

15 November 2017

US Masters Residential Property Fund (URF) Progress on Next Stage of Strategy

The US Masters Residential Property Fund (ASX:URF) and controlled entities (**the Group**) advises that a Unitholder Booklet containing a notice of meeting and explanatory memorandum (**Booklet**) is being issued today for a unitholder meeting to be held on 8 December 2017 at 10:00am. The purpose of the meeting is to seek unitholder support for resolutions that will facilitate the issue of convertible step-up preference units (**CPUs**). The issue of CPUs is a clear step forward in the strategy to optimise the Group's capital structure.

As a result of a recent review of the Group's strategy, management resolved to focus on the following key areas in order to position URF for continued strong returns and long-term value:

- Complete the portfolio renovation pipeline and maximise rental income;
- Continue to drive cost efficiencies to maximise rental yields; and
- Optimise the capital structure.

In addition to planning for the issue of the CPUs to progress the third element of the strategy, URF has moved quickly to implement the other elements in order to realise material benefits for unitholders. Firstly, considerable work has been done to progress the renovation pipeline. Between 30 June and 31 October 2017, the Group has completed US\$20.3 million of renovation work, comprising large and small-scale renovations, to bring a further 41 properties to the rental market. This is expected to contribute an additional US\$2.2 million to annual rental income.

With respect to driving cost efficiencies for the Group, you will recall at the time of our half year report communications in August 2017 that, as a result of moving to the next stage of URF's strategy, the Group's investment manager, URF Investment Management Pty Limited, has waived the investment management fee indefinitely from 1 July 2017. At 1.24% (excluding GST) of the gross assets of the Group, this will result in significant cost savings, and the Investment Manager will continue to provide all the services set out in the Investment Management Agreement.

In relation to optimising the URF capital structure, the proceeds from the issue of the CPUs will be used to redeem, in whole or in part, the first tranche of unsecured URF notes (**URF Notes I**) and may also be used to accelerate the completion of the renovation pipeline, as well as general corporate activities. This new form of funding diversifies the Group's capital sources and will also assist in achieving cost efficiencies and enhancing rental yields.

To allow holders of URF Notes 1 (ASX:URFHA) to participate in the offer for CPUs without needing to fund an application prior to redemption of their notes, URFHA holders are able to transfer their holdings to the responsible entity in satisfaction of the application price for CPUs, on a 1 for 1 basis. In addition to receiving one CPU for each URFHA note so transferred, URFHA holders will receive a cash payment equal to the URFHA interest earned from 1 October 2017 to the date of issue of the CPUs (which based on the current timetable will be for the period to 22 December 2017).



A product disclosure statement for the offer of the CPUs (**PDS**) is being finalised and is expected to be issued by Walsh & Company Investments Limited (**Walsh & Co**) as responsible entity for URF on or about 1 December 2017. A copy of the PDS may be obtained on enquiry from Walsh & Co and investors should consider the PDS in deciding whether to acquire the CPUs.

The Booklet provides a detailed description of the rationale for the issue of the CPUs together with their terms. The Booklet also describes the key considerations for unitholders in deciding whether to support the resolutions to be put to the unitholder meeting as well as the nature of the CPU offer, including the priority offer to unitholders and URF noteholders. A copy of the Booklet and associated explanatory memorandum is attached.

For further information contact:

Fleur Jouault

GRACosway
0405 669 632

Important notice

This notice may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs.



ARSN 150 256 161

Unitholder Booklet

Explanatory Memorandum

A Notice of Meeting is included as Appendix 1 to this Booklet.
A Proxy Form for the Meeting accompanies this Booklet.

General Meeting

8 December 2017 at 10:00 am (Sydney time)

This is an important document and requires your urgent attention.

If you are in any doubt as to how to deal with this Booklet, please consult your legal, financial, taxation or other professional adviser immediately.

If you have recently sold all of your Units, please disregard all enclosed documents.

WALSH & COMPANY

INVESTMENTS LIMITED

(ACN 152 367 649) (AFSL 410 433)

Important Notices

General

You should read this Booklet in its entirety before making a decision on how to vote on the resolutions to be considered at the Meeting. The notice convening the Meeting is contained in Appendix 1. A proxy form for the meeting is enclosed.

Defined terms

Capitalised terms in this Booklet are defined either in the Glossary in Section 6 of this Booklet or where the relevant term is first used.

References to **dollars** or **\$** are references to the lawful currency of Australia. Any discrepancies between the totals and the sum of all the individual components in the tables contained in this Booklet are due to rounding.

Purpose of this Booklet

The purpose of this Booklet is to:

- state the nature of the business to be conducted at the Meeting; and
- provide such information as is prescribed by the Corporations Act.

ASX

A copy of this Booklet has been lodged with the ASX. The ASX and its officers take no responsibility for the contents of this Booklet.

