

12 March 2020

Dear Shareholder,

Stapling Proposal and Buy Back

On behalf of the Board of Eildon Capital Limited (**the Company**), I am pleased to present you:

- a proposal (**Stapling Proposal**) to staple your shares in the Company to units in a newly established fund, the Eildon Capital Trust (**Trust**), to create Stapled Securities; and
- an off-market buy back offer for you to sell some or all of your Stapled Securities to the Stapled Group by way of a tender process (**Buy Back**).

The Stapling Proposal and the Buy Back are inter-conditional and are required to be approved by Shareholders at an extraordinary general meeting (**Meeting**) to be held on 20 April 2020 at 11:00 am (Sydney time).

The reasons for the Stapling Proposal and Buy Back are set out below and in further detail in the attached Explanatory Memorandum.

A new Stapled Group

Upon implementation of the Stapling Proposal a new stapled group will be created, consisting of the Company and the Trust (**Stapled Group**). The Company will transfer certain assets to be held by the Trust (**Trust Assets**). Shareholder will retain a beneficial interest in the Trust Assets by holding units in the Trust.

Key advantages of the Stapling Proposal

The key advantages of the Stapling Proposal are set out below and in further detail in section 5.2 of the Explanatory Memorandum. The implementation of the Stapling Proposal will:

- allow the Stapled Group to provide investors the same structural exposure to investment into the real estate segment as other listed and unlisted vehicles which are offered in the market. This will generate a more transparent structure around income that is earned by investors by virtue of the investment strategy of the Stapled Group;
- bring the Company's structure in line with other listed real estate focussed funds, providing ease of benchmarking of performance and the potential for Stapled Securities to be re-rated to better reflect the underlying value of the Stapled Group;
- allow the Stapled Group to potentially generate a higher total investor return as the Trust will utilise the amounts that would otherwise have been paid as tax to make further investments, however whether any higher return is in fact generated will depend on the performance of those further investments and the Company's past performance is not necessarily a guide to the future performance of the Stapled Group; and
- provide a more effective structure for the Stapled Group to conduct capital raisings when required to meet the growing demand for funding from the real estate market.

Key disadvantages of the Stapling Proposal

The key disadvantages of the Stapling Proposal are set out below and in further detail in section 5.3 of the Explanatory Memorandum:

- potential increase in income tax as a result of the Capital Return and Special Dividend;

- increase in annual compliance and regulatory fees of approximately \$120,000 per annum; and
- one-off costs associated with the Stapling Proposal of approximately \$400,000.

Risks of the Stapling Proposal

There are a number of risks associated with the Stapling Proposal. The specific risks concerning the business of the Stapled Group are set out in section 7.2. There are a number of general investment risks associated with investing in a listed entity that are set out in section 7.3. I encourage all Shareholders to carefully consider these risks before voting on the Stapling Proposal.

The business risks of the Stapled Group are similar to the business risks currently affecting the Company, given that assets are being transferred from the Company to the Trust and Shareholders will retain the same level of interest in those assets as prior to the Stapling Proposal. However, Shareholders should still consider these specific risks in light of the disadvantages of the Stapling Proposal contained in section 5.3 and each Shareholder's objectives, financial situation and particular needs.

How will the Stapling Proposal occur?

If the Stapling Proposal proceeds, Shareholders will receive one unit in the Trust for every share in the Company they hold. The units will then be stapled to your shares, meaning that they will trade together as a single security. Shareholders are not required to make any payment to receive units.

Buy Back

After implementation of the Stapling Proposal, the Company and the Manager intend to conduct an off-market tender to buy back up to 10% of their respective issued capital (being approximately 4,548,339 Stapled Securities). Eligible Shareholders who choose to participate in the Buy Back can offer to sell their Stapled Securities to the Stapled Group at NTA, currently forecast to be approximately \$1.09 - \$1.10 per Stapled Security. The Company will make regular disclosures of NTA to ASX during the Tender Period, including on 1 May 2020 (when the Tender Period commences) and every five Business Days thereafter until the close of the Tender Period on 22 May 2020.

While the All Ordinaries and S&P ASX 200 indices have fallen sharply recently and the Company's share price was \$1.05 on the last trading day before the date of this Explanatory Memorandum, the Company's investments are predominantly debt positions that are not affected by a fall in equity markets, with the balance of the portfolio being direct property investments. Therefore, the Company is forecasting a net tangible asset backing of \$1.09 to \$1.10 per Stapled Security which is consistent with the most recently disclosed NTA per Share at 31 January 2020 of \$1.10 per Share.

The Board considered various alternatives for returning capital to shareholders and determined that undertaking the Buy Back is the most efficient and value-enhancing strategy to distribute surplus capital. Further, the Board considered that the Buy Back provides Eligible Shareholders an opportunity to exit part of their investment in the Stapled Group if they do not wish to be invested in the stapled structure that will be created by implementation of the Stapling Proposal.

If you intend to participate in the Buy Back, you must not vote in favour of the Buy Back Resolution. If you vote in favour of the Buy Back Resolution, your registered holding will be marked and you will not receive an offer to participate in the Buy Back. However, the Directors recommend that if you wish to participate in the Buy Back, you should abstain from voting on the Buy Back Resolution and vote in favour of the Stapling Resolutions on which the Buy Back is conditional. If you appoint a proxy and that person votes your registered holding in favour of the Buy Back Resolution, your registered holding will be marked and you will not receive an offer to participate in the Buy Back.

Mr Mark Avery is a director of the Manager, the Company and CVC Limited. Mr Avery is also the managing director of the Company and CVC Limited. CVC Limited has informed the Company that it does not intend to participate in the Buy Back. CVC Limited and its associates will be entitled to vote on the Buy Back Resolution. If the Buy Back Resolution is passed, and the Company and the Manager

buy back the maximum buy back of approximately 4,548,339 Stapled Securities, CVC Limited's voting power in the Stapled Group will increase from 40.94% to 45.94%.

When will the Stapling Proposal and Buy Back occur?

The Company intends for the Stapling Proposal and Buy Back to occur immediately after the Meeting in accordance with the timetable set out in section 1 of this Explanatory Memorandum.

However, the Stapling Proposal and the Buy Back are subject to the ATO Ruling Condition occurring. If the ATO Ruling Condition has not been satisfied by the date of the Meeting, the Stapling Proposal and Buy Back will occur upon the ATO Ruling Condition being satisfied, subject to Shareholder approval at the Meeting.

If the ATO Ruling Condition is not satisfied by 11 June 2020, the Stapling Proposal and Buy Back will not proceed.

Explanatory Memorandum

The purpose of this Explanatory Memorandum is to enable you to consider whether the Stapling Proposal and Buy Back should proceed. It contains the advantages and disadvantages of the Stapling Proposal and Buy Back which you should consider in determining how to vote on the Resolutions.

The Explanatory Memorandum contains important information and should be read prior to voting on the Stapling Proposal and Buy Back at the Meeting.

Directors' recommendation

The Directors consider the Stapling Proposal and Buy Back are in Shareholders' best interests and recommend that you support the Stapling Proposal and Buy Back and vote in favour of all Resolutions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'James Davies', is enclosed in a thin black rectangular border.

James Davies
Chairman
Eildon Capital Limited

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to how to act, you should consult your broker or financial, taxation, legal or other professional adviser immediately.

EILDON CAPITAL LIMITED

ACN 059 092 198

Notice of Extraordinary General Meeting and Explanatory Memorandum for the Stapling Proposal and Buy Back

**An Extraordinary General Meeting of Eildon Capital
Limited will be held at Level 37 Gateway, Suite 3703,
1 Macquarie Place, Sydney NSW 2000 on 20 April
2020 at 11:00 am (Sydney time)**

**THE DIRECTORS UNANIMOUSLY RECOMMEND THAT
YOU SUPPORT THE STAPLING PROPOSAL AND BUY
BACK AND VOTE IN FAVOUR OF ALL RESOLUTIONS**

CONTENTS

IMPORTANT NOTICES	8
1. KEY DATES	10
2. FREQUENTLY ASKED QUESTIONS	13
3. INTRODUCTION	24
3.1 Overview.....	24
3.2 Stapled Group structure diagrams.....	24
4. THE STAPLING PROPOSAL	26
4.1 Elements of the Stapling Proposal	26
4.2 Steps of the Stapling Proposal	26
4.3 Trust Assets.....	27
4.4 Capital structure of the Stapled Group.....	28
4.5 Shareholder Approval	28
4.6 Class Ruling	29
4.7 ASX approval	29
4.8 Distribution	29
5. KEY ADVANTAGES AND DISADVANTAGES OF THE STAPLING PROPOSAL	31
5.1 Directors' recommendation and intentions.....	31
5.2 Advantages.....	31
5.3 Disadvantages	32
6. THE BUY BACK	33
6.1 Overview of the Buy Back.....	33
6.2 Should Eligible Shareholders participate in the Buy Back?	33
6.3 The Tender process	35
6.4 Class Ruling	36
7. RISK FACTORS	37
7.1 Overview – Risks of the Stapled Group	37
7.2 Risks facing the Stapled Group.....	37
7.3 General risks	42
8. FINANCIAL INFORMATION	45
8.1 Statement of financial position of the Company (pre-implementation of Stapling Proposal and Buy Back)	45
8.2 Pro forma statement of financial position of the Stapled Group (post- implementation of Stapling Proposal and Buy Back).....	46
8.3 Distributions.....	47
9. THE STAPLED GROUP.....	49
9.1 Eildon Capital Limited (Company)	49
9.2 Eildon Capital Trust (Trust).....	52

9.3	Eildon Funds Management Limited (Manager).....	52
10.	TAX CONSIDERATIONS FOR THE STAPLING PROPOSAL.....	55
10.1	Introduction.....	55
10.2	Class Ruling.....	55
10.3	Tax implications of holding Stapled Securities	57
10.4	Tax issues re the Trust	58
10.5	Sale of Stapled Securities.....	60
10.6	Tax File Number and Australian Business Number	61
10.7	GST	61
10.8	Stamp duty	61
11.	TAX CONSIDERATIONS FOR THE BUY BACK.....	62
11.1	Introduction.....	62
11.2	Class Ruling.....	62
11.3	Stapled Structure.....	62
11.4	Income tax consequences for Buy Back of Shares in Company.....	62
11.5	Income tax consequences for Buy Back of Units in Trust.....	64
11.6	CGT consequences for disposal of Units.....	64
12.	FEES AND EXPENSES PAYABLE TO THE MANAGER	65
12.1	Management fee.....	65
12.2	Performance fee	65
12.3	Custodian fee	66
12.4	Reimbursement of costs, charges and expenses.....	66
12.5	Termination fees	67
12.6	The Manager in its role as the investment manager of the Company.....	67
13.	REGULATORY INFORMATION	69
13.1	Overview of regulatory regime.....	69
13.2	Regulatory consents.....	69
13.3	Amendments to the Constitution	73
13.4	Foreign Holders	76
13.5	Regulatory information relating to the Buy Back.....	76
14.	ADDITIONAL INFORMATION.....	80
14.1	Stapling Deed.....	80
14.2	Rights and liabilities attaching to Units	80
14.3	Rights and liabilities attaching to Foundation Units.....	83
14.4	If the Stapling Proposal does not proceed.....	83
14.5	Litigation and claims	84
14.6	Interests of directors.....	84

14.7	Consents of named persons.....	85
14.8	Ongoing related party transactions	85
14.9	Expenses of the Stapling Proposal and Buy Back	87
14.10	Dispute resolution	87
14.11	Custodian	88
14.12	Changes to the Explanatory Memorandum or Stapling Proposal	88
14.13	Additional information relating to the Buy Back.....	88
15.	DIRECTORS' STATEMENT	93
16.	NOTICE OF MEETING.....	94
17.	DEFINITIONS.....	98
18.	DIRECTORY.....	103

Important Notices

Purpose of this Explanatory Memorandum

This Explanatory Memorandum is issued by Eildon Capital Limited ACN 059 092 198 (**Company**) dated 12 March 2020 and provides information to Shareholders to assist them to decide whether to support the Stapling Proposal and vote in favour of the Stapling Resolutions, pursuant to which the Stapled Group will be created, and to support the Buy Back.

The Stapling Proposal will be achieved by the distribution of units (**Units**) in the Eildon Capital Trust ARSN 635 077 753 (**Trust**) to Shareholders and the Stapling of those Units to Shares on a one-for-one basis. No payment is required from Shareholders in relation to the Stapling Proposal.

The Stapling Proposal will be put before Shareholders for conditional approval (subject to satisfaction of the ATO Ruling Condition) at the Meeting, to be held on 20 April 2020 at 11:00 am (Sydney time). Shareholders can approve the Stapling Proposal by voting in favour of the Stapling Resolutions.

The Buy Back includes a selective buy-back of Shares (as a component of Stapled Securities) for the purposes of Part 2J.1 Division 2 of the Corporations Act. To be implemented, the Buy Back must be approved by Shareholders by the passing of the Buy Back Resolution.

Shareholders who vote in favour of the Buy Back Resolution will have their registered holdings marked and will not receive an offer to participate in the Buy Back.

ASIC and ASX

A copy of this Explanatory Memorandum was lodged with ASIC and ASX on 12 March 2020. Neither ASIC, ASX nor any of their officers takes any responsibility for the content of this Explanatory Memorandum. The fact that the ASX may admit the Trust to the Official List and grant quotation of the Stapled Securities is not to be taken in any way as an indication of the merits of the Company, the Trust, the Stapled Group or the Stapling Proposal.

Investment advice

The information outlined in this Explanatory Memorandum does not constitute financial product advice or investment advice nor a recommendation in respect of the Shares or the Units. It is general information only, and does not take into account your individual investment objectives, financial situation or needs. Before deciding how to vote or act, it is important that you read this Explanatory Memorandum in its entirety before making a decision on how to vote on the Stapling Proposal. If you are in any doubt in relation to these matters, you should consult your investment, financial, taxation or other professional adviser appropriate to your jurisdiction and your personal circumstances. The Company is not licensed to provide financial product advice in respect of the Units.

Forward-looking statements

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

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

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

Except to the extent required by law, none of the Company, the Manager, the Trust, any officer or employee of the foregoing, any person named in this Explanatory Memorandum with their consent or any person involved in the preparation of this Explanatory Memorandum, makes any representation, warranty, assurance or guarantee (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events, results, values, performance or achievements

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

No guarantee of capital or investment returns

The Stapled Securities to be created under the Stapling Proposal are subject to investment risk, including loss of income or principal invested. No person (including the Company, the Trust, the Manager or any of their associates), gives any guarantee or assurance as to the performance of the Stapled Securities, any return on the Stapled Securities or the repayment of capital invested. Section 6 contains more information about the risks of an investment in the Stapled Securities and the Stapled Group.

Application for listing and quotation

The Manager will apply for the Trust to be admitted to the Official List of the ASX and for quotation of the Units (which would be Stapled to the Shares and traded as Stapled Securities). If the ATO Ruling Condition has not been satisfied before the Meeting the Company will advise Shareholders of the date the Units will be quoted within seven Business Days of the ATO Ruling Condition being satisfied.

Defined terms

Capitalised terms and certain abbreviations used in this Explanatory Memorandum are defined in section 17.

Enquiries

If you are in any doubt as to how to deal with this Explanatory Memorandum, you should consult your professional legal, accounting or other adviser.

1. Key Dates

Event	Date (Sydney time unless otherwise specified)	
Latest date for return of proxies	11:00 am on 18 April 2020	
Meeting Record Date	7:00 pm on 18 April 2020	
Extraordinary General Meeting (Meeting)	11:00 am on 20 April 2020	
Results of Meeting announced on ASX	20 April 2020	
	If the ATO Ruling Condition is satisfied before the Meeting ¹	If the ATO Ruling Condition is satisfied after the Meeting ¹
Deferred settlement trading in Stapled Securities commences Admission of Trust to the Official List	21 April 2020	A date advised by the Company to Shareholders within seven days of the ATO Ruling Condition being satisfied
Stapling Record Date	7:00 pm on 22 April 2020	7:00 pm on the day after deferred settlement trading in Stapled Securities commences
Implementation of Stapling Proposal (Stapling Commencement Date) Last day of trading of Stapled Securities on a deferred settlement basis	24 April 2020	2 Business Days after the Stapling Record Date
Despatch of holding statements in respect of the Stapling Proposal Normal trading of Stapled Securities commences	27 April 2020	1 Business Day after the Stapling Commencement Date
Buy Back Record Date	7:00 pm on 29 April 2020	3 Business Days after the Stapling Commencement Date
Tender Period opens	1 May 2020	2 Business Days after the Buy Back Record Date

¹ The Company intends for the Stapling Proposal to be implemented immediately after the Meeting in accordance with the timetable set out above, which requires the ATO Ruling Condition to be satisfied before the Meeting. There is no guarantee the ATO Ruling Condition will be satisfied by then (if at all) and if it is satisfied between the date of the Meeting and 11 June 2020, the Stapling Proposal and the Buy Back will still be implemented, in accordance with the timetable set out above. If the ATO Ruling Condition is not satisfied by 11 June 2020, the Stapling Proposal and Buy Back will not proceed.

Tender Period closes	7:00 pm on 22 May 2020	A date advised by the Company to Shareholders
Determination of Scale Back and entry into Buy Back Contracts	25 May 2020	1 Business Day after the Tender Period closes
Buy Back Date	26 May 2020	1 Business Day after entry into the Buy Back Contracts
Despatching/crediting of Buy Back proceeds to participating securityholders completed	2 June 2020	1 week after the Buy Back Date
End date for satisfaction of ATO Ruling Condition ¹	11 June 2020	

The dates above are indicative only and certain dates depend on when the ATO Ruling Condition is satisfied. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act. Any change will be publicly announced as soon as practicable on ASX and on the Company's website at www.eildonfunds.com/investor-info.html. Any such change will be taken to amend this Explanatory Memorandum accordingly.

What action you should take

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

The Extraordinary General Meeting of the Company will be held at 11:00 am (Sydney time) on 20 April 2020.

A personalised Proxy Form is enclosed with this Explanatory Memorandum. This is to be used by Shareholders if they wish to appoint a proxy to vote in their place at the Meeting. All Shareholders are invited to encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions on the form. Lodgement of a Proxy Form will not preclude a Shareholder from attending the Meeting in person.

Shareholders can vote by:

- attending the Meeting; or
- completing and return the Proxy Form:
 - by mail to: GPO Box 242, Melbourne, Victoria, 3001, Australia
 - by fax to: 1800 783 447 within Australia or +61 3 9473 2555 outside Australia
 - online:
 - You can appoint a proxy online and submit your voting instructions (if any) by visiting www.investorvote.com.au and following the instructions on the website. To use this online facility, you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), postcode and the six digit PIN shown on your Proxy Form. If you lodge an online proxy appointment in

accordance with the instructions, you will be taken to have signed or authorised the Proxy Form.

- Custodians and nominees with access to Intermediary Online can appoint a proxy at www.intermediaryonline.com.

If you are in any doubt as to how to deal with this Explanatory Memorandum, you should consult with your professional adviser.

2. Frequently Asked Questions

Question	Answer
Who is the issuer of this Explanatory Memorandum?	Eildon Capital Limited.
What is the Explanatory Memorandum?	The Explanatory Memorandum is an explanatory memorandum accompanying the Notice that has been created by the Company for the purposes of assisting Shareholders in voting on the Resolutions regarding the Stapling Proposal and the Buy Back.
What is the Stapling Proposal?	<p>The Stapling Proposal is the proposal by which Eildon Capital Limited will restructure into a stapled structure, called the Stapled Group.</p> <p>Section 4 contains further information on the Stapling Proposal.</p>
What is the Buy Back?	<p>The Buy Back is an off-market selective buy back of up to 4,548,339 Stapled Securities by the Stapled Group. The Buy Back is being conducted by way of tender, where Eligible Shareholders are entitled to offer their Stapled Securities for sale to the Company and the Manager during the Tender Period.</p> <p>Section 6 contains further information on the Buy Back.</p>
When will the Stapling Proposal occur?	<p>The timing of the implementation of the Stapling Proposal depends on the satisfaction of the ATO Ruling Condition. The Company intends for the Stapling Proposal to be implemented immediately after the Meeting, which requires the ATO Ruling Condition to be satisfied before the date of the Meeting. If the ATO Ruling Condition is satisfied between the date of the Meeting and 11 June 2020, the Stapling Proposal and Buy Back will still be implemented.</p> <p>If the ATO Ruling Condition is not satisfied by 11 June 2020, the Stapling Proposal and Buy Back will not proceed (regardless of whether they have been approved by Shareholders at the Meeting) and it is intended that the Manager will deregister the Trust and proceed to wind it up. The factors affecting the timing of the ATO Ruling Condition are outside of the Company's control and are dependent upon the ATO.</p> <p>The Stapling Proposal also depends on ASX granting quotation of the Units and the admission of the Trust to the Official List. If this does not occur, the Stapling Proposal will not proceed.</p> <p>The key dates of the Stapling Proposal and Buy Back are contained in section 1.</p>
When will the Buy Back occur?	The Tender Period for the Buy Back will commence immediately after implementation of the Stapling Proposal. After the Tender Period closes and the Stapled Group has

	<p>determined the Scale Back (if any), those Eligible Shareholders whose Tender has been accepted by the Stapled will have their Stapled Securities bought back on the Buy Back Date, currently expected to be 26 May 2020.</p> <p>If the ATO Ruling Condition has not been satisfied by the date of the Meeting, the Buy Back will not occur until after the ATO Ruling Condition has been satisfied and in accordance with the timetable set out in section 1.</p>
What is the ATO Ruling Condition?	<p>The ATO Ruling Condition requires the ATO to provide:</p> <ul style="list-style-type: none"> • a draft Class Ruling detailing the income tax consequences for Shareholders as a result of the Stapling Proposal; and • a draft Class Ruling detailing the income tax consequences for Shareholders as a result of the Buy Back, <p>both on terms that, in the Board's opinion, are an acceptable position for Shareholders in the context of the Stapling Proposal and the Buy Back.</p> <p>The Company does not intend to waive the ATO Ruling Condition if it is not satisfied before the date of the Meeting. If the Company does seek to waive the ATO Ruling Condition, the Company will seek Shareholder approval.</p> <p>Further information on the Class Ruling for the Stapling Proposal is contained in section 4.6. Further information on the Class Ruling for the Buy Back is contained in section 6.2.</p> <p>The Board's opinion regarding an acceptable position for Shareholders is based on a confirmatory response from the ATO in relation to the matters listed in sections 10.2 and 11.2. The Company will announce to ASX whether it considers that the draft Class Rulings constitute an acceptable position for Shareholders when they are received.</p>
What will happen if the ATO Ruling Condition is not satisfied?	<p>If the ATO Ruling Condition is not satisfied by 11 June 2020, the Stapling Proposal and Buy Back will not proceed and it is intended that the Manager will deregister the Trust.</p>
What is a 'stapled structure'?	<p>A stapled structure is an arrangement where two or more entities with common ownership (at least one of which is a trust) are bound together such that they cannot be dealt with separately.</p> <p>Stapled structures are commonly used in the funds management sector given the commercial and tax advantages they provide over a standard company structure.</p>
How will the Stapling Proposal change the Company?	<p>The Stapling Proposal does not involve a change to the Company's existing business or operations.</p> <p>However, it will result in the transfer of some of the Company's assets, being the Trust Assets, to the Trust. Shareholders who do not participate in the Buy Back will continue to hold a</p>

	<p>beneficial interest in the Trust Assets in the same proportion as they did prior to the Stapling Proposal. After implementation of the Buy Back, the Trust Assets will be reduced by the value of the Units bought back (forecast to be approximately \$0.98 per Unit) and Shareholders who retain their Stapled Securities will have a proportionately larger interest (depending on the size of the Buy Back) remaining in the Trust Assets than they did prior to the Buy Back.</p>
What assets will the Trust hold?	<p>The Company and the Manager as responsible entity for the Trust have entered into the Asset Transfer Agreement by which the Company will transfer the Trust Assets to the Trust.</p> <p>Some of the Trust Assets include mortgage assets. The Manager's current AFSL does not allow it to act as the responsible entity of a managed investment scheme that holds the Mortgage Assets. Accordingly, the Manager has applied to ASIC for a variation of its AFSL to allow the Trust to hold the Mortgage Assets. Until the variation is granted by ASIC, the Mortgage Assets will remain in the Company.</p> <p>On the Stapling Commencement Date, the Company will grant the Note in favour of the Trust which will have a value equal to the market value of the Mortgage Assets. Upon ASIC granting the variation to the Manager's AFSL, the Mortgage Assets will be transferred to the Trust in repayment of the Note, which will then be cancelled.</p>
What is the Stapled Group?	<p>The Stapled Group is the group of Eildon businesses to be created by the Stapling Proposal.</p> <p>The Stapled Group will comprise of an existing company, Eildon Capital Limited and a newly settled unit trust, the Eildon Capital Trust.</p> <p>A diagram of the Stapled Group is contained in section 3.2.</p>
What is the Trust?	<p>The Eildon Capital Trust is a registered managed investment scheme under Chapter 5C of the Corporations Act.</p>
Who manages and owns the Trust?	<p>The Trust is managed by its responsible entity, Eildon Funds Management Limited, which also acts as the investment manager for the Company.</p> <p>The Trust currently has 10 Foundation Units on issue which are held by the Company. These Foundation Units were issued for the purposes of settling the Trust. If the Stapling Proposal proceeds, the Manager will conduct the Trust Subscription to issue Units to Shareholders who will become the owners of the Trust, and the Foundation Units will be cancelled.</p>
How many Units will I receive?	<p>If the Stapling Proposal proceeds, you will be issued one Unit for every Share you hold at the Stapling Record Date pursuant to the Trust Subscription.</p> <p>For example, if you hold 1,000 Shares as at the Stapling Record Date, then following the Trust Subscription, you will hold 1,000 Shares and 1,000 Units. Each Unit will be Stapled</p>

	to a Share, which together will be referred to as a Stapled Security.
What do I need to pay for the Units?	<p>You do not need to pay anything to be issued Units. The Company will conduct the Distribution which will be compulsorily applied on your behalf to apply for Units.</p> <p>Your holding details will be automatically updated when the Units are issued.</p>
How much will my Units be worth?	<p>The Company forecasts that, if the Stapling Proposal is implemented, the Trust will hold net assets of approximately \$0.98 per Unit at the time of implementation of the Stapling Proposal.</p> <p>Accordingly, Units are forecast to have an initial value of approximately \$0.98 per Unit. The final, precise value of the Units will be dependent on a number of factors, including the market value of the Trust Assets (described in more detail in section 4.3), at the relevant time.</p>
When do I receive my Units?	<p>You will receive your Units after the Trust Subscription occurs.</p> <p>The occurrence of the Stapling Proposal, including the Trust Subscription, is dependent upon the satisfaction of the ATO Ruling Condition and the occurrence of the Distribution.</p>
Will the Units be quoted on ASX?	<p>It is intended that the Units will be quoted on ASX and trade together with Shares as a 'stapled security'.</p> <p>If the ATO Ruling Condition is not satisfied prior to the Meeting, the Manager will apply to ASX for the admission of the Trust to the Official List and for quotation of Units within one week of the date of the satisfaction of the ATO Ruling Condition. If ASX does not grant the application for quotation or admission of the Trust to the Official List, the Stapling Proposal will not proceed and it is intended that the Manager will deregister the Trust and proceed to wind it up.</p>
What does the 'responsible entity' do?	<p>The Manager is the responsible entity for the Trust. The Manager is responsible for managing the Trust in accordance with the Trust Constitution and the Corporations Act.</p> <p>The Manager holds an AFSL which allows it to act as the responsible entity, trustee and manager of a managed investment scheme. The Manager is also the investment manager of the Company.</p>
What fees and expenses are payable to the Manager?	<p>The Manager, as responsible entity for the Trust and as investment manager for the Company, is entitled to certain fees and expenses. The Manager is entitled to recover the following from the assets of the Trust:</p> <ul style="list-style-type: none"> • a monthly management fee of one twelfth of 0.75% of the net trust value, plus one twelfth of 1% of invested capital (subject to a minimum of \$15,000); • a performance fee of 20% on the capital growth of the Trust above 9% per annum;

