,500 and incurred renovation costs of US\$881,450. Its most recent valuation was US\$1,900,000 (30 June 2015). The property is currently leased for US\$7,295 per month.

454 Gregory Avenue, Weehawken NJ

Situated on the beautiful bluffs of Weehawken, 454 Gregory Avenue was purchased by the Fund in July of 2013. At the time of acquisition, the property was an outdated two family home, but boasted beautiful New York City views and had the potential to be transformed into a breathtaking property.

To capitalise on the spectacular views and attractive Weehawken location, Dixon Projects decided to transform this two family home, which had been configured as a two bedroom, one bathroom apartment over a three bedroom, two bathroom apartment, into a spacious single family residence. The home now boasts an open layout with four bedrooms and three bathrooms, as well as high-end, modern finishes that include spectacular marble bathrooms, a beautiful designer kitchen, wide plank dark-stained floors, and gorgeous Juliette balconies off of the rear of the house, accentuating the Manhattan skyline views.



US REIT acquired this property for US\$585,000 and incurred renovation costs of US\$614,050. Its most recent valuation was US\$1,400,000 (30 June 2015). The property is currently leased for US\$4,995 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. 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, in June 2014 the Jersey City Landmarks Conservancy awarded Dixon Advisory Group the Preservation Initiative Award.

This award recognised 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 Advisory Group's architectural design and project management teams, which have been formed for the exclusive benefit of the Fund.

Multi-Family Properties

The Fund has entered into a number of joint ventures through which the Fund invests, with its joint venture partners, 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 for individual investors or local groups.

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.

As at 30 June 2015 the Fund, through these joint ventures, held ownership interests in 27 apartment blocks comprising 931 units with its joint venture partners.

As at the date of this Prospectus, the investment properties owned by all of the Excelsior joint venture entities were on the market for sale. The Fund has entered into an agreement whereby if properties are not sold within an agreed timeline, the Fund will purchase the properties from its joint venture partner at an agreed price.

2.4. Profile of URF Earnings

Financial Performance

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 six months to 30 June 2015, the Fund generated rental income of \$9.3 million, up 30% over the six months to 31 December 2014 and up 40% over the comparative prior year six month period. The Fund anticipates rental revenue to continue to grow through the remainder of 2015 and into 2016, though at a reduced rate, as more completed properties are delivered from the renovation pipeline and leased to tenants.

Profit before tax for the six months to 30 June 2015 was \$31.8 million including a fair value movement of investment properties of \$34.8 million for the period. For the 12 months to 31 December 2014, profit before tax was \$11.5 million, including a fair value movement in investment properties of \$31.7 million.

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 Fund. Since inception of the Fund in June 2011 to 30 June 2015 the unrealised foreign exchange gain was \$115.6 million including an unrealised foreign exchange gain for the six months to 30 June 2015 of \$32.1 million, reflecting a 6.1% appreciation in the US dollar against the Australian dollar in that period.

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 United States 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 2.17 of this Prospectus for details of the Fund's hedging policy.

Cash Flow Profile

The Fund remains in a growth phase, with cash outflows, to finance the Fund's property acquisition and renovations, of \$98.7 million for the six months to 30 June 2015 (\$81.6 million to 30 June 2014) and \$147.3 million for the 12 months to 31 December 2014 (\$173.3 million to 31 December 2013). 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 2015, 44% of the Fund's freestanding properties by value were in various stages of renovation and therefore not generating rental revenue. As a result, the Fund experienced net operating cash outflows of \$17.6 million for the six months to 30 June 2015 (\$6.1 million to 30 June 2014) and \$5.7 million for the 12 months to 31 December 2014 (\$7.0 million to 31 December 2013).

Use of Proceeds and Financing Strategy

Proceeds from the issue of URF Notes II will be used to fund URF's investment strategy including renovations of properties in the portfolio, acquisitions of new properties, and for working capital purposes

and debt servicing purposes (including URF Notes and URF Notes II), consistent with the investment strategy of URF.

As noted above, with 44% of the Fund's freestanding properties by value in the renovation or renovation pipeline phase and therefore not earning rental revenue as at 30 June 2015 (compared to 41% as at 31 December 2014), current operating cash flows of the Fund would not in isolation support the payment of interest or principal in relation to URF Notes II. By deploying a significant portion of the proceeds from URF Notes II 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 2.3 for further information regarding the Fund's investment portfolio including the number of properties leased, vacant and undergoing or scheduled for renovation as at 30 June 2015.

The Fund seeks to maintain diversity of funding sources, maturities targeting a consolidated leverage ratio of approximately 50% (See Section 2.11(g) for information regarding the Fund's gearing and leverage ratios and Section 2.15 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 utilised to complete renovation works, acquire new properties, for working capital or to service or refinance debt (including URF Notes and URF Notes II).

2.5. US Residential Property Market

URF has an investment focus on the New York metropolitan area. The New York metropolitan area is the largest metropolitan area in the US by both population and economic output and has experienced one of the strongest recoveries in the US.

Within the New York metropolitan area, URF is focusing on residential properties in Hudson County, New Jersey, and Brooklyn, Manhattan and Queens, New York.

The Responsible Entity believes Hudson County, New Jersey, and Brooklyn, Manhattan and Queens, New York offer compelling real estate market dynamics and demographics, including deep and well-established housing stock, proximity and direct public transport access to Manhattan and a high population density.

URF's target markets consistently rank among the best places to live in the US for those seeking an urban lifestyle. US REIT's investment properties currently represent a balance of premium and workforce housing.

History of the US Housing Market

Over the period from 1997 to 2005, the US real estate market witnessed a remarkable rise in house prices. Nominal average house price, as measured by the S&P/Case-Shiller US National Index, recorded an increase of almost 131% from the first quarter of 1997 to the first quarter of 2006.¹ Lending to the riskier, otherwise known as sub-prime, borrowers increased dramatically through the housing boom. The downturn commenced when house prices started to fall in 2006, triggering an increase in mortgage defaults. The number of defaults led to unexpected losses for institutions with some failing or requiring government assistance.

Current State of US Housing Market

The US economy eventually bottomed in the second quarter of 2009 (year on year GDP growth rate), and since then has been in a steady, upward projection, with second quarter of 2015 gross domestic product growing by 3.7%.² According to the International Monetary Fund, the US economy is forecast to expand by 3.0% in 2016,³ representing the highest growth rate among major developed countries.

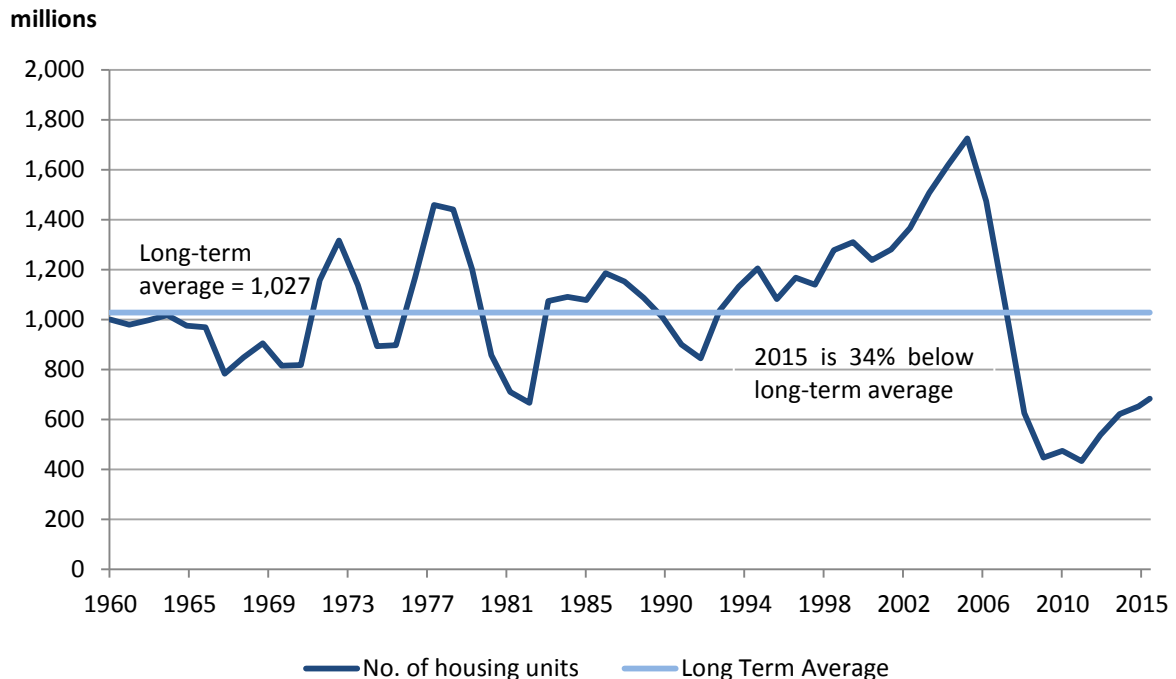
¹ Bloomberg. Bloomberg has not provided consent to the inclusion of data attributed to it in this Prospectus.

² U.S. Bureau of Economic Analysis, bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm

³ International Monetary Fund, <http://www.imf.org/external/pubs/ft/weo/2015/update/02/pdf/0715.pdf>

This economic recovery, together with the positive demographic profile of the US, is translating to the housing market, with single family housing starts recovering from their post-crisis lows. However, recent figures remain some 34% below the long-term annual average over the period from 1960 to 2015. This is illustrated in the following graph.

US Single Family Housing Starts



Source: Bloomberg. Bloomberg has not provided consent to the inclusion of data attributed to it in this Prospectus.

At the same time, while the housing market has begun to recover, along with the US economy, the mortgage market remains extremely challenged. Despite low 30 year mortgage rates of approximately 3.9%,⁴ obtaining credit for buying a home or refinancing an existing mortgage remain exceptionally difficult. By some measures, mortgage credit availability today is worse than at the depths of the financial crisis.

This state of affairs – a growing US economy and population combined with a recovering but constrained housing supply and enduring lack of credit availability – continues to support large scale institutional investment into the US single family housing rental market. In recent years institutional investors have acquired an estimated US\$25 billion of single-family houses across the US.

New York Housing Market

New York's housing market also suffered significant falls due to the financial crisis, with single family prices falling some 40% across New York City. During this period, real estate development in New York City almost ground to a halt, exacerbating an already tight housing market and setting the stage for future severe shortages. Real estate development has commenced its recovery in New York City.

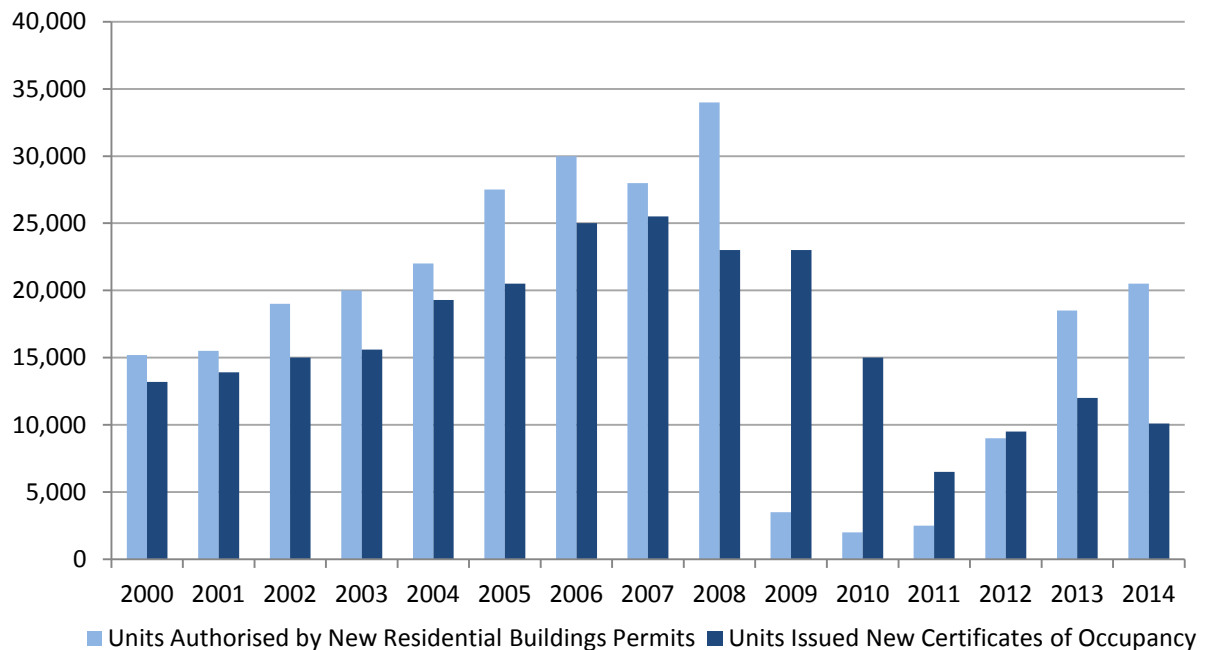
New York City Building Permits and Certificates of Occupancy

In contrast to the slow recovery in housing development, the New York City economy has experienced a sharp rebound, with unemployment levels reaching the lowest levels in seven years.⁵ This strong growth is expected to continue, with global real estate consultancy Knight Frank forecasting New York City's economy to grow by US\$874 billion from 2013 to 2030, more than any other major global city.