Investment decisions

This Booklet does not take into account the investment objectives, financial situation, tax position and requirements of any particular person. This Booklet should not be relied on as the sole basis for any investment decision in relation to Units. It is important that you read the entire Booklet before making any voting or investment decision.

Forward looking statements

This Booklet includes certain prospective financial information which has been based on current expectations about future events. The prospective financial information is, however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the expectations described in such prospective financial information. The assumptions on which prospective financial information is based may prove to be incorrect or may be affected by

matters not currently known to, or considered material by, the Responsible Entity.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of the Responsible Entity, the officers of the Responsible Entity or any person named in this Booklet makes any representation or warranty (either expressed or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on those statements.

The forward looking statements in this Booklet reflect views held only as at the date of this Booklet. Notwithstanding the uncertainty outlined above, there are reasonable grounds for including all forward looking statements set out in this Booklet.

Important Dates and Times

Date of this Booklet	15 November 2017
Time and date for determining eligibility to vote at the Meeting	7:00pm, 6 December 2017
Last time and date by which the proxy form for the Meeting can be lodged	10:00am, 6 December 2017
Meeting* to vote on the CPU Proposal	10:00am, 8 December 2017

* The Meeting will be held at Level 15, 100 Pacific Highway, North Sydney NSW 2060.

You should consult your legal, financial, taxation or other professional adviser concerning the impact your decision may have on your own circumstances.

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Responsible Entity Letter

15 November 2017

Dear Unitholders,

As you would have read in the materials that we provided for the June 2017 half year financial results, we have recently undertaken a review of the strategy of the US Masters Residential Property Fund (**URF**) and its controlled entities (**the Group**). We determined that in order to position URF to continue to deliver strong returns and to provide long term value for unitholders in varying market conditions, the next phase of the strategy will have three key areas of focus. To recap, these are:

- Complete the portfolio renovation pipeline and maximise rental income;
- Continue to drive cost efficiencies to maximise rental yields; and
- Optimise the capital structure.

We have moved quickly to implement this strategy to realise material benefits for unitholders.

Firstly, considerable work has been done to progress the renovation pipeline. Between 30 June and 30 September 2017, the Group has completed US\$15.5 million of renovation work, comprising large and small-scale renovations, to bring a further 32 properties to the rental market. This is expected to contribute an additional US\$1.6 million to annual rental income.

With respect to driving cost efficiencies for the Group, you will recall from our results communications that the Investment Manager, URF Investment Management Pty Limited, has waived the investment management fee indefinitely from 1 July 2017. At 1.24% (excluding GST) of the gross assets of the Group, this will result in significant cost savings, and the Investment Manager will continue to provide all the services set out in the Investment Management Agreement.

In relation to the third focus of the strategy, which is the reason for this letter, we are proposing to improve the structure and the cost of the Group's capital through the issue of perpetual cumulative convertible step-up preference units (**CPUs**). The proceeds from the CPU issue will be used to redeem, in whole or in part, the first tranche of unsecured URF notes (**URF Notes I**) and may also be used to accelerate the completion of the renovation pipeline, as well as general corporate activities. This new form of funding diversifies our capital sources and will also assist in achieving cost efficiencies and enhancing rental yields.

We believe the CPUs represent attractive securities for investors. The terms of the \$100 face value CPUs are summarised in Section 3.1 and are included in full in Schedule 2, but the key features include:

- Distribution rate of 6.25% stepping up to 8.75% from 1 January 2023, expected to be paid semi-annually.
- Preference units with priority over Units for distributions up to the distribution rate and on a winding up to the issue price and any unpaid distributions.
- Holders can elect to receive distributions in URF ordinary units (Units) issued at a 5% discount to market.
- Conversion into Units is based on a 10-day volume weighted Unit price and a 2.5% conversion discount.
- Participation in any increases in the Unit price above \$2.33.
- Depending on the tax position of the CPU holder, distributions may be treated as reducing the cost base of CPUs rather than income.

The number of Units issued for each CPU on conversion (other than in respect of accumulated unpaid distributions) is bound by parameters based on the Unit price at the time, with the maximum number being 205 and the minimum being 44. The minimum and maximum conversion is subject to adjustment in certain circumstances. See Section 3.1 for details.

While the CPUs have a number of attractive features for holders, they also have advantages for URF. These advantages include:

- Lower per security payout rate – distributions will be payable on the CPUs for the first 5 years from issue at a rate of 6.25% compared to 7.75% interest payable on URF Notes I;
- CPUs are equity rather than debt – this will reduce URF's gearing;
- CPU holders receive distributions not interest – this will reduce URF's interest expense; and
- CPU holders may participate in the URF distribution reinvestment plan (**DRP**) and so receive Units rather than cash – issuing Units will improve URF's trading liquidity, which may have a positive US tax impact. See Section 4.1 for details.