	<ul style="list-style-type: none"> • reimbursement of all costs and expenses incurred in the proper performance of its duties as responsible entity for the Trust; and • in the event that the Manager is terminated as responsible entity for the Trust, the monthly management fee for a period of one year, the performance fee calculated at the date of termination and any reimbursable expenses incurred to date. <p>The Manager is also the investment manager of the Company and is entitled to the same management and performance fees from the Company as set out above (as though references to the Trust were references to the Company), except that the Manager will not be entitled to a minimum fee from the Company if the Stapling Proposal proceeds.</p> <p>Further information is contained in section 11.</p>
What are the Foundation Units?	<p>The Foundation Units are nominal value units of the Trust issued to the Company for the purposes of settling the Trust. The Manager will not apply for quotation of the Foundation Units on ASX.</p> <p>Further information on the Foundation Units is contained in section 14.3.</p>
What are the advantages of the Stapling Proposal?	<p>The Stapling Proposal will:</p> <ul style="list-style-type: none"> • allow the Stapled Group to make more investments, as the Trust will be able to utilise the amounts that would have otherwise been paid as tax to be reinvested into further investments; and • bring the Company's structure in line with other listed fund managers, providing a more transparent benchmarking of performance and the potential for the Stapled Securities to be positively re-rated and improve the Stapled Group's cost of capital. This will also provide a more effective structure for the Stapled Group to undertake capital raisings when required to meet the growing demand for funding from the real estate market and which the Stapled Group may seek to do after implementation of the Stapling Proposal. <p>Further information on the advantages of the Stapling Proposal is contained in section 5.2.</p>
What are the disadvantages of the Stapling Proposal?	<p>Shareholders whose Shares have a cost base of less than the quantum of the Capital Return will be liable to pay CGT on the amount by which their Shares have a cost base of less than the Capital Return.</p> <p>Shareholders will be required to include the Special Dividend in their assessable income, although the effect of this will depend on each Shareholders' circumstances and whether the dividend is partially or fully franked.</p>

	<p>There will be an increase in annual compliance and regulatory fees of approximately \$120,000 per annum, which takes into account audit, taxation, custody, regulatory and other expenses.</p> <p>There are one-off costs associated with the Stapling Proposal of approximately \$400,000, including an initial ASX listing fee of approximately \$56,000 and adviser costs of approximately \$253,000.</p> <p>Further information on the disadvantages of the Stapling Proposal is contained in section 5.3.</p>
Are there any alternatives to the Stapling Proposal?	<p>The alternative to the Stapling Proposal is to retain the Company's current structure.</p> <p>The Board believes that the Stapling Proposal is the better option for Shareholders given the advantages set out in section 5.2.</p>
What approvals are required?	<p>The implementation of the Stapling Proposal and the Buy Back is conditional upon Shareholders approving the Resolutions at the Meeting and the satisfaction of the ATO Ruling Condition.</p>
What are the Stapling Resolutions?	<p>The Stapling Resolutions which the Company is seeking Shareholders approve are:</p> <ul style="list-style-type: none"> • Resolution 1 – amendments to the Constitution to introduce the Stapling Provisions; • Resolution 2 – approval of the Stapling Proposal, including the entry into the Stapling Deed and the transfer of the Trust Assets; and • Resolution 3 – approval of a capital reduction to facilitate the Distribution. <p>Resolution 1 must be approved by special resolution. Resolutions 2 and 3 must be approved by ordinary resolution.</p> <p>The full text of the Stapling Resolutions are contained in the Notice.</p> <p>The Board recommends that you support the Stapling Proposal and vote in favour of all Stapling Resolutions.</p>
What related party transactions are involved in the Stapling Proposal and operation of the Stapled Group?	<p>The implementation of the Stapling Proposal and ongoing management of the Stapled Group may involve a number of related party transactions.</p> <p>The Manager, in its capacity as responsible entity for the Trust, will have an ongoing relationship with the Company, subject to the Corporations Act and the Listing Rules. The Manager and the Company have entered into the Stapling Deed which deals with implementation of the Stapling Proposal and the conduct of the Stapled Group. Further detail on the Stapling Deed is set out in section 14.1.</p>

	<p>Mr. Mark Avery is a director of the Manager, the Company and CVC Limited. Mr Avery is also the managing director of the Company and CVC Limited.</p> <p>CVC Limited currently holds approximately 40.94% of the issued capital of the Company. Following implementation of the Buy Back, CVC Limited may hold up to 45.49% of the Stapled Group.² CVC Limited has informed the Company that it does not intend to participate in the Buy Back. CVC Limited and its associates will not be excluded from voting on the Buy Back Resolution.</p> <p>The Manager is a wholly-owned subsidiary of CVC Limited.</p> <p>The Manager and the Stapled Group have developed an investment approval process to control and avoid potential conflicts of interest in relation to investment opportunities that the Manager may wish or be obliged to offer to more than one client. Further information on that process is contained in section 14.8(a).</p> <p>Investment opportunities relevant to both the Stapled Group and CVC Limited will be offered to both entities in accordance with the Investment Allocation Deed. Each entity will be offered 30% of the investment and further investment proportions will be based on each entities' willingness to take up their entitlement and the respective net asset positions of the entities. Further information on the Investment Allocation Deed is contained in section 14.8(b). Further detail on the ongoing related party transactions is set out in section 14.8.</p>
What are the tax consequences of the Stapling Proposal?	<p>A summary of the Australian tax implications for Shareholders resulting from the Stapling Proposal and the Buy Back is contained in section 10.</p> <p>All Shareholders should seek independent professional advice on the consequences of the Stapling Proposal and the Buy Back in their personal circumstances.</p>
What happens if I don't vote, or vote against, the Resolutions?	<p>The Board encourages all Shareholders to review the Explanatory Memorandum and carefully consider whether they support the Stapling Proposal and Buy Back.</p> <p>If you don't vote on the Resolutions, or you vote against the Resolutions, and the Resolutions are passed and the Stapling Proposal and Buy Back proceed, the consequences of the Stapling Proposal and Buy Back will still apply to you. You will be issued Units in the Trust and those Units will be Stapled to your Shares. However, you do not have to offer your Shares and Units under the Buy Back.</p>
What if I am a Foreign Holder?	<p>In accordance with relief that has been granted by ASIC, Stapled Securities may not be issued to any Shareholder who is a Foreign Holder.</p>

² Assuming CVC Limited does not participate in the Buy Back and the Stapled Group buys back the Maximum Buy Back. Further detail on the potential change of control effect of the Buy Back is set out in section 13.5.

	<p>Section 13.4 explains that ASIC relief has been granted to allow the Manager, where it considers that, in respect of a Foreign Holder, it would be unreasonable to make an offer of Units to that Foreign Holder, it may issue such units to the Nominee for the Foreign Holder. If the Stapling Proposal is implemented, then the Foreign Holder may have their entire holding of Stapled Securities sold on market by the Nominee. If this is the case, then the Company and the Manager at the time are required to procure that the Nominee sells such Stapled Securities in the ordinary course of trading on ASX as soon as is reasonably practicable but no later than 30 Business Days following the date on which Stapled Securities start trading on ASX.</p>
What is the size of the Buy Back?	<p>The Stapled Group is seeking to buy back up to 10% of its issued capital through the Buy Back (approximately 4,548,339 Stapled Securities).</p> <p>The Stapled Group may reduce the size of the Buy Back depending on a number of factors, including market conditions and future capital requirements.</p> <p>If the total number of Stapled Securities tendered for sale by Eligible Shareholders is greater than the number of Stapled Securities the Stapled Group determines to Buy Back, the Scale Back will apply.</p>
Am I eligible to participate in the Buy Back?	<p>You are eligible to participate in the Buy Back if you:</p> <ul style="list-style-type: none"> • are a registered holder of Stapled Securities on the Buy Back Record Date; • are not a Foreign Holder; and • abstain (and your associates abstain) from voting on the Buy Back Resolution, <p>(Eligible Shareholder).</p> <p><u>If you intend to participate in the Buy Back, you must not vote in favour of the Buy Back Resolution.</u> If you vote in favour of the Buy Back Resolution, your registered holding will be marked and you will not receive an offer to participate in the Buy Back.</p>
What is the Buy Back Resolution?	<p>The Buy Back Resolution is a special resolution for the purposes of section 257D of the Corporations Act. As the Buy Back is a selective buy back, it must be approved by a special resolution of Shareholders with no votes cast in favour of the Buy Back Resolution whose Stapled Securities are proposed to be bought back or their associates.</p> <p><u>If you or your associates vote in favour of the Buy Back Resolution, you may not participate in the Buy Back and you will be excluded from offering your Stapled Securities for sale during the Tender Period.</u> However, you will still be entitled to vote on the Stapling Resolutions. The Company encourages Shareholders who are in favour of the</p>

	<p>Buy Back and who intend to Tender their Stapled Securities to vote in favour of the Stapling Resolutions as the Buy Back will not proceed unless the Stapling Resolutions are approved.</p>
How do I participate in the Buy Back?	<p>If you are an Eligible Shareholder, you can participate in the Buy Back by:</p> <ul style="list-style-type: none"> • if you are an Issuer Sponsored Holder, completing and signing the applicable Offer Form that will be despatched following the Buy Back Record Date; or • if you are a CHESS Holder, instructing your broker to process your Tender via CHESS during the Tender Period. <p>To participate in the Buy Back you must ensure your Offer Form is received by the Share Registry, or your instruction is processed by your broker through CHESS, so that it received by no later than 7:00 pm (Sydney time) on 22 May 2020.</p> <p>For detailed instructions on how to participate, refer to section 14.13.</p> <p><u>If you intend to participate in the Buy Back, you must not vote in favour of the Buy Back Resolution.</u> If you vote in favour of the Buy Back Resolution, your registered holding will be marked and you will not receive an offer to participate in the Buy Back.</p>
Do I have to participate in the Buy Back?	<p>You do not need to participate in the Buy Back. However, Shareholders should note that the Stapling Proposal and the Buy Back are conditional. The Directors therefore encourage Shareholders who support the Stapling Proposal but do not wish to participate in the Buy Back to vote in favour of the Buy Back Resolution. Only Shareholders who do not intend to Tender their Stapled Securities should vote in favour of the Buy Back Resolution.</p>
How does the tender process for the Buy Back work?	<p>If you are an Eligible Shareholder, you can offer to sell some or all of your Stapled Securities to the Stapled Group at the Buy Back Price.</p> <p>If you decide to participate you can offer to sell some or all of your Stapled Securities, but you must offer to sell at least \$2,000 worth of Stapled Securities (calculated at the Buy Back Price) unless you hold less than that amount, in which case you must submit a Tender for all of your Stapled Securities. On the basis of the forecast Buy Back Price of \$1.09 per Stapled Security, this equates to 1,835 Stapled Securities.</p> <p>By submitting an Offer Form, you appoint the Company as your agent and attorney to agree to sell to the Manager the relevant number of Units that will be issued to you under the Stapling Proposal.</p> <p>If the total number of Stapled Securities tendered for sale by Shareholders is greater than the number of Stapled Securities the Stapled Group determines to Buy Back, there may be a</p>

	scale back so that not all the Stapled Securities tendered will be bought back.
What is the Buy Back Price?	<p>The Buy Back Price is the price at which the Stapled Group will buy your Stapled Securities if your Tender is accepted.</p> <p>The Buy Back Price will be net tangible asset backing of each Stapled Security on the Buy Back Date, which is currently forecast to be approximately \$1.09 - \$1.10 per Stapled Security. The Company will make regular disclosures of NTA to ASX during the Tender Period, including on 1 May 2020 (when the Tender Period commences) and every five Business Days thereafter until the close of the Tender Period on 22 May 2020.</p> <p>While the All Ordinaries and S&P ASX 200 indices have fallen sharply recently and the Company's share price was \$1.05 on the last trading day before the date of this Explanatory Memorandum, the Company's investments are predominantly debt positions that are not affected by a fall in equity markets, with the balance of the portfolio being direct property investments. Therefore, the Company is forecasting a net tangible asset backing of \$1.09 to \$1.10 per Stapled Security which is consistent with the most recently disclosed NTA per Share at 31 January 2020 of \$1.10 per Share.</p> <p>The Stapled Group will advise Shareholders of the Buy Back Price on the Buy Back Date.</p>
What is the Scale Back?	<p>If the total number of Stapled Securities tendered for sale by Shareholders is greater than the number of Stapled Securities the Company determines to buy back, there will be a pro rata scale back so that not all the Stapled Securities offered will be bought back.</p> <p>The Scale Back will be implemented as follows:</p> <ul style="list-style-type: none"> all Tenders will be accepted, but will be scaled back on a pro rata basis to the extent necessary based on the number of Stapled Securities the Stapled Group determines to buy back; the Scale Back will not apply to the first \$2,000 worth Stapled Securities that are tendered (calculated at the Buy Back Price). On the basis of the forecast Buy Back Price of \$1.09 per Stapled Security, this equates to 1,835 Stapled Securities. This is called the Priority Allocation and is designed to ensure that smaller holdings can successfully participate in the Buy Back; and the Stapled Group will advise Shareholders of the number of Stapled Securities it will buy back and the details of any Scale Back immediately prior to entry into the Buy Back Contracts.
Am I eligible to receive Units if I sell my Stapled Securities in the Buy Back?	If the Stapling Proposal is implemented, all Eligible Shareholders will receive Units on the Stapling Commencement Date.

If you intend to participate in the Buy Back, you may Tender your Stapled Securities for sale to the Stapled Group during the Tender Period. If the Stapled Group accepts your Tender, the Units which were issued to you (along with the Shares to which those Units are Stapled) and which were the subject of the Tender will be bought back by the Stapled Group, subject to the Scale Back.

3. Introduction

3.1 Overview

Under the Stapling Proposal, a new stapled group will be created, consisting of Eildon Capital Limited and the Eildon Capital Trust, called the Stapled Group.

To implement the Stapling Proposal, the following must occur:

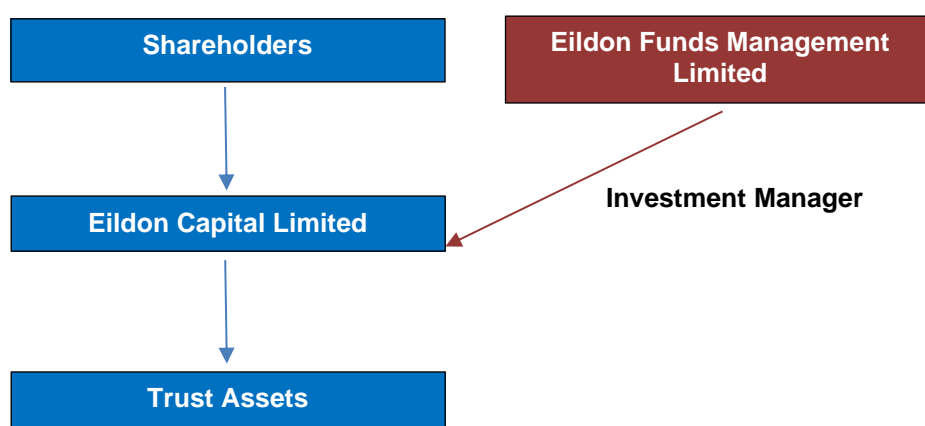
- (a) Shareholder Approval for the Stapling Proposal and the Buy Back must be obtained;
- (b) the ATO Ruling Condition must be satisfied;
- (c) the Internal Restructure must occur;
- (d) the Company must make the Distribution; and
- (e) the Units must be Stapled to Shares to form the Stapled Securities.

Further information on the steps involved in the Stapling Proposal is contained in section 4.

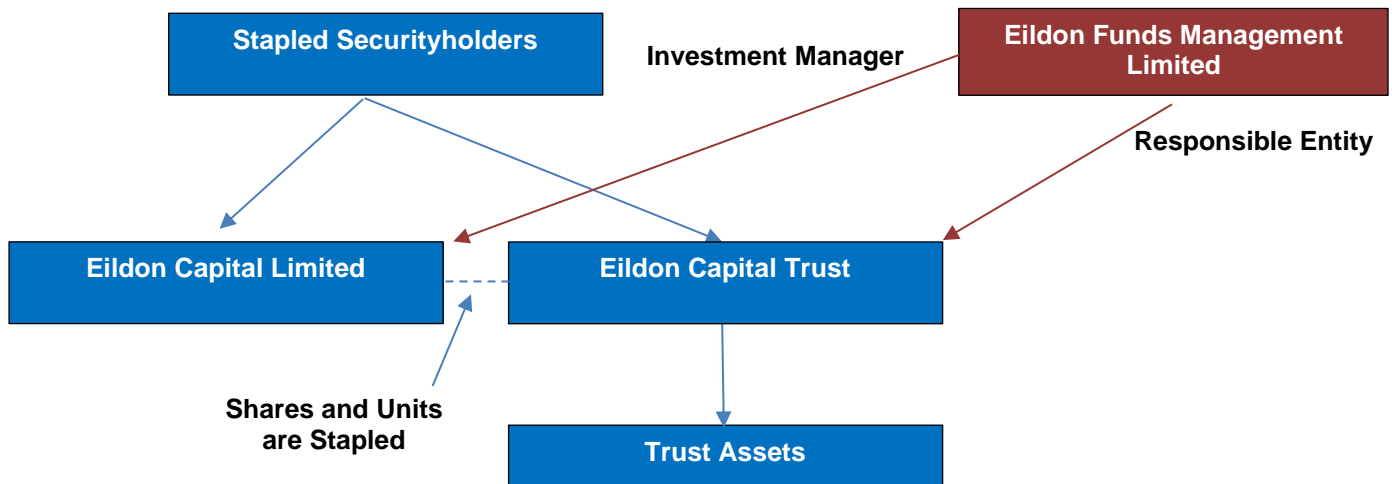
Under the Buy Back, the Stapled Group will purchase up to 4,548,339 Stapled Securities at the Buy Back Price. The Buy Back is subject to Shareholder Approval of the Stapling Resolutions and the Buy Back Resolution, and the ATO Ruling Condition being satisfied.

3.2 Stapled Group structure diagrams

A simplified diagram of the current structure of the Company is set out in summary form below:



A simplified diagram of the proposed structure of the Stapled Group, should the Stapling Proposal proceed, is set out in summary form below:



4. The Stapling Proposal

4.1 Elements of the Stapling Proposal

Under the Stapling Proposal, it is proposed that a new stapled group will be created, consisting of the Company and the Trust.

To implement the Stapling Proposal, the following must occur:

- (a) **Shareholder Approval** – the Stapling Resolutions and Buy Back Resolution put to Shareholders at the Meeting are approved;
- (b) **ATO Ruling Condition** – the ATO provides a draft Class Ruling regarding certain income tax implications to Shareholders on terms satisfactory to the Board;
- (c) **Internal Restructure** – the Trust Assets (excluding Mortgage Assets) will be transferred to the Trust. The Company will issue the Note to the Trust and, on variation of the Manager's AFSL, the Mortgage Assets will be transferred to the Trust in repayment of the Note, which will then be cancelled;
- (d) **Distribution** – the Company makes the Distribution (being the sum of the Capital Return and Special Dividend) forecast to be approximately \$0.98 per Share to Shareholders that will be compulsorily applied to subscribe for Units. No payment is required by Shareholders and all Shareholders will receive one Unit for each Share they hold; and
- (e) **Stapling** – each Unit will be stapled to a Share so that they will trade on the ASX as Stapled Securities and as if they were one security (and neither Units nor Shares can trade separately). As Shareholders will hold all of the Units in proportion to their shareholding in the Company, they will continue to hold the same proportional beneficial interest in the Trust Assets through the Stapled Group as they did through the Company prior to the implementation of the Stapling Proposal.

4.2 Steps of the Stapling Proposal

The Stapling Proposal is expected to involve the following steps:

(a) Establishment of the Trust

The Trust has been established and settled by the Manager with the Company as the sole unitholder of the Foundation Units. The Manager has been appointed as the responsible entity for the Trust. The Trust has been registered as a managed investment scheme under Chapter 5C of the Corporations Act.

(b) ATO Ruling Condition

The Company has applied to the ATO for a draft Class Ruling. If the draft Class Ruling is not issued on terms satisfactory to the Board by 11 June 2020, the Stapling Proposal and Buy Back will not proceed.

(c) Shareholder Approval

At the Meeting, Shareholders will be asked to approve the Stapling Proposal by voting in favour of the Stapling Resolutions and passing the Stapling Resolutions by their required majorities. If any of the Stapling Resolutions or the Buy Back Resolution are not approved by Shareholders, the Stapling Proposal will not proceed.

(d) Internal Restructure

The Company will transfer the Trust Assets to the Trust pursuant to the Asset Transfer Agreement.

Some of the Trust Assets include mortgages. The Manager's current AFSL does not allow it to act as the responsible entity of a managed investment scheme that holds the Mortgage Assets. Accordingly, the Manager has applied to ASIC for a variation of its AFSL to allow the Trust to hold the Mortgage Assets. Until the variation is granted by ASIC, the Mortgage Assets will remain in the Company.

On the Stapling Commencement Date, the Company will issue the Note in favour of the Trust which will have a value equal to the market value of the Mortgage Assets. Upon ASIC granting the variation to the Manager's AFSL, the Mortgage Assets will be transferred to the Trust in repayment of the Note, which will then be cancelled.

If the variation to the Manager's AFSL is not granted, the Company will continue to hold the Mortgage Assets.

(e) **Distribution**

The Company will make a capital return to Shareholders to facilitate the Stapling (**Capital Return**). The Company will also pay a partially or fully franked dividend to Shareholders to facilitate the Stapling (**Special Dividend**).

The quantum of the Capital Return and the Special Dividend on a per share and total basis will be determined if and when the Class Ruling is received by the Company, but will, is currently forecast to be approximately \$0.98 per Share (being the Distribution) and approximately \$44.5 million.

(f) **Trust Subscription**

The Company will apply the Distribution on behalf of Shareholders to compulsorily subscribe for Units. The number of Units issued will be equal to the number of Shares on issue as at the Stapling Record Date on a one-for-one basis. The Manager will apply for quotation of the Units on ASX.

(g) **Stapling**

The Shares and the Units on issue as at the Stapling Record Date will be Stapled on a one-for-one basis.

(h) **Post-Stapling transactions**

After implementation of the Stapling Proposal, the only transactions expected between the Company and the Trust are:

- upon granting of the variation to the Manager's AFSL, the transfer of the Mortgage Assets to the Trust in repayment of the Note, which will then be cancelled; and
- the Foundation Units being cancelled.

There will be no cross-staple rent paid by the Company to the Trust. There is cross-staple financing provided by the Trust to the Company in the form of the Note and there may be similar financing provided by the Trust if further mortgages are acquired by the Company. However, once the Note is repaid it is not expected that there will be any cross-staple financing provided by the Trust to the Company because the Note is to be repaid following the Manager obtaining approval for a variation of its AFSL that will allow the Trust to hold the Mortgage Assets and any other similar assets. Accordingly, there will be no need for further financing arrangements between the Company and the Trust, with one possible exception to this being where the Trust may provide financing to the Company on a short term basis to cover incidental costs incurred by the Company, if the Company is in a situation where it does not have liquid funds available at the time to pay such costs.

4.3 Trust Assets

Pursuant to the Asset Transfer Agreement, the Company will transfer the following assets to the Trust, based on the current value of the portfolio as at the date of this Explanatory Memorandum:

- (a) the debt related loan portfolio that currently comprises 5 loan investments amounting to approximately \$29.5 million (**Mortgage Assets**);
- (b) an equity investment in a class of units in the Eildon Debt Fund of \$3.0 million;
- (c) three equity investments in property projects amounting to approximately \$6.3 million; and
- (d) cash balance of \$124.0 million,

(together, the **Trust Assets**).

On implementation of the Stapling Proposal, the Company will transfer the Trust Assets (excluding the Mortgage Assets) to the Trust. Following obtaining approval from ASIC for the variation of the Manager's AFSL to be a responsible entity of a registered managed investment scheme that holds mortgages, the Mortgage Assets will be transferred from the Company to the Trust.

On the Stapling Commencement Date, the Company will issue the Note in favour of the Trust which will have a value equal to the market value of the Mortgage Assets. Upon ASIC granting the variation to the Manager's AFSL, the Mortgage Assets will be transferred to the Trust in repayment of the Note, which will then be cancelled.

4.4 Capital structure of the Stapled Group

In respect of the proposed structure of the Stapled Group:

- (a) there are currently 45,483,392 Shares on issue in the Company;
- (b) there are currently 10 Foundation Units issued in the Trust which are held by the Company; and
- (c) should the Stapling Proposal proceed, the Trust will issue 45,483,392 Units. These Units will be issued to Shareholders on a one-for-one basis through the Trust Subscription. Immediately after the Units are issued, the buy back of Stapled Securities will occur. If the Stapled Group buys back the Maximum Buy Back, there will be 40,935,053 Stapled Securities on issue. This number of Units on issue will be greater if the Stapled Group ultimately buys back less than the Maximum Buy Back.

Sections 14.2 and 14.3 provide a summary of the rights and liabilities attaching to the Units and Foundation Units, respectively.

4.5 Shareholder Approval

The Stapling Proposal will not proceed unless Shareholders approve the Resolutions at the Meeting by their requisite majorities. The full text of the Resolutions are contained in the Notice. In summary, Shareholders are being asked to approve:

- (a) by special resolution, amendments to the Constitution to incorporate the Stapling Provisions;
- (b) by ordinary resolution, approval of the Stapling Proposal, entry into the Stapling Deed and the transfer of the Trust Assets from the Company to the Trust; and
- (c) by ordinary resolution, the Capital Return.

Shareholders should be aware that Resolution 1 seeking approval for amendments to the Constitution is not conditional upon Resolutions 2 and 3 and, if passed by special resolution, will take effect regardless of whether the Stapling Proposal proceeds.

Section 13.3 contains further information regarding the amendments to the Constitution.