⁴ Federal Home Loan Mortgage Corporation, www.freddiemac.com/pmms/pmms_archives.html

⁵ New York State, Department of Labor, <http://labor.ny.gov/stats/pressreleases/prlaus.shtm>

Against this backdrop, the Fund believes it is well-placed to capitalise on its position as the only listed fund focussed exclusively in New York metropolitan area freestanding and multi tenant housing.



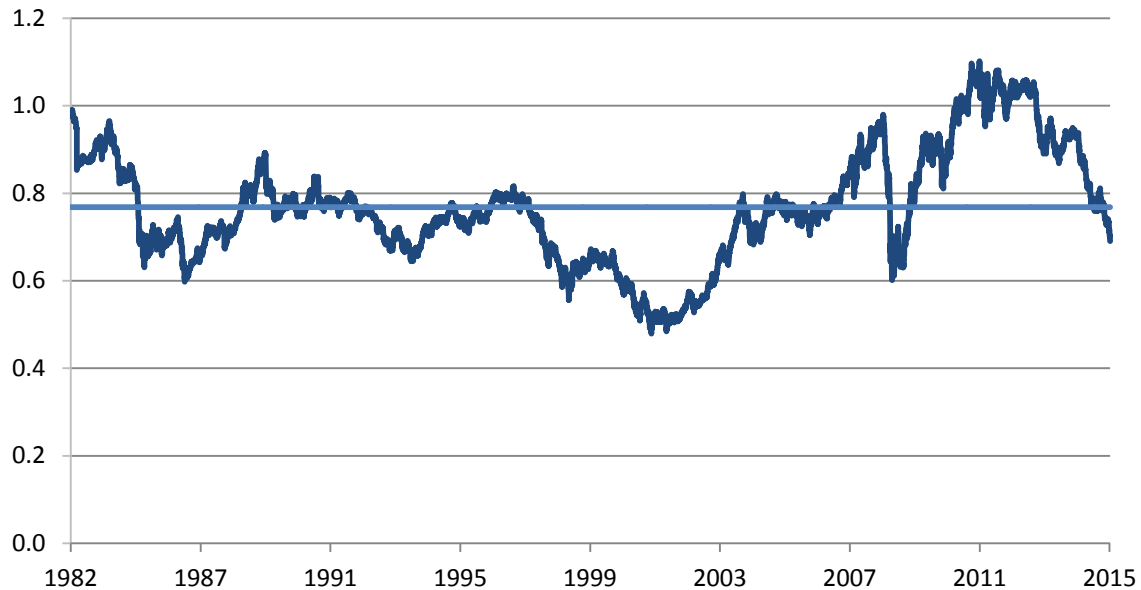
Source: New York City Department of Buildings, New York City Department of City Planning, NYU Furman Center, *State of New York City's Housing and Neighborhoods in 2014*

Australian Dollar Exchange Rate

The average level of the US dollar against the Australian dollar since it was floated in 1983 was 77 cents. The Australian dollar has been trending downwards, recently falling below this long term average.

Although the Australian dollar has dropped significantly, the Responsible Entity believes the current level of the Australian dollar provides a sound opportunity to raise Australian denominated debt to ultimately primarily deploy in the US residential housing market.

Australian to US dollar Exchange Rate



Source: Bloomberg, Bloomberg has not provided consent to the inclusion of trading data attributed to it in this Prospectus.

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 issue of URF Notes II (and the previous issue of URF Notes) assists in achieving this diversity. However, in light of the Fund's current policy not to hedge its currency exposure, the Australian dollar denomination of the URF Notes and URF Notes II also introduces a degree of foreign exchange risk to the Fund. Specifically, if the Australian dollar were to appreciate against the US dollar during the term that the URF Notes or URF Notes II were outstanding, the Fund's debt service costs in US dollars would increase. Conversely, if the Australian dollar were to depreciate against the US dollar during the term that the URF Notes II were outstanding, the Fund's debt service costs in US dollars would decrease. A further discussion of foreign exchange risk is included in Section 3.3(b).

2.6. Target Investment Area

The Fund targets 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 US.

Within the New York Metropolitan area, the Responsible Entity of the Fund focuses on investment within undervalued neighbourhoods experiencing growth and gentrification, specifically in Hudson County, New Jersey, and Brooklyn, Manhattan and Queens, New York.



Location

Hudson County is located in the north east of New Jersey on the Hudson River directly adjacent to New York City. Brooklyn and Queens are located adjacent to each other within close proximity to Manhattan.

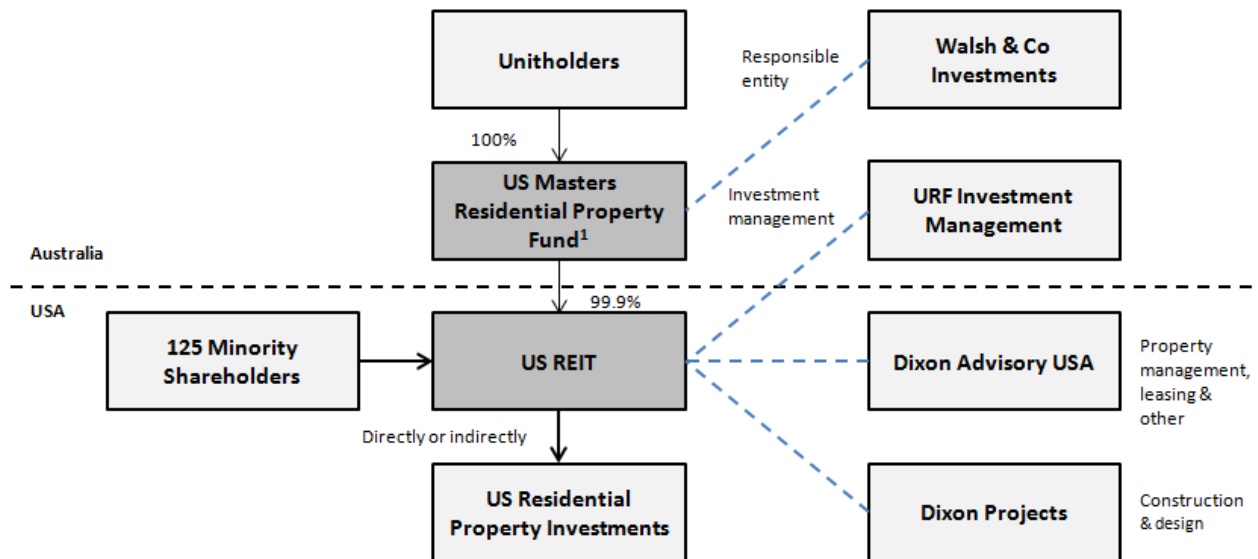
The Responsible Entity of the Fund believes Hudson County, New Jersey and Brooklyn, Manhattan and Queens, New York continue to present a compelling opportunity to gain exposure to the US residential property market.

Since 2011, the Responsible Entity on behalf of the Fund has been investing in US residential property, with a focus on freestanding and multi-family properties in the New York metropolitan area. The Responsible Entity believes the key investment areas of Hudson County, New Jersey and Brooklyn, Manhattan and Queens, New York have a number of favourable investment characteristics including:

- Strong economic fundamentals – investing in the largest and fastest growing city in the US, with a gross domestic product equivalent to Australia;
- Highly favourable supply/demand dynamics – constrained housing supply and high rental demand;
- Attractive valuations and high quality housing stock – exceptional quality houses able to be purchased at or below replacement cost;
- Urban, high density market – targeted geographic footprint provides the Fund with significant scale economies
- Urban growth revival – strong demographic, economic, and social trends driving urban growth revival, with city populations now growing faster than suburbs in the US; and
- Excellent mass transit systems – all investment properties are within a one hour mass transit commute time to mid-town Manhattan.

2.7. Structure of URF

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



¹ URF Notes II issued from the US Masters Residential Property Fund

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 when, as and if declared by the US REIT's board of trustees.

Walsh & Company Investments Limited is the responsible entity of URF. 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 party of Walsh & Company Investments Limited. The Investment Manager provides investment management services to the Fund, 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 a wholly owned US subsidiary (**Dixon Advisory USA**) which is 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, LLC. (**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 Group was recently awarded the Rising Star Award in the New York Construction Awards 2015 and in 2014 was awarded the Preservation Initiative Award by the Jersey City Landmarks Conservancy in recognition of the Responsible Entity'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 Crown Heights, Brooklyn and in the Heights and Downtown districts of Jersey City.

2.8. Issuer of URF Notes II

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

2.9. Application of Proceeds of the Offer

The proceeds of issue of the URF Notes II 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 funds will then be provided through to the 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. These funds may be provided by way of subscription for shares in US REIT or by way of loans. The optimal approach to deployment of this cash will be determined as circumstances require.

Proceeds will also be used to acquire properties, to provide working capital at both the Fund and US REIT level, to service URF Notes and URF Notes II 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. See Sections 2.3 and 2.4 for further information.

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 II might therefore assist in the payment of distributions to Unitholders.

2.10. URF Investment Objectives and Strategy

The Issuer's aim is to provide Unitholders with:

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

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

The Responsible Entity intends to make selective property acquisitions based on an assessment of value, taking into account the risks inherent in each property and the ability for these risks to be mitigated by experienced management.

The Responsible Entity seeks to meet the Issuer's objectives by:

- (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 Responsible Entity believes have positive investment dynamics in the residential market; and
- (c) using gearing in cases where gearing will enhance after-tax returns.

2.11. Financial information

- (a) **Overview**

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

- historical audited consolidated profit and loss statements for the year ended 31 December 2014; historical reviewed consolidated profit and loss statements for the half-year ended 30 June 2015 (Section 2.11(c));
- historical audited consolidated statement of financial position as at 31 December 2014; historical reviewed consolidated statement of financial position as at 30 June 2015 (Section 2.11(d));
- historical audited consolidated cash flow statement for the year ended 31 December 2014; historical reviewed consolidated cash flow statement for the half-year ended 30 June 2015 (Section 2.11(e));
- historical unaudited pro forma consolidated statement of financial position as at 30 June 2015 illustrating the impact of additional equity raised by the Fund post this date to 31 August 2015 and the payment of the 30 June 2015 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 2015 illustrating the impact at that date of the additional equity raised to 31 August 2015, the payment of the 30 June 2015 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 2.11(f)); and
- historical and pro forma financial ratios (Section 2.11(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 2015 (**2015 Half Yearly Report**) and the most recent annual financial report was for the year ended 31 December 2014 (**2014 Annual Report**).

Copies of the 2015 Half Yearly Report and the 2014 Annual Report can be obtained from www.asx.com.au and www.usmastersresidential.com.au.

The Financial Information should be read in conjunction with the notes set out in the 2014 Annual Report, the notes set out in the 2015 Half Yearly Report, the risks described in Section 3 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 2015 Half Yearly Report which was reviewed by Deloitte Touche Tohmatsu in accordance with Australian Auditing Standards; and
- the 2014 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 2014 Annual Report was unmodified. The auditor's review conclusion issued to the Fund's unitholders in relation to the 2015 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 2015, assuming additional equity raised after that date to 31 August 2015, the payment of the 30 June 2015 distribution (including the issue of units under the distribution reinvestment plan) and completion of the Offer and expenditure of funds associated with the Offer had been completed as at 30 June 2015.

The accounting policies used in preparation of the Financial Information detailed below are consistent with those set out by the Issuer in its 2014 Annual Report and the 2015 Half Yearly Report. The significant accounting policies are set out below in Section 2.11(h) below.

(c) Consolidated Profit & Loss Statements

The reviewed consolidated profit and loss statement for the six months ended June 2015 and the audited consolidated profit and loss statement for the 12 months ended 31 December 2014 of the Fund are provided below.