Bringing about these improvements in the structure and cost of the Group's capital requires Unitholder approval in two ways. The first resolution in the attached Notice of Meeting

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approves the necessary amendments to the URF constitution. Resolutions 2 – 4 are required by the ASX Listing Rules. Resolution 2 approves the issue of CPUs while Resolution 3 approves the issue of CPUs to Directors of the Responsible Entity and other related parties on the same terms as the general offer of CPUs. Resolution 4 approves the issue of Units to Directors of the Responsible Entity and other related parties as a result of participation in the URF DRP in respect of the first Distribution Period to 30 June 2018.

I encourage Unitholders to read the discussion of the CPU Proposal in this Booklet carefully. The Responsible Entity recommends that you vote in support of Resolutions 1 and 2. As a number of the Directors may participate in the CPU Offer, the Responsible Entity does not consider it appropriate to make a recommendation on Resolutions 3 and 4.

This is a summary of the CPU terms and is by no means comprehensive. In the event that Resolutions 1 – 3 are passed by Unitholders, a CPU product disclosure statement (**PDS**) will be sent to all Unitholders and URF Notes I holders. The PDS will enable holders of URF Notes I to nominate to roll their holdings of URF Notes I into a subscription for CPUs (**Rollover**). In addition, there will be a priority offer of up to \$50,000 (500 CPUs) for each investor who is a Unitholder or a URF Notes II or III holder (**Priority Offer**). Investors who hold Units as well as URF Notes II and/or URF Notes III will be entitled to apply for up to \$100,000 (1,000 CPUs) under the Priority Offer.

The features of the CPUs are complex and there are differences in the form of funding that they provide when compared to the URF Notes I. I encourage you to read this Booklet carefully before making your decision.

We look forward to your support in this vote to change the URF constitution to realise the initial benefits of this next stage of management's strategy for URF.

Yours sincerely



Alex MacLachlan
Chairman
Walsh & Company Investments Limited

1. Overview

1.1. Introduction

Unitholders are asked to consider Resolutions 1, 2 and 3 (**Resolutions**) which approve amendment of the constitution of URF (**Constitution**) and otherwise to permit the issue of converting preference units in URF (**CPUs**) to raise up to \$300 million (**the CPU Proposal**) to existing investors in URF, new investors and certain related parties of the Responsible Entity. Resolution 4 approves the participation of certain related parties in the DRP in respect of distributions paid on CPUs.

1.2. Voting

Resolution 1 is a special resolution and requires approval by a majority of 75% of votes cast on the Resolution by eligible Unitholders at the Meeting. Resolutions 2-4 require approval by a simple majority of votes cast by eligible Unitholders at the Meeting. The Notice of Meeting sets out the voting restrictions that apply to the Resolutions.

1.3. Recommendation

For the reasons outlined in Section 4.1, the Responsible Entity considers that the CPU Proposal is in the best interests of Unitholders and recommends that Unitholders vote **in favour of** Resolutions 1 and 2. As a number of the Directors may participate in the CPU Offer, the Responsible Entity does not consider it appropriate to make a recommendation on Resolutions 3 and 4.

1.4. What to do next

(a) *Read the remainder of this Booklet*

You should read and consider the remainder of this Booklet in full before making any decision on the how to vote on the Resolutions.

(b) *Consider your options*

Unitholders should refer to Section 2 to Section 5 (inclusive) of this Booklet for further guidance on the CPU Proposal. However, this Booklet does not take into account the financial situation, investment objectives and particular needs of any particular Unitholder.

(c) *Vote at the Meeting*

The Responsible Entity encourages all Unitholders to vote on the Resolutions at the Meeting.

2. Rationale for the CPU Proposal

2.1. Background

URF was established in June 2011 and was listed on the ASX in July 2012. The Fund was established to seek to take advantage of the significant drop in home prices in the New York metropolitan area between 2006 and 2011 by investing in freestanding and multi-tenant houses. As at 30 June 2017, the Group has grown assets in its portfolio to over \$1 billion, from \$69 million at the time of the IPO in 2011.

The initial phase of the strategy sought to capitalise on the weak state of the US housing market and the record value of the Australian dollar and entailed accumulating a high quality portfolio of residential property assets in the New York metropolitan area. The Group managed these assets to achieve rental yields and property price appreciation through renovation and improvement of the individual properties. The strategy delivered strong compound annual returns for Unitholders of 9.5% per annum in the five years to 30 June 2017.

As announced with the June 2017 half year financial results, having undertaken a review of the existing strategy, the Responsible Entity believes that in order to position URF to continue to deliver strong returns and to provide long term value for unitholders in varying market conditions, the next phase of URFs strategy will have three key areas of focus;

- Complete the portfolio renovation pipeline and maximise rental income;
- Continue to drive cost efficiencies to maximise rental yields; and
- Optimise the capital structure.