The Stapling Proposal is also conditional on the Buy Back Resolution being approved by special resolution.

4.6 Class Ruling

As described in more detail in section 10.2, the Company has applied to the ATO for the Class Ruling. The receipt of a draft Class Ruling from the ATO on terms acceptable to the Board is a condition to the Stapling Proposal being implemented, as the Board has determined to only proceed if it considers the position reflected in the Class Ruling to be an acceptable position for Shareholders in the context of the Stapling Proposal. The Board's opinion regarding an acceptable position for Shareholders is based on a confirmatory response from the ATO in relation to the matters listed in sections 10.2(a) and 10.2(b). The Company will announce to ASX whether it considers that the Class Ruling constitutes an acceptable position for Shareholders when the Class Ruling is received.

The Company intends for the Stapling Proposal and Buy Back to occur immediately after the Meeting in accordance with the timetable set out in section 1.

However, if the ATO Ruling Condition has not been satisfied by the date of the Meeting (provided it is satisfied before 11 June 2020), the Stapling Proposal and Buy Back will occur upon the ATO Ruling Condition being satisfied, subject to Shareholder approval at the Meeting.

If the ATO Ruling Condition is not satisfied by 11 June 2020, the Stapling Proposal and Buy Back will not proceed (regardless of whether it has been approved by Shareholders at the Meeting) and it is intended that the Manager will deregister the Trust and proceed to wind it up.

4.7 ASX approval

The admission of the Trust to the Official List and quotation of the Units is subject to approval by ASX.

If the ATO Ruling Condition is not satisfied before the date of the Meeting, the Manager will apply to ASX for the admission of the Trust to the Official List and for quotation of Units within one week of the date of the satisfaction of the ATO Ruling Condition. If ASX does not grant the application for quotation, the Stapling Proposal will not proceed and it is intended that the Manager will deregister the Trust and proceed to wind it up.

ASX reserves the right to remove one or more entities with stapled securities from the Official List if any of their securities cease to be stapled together, or any equity securities are issued by one entity which are not stapled to equivalent securities in the other entity or entities. ASX has reviewed the terms of the Foundation Units and has confirmed that, in principle, the terms of the Foundation Units (which are not stapled to any other securities) are appropriate and equitable and that it will approve the terms of the Foundation Units once the Company applies for the Trust to be admitted to the Official List.

4.8 Distribution

The Distribution will be the aggregate amount of the Capital Return and the Special Dividend, is currently forecast to be approximately \$0.98 per Share. The proportion of the Capital Return and Special Dividend as part of the Distribution as a whole cannot be conclusively determined until such time as the draft Class Ruling is received by the Company. As a result of the Capital Return, the Company's paid-up share capital (contributed equity) will be reduced. It is expected that the Special Dividend will be partially or fully-franked.

The Distribution will be compulsorily applied by the Company on behalf of each Shareholder to subscribe for one Unit for every Share held by the Shareholder on the Stapling Record Date (**Trust Subscription**). The number of Units issued will be equal to the number of Shares on issue (on a one-for-one basis) at the time of the Distribution and Trust Subscription.

The Capital Return, Special Dividend and Trust Subscription do not require any Shareholder to take any action in order for them to receive their Units. The terms of the Capital Return, Special Dividend and Trust Subscription are the same for each Shareholder. Shareholders who are the registered holders of Shares on the Stapling Record Date are entitled to participate in the Capital Return, Special Dividend

and Trust Subscription. It is currently intended that the Stapling Record Date for determining entitlements to receive the Capital Return, Special Dividend and Units will be 7:00 pm on the day after deferred settlement trading commences in Stapled Securities. Any changes to the timetable for the Stapling Proposal will be announced to ASX.

If Shareholders pass the Resolutions and the ATO Ruling Condition is satisfied, the Board retains its discretion on whether to proceed with the Stapling Proposal. The Board may resolve not to proceed should market conditions affecting the Company and Shareholders result in the Stapling Proposal not being in the best interests of Shareholders.

On completion of the Stapling Proposal, persons who are Shareholders (other than Foreign Holders) on the Stapling Record Date will hold Stapled Securities, each comprising of one Share and one Unit. These Shares and Units will be quoted and traded together as a stapled security on ASX under the name of Eildon Capital Fund.

5. Key advantages and disadvantages of the Stapling Proposal

5.1 Directors' recommendation and intentions

The Directors unanimously recommend that you vote in favour of the Stapling Resolutions and Buy Back Resolution.

All of the Directors will be voting the Shares they own or control in favour of the Stapling Resolutions and the Buy Back Resolution.

In reaching their recommendation, the Directors have assessed the Stapling Proposal and Buy Back and believe that there are numerous significant commercial benefits and benefits to Shareholders in implementing the Stapling Proposal and Buy Back.

Sections 5.2 and 5.3 deal with the advantages and disadvantages of the Stapling Proposal. For information on the advantages and disadvantages of the Buy Back, refer to section 6.2.

5.2 Advantages

(a) Focus investors' exposure to real estate investments

The Stapling Proposal will allow the Stapled Group to provide investors the same structural exposure to investment into the real estate segment as other listed and unlisted vehicles which are offered in the market.

This will generate a more transparent structure around income that is earned by investors by virtue of the investment strategy of the Stapled Group.

(b) Bring the Company's structure in line with market practice

The Stapling Proposal will restructure the Company to be in line with other listed real estate focussed funds and therefore market practice.

Listed real estate fund managers that directly or indirectly hold interests in real estate normally adopt a stapled structure whereby passive real estate related investments are held through a unit trust (in this case, the Trust) and active businesses are operated through a company (in this case, the Company).

A stapled structure will also provide ease of benchmarking the Stapled Group's performance against other listed property funds management businesses and creates the potential for the Stapled Securities to be re-rated to better reflect the underlying value of the Stapled Group. This will also provide a more effective structure for the Stapling Group to conduct capital raisings when required to meet the growing demand for funding from the real estate market, which the Stapled Group may seek to exploit by raising capital after implementation of the Stapling Proposal.

(c) Greater capacity to make investments

The Stapling Proposal may allow the Stapled Group to generate a higher total investor return as the Trust will be able to utilise the amounts that would have otherwise been paid as tax to be reinvested as further investments, however whether any higher return is in fact generated will depend on the performance of those further investments and the Company's past performance is not necessarily a guide to the future performance of the Stapled Group.

(d) Increase the recurrent income of the Stapled Group

The Stapled Group will have the capacity to make more investments, with the expectation of generating an increase in the recurrent income of the Stapled Group. This will allow the Stapled Group to take advantage of the opportunities arising from tightening credit markets.

5.3 Disadvantages

(a) Income tax considerations

There is a potential disadvantage with the Stapling Proposal for Shareholders who hold Shares that have a cost base of less than the quantum of the Capital Return.

The issue of the Units will trigger a CGT event for CGT purposes and, subject to any discount applicable under the CGT discount rules, CGT will be payable by Shareholders by the amount by which their Shares have a cost base of less than the Capital Return.

In addition, Shareholders will be required to include the Special Dividend in their assessable income with the consequences depending on their individual circumstances and the extent to which the Special Dividend is partially or fully franked. Accordingly, Shareholders may be required to pay additional income tax as a result of the Special Dividend.

(b) Increase in annual compliance and regulatory fees

The Stapling Proposal will result in an increase in annual listing, compliance and regulatory costs of approximately \$120,000 per annum, which takes into account audit, taxation, custody, regulatory and other expenses.

(c) One-off costs

It is anticipated that the initial listing fee payable to admit the Trust to the Official List of ASX is approximately \$56,000.

In addition, there are one-off adviser costs in implementing the Stapling Proposal. These costs are estimated to be approximately \$400,000, of which \$286,000 has been incurred already. These costs will be paid for out of the Company's cash reserves.

6. The Buy Back

6.1 Overview of the Buy Back

The Stapled Group is proposing to undertake the Buy Back by inviting Eligible Shareholders to offer to sell some or all of their Stapled Securities to the Stapled Group by way of a tender process. The Buy Back is subject to Shareholders approving the Buy Back Resolution. If the Buy Back Resolution and the Stapling Resolutions are not approved, the Buy Back will not proceed.

Eligible Shareholders who wish to participate may make an offer to sell some or all of their Stapled Securities to the Stapled Group at the Buy Back Price.

If the Stapled Group accepts the offer, then a Buy Back Contract is formed on the terms and conditions set out in the Buy Back Documents. Once a Buy Back Contract is entered, all rights attaching to the Stapled Securities the subject of the Buy Back Contract are suspended in accordance with section 257H(1) of the Corporations Act.

In accordance with section 257H(3) of the Corporations Act, the Stapled Securities bought back will subsequently be cancelled by the Company and the Manager, reducing the total number of Stapled Securities on issue. The Stapled Group is seeking approval to buy back up to 4,548,339 Stapled Securities, comprising approximately 10% of its issued capital. The Stapled Group may ultimately buy back less than that number of Stapled Securities, or no Stapled Securities at all.

The Buy Back includes a selective buy-back for the purposes of Part 2J.1 Division 2 of the Corporations Act, which requires the Buy Back to be approved by a special resolution of Shareholders. Accordingly, the Buy Back will not occur unless the Buy Back Resolution is approved. **If a Shareholder intends to participate in the Buy Back, they must not vote in favour of the Buy Back Resolution.** Shareholders who vote in favour of the Buy Back Resolution will have their registered holding marked and will not receive an offer to participate in the Buy Back.

The Stapled Group is seeking approval to undertake the Buy Back for the following reasons:

- the Buy Back continues the Company's strategy of capital management. The Company recently closed an on-market buy back pursuant to which 600,059 Shares were bought back by the Company at a discount to NTA, for prices ranging between \$1.00 and \$1.02;
- the Buy Back is a voluntary mechanism allowing Shareholders flexibility to determine their participation to suit their personal circumstances. In particular, the Buy Back allows Shareholders to avoid or reduce their exposure to the stapled structure that will be created if the Stapling Proposal is approved, which may be a different investment decision to that initially contemplated by Shareholders when they invested in the Company; and
- Eligible Shareholders with a holding worth less than \$2,000 (calculated at the Buy Back Price) are able to dispose of their entire holding at NTA without paying a brokerage fee. On the basis of the forecast Buy Back Price of \$1.09 per Stapled Security, this equates to 1,835 Stapled Securities.

6.2 Should Eligible Shareholders participate in the Buy Back?

It is Eligible Shareholders' personal preference whether or not they participate in the Buy Back.

Eligible Shareholders may choose to not participate in the Buy Back if:

- they do not wish to sell any of their Stapled Securities;
- participating in the Buy Back may not suit their personal tax situation;
- they may consider that in the future they will be able to sell their Stapled Securities on ASX for a price that is higher than the Buy Back Price; and

- they may wish to retain their Shares to benefit from the implementation of the Stapling Proposal and holding a slightly larger percentage of the total issued capital of the Stapled Group.

The Stapling Proposal is conditional on the Buy Back Resolution being passed and the Directors recommend that those Shareholders who are in favour of the Stapling Proposal but do not wish to participate in the Buy Back vote in favour of the Buy Back Resolution.

If a Shareholder intends to participate in the Buy Back, they must not vote in favour of the Buy Back Resolution. Shareholders who vote in favour of the Buy Back Resolution will have their registered holding marked and will not receive an offer to participate in the Buy Back.

The advantages and disadvantages of the Buy Back identified by the Directors are set out below.

(a) Advantages of the Buy Back

The Directors have identified the following advantages of the Buy Back:

- the decision to participate in the Buy Back is entirely voluntary, and Eligible Shareholders may tailor their participation to suit their particular situation. As an Eligible Shareholder you are able to choose:
 - whether or not to offer your Stapled Securities in the Buy Back; and
 - how many (if any) Stapled Securities to offer (subject to the minimum participation requirements).
- all Eligible Shareholders have an opportunity to participate in the Buy Back;
- Eligible Shareholders do not pay any brokerage to sell your Stapled Securities through the Buy Back; and
- the Stapled Group is expected to benefit from an increase in earnings per security due to the reduction in number of Stapled Securities. However, the Stapled Group cannot guarantee increased earnings per security or increased securityholder return, including due to the risk factors set out in section 7. If Eligible Shareholders participate in the Buy Back, they will not benefit from the potential increased earnings per security to the extent they participate in the Buy Back. Shareholders are not expected to benefit from increased NTA per share as the Buy Back Price will be at NTA.

(b) Disadvantages of the Buy Back

The Stapled Group's cash reserves will decrease by the purchase of the Stapled Securities that are tendered for sale. If the Stapled Group buys back the Maximum Buy Back, it is forecasted that the Stapled Group's cash reserves will decrease by approximately \$5,003,173 - \$5,048,656. As a result, the Stapled Group will have a reduced capacity to either invest those amounts or distribute them to Securityholders.

For Eligible Shareholders that participate in the Buy Back, if the price of the Stapled Securities increases above the Buy Back Price, they would have sold their Stapled Securities at a lesser price than could have been achieved by selling those Stapled Securities on-market.

The Directors do not consider there are any other material disadvantages to the Company undertaking the Buy Back.

6.3 The Tender process

(a) Entitlement to participate in the Buy Back

If you are an Eligible Shareholder, you are entitled to Tender all or some of the Stapled Securities registered in your name on the Buy Back Record Date, which is 7:00 pm (Sydney time) on 29 April 2020. **You cannot be an Eligible Shareholder and participate in the Buy Back if you vote in favour of the Buy Back Resolution.**

By submitting a Tender, you appoint the Company as your agent and attorney to agree with the Manager for the Units the subject of the Tender to be bought back.

The Offer Form outlines the maximum number of Stapled Securities you are entitled to Tender for sale through the Buy Back.

If you decide to participate, you must offer to sell at least \$2,000 worth of Stapled Securities (calculated at the Buy Back Price) or, if you own less than that, you must offer to sell all of your Stapled Securities. On the basis of the forecast Buy Back Price of \$1.09 per Stapled Security, this equates to 1,835 Stapled Securities.

Shareholders who are not Eligible Shareholders are not entitled to participate in the Buy Back. Having regard to the factors that make a person a Foreign Holder, the Stapled Group has determined that it would be impractical to invite Shareholders in jurisdictions other than Australia to participate in the Buy Back.

Each separate registered holding of Stapled Securities you have will be treated separately (for example, if you hold some Stapled Securities in your name and some Stapled Securities jointly with another person, you will have to complete two Offer Forms). You may Tender from any or all of your separate registered holdings provided you complete the separate Offer Forms. Any Scale Back that applies to Stapled Securities offered from more than one of your registered holdings will be applied to each of those holdings as if they were held by different persons.

(b) Buy Back Price

The Buy Back Price is the net tangible asset backing per Stapled Security as at the Buy Back Date. The Stapled Group currently forecasts the Buy Back Price to be approximately \$1.09 - \$1.10 per Stapled Security, however that may change depending on various circumstances affecting the NTA of the Company between the date of this Explanatory Memorandum and the Buy Back Date. The Company will make regular disclosures of NTA to ASX during the Tender Period, including on 1 May 2020 (when the Tender Period commences) and every five Business Days thereafter until the close of the Tender Period on 22 May 2020.

The Stapled Group intends to announce the Buy Back Price to ASX just prior to entry into the Buy Back Contracts which, if the ATO Ruling Condition is satisfied prior to the Meeting, will be 25 May 2020. The details of any Scale Back will also be announced at this time.

If your Stapled Securities are accepted for sale by the Stapled Group, on the Buy Back Date, the Stapled Group will purchase your Stapled Securities and pay you the Buy Back Price multiplied by the number of Stapled Securities sold.

The Stapled Group will send all Eligible Shareholders who have offered their Stapled Securities for sale through the Buy Back a statement notifying them of the number of their Stapled Securities (if any) that have been bought back and the total amount paid for them.

(c) Scale Back

If the total number of Stapled Securities offered for sale by Eligible Shareholders is more than the total number of Stapled Securities the Stapled Group determines to buy back, there may be a need for a scale back so that not all the Stapled Securities offered for sale will be bought back. The Stapled Group

will not buy back more than 10% of its issued capital and this number may be reduced if required due to market conditions or capital requirements.

The Scale Back will be implemented as follows:

- all Tenders will be accepted, but will be scaled back on a pro rata basis to the extent necessary based on the total number of Stapled Securities the Stapled Group determines to Buy Back; and
- the Scale Back will not apply to the first \$2,000 worth of Stapled Securities (calculated at the Buy Back Price) that are tendered. On the basis of the forecast Buy Back Price of \$1.09 per Stapled Security, this equates to 1,835 Stapled Securities. This is called the Priority Allocation and is designed to ensure that smaller holdings can successfully participate in the Buy Back.

(d) Trading in Stapled Securities during the Tender Period

Once you have offered Stapled Securities for sale through the Buy Back, you should not:

- sell or offer to sell those Stapled Securities;
- convert those Stapled Securities from an Issuer Sponsored Holding to a CHESS Holding or vice versa; or
- move them between CHESS Holdings (for instance, if you change your controlling CHESS participant).

However, any Stapled Securities which you have not offered for sale through the Buy Back may be sold or otherwise dealt with in the ordinary manner.

Once you have submitted an Offer Form, or your broker has processed your instruction, in respect of some or all of your Stapled Securities, the number of Stapled Securities you have tendered will be removed from your holding and placed in a "sub-position" in the register and you will not be able to trade those Stapled Securities.

You can withdraw or amend your offer to sell your Stapled Securities before the Tender Period closes by completing a Withdrawal/Amendment Form. Withdrawals or amendments made in accordance with these procedures may not take immediate effect. You should take this into consideration if you wish to sell any of the Stapled Securities which you have tendered.

If, on the Buy Back Date, you do not hold at least the number of Stapled Securities you offered for sale, the Stapled Group may, in its absolute discretion, reject your offer or treat the offer as if you had offered the number of Stapled Securities held by you at the close of the Tender Period.

6.4 Class Ruling

The Company has applied for a draft Class Ruling from the ATO in relation to the tax consequences of the Buy Back for Shareholders. The Buy Back (and the Stapling Proposal) are conditional upon the Company receiving a draft Class Ruling from the ATO on terms acceptable to the Board. Further detail on the Class Ruling is set out in section 11.2.

7. Risk Factors

7.1 Overview – Risks of the Stapled Group

There are a number of specific risks concerning the Stapled Group which are set out in section 7.2. There are also a number of general investment risks associated with investing in a listed entity that are set out in section 7.3.

If any of the events or developments described below occurs, the Stapled Group's business, financial condition or investment performance could be adversely affected. In that case, the market price of the Stapled Securities could decline, and you could lose all or part of your investment.

While the Stapled Group has put in place various corporate governance, compliance and risk management systems to mitigate risks, no member of the Stapled Group can guarantee that these safeguards and systems will be effective. Some risks are outside of the Stapled Group, its directors and employees', reasonable control and cannot be mitigated.

Before voting on the Resolutions, you should satisfy yourself that you have a sufficient understanding of the risks described in this section having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this document you should seek advice from your broker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.

Shareholders are already exposed to the risks set out in this section given that the Trust Assets are currently held by the Company.

7.2 Risks facing the Stapled Group

Below is a summary of the specific risks facing the Stapled Group. Your return on investment in the Stapled Group may be affected by these risks.

(a) Credit and default risk

Credit risk is the risk that one or more assets in which the Stapled Group's monies have been invested may decline in price or fail to pay interest or principal when due because the credit counterparty or borrower experiences a decline in its financial status. Losses may occur because the value of the asset is affected by the creditworthiness of the borrower or by general economic and specific industry conditions.

While all debt assets are subject to credit risk, to the extent the Stapled Group invests in sub-investment grade and un-rated debt, it will be exposed to a greater amount of credit risk than an investment in investment grade rated credit assets. The prices of lower grade debt instruments are more sensitive to negative developments, such as a decline in the borrower's cash earnings or a general economic downturn, than are the prices of higher-grade debt instruments. Debt instruments of sub-investment grade quality are higher risk with respect to the counterpart's capacity to pay interest and repay principal when due and therefore involve a greater risk of default.

Default risk is the risk that a borrower defaults on their obligations, for instance by failing to make a payment due or to return the principal. The taking of security or the provision of third party guarantees may not fully mitigate the risk of credit loss.

(b) Realisation of existing assets

The Trust Assets represent arm's length loan facilities and investments in respect of property development projects. These investments are subject to term periods which will see a return of capital and additional income to the Stapled Group. These funds may then be deployed onto additional projects within the bounds of the Stapled Group's investment mandate. There is a risk that these investments may become distressed, by which the principal and income components due may not be forthcoming. Any change in the payment schedule of principal or income may adversely affect the Stapled Group

and its ability to engage in transactions. If the existing investments fall in value, become distressed or become in default of the terms, the options available to the Stapled Group are to seek a recovery of any costs or losses through the courts, or to engage in a sale of the security or loan facility to another party.

(c) Breach of debt covenants

In the event that the Manager undertakes to fund a project or operation by way of debt funding, it is possible that some unforeseen circumstance or event may cause the covenants imposed by the Stapled Group to become in breach. Any breach in the debt covenants imposed by the Stapled Group may result in the requirement to enforce security over the relevant assets. A breach in covenants may result in the need to sell the assets at an earlier time to enable a repayment of the facility. This sale may be at a price lower than the optimal sale price. There are a number of other consequences as a result of any default which are not individually outlined in this document.

(d) Investment strategy risk

There is a risk that the Stapled Group's failure to deliver or effectively execute its stated investment strategy, or its failure to redefine its strategy to meet changing conditions, could result in a decline in the trading price of the Stapled Securities and/or distributions paid to Stapled Securityholders.

The investment strategy to be used by the Manager on behalf of the Stapled Group includes inherent risks. These include, but are not limited to, the following:

- the Stapled Group's success and profitability is reliant upon the ability of the Manager to devise and maintain a portfolio that achieves the Stapled Group's investment strategy and guidelines within its mandate and the law;
- the ability of the Manager to continue to manage the Stapled Group's portfolio in accordance with this document its mandate and the law which may be compromised by such events as the loss of its licence or registrations; and
- the Stapled Group's portfolio may not be as diversified as other comparable investment entities.

There is no guarantee that the investment strategy of the Stapled Group will be managed successfully or will meet its objectives. Failure to do so could negatively impact the performance of the Stapled Group.

The Manager may not manage the Stapled Group in a manner that consistently meets the Stapled Group's investment strategy over time. In addition, either the Manager, or a key employee of the Manager, may cease to manage the Stapled Group, requiring the Manager to find an alternative replacement manager, which may affect the Stapled Group's success and profitability.

If the Manager ceases to manage the Stapled Group and the Management Agreement is terminated, the Responsible Entity will need to identify and engage a suitably qualified and experienced manager and Responsible Entity to manage the Stapled Group and continue to meet the Stapled Group's investment strategy.

(e) Availability of suitable investment opportunities

The performance of the Stapled Group is tied to the real estate sector due to its investment mandate. The opportunities available to the Stapled Group are to a large extent dependent on the Manager sourcing and identifying suitable investment opportunities. The availability of these opportunities is tied to market conditions and other market factors outside of the Stapled Group's control. Any failure by the Manager to identify and/or source appropriate transactions and opportunities will adversely affect any returns available to shareholders.

(f) Capital values

The day-to-day value of an asset is influenced by the market and any changes in market conditions, including supply and demand movements and fluctuations. There are no guarantees on the generation of profits of any investment on its repayment, realisation or sale, or that the investments value will not fall as a result of unfavourable conditions outside of the control of the Manager and the Stapled Group.

(g) Income returns

Any payment to Stapled Securityholders will include some degree of reliance upon the income return achieved in connection with the investments made by the Stapled Group. There is a risk that a contract entered into as part of an investment may fall into default, which could result in a reduced amount of income and associated expenditure with any cost recovery action required. Any default may have adverse effects on income earnings, the capacity of the Stapled Group to pay distributions to Stapled Securityholders, the capacity to service any debt facilities engaged, the capital value of investments as well as potentially affecting the net asset values of the members of the Stapled Group and the trading price of the Stapled Securities.

(h) Risk profile

The Stapled Group undertakes property investments which can be considered specialised in nature based on the structure and type of investments. The specialisation referred to includes providing debt finance to levels that may exceed loan to value ratios of 50% and or investments by the Stapled Group where the investment is subordinated by other debt capital. The Stapled Group seeks to mitigate the risks from its investments by actively managing each investment and or influencing its investments (including by way of contractual provisions in the relevant investment documentation, board appointments and project group participation (where applicable)), and seeking appropriate registered security collateral security arrangements. The security arrangements may comprise a combination of mortgages, general security agreements, guarantees and indemnities and or priority agreements with other secured parties. Whilst the Stapled Group and each of its members' boards have experience in the procurement and management of investments of this nature, that experience is no guarantee of the Stapled Group's future financial performance.

(i) Liquidity

If a circumstance or circumstances arise resulting in a need for the Stapled Group to dispose of an asset for a defined purpose, there is a risk that the Stapled Group may not be able to realise the assets in either a timely manner, or at an optimised sale price. A transaction of this nature may adversely affect the net asset values of the members of the Stapled Group and the trading price of the Stapled Securities.

The investments of the Stapled Group are generally not liquid investments compared to other exchange traded instruments, as the investments that the Stapled Group is exposed to may be long dated and not traded in the public domain. The ability of the Stapled Group to realise an investment will depend on market liquidity for unlisted loans and property investments, and the terms including, in relation to loans, the maturity date of the loans. The liquidity of the investments in the Stapled Group will also be dependent on a borrower's ability to repay a loan in the case of a loan, and the underlying value of the security in relation to both loans and direct property investments.

(j) General fundamental exposures

Underlying risks in the Stapled Group's investments may include: Australian and international economic conditions, inflation, interest rates, equity market conditions, environmental concerns, regulatory and compliance issues, geopolitical instability or investor sentiment.

(k) Compensation fee structure

The Manager's compensation will in part be based on the performance of the Company and the Trust. Performance fee arrangements may create an incentive for the Manager to recommend more speculative or higher risk investments than might otherwise be the case in the absence of a fee payable based on the performance of the Stapled Group.

(l) Due diligence

There is a possibility that some investments may be made on limited due diligence conducted only with the records made available. This has the potential to increase the risk of individual investments and could lead to an adverse impact on the investment that may be material.

(m) Trading price of Stapled Securities

The market price of Stapled Securities will be exposed to fluctuations due to a range of factors including but not limited to general movements in interest rates and borrowing conditions, the Australian and international general investment markets, economic conditions, global geopolitical events and hostilities, investor perceptions and other unidentified factors that may have some impact on the financial performance of the Company, the Trust or the Stapled Securities. The trading price of Stapled Securities is tied to the share market and any factors influencing the market. This includes any potential rerating of the Stapled Securities or other property investments, either listed or unlisted being rerated.

There is a risk that the Stapled Securities may trade on ASX at a discount to the Stapled Group's net asset value. There can be no guarantee that the total number of buyers multiplied by the number of Stapled Securities that each buyer wants to buy at any point in time in the market will match or exceed the total number of sellers multiplied by the number of Stapled Securities each seller wants to sell, or that Stapled Securityholders will be able to buy or sell Stapled Securities for a price which they believe fairly reflects the value of their Stapled Securities. In addition, the net asset value per Stapled Security will fluctuate with changes in the value of the underlying investments held by the Stapled Group.