\$'000	6 months to 30 June 2015	12 months to 31 December 2014
Investment property rental income	9,300	13,843
Insurance proceeds	136	-
Interest income	729	545
Other income	-	-
Total revenue	10,165	14,388
Fair value movement of investment properties	34,780	31,653
Fair value movement in forward foreign currency derivative	363	(724)
Share of profits/(losses) of jointly controlled entities	8,707	(361)
Investment property expenses	(6,290)	(8,786)
Net foreign currency gain/(loss)	2,002	(2,584)
Management fees	(6,425)	(7,787)
Listing fees	(135)	(194)
Professional fees	(1,271)	(2,851)
Marketing	(192)	(250)
Responsible Entity and related entity recharges – salaries and wages	(3,926)	(6,010)
Responsible Entity and related entity recharges – office administration	(2,300)	(3,106)
Interest expense	(2,450)	(184)
Impairment of investment property	(176)	-
Investment property disposal costs	(888)	(1,474)
Bad debt expense	(51)	(164)
Other expenses	(158)	(92)
Profit before income tax	31,755	11,474
Income tax expense	(19,755)	(15,364)
Profit/(loss) for the period	12,000	(3,890)
Exchange difference on translation of foreign operations (nil tax)	32,103	41,707
Share of joint venture's reserve movements (nil tax)	(103)	(343)
Total comprehensive income for the period attributable to Unitholders	44,000	37,474

(d) Consolidated Statements of Financial Position

The reviewed consolidated statement of financial position as at 30 June 2015 and the audited consolidated statement of financial position as at 31 December 2014 of the Fund are provided below.

\$'000	As at 30 June 2015	As at 31 December 2014
<i>Current assets</i>		
Cash and cash equivalents	110,143	191,281
Receivables	673	581
Prepayments	297	772
Other assets	4,630	3,087
Investment properties held for sale	311	18,444
Total current assets	116,054	214,165
<i>Non current assets</i>		
Investment in jointly controlled entities	72,153	60,160
Investment properties	718,741	543,058
Security deposits	324	305
Other assets	3,693	1,035
Total non current assets	794,911	604,558
Total assets	910,965	818,723
<i>Current liabilities</i>		
Payables	30,754	37,225
Borrowings	37,254	797
Forward foreign currency derivative	-	724
Total current liabilities	68,008	38,746
<i>Non current liabilities</i>		
Deferred tax liabilities	57,179	35,304
Borrowings	285,761	282,795
Other non current liabilities	162	162
Total non current liabilities	343,102	318,261
Total liabilities	411,110	357,007
Net assets	499,855	461,716
<i>Equity</i>		
Unit capital	384,231	381,981
Reserves	115,624	83,625
Accumulated losses	-	(3,890)
Total equity	499,855	461,716

(e) Consolidated Cash Flow Statements

The reviewed consolidated cash flow statement for the six months ended June 2015 and the audited consolidated cash flow statement for the 12 months ended 31 December 2014 of the Fund are provided below.

\$'000	6 months to 30 June 2015	12 months to 31 December 2014
<i>Cash flow from operating activities</i>		
Cash receipts from customers	9,736	13,949
Cash paid to suppliers	(25,548)	(20,004)
Insurance proceeds	58	-
Interest received	450	420
Interest paid	(2,343)	(33)
Net cash used in operating activities	(17,647)	(5,668)
<i>Cash flow from investing activities</i>		
Acquisition of investment property, including improvements	(98,701)	(147,297)
Investment in jointly controlled entities	(1,696)	(22,617)
Payments for property related deposits	(2,716)	(1,564)
Distributions received from jointly controlled entity investments	440	453
Proceeds from the sale of investment properties	12,083	21,572
Disposal costs on the sale of investment properties	(888)	(1,474)
Net cash used in investing activities	(91,478)	(150,927)
<i>Cash flow from financing activities</i>		
Proceeds from issue of unit capital	-	87,230
Payment of issue costs	-	(542)
Payment of transaction costs related to loans and borrowings	(11,211)	(2,142)
Gross proceeds from secured bank loans and loan notes	108,916	237,125
Payment of interest reserve	(2,595)	(871)
Distributions paid	(5,662)	(8,856)
Bank loan repayments	(67,312)	(8,740)
Net cash flow from financing activities	22,136	303,204
Net increase/(decrease) in cash and cash equivalents	(86,989)	146,609
Cash and cash equivalents at beginning of period	191,281	42,773
Effect of exchange rate fluctuations on cash held	5,851	1,899
Cash and cash equivalents at end of period	110,143	191,281

(f) Unaudited Pro Forma Consolidated Statements of Financial Position

Unaudited Pro Forma post 30 June 2015 Adjusted Statement of Financial Position

As at 30 June 2015 the Fund had consolidated debt with a face value of \$341 million. Post balance date to 31 August 2015 the Fund had increased its equity through a unit purchase plan and a distribution reinvestment plan.

The following pro-forma statement of financial position illustrates the Fund's financial position assuming any equity raised to 31 August 2015 and the payment of the 30 June 2015 distribution (including the issue of units under the distribution reinvestment plan) had occurred as at 30 June 2015.

\$'000	Actual 30 June 2015 (reviewed)	Pro Forma Adjusted Post 30 June 2015 ¹	Pro Forma Post 30 June 2015 Adjusted Statement of Financial Position
Cash and cash equivalents	110,143	13,141	123,284
Other current assets	5,911	-	5,911
Total current assets	116,054	13,141	129,195
Total non current assets	794,911	-	794,911
Total assets	910,965	13,141	924,106
Payables	30,754	(13,645)	17,109
Borrowings	37,254	-	37,254
Total current liabilities	68,008	(13,645)	54,363
Deferred tax liabilities	57,179	-	57,179
Borrowings	285,761	-	285,761
Other non current liabilities	162	-	162
Total non current liabilities	343,102	-	343,102
Total liabilities	411,110	(13,645)	397,465
Net assets	499,855	26,786	526,641

1. Reflects the issue of 9,731,000 units on 13 August 2015 at a price of \$2.00 per unit under the URF unit purchase plan announced on 17 July 2015, the issue of 3,499,324 units on 10 August 2015 at a price of \$2.10 per unit under the Fund's distribution reinvestment plan (included as a distribution liability in Payables as at 30 June 2015) and the cash payment of the 30 June 2015 distribution (included as a distribution liability in Payables at 30 June 2015).

Unaudited Pro Forma post 30 June 2015 Adjusted Statement of Financial Position

The following pro forma statement of financial position illustrates the impact on the Fund's financial position as at 30 June 2015, assuming an opening position which includes the adjusted 30 June 2015 per the previous table and adjustments to reflect completion of the Offer and expenditure of funds associated with the Offer as at that date.

\$'000	Pro Forma Post 30 June 2015 Adjusted Statement of Financial Position	Pro Forma Adjustment \$50 million Offer ¹	Pro Forma \$50 million ¹ Statement of Financial Position	Pro Forma Adjustment \$150 million Offer ²	Pro Forma \$150 million ² Statement of Financial Position
Cash and cash equivalents	123,284	48,705	171,989	146,562	269,846
Other current assets	5,911	-	5,911	-	5,911
Total current assets	129,195	48,705	177,900	146,562	275,757
Total non current assets	794,911	-	794,911	-	794,911
Total assets	924,106	48,705	972,811	146,562	1,070,668
Payables	17,109	-	17,109	-	17,109
Borrowings	37,254	-	37,254	-	37,254
Total current liabilities	54,363	-	54,363	-	54,363
Deferred tax liabilities	57,179	-	57,179	-	57,179
Borrowings	285,761	48,705	334,466	146,562	432,323
Other non current liabilities	162	-	162	-	162
Total non current liabilities	343,102	48,705	391,807	146,562	489,664
Total liabilities	397,465	48,705	446,170	146,562	544,027
Net assets	526,641	-	526,641	-	526,641

1. Assumes a capital raising under the Offer of 500,000 URF Notes II (the minimum size of the Offer) to raise \$50 million and associated Offer costs of approximately \$1.3 million, inclusive of the 45% portion of the full input tax credit not entitled to.
2. Assumes a capital raising under the Offer of 1,500,000 URF Notes II (the maximum size of the Offer including the maximum potential oversubscriptions under the Offer) to raise \$150 million and associated Offer costs of approximately \$3.4 million, inclusive of the 45% portion of the full input tax credit not entitled to.

(g) Historical and Pro Forma Financial Ratios

The Corporations Act requires that a prospectus offering “simple corporate bonds” to investors include disclosure regarding the Gearing Ratio, Interest Cover and Working Capital Ratio for an issuer on a consolidated basis. The URF Notes II 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 maximum long term target gearing level of approximately 50%, is also provided below.

The ratios included below have been calculated based on:

- the reviewed consolidated statement of financial position as at 30 June 2015;
- the reviewed consolidated profit and loss statement for the six months to 30 June 2015;
- the unaudited pro forma consolidated statement of financial position as at 30 June 2015 incorporating the equity raised in the period 1 July 2015 to 31 August 2015 and the payment of the 30 June 2015 distribution, including units issued under the distribution reinvestment plan on 10 August 2015 ;
- the unaudited pro forma consolidated statement of financial position as at 30 June 2015 incorporating the equity raised in the period 1 July 2015 to 31 August 2015, payment of the 30 June 2015 distribution, including units issued under the distribution reinvestment plan on 10 August 2015 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. For comparative purposes, the corresponding ratios, based on the final URF Notes raising size of \$150 million, that were provided in the URF Notes Prospectus have been included in this Prospectus.

The “Reviewed 6 month period ended 30 June 2014 URF Note Prospectus pro-forma \$150 million raising” has been extracted from the URF Notes Prospectus dated 12 December 2014.

	Reviewed 6 month period ended 30 June 2014 URF Note Prospectus pro-forma \$150 million raising ⁵	Reviewed 6 month period ended 30 June 2015	Pro Forma Post 30 June 2015 Adjusted	Pro Forma Post 30 June 2015 Adjusted and \$50 million Offer	Pro Forma Post 30 June 2015 Adjusted and \$100 million Offer	Pro Forma Post 30 June 2015 Adjusted and \$150 million Offer
Leverage ratio	38%	37%	37%	40%	43%	46%
Leverage ratio (look through) ¹	43%	42%	42%	45%	47%	49%
Gearing ratio	78%	82%	75%	85%	94%	103%
Gearing ratio (look through) ²	94%	98%	90%	99%	109%	118%
Interest cover ^{3,4} (6 months to 30 June 2015)	0.6x	4.2x	4.2x	3.5x	3.0x	2.6x
Working capital ratio	2.1x	1.7x	2.4x	3.3x	4.2x	5.1x

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 2015 interest cover calculation includes unrealised fair value movement in investment properties of \$34.8 million (non cash). If the non cash fair unrealised value movement were removed, the EBITDA for the six months to 30 June 2015 and therefore the interest cover ratio would be negative.
4. Interest on URF Notes II is calculated at 7.75% per annum on their Face Value plus periodic amortisation of capitalised Offer costs and is included for six months.
5. Figures extracted from the URF Notes Prospectus. Notes contained in this table should not be applied to these figures. Refer to URF Notes Prospectus for an explanation of these ratios.

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

\$'000	6 months to 30 June 2015
Interest Income	729
Interest Expense	(2,450)
Capitalised interest ¹	(8,359)
Net Interest	(10,080)
Profit/(Loss) before income tax	31,755
Net Interest	10,080
Depreciation and amortisation	-
EBITDA	41,835

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 for a prospectus offering “simple corporate bonds”. The Gearing Ratio does not represent the traditional gearing ratio adopted by the Fund or the industry, which has been included as the Leverage Ratio below.

The Leverage Ratio is the traditional ratio adopted by the Fund for the purposes 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 II 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 II) 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

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

A 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 II) 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 2.11.

(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 Joint Venture 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 and its taxable income (including assessable realised capital gains) is fully distributed to Unitholders.

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 which may result in a US income tax liability to the Fund if the proceeds from 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 Statement of Financial Position and their associated tax cost bases.

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 in 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 Costs

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.

(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 and 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 Judgments

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.

2.12. 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.

Alexander MacLachlan, BA (Cornell), MBA (Wharton)
Managing Director, CEO – Funds Management, Dixon Advisory

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 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 start, Alex has grown the Funds Management division to approximately \$2.5 billion of funds under management today, with investments across residential and commercial property, fixed income, private equity, and listed equities and commodities.

Prior to joining Dixon Advisory, Alex was an investment banker at UBS, 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.