(n) Refinancing risk and gearing

The capacity of the Stapled Group to raise funds, either through debt or equity financing is tied to a number of factors, including but not limited to, general economic conditions, political, capital and credit market conditions and the reputation and performance of the Stapled Group. Any movement or change in these factors could increase the cost of providing funding to the Stapled Group, or reduce the available funding sources to which the Stapled Group has access. If a debt facility is utilised by the Stapled Group, there is a risk that any potential refinancing of the facility could require the Stapled Group to realise assets at a price that is not optimal, or less than their fair value, which could impact the net asset value of the Stapled Group.

(o) Ranking

In the event of a winding up of the Company or the Trust, Stapled Securityholders will rank behind secured and unsecured creditors of the Company or Trust (as applicable). If there is a shortfall of available funds upon winding up, there is a risk that Stapled Securityholders will receive less than the net asset value per Stapled Security.

(p) Investment manager risk

The Manager is responsible for sourcing opportunities and recommending investments to the Board and on behalf of the Trust. As a result, the performance and profitability of the Stapled Group is in part dependent on the expertise and investment recommendations of the Manager and the Manager's expertise in sourcing, recommending and managing property investments that increase in value over time. There is no guarantee that the Manager will be able to source appropriate investments for the Stapled Group or that any property investments made by the Stapled Group will generate returns. The success and performance of the Stapled Group is also in part dependent on the retention of the Manager as the manager of the Company and responsible entity for the Trust, the holding of an AFSL by the Manager to facilitate the property investments of the Stapled Group, and the retention by the Manager of key personnel that are responsible for managing property investments of the Stapled Group.

As a consequence, if the Management Agreement between the Manager and the Company was terminated, if the Manager ceased to be the responsible entity for the Trust, if the Manager ceased to hold its AFSL, or if the Manager ceased to retain key personnel, this could have a material adverse impact on the management and the financial performance of the Stapled Group. There can be no guarantee that the Stapled Group will be able to identify an appropriately qualified replacement for the

Manager or, if such person or entity is appointed, that they will be able to perform their duties to the standard required by the Stapled Group or to a level that matches or exceeds the performance of the Manager.

(q) Reliance on third party service providers

There is a risk that third party service providers (including the Manager) engaged in connection with the management of the Stapled Group do not perform their contractual obligations, including the benchmark returns, which may affect the value of, and returns from, an investment in the Stapled Group.

(r) Conflict of interest risk

CVC Limited is a substantial shareholder in the Company and will also be a substantial investor in the Stapled Group if the Stapling Proposal and Buy Back proceeds. Also, Mr Mark Avery, is the current managing director of the Company, a director of the Manager and is also a director and the current chief executive officer of CVC Limited. This creates a potential for conflicts of interest to arise. The potential conflicts of interest include but are not limited to, the:

- assessment and procurement of investment opportunities; and
- the allocation of co-participation in investments between the Company and CVC Limited.

The Manager is also the manager of other funds and accounts not described in this Explanatory Memorandum.

The Manager is required to have in place certain policies and procedures to identify, manage and mitigate conflicts of interest. The Manager also has an obligation to operate efficiently, honesty and fairly. These statutory duties are in addition to the fiduciary duties owed by the Manager to the members of the Trust in its role as trustee. The Manager has implemented policies and procedures to comply with its statutory and fiduciary obligations. The policies and procedures the Manager has implemented as they apply to the Stapled Group and CVC Limited are expanded upon in section 14.8. Despite these policies and procedures, it is possible that the Manager may, in the course of its business, have potential conflicts of interest which may not be managed effectively and may be detrimental to the Stapled Group.

(s) Dilution

Future capital raising and equity-funded acquisitions made by the Stapled Group may create a form of dilution to the holdings of Stapled Securityholders. In the normal course of management, the Manager will seek to increase distributable income to Stapled Securityholders and provide the potential for capital growth. In order to make this growth available, capital raisings may be required to undertake property investments. In some circumstances, a capital raising may be required in order to reduce debt levels to allow the Stapled Group to maintain its compliance with any imposed debt covenants.

(t) Distributions may vary

The ability of the Stapled Group to pay distributions is dependent upon the Stapled Group having the available cash and retained profits. While a degree of certainty can be placed on the income to be received from the investments, any failure to meet repayment deadlines may result in a position where the available cash to pay a distribution is not sufficient.

The Stapled Group's ability to pay a distribution is contingent on the income it earns from its loan investments. No guarantee can be given concerning the future earnings of the Stapled Group or the return on a Stapled Securityholder's investment. The Manager may make poor investment decisions which may result in the Stapled Group's return being inadequate to pay distributions to Stapled Securityholders.

Payment of distributions is at the discretion of the Directors and the Manager. Stapled Securityholders should be aware that while the present intention of the Directors and the Manager is to pay quarterly

distributions, distributions will only be paid having regard to the financial circumstances of the Stapled Group and there is no guarantee that any or all distributions will be paid.

(u) Natural phenomena

There is a risk that natural phenomena may affect an investment. There are certain events for which insurance cover is not available or for which the Stapled Group does not have cover. If the Stapled Group is affected by an event for which it has no insurance cover, this would result in a loss of capital and a reduction to the Stapled Group's net asset values and returns to investors. This could also result in an increase in insurance premiums applicable to other areas of cover.

(v) Property contamination

Property income, distributions or property valuations could be adversely affected by discovery of an environmental contamination or incorrect assessment of costs associated with an environmental contamination or with property preservation. This risk may occur irrespective of whether the contamination was caused by the Stapled Group or prior owners.

(w) Concentration of investments

The Stapled Group will look to build and maintain a diversified portfolio of property investments including senior finance and mezzanine loans, equity positions and other transaction types that both create value for investors and diversify against concentration risks. The Stapled Group's portfolio may consist of a small number of investments which exposes the Stapled Group to investment concentration risk. The lower the number of investments the higher the concentration and, in turn, the higher the potential volatility. The strategy of the Manager and its management team is to actively manage investments to reduce the risk of a decrease in value of an individual investment that could have an impact on the portfolio as a whole.

(x) Utilisation risk

The Stapled Group will invest in both drawn and undrawn loans that may be drawn up and down by the borrower over time. Returns will vary depending on the utilisation of such loan facilities and amounts drawn by borrowers.

7.3 General risks

(a) Investment risk

The value of an investment in the Stapled Group and/or the Stapled Group's investments may fall over the short or long term for a number of reasons, which means an investor may receive less than their original investment when the Stapled Securities are sold.

The price of an individual financial instrument may fluctuate or underperform other asset classes over time.

An investor is exposed to these risks through the life of their holding of Stapled Securities in the Stapled Group and through the Stapled Group's investment strategy.

(b) Economy and market conditions

There is a risk that any change or movement in economic or market conditions may have an effect on the returns and values of the Stapled Group's investments which may affect the value of Stapled Securities. The performance of the Stapled Securities may be impacted by changing economic or property market conditions. These changes may include movements in interest rates, exchange rates, securities, markets, inflation, consumer spending, employment and the performance of localised economies at a domestic level, as well as an international level.

(c) Performance of other asset classes

Good performance (or anticipated performance) in other asset classes can encourage individuals to divert money away from listed investments such as the Stapled Group. This may have a negative impact on any trading of the Stapled Securities.

(d) Insurance

Although the Stapled Group will hold insurance over certain of its assets, the extent of any insurance coverage will be limited to the terms and conditions of the insurance policy. Any losses that are incurred by the Stapled Group due to uninsured risks may have an adverse effect on the performance of the Stapled Group. Any increase in insurance premiums to mitigate an identified risk may also have a negative impact on the Stapled Group's performance. An increase in insurance premiums may arise from a claim being made by the Stapled Group for any significant loss. Any failure on the part of the Stapled Group or companies providing insurance may adversely affect the capacity of the Stapled Group to make a claim to recover losses under its policy. All insurance policies have a minimum excess.

(e) Litigation

Whilst under ordinary operation, the Manager or a member of the Stapled Group may become involved in disputes or potential litigation. While the extent of any possible disputes and litigation cannot be ascertained at this time, it is possible that any disputes or litigation may be costly and may adversely affect the income of the Stapled Group or the value of its assets.

(f) Legal and regulatory matters

There is a risk that any changes in law, regulation or government policy affecting the operation of the Stapled Group (which may or may not be enforced retrospectively) will have an impact on the investment portfolio of the Stapled Group and/or its performance. This may include changes to the tax system.

(g) Compliance risk

The Manager as responsible entity for the Trust is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy intended to protect investors. The Manager is required to, among other things, have in place adequate arrangements for the management of conflicts of interest and operate efficiently, honestly and fairly. Non-compliance by the Manager may affect the value of the Stapled Securities. If the Manager fails and another replacement responsible entity cannot be found there is a risk of a court ordered wind up of the Trust.

(h) Tax

There is a risk that taxation treatment of companies or trusts in general could change. Any change in the general treatment of companies or trusts for taxation purposes may impact on investors' returns. There is also a risk that the taxation treatment of the Company or the Trust in particular may change, which could in turn impact on the treatment of distributions for income tax purposes and the taxation treatment of capital gains to investors.

(i) Interest rates

If the Stapled Group provides floating rate loans, as the underlying base rate of these investments rises and falls, the relative attractiveness to other instruments may change.

There is a strong correlation between the RBA cash rate and the base rates upon which loans are priced. Absolute returns on loans therefore rise and fall largely in correlation with the RBA cash rate.

To the extent that the Stapled Group uses leverage to fund investments, unfavourable movements in interest rates could lead to increased interest expense, to the extent that interest rates are not hedged. This could impact the level of distributions available to Stapled Securityholders.

(j) **Cyber risk**

There is a risk of fraud, data loss, business disruption or damage to the information of the Stapled Group or Stapled Securityholders' personal information as a result of a threat or failure to protect this information or data.

(k) **Force majeure**

There are risks of events beyond the control of the Manager including fire, flood, earthquake and other natural events, civil unrest, terrorist attacks and war which may reduce the earnings of the Stapled Group.

(l) **Forward-looking statements**

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

(m) **Accounting Standards**

The Accounting Standards to which the Stapled Group will adhere to are set by the Australian Accounting Standards Board (**AASB**) and are consequently outside the control of the Manager and Directors. Changes to Accounting Standards issued by the AASB or changes to the commonly held interpretation of those standards could materially adversely affect the financial performance and position reported in the Stapled Group's financial statements.

8. Financial Information

8.1 Statement of financial position of the Company (pre-implementation of Stapling Proposal and Buy Back)

The financial information is presented in an abbreviated form and does not contain all the presentation disclosures, statements and comparative information required by the Accounting Standards that are usually provided in an annual financial report prepared in accordance with the Corporations Act. The financial information comprises historical statement of financial position as at 30 June 2017, 30 June 2018, 30 June 2019 and the 6 months to 31 December 2019.

The Company 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 Company's financial statements for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 have been audited by HLB Mann Judd in accordance with the Australian auditing standards. The Company's financial statements for the 6 months to 31 December 2019 have not been audited or reviewed. A complete version of the Company's year end financial reports are available from the Company's website, www.eildonfunds.com, or from ASX's website, www.asx.com.au.

The financial information should be read in conjunction with the notes set out in the 2017 Annual Report, 2018 Annual Report and 2019 Annual Report, the risks described in section 7 and other information contained in this Explanatory Memorandum.

The Directors are responsible for the preparation and presentation of the financial information.

<i>In thousands of AUD</i>	30 Jun 2017	30 Jun 2018	30 Jun 2019	31 Dec 2019
CURRENT ASSETS				
Cash and cash equivalents	6,151	10,210	6,937	17,205
Trade and other receivables	51	60	45	40
Loans and receivables	20,802	29,279	15,547	22,761
Financial assets – “at fair value through profit or loss”	-	-	10,716	2,758
Total current assets	27,004	39,549	33,245	42,764
NON-CURRENT ASSETS				
Loans and receivables	3,098	5,987	11,515	2,487
Financial assets – “at fair value through profit or loss”	-	470	1,772	1,977
Investments accounted for using the equity method	3,360	3,028	2,893	4,371
Deferred tax assets	382	391	357	327
Total non-current assets	6,840	9,876	16,537	9,162
TOTAL ASSETS	33,844	49,425	49,782	51,926
CURRENT LIABILITIES				
Trade and other payables	576	1,013	1,102	1,156
Current tax liabilities	1,441	539	494	578
Total current liabilities	2,017	1,552	1,596	1,734
NON-CURRENT LIABILITIES				
Deferred tax liabilities	-	-	-	477
Total non-current liabilities	-	-	-	477
TOTAL LIABILITIES	2,017	1,552	1,596	2,211
NET ASSETS	31,827	47,873	48,186	49,715
EQUITY				
Contributed equity	28,107	44,344	43,797	43,797
Retained earnings	(5,484)	(5,484)	(5,484)	(5,484)
Profit distribution reserve	9,204	9,013	9,873	11,402
TOTAL EQUITY	31,827	47,873	48,186	49,715

8.2 Pro forma statement of financial position of the Stapled Group (post-implementation of Stapling Proposal and Buy Back)

The pro forma statement of financial position below:

- is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an audited statement of financial position that is prepared in accordance with the Corporations Act and the Accounting Standards;
- has been prepared based on the financial position of the Company as at 31 December 2019 by applying the relevant pro forma adjustments described below;
- reflects the position as if the Stapling Proposal and Buy Back had been completed on 31 December 2019;
- reflects the position as if the Stapled Group buys back the Maximum Buy Back; and
- presents the pro forma statement of financial positions and net tangible asset allocation within the Stapled Group following the implementation of the Stapling Proposal on 31 December 2019.

<i>In thousands of AUD</i>	Audit 31 Dec 2019	Stapling adjustment	Pro forma 10% Buy Back	Stapled Group		Stapled Group Company	Trust
CURRENT ASSETS							
Cash and cash equivalents	17,205	(145)	(4,957)	12,103	(i)	1,987	10,116
Trade and other receivables	40	-	-	40		40	-
Loans and receivables	22,761	-	-	22,761		-	22,761
Financial assets – “at fair value through profit or loss”	2,758	-	-	2,758		-	2,758
Total current assets	42,764	(145)	(4,957)	37,662		2,027	35,635
NON-CURRENT ASSETS							
Loans and receivables	2,487	-	-	2,487		-	2,487
Financial assets – “at fair value through profit or loss”	1,977	-	-	1,977		-	1,977
Investments accounted for using the equity method	4,371	-	-	4,371		4,371	-
Deferred tax assets	327	-	-	327		327	-
Total non-current assets	9,162	-	-	9,162		4,698	4,464
TOTAL ASSETS	51,926	(145)	(4,957)	46,824		6,725	40,099
CURRENT LIABILITIES							
Trade and other payables	1,156	-	-	1,156		1,130	26
Current tax liabilities	578	-	-	578		578	-
Total current liabilities	1,734	-	-	1,734		1,708	26
NON-CURRENT LIABILITIES							
Deferred tax liability	477	-	-	477		477	-
Total non-current liabilities	477	-	-	477		477	-
TOTAL LIABILITIES	2,211	-	-	2,211		2,185	26
NET ASSETS	49,715	(145)	(4,957)	44,613		4,540	40,073
Net tangible assets (cents per share/unit)	109.3			109.0		11.1	97.9
% Net tangible assets between Company and Trust						10%	90%
Number of ordinary share/units on issue	45,483			40,935	(ii)	40,935	40,935

(i) The pro forma Stapling adjustments include:

a. the payment of the balance of the implementation expenses since 31 December 2019 associated with the Stapling Proposal, including ASX listing fees, professional advisor costs, Trust establishment and other associated costs. The amounts include:

- amounts incurred since 31 December 2019 of \$31,150; and
- amounts still to be incurred of approximately \$114,000.

b. Payment for the Buy Back of Stapled Securities.

(ii) Buy Back of 4,548,339 Stapled Securities via the off-mark selective tender at net tangible asset backing.

8.3 Distributions

Subject to available profits and board approval, Stapled Securityholders will receive dividends and distributions from the Company and the Trust respectively.

Following the implementation of the Stapling Proposal and the Buy Back, the Stapled Group will review and adjust its dividend and distribution payments to reflect the operating earnings after tax of the Stapled Group.

The overall performance of the Stapled Group and its ability to make distributions to Stapled Securityholders will depend on the Stapled Group successfully executing its strategy.

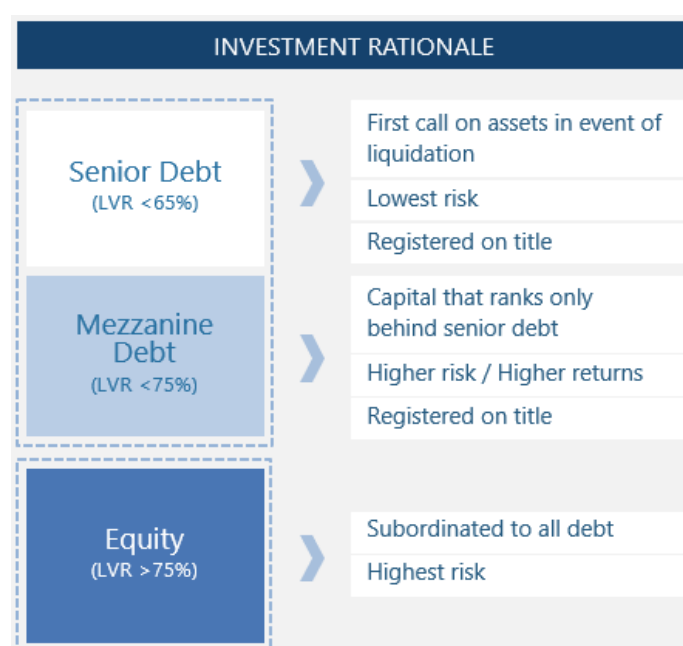
9. The Stapled Group

9.1 Eildon Capital Limited (Company)

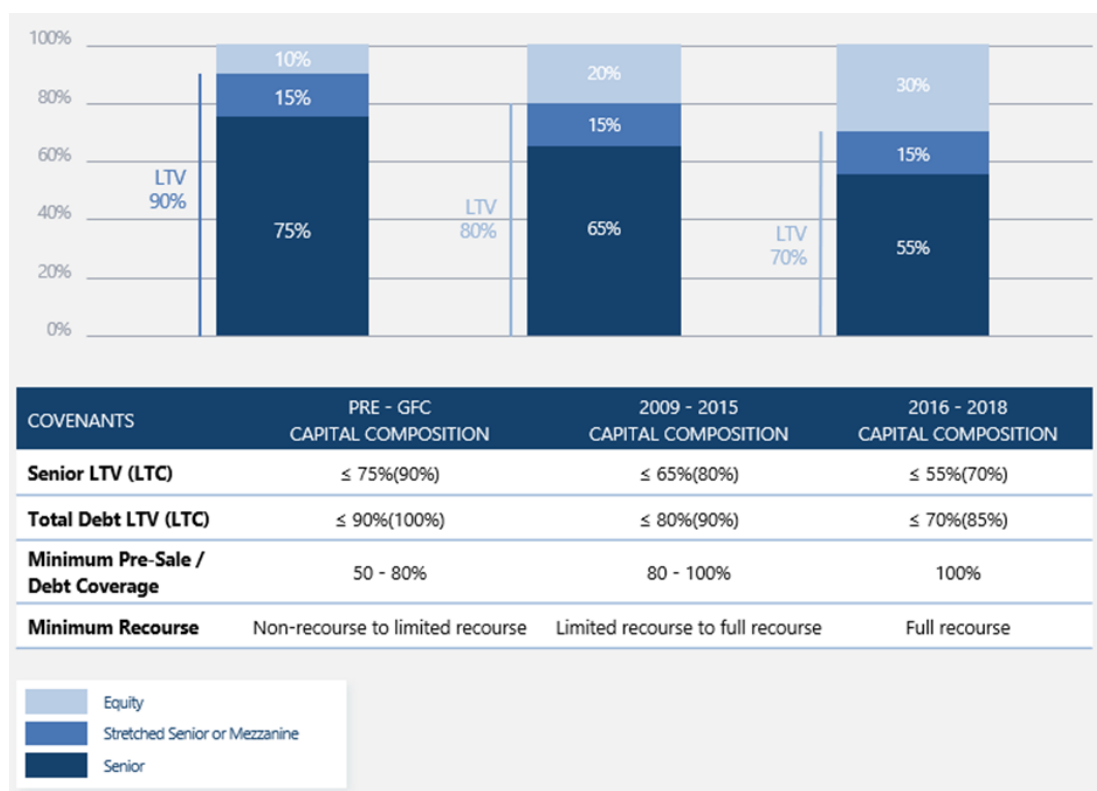
The Company is an active property investment company which participates in retail, industrial, residential and commercial opportunities. The Company has a flexible approach to investing which allows it to tailor capital solutions for property developers that assist them build value. The structuring of each transaction aims to deliver asset backed security positions and enhanced returns for Shareholders.

The Company was founded and continues to be backed by ASX-listed CVC Limited, a leading diversified investment group. The Company aims to provide investors exposure to a portfolio of asset backed investments which delivers attractive dividend income and strong capital growth.

The loan investments made by the Company targets up to a 75% Loan to Value Ratios, providing capital protection in a market that falls by 30-40%.



The Company has continued to benefit from the tightening credit markets as well as falls in values across different segments. The tightening credit market has been created by banks shifting towards offering increasingly commoditised homogeneous products whose structure and pricing are not efficiently differentiated based on underlying risks of the transactions. This has meant that flexible lenders like the Company are able to achieve higher returns and improved security on loans.



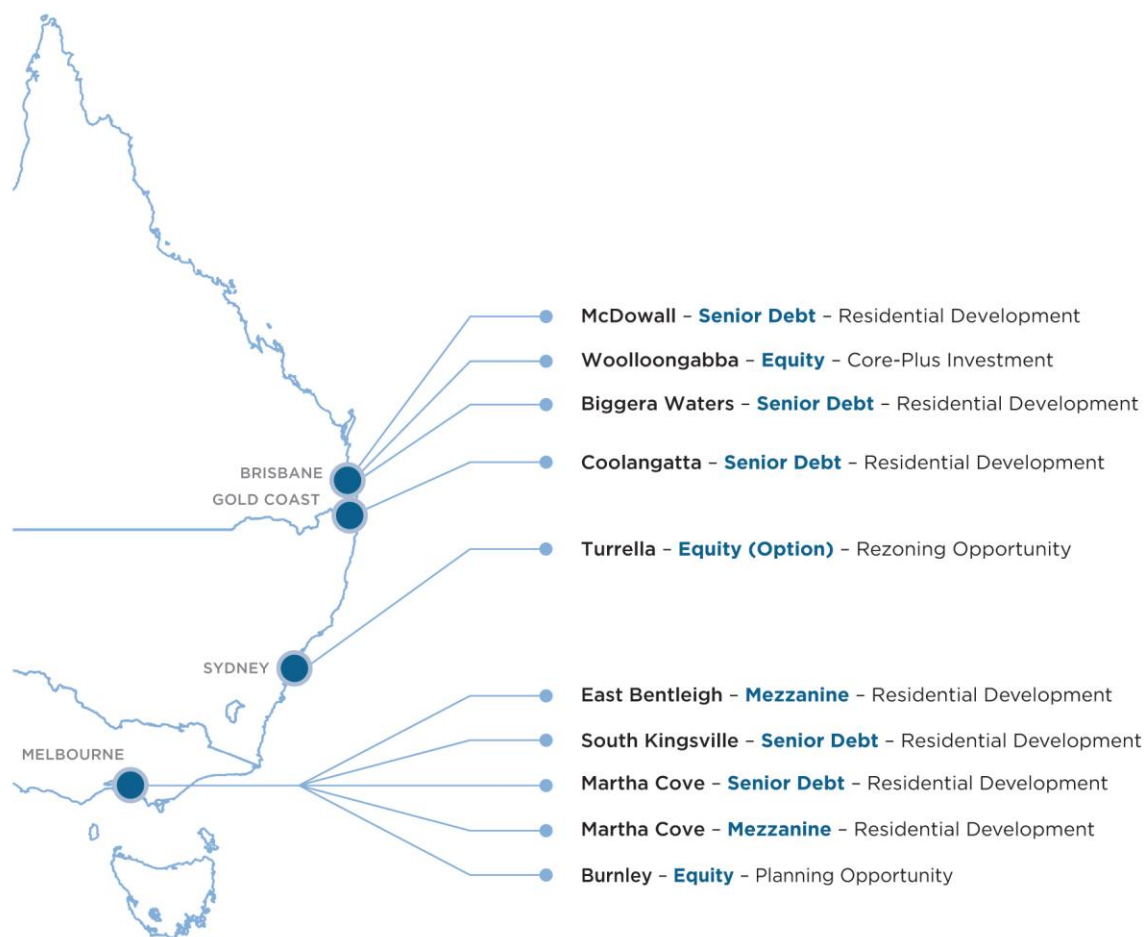
The direct property investments made by the Company are focused on a “core-plus” investment strategy, where the objective is to generate a recurrent income stream while management reposition the investment via either asset repositioning, market re-rating or planning outcomes.

Since listing on ASX in February 2017, the Company has maintained excellent deal assessment and risk mitigation processes, which has ensured no defaults on any investments. Since that time the market has fallen between 10-15% from the recent peak.

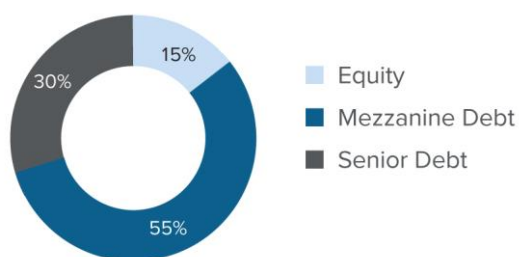
Over the same period, approximately \$117 million has been committed and/or deployed into qualifying investments:

- undertaken 24 individual investments representing approximately \$117 million, with 14 completed investments with no defaults; and
- generated an internal rate of return on completed investments of in excess of 20%.

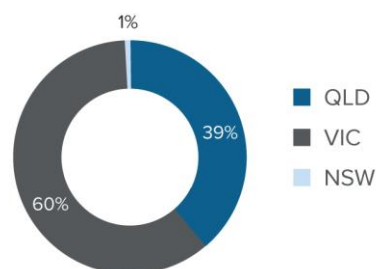
The Company has a diversified investment portfolio as follows:



EDC Portfolio by Type



EDC Portfolio by Geography



The members of the Board are as follows:

Mark Avery – Property Director

Mark began his professional career at Macquarie Group in 2002 in the property finance and residential development divisions. Mark has also worked for private and listed property development and investment groups. Mark commenced at CVC Limited in 2010 and has been responsible for all of the group's real estate investment activities since that time. He was appointed as Managing Director of the Company in 2015. Mark holds bachelor degrees in Commerce and Planning & Design from the University of Melbourne. Mark was appointed as a director of CVC Limited on 1 July 2019 and as Managing Director on 1 August 2019. Mark has also been a director of the Manager since April 2015.

James Davies – Chairman

James has over 30 years' experience in investment management across real estate, private equity and infrastructure. He has sat on numerous Investment Committees and Boards including as Chairman of Timberlink Australia and Airport Rail Link and is an independent non-executive Director of ASX-listed New Energy Solar. James holds a Bachelor of Computing Science from the University of New England, MBA from London Business School and is a Graduate of the Australian Institute of Company Directors.

Michelle Harpur – Independent Director

Michelle has been a partner in mid-size, large and international law firms since 1992, and has recently established her own practice, Harpur Phillips. She sits on the Governance Committee of Lifeline Northern Beaches. She has a BA and LLB from UNSW and has also completed the Company Directors Course with the AICD.

9.2 Eildon Capital Trust (Trust)

The Trust is a managed investment scheme registered under Chapter 5C of the Corporations Act.

The Manager is the responsible entity for the Trust. The Manager has applied to ASIC for a variation to its current AFSL so that it can be the responsible entity for the Trust when holding the Mortgage Assets.

More information on the Manager is contained in section 9.3.

The Trust was established and settled by the Manager on the issue of the Foundation Units to the Company. Upon implementation of the Stapling Proposal, the Company will transfer the Trust Assets to the Trust.

9.3 Eildon Funds Management Limited (Manager)

The Manager operates an investment management and funds management business. It is charged with the responsibility of sourcing of investment opportunities, completion of transactions, as well as sourcing funding for deals and the management of all aspects of the Company's operations, and was appointed as the investment manager of the Company on 23 November 2015.

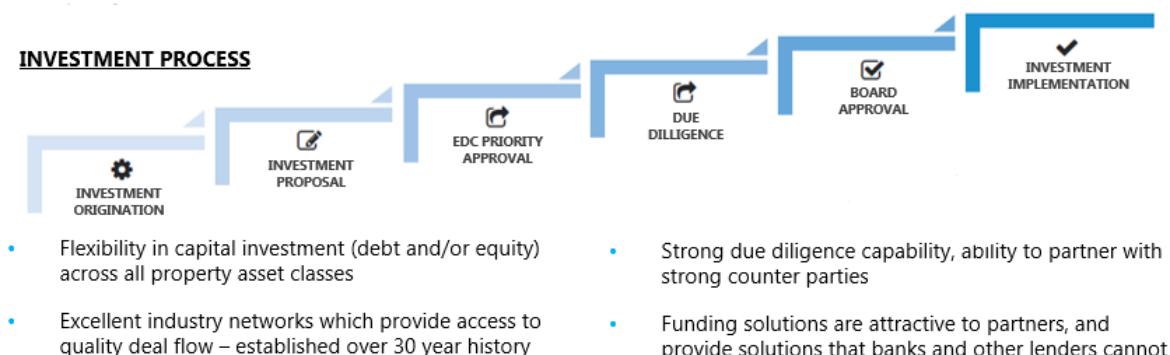
Since its appointment as the investment manager of the Company, the Manager has obtained significant experience in undertaking review and due diligence of property transactions in accordance with the investment policy. While the Manager's experience in properly-related transactions will be provide efficiencies in any future investments of the Stapled Group, the Manager's success as investment manager of the Company in no way guarantees the future success of the Stapled Group.

RISK MANAGEMENT

Management has a long history of undertaking property investments and conducts full diligence on all aspects of transaction

▪ General property market trends and condition	✓	▪ Sensitivity analysis	✓
▪ Local market analysis	✓	▪ Legal framework	✓
▪ Quality and experience of the project partner/sponsor	✓	▪ Risk mitigation	✓
▪ Financial feasibility outputs	✓		

INVESTMENT PROCESS



As well as being the investment manager for the Company, it is also the investment manager for the property investment portfolio of ASX listed CVC Limited and operates the Eildon Debt Fund, a wholesale unregistered managed investment scheme which provides loans for property development.

The Manager is a wholly-owned subsidiary of CVC Limited.

The Board of the Manager is comprised of John Hunter, Mark Avery and Jonathan Sim. Mr Avery is also the managing director of the Company and director and chief executive officer of CVC Limited.

The key members of the management team have been working together since 2009 and have leading industry networks providing excellent deal flow and real time market intelligence. In addition to Mr Avery, the experience of each of the members of the investment management team of the Manager are as follows:

John Hunter – CFO and Company Secretary

John is CFO and Company Secretary of CVC Limited. John joined CVC in 2006 and has overseen the management of a number of investment vehicles. John has extensive experience in ASX-listed and unlisted public reporting and accounting for property, equity trusts, managed investment companies and schemes, due diligence and compliance. John is a member of Chartered Accountants in Australia and New Zealand and holds a Bachelor of Commerce from the Australian National University, an MBA from MGSM and Masters of Applied Finance from Macquarie University. John was appointed as a director of the Manager on 24 December 2014.

Jonathan Sim – Investment Manager

Jonathan is an experienced real estate finance professional with extensive experience in both debt and equity transactions. Jonathan began his career at KPMG, where he worked in the audit area. He has held a variety of positions in major banks including ANZ, NAB and Bankwest. Most recently, Jonathan was an Associate Director at Monark Property Partners. Jonathan is a member of Chartered Accountants in Australia and New Zealand and also holds a Bachelor of Commerce from the University of Melbourne. Jonathan was appointed as a director of the Manager on 1 August 2019.

Jufri Abidin – Investment Manager

Jufri takes an active role in deal procurement, structuring, due diligence and investment management. Jufri has considerable funds management experience gained from his time at APN Property Group, an ASX listed real estate fund manager. Jufri has managed the property portfolios of multiple unlisted real

estate investment trusts, consisting of up to 60 assets under management, with a combined value of \$500 million. Jufri holds a Bachelor of Mechanical Engineering from the University of Melbourne.

William Chen – Investment Analyst

William plays a key role in transaction modelling, structuring, reporting and risk assessment. Prior to joining CVC Limited, William held roles at various banking and investment companies including CBRE, KPMG and Citic. William graduated from The University of Melbourne with a Bachelor of Commerce (Honours in Finance).

10. Tax considerations for the Stapling Proposal

10.1 Introduction

This taxation commentary provides a brief general summary of certain Australian income tax and CGT, GST and stamp duty consequences for Shareholders arising from the Stapling Proposal. This summary does not deal with such consequences for the Company or the Trust.

The comments below relate to additional considerations arising from the Stapling Proposal, e.g. commentary has not been included in respect of certain tax implications to Shareholders of holding Stapled Securities post-implementation of the Stapling Proposal as the position in respect of their Shares should remain consistent with the current position (such as in relation to the receipt of franked or unfranked dividends, etc).

The comments below outline the Australian income tax consequences only as relevant to an Australian tax resident individual, company (other than a life insurance company) or complying superannuation fund which hold Shares or Units on capital account. The comments do not address the tax consequences under any foreign law, including foreign tax law. These comments are not relevant to taxpayers who acquired or acquire Shares or Units in the course of trading or dealing in securities or otherwise hold Shares or Units on revenue account or as trading stock, or as financial arrangements subject to the taxation of financial arrangements regime. The Australian income tax consequences for non-Australian tax resident Shareholders are not considered.

Commentary on the Australian income tax consequences arising from the Buy Back is set out in section 11.

This is a general summary only and is not intended to be, and should not be taken, or relied on, as Australian (and foreign if applicable) tax advice to Shareholders. This section does not consider all possible circumstances that may affect the position of each Shareholder. Shareholders should seek advice from their own professional taxation adviser regarding the tax consequences of the Stapling Proposal having regard to their particular circumstances.

This summary is based on the Australian tax laws, regulations and administrative practices in effect as at the date of this Explanatory Memorandum.

This taxation commentary should be read in conjunction with the remainder of the Explanatory Memorandum and the capitalised terms set out in section 17.

The representatives of BDO involved in preparing the taxation commentary in this section are not licensed to provide financial product advice as defined by the Corporations Act. Shareholders should consider seeking advice from an AFSL holder before making any decision in relation to a financial product. Shareholders should also note that taxation is only one of the matters which need to be considered when making a decision on a financial product.

10.2 Class Ruling

The Company has applied for a Class Ruling from the ATO on certain matters discussed in this Explanatory Memorandum, including:

- the tax issues associated with the Capital Return including the application of the dividend streaming and capital streaming rules; and
- the tax consequences to Shareholders of the Capital Return, issue of Units in the Trust and the Stapling of the Shares and Units.

The commentary below is principally based on a favourable ruling being obtained from the ATO in relation to the relevant matters. It is possible, however, that the ATO may take a different view in the ruling from that expressed in this section. The Company will advise Shareholders of the final Class Ruling as soon as it becomes available.

It is expected that the Distribution to Shareholders will comprise a partially or fully franked Special Dividend component and a Capital Return component. The precise amounts of the Special Dividend component and the Capital Return component will be confirmed as part of the Class Ruling process and advised to Shareholders in due course.

(a) **Distribution**

Under the Class Ruling in relation to the Company, the Company is seeking confirmation from the ATO that:

- frankable dividends can be paid out of the Company's profit distribution reserve up to the balance of that reserve;
- subject to being a 'qualified person' (see below), the amount of the franking credit on the Special Dividend which is paid out of the Company's profit distribution reserve will be included in the assessable income of Australian resident individual and corporate Shareholders, trustees of normal trusts and trustees of resident complying superannuation funds in the income year in which the Special Dividend is paid and that such Shareholders will be entitled to a tax offset (including, where applicable, refundable tax offsets) equal to the amount of the franking credit attached to the Special Dividend;
- Shareholders will be considered to satisfy the 'holding period' rule and be 'qualified persons' (as long as the 'related payments' rule is also met) in relation to the Special Dividend if the relevant Shares were acquired 45 clear days before the Special Dividend payment date and, during the period when the Shares were held, the Shareholder had sufficient risks of loss or opportunities for gain in respect of the Shares for a continuous period of at least 45 days (not including the date of acquisition and the date of disposal of the Shares);

Note 1: Individual Shareholders whose total franking tax offsets (for all franked distributions received in the income year) do not exceed \$5,000 for the income year in which the dividend is received should be exempt from the 45 day rule; and

Note 2: Shareholders that are Australian tax resident companies are unable to claim refunds for excess franking credits. Where excess franking credits exist, the Australian tax resident company Shareholder should be entitled to have the surplus credits converted into carry forward tax losses;

- where Shares are held on capital account, there will be a cost base reduction in relation to the Shares to the extent that the Capital Return is less than or equal to the cost base of the Shares;
- where Shares are held on capital account, and the Capital Return per Share exceeds the cost base of a particular Share, a capital gain will arise for the affected Shareholders;
- where Shares are held on capital account for at least 12 months, individuals, trusts, complying superannuation funds and certain life insurance assets will be subject to the discount capital gains tax provisions, after first reducing the gain by any capital losses. The CGT discount is 50% for resident individuals and trusts and 33 1/3% for resident complying superannuation funds. Shareholders that are Australian resident companies are not generally eligible for the CGT discount;
- there will no rollover relief where the Company's equity is swapped for Units;
- the value shifting provisions will not apply;
- the capital streaming rules in sections 45A and 45B of the *Income Tax Assessment Act 1936* (Cth) (**ITAA 1936**) will not apply to treat the Capital Return as an unfranked dividend; and

- the dividend streaming rules in section 177EA of the ITAA 1936 or section 204-30 of the *Income Tax Assessment Act 1997* (Cth) will not apply to deny Shareholders imputation benefits in respect of the Special Dividend.

(b) Issue of Units in the Trust

Under the Class Ruling in relation to the Trust, the Company is seeking confirmation from the ATO that, in relation to the Trust:

- the first element of the cost base for Unitholders' initial Units will be the amount paid by the Unitholders for their Units which will equal the Distribution (being the sum of the Special Dividend and the Capital Return) which is paid by the Company to subscribe for Units on behalf of each Shareholder;

Note: Shareholders should be treated as acquiring each Unit for CGT purposes on the date the Units are issued. This ownership timing is important in determining eligibility to access the CGT discount upon a future disposal of the Units. Relevantly, the CGT discount for the Units should not be available if they are sold within 12 months of acquisition (only the component of the sale referable to the Shares would be eligible if the original Shares are held for at least 12 months at that time);

- no CGT event will happen as a consequence of the Stapling of Shares to Units;
- even though the Shares and Units can only be traded together as a stapled security, they are two separate and distinct assets for tax purposes:
 - the Shares, which are subject to the normal dividend/capital return rules; and
 - the Units, which are subject to the managed investment trust (MIT)/attribution managed investment trust (AMIT) rules as detailed in section 10.4; and
- the first element of the cost base for the acquisition of any further Units will be the amount paid by the Unitholders for their Units.

10.3 Tax implications of holding Stapled Securities

An investment in Stapled Securities should be treated for Australian taxation purposes as an investment in each of the individual securities (the Shares and the Units). As such, a Shareholder should be regarded for Australian taxation purposes as holding discrete Shares and Units.

The key difference between holding only Shares and holding Stapled Securities is that distributions in respect of a singular shareholding are in the form of dividends whereas distributions in respect of the Stapled Security holding are in the form of dividends and unit trust distributions. The income tax treatment and profile of dividends and unit trust distributions differ.

Dividends are generally paid out of a company's after-tax profits and are capable of being franked. Australian tax residents are generally required to include any dividends received in their assessable income. Associated franking credits are generally also included in assessable income (subject to certain conditions being met including the '45 day holding period' rule) and in this case a tax offset or, in certain cases, a refund may be allowable for the franking credits if the relevant conditions are satisfied.

Unit trust distributions are generally made on a pre-tax basis (for example, subject to the trust being a "flow through" entity for tax purposes) and therefore the income tax treatment of the unit trust distribution is generally based on the tax profile of the unitholder.

Further information on Trust distributions are provided in section 10.4.

It is recommended that Shareholders seek independent professional taxation advice regarding the difference in tax outcomes between holding Shares and Stapled Securities having regard to their own specific circumstances.

10.4 Tax issues re the Trust

(a) Years in which AMIT status applies

For income tax purposes, a trust may be taxed as a company if it is a “public trading trust”. Provided that neither the Trust, nor an entity that the Trust controls, carries on a “trading business”, the Trust should not be classed as a “public trading trust”.

It is the Manager’s expectation that the Trust will not undertake any investment activities which would cause the Trust to be considered to control or carry on a “trading business” for the purpose of the public trading trust rules. As such, it is expected that the Trust should qualify as a “flow through” trust for Australian income tax purposes.

On the basis that the Trust is a “flow through” entity, each component of the Trust’s taxable income should retain its character in the hands of Stapled Securityholders.

The Trust may qualify as a MIT if it satisfies all the requirements to do so (e.g. not closely held, etc). Where the Trust is a MIT, this should allow the Trust to make an irrevocable election to apply the CGT rules as the primary code for the taxation of gains and losses on the disposal of certain assets (being primarily shares, units and real property). It is intended that this election would be made as soon as is practicable.

In this case, the Manager as responsible entity for the Trust is also expected to make an irrevocable election to have the AMIT rules apply to the Trust. In the years after this election is made in which the Trust qualifies as an MIT, the AMIT rules should apply.

In such years, the Manager as responsible entity for the Trust should generally not be liable to pay Australian income tax on the taxable income of the Trust. This is on the basis that Unitholders will be attributed all of the determined trust components for the year under the AMIT rules. Consequently, the Unitholders should be the persons who will be assessed on the taxable income. Accordingly, the Unitholders will be required to include the taxable income (according to the income components) attributed to them in their assessable income for the relevant income year.

If the Trust makes a tax loss in any income year, the tax loss is not distributable to the Unitholder. Instead, the tax loss may be able to be carried forward and utilised by the Trust to offset future assessable income and capital gains, provided that the applicable trust loss rules are satisfied. Any net capital losses of the Trust in any income year may also be carried forward, but may only be applied against future capital gains.

It is possible that the Trust may dispose of equity investments at a future time. Should the Trust dispose of an equity investment, the Trust may derive a capital gain to the extent that the consideration received on disposal of an equity investment exceeds the tax cost base of the investment. The Trust may incur a capital loss on the disposal of an equity investment to the extent that the consideration on disposal is less than the reduced tax cost base of the investment. To the extent that there is a net capital gain, the Trust should (if the investment has been held for more than 12 months) be eligible to reduce its capital gain included in its net income by the CGT discount.

It is expected that the Stapling Proposal will reset the tax cost base of the equity investments transferred from the Company to the Trust as part of the Stapling Proposal to market value when they are transferred to the Trust. If the Trust disposes of these investments, its taxable gain or loss for tax purposes will be calculated having regard to the difference between the sale price and the cost base of those investments, being broadly equal to the market value of the investments when Stapling occurs or when they are otherwise transferred from the Company to the Trust.

(b) Distributions to Australian tax residents in the years in which the AMIT rules apply

Unitholders should generally be required to include in their assessable income amounts in relation to their investment in the Trust. In a year in which the Trust is an AMIT, Unitholders will be required to include their determined member components in their assessable income.

Each component of the Trust's income should retain its tax character in the hands of the Unitholder for income tax purposes.

Generally speaking, Unitholders will be assessed in the same year in which the Trust derived the income. This will include the Trust's distributions to a Unitholder which may not be received until after year end. Distributions may include capital gains that relate to unrealised income / gains corresponding to a period before the investor became an Unitholder.

Unitholders should wait until receipt of an AMMA Statement for the income year before completing an income tax return. The AMMA Statement will provide Unitholders with full details of the assessable income Unitholders should include in their tax return in relation to the Trust for the income year.

The AMMA Statement may also disclose a single AMIT tax cost base adjustment amount for an income year based broadly on the net position of cash distributions received and amounts assessed to the Unitholder (inclusive of CGT concession amounts) in respect of the income year (being the AMIT tax cost base net amount). This AMIT tax cost base net amount is net of tax cost base reductions and increases.

A tax cost base adjustment will apply where, broadly, the amount of cash distributions made by the Trust is different to the amounts assessed to the Unitholder under the AMIT regime; where the cash distribution is more than the amount assessed to the Unitholder (inclusive of CGT concession amounts), a tax cost base reduction is generally required (in line with the tax deferred adjustments described below). If the tax cost base of a Unit is reduced to nil, the Unitholder should make a capital gain on any further tax cost base reduction in respect of that Unit.

Any such capital gain may be eligible for discount CGT treatment depending on whether the Unitholder has held the Unit for at least 12 months (with the discount being 50% in the case of an individual or trust, or 33 1/3% in the case of a complying superannuation entity, noting that companies are not entitled to the CGT discount). Note that in this respect, Units that were acquired in the Trust as a result of the Stapling Proposal would only be taken to have been acquired when the new Units were issued (their acquisition date is not grandfathered to when the Shares were originally acquired).

Where the cash distribution is less than the amount assessed to the Unitholder (inclusive of CGT concession amounts), a tax cost base increase is generally required.

Unitholders may be eligible for a CGT discount on distributions of capital gains (with the discount being 50% of gross discountable capital gains in the case of an individual or trust, or 33 1/3% of gross discountable capital gains in the case of a complying superannuation entity, noting that companies are not entitled to the CGT discount), provided that the Trust held the relevant asset on capital account for at least 12 months.

For completeness, it is noted that the Government has proposed that from 1 July 2020, MITs and AMITs will be precluded from applying the 50% capital gains discount at the trust level. Practically, this means that the relevant taxable capital gain would be distributed without discount, but Unitholders may apply the CGT discount at their investor level at the applicable discount percentage. This integrity measure is designed to ensure that MITs and AMITs operate as genuine flow-through tax vehicles, so that income is taxed in the hands of investors, as if they had invested directly. Legislation is being developed for this measure. It is recommended that Unitholders monitor changes in this regard and assess the impacts based on their individual circumstances.

(c) Years in which AMIT status does not apply

As the AMIT rules contain a number of requirements and MIT status must be established in respect of each income year, it is possible that the Trust may not be eligible to apply the AMIT rules set out in

sections 10.4(a) and 10.4(b). One of these requirements is that the Trust is not “closely held” for the income year. Relevantly, the Trust would generally be “closely held” for this purpose if, after tracing through interposed trusts to the beneficial owners of the Units, twenty or fewer persons hold 75% or more of Units. However, even if the MIT rules are not satisfied, the Manager as responsible entity for the Trust should not be liable to tax on the income of the Trust on the basis that the Unitholders will be made presently entitled to the income of the Trust at the end of each income year.

(d) Distributions to Australian tax resident in the years in which the AMIT rules do not apply

In a year in which the AMIT rules do not apply, the tax treatment of taxable income to Unitholders is broadly the same as a year in which the AMIT rules apply. However, instead of Unitholders including assessable income attributed to them in their assessable income for the year, Unitholders should generally be required to include in their assessable income a proportionate share of the Trust’s net income for each relevant income year determined by the proportional entitlement to the distributable income of the Trust.

Unitholders should wait until receipt of a tax statement each year before completing an income tax return. The tax statement will provide Unitholders with full details of the assessable income Unitholders should include in their tax return in relation to the Trust for the income tax year.

The Trust may also make cash distributions to Unitholders in excess of the net income of the Trust. Such distributions may arise as a result of:

- “Tax deferred” distributions (e.g. returns of capital or income sheltered by tax depreciation deductions); and
- “CGT concession” distributions (e.g. the discount component of net capital gains derived by the Trust).

Tax deferred distributions should not be assessable to a Unitholder but, for CGT purposes, should reduce the tax cost base (and reduced tax cost base) of Units (but not below nil). If the tax cost base of a Unit is reduced to nil, the Unitholder should make a capital gain on any further tax deferred distributions received in respect of that Unit. Similar to the treatment of tax cost base reducing adjustments under the AMIT rules, any such capital gain may be eligible for discount CGT treatment depending on whether the Unitholder has held the Unit for at least 12 months (with the discount being 50% in the case of an individual or trust, or 33 1/3% in the case of a complying superannuation entity, noting that companies are not entitled to the CGT discount).

Distributions of CGT concession amounts in relation to the discounted portion of a capital gain should not be assessable to Unitholders and should not affect the tax cost base (or reduced tax cost base) of Units for CGT purposes.

10.5 Sale of Stapled Securities

A sale of Stapled Securities will constitute a disposal for CGT purposes, and may result in a capital gain or capital loss for a Stapled Securityholder. For CGT purposes, the disposal of a Stapled Security will be treated as a disposal of separate assets, being a Unit and a Share.

The CGT rules will apply separately to each Unit and Share, such that an apportionment of sale proceeds will be required, based on the relative market values at the time of disposal. One possible method of apportionment is on the basis of the relative net tangible assets of the individual entities, being the Trust and the Company.

It is intended that information will be published on the website of the Company to assist Stapled Securityholders in completing their tax return when they dispose of their Stapled Securities (noting that each Stapled Securityholder’s particular circumstances is different, and it is recommended that Stapled Securityholders seek professional taxation advice in relation to the taxation implications of their investment, including the taxation implications of disposal).

A capital gain will arise to a Stapled Securityholder where the capital proceeds received from the sale of a Unit and/or Share are greater than the respective tax cost base of that Unit and/or Share for CGT purposes. A capital loss will arise if the capital proceeds on sale of a Unit and/or Share are less than the respective reduced tax cost base of that Unit and/or Share for CGT purposes.

Discount CGT treatment may be available to reduce the capital gain realised by a Stapled Securityholder on the sale of their Units and/or Shares. If the Unit and/or Share has been held for at least 12 months, the resulting capital gain after offsetting capital losses of the Stapled Securityholder may be able to be discounted by 50% in the case of an individual or trust, or 33 1/3% in the case of a complying superannuation entity (noting that the CGT discount is not available to companies).

Units that were acquired in the Trust as a result of the Stapling Proposal would only be taken to have been acquired when the Units were issued (their acquisition date is not grandfathered to when the Shares were originally acquired). Relevantly, the CGT discount for the Units obtained should not be available if they are sold within 12 months of acquisition (only the component of the sale referable to the Shares would be eligible if the Shares are held for at least 12 months at that time).

10.6 Tax File Number and Australian Business Number

The Company and the Manager as responsible entity for the Trust are required to deduct Pay-As-You-Go withholding tax from distributions paid to Stapled Securityholders at the highest marginal tax rate, including the Medicare Levy, if the Stapled Securityholder has not quoted either their Tax File Number (**TFN**) or Australian Business Number (**ABN**), and none of the relevant exemptions apply. Stapled Securityholders may be entitled to a tax credit for any such tax withheld.

The no-TFN/ABN withholding requirement should not apply to fully franked dividends paid in respect of the Shares.

10.7 GST

Under current Australian GST law, GST is not applicable to the Special Dividend or Capital Return, the issue of Units to Shareholders or the subsequent acquisition or disposal of Stapled Securities.

The ability of Stapled Securityholders to recover any GST incurred as an input tax credit in relation to costs associated with the Stapling Proposal (such as costs relating to professional advice obtained by Stapled Securityholders regarding the Stapling Proposal) would vary according to individual circumstances and as such this should be reviewed by Stapled Securityholders prior to making any claim.

10.8 Stamp duty

No stamp duty should be payable in respect of the Special Dividend or Capital Return or the issue of Units to Shareholders. Further, as a general rule, under current stamp duty legislation, stamp duty would not ordinarily be payable on any subsequent acquisition of Stapled Securities provided the Company and the Trust are listed on ASX (and provided the acquisition is less than 90% of the Stapled Securities). Stapled Securityholders should seek independent professional advice in respect of any ongoing dealings relating to the Stapled Securities.

11. Tax considerations for the Buy Back

11.1 Introduction

This taxation commentary provides a brief general summary of certain Australian income tax and CGT consequences for Shareholders and Unitholders arising from the Buy Back of the Shares in the Company and the Units in the Trust. This summary does not deal with such consequences for the Company or the Trust.

The comments below outline the Australian income tax consequences only as relevant to an Australian tax resident individual, company (other than a life insurance company) or complying superannuation fund which hold Shares and Units on capital account. The comments do not address the tax consequences under any foreign law, including foreign tax law. These comments are not relevant to taxpayers who acquired or acquire Shares or Units in the course of trading or dealing in securities or otherwise hold Shares or Units on revenue account or as trading stock, or as financial arrangements subject to the taxation of financial arrangements regime. The Australian income tax consequences for non-Australian tax resident Shareholders and Unitholders are not considered. Nor are partnerships considered.

This is a general summary only and is not intended to be, and should not be taken, or relied on, as Australian (and foreign if applicable) tax advice to Shareholders or Unitholders. This section does not consider all possible circumstances that may affect the position of each Shareholder and Unitholder. Shareholders and Unitholders should seek advice from their own professional taxation adviser regarding the tax consequences of the Buy Back having regard to their particular circumstances.

This summary is based on the Australian tax laws, regulations and administrative practices in effect as at the date of this Explanatory Memorandum.

This taxation commentary should be read in conjunction with the remainder of the Explanatory Memorandum and the capitalised terms set out in section 17.