Alex is chairman of the responsible entity for Australian Property Opportunities Fund I & II, Emerging Markets Fund and US Select Private Opportunities Fund I & II and managing director of the Global Resource Masters Fund Limited. Alex is also a director of the Australian Masters Yield Fund Series, the Australian Corporate Bond Fund Services and the Asian Masters Fund Limited. Alex is also a trustee of the US REIT.

Alex has a Bachelor of Arts from Cornell University and a Master of Business Administration from The Wharton School, University of Pennsylvania.

Tristan O’Connell, BCom (ANU), CPA
Finance Director, Dixon Advisory

Tristan joined the Dixon Advisory Group in 2005 after 10 years’ experience in corporate financial and management roles within the wholesale financial markets industry and is currently a director of the responsible entity for each of the Emerging Markets Masters Fund, Australian Property Opportunities Fund I & II and US Select Private Opportunities Fund I & II. 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 the Tullett Prebon Group in Singapore and London. Tristan returned to Australia to be responsible for the financial management and growth of Dixon Advisory.

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, BCom, LLB (Hons) (ANU)
COO – Funds Management, Dixon Advisory

Tom Kline is the Chief Operating Officer of the Funds Management division of Dixon Advisory. He works closely with the Dixon Advisory Investment Committee and Corporate Finance teams to deliver investment opportunities for Dixon Advisory clients.

He is a director of the responsible entity for the Fund, Emerging Markets Masters Fund, Australian Property Opportunities Fund I & II and US Select Private Opportunities Fund I & II. Tom is also a director of Fort Street Real Estate Capital and a director of the Investment Manager for the Fund. He is also Chairman of Australian Masters Yield Fund No 4 Limited and Australian Masters Yield Fund No 5 Limited.

Before Dixon Advisory, Tom worked at UBS AG in Sydney. During his time at UBS, he was a member of the Infrastructure and Utilities team and advised on a wide range of public and private M&A and capital market transactions. Prior to joining UBS AG, Tom served in the Corporate Finance division at Deloitte. While at Deloitte, he worked in the Transaction Services, Business Modelling and Valuation Teams.

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

2.13. 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, Chris Brown, Alexander MacLachlan, Tom Kline and Phillip Lois.

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

Alan Dixon has been providing financial advisory services to corporations, institutions and individuals for more than 20 years. Until December 2000, he worked for various investment banks, including ABN AMRO, where he was an Associate Director in Mergers and Acquisitions and Equity Capital Markets, and Ord Minnett Corporate Finance.

He became Managing Director of Dixon Advisory Group in 2001 before becoming Managing Director & Chief Executive Officer of Dixon Advisory USA in 2012.

Alan currently serves as a director of the Investment Manager. He is also a director of the Australian Masters Yield Funds 1-3 and the Australian Masters Corporate Bond Fund Series. He sits on the advisory board of US Select Private Opportunities Fund I & II.

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™.

Chris Brown, BChem Eng (Hons) (Sydney), BCom (Sydney)
CEO – Dixon Advisory Australia

Chris Brown is a director of the Investment Manager. He is also a director of the Australian Masters Yield Fund Series and the Australian Masters Corporate Bond Fund Series.

Chris was previously an Executive Director at UBS AG in the Investment Banking Division in Sydney. Over his 8 years at UBS, he provided capital markets and mergers & acquisitions advice to many different public and private companies in Australia and overseas. Chris specialised in providing this advice to industrial, utility, infrastructure, property and financial companies. Chris spent several years in the UBS Mergers & Acquisitions Group in New York working on transactions in chemicals, healthcare, consumer products, media, telecoms, technology, insurance and utilities. Prior to joining UBS, Chris also worked in the Investment Banking division of ABN AMRO where he focused on mergers & acquisitions along with capital markets advice to companies in the Australian property sector.

Before his career in investment banking, Chris worked for a Sydney based property funds management company and a chemical engineering and design company. Chris has a Bachelor of Chemical Engineering with 1st class honours and a Bachelor of Commerce both from Sydney University.

**Phillip Lois, BChem (Hons I) (Sydney), BCom (Sydney)
Deputy Chief Financial Officer, Dixon Advisory**

Phillip Lois joined Dixon Advisory 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 has been the management of the US Masters Residential Property Fund. Phillip was previously the Chief Financial Officer of the US Masters Residential Property Fund, a role which he held from 2011 to 2015. During this time, Phillip was responsible for all the finance functions of the US Masters Residential Property 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 A\$70 million in assets to almost A\$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, 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 and executing on 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, Dixon Advisory**

See previous.

**Tom Kline, BCom, LLB (Hons) (ANU)
COO – Funds Management, Dixon Advisory**

See previous.

2.14. US Executive Team

**David Orr, BComm, LLB
Executive Director, Dixon Advisory, COO Dixon Advisory USA**

David is an investment expert with over a decade 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 their 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 as Executive Director – Strategy. In this role David, in conjunction with Alan Dixon, is responsible for the strategic direction of Dixon Advisory USA. This includes reviewing the processes of several business units in the fund, managing the funds relationship 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).

Priscilla Lebron
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 8 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 proved to work on large apartment buildings to the individual residential housing market. This is crucial to achieving the long term property management goals for the Fund.

Ezequiel Ortiz
Director, Acquisitions

Zeke brings 13 years of experience in Hudson County real estate. Through his career, Zeke has completed over \$50 million of property transactions and 300 appraisals of New Jersey Property. 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 Hudson County Real Estate 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 the Fund Zeke has held positions across valuations, sales, brokerage and construction roles. Zeke is a licensed New Jersey Real Estate Broker.

Kevin McAvey
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 organization. Kevin graduated from Suffolk University in Boston, MA with a Bachelor of Business Administration in Finance. He also played baseball at Suffolk, serving as a pitcher for the Rams' Division III baseball team.

Paul McNerney
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.

2.15. Borrowings 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. As at 31 August 2015, US REIT and its subsidiaries has US\$146.0 million of secured debt outstanding (inclusive of US\$70 million drawn on the new US\$150 million debt facility described below) and US\$58.4 million (proportional interest) of secured debt at the joint venture level (US REIT proportion). At the Fund level, \$150 million of debt is currently outstanding in the form of URF Notes (plus accrued but unpaid interest).

In December 2014, the Fund raised \$150 million of unsecured debt in the form of the URF Notes (ASX: URFHA). The URF Notes are on terms that are broadly similar to, but not identical with, the Terms of the URF Notes II. See Section 1 for an explanation of the differences between the Terms of the URF Notes II and the terms of the URF Notes. Some of the proceeds of this raising have been advanced by URF to US REIT under a convertible note to fund US REIT's acquisitions and operations.

The secured debt that various subsidiaries of US REIT have obtained is across ten distinct loan facilities provided by three lending institutions. One of these facilities is guaranteed by US REIT, whilst on the new US\$150 million facility (referred to below), URF and US REIT have each provided guarantees in limited circumstances.

In early June 2015, URF finalised negotiations and achieved financial close of a new US\$150 million debt facility (**Fortress Facility**). The primary purpose of the facility is to fund future working capital requirements of the Fund including costs associated with the acquisition and/or renovation of properties.

The Fortress Facility is a new US\$150 million debt facility, comprising three and five year expiries across a US\$85 million revolving loan sub-facility and a US\$65 million term loan sub-facility, has been provided by FCCD Limited (a member of the Fortress Investment Group) (**Fortress**) – a leading global investment manager listed on the NYSE. At 31 August 2015 the Fortress Facility was drawn to US\$70 million (approximately \$90.8 million at the 30 June 2015 exchange rate).

As part of the security granted to support the Fortress Facility, URF and US REIT have provided a limited guaranty and indemnity in favour of Fortress under which it guaranteed the obligations of the borrowers in limited circumstances including where a borrower became subject to insolvency proceedings and provided a limited indemnity in respect of, among other things, compliance by the borrowers with environmental and other regulatory matters and negative pledge undertakings given 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 other unsecured debts of URF including the debt owing to URF Note II Noteholders.

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

- (a) the Fund seeks to maintain, and following Completion of the Offer will move the Fund towards, a target consolidated long-term leverage ratio of 50%. This ratio is calculated using the formula for Leverage Ratio set out in Section 2.11(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 above and recognising current market conditions, the URF Notes II 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 II, the Issuer may, at its absolute discretion but subject to the Terms, seek to Redeem or partially repay all URF Notes II 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 II, 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 utilising some or all of

that debt funding to refinance all or part of URF Notes II. This debt funding may also be used to refinance all or part of the URF Notes in accordance with their terms of issue.

2.16. 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.

2.17. Foreign Exchange Hedging Policy

The Fund receives income streams and holds assets which are denominated in US dollars. The obligations to pay Interest and the Face Value on Redemption of URF Notes II (as well as the corresponding obligations in relation to the 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 as Interest and on redemption of the URF Notes and the URF Notes II fluctuate with changes in the exchange rate between the Australian dollar and the US dollar.

Any US dollar denominated borrowings taken out by the Fund will act as a natural hedge against this foreign currency exposure. URF Notes and URF Notes II 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.

2.18. 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 backing. 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.

2.19. Distribution Policy

The Fund intends to distribute 100% of its operating income (which excludes unrealised gains and losses) and will consider distributing greater amounts, assessed each half-year period at the discretion of the Responsible Entity.

2.20. Valuation and Appraisal Policy

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.

2.21. Raising Further Capital

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

2.22. Raising Further URF Notes II

The Fund may, at a future date, decide to raise further URF Notes II or other debt in the Fund (including by raising further URF Notes) or its controlled entities. A further issue of either URF Notes or URF Notes II may be contemplated if there is demand for investment in those notes within the Fund's borrowing policy parameters. At the date of this Prospectus, there are no pre-planned future issues of either URF Notes or URF Notes II.

3. Risks

3.1. Introduction

An investment in the URF Notes II 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 II.

Risks that the Directors believe are key risks associated with URF Notes II specifically are described in Section 3.2 below. Specific investment risks related to the business conducted by the Issuer are set out in Section 3.3. General investment risks are discussed in Section 3.4.

Prospective investors should be aware that this is not an exhaustive list of the risks associated with an investment in the URF Notes II 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.

3.2. Risks Associated with URF Notes II Specifically

(a) Holders of URF Notes II are Subordinated and Unsecured Creditors

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

URF Notes II 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 (the same as) other unsecured creditors of the Issuer, including URF Notes and Fortress if the contingent liability to Fortress in respect of the Fortress Facility becomes due and payable by URF; and
- ahead of ordinary units in URF.

At 30 June 2015 URF (excluding its controlled entities) had \$150 million of debt consisting of the outstanding face value of the URF Notes. However, taking account of its controlled entities, URF had \$323 million of consolidated debt (net of capitalised debt raising costs) and an additional \$76 million of debt in its joint venture investments (URF proportional interest only).

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

If, after the claims of creditors preferred by law and secured creditors are satisfied there are insufficient assets, to satisfy all of the unsecured creditors of the Issuer (including the URF Notes II Noteholders and the URF Noteholders), there is a risk that you may lose some or all of the money you invested in URF Notes II. As the URF Notes II rank pari passu with the URF Notes, if an Insolvency Event occurs there may be competing claims between URF Noteholders and URF Notes II Noteholders (as well as other unsecured creditors of the Issuer that will include Fortress if the contingent liability to Fortress in respect of the Fortress Facility becomes due and payable by URF) to recover amounts owed on the URF Notes and the URF Notes II 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.

Therefore, at the date of this Prospectus, the \$150 million unsecured debt incurred at the Issuer level plus accrued but unpaid interest ranks pari passu with the debt owing to URF Notes II Noteholders. URF also has a contingent liability to Fortress in respect of the Fortress Facility which, if it becomes due and payable by URF, would become another unsecured liability of URF that ranks pari passu with the debt owing to URF Notes II Noteholders. See Section 2.15 for more information about the Fortress Facility and this contingent liability.

(b) The Issuer may Fail to pay Interest and/or Repay the Face Value

Depending upon its performance and financial position, the Issuer may fail to pay some or all of the Interest or repayment of the Face Value on URF Notes II. Section 2.11(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 II.

If an Event of Default occurs and is subsisting, the URF Note II Trustee may declare that all URF Notes II 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.

The URF Note II Trustee can only be required to take enforcement action if it is indemnified to its reasonable satisfaction. There is a risk that, if it were not so indemnified the URF Note II Trustee would not take enforcement action.