The representatives of BDO involved in preparing the taxation commentary in this section are not licensed to provide financial product advice as defined by the Corporations Act. Shareholders and Unitholders should consider seeking advice from an AFSL holder before making any decision in relation to a financial product. Shareholders and Unitholders should also note that taxation is only one of the matters which need to be considered when making a decision on a financial product.

11.2 Class Ruling

The Company and the Trust have applied for a Class Ruling from the ATO seeking indicative confirmation of a number of the statements contained in this section 11.

The commentary below is principally based on a favourable ruling being obtained from the ATO in relation to the relevant matters. It is possible, however, that the ATO may take a different view in the ruling from that expressed in this section. The Company and the Trust will advise Shareholders and Unitholders of the final Class Ruling as soon as it becomes available.

11.3 Stapled Structure

The Shares in the Company and the Units in the Trust are stapled. The Buy Back will therefore involve a Buy Back by the Company of its Shares and a simultaneous Buy Back by the Trust of its Units. Because the Buy Back of the Shares and the Units are discrete transactions for tax purposes and the tax treatment of the Buy Back of the Shares and the Units is different, the two treatments are considered separately below.

11.4 Income tax consequences for Buy Back of Shares in Company

The Company has sought confirmation that the Buy Back will constitute an 'off-market' buy back for the purposes of Division 16K of Part III of the *Income Tax Assessment Act 1936* (Cth).

It is anticipated that the Capital Component of the Buy Back Price (which is attributable to the Company) will be 100% and that none of the Buy Back Price (which is attributable to the Company) will be treated as a frankable distribution (**Dividend Component**).

CGT consequences for disposal of shares

Eligible Shareholders who participate in the Buy Back will be deemed, for CGT purposes, to have disposed of each Share for the Capital Component plus the amount (if any) by which the CGT Value exceeds the Buy Back Price (**Capital Proceeds**). The date of disposal will be taken, for CGT purposes, to be the Buy Back Date.

What is the CGT Value of the Shares?

In 2004, the ATO released Taxation Determination TD 2004/22 (**TD 2004/22**) which sets out the ATO's view in relation to determining the CGT Value of shares bought back off-market. TD 2004/22 provides that the CGT Value should be determined as the volume weighted average price of the shares over the last five trading days before the first announcement of the buy back, adjusted for the movement in the S&P/ASX 200 Index from the opening of trading on the announcement date to the close of trading on the day the Buy Back closes.

Consistent with that ATO view, the CGT Value may be determined in accordance with the following formula:

CGT Value = A x (B/C), where

A = VWAP of Shares traded on ASX over the last five trading days before the announcement of the Buy Back on 12 March 2020.

B = closing level of the S&P/ASX 200 Index on the last day of the Tender Period, being 22 May 2020.

C = opening level of the S&P/ASX 200 Index on 12 March 2020.

If the movement in the S&P/ASX 200 Index is significantly different from the movement in the Share price on the ASX over the relevant period (applying a VWAP methodology), the Company may approach the ATO to seek to vary the methodology used to determine the CGT Value.

If the Buy Back Price exceeds the CGT Value, a portion of the Dividend Component equal to the difference between the Buy Back Price and the CGT Value would be deemed to be unfrankable.

Will I make a capital gain or a capital loss on the sale of shares through the buy back?

You will make a capital gain on Shares disposed of under the Buy Back to the extent that the Capital Proceeds exceed your CGT cost base for the Shares.

You will make a capital loss if your CGT cost base for the Shares exceeds the Capital Proceeds. No allowance for indexation or non-capital costs is made in determining the CGT cost base of Shares in calculating a capital loss.

If a capital loss does arise from the Buy Back, it can be used to offset capital gains.

Capital losses that are not used in the income year in which they arise may usually be carried forward and used to offset capital gains made in future income years.

The capital gain or loss which arises under the Buy Back may be different to the capital gain or loss which may have arisen under an equivalent sale of the Shares on the ASX. This is because the Capital Proceeds are limited to the Capital Component plus the amount (if any) by which the CGT Value exceeds the Buy Back Price, rather than the price at which you may have sold your Shares on the ASX.

Will I receive a CGT discount?

If you have held your Shares for 12 months or more prior to the Buy Back Date, you may be eligible for the CGT discount in respect of a capital gain made on your Shares in which case you will need to only include in your assessable income one-half (for individuals) and two-thirds (for complying superannuation funds) of any net capital gain. If you are a company, you are not entitled to any CGT discount.

For the purposes of determining your net capital gain, you must take into account all capital gains and capital losses arising in the income year.

What is my CGT cost base?

Generally, the CGT cost base for a Share will be the amount that you paid to acquire the Shares together with certain incidental costs of acquisition, for example stamp duty and brokerage, and certain incidental costs of disposal. However, the cost base will be reduced by any capital returned under the Restructure.

11.5 Income tax consequences for Buy Back of Units in Trust

No part of the buyback price will be net income for income tax purposes because the Buy Back by the Trust will be fully funded from the Trust's Capital Account.

11.6 CGT consequences for disposal of Units

What are my capital proceeds?

Eligible Unitholders will be taken to have received the gross Buy Back Price (which is attributable to the Trust) (**Trust Capital Component**) as consideration in respect of the units bought back under the Buy Back (**Sale Consideration**) on the buyback date.

The Sale Consideration is expected to equal to the market value of the units in this buyback. The Company has asked the ATO to confirm that the principles in TD 2004/22 will not apply to the Buy Back of the Units. Eligible Shareholders should review the Class Ruling when issued to confirm that the ATO has taken this position. If not, the Sale Consideration will need to be adjusted in accordance with the Class Ruling.

The Sale Consideration per unit (which is referable to each Unit), adjusted, if necessary, in accordance with the Class Ruling, represents the Capital Proceeds for CGT purposes.

Will I make a capital gain or a capital loss on the sale of units through the buy back?

The Units will be taken to have been disposed of for CGT purposes on the Buy Back Date.

An Eligible Shareholder will make a capital gain on the unit if the Capital Proceeds per unit exceeds the cost base of that unit. The capital gain is the amount of the excess. No CGT discount will be available because the Units will not have been held for more than 12 months, as they would have just been acquired as a result of the Stapling Proposal.

Similarly, an Eligible Shareholder will make a capital loss on a unit if the Capital Proceeds per unit is less than the reduced cost base of the unit. The capital loss is the amount of the difference.

What is my CGT cost base?

Generally, the CGT cost base for a Unit will be the amount that you paid to acquire the Unit together with certain incidental costs of acquisition, for example stamp duty and brokerage, and certain incidental costs of disposal. The amount you paid to acquire the Unit will equal the amount applied to acquire the Unit under the Stapling Proposal.

12. Fees and expenses payable to the Manager

The Manager will be entitled to charge the following fees and expenses to the Trust:

12.1 Management fee

The Manager is entitled to be paid a management fee of the following amounts:

- (i) one twelfth of 0.75% of the net trust value; plus
- (ii) one twelfth of 1% of invested capital in accordance with the investment strategy of the Trust,

calculated as at the last day of the previous month and payable no later than the last Business Day of the month, provided that each month the management fee shall not be less than \$15,000.

The following table shows a breakdown of the ongoing management fee payable to the Manager based on the pro forma statement of financial position at section 8.2 before and after the impact of the Stapling Proposal.

In thousands of AUD		Pre- Stapling	Stapled Group	
			Company	Trust
Pro forma statement of financial position				
Net Assets		44,613	4,540	40,073
Invested Capital		34,354	4,371	29,983
Base fee				
Net Asset Value	0.75%	335	34	301
Invested Capital	1.00%	344	44	300
Total base fee		679	78	601

12.2 Performance fee

The Manager is entitled to be paid a performance fee of 20% of the increase in the Unit capital growth of the Trust, after taking into account capital returns and distributions paid to Unitholders, above an annualised investment hurdle of 9% per annum at the end of each financial year.

The calculation of the performance fee is as follows:

$$\text{Performance Fee} = 20\% \times (\text{Number of Ordinary Units} \times (\text{Actual Return} - \text{Hurdle Return}))$$

Where:

"**Number of Ordinary Units**" means the weighted average number of Units on issue during the calculation period;

"**Actual Return**" means, the closing Unit price minus the opening Unit price plus distributions during the calculation period; and

"**Hurdle Return**" means, the opening Unit price multiplied by 9%.

The price of a Unit for the purposes of the Actual Return and Hurdle Return will be the market price of a Stapled Security less the price of the attached Share, where the price of the attached Share will be the net tangible asset backing of the Share.

The following table shows a breakdown of the performance fee payable to the Manager before and after the impact of the Stapling Proposal based on the following:

- (i) The group achieving a pre-tax return of 12.0% based on the pro forma statement of financial position at section 8.2;
- (ii) The pre-tax return is pro-rated across both the Trust and the Company; and
- (iii) The Company is subject to a 30% tax rate

The amount of the performance fees payable may differ from the amounts set out below if the Actual Return is higher or lower.

In thousands of AUD			Stapled Group	
			Pre-Stapling	Company Trust
Pro forma statement of financial position				
Net Assets		44,613	4,540	40,073
Pre-tax return	12.0%	5,354	545	4,809
Tax	30.0%	(1,606)	(164)	-
Post-tax return		3,748	381	4,809
Hurdle Return		4,015	409	3,607
Performance fee				
		-	-	240

12.3 Custodian fee

If the Manager provides a custodial function for the Trust, the Manager is entitled to a custody fee of up to 1% per annum of the gross value of the assets.

12.4 Reimbursement of costs, charges and expenses

The Manager is entitled to recover all costs and expenses it incurs in the proper performance of its duties as responsible entity for the Trust, including in relation to the establishment, registration, operation, administration and management of the Trust including:

- (i) preparation, postage, electronic transfer and the like of cheques, certificates, investment advices, accounts, distribution statements, and other communications sent to one or more members of the Trust;
- (ii) establishment and maintenance of registers and accounting records;
- (iii) convening and holding any meetings;
- (iv) the acquisition, holding, management, maintenance, valuation or disposal or attempted or proposed acquisition or disposal of or any other transaction in relation to investments and the investigation and research of markets including travel and accommodation expenses, investment or portfolio manager's fees and advisors' and consultants' fees incurred in carrying out the functions of the responsible entity or the custodian, taxes and rates;
- (v) preparation and auditing of accounts and preparation of taxation returns;

- (vi) taxes and bank charges which are or may be imposed on or about the performance or exercise of the duties and powers of the custodian or the responsible entity and otherwise in respect of the Trust;
- (vii) establishing the Trust and any restructuring of the Trust including costs of preparation of this document and any supplemental deed and the cost of legal, accounting, tax, financial and other services;
- (viii) issue of Trust securities, including preparation, registration, promotion and distribution of any disclosure document or other offer document;
- (ix) retaining delegates, custodians, agents, investment or portfolio managers, economists, researchers, valuers, advisers, brokers, underwriters, contractors, barristers, solicitors (including solicitors' costs on a full indemnity basis) and other persons retained in the exercise of their powers or the discharge of their duties;
- (x) operation and maintenance of computer hardware and software and other equipment;
- (xi) development of computer hardware and software and other equipment;
- (xii) any court proceedings, arbitration or dispute and obtaining legal advice;
- (xiii) retirement or removal of the custodian or responsible entity and the appointment of another person as custodian or responsible entity;
- (xiv) the issue, redemption and transfer of Trust securities; and
- (xv) promoting the Trust to, or communicating with, members of the Trust, potential investors and their advisers.

12.5 Termination fees

In the event that the Manager is terminated as responsible entity for the Trust it is entitled to the following amounts:

- (i) 12 times the amount of the monthly management fee based on the fee payable in the month immediately preceding the month in which the termination occurred; plus
- (ii) the performance fee (calculated up until the date the Manager is terminated as responsible entity for the Trust); plus
- (iii) any expenses incurred by the Manager before the date of termination which it is entitled to be reimbursed which have not yet been recovered.

The Manager will be entitled to recover all such fees and expenses from the assets or income of the Trust.

12.6 The Manager in its role as the investment manager of the Company

The Manager (in its own capacity) currently acts as the investment manager of the Company pursuant to an investment manager agreement (**IMA**). Under the IMA, the Manager is paid fees on the basis of the net asset value of the assets it manages, as well as a performance fee. The Manager is entitled to receive a minimum fee of \$15,000 per month.

Given that the transfer of the Trust Assets will mean the majority of the assets held by the Stapled Group are within the Trust, the Company and the Manager have agreed to amend the IMA to remove the minimum \$15,000 per month fee. Fees paid to the Manager under the IMA will continue to be paid on the net asset value of the assets held by the Company and managed by the Manager, as well as the performance fee.

The effect of the implementation of the Stapling Proposal will be that:

- the Manager will charge a management fee to both the Company and the Trust based on their respective net asset values of assets held. As the Company is transferring assets to the Trust, it is expected that the management fee currently charged to the Company will decrease by the amount that the management fee charged to the Trust increases. Only the Trust will be subject to the minimum \$15,000 per month management fee if that applies (as indicated in section 12.1); and
- the Manager will charge a performance fee to both the Company and the Trust based on the share and unit price as a component of the Stapled Security, respectively. As indicated in section 12.2, the price of a Unit for the purposes of the performance fee payable to the Trust will be the market price of a Stapled Security less the price of the attached Share, where the price of the attached Share will be the net tangible asset backing of the Share. In effect, the performance fee currently charged to the Company will be split between the Company and the Trust.

13. Regulatory information

13.1 Overview of regulatory regime

(a) Corporations Act

The Company is required to obtain Shareholder Approval for elements of the Stapling Proposal:

- (i) approval to amend the Constitution by special resolution (Resolution 1); and
- (ii) approval to conduct the Capital Return by ordinary resolution (Resolution 3).

As a registered managed investment scheme, the Trust must comply with the Corporations Act requirements for such schemes, as modified by any ASIC relief granted (see section 13.2(c)).

The Company is required to obtain Shareholder Approval for the Buy Back by passing a resolution under section 257D of the Corporations Act. Section 257D of the Corporations Act requires that no votes be cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates. **If a Shareholder intends to participate in the Buy Back, they must not vote in favour of the Buy Back Resolution.** Shareholders who vote in favour of the Buy Back Resolution will have their registered holding marked and will not receive an offer to participate in the Buy Back.

(b) Listing Rules

For the Stapled Securities to be quoted on ASX, the Trust must be admitted to the Official List. An application to be admitted requires the Trust to satisfy the requirements of Listing Rule 1.1, as modified by any ASX waivers or confirmations (see section 13.2(d)).

For the purposes of Listing Rule 1.1 Condition 7, the Trust's free float at the time of listing will be not less than 20%.

13.2 Regulatory consents

(a) ATO Ruling Condition

As outlined in sections 4.6 and 6.4, the Company has sought draft Class Rulings from the ATO relating to the income tax considerations affecting Shareholders as a result of the Stapling Proposal and Buy Back, respectively.

The Stapling Proposal and Buy Back will only proceed if the Board considers the position reflected in the Class Rulings to be an acceptable position for Shareholders in the context of the Stapling Proposal and the Buy Back. The Board's opinion regarding an acceptable position for Shareholders is based on a confirmatory response from the ATO in relation to the matters listed in sections 10.2 and 11.2. The Company will announce to ASX whether it considers that the Class Rulings constitute an acceptable position for Shareholders when they are received.

Further information regarding the Class Ruling for the Stapling Proposal is contained in section 4.6. Further information regarding the Class Ruling for the Buy Back is contained in section 6.4.

(b) AFSL variation application by the Manager

Pursuant to the Asset Transfer Agreement, the Company will transfer the Trust Assets to the Trust on implementation of the Stapling Proposal. As at the date of this Explanatory Memorandum, the Manager's current AFSL does not allow it to act as the responsible entity for the Trust while the Trust holds the Mortgage Assets. Accordingly, the Manager has applied to ASIC for a variation of its AFSL to allow the Trust to hold the Mortgage Assets while the Manager is the responsible entity for the Trust.

As a result, the Mortgage Assets will not be transferred to the Trust until the AFSL variation is approved. On the Stapling Commencement Date, the Company will issue the Note to the Trust which will have a

value equal to the market value of the Mortgage Assets. If and when the AFSL variation is approved, the Company will transfer the Mortgage Assets to the Trust in repayment of the Note, which will then be cancelled.

(c) ASIC relief – Stapling Proposal

ASIC has made an in-principle decision to grant relief to the Company and the Manager in relation to the following modifications to, and exemptions from, the Corporations Act in respect of the Stapling Proposal and this Explanatory Memorandum.

Relief granted	Description
Product Disclosure Statement relief	<p>Relief from the requirement to prepare a Product Disclosure Statement (PDS) in respect of the Trust Subscription under section 1012B of the Corporations Act.</p> <p>Instead of a PDS being issued by the Trust, this Explanatory Memorandum is being provided by the Company.</p>
On-sale relief	<p>Relief from the requirement to prepare a PDS in respect of the potential on-sale transfer of Stapled Securities in the 12 months following the Trust Subscription under section 1012C(6) of the Corporations Act, so that those Stapled Securities can be sold without a disclosure document.</p>
Licensing relief	<p>Relief from the requirement for the Company to hold an AFSL under section 911A of the Corporations Act.</p> <p>In the course of implementing the Stapling Proposal, the company may provide general advice to Shareholders in connection with the Stapling Proposal, including this Explanatory memorandum. The Company has received relief from the requirement to hold an AFSL in respect of providing or giving financial product advice that is general advice to Shareholders in connection with the Stapling Proposal.</p>
Stapling relief	<p>Relief to enable the Manager to consider the interests of Stapled Securityholders rather than their interests solely as holders of the Units. Without such modifications, the Stapled Group would be unable to operate efficiently.</p> <p>Relief is granted under sections 601FC(1)(c), 601FC(1)(e), 601FD(1)(c), 601FD(1)(d), 601FD(1)(e) and 601FE(1) of the Corporations Act.</p>
Foreign Holder relief	<p>Relief granted to allow the Manager to offer the Units that would have been offered to Foreign Holders to the Nominee to be sold on-market by the Nominee, and the proceeds of sale (if any) distributed to the Foreign Holder. See section 13.4 for further detail.</p> <p>Relief is granted under section 601FC(1)(d) of the Corporations Act.</p>
Related party relief	<p>Relief to permit the Manager to provide financial benefits from the assets of the Trust to the Company and its associates while Stapling is in place without being required to seek member approval.</p> <p>Relief is granted under section 601LC of the Corporations Act.</p>

Relief granted	Description
DRP relief	<p>The Company has an existing DRP. A new DRP may be adopted and implemented in respect of Stapled Securities in the future. The Company has received relief to enable the DRP to be implemented for the Stapled Group.</p> <p>Relief is granted under sections 708(13) and 1012D(3) of the Corporations Act.</p>

(d) **ASIC relief – Buy Back**

ASIC has made an in-principle decision to grant relief to the Manager in relation to the following modifications to, and exemptions from, the Corporations Act in respect of the Buy Back.

Relief granted	Description
Equal treatment relief	Relief from the equal treatment obligation under section 601FC(1)(d) to enable the Manager to implement the Scale Back and the Priority Allocation in respect of Units.
Self-acquisition relief	Relief to allow the Manager to acquire interests in the Trust for less than the consideration that would be payable if the interest were acquired by another person.
Anti-hawking relief	Relief from the prohibition on unsolicited invitations of offers to sell financial products under Division 5A of Part 7.9 of the Corporations Act.
Takeovers relief	Relief from the prohibition in section 606 of the Corporations Act on a person acquiring a relevant interest in issued voting interests in a listed registered scheme where, because of that transaction, that person's or someone else's voting power increases from a starting point that is above 20% and below 90%.

(e) **ASX waivers and confirmations**

ASX has granted the following in-principle waivers and confirmations (pending the Trust's admission to the Official List) from the operation of the following Listing Rules applying to the Company and the Trust:

Waiver/confirmation	Description
<i>Admission</i>	
Use of information memorandum	<p>The Company will issue this Explanatory Memorandum as an "information memorandum" that complies with Listing Rule 1.4 (as waived) in place of a prospectus or PDS.</p> <p>The Explanatory Memorandum is also not required to contain:</p> <ul style="list-style-type: none"> all information that would be required under section 1013C of the Corporations Act if the Explanatory Memorandum were a PDS; and

	<ul style="list-style-type: none"> a statement that the Stapled Group has not raised any capital for the 3 months before the date of issue of this Explanatory Memorandum and will not need to raise any capital for 3 months after the date of issue of this Explanatory Memorandum. <p>Confirmation is granted under Listing Rule 1.1 Condition 3 and waivers are granted from Listing Rules 1.4.2 and 1.4.7.</p>
Marketable parcel	<p>A Stapled Securityholder will be permitted to hold a parcel of Units or Shares with a value of less than \$2,000, provided that the parcel of Stapled Securities held has a value of at least \$2,000.</p> <p>Waiver is granted from Listing Rule 1.1 Condition 8.</p>
Assets / profits test	<p>For the purposes of determining whether the assets or profits test is satisfied for the purposes of listing the Trust, reference will be made to the Stapled Group as a whole, rather than the Company or the Trust in their own right.</p> <p>Waiver is granted from Listing Rule 1.1 Condition 9.</p>
<i>Quotation</i>	
Compliance with Chapter 6	<p>ASX has confirmed that the terms of the Units comply with Chapter 6 for the purposes of Listing Rule 2.1 Condition 1.</p>
Issue price	<p>The Units will be permitted quotation with an issue or sale price of less than 20 cents (if required).</p> <p>Waiver is granted from Listing Rule 2.1 Condition 2.</p>
<i>Continuous disclosure</i>	
Stapled Group disclosure	<p>A disclosure by the Company will be deemed to have satisfied the requirements of Listing Rule 3.1 in respect of the Trust and vice versa.</p>
<i>Transfers and registration</i>	
Transfer of Units or Shares independently	<p>The Company and the Manager are allowed to refuse to register a transfer of Shares if the transfer is not accompanied by a transfer of Units and vice versa.</p> <p>Waiver is granted from Listing Rule 8.10.</p>
<i>Foundation Units</i>	
Additional class of securities	<p>The Foundation Units will not be quoted on ASX, however ASX has confirmed:</p> <ul style="list-style-type: none"> that the terms of the Foundation Units are appropriate and equitable for the purpose for Listing Rule 6.1; and that ASX will approve the terms of the Foundation Units for the purposes of Listing Rule 6.2.

13.3 Amendments to the Constitution

Resolution 1 seeks Shareholder approval in order to amend the Constitution to implement the Stapling Proposal and the Buy Back. The amendments are required to make the Distribution, the Trust Subscription, the Stapling of Shares to Units and to carry out the Buy Back.

The Constitution can only be amended by special resolution of Shareholders. This requires at least 75% of the votes cast on Resolution 1 to be cast in favour of the resolution.

Shareholders should be aware that the amendments to the Constitution are not conditional on the Stapling Proposal being approved by the passing of Resolution 2 or the capital reduction being approved by the passing of Resolution 3. However, the proposed amendments to the Constitution are only operative in circumstances where the Company comprises part of a stapled structure.

If Resolution 1 is passed by special resolution, the Constitution will be amended to reflect the changes summarised in the table below. The full text of the proposed amendments to the Constitution is available by:

- (a) inspecting it at the office of the Company's company secretary at Level 37, Suite 3703, Gateway Building, 1 Macquarie Place, Sydney, New South Wales between 9:00 am and 5:00 pm on a Business Day prior to the Meeting; or
- (b) viewing it on the Company's website at www.eildonfunds.com/investor-info.html.

Amendment	Description
Power to staple	The Company may Staple Shares to Units and the Board will determine when Stapling will commence (in the present case this will be subject to satisfaction of the ATO Ruling Condition).
Stapling ratio	While Stapling applies, the Company must ensure that the stapling ratio of one Share to one Unit is maintained in all circumstances.
Stapling Provisions paramount	The Stapling Provisions prevail over all other provisions of the Constitution, except where it would result in a breach of the Corporations Act or the Listing Rules.
Cessation of stapling	<p>Stapled Securityholders may determine by special resolution that Stapling ceases to apply.</p> <p>Stapling will also cease if one of the following occurs (among other situations):</p> <ul style="list-style-type: none">the Company becomes insolvent or is wound up; orStapling is prohibited by law or the Listing Rules.
Issue of Shares	While Stapling applies, the Company must not issue Shares unless there is an issue of a corresponding number of attached Units.
Sale, transfer, disposal or forfeiture	While Stapling applies, the Company may not register a mandatory sale, transfer or disposal of Shares (e.g. through the sale of an unmarketable parcel, to enforce a lien or on death, bankruptcy or mental incapacity of the Shareholder) or forfeit Shares unless the corresponding number of attached Units are also sold, transferred, disposed or forfeited.

Amendment	Description
Calls on Shares	While Stapling applies, a call on a Share, and any payment of an amount in advance of a call, must represent a pro rata amount due in respect of the attached Units, unless the Directors and the directors of the Manager agree otherwise.
Transfer of Shares	<p>While Stapling applies, the Company must not register a transfer of Shares unless it is accompanied by a transfer from the same transferor to the same transferee of a corresponding number of attached Units.</p> <p>If a ASX-enforced trading restriction applies to a Unit, the same restriction applies to the attached Share.</p>
Meetings of members	<p>While Stapling applies, the Company may hold a joint general meeting of members with the Trust and a resolution passed by the joint meeting will be deemed to be a resolution passed by the Members.</p> <p>The directors of the Manager are entitled to attend and be heard at any meeting of the Company, or invite another person to attend and be heard.</p> <p>The auditor of the Trust has the same rights as the auditor of the Company with respect to general meetings of the Company.</p>
Allocation of issue price	<p>The allocation of an issue price for Stapled Securities together with Shares and Units will be agreed between the Company and the Manager, or otherwise, the issue price of Shares and Units must be allocated in proportion to the net assets of the Company and the Trust at the relevant date.</p> <p>The Stapling Deed will provide that the Company and the Manager will agree on the allocation of issue price between the Shares and Units. If agreement cannot be reached, an independent expert will determine the respective issue prices based on fair market value having regard to the net tangible asset backing of the Unit and Share.</p>
Dealings	While Stapling applies, a Shareholder is prohibited from dealing with a Shares unless there is an identical dealing by the same Shareholder (with the same counterparty if applicable) with the attached Unit.
Offers of ordinary shares	<p>While Stapling applies, the Company must not offer Shares for subscription or sale unless:</p> <ul style="list-style-type: none"> • it also offers, or procures that offers are made of, at the same time and to the same person, the same number of attached Units for subscription or sale; and • the offer is on condition that the offeree may not accept the offer unless the offeree also accepts the offer of Units.
Reorganisations	While Stapling applies, the Company must not consolidate, subdivide, cancel or reorganise any Shares unless at the same time there is a corresponding consolidation, subdivision, cancellation or reorganisation of the Units.
Issue price	A Share may be issued, cancelled or bought back for a price calculated by aggregating the price for the issue, cancellation or buy back of a

Amendment	Description
	<p>Share in particular circumstance fixed by the Constitution with the price for issue or redemption or buy back of a Unit.</p> <p>Alternatively, subject to the Corporations Act, the Company may keep valuation records and financial records for the stapled entities as an economic entity and may use the net asset value of the economic entity to calculate the issue price or redemption price of a Unit.</p>
Regard to interest of holders in stapled entities	Subject to the Corporations Act, in exercising its powers or discretions or performing its functions under the Constitution, the Company may take into account the interests of Stapled Securityholders as a whole and exercise its powers and discretions or perform its functions even though to do so would be for the benefit of those persons and not for the direct benefit of Shareholders.
Indemnity and remuneration	If the Manager is entitled to an indemnity, reimbursement or payment of remuneration under the Trust Constitution, the Company may provide that indemnity, reimbursement or payment to the Manager out of the Company's assets.
Guarantees	The Company may, in connection with the Stapling Proposal or the relationship with the Manager and the Trust created by the Stapling Proposal, give any guarantee or indemnity or become liable for the payment of money or the performance of any contract or other obligation by any person including the Manager or the Trust.
Modification	While Stapling applies, the consent of the Trust must be obtained to any modification to the Constitution which directly affects the terms on which Shares are stapled to Units or removes any restriction on the transfer of a Share if that restriction also exists for the Units, unless that restriction is simultaneously removed for the Units.
Stapled securities register	<p>The Board must maintain or cause to be maintained a register of the names of Stapled Securityholders and the number of Shares and Units held by those Stapled Securityholders.</p> <p>The Company may issue a certificate evidencing the holding of Stapled Securities.</p>
Mandatory application of Distribution to apply for Units	Each Shareholder appoints the Company as its agent or attorney to receive and apply dividends, distribution, returned capital or redemption proceeds, apply for or agree to be transferred a Unit and consent to bind the Shareholder to the Trust Constitution.
Foreign Holders	Provisions to give effect to the treatment of Foreign Holders as described in section 13.4.
Buy Back	Any Shareholder who Tenders its Shares into the Buy Back appoints the Company as its agent or attorney to agree with the Manager for the corresponding number of Units to be bought back by the Manager and cancelled.