(c) URF Notes II do not Mature Until 2020

URF Notes II do not mature until 24 December 2020, approximately five years and two months from the expected after the Issue Date. The Issuer has the right to Redeem part or all of the Face Value of all URF Notes on the First Call Date, being 24 December 2018, approximately 3 years and 2 months from the expected Issue Date and/or any Interest Payment Date after the First Call Date. In the event that the timetable is changed, on announcement of completion of the Offer the final Maturity Date and First Call Date will be advised.

The Issuer may redeem all but not part of the Face Value of all URF Notes II 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.

As a result, there is a risk that you will not receive repayment of the Face Value before 2020, and there is also a risk that the business, financial position and financial performance of the Issuer will change significantly over this period.

To realise your investment, once the URF Notes II are listed on the ASX, you can sell your URF Notes II on the ASX at the prevailing market price. However, depending on market conditions at the time, it is possible that URF Notes II may be trading at a market price below the Face Value and/or the market for URF Notes II may not be liquid. If liquidity is low, there is a risk that, if you wish to sell your URF Notes II prior to the Maturity Date, you may not be able to do so at an acceptable price, or at all.

(d) The Issuer may Redeem URF Notes II if Certain Events Occur

The Issuer has the right to Redeem part or all of the Face Value of all URF Notes II on the First Call Date being 24 December 2018, approximately 3 years and 2 months from the expected Issue Date and/or 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 II 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 II 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) Individual URF Notes II Noteholders are not Entitled to take Action to Require the Redemption of their URF Notes II until 20 Business Days after the URF Note II Trustee Fails to do so

Unless the URF Note II Trustee is obliged to take action to enforce the rights of the URF Notes II Noteholders under the Trust Deed and fails to do so within 20 Business Days, individual URF Notes II Noteholders are not entitled to take action to require the Redemption of their URF Notes II. For a summary of the Trust Deed, including the circumstances in which the URF Note II Trustee is required to take action to enforce the rights of the URF Notes II Noteholders, see Section 5.4.

To realise your investment, you can sell your URF Notes II on ASX at the prevailing market price, unless the URF Notes II have ceased to be Listed. However, even if the URF Notes II are Listed, depending on market conditions at the time, URF Notes II may be trading at a market price below the Face Value and/or the market for URF Notes II may not be liquid.

(f) The Issuer may Raise more Debt and Issue Further Securities

The Issuer has the right to raise more debt and issue further securities that:

- have the same or different interest rates as URF Notes II;
- have the same or different maturities as URF Notes II;
- have the same or different terms and conditions as URF Notes II; and
- rank for payment of principal or interest (including on insolvency) after, equally with, or ahead of URF Notes II, whether or not secured.

Following completion of this Offer until the Redemption Date, the Issuer may issue further URF Notes II at the discretion of the Responsible Entity within the leverage and other relevant policies of the Fund at the time of issue.

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.

The Terms do not contain any covenants preventing the Issuer from raising more debt or issuing further securities, requiring the Issuer to refrain from certain business changes, or requiring the Issuer to operate within certain ratio limits.

A holding of URF Notes II does not confer any right to participate in further issues of securities by the Issuer. In addition, URF and its controlled entities may issue securities with the same or different interest or distribution rates, maturities, or terms and conditions to URF Notes II.

It is difficult to anticipate the effect such further debt or issues of securities by URF or its controlled entities may have on the market price or liquidity of URF Notes II.

Controlled entities of the Issuer (including US REIT and its controlled entities) may raise more debt within the leverage and other relevant policies of the Fund from time to time. The Terms do not contain any

covenants preventing US REIT or any of its 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.

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 US REIT and its cash reserves. Accordingly, any liabilities (of whatever rank) of US REIT and its controlled entities will effectively rank ahead of your claim in relation to the ability to recover your claim from the assets of those entities.

(g) The Market Price of URF Notes II will Fluctuate

The Issuer will apply for quotation of URF Notes II on the ASX. The market price of URF Notes II 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 II 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) The Liquidity of URF Notes II may be Low

The market for URF Notes II 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 II prior to the Maturity Date, you may not be able to do so at an acceptable price, or at all.

(i) The Issuer may Amend the Terms

The Issuer may amend the Terms in two ways:

- without the consent of URF Notes II Noteholders but with the approval of the URF Note II 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 II Noteholders — by a Special Resolution being passed.

In both cases, the Terms of all URF Notes II will be amended. However, in particular in the latter case, URF Notes II Noteholders who did not vote with the majority 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 Note II Trustee under the Trust Deed. These include obligations imposed by Chapter 2L of the Corporations Act. A failure to comply with these obligations does not constitute an Event of Default entitling the URF Note II Trustee to require early Redemption of URF Notes II. If the Issuer fails to comply with its obligations under the Trust Deed, the rights of the URF Note II 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 II 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 Note 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 II and which rank pari passu with the URF Notes II. The terms of the URF Notes impose certain obligations imposed on the Issuer and (include 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 Note II Trustee to require early Redemption of URF Notes II.

3.3. Risks Specific to the Business

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

Risks regarding an investment in US real estate and the New York metropolitan area, without limitation, include:

- declines in the value of US real estate, both in the New York metropolitan area and across the broader property market in general;
- fluctuating vacancy rates and the ability of the US REIT to have the properties tenanted;
- a downturn in the US economy or a further 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 further housing foreclosures; and
- any other factor which may impede the recovery of the US and specifically, the Hudson County, New Jersey and Brooklyn, Manhattan and Queens, New York residential property markets.

(b) Foreign Exchange Risk

The Issuer's investments are in the US residential property market through the Issuer'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 II will form an Australian denominated liability for the Issuer.

The value of URF Notes II may be affected by increases and decreases in the value of the US dollar whenever any of the US REIT's income is distributed to the Issuer or the value of the Issuer'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 investments less any liabilities will be worth more when converted into Australian dollars, but if the value of the US dollar falls against the Australian dollar those distributions and investments will be worth less in Australian dollar terms. Where the Issuer has opted to maintain some or all of the proceeds of the URF Notes II Offer in Australian dollars, an increase in the US dollar against the Australian dollar will mean the proceeds of the URF Notes II will be worth less at the US REIT level, but if the US dollar falls the value of the proceeds of the URF Notes II will be worth more at the US REIT level.

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 Responsible Entity does not currently intend to hedge, but at its absolute discretion may hedge, the potential foreign exchange impact of raising URF Notes II in Australian dollars primarily intended to invest in the US REIT in US dollars. US dollar denominated debt provides a partial natural hedge to US dollar denominated assets. Where Australian dollar debt has been largely deployed in US dollars, an increase in the Australian dollar may adversely impact the Issuer's ability to repay interest and principal in relation to URF Notes II. Conversely a decrease in the Australian dollar may positively impact the Issuer's ability to repay interest and principal in relation to URF Notes II. The Australian dollar has been trending downwards, recently falling below the long term average exchange rate against the US dollar. Any increase in the Australian dollar (including an increase towards the long term average) may adversely impact the Issuer's ability to repay interest and principal in relation to URF Notes II.

(c) Historical Negative Cash Flows

The Fund remains in a growth phase, with cash outflows, to finance the Fund's property acquisition and renovations, of \$98.7 million and \$147.3 million for the six months to 30 June 2015 and 12 months to 31 December 2014. As at 30 June 2015, 44% of the Fund's freestanding properties by value were in various stages of renovation and therefore not generating rental revenue. As a result, the Fund experienced net operating cash outflows of \$17.6 million and \$5.7 million for the six months to 30 June 2015 and 12 months to 31 December 2014 respectively.

Proceeds from the Offer are currently primarily intended to be invested in the renovation of the Fund's Portfolio assets. 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 2.4 for details.

Cashflows may be adversely affected by a number of factors including delays in implementing URF's renovation strategy, cost overruns in undertaking renovations, 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 II will depend, among other things, on the Issuer retaining cash raised from the issue of URF Notes II, rental income received by US REIT and its controlled entities, the proceeds of financing or refinancing by US REIT and its controlled entities or, if necessary, 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 by 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 II at maturity.

(d) 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 II 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.

(e) 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 the 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 either a public trading trust or a corporate unit trust. If URF is classified as either a public trading trust or a corporate unit 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 II on the Maturity Date. Although the intention is that the Issuer should not be classified as a public trading trust or a corporate unit trust, the activities of the Issuer need to be reviewed on an annual basis to confirm that this is, in fact, the case.

(f) Other Tax Considerations

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. 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.

(g) Borrowing and Deposit Risk

The Issuer, indirectly 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 a timely way. 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 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.

(h) Refinancing Risk

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

(i) 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.

(j) Concentrated Geographic Focus

The Fund intends to continue to invest in the New York metropolitan area. The Issuer's performance will therefore be highly correlated to the performance of the property market in this area. If the property markets perform poorly, the Issuer's performance is likely to be affected.

(k) Future Acquisitions

The Issuer intends to continue to acquire properties. The rate at which this occurs will depend on market conditions and the availability of suitable real estate on appropriate terms at the time.

(l) Regulatory Risk

Freestanding and multi-family properties are often subject to a range of local regulations (including statutory limitations on rental increase). 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.

(m) 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. As the Portfolio is comparatively large, there may be limitations on the ability of the Issuer to redistribute its returns in the joint venture portfolio as a whole.

3.4. 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 and market sentiment, can have a negative or positive impact on asset values.

The Fund always seeks to minimise these risks by drawing on the experience of the Responsible Entity as well as engaging its contacts and research in the marketplace.

(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 II 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 II. 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 II.

(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 arrangement) 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 URF Notes II.

(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 II Noteholders.

(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 value of the URF Notes II.

4. Australian Tax Considerations

4.1. Australian Tax Considerations

This section of the Prospectus provides a general summary of the key Australian income tax consequences for individuals, companies and complying superannuation entities who subscribe for URF Notes II pursuant to the Offer and hold the URF Notes II on capital account for Australian tax purposes.

(a) Qualifications

This summary does not take into account the Australian tax consequences for URF Notes II Noteholders who acquire the URF Notes II otherwise than pursuant to the Offer, or acquire the URF Notes II in the course of trading or dealing in securities or otherwise hold the URF Notes II on revenue account or as trading stock. 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 II Noteholder, depending on the URF Notes II Noteholder's individual circumstances.

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 II Noteholder and does not consider all possible circumstances that may affect the position of each URF Notes II Noteholder. Applicants should be aware that the actual Australian tax implications of investing in the URF Notes II 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 II.

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 II Noteholders as described in this Prospectus.

(b) Interest Payable on URF Notes II

Australian Residents

Australian residents and non-Australian residents (who hold the URF Notes II in the course of carrying on business at or through a permanent establishment in Australia) will be required to include interest payments in their assessable income.

Non-Residents

Interest payable on the URF Notes II to non-Australian residents or Australian residents who hold the URF Notes II in the course of carrying on business at or through a permanent establishment offshore will be exempt from Australian interest withholding tax (IWT) where the conditions for exemption (summarised below) are satisfied. Where the conditions for exemption are not satisfied, IWT will apply at a rate of 10%.

Interest Withholding Tax Exemption

Currently, the Australian tax law provides an exemption from IWT for certain publicly offered unit trust debentures (such as the URF Notes II) where the following conditions are satisfied:

- The issuer is a public unit trust which is an Australian resident for tax purposes (such as the Issuer) or certain foreign unit trusts operating at or through a permanent establishment in Australia, and
- The issue of the URF Notes II satisfies the "public offer test" in section 128FA of the *Income Tax Assessment Act 1936*.

The public offer test will not be satisfied, and the IWT exemption lost, if the Issuer knew, or had reasonable grounds to suspect, that the URF Notes II were being, or would later be, acquired either directly or indirectly by an associate of the Issuer, other than in the capacity of a dealer, manager or underwriter in relation to the Offer, or a clearing house, custodian, funds manager or responsible entity of a registered scheme.

The IWT exemption will also not apply to interest paid by the Issuer to a person in respect of the URF Notes II if, at the time of the payment, the Issuer knows, or has reasonable grounds to suspect, that the person is an associate of the Issuer and the associate does not receive the payment in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme and either:

- the associate is a non-resident of Australia and the interest payment is not received in respect of the URF Notes II that the associate acquired in carrying on a business in Australia at or through a permanent establishment of the associate in Australia; or
- the associate is a resident of Australia and the interest payment is received in respect of the URF Notes II that the associate acquired in carrying on a business in a country outside Australia at or through a permanent establishment of the associate in that country.