13.4 Foreign Holders

ASIC has made an in-principle decision to grant the relief to the Company from the requirements of section 601FC(1)(d) of the Corporations Act in relation to the treatment of Shareholders whose registered address, as at the Record Date, is outside Australia (**Foreign Holders**).

Where the Company and the Manager consider that it would be unreasonable for a Foreign Holder to subscribe for and be issued Units, it may issue such Units to the Nominee.

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

13.5 Regulatory information relating to the Buy Back

ASIC Regulatory Guide 110 sets out what information ASIC expects a company to provide when disclosing information regarding a buy back.

The Company advises that:

- there are currently 45,483,392 Shares on issue;
- the Company is seeking approval to buy back up to 4,548,339 Stapled Securities, representing approximately 10% of the Stapled Securities on issue;
- the terms of the Buy Back are set out in this Explanatory Memorandum, particularly in sections 6 and 14.13;
- the offer price is the Buy Back Price, which is the net tangible asset backing of each Stapled Security;
- the reasons for the Buy Back are set out in section 6.2;
- the Directors may participate in the Buy Back. The interests of the Directors are set out in section 14.6;
- the financial effect of the Buy Back on the Company is set out in section 8;
- the Buy Back will be funded by the Company's existing cash reserves;
- the advantages and disadvantages of the Buy Back are set out in section 6.2;
- the effect the Buy Back will have on the control of the Company is uncertain at this stage given that the identity of Shareholders who may sell their Stapled Securities is unknown and the total number of Stapled Securities to be bought back is also unknown. For illustrative purposes, the table below sets out the potential control effect of the Buy Back on the Company's substantial holders, assuming they do not participate in the Buy Back and the Stapled Group buys back the Maximum Buy Back:

Substantial shareholder	Number of Shares held as at the date of this Notice	% (pre-Buy Back)	% (post-Maximum Buy Back)
CVC Limited	18,622,972	40.94%	45.49%
First Samuel Limited	3,828,509	8.42%	9.35%
JKM Securities Pty Ltd	3,500,000	7.70%	8.55%
Chemical Trustee Limited	3,069,377	6.75%	7.50%

- CVC Limited has informed the Company that it does not intend to participate in the Buy Back. CVC Limited and its associates will not be excluded from voting on the Buy Back Resolution. Accordingly, if the Maximum Buy Back is bought back, CVC Limited's interest will increase from 40.94% to 45.94%;
- the Tender Period commences at 10:00 am (Sydney time) on 1 May 2020 and ends at 7:00 pm (Sydney time) on 22 May 2020;
- the Company's audited financial statements for the period ending 30 June 2019 have been sent to Shareholders and are available on ASX; and
- as at the close of trading on 11 March 2020, being the trading day before the date of this Notice and Explanatory Memorandum, the Company's share price was \$1.05.

ASIC Regulatory Guide 101 set out certain matters relating to the buy back of interests in a managed investment scheme.

The Manager advises that:

- the constitution of the Trust permits the buy back of units in the Trust by the Manager provided that each security which is stapled to the unit is also bought back. The Buy Back will be conducted by the Manager in accordance with the Trust's constitution;
- the Directors are of the view that the Buy Back does not materially prejudice the Manager's ability to pay the Trust's creditors;
- the component of the Buy Back Price that relates to the buy back of Units will be paid from property of the Trust;
- the Buy Back will be conducted in accordance with the Listing Rules; and
- the Manager will:
 - not dispose of any Units bought back under the Buy Back; and
 - ensure that, immediately after registration of the transfer of the Units bought back to the Manager, those Units will be cancelled;
- it considers the Buy Back is fair to all members as all members will be entitled to participate in the Buy Back (except if a member or their associates vote in favour of the Buy Back Resolution) and all members who do not participate in the Buy Back will be proportionally affected by the Buy Back in the same manner;

- the Board considered various alternative transaction structures to achieve the objective of the Buy Back. The Board considered each of the following before ultimately determining that the Buy Back was the preferable course of action:
 - *payment of a dividend/distribution*: the Board considered a dividend or distribution was not possible in the circumstances, given that the structure of the Stapling Proposal may result in no profits available to be distributed;
 - *equal access return of capital*: the Board considered that, while an equal access return of capital was possible, but it did not allow larger shareholders to exit their investment if they wished to do so where there wasn't significant take-up by other shareholders; and
 - *on-market buy back*: the Board ultimately determined that a buy back was the preferred course of action and, for the reasons outlined below, an off-market buy back was chosen:
 - under the Buy Back, Eligible Shareholders will have time to consider the buy back offer with the ability to Tender their Stapled Securities for sale over a fixed offer period and still have the opportunity to have their Stapled Securities bought back. In an on-market buy back, shareholders who tender their shares first and at lower prices to the NTA will have their shares bought back, and other shareholders will not have the opportunity to participate;
 - there is certainty regarding the timing of the Buy Back, whereas with an on-market buy back, the Stapled Group would only buy back the Stapled Securities when the target price of NTA or lower is reached;
 - there is certainty regarding the Buy Back Price, which is NTA as at the Buy Back Date. In an on-market buy back, the Stapled Group would not buy back Stapled Securities on market at prices about NTA as this would result in a dilution of underlying value of remaining securityholders; and
 - the Company currently trades at low volumes, and so Eligible Shareholders wanting to exit a larger shareholding on market are exposed to the risk that they could push the share price down and potentially result in a disorderly market; and
- the financial effect of the Buy Back on the Trust is set out in section 8. Section 8.3 explains the effect of the Stapling Proposal and the Buy Back on distributions.

Section 601KB of the Corporations Act provides that an offer to withdraw from a registered scheme that is not liquid must specify the following information:

- the period for which the offer will remain open. The Tender Period will be open for a period of 21 days, from 1 May 2020 to 7:00 pm (Sydney time) on 22 May 2020;
- the assets that will be used to satisfy withdrawal requests. Cash reserves of the Trust will be used to satisfy withdrawal requests;
- the amount of money that is expected to be available when those assets are converted into money. Payments will be made out of cash so there is no requirement to convert the assets. The amount of money allocated to the Buy Back from the Trust's assets will be sufficient to buy back up to 10% of the Units at the Buy Back Price; and
- the method for dealing with withdrawal requests if the money available is insufficient to satisfy all requests. The Manager has limited the amount of Units to be bought back to 10% of the issued Units. The Trust will have sufficient cash reserves to satisfy withdrawal requests up to 10%. In the event that the Buy Back Price is such that the Trust has insufficient cash reserves

for the Manager to buy back 10% of the issued Units, the withdrawal requests will be satisfied proportionally in accordance with section 601KD of the Corporations Act.

14. Additional information

14.1 Stapling Deed

The Company and the Manager intend to enter into the Stapling Deed. The effect of the Stapling Deed is that, upon implementation of the Stapling Proposal, the Company and the Manager will cooperate with respect to Stapling the Shares and the Units and the conduct of the Stapled Group. The Stapling Deed will become effective on the date that the Company announces the Stapling is to occur.

Under the Stapling Deed, the Manager and the Company agree to:

- **(disclosure and information)** disclose to each other all information necessary to fulfil their respective obligations under the Stapling Deed or any arrangement relating to the Stapled Securities, including in relation to the preparation of Stapled Group accounts and providing information to Stapled Securityholders, subject to a requirement to keep confidential within the Stapled Group all information disclosed;
- **(cooperation)** cooperate in relation to the Stapled Securities and to give effect to Stapling and the Buy Back, including complying with the Listing Rules, disclosures to ASX and Stapled Securityholders, maintaining consistent accounting, valuation and investment policies, holding Stapled Securityholders' meetings concurrently or consecutively, agreeing in relation to issues of new capital and distributions to Stapled Securityholders and retaining the same auditor;
- **(restructuring)** consult in relation to a reorganisation or restructure of the capital of the Stapled Group or change the Stapling arrangements, including stapling another security to the Stapled Securities;
- **(arm's length dealings)** procure that all dealings between the Manager and the Company are on arm's length terms unless approved by the respective boards or Stapled Securityholders (as the case may be);
- **(Stapling)** do all things necessary to facilitate the Stapling of Shares and Units and ensure that any new Share or Unit is issued as part of a Stapled Security;
- **(Buy Back)** do all things necessary to carry out the Buy Back of Shares and Units;
- **(substantial acquisitions and disposals)** consult in relation the acquisition or disposal of an asset with a value greater than 5% of the entity's net tangible assets;
- **(borrowing)** only borrow or raise money if the other entity agrees;
- **(financial benefit)** enter into any agreement or arrangement in relation to the provision of a financial benefit as requested by the other, subject to that agreement or arrangement being in the interests of Stapled Securityholders;
- **(Stapled Security register)** maintain a register of Stapled Securities; and
- **(Unstapling)** upon Stapling becoming unlawful or prohibited, or upon a special resolution of Stapled Securityholders approving Unstapling, procure the Unstapling of Shares and Units.

14.2 Rights and liabilities attaching to Units

The Units will be issued as equally-ranking, fully paid, ordinary units in the Trust. Shareholders are not required to pay anything for the issue of Units, as the Company will subscribe for the Units on behalf of Shareholders through the Trust Subscription by applying the Distribution.

The rights and liabilities attaching to Units are determined by the Trust Constitution, the Corporations Act, the Listing Rules and other applicable laws. A summary of those rights and liabilities is contained

below. This is not an exhaustive summary or definitive statement of the rights and liabilities attaching to Units. The Units to be issued to Shareholders will be a different class of units to the Foundation Units. Further detail on the rights attaching to the Foundation Units is contained in section 14.3.

The following is a summary of the rights and liabilities attaching to Units. This is not an exhaustive summary or definitive statement of the rights and liabilities attaching to Units. A full statement of the rights and liabilities can be found in the Trust Constitution.

(a) Beneficial interest in the Trust

The beneficial interest of the Trust is divided into the Units and the Foundation Units. Each Unit confers on its holder a beneficial interest in the Trust in its entirety and does not confer an interest in a particular asset held in the Trust.

(b) Issue of Units

Following implementation of the Stapling Proposal, an issue of Units will not be permitted unless an equivalent number of Shares are also issued.

(c) Distributions from the Trust

Distributions in respect of Units are to be calculated in respect of the 30 June period each year unless the Manager determines a different distribution date. For income years in which the Trust is an AMIT, the Manager anticipates that Unitholders will be attributed all of the determined trust components for the year under the AMIT rules (such that the Unitholders should be the persons who will be assessed on the taxable income of the Trust). For income years in which the Trust is not an AMIT, the Manager anticipates that, unless otherwise determined, distributable income for the year will be at least the amount which would prevent the Manager as responsible entity for the Trust being liable to pay tax on the income of the Trust for the year and any additional amount which the Manager considers appropriate for a distribution period (e.g. tax deferred distributions).

The Units rank *pari passu*, so distributions of income and/or capital in respect of the Units will be made to all Unitholders based on their proportion of Units held at the end of each period for which a distribution is calculated. The Manager may also distribute any amount of capital to Unitholders *pro rata* at any time. Unitholders may in the future be given the option to reinvest some or all of their distribution entitlement by acquiring additional units. While Stapling applies, a Unitholder may only acquire Units if the Unitholder also subscribes for an equivalent number of Shares.

(d) Redemption and transfer

While Stapling applies, a redemption, buy-back, cancellation or transfer of a Unit must occur contemporaneously with the same action in respect of the attached Share.

(e) The Manager's powers and duties as responsible entity

The Manager may issue units, options or other financial instruments in accordance with the Trust Constitution.

(f) Liability and indemnity of the Manager as responsible entity

Subject to the Corporations Act, the Manager as responsible entity for the Trust is not liable to any person because of:

- the assets of the Trust not maintaining or realising any specific value, price or reserve or yielding any specific return;
- not exercising any power which is reasonably impracticable to exercise;

- making any payment to any person in good faith, even if a payment ought or need not have been made;
- the acts, omissions or default of any person;
- acting in good faith on the advice or opinion of or information obtained from, any person;
- the misconduct, mistake, oversight or error of judgment of any person;
- any act performed or omission made by it in reliance on any document or information which was reasonably believed by it to be accurate, genuine, properly signed or signed by a person with appropriate authority;
- performing any act or making any omission under a resolution passed at a Unitholders' meeting;
- waiving, exercising, not exercising or delay in the exercise of any function by another person; or
- any liability attaching to any property accepted from any Unitholder.

The Manager as responsible entity for the Trust has a right to be indemnified out of the assets of the Trust in respect of all expenses, losses, damage and liabilities incurred by it in properly performing its duties, subject to the Corporations Act.

(g) Stapled Securityholders' liability

The liability of a Stapled Securityholder in respect of their Units is generally limited to the amount (if any) that remains unpaid in relation to the Units.

(h) Restructure proposal

The Trust Constitution grants broad powers to the Manager as responsible entity for the Trust to implement a scheme of arrangement, a merger arrangement or a similar proposal in relation to the Trust.

If, in the Manager's opinion, the proposal might adversely affect the rights of members, the proposal may only be implemented with the approval of an ordinary resolution of the members.

If the proposal involves Stapling, members will be taken to have consented, and accordingly no approval will be required, in relation to Stapling, provided that each Unit issued to members has a market price equal to or greater than the net asset value price per Unit immediately prior to the Stapling, and the members will be taken to have consented to each provision in the constitutional documents of the entity to be Stapled to the Trust.

The Manager is also empowered to give effect to any necessary modifications or variations to the terms of any proposal which are not expressly provided for in the terms of the proposal. Stapled Securityholders are taken to have authorised the responsible entity for the Trust to make these amendments to the Trust Constitution and are taken to have agreed that their rights under the Trust Constitution is not adversely affected by these amendments.

(i) Amendment of the Trust Constitution

The Manager may amend the Trust Constitution if it considers that the amendment will not adversely affect the rights of Stapled Securityholders. Stapled Securityholders may amend the Trust Constitution by a special resolution.

(j) Meetings

Stapled Securityholders' rights to attend and vote at meetings are prescribed by the Corporations Act.

(k) **Winding up the Trust**

The Trust will generally terminate and commence winding up on the earlier of:

- the date specified by the Manager in a notice to Unitholders; or
- the date that the Trust is otherwise terminated in accordance with the Trust Constitution or by law.

(l) **Fees**

The Trust Constitution provides that the Manager as responsible entity for the Trust is entitled to reimbursement out of the assets of the Trust for its fees and expenses incurred in properly performing its duties as responsible entity. Details of the fees and expenses payable to the Manager are contained in section 11.

14.3 Rights and liabilities attaching to Foundation Units

The Trust has been established and settled with the Company as the sole unitholder until the Stapling occurs. The Company and the Manager settled the Trust in this manner to allow for the registration of the Trust as a managed investment scheme under Chapter 5C of the Corporations Act.

To establish the Trust, the Manager (in its capacity as trustee of the Trust) issued 10 Foundation Units to the Company for nominal consideration. The Foundation Units are not, and will not be, Stapled to Shares.

The Foundation Units are solely an intra-stapled group funding mechanism, with transfers only permitted by the Company to its Related Bodies Corporate. No application has been, or will be made, for quotation of the Foundation Units on ASX. If the Stapling Proposal proceeds, the Manager will conduct the Trust Subscription to issue Units to Shareholders who will become the owners of the Trust, and the Foundation Units will be cancelled.

The Units to be issued to Shareholders under the Trust Subscription will be ordinary units in the Trust and in a different class to the Foundation Units. Further detail on the rights attaching to Units is contained in section 14.2.

The following is a summary of rights attaching to the Foundation Units:

- (a) **(voting)** no voting rights attach to the Foundation Units;
- (b) **(distributions)** the Foundation Units do not rank equally with Units in respect of income and capital to be distributed from the Trust; however, the Manager may, in its absolute discretion, determine to distribute particular income or capital amounts to the holder of the Foundation Units; and
- (c) **(transfer)** the Foundation Units are redeemable by the Manager as responsible entity for the Trust but otherwise are not transferable other than to Related Bodies Corporate of the Company, with an obligation to transfer back to the Company if the transferee ceases to be a Related Body Corporate of the Company.

The full rights attaching to Foundation Units are contained in the Trust Constitution.

14.4 If the Stapling Proposal does not proceed

If the Resolutions are passed but the Stapling Proposal does not proceed (either because the ATO Ruling Condition is not satisfied or the Board determines not to proceed with the Stapling Proposal) the following events will occur:

- (a) there will be no change to the current structure of the Company and the Company will continue to hold the Trust Assets;
- (b) the Distribution will not occur and Shareholders will not be issued with Units through the Trust Subscription;
- (c) Shareholders will continue to hold Shares that are tradeable on ASX and the rights attaching to those Shares will not be affected;
- (d) no Shares or Units will be acquired under the Buy Back; and
- (e) the Manager will deregister the Trust and wind it up.

In connection with the Stapling Proposal and Buy Back, the Company has incurred expenses which are expected to be approximately \$250,000 (reflecting legal, tax, valuation and financial advisory fees and expenses). In the event the Stapling Proposal does not proceed, these costs will not be recoverable.

14.5 Litigation and claims

As at the date of this Explanatory Memorandum, the Company is not involve in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

14.6 Interests of directors

Other than as set out below or elsewhere in this Explanatory Memorandum:

- (a) no director of the Company or the Manager in relation to the Stapling Proposal, has, or had within the two years before the date of this Explanatory Memorandum, any interest in:
 - (i) the proposed formation or promotion of the Trust; or
 - (ii) any property proposed to be acquired by the Trust and in connection with its formation or promotion or in connection with the Stapling Proposal; and
- (b) other than remuneration paid to the Directors and disclosed in the Company's financial statements, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons as an inducement to become, or to qualify as, a director of the Company or the Manager or otherwise for services rendered by him or her in connection with the proposed formation or promotion of the Trust or the Stapling Proposal.

Interests of directors in Shares

Director (including associates)	Shares
Michelle Harpur (i)	19,523
James Davies (ii)	27,016
Mark Avery (iii)	36,285

- (i) Ms Harpur has an indirect interest in 19,523 Shares through Harfred Pty Limited ATF the ME Phillips Superannuation Fund.

- (ii) Mr Davies has an indirect interest in 27,016 Shares through Jellyfish Superannuation Investment Pty Limited ATF Medusa Superfund.
- (iii) Mr Avery has an indirect interest in 34,285 Shares through the Avery Investment Trust, of which he is trustee. In addition, Mrs Amelia Avery, who is Mr Avery's wife, holds 2,000 Shares.

14.7 Consents of named persons

Each of the persons referred to in this section:

- (a) consents to be named in this Explanatory Memorandum in the form and context in which they are named;
- (b) consents to the inclusion of their respective statements in this Explanatory Memorandum and the inclusion of other statements in this Explanatory Memorandum which are based on or referable to those statements;
- (c) does not make, or purport to make, any statement in this Explanatory Memorandum other than those statements referred to that person and as consented to by that person; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Explanatory Memorandum other than with respect to the statements and reference including in this Explanatory Memorandum with the consent of that party.

Person	Role/Named as	Statement
Eildon Capital Limited	The Company	Company information
Eildon Funds Management Limited	The Manager (in its own capacity and as responsible entity for the Eildon Capital Trust)	The Manager's information and the Trust information
Jones Day	Legal adviser	Nil
BDO	Tax adviser	Sections 10 and 11
Computershare Investor Services Pty Limited	Share Registry	Nil

14.8 Ongoing related party transactions

The Stapling Proposal and ongoing management of the Stapled Group and its assets may involve a number of related party transactions. The Manager, in its capacity as responsible entity for the Trust, will have an ongoing relationship with the Company that will be governed by the Corporations Act and the Listing Rules. In addition, the Company and the Manager have entered into the Stapling Deed which deals with their ongoing cooperation and management of the Stapled Group.

Further, CVC Limited:

- currently holds a 40.94% ownership in the issued capital of the Company, and if the Stapling Proposal is implemented, will hold up to a 45.49% interest in the Stapled Group;³ and

³ Assuming CVC Limited does not participate in the Buy Back and the Stapled Group buys back the Maximum Buy Back.

- is the holding company of the Manager.

As set out in section 9, Mr Avery is a director of the Manager and is managing director of the Company and CVC Limited.

In respect of managing any conflict of interest arising between the Manager, the Stapled Group and CVC Limited, the Manager has developed the following systems for monitoring and addressing any potential conflicts.

(a) Investment Approval Process

For investment opportunities presented by the Manager to the Stapled Group, the Stapled Group will adopt the following process to control and avoid conflicts of interest:

- the Stapled Group will maintain a detailed conflicts register to:
 - identify potential conflicts to help avoid conflicts occurring in the first instance; and
 - assess and evaluate the nature and scope of potential conflicts between the Manager and the Stapled Group; and
- given the Manager's role is to make investment recommendations to the Stapled Group, the board of the Company will be required to approve any investment transactions that the Manager wishes to undertake as responsible entity for the Trust.

(b) Investment Allocation Deed

The Manager, the Company and CVC Limited are party to a formalised Investment Allocation Deed to formalise the process by which the Manager offers potential investment opportunities that could satisfy the investment policies of either CVC Limited or the Company. On implementation of the Stapling Proposal, the Investment Allocation Deed will be extended to apply to investment opportunities of the Stapled Group.

The investment strategy of CVC Limited and the Stapled Group are similar so to avoid conflicts, investments which the Manager sources will be offered to both CVC Limited and the Stapled Group on the following terms:

- the Manager will offer a minimum of 30% of the investment to both CVC Limited and the Stapled Group regardless of the net asset position of either party;
- CVC Limited and the Stapled Group will be invited to participate in proportion to their net asset position (for example if net assets of CVC Limited are \$180 million and the net assets of the Stapled Group are \$20 million, CVC Limited will be offered 90% of the investment, and the Stapled Group will be offered 10% of the investment);
- neither party is compelled to take up their full entitlement; and
- where a party passes on part or all of their entitlement, the other party is free to take up that allocation.

The criteria for investment opportunities to be subject to the Investment Allocation Deed is that the investment opportunity is reasonably related to or in connection with real estate and on a preliminary view could satisfy the investment policy of both CVC Limited and the Stapled Group, both of which are broad and cover most equity and debt property investment opportunities that the Manager sources.

The Investment Allocation Deed only relates to the Manager presenting investment opportunities to CVC Limited and the Stapled Group. It is not a broader conflicts management framework that deals with conflicts of interest that may arise in transactions between the Manager and the Stapled Group.

14.9 Expenses of the Stapling Proposal and Buy Back

All expenses connected with the Stapling Proposal and Buy Back will be borne by the Company.

The estimated expenses of the implementation of the Stapling Proposal and Buy Back are as follows:

Expense	Amount (\$)
Legal costs	\$145,000
Tax advice	\$108,000
ASX listing fees	\$56,000
Meeting costs	\$10,000
Custodian costs (including first year fees)	\$27,500
ASIC relief fees	\$28,000
AFSL variation	\$16,000
Registry and ancillary fees	\$9,500
Total	\$400,000

14.10 Dispute resolution

The Trust and the Manager as responsible entity for the Trust have a procedure, as set out in the Trust Constitution, to receive, consider, investigate and respond to complaints by Unitholders who are dissatisfied with the management or administration of the Trust.

If Unitholders wish to make a complaint they should phone or write to:

The Complaints Officer
John Hunter
Level 37, Gateway Building
1 Macquarie Place
Sydney NSW 2000
Ph: +61 2 9087 8000

The Manager must acknowledge any complaint in writing within five business days. The Manager must within 45 days investigate, properly consider and decide what action (if any) to take or offer regarding the complaint and to communicate its decision to the Unitholder.

If a Unitholder is not satisfied with the outcome, the complaint can be referred to the Australian Financial Complaints Authority (**AFCA**), an external dispute resolution scheme of which the Manager is a member. The contact details of AFCA are as follows:

Online: www.afca.org.au
Email: info@afca.org.au
Phone: 1800 931 678
Mail: Australian Financial Complaints Authority
GPO Box 3 Melbourne VIC 3001

AFCA's role and terms of reference exclude some disputes or allows disputes to be excluded and are available from their website, www.afca.org.au.

14.11 Custodian

The Manager as responsible entity for the Trust intends to appoint Sargon CT Pty Ltd (**Custodian**) to provide custody services to the Trust under a custodian agreement. The Custodian's sole shareholder and ultimate holding company are currently subject to external administration, however the Custodian is not. The Manager may appoint another custody service provider to provide custody services to the Trust.

Under the custodian agreement between the Manager and the Custodian, the Custodian will hold the assets of the Trust, receive an annual fee for providing the custody services (currently expected to be equal to 0.05% of the gross asset value up to \$100 million, subject to a minimum of \$25,000) and be indemnified for costs and expenses properly incurred in performing its obligations or duties under the custodian agreement. The Custodian's role will be limited to that as described in the custodian agreement and will act only in accordance with the Manager's instructions and will not provide investment advice in respect of assets of the Trust.