The URF Notes II should satisfy the above conditions such that interest payments on the URF Notes II are exempt from IWT provided that:

- The issue of the URF Notes II was initiated publicly in electronic form, or in another form, that is used by financial markets for dealing in debentures or debt interests;
- The Fund continues to be listed on the ASX or another official stock exchange, the units in the Fund are offered to the public during the income year, or the units in the Fund are held by not fewer than 50 persons; and
- An associate of the Issuer will not directly or indirectly acquire (or later acquire) a URF Note II or an interest in the URF Note II (unless any of the above exceptions apply).

(c) Redemption of URF Notes II

Where URF Notes II Noteholders receive accrued interest on redemption of the URF Notes II, the Australian income tax consequences should be as described in Section 4.1(b) above.

Where the URF Note II is Redeemed for an amount less than the Face Value, the URF Notes II Noteholder may be entitled to claim a deduction on revenue account for the loss on redemption provided that the redemption is undertaken on an arm's length basis.

However, a loss on redemption of URF Note II should not be deductible if:

- URF Notes II were not acquired in the ordinary course of trading on a securities market; and
- at the time the Noteholder acquired the URF Note II, it was not open to the Noteholder to acquire an identical security in the ordinary course of trading on a securities market; and
- 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 II 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 II.

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

(d) Sale of URF Notes II

Where the URF Note II is sold for an amount greater than the Face Value, the URF Notes II Noteholder will be required to include the gain on disposal (calculated as the difference between the sale price and the Face Value) in their assessable income.

Where the URF Note II is sold for an amount less than the Face Value, the URF Notes II Noteholder may be entitled to claim a deduction on revenue account for the loss on disposal provided that the disposal is undertaken on an arm's length basis. However, a deduction will not be available if:

- URF Notes II were not acquired in the ordinary course of trading on a securities market; and

- At the time the URF Notes II Noteholder acquired the URF Note II, it was not open to the URF Notes II Noteholder to acquire an identical security in the ordinary course of trading on a securities market; and
- the disposal did not take place in the ordinary course of trading on a securities market; and
- 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 II 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 II.

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

(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 II Noteholders at the highest marginal tax rate, including the Medicare Levy (currently 49%) if the URF Notes II Noteholder has not quoted either their Tax File Number or Australian Business Number and none of the relevant exemptions apply. URF Notes II 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 II.

(g) GST

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

5. Additional Information

5.1. 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.

5.2. 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.

5.3. Information excluded from Continuous Disclosure

While URF is listed on the ASX, under the ASX 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 II, and
- (b) is reasonable for investors, and their professional advisors, to expect to find in this Prospectus.

5.4. URF Note II Trust Deed

The Issuer and the URF Note II Trustee have entered into a trust deed, constituted under New South Wales law, and dated on or about 29 September 2015 (**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 II Noteholders who request a copy. A copy of the Trust Deed can be obtained free of charge by any person during the Offer Period, from <http://usmastersresidential.com.au/announcements.htm>

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

The URF Note II 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 Note II 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 II Noteholders in respect of the URF Notes II;
 - (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 Note II Trustee is satisfied the breach will not materially prejudice URF Notes II Noteholders, it must do everything in its power to ensure the Issuer remedies such a breach.

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

(a) Priority of the URF Note II Trustee

All moneys that are received by the URF Note II Trustee under the Trust Deed will be applied first in payment of any amounts owing to the URF Note II Trustee in connection with the Trust Deed, the URF Notes II 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 II by the Issuer under the Trust Deed *pari passu* and without preference or priority amongst the relevant URF Notes II Noteholders.

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

(b) Appointment of URF Note II Trustee and declaration

The URF Note II Trustee holds on trust for URF Notes II Noteholders:

- (i) the sum of \$10;
- (ii) all right, title and interest vested in the URF Note II 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 Note II Trustee under the Trust Deed;
- (iv) the right to enforce the Issuer's duty to repay the aggregate Face Value on the URF Notes II, any Interest and any other moneys payable to the URF Note II Trustee or the URF Notes II 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 Note II Trustee under the Trust Deed in its capacity as trustee of the URF Notes II Trust;
- (vii) the net proceeds of all money received or recovered by the URF Note II 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 Note II Trustee, a URF Notes II 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 Note II Trustee and intended to be held for the benefit of the URF Notes II Noteholders or the URF Note II 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 II 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 ASX Listing Rules and under Chapter 2L of the Corporations Act) to the extent they relate to obligations under the Trust Deed.
- (d) URF Note II Trustee undertakings

The URF Note II 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 Note II 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 Note II Trustee becomes actually aware of the occurrence of an Event of Default, promptly convene a meeting of URF Notes II Noteholders to seek directions from the URF Notes II 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 Note II Trustee's obligations under the Corporations Act; and
 - (vi) keep appropriate records and keep the assets held by the URF Note II Trustee on trust for the URF Notes II Noteholders separate from all other assets of the URF Note II Trustee.
- (e) URF Note II Trustee Limitation of Liability and Indemnity

The URF Note II Trustee is not liable to the Issuer, the URF Notes II Noteholders or any other person in any capacity other than as trustee under the Trust Deed, except where the URF Note II Trustee acts fraudulently, negligently or wilfully defaults under the Trust Deed. The URF Note II 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 II Trust in respect of, among others, all costs, losses, expenses, demands or claims suffered by the URF Note II 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 Note II Trustee

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

If the URF Note II 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 Note II Trustee is not obliged to act under the Special Resolution.

(g) Direct action by URF Notes II Noteholder

No URF Notes II Noteholder is entitled to proceed directly against the Issuer to enforce any right or remedy under or in respect of any the URF Notes II, unless the URF Note II 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 II Noteholder takes must be in its own name and not in the name of the URF Note II Trustee.

(h) Fees and expenses

Under the Trust Deed, the Issuer will pay the URF Note II Trustee by way of a fee for its services such amounts as may be agreed between the Issuer and the URF Note II Trustee. The Issuer will also pay the URF Note II Trustee's costs and expenses arising out of, among other things, the URF Note II 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 Note II 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 Note II Trustee.

(i) Retirement and removal

The URF Note II Trustee may retire by giving written notice to the Issuer, which will not be effective until 2 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 Note II 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 Note II Trustee;
- (ii) the URF Note II Trustee is liquidated;
- (iii) the URF Note II Trustee is in material breach of any of its obligations under this 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 Note II Trustee ceases to carry on business;
- (v) a receiver, receiver and trustee, official trustee, liquidator, administrator or similar official is appointed to the URF Note II Trustee; or
- (vi) any license, consent, authorisation, permit or similar thing the URF Note II 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 Note II Trustee's retirement), or otherwise within 14 days of the Issuer's removal of the URF Note II Trustee becoming effective, the URF Note II 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 II Noteholders.

(j) Meetings

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

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

- (i) give directions to the URF Note II 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 moneys and interest owing on any Notes;
- (iii) in accordance with the Corporations Act, approve the release of the URF Note II Trustee from liability for anything done or omitted to be done by the URF Note II Trustee or any other person.

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

(k) Alteration

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

- (i) pursuant to a URF Notes II Noteholder Resolution or Special Resolution, as applicable; or
- (ii) without the consent of URF Notes II Noteholders, if the Issuer and the URF Note II 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 II 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 II,

and, in the case of items c and d above, the Issuer has provided to the URF Note II Trustee or the URF Note II Trustee has obtained a legal opinion in form and substance satisfactory to the URF Note II Trustee (acting reasonably), addressed to the URF Note II Trustee or otherwise able to be relied on by the URF Note II 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 II Noteholders as a whole.

(l) Issue of further URF Notes II

The Issuer may issue further URF Notes II, without the consent of URF Notes II 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 URF Notes II then outstanding.

5.5. 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 2012, contained in the ASX announcement dated 28 February 2013. 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 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 half-year report for the half-year ending 30 June 2015 contained in the ASX announcement dated 21 August 2015. 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.

5.6. US Persons

URF Notes II have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. They may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies. Any offer, sale or resale of URF Notes II within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the Closing Date or if purchased by a dealer in the Offer.

The Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any US Person. Neither this Prospectus nor any Application Forms or other materials relating to the Offer may be distributed in the United States.

Each Applicant in the Offer will be taken to have represented, warranted and agreed on behalf of itself and each person for whom it is applying for URF Notes II as follows:

- it is not located in the United States at the time of application and it is not, and is not acting for the account or benefit of, any US Persons;
- it has not distributed this Prospectus or any other written materials concerning the Offer to any person in the United States or to any US Persons; and
- it understands that the URF Notes II have not been and will not be registered under the US Securities Act and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies.

5.7. URF Note II Trustee's Privacy Policy

The URF Note II 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 Note II 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 Note II Trustee is also permitted to collect and disclose your personal information when required or authorised to do so by law. The URF Note II Trustee is not likely to disclose your personal information to overseas recipients. Your personal information will be used in accordance with the URF Note II Trustee's privacy policy. The privacy policy contains information about how you may access or correct your personal information held by the URF Note II 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.

5.8. Consents and Responsibility Statements

Australian Executor Trustees Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as URF Note II Trustee for the URF Notes II Trust in the form and context in which it is named.

Deloitte Touche Tohmatsu has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as auditor of the Issuer in the form and context in which it is named and references to the audited accounts of the Issuer in the form and context in which they appear.

Watson Mangioni Lawyers Pty Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as Solicitor to the Offer in the form and context in which it is named.

Boardroom Pty Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as registrar of the Issuer in the form and context in which it is named.

None of Australian Executor Trustees Limited, Deloitte Touche Tohmatsu, Watson Mangioni Lawyers Pty Limited and Boardroom Pty Limited:

- (a) has authorised or caused the issue of the Prospectus;
- (b) has made, or purported to have made, any statement in this Prospectus, except this Section; and
- (c) assumes responsibility for any part of this Prospectus except for statements in this Section.

Each of these entities to the maximum extent permitted by the law, disclaim any responsibility or liability for any part of this Prospectus other than a statement included in this Section.

5.9. Costs of the Offer

The Investment Manager is entitled to receive a debt arrangement fee of 2.2% (inclusive of GST) of the proceeds of the Offer under the existing debt arrangement agreements with the Fund. However, the Investment Manager has waived its entitlement to a debt arrangement fee in relation to the URF Notes II Offer under this Prospectus. The Responsible Entity, on behalf of the Fund, will pay AFSL Holders a stamping fee equal to 2.2% (inclusive of GST) 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 this stamping fee, expenses in relation to the Offer are estimated to be \$1.3 million to \$3.4 million (inclusive of GST), including ASX listing fees, legal, tax, accounting and registry services depending on the size of the URF Notes II Offer. The costs of the Offer will be borne by the Fund.

5.10. 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; and
- no promoter of the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the date of this Prospectus, or has held in the two years before that date, an interest in:

- the formation or promotion of the Issuer;
- the Offer; or
- any property acquired or proposed to be acquired by the Issuer in connection with the Offer.

Watson Mangioni Lawyers Pty Limited has acted as Australian legal adviser to the Issuer in relation to the Offer. The Issuer has paid, or agreed to pay, approximately \$55,000 (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 II 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 II 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.

Other than as disclosed in this Prospectus, no person has been paid or agreed to be paid any amount, nor has any benefit been given or agreed to be given to any such persons, for services provided by them in connection with the Offer.

5.11. Interests of Directors of the Responsible Entity

Other than as set out below or elsewhere in this Prospectus, no Director of the Responsible Entity holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Issuer;
- property acquired or proposed to be acquired by the Issuer in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, URF Notes II or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to the Directors for services in connection with the formation or promotion of the Issuer or the Offer.

The Directors intend to apply for URF Notes II but at the date of this Prospectus, no decision about the number of URF Notes II to be applied for by each Director has been made.

6. 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 II.

6.1. The Offer

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

The Responsible Entity, on behalf of the Fund, has allocated a Priority Offer of up to 500 URF Notes II for each Applicant who is a Unitholder or URF Noteholder at the Closing Date, with each Applicant who holds Units and URF Notes entitled to apply for up to 1,000 URF Notes II under the Priority Offer. The final allocation given to Applicants under this Offer, including the Priority Offer, will be subject to scaling at the discretion of the Responsible Entity depending on demand, the cash requirement of the Fund at the time of Allotment (as determined by the Responsible Entity) and in order to assist the Responsible Entity to develop a balanced register of URF Note II Noteholders. To participate in the Offer, your Application Form or Application using the online application portal at www.usmastersresidential.com.au must be received by URF by 5:00pm (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. There is no cooling off period in relation to the Offer. The Directors of the Responsible Entity intend to participate in the Offer, the quantum of participation by each individual Director has not been finalised at the date of this Prospectus. Where a Director is a Unitholder or a URF Noteholder on the Closing Date of the Offer an allocation may be made to a Director under the Priority Offer.