14.12 Changes to the Explanatory Memorandum or Stapling Proposal

If the Company becomes aware of any of the following between the date of issue of this Explanatory Memorandum and the date of implementation of the Stapling Proposal, then the Company will notify Shareholders by making an announcement on ASX or at the Meeting, issuing a supplementary Explanatory Memorandum, or in any other way it sees fit:

- (a) a material statement in this Explanatory Memorandum is misleading or deceptive;
- (b) there is a material omission from this Explanatory Memorandum;
- (c) there has been a significant change affecting the Stapling Proposal; or
- (d) a significant new circumstance has arisen affecting the Stapling Proposal.

14.13 Additional information relating to the Buy Back

(a) Acceptance and rejection of Offer Forms

The Stapled Group may, in its absolute discretion and at any time:

- accept or reject any Tender or Offer Form; and
- accept or reject a Tender not made on the terms and conditions set out in the Buy Back Documents, or an Offer Form not submitted in accordance with the procedures set out in the Buy Back Documents.

The Stapled Group will not accept Offer Forms:

- from any person who does not represent that they are (and they are not acting on behalf of or for the account of a person who is) an Eligible Shareholder; or
- that otherwise appear to the Stapled Group to have been sent from an Eligible Shareholder.

The Stapled Group may do each of these things in relation to all or some Tenders or Offer Forms it receives, in its absolute discretion.

The Stapled Group will not accept any Tender which it may not lawfully accept or which, if accepted, would give rise to an illegal or unenforceable Buy Back Contract or a Buy Back Contract which the Stapled Group cannot otherwise lawfully perform. The Stapled Group will not accept any Tender from a person who is not an Eligible Shareholder.

(b) **Adjustment of Offer Forms**

The Stapled Group may, in its absolute discretion and at any time:

- deem any Tender or an Offer Form it receives to be a valid Tender or Offer Form;
- disregard any Tender or an Offer Form it believes should be disregarded; and
- may waive any or all of the requirements for making, amending, withdrawing or submitting a Tender or an Offer Form.

The Stapled Group may do each of these things in relation to all or some Tenders or Offer Forms it receives.

Once you have submitted an Offer Form, or your broker has processed your instruction, in respect of some or all of your Stapled Securities, the number of Stapled Securities you have tendered will be removed from your holding and placed in a “sub-position” in the register and you will not be able to trade those Stapled Securities (to the extent they are not bought back) until the next trading day after the Buy Back Date.

If, on the Buy Back Date, you do not hold at least the number of Stapled Securities you offered for sale, the Stapled Group may, in its absolute discretion, reject your offer or treat the offer as if you had offered for sale the number of Stapled Securities held by you at the end of the Tender Period.

(c) **Shareholder approval**

The Buy Back is subject to Shareholder Approval of the Buy Back Resolution by special resolution, with no votes being cast in favour of the resolution by any person whose Shares are proposed to be bought back or their associates.

As a result of this voting exclusion, **if you or your associates vote in favour of the Buy Back Resolution, you may not participate in the Buy Back**, your registered holding will be marked and you will not receive an offer to participate in the Buy Back and you will be excluded from offering your Stapled Securities for sale during the Tender Period.

(d) **Privacy**

The Stapled Group will conduct the Buy Back in accordance with the Corporations Act, as modified by the ASIC relief referred to in section 13.2(d). This involves the collection of personal information contained in Offer Forms and Withdrawal/Amendment Forms to enable the Stapled Group to process your offer to sell Stapled Securities, your Offer Forms and/or your Withdrawal/ Amendment Forms. If you do not provide this information, the Company may be hindered in, or prevented from, processing your offer to sell Shares, your Offer Forms and/or your Withdrawal/Amendment Forms.

The personal information collected by the Stapled Group will only be disclosed to the Share Registry, the Stapled Group’s advisors in relation to the Buy Back and to financial institutions in respect of payments to you in connection with the Buy Back, or as required or authorised by law.

(e) **Applicable law**

The Buy Back invitation, your offer to sell Stapled Securities to the Stapled Group through the Buy Back, your Offer Form, and any Buy Back Contract generally are governed by the laws of New South Wales, Australia.

(f) **The effect of submitting an Offer Form**

When you submit an Offer Form, it constitutes an offer to sell the Stapled Securities specified on the Offer Form to the Stapled Group on the terms and conditions set out in the Buy Back Documents. You

will be taken to have submitted an Offer Form when the Share Registry receives a validly submitted Offer Form or instruction from your broker.

An Offer Form does not, of itself, constitute a binding contract for the sale of the Stapled Securities specified on the Offer Form and cannot be enforced against the Stapled Group. The Stapled Group retains the discretion to accept or reject any Tender (in whole or part), and may choose to reject all offers. If the Buy Back Resolution is approved and the Stapled Group accepts your Tender (in whole or part), a binding Buy Back Contract is then formed between you and the Stapled Group for the relevant Stapled Securities and you must sell those Stapled Securities to the Stapled Group on the terms and conditions set out in the Buy Back Documents including the terms and conditions set out below.

By submitting an Offer Form, or instruction from your broker, you:

- agree to the terms and conditions set out in the Buy Back Documents;
- offer to sell to the Stapled Group on the Buy Back Date the number of Stapled Securities specified for sale on your Offer Form (adjusted in accordance with the terms and conditions set out in the Buy Back Documents) at the Buy Back Price;
- agree to any Scale Back announced by the Stapled Group;
- agree that the Stapled Group's announcement to ASX on the Buy Back Date in relation to the Buy Back Price and other details is:
 - effective notice or communication of the Stapled Group's acceptance of your offer in respect of all or some of the Stapled Securities offered for sale (in accordance with the terms and conditions set out in the Buy Back Documents); and/or
 - effective notice of the Stapled Group's rejection of your offer in respect of all or some of the Stapled Securities offered for sale (in accordance with the terms and conditions set out in the Buy Back Documents);
- agree that a Buy Back Contract is formed for the buy back of the relevant Stapled Securities upon the Stapled Group accepting your offer in accordance with the terms and conditions set out in the Buy Back Documents and posting an announcement on ASX, and that the buy back of the relevant Stapled Securities is taken to occur at that time;
- waive any requirement to receive further notice or communication from the Stapled Group of its acceptance or rejection of any offer submitted by you;
- warrant to the Stapled Group that:
 - at all times after you offer your Stapled Securities for sale through the Buy Back, and on the Buy Back Date, you are the registered holder of the Stapled Securities that you have offered for sale and that they are fully paid, free from any mortgage, charge, lien, or other encumbrances (whether legal or equitable) and from any third party rights and otherwise able to be sold freely by you; and
 - you are a person to whom the invitation to participate in the Buy Back may lawfully be made, who can receive the proceeds of the sale of your Stapled Securities, and whose participation in the Buy Back is permitted under the laws of the jurisdiction in which you are a resident, and that you are an Eligible Shareholder;
- you have not distributed or sent any Buy Back Documents or other document referring to the Buy Back to a person who is not an Eligible Shareholder;
- authorise the Stapled Group (and its officers, agents or contractors) to correct any error in or omission from your Offer Form and/or Withdrawal/Amendment Form, and to insert any missing details;

- undertake not to sell or offer to sell Stapled Securities to any other person if, as a result, you will at any time after you submit your Offer Form until the Buy Back Date hold fewer Stapled Securities than the number of Stapled Securities you have offered;
- acknowledge that neither the Company nor any other party involved in the Buy Back has provided you with financial product advice, or any securities recommendation, or has any obligation to provide this advice or recommendation, concerning your decision to participate in the Buy Back or the manner of any such participation;
- authorise the Stapled Group to make payment by direct credit to the bank account recorded on your shareholding, or the bank account details that you have provided on your completed Offer Form, and recorded on the register at the end of the Tender Period and acknowledge that payments to this account will satisfy the Stapled Group's obligations to pay you for any Stapled Securities bought back;
- undertake that, if you breach any of these covenants, undertakings, agreements or warranties you will indemnify the Stapled Group for all of its costs arising from the breach;
- agree that damages are not an adequate remedy for breach of these covenants, undertakings, agreements, representations or warranties; and
- appoint the Company as your agent and attorney to agree with the Manager for the Manager to buy back the number of Units specified on the Offer Form.

(g) Amending or withdrawing an Offer Form

At any time during the Tender Period, you may amend or withdraw your Offer Form by submitting a Withdrawal/Amendment Form or instruction from your broker.

(h) Payment for Stapled Securities bought back

The Stapled Group will pay an amount equal to the number of Stapled Securities which the Stapled Group has accepted to buy back from you multiplied by the Buy Back Price, unless it is prohibited by law or the terms of the Buy Back as set out in this Booklet.

Payments will commence from the business day after the Buy Back Date and will be directed to the bank account recorded on your shareholding and shown on the Offer Form.

(i) Shares held by trustees and nominees

Trustees and nominees who hold Stapled Securities should inform the beneficial owners of the Stapled Securities about the Buy Back (other than to beneficial owners who are in the United States or are otherwise resident in jurisdictions in which it is unlawful to do so) and then aggregate all offers received from those beneficial owners. It is the responsibility of the trustee or nominee to complete one aggregate Offer Form on behalf of all beneficial owners.

Trustees or nominees who hold Stapled Securities on behalf of or for the account of a person who is located in the United States must not inform such person of the Buy Back and must not distribute the Buy Back Documents into the United States, or otherwise make them available to any person located in the United States. It is the responsibility of the trustee or nominee to ensure that, when completing an aggregated Offer Form, it does not include any offers to sell Stapled Securities on behalf of such persons.

Further, any Scale Back that applies to Stapled Securities offered by trustees or nominees will be applied on a registered shareholder basis.

(j) **Joint shareholdings**

If you will hold your Stapled Securities jointly with another person (for example, your spouse), you must complete and return the Offer Form in accordance with the instructions for joint holdings on the Offer Form.

You will receive a personalised paper Offer Form for each separate registered holding of Stapled Securities you will have (for example, if you will hold some Stapled Securities in your name and some Stapled Securities jointly with another person, you will receive two Offer Forms). You may offer Stapled Securities for sale through the Buy Back from any or all of your registered holdings provided that you complete and follow the instructions on each Offer Form for each registered shareholding. Any Scale Back that applies to Stapled Securities offered from more than one of your registered holdings will be applied to each of those holdings as if they were held by different persons.

(k) **Transferring entitlement under the Buy Back**

This invitation to participate in the Buy Back is personal to you. You cannot transfer your entitlement to offer Stapled Securities for sale through this Buy Back to any other person.

15. Directors' statement

Except as set out in this Explanatory Memorandum, so far as the Directors are aware, there is no other information material to the making of a decision on how to vote in relation to the Resolutions, being information that is within the knowledge of any Director which has been previously disclosed to Shareholders.

Signed on 12 March 2020 for and on behalf of each of the Directors pursuant to a written authorisation:

James Davies
Chairman
Eildon Capital Limited

16. Notice of Meeting

Notice of Extraordinary General Meeting of Shareholders

Notice is given that an Extraordinary General Meeting of Shareholders of Eildon Capital Limited (**Company**) will be held at 11:00 am (Sydney time) on 20 April 2020 at Level 37 Gateway, Suite 3703, 1 Macquarie Place, Sydney NSW 2000 (**Meeting**).

Capitalised terms and abbreviations used in this Notice are defined in section 17 of the Explanatory Memorandum.

Items of Business

Resolution 1 – Proposed amendments to the Constitution

To consider and, if thought fit, pass the following resolution as a **special resolution**:

‘That the Constitution be amended, with effect from the close of the Meeting, in the manner set out in the Explanatory Memorandum.’

Resolution 2 – Stapling Proposal

To consider and, if thought fit, pass the following as a conditional **ordinary resolution**:

‘That, subject to the passing of Resolutions 1, 3 and 4 and the ATO Ruling Condition being satisfied:

- (i) the Stapling Proposal as set out in the Explanatory Memorandum be approved;*
- (ii) entry into the Stapling Deed as set out in the Explanatory Memorandum be approved; and*
- (iii) the transfer by the Company of the Trust Assets to the Trust as set out in the Explanatory Memorandum be approved.’*

Resolution 3 – Capital reduction

To consider and, if thought fit, pass the following as a conditional **ordinary resolution**:

‘That, subject to the passing of Resolutions 1, 2 and 4 and the ATO Ruling Condition being satisfied, for the purposes of Part 2J.1 of the Corporations Act and for all other purposes, approval is given for the capital of the Company to be reduced by the Company returning to each Shareholder as at the Record Date an amount up to approximately \$0.98 per Share, which will comprise a portion of the funds to be applied on behalf of Shareholders to subscribe for Units pursuant to the Stapling Proposal as set out in the Explanatory Memorandum.’

Resolution 4 – Off-market selective buy back

To consider and, if thought fit, pass the following as a conditional **special resolution**:

‘That, subject to the passing of Resolutions 1, 2 and 3 and the ATO Ruling Condition being satisfied, for the purposes of section 257D of the Corporations Act and for all other purposes, approval is given for the Company and the Manager to selectively buy back and cancel up to 4,548,339 Stapled Securities on the terms and conditions set out in the Explanatory Memorandum.’

Important Notes

Explanatory Memorandum

This Notice should be read in conjunction with the Explanatory Memorandum.

The Explanatory Memorandum contains an explanation of the Resolutions and detailed information about the Stapling Proposal and the Buy Back. To enable you to make an informed decision as to how to vote on each of the Resolutions, please carefully read the Explanatory Memorandum in its entirety.

Defined terms

Capitalised terms and abbreviations used in this Notice have the meaning given in section 17 of the Explanatory Memorandum.

Required majority

Resolutions 1 and 4 proposed in this Notice are special resolutions and will only be passed if 75% or more of the votes cast by Shareholders entitled to vote on the resolution are cast in favour.

Resolutions 2 and 3 proposed in this Notice are ordinary resolutions and will be passed if more than 50% of the votes cast by Shareholders entitled to vote on each resolution are cast in favour of the relevant resolution.

Each of Resolutions 2, 3 and 4 are conditional upon Resolution 1 being passed and are inter-conditional on the other being passed.

Voting entitlement

The Board has determined in accordance with regulation 7.11.37 of the Corporations Regulations that for the purpose of voting at the Meeting, Shares will be taken to be held by those persons who hold them at 7:00 pm (Sydney time) on 18 April 2020 (**Meeting Record Date**). This means that if you are not the registered holder of Shares at that time you will not be entitled to vote at the Meeting in respect of those Shares.

Voting exclusion

Shareholders are all treated the same way under the Stapling Proposal and they all have the same interest in the Stapling Resolutions to be considered. Neither the Corporations Act or the Listing Rules (as modified by the relief referred to in sections 13.2(b) and 13.2(d) of the Explanatory Memorandum) require that any votes cast by or on behalf of any person on the Stapling Resolutions be disregarded.

Section 257D(1) of the Corporations Act requires Resolution 4 to be passed by special resolution, with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates. As at the date of the Meeting, it will not be possible to determine persons whose shares are proposed to be bought back or their associates. Accordingly, all Shareholders will be entitled to vote on Resolution 4, **however those Shareholders who do vote in favour of Resolution 4 must not participate in the buy back of Stapled Securities the subject of Resolution 4**. Each Shareholder who votes in favour of Resolution 4 will have their registered holding marked and will not receive an offer to participate in the buy back.

Voting by proxy

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with its instructions. Returning the Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- a) a Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- b) a proxy need not be a Shareholder; and
- c) a Shareholder entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where the proportion or number is not specified, each proxy may exercise half of the votes.

Proxy Forms must be received by the Company no later than 11:00 am (Sydney time) on 18 April 2020, being at least 48 hours before the Meeting.

The Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

The Chairman intends to vote all undirected proxies in favour of all Resolutions. If you appoint the Chairman as your proxy, and the Chairman votes your proxy in favour of Resolution 4, you will not receive an offer to participate in the Buy Back. If you wish to appoint the Chairman as proxy and participate in the Buy Back, you must direct the Chairman to vote against or abstain on Resolution 4.

Resolution 1 – Approval to amend the Constitution

The explanatory material relating to Resolution 1 is set out in section 13.3 of the Explanatory Memorandum.

Shareholders should be aware that the amendments to the Constitution are not conditional on the Stapling Proposal being approved by the passing of Resolution 2 or the capital reduction being approved by the passing of Resolution 3. However, the proposed amendments to the Constitution are only operative in circumstances where the Company comprises part of a stapled structure.

Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 1.

Resolution 2 – Stapling Proposal

The explanatory material relating to Resolution 2 is set out in the Explanatory Memorandum.

Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 2.

Resolution 3 – Capital reduction

The explanatory material relating to Resolution 3 is set out in the Explanatory Memorandum.

Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

Resolution 4 – Off-market selective buy-back

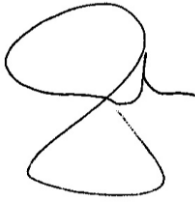
The explanatory material relating to Resolution 4 is set out in the Explanatory Memorandum.

Directors' recommendation

The Board unanimously recommends that Shareholders vote in favour of Resolution 4.

Dated: 12 March 2020

By order of the Board

A handwritten signature in black ink, consisting of a large, stylized 'J' and 'H' that are interconnected, with a small horizontal stroke at the end.

John Hunter
Company Secretary

17. Definitions

In this Explanatory Memorandum, the following terms have the corresponding meanings:

Term	Definition
Accounting Standards	'Accounting standards' as that term is defined in the Corporations Act
AFSL	'Australian financial services licence' as that term is defined in the Corporations Act
AMIT	Attribution managed investment trust
AMMA Statement	AMIT member annual statement
ASIC	Australian Securities and Investments Commission
Asset Transfer Agreement	The agreement pursuant to which the Company agrees to transfer the Trust Assets to the Trust, which is conditional upon the implementation of the Stapling Proposal
ASX	ASX Limited ABN 98 008 624 691 or the securities market operated by it, as the context requires
ATO	Australian Taxation Office
ATO Ruling Condition	The ATO providing draft Class Rulings regarding certain income tax implications for Shareholders on terms satisfactory to the Board
Board	The board of directors of the Company
Buy Back	The off-market selective buy back of Stapled Securities by way of tender process as set out in the Buy Back Documents
Buy Back Contract	The contract formed on the Buy Back Date between an Eligible Shareholder and the Stapled Group if the Stapled Group accepts an offer to sell Stapled Securities to the Stapled Group
Buy Back Date	The date the Stapled Group announces to ASX the total number of Stapled Securities to be bought back and any Scale Back, currently expected to be 26 May 2020 (subject to satisfaction of the ATO Ruling Condition)
Buy Back Documents	The Explanatory Memorandum, the Offer Form and the Withdrawal/Amendment Form
Buy Back Price	The price at which the Stapled Group will buy back Stapled Securities from Tenders which will be the net tangible asset backing of each Stapled Security, currently forecast to be approximately \$1.09 - \$1.10 per Share
Buy Back Record Date	The date for determining Shareholders' entitlement to participate in the Buy Back, which is 7:00 pm (Sydney time) on 29 April 2020 (if the ATO Ruling Condition is satisfied before the Meeting)
Buy Back Resolution	A resolution under section 257D of the Corporations Act approving the Buy Back, which must be passed by special resolution, being Resolution 4 in the Notice

Capital Component	The capital component of the Buy Back Price, being the amount per Stapled Security bought back
Capital Return	The capital return from the Company to Shareholders that, along with the Special Dividend, will form part of the Distribution and will be compulsorily applied by the Company on behalf of Shareholders to subscribe for Units through the Trust Subscription
CGT	Capital gains tax under the <i>Income Tax Assessment Act 1997</i> (Cth) and applicable regulations
CGT Value	The value of Stapled Securities for CGT purposes calculated in accordance with the formula set out in section 11.4
CHESS Holding	A holding of Shares on the Clearing House Electronic Subregister System of the Company's register
Class Ruling	The class ruling that has been sought by the Company from the ATO for the benefit of Shareholders, confirming certain taxation implications for Shareholders regarding the Stapling Proposal and Buy Back
Company	Eildon Capital Limited ACN 059 092 198
Constitution	The constitution of the Company, as amended from time to time
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Corporations Regulations	<i>Corporations Regulations 2001</i> (Cth)
CVC Limited	CVC Limited ACN 002 700 361
Directors	The directors of the Company
Distribution	The aggregate of the Capital Return and the Special Dividend
Dividend Component	The dividend component of the Buy Back Price, being the Buy Back Price less the Capital Component
DRP	Dividend/distribution reinvestment plan
Eligible Shareholder	A person who is a Shareholder at the Buy Back Record Date and who is not a Foreign Holder
Explanatory Memorandum	This explanatory memorandum for the Stapling Proposal
Foreign Holder	A Shareholder whose registered address, as at the Record Date, is outside of Australia
Foundation Units	Initial, nominal value units in the Trust issued to the Company for the purposes of establishing and settling the Trust
GST	'GST' as that term is defined in section 195-1 of the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth)

Internal Restructure	The transfer by the Company of the Trust Assets to the Trust as described in section 4.1(c)
Issuer Sponsored Holding	A holding of Shares on the issuer sponsored subregister of the Company's register.
Listing Rules	The listing rules of ASX, as amended from time to time
Management Agreement	The agreement between the Company and the Manager that details the investment manager arrangement between them
Manager	Eildon Funds Management Limited ACN 066 092 028
Maximum Buy Back	The maximum number of Stapled Securities the Stapled Group may buy back under the Buy Back, being 4,548,339 Shares
Meeting	The Company's extraordinary general meeting to be held at 11:00 am (Sydney time) on 20 April 2020
Meeting Record Date	7:00 pm (Sydney time) on 18 April 2020
MIT	Managed investment trust
Mortgage Assets	Those assets set out in section 4.3(a)
Nominee	A nominee appointed by the Company and the Manager to sell the Stapled Securities on behalf of Foreign Holders in accordance with section 13.4
Note	The note to be issued by the Company to the Trust on the Stapling Commencement Date with a value equal to the market value of the Mortgage Assets
Notice	The notice of meeting contained in section 16
Offer Form	The form which can be used by an Eligible Shareholder to offer to sell Stapled Securities to the Stapled Group and includes an Offer Form amended in accordance with the procedures set out in the Buy Back Documents
Official List	The official list of securities quoted on ASX
PDS	'Product Disclosure Statement' as that term is defined in the Corporations Act
Priority Allocation	\$2,000 worth of Stapled Securities (calculated at the Buy Back Price), meaning that the Scale Back will not apply to the first \$2,000 worth of Stapled Securities (or lesser number) offered by each Eligible Shareholder into the Buy Back. On the basis of the forecast Buy Back Price of \$1.09 per Stapled Security, this equates to 1,835 Stapled Securities
Proxy Form	The proxy form enclosed with this Explanatory Memorandum that can be used by Shareholders to appoint a proxy for the Meeting
Record Date	The date nominated by the Company to determine which Shareholders are eligible to participate in the Trust Subscription
Resolutions	The Stapling Resolutions and the Buy Back Resolution

Scale Back	The pro rata scale back of Tenders (subject to the Priority Allocation) that the Stapled Group will apply if the number of Stapled Securities tendered for sale exceeds the number of Stapled Securities the Stapled Group determines to buy back.
Share	An ordinary fully paid share in the capital of the Company
Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277
Shareholder	A holder of a Share
Shareholder Approval	The approval of the Resolutions by Shareholders at the Meeting by their requisite majorities
Special Dividend	The partially or fully franked dividend paid by the Company to Shareholders that, along with the Capital Return, will form part of the Distribution and will be compulsorily applied by the Company on behalf of Shareholders to subscribe for Units through the Trust Subscription
Stapled Group	The Company and the Trust
Stapled Security	A Unit and a Share that have been Stapled
Stapled Securityholder	The holder of a Stapled Security
Stapled/Stapling	The 'stapling' of a Unit and a Share together so that neither of them may be dealt with without the other being dealt with in an identical manner and at the same time and with such restriction on dealing being denoted on the register of each stapled entity in which the securities are on issue
Stapling Commencement Date	The date on which Shares are Stapled to Units and the Stapling Proposal is implemented which the Company will announce on ASX
Stapling Deed	A deed between the Manager as responsible entity for the Trust and the Company concerning the Stapling of the Units to the Shares
Stapling Proposal	The proposal to establish the Stapled Group by Stapling the Shares to the Units as detailed in this Explanatory Memorandum
Stapling Provisions	The provisions in the Constitution which deal with Stapling
Stapling Resolutions	The resolutions contained in the Notice required to be approved by Shareholders for the Stapling Proposal to proceed, being Resolutions 1 to 3 in the Notice
Tender	A Shareholder's offer to sell Stapled Securities to the Stapled Group at the Buy Back Price and on the terms and conditions set out in the Buy Back Documents as amended in accordance with the procedures set out in the Buy Back Documents
Tender Period	The period within which Eligible Shareholders may submit, withdraw or amend a Tender in accordance with the Buy Back Documents, which will be from 10:00 am (Sydney time) on 1 May 2020 to 7:00 pm (Sydney time) on 22 May 2020 (if the ATO Ruling Condition is satisfied before the Meeting)
Trust	Eildon Capital Trust ARSN 635 077 753

Trust Assets	Those assets set out in section 4.3
Trust Constitution	The constitution of the Trust
Trust Subscription	The subscription for Units by the Company on behalf of Shareholders by compulsorily applying the funds from the Distribution to the subscription
Unit	An ordinary fully paid unit in the Trust
Unitholder	A holder of a Unit

18. Directory

Eildon Capital Limited

Directors

James Davies
Michelle Harpur
Mark Avery

Company Secretary

John Hunter

Registered Office

Level 25, 360 Collins Street
Melbourne, VIC 3000

Eildon Funds Management Limited

Directors

Mark Avery
John Hunter
Jonathan Sim

Company Secretary

John Hunter

Registered Office

Level 25, 360 Collins Street
Melbourne, VIC 3000

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney, NSW 2000

Tax Adviser

BDO
Level 11, 1 Margaret Street
Sydney, NSW 2000

Legal Adviser

Jones Day
Aurora Place
Level 41, 88 Phillip Street
Sydney, NSW 4000

www.jonesday.com

EDC

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Need assistance?



Phone:

1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:

www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00 am (Sydney time) Saturday, 18 April 2020.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

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

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

ATTENDING THE MEETING

If you are attending in person, please bring this form with you to assist registration.

Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

SRN/HIN: I999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Eildon Capital Limited hereby appoint

☐

the Chairman
of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Eildon Capital Limited to be held at Level 37 Gateway, Suite 3703, 1 Macquarie Place, Sydney NSW 2000 on Monday, 20 April 2020 at 11:00 am (Sydney time) and at any adjournment or postponement of that meeting.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Proposed amendments to the Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Stapling Proposal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Capital reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Off-market selective buy back	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you intend to participate in the Buy Back, you must not vote in favour of the Buy Back Resolution. If you vote in favour of the Buy Back Resolution, your registered holding will be marked and you will not receive an offer to participate in the Buy Back. However, the Directors recommend that if you wish to participate in the Buy Back, you should abstain from voting on the Buy Back Resolution and vote in favour of the Stapling Resolutions on which the Buy Back is conditional. If you appoint a proxy and that person votes your registered holding in favour of the Buy Back Resolution, your registered holding will be marked and you will not receive an offer to participate in the Buy Back.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

Update your communication details (Optional)

Mobile Number

Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

EDC

999999A



Computershare