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

6.2. Minimum Subscription

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

6.3. Applications

Applications under the Offer must be made and will only be accepted on the applicable Application Form issued with and attached to this Prospectus and through the online Application Form at www.usmastersresidential.com.au. The online application portal will not open under after the Exposure Period has ended.

While an Application Form may be circulated with this Prospectus during the Exposure Period:

- (a) the Issuer will not process any applications received until after the Exposure Period;
- (b) no preference will be conferred on applications received in the Exposure Period;
- (c) the purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. This examination may result in the identification of deficiencies in the Prospectus, and in those circumstance, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

URF Notes II issued in respect of Applications received by the Issuer will be issued at \$100.

Applications and Application Monies for URF Notes II under the Offer received after 5:00 p.m. (Sydney time) on the Closing Date will not be accepted and will be returned to potential investors, without interest. The Directors may extend the Closing Date. Applications made on a paper Application Form must be accompanied by payment in Australian currency.

Applicants under the Priority Offer must ensure they provide their individual Priority Offer Reference Number when making an Application.

Completed Application Forms, together with Application Monies, should be forwarded to the following address:

POSTAL

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

HAND DELIVERED

Canberra

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

Sydney

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

Melbourne

US Masters Residential Property Fund Notes II Offer
c/- Walsh & Company Investments Limited
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 5.00pm (Sydney time) on the 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 "US Masters Residential Property Fund" 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 amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount 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 II 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.usmastersresidential.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 support BPAY transactions.

When completing your BPAY payment, please make sure you use the specific Biller Code and your unique CRN providing on the online Application Form. If you do not use your CRN, provided during the online Application process, your Application will not be recognised as valid. It is your responsibility to ensure that payments are received by 5.00pm (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 Closing Date, arising as a result of, among other things, processing of payments by financial institutions.

A binding contract to issue URF Notes II will only be formed at the time URF Notes II are allotted to Applicants.

Application Forms will be accepted at any time after the Opening Date and prior to the Closing Date.

The Issuer reserves the right to not proceed with the Offer at any time before the issue of URF Notes II 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.

6.4. Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (**FATCA**) is a United States (US) tax law aimed at financial institutions and other financial intermediaries to prevent tax evasion by US citizens and US tax residents through use of non-US investments or accounts. The FATCA provisions were included in the HIRE Act which was signed into US law on 18 March 2010.

Australia has signed an intergovernmental agreement (**IGA**) with the US to implement FATCA in Australia. The FATCA provisions were introduced as Division 396 in Schedule 1 of the Taxation Administration Act 1953 (Cth), to be administered by the Australian Tax Office (**ATO**). Under the IGA, Reporting Australian Financial Institutions will have identification and reporting obligations under FATCA.

URF is a reporting (Trustee Documented) Australian Financial Institution under the IGA. The Responsible Entity intends to fully comply with the reporting 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 identifying and documenting the status of the URF Notes II Noteholder as either a US person, US controlled entity or a non-complying FATCA financial institution. The Responsible Entity is then obligated by law to report certain information on applicable URF Notes II Noteholders to the ATO which will in turn report this information to the US Internal Revenue Service.

In order to comply with these FATCA obligations, the Responsible Entity will be obligated to request certain information from its URF Notes II Noteholders. Certain information collected will be reported to the ATO, which will in turn report the information to the US Internal Revenue Service.

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

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

6.5. Allotment

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

It is expected that the issue of URF Notes II under the Offer will take place by 26 October 2015. Application Monies will be held in a separate account until allotment. 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 held on trust pending the issue of URF Notes II to successful Applicants.

The Application constitutes an offer by the Applicant to subscribe for URF Notes II on the terms and subject to the conditions set out in this Prospectus.

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

Where the number of URF Notes II 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 Closing Date.

It is the responsibility of each Applicant to confirm their holding before trading in URF Notes II. Applicants who sell URF Notes II before they receive an initial statement of holding do so at their own risk. The Issuer and URF Note II Registrar disclaim all liability, whether in negligence or otherwise, to persons who sell URF Notes II 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.

6.6. No brokerage or stamp duty

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

6.7. 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.

7. Definitions and Interpretation

7.1. Defined Terms

In this Prospectus:

Additional Transaction Document means any document or agreement which the Issuer and the URF Note II Trustee (acting on the direction of URF Notes II 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 of the Fund.

Applicant means an applicant for URF Notes II under this Prospectus.

Application means an application for URF Notes II under this Prospectus.

Application Form means the application form attached to this Prospectus and the online Application Form available at www.usmastersresidential.com.au.

Application Monies means the Offer Price multiplied by the number of URF Notes II 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 the ASX Limited or the securities exchange operated by ASX Limited.

ASX Listing Rules the listing rules of ASX, with any modificational waivers which ASX may grant to the Issuer from time to time.

Business Days has the meaning given to that term in the ASX Listing Rules.

Change of Control Event has the meaning given in Clause 1.1 of the Terms.

CHESS means Clearing House Electronic Subregister.

Closing Date means the date by which valid Application Forms must be received being 19 October 2015 or such other dates as the Issuer may determine in its discretion.

Code means the United States Internal Revenue Code of 1986, as amended.

Corporations Act means the *Corporations Act* 2001 (Cth).

Directors or Board means the directors of the Responsible Entity.

Dixon Advisory Group means Dixon Advisory Group Limited and its controlled entities including Dixon Advisory & Superannuation Services Limited, Dixon Advisory, USA, URF Investment Management Pty Limited and Walsh & Company Investments Limited.

Dixon Advisory USA means Dixon Advisory USA, Inc, a wholly owned subsidiary of Dixon Advisory Group Limited.

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 II 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 II ceasing to be Listed without approval:** the URF Notes II cease to be Listed, without the cessation having first been approved by URF Notes II Noteholder Resolution, and the Issuer does not remedy that cessation within 30 Business Days after receiving notice of that cessation from the URF Note II Trustee.

Face Value means the amount outstanding on each URF Note II, initially being \$100 per URF Note II and as reduced by any repayments from time to time.

First Call Date means 24 December 2018.

Fortress has the meaning given to that term in Section 2.15.

Fortress Facility has the meaning given to that term in Section 2.15.

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

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 *A New Tax System (Goods and Services Tax) Act 1999* 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 II Noteholders by the URF Note II Registrar which sets out the number of URF Notes II issued to that URF Notes II Noteholder.

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 on each URF Note II.

Interest Payment Date means 31 March, 30 June, 30 September and 31 December each year until all URF Notes II 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 December 2015.

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;
- (d) the final Interest Period ends (but excludes) the Redemption Date.

Investment Manager means the investment manager of the US Masters Residential Property Fund, currently URF Investment Management Pty Limited (ACN 600 188 805).

Issue Date the date URF Notes II are issued which is expected to be 26 October 2015.

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).

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

Listing Rules means the listing rules of the ASX.

Maturity Date means the 24 December 2020, being approximately 5 years and 2 months from the expected Issue Date.

Minimum Subscription means an Application for a minimum of 20 URF Notes II, which is a minimum investment of \$2,000. Applications for greater than 20 URF Notes II, must be in multiples of five URF Notes II (\$500)

Offer means the offer of a minimum of 500,000 up to 1,000,000 URF Notes II, with the ability to accept oversubscriptions of up to 500,000 URF Notes II at an offer price of \$100 per URF Note II to raise a minimum of \$50 million up to \$100 million with the ability to accept oversubscriptions up to \$50 million.

Offer Period means the period from the Opening Date to the Closing Date.

Offer Price means \$100 per URF Note II.

Opening Date means the date the Offer opens, expected to be 7 October 2015.

Priority Offer means the Priority Offer of up to 500 URF Notes II to each Applicant who is a Unitholder or URF Noteholder on the Closing Date, with each Applicant who holds Units and URF Notes entitled to apply for up to 1,000 URF Notes II under the Priority Offer. The final allocation given to Applicants under the Offer, including the Priority Offer will be subject to scaling at the discretion of the Responsible Entity depending on demand, the cash requirement of the Fund at the time of Allotment (as determined by the Responsible Entity) and in order to assist the Responsible Entity to develop a balanced register of URF Note II Noteholders. Applicants wishing to make an Application under the priority Offer with a different entity name to their existing holding should state this clearly in the Application Form. 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.

Priority Offer Reference Number means the individual reference number provided to Unitholders and URF Noteholders to be used in applying under the Priority Offer. The Priority Offer is open to Unitholders and URF Noteholders on the Closing Date, if you sell your holding prior to the Closing Date you may not receive an allocation under the Priority Offer.

Portfolio means the portfolio of investments of the Issuer from time to time.

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.

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 II are terminated and the URF Notes II are cancelled. **Redeem** and **Redeemed** have the corresponding meaning.

Redemption Date means the date on which the Redemption occurs.

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).

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 II that is attached as a schedule to the Trust Deed as set out in Appendix A.

Trust Deed means the trust deed entered into between the Issuer and the URF Note II Trustee dated on or about 29 September 2015.

Unit means fully paid ordinary units in the Fund.

Unitholder means a registered holder of Units.

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

URF Group means the Fund and its controlled entities.

URF Noteholder means a registered holder of URF Notes.

URF Note 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 ASX code URFHA.

URF Note Prospectus means the replacement prospectus in relation to the offer of URF Notes dated 12 December 2014 issued by the Responsible Entity.

URF Note II means a note at an initial offer price of \$100 at the date of this Prospectus.

URF Notes II Noteholder means a registered holder of URF Notes II.

URF Notes II Noteholder Resolution has the meaning given to the term “Ordinary Resolution” in the Trust Deed.

URF Note II Registrar means Boardroom Pty Limited (ACN 003 209 836).

URF Note II Trustee means Australian Executor Trustees Limited (ACN 007 869 794) or any other trustee that the Issuer appoints.

URF Note II Trust means the trust declared in Clause 2 of the Trust Deed.

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

USA means the United States of America.

US REIT means the US Masters Residential Property (USA) Fund, a Maryland Real Estate Investment Trust.

U.S. Person has the meaning given to it in Rule 902(k) under Regulation S of the United States Securities Act of 1933, as amended.

Winding Up has the meaning given in the Terms.

7.2. Interpretation

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

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;

- (a) The singular includes the plural and vice versa;
- (b) A reference to an individual or person includes a corporation, partnership, joint venture, association, authority, company, state or government and vice versa;
- (c) A reference to any gender includes both genders;
- (d) 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;
- (e) A reference to “dollars” or “\$” is to Australian currency;
- (f) A reference to “US dollars” or “US\$” is a reference to the currency of the USA;
- (g) In this document, headings are for ease of reference only and do not affect its interpretation; and
- (h) Except where specifically defined in the Prospectus, terms defined in the Corporations Act have the same meaning in this Prospectus.

7.3. Governing Law

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

7.4. Approval

This Prospectus has been approved by unanimous resolution of the Directors of the Issuer.

Dated: 29 September 2015

A handwritten signature in black ink, appearing to read 'A MacLachlan', with a long horizontal stroke extending to the right.

**Alexander MacLachlan
Chairman of the Responsible Entity
Walsh & Company Investments Limited**

Appendix A

Terms of issue of URF Notes II

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 II 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 II 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 II Trustee referring to the breach and stating that in 30 Business Days an Event of Default will occur; or
- (e) **URF Notes II ceasing to be Listed without approval:** the URF Notes II 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 II Trustee.

Face Value means the face value of each URF Note II issued by the Issuer and which has not been redeemed, repaid, repurchased or otherwise cancelled, with the initial Face Value of each URF Note II being the amount per URF Note II specified in the Prospectus pursuant to which the URF Note II was issued.

First Call Date means 24 December 2018.

Holding Statement means a holding statement evidencing that the person named on it is the holder of the number of URF Notes II 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 II Noteholder under Clause 5.1.

Interest Payment Date means 31 March, 30 June, 30 September and 31 December each year until all URF Notes II 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 December 2015.

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 II was issued.

Issue Date means the date of issue of a URF Note II 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 II or the Issuer's obligations in respect of the URF Notes II; and
- (b) all URF Units, and other units in URF, present and future.

Listed, in respect of the URF Notes II or the URF Units, means admitted to the official quotation on the ASX, whether or not quotation of the URF Notes II 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 2020.

Moneys Owning means the Aggregate Face Value, any interest payable on the URF Notes II and any other moneys payable to the URF Note II Trustee or the URF Note II Noteholders under or pursuant to these Terms and, in relation to a URF Note II Noteholder, means that portion of those moneys which is owing to that URF Note II 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 II in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires URF Notes II 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 II Noteholders who hold more than 50%, in terms of aggregate face value, of the URF Notes II 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 II 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 II 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 II, the total amount paid up on the issue of the URF Note II, 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 II for subscription.

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

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

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

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 II 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 II, 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 II Noteholder.

Term means the term of a URF Note II being the period from (and including) the Issue Date until (but excluding) the Maturity Date, unless the URF Note II 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 II Trustee dated on or about 29 September 2015.

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

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

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

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

URF Notes II 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 II are Listed; and
 - (ii) the ASX Settlement Operating Rules, while the URF Notes II are CHESS Approved Securities.
- (b) Where the Listing Rules:
 - (i) require the amendment of the Terms to enable URF Notes II to be listed for quotation, or to retain quotation, on the ASX;
 - (ii) require an amendment to the Terms to enable URF Notes II 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 II Noteholders without requiring the agreement or approval of URF Note II 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 to 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 II Noteholder to the extent of the Principal Sum.

3. Nature of URF Notes II

3.1. Status

- (a) A URF Note II confers rights on the URF Note II Noteholder as a creditor of the Issuer for an amount equal to the Principal Sum and all other Moneys Owing from time to time.
- (b) A URF Note II 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 II 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 II Trustee and URF Note II Noteholders against the Issuer in respect of URF Notes II (**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 II Trustee and each URF Note II 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 II Trustee from proving in a winding up of the Issuer in its personal capacity.
- (d) Neither the URF Note II Trustee nor any URF Note II Noteholder may exercise its voting rights (as a creditor in respect of URF Notes II) in a winding up of the Issuer so as to defeat the provisions of this Clause 3.3.
- (e) Neither the URF Note II Trustee nor any URF Note II 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 II held by any URF Note II 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 II are denominated in Australian dollars.

3.5. No other rights

- (a) A URF Note II does not confer any rights to a URF Note II 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 II Noteholders, issue further notes having the same terms as the URF Notes II 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 II.
- (c) The issue of URF Notes II 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 II, a URF Note II 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 II set out in this Clause 3.5.

4. Title

4.1. Issue

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

4.2. Title

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

4.3. No certificate

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

4.4. CHES

The rights of a URF Note II Noteholder holding an interest in URF Notes II 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 II as the absolute owner (notwithstanding any notice of ownership or writing on the URF Note II 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 II 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 II not entered on the URF Note II 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 II Noteholder at the Interest Rate on the Principal Sum from the Issue Date to Redemption of that URF Note II.
- (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 II 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 II on the Maturity Date and must pay to the URF Note II Noteholder the Redemption Sum.

6.3. Notice to URF Note II 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 II 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 II Trustee by written notice in accordance with the Trust Deed, the Issuer must redeem all URF Notes II on issue on the date of delivery of that notice and must pay the Redemption Sum for each URF Note II on issue on that date.

6.5. No Redemption at option of URF Note II Noteholder

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

6.6. Early Total Redemption

- (a) The Issuer may Redeem all (but not some) of the URF Notes II on issue on any of the Call Dates for the Redemption Sum.
- (b) To Redeem URF Notes II under Clause 6.6(a), the Issuer must:
 - (i) deliver to the URF Note II 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 II 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 II Trustee and the Registry and to URF Note II Noteholders by issuing an ASX announcement of its intention to Redeem the URF Notes II, 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 II on that date;
- (iii) pay the Redemption Sum to each URF Note II Noteholder on the Issuer Redemption Date on each URF Note II redeemed; and
- (iv) procure that the URF Note II Register is amended to reflect the redemption of URF Notes II in accordance with this Clause 6.6.

The URF Note II 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 II on issue on any of the Call Dates.
- (b) To reduce the Principal Sum of URF Notes II under Clause 6.7(a), the Issuer must:
 - (i) deliver to the URF Note II 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 II 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 II Trustee and the Registry and to URF Note II Noteholders by issuing an ASX announcement of its intention to reduce the Principal Sum of URF Notes II, 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 II on that date;
 - (iii) pay an amount equal to the reduction of the Principal Sum to each URF Note II Noteholder on the Issuer Reduction Date on each URF Note II together with all accrued but unpaid Interest on the URF Notes II.

The URF Note II 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 II 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 II 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 II 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 II Trustee and the Registry and to URF Note II 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 II 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 II before their Maturity Date for the Redemption Sum; and
 - (ii) the Issuer must notify the URF Note II Trustee, the Registry and the URF Note II 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 II 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 II 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 II on the ASX or otherwise, and at any price. URF Notes II 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 II 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 II 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 II Trustee bringing proceedings to recover Moneys Owning to it other than in its capacity as a URF Note II Noteholder or acting on behalf of URF Note II Noteholders.

7.2. Knowledge of Event of Default

The URF Note II Trustee is taken not to have knowledge of the occurrence of an Event of Default unless the URF Note II Trustee has received written notice from a URF Note II 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 II Trustee an obligation to inform any URF Note II Noteholders of any breach by the Issuer of any provision of the Trust Deed.

7.4. Notice to URF Note II Noteholders

Subject to the URF Note II Trustee firstly being indemnified to its satisfaction from the property of the URF Notes II Trust, if the URF Note II Trustee becomes actually aware of the occurrence of an Event of Default, the URF Note II Trustee must promptly convene a meeting of URF Note II Noteholders in accordance with Clause 21 of the Trust Deed at which it must seek directions from the URF Note II 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 II Trustee must not waive or authorise any Event of Default unless directed to do so by a Special Resolution.

7.6. URF Note II Trustee not bound to enforce

The URF Note II 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 II Trustee is directed to take the action by a Special Resolution; and
- (b) the URF Note II 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 II 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 II 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 II 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 II Trustee, having become obliged to take action to enforce the rights of the URF Note II 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 II Noteholder to enforce the obligations of the Issuer under the URF Notes II are limited to the exercise of its rights to enforce and seek due administration by the URF Note II Trustee of the Trust Deed. In particular,

unless the URF Note II Trustee having become obliged to take action to enforce the rights of the URF Note II 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 II Noteholder may, with respect to payment of any amount due under the URF Notes II 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 II Noteholder takes any action to enforce the obligations of the Issuer under the URF Notes II following a failure by the URF Note II 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 II Noteholder must take such action in its own name and not in the name of the URF Note II Trustee.

8. Transfer

8.1. Transfer

A URF Note II Noteholder may transfer URF Notes II:

- (a) for so long as URF Notes II 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 II.

8.2. Stamp Duty

The URF Note II 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 II.

8.3. Registration

Subject to the rules and regulations of CHESS and the ASX Settlement Operating Rules while the URF Notes II 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 II Register; and
- (b) re-issue and dispatch any Holding Statements for the URF Notes II 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 II are CHESS Approved Securities, the transferor remains the owner of such URF Notes II until the name of the transferee is entered into the URF Note II Register.

9. Registration

9.1. Issuer to maintain a URF Note II Register

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

9.2. Issuer to update URF Note II Register

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

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

A URF Note II 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 II 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 II, 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 II.

10.5. Payment of Redemption Sum

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

10.6. Payments to accounts

Monies payable by the Issuer to a URF Note II 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 II 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 II 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 II Noteholder advising of the uncompleted payment. In that case, unless the Issuer decides to complete the payment to the applicable URF Note II 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 II 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 II but for no other purpose.

10.8. Payment to joint URF Note II Noteholders

A payment to any one of joint URF Note II 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 II 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 II, 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 II such that the URF Note II Noteholder would not actually receive on the due date the full amount provided for under the URF Note II, 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 II 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 II:

- (a) to, or to a third party on behalf of, a URF Note II Noteholder who is liable to such Taxes in respect of that URF Note II by reason of the person having some connection with a Relevant Tax Jurisdiction other than the mere holding of that URF Note II or receipt of payment in respect of that URF Note II;
- (b) to, or to a third party on behalf of, a URF Note II 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 II 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 II Noteholder or a non-resident URF Note II Noteholder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if the URF Note II 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 II 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 II 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 II at the highest marginal tax rate plus the highest Medicare levy if a URF Note II Noteholder has not supplied an appropriate tax file number, Australian business number or exemption details.
- (b) If a URF Note II 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 II Noteholder and may deduct that amount from any subsequent payment due to that URF Note II Noteholder in respect of URF Notes II.

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 II Trustee and without the agreement or approval of URF Note II Noteholders, if each of the Issuer and the URF Note II 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 II Trustee's approval to an amendment of these Terms under Clause 12.1(a) is subject to the Issuer providing the URF Note II Trustee with an opinion of an Australian Legal

Practitioner, addressed to the URF Note II Trustee, that the alternation is not materially prejudicial to the interests of the URF Note II Noteholders as a whole.

12.2. Amendment by Special Resolution of URF Note II Noteholders

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

13. URF Note II Trustee capacity and limitation of liability

- (a) The URF Note II Trustee is not liable to the Issuer, any URF Note II Noteholder or any other person in any capacity other than as trustee of the URF Notes II Trust.
- (b) Any liability arising under or in connection with the Trust Deed or a URF Note II is limited to and can be enforced against the URF Note II Trustee only to the extent to which the URF Note II Trustee is actually indemnified out of the Notes Trust Fund for that liability. This limitation of the URF Note II 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 II Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Trust Deed or a URF Note II.
- (c) Neither the Issuer nor any URF Note II Noteholder may sue the URF Note II Trustee in any capacity other than as trustee of the URF Notes II 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 II Trustee or prove in any Liquidation of or affecting the URF Note II Trustee (except in relation to the Notes Trust Fund).
- (d) The Issuer and each URF Note II Noteholder waives each of their rights against the URF Note II Trustee, and each releases the URF Note II 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 II Trustee to perform its obligations under the Trust Deed or a URF Note II, 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 II Trustee to the extent arising as a result of the URF Note II Trustee's fraud, negligence or wilful default.
- (f) The Issuer and each URF Note II 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 II 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 II 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 II Noteholder or any other person to fulfil its obligations relating to the Notes Trust or by any other act or omission of the Issuer, a URF Note II 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 II Trustee in any way which exposes the URF Note II 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 II Trustee for the purpose of this Clause 13.
- (h) The URF Note II 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 II 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 II 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 for convening meetings of the URF Note II Noteholders to consider any matter affecting their interests including certain variations of these Terms which require the consent of the URF Note II Noteholders. Resolutions passed at any meeting of the URF Note II Noteholders will be binding on all URF Note II Noteholders.

14.3. Governing Law

The laws of New South Wales govern these Terms. The Issuer and the URF Note II 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 II 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 II.

15. Notices

15.1. Service of Notices

- (a) A notice may be given by the Issuer or the URF Note II Trustee to any URF Note II Noteholder, or in the case of joint URF Note II Noteholders to the URF Note II Noteholder whose name appears first in the URF Note II Register:
 - (i) personally;
 - (ii) by leaving it at the URF Note II Noteholder's address noted in the URF Note II Register or by sending it by prepaid post (airmail if posted to a place outside Australia) addressed to the URF Note II Noteholder's address noted in the URF Note II Register;
 - (iii) by facsimile transmission to the facsimile number nominated by the URF Note II Noteholder;
 - (iv) by publishing such notice in a national newspaper;
 - (v) by the Issuer posting, at the request of the URF Note II Trustee, the notice on the Issuer's internet website;
 - (vi) by the URF Note II 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 II Trustee.

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

(b) A notice given by the Issuer, the URF Note II Trustee or a URF Note II Noteholder to the Issuer or the URF Note II 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 II Trustee, or sent by a facsimile transmission to the fax number below or the fax number last notified by the Issuer or URF Note II 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@dixon.com.au

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

URF Note II 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 II Noteholder on the date of such publication; and
- (e) if published on a website or by way of ASX announcement, by each URF Note II Noteholder on the day following the date on which such notice is posted by the URF Note II 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 5.00pm (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 II 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 II Trustee and URF Note II 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 II Trustee and URF Note II 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 II Trustee and each of the URF Note II 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	Alexander MacLachlan (Chairman) Tristan O'Connell Tom Kline
Company Secretary	Hannah Chan Simon Barnett
Registered Office	Suite 1502 100 Pacific Highway North Sydney NSW 2060
URF Note II Trustee of URF Note II Trust	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 13 50 Carrington Street Sydney NSW 2000 Ph: (02) 9262 6666 Fax: (02) 9262 2626
URF Note II Registrar	Boardroom Pty Limited Level 12 225 George Street Sydney NSW 2000 Ph: 1300 737 760
Stock Exchange Listing	Australian Securities Exchange Fund Listing Code: URF Intended Listing Code URF Note II: URFHB