To date, the Group has begun implementing these strategy initiatives to realise material benefits for unitholders. Between 30 June and 30 September 2017, the Group has completed US\$15.5 million of renovation work, comprising large and small-scale renovations, to bring a further 32 properties to the rental market. This is expected to contribute an additional US\$1.6 million to annual rental income.

In addition, the Investment Manager has waived the investment management fee indefinitely from 1 July 2017. At 1.24% (excluding GST) of the gross assets of the Group, this will result in significant cost savings and the Investment Manager will continue to provide all the services set out in the Investment Management Agreement.

While considerable work has been, and will continue to be, undertaken to progress both the renovation pipeline and to drive cost efficiencies for the Group, the Responsible Entity is also undertaking further initiatives to optimise the Group's capital structure, to restructure existing lending facilities to lower interest expense and to better manage capital and gearing.

The proposed issue of CPUs forms part of this initiative, with the proceeds of the CPU Offer to be used to fund the redemption (either part or full) of URF Notes I, to improve both the structure and cost of the Group's capital, and to diversify its funding sources. The proceeds will also provide additional resources to further accelerate the completion of the renovation pipeline, as well as general corporate activities.

2.2. Funding needs of URF

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

On 19 December 2014, URF issued 1.5 million URF Notes I for total proceeds of \$150 million, with the proceeds of the issue largely used to fund URF's investment strategy. Each URF Note I carries an interest rate of 7.75%, is a liability of URF payable quarterly, and is carried on the 30 June 2017 balance sheet at an amortised cost of \$148.4 million. On 19 December 2017 or any interest payment date thereafter (**each a Call Date**), the Responsible Entity may redeem all or some URF Notes I. URF Notes I must be redeemed by the Responsible Entity (if not previously redeemed) by 19 December 2019.

While URF has the right, but not the obligation to redeem URF Notes I on the Call Date, in order to reduce both the ongoing interest expense payable and associated gearing levels, the Responsible Entity believes it is prudent to restructure its current lending arrangements in order to provide value for unitholders in varying market conditions. CPUs will form an important part of this restructuring, with the proceeds of the CPU issue used to redeem, in whole or in part, URF Notes I and to accelerate the completion of the renovation pipeline, as well as general corporate activities.

2.3. Equity and debt position of URF

The only equity that URF presently has on issue are Units. There are currently 355,400,553 Units on issue.

As at 30 June 2017, the Group had total borrowings of

\$710.3 million comprising principal outstanding under the URF Notes of \$415.5 million with the balance in the form of term debt provided by a number of US-based lenders.

CPUs are equity securities and the issue of CPUs will reduce the overall gearing levels of the Fund. Based on the unaudited proforma balance sheet for URF set out in Section 4.4, the net assets of URF would increase from approximately \$499.1 million to approximately \$604.4 million if the minimum subscription of \$100 million is raised from the CPU Offer and to \$800.3 million if the maximum subscription of \$300 million is achieved.

URF's pre-tax and post-tax net tangible asset backing per Unit (NAV) at 30 June 2017 was \$1.68 and \$1.43 respectively. On a fully diluted basis, being the NAV had all CPUs been converted to Units immediately after issue, the pre-tax NAV based on the pro-forma balance sheet as at 30 June 2017 would be \$1.68 and \$1.69 based on the minimum and maximum subscription respectively. On a post-tax basis the fully diluted NAV based on the pro-forma balance sheet as at 30 June 2017 would be \$1.47 and \$1.52 based on the minimum and maximum subscription respectively. Unitholders are reminded the Responsible Entity may only convert CPUs to Units after 31 December 2022 and the conversion ratio will depend on the price at which Units trade on ASX at that time. See Sections 3.1 and 4.6 for details.

The leverage ratio of URF will also fall from 55% as at 30 June 2017 to 52% (on a minimum subscription) and 45% (on a maximum subscription) on a proforma basis. See Section 4.5 for details.

2.4. CPU Proposal

CPU Offer

The Responsible Entity proposes to offer up to 3 million CPUs to raise gross proceeds of \$300 million (**CPU Offer**). The CPU Offer will be subject to a minimum subscription of \$100 million for 1 million CPUs.

The CPU Offer will be made in a product disclosure statement (**PDS**). It is anticipated that the PDS will be lodged with ASIC and released to the market on the ASX on or about 1 December 2017. The CPU Offer would open after conclusion of the Meeting on 8 December 2017 and is expected to close on or about 18 December 2017.

The CPU Offer will be open to all investors with a registered address in Australia or New Zealand. Holders of Units and holders of URF Notes II or URF Notes III will each receive a priority offer of 500 CPUs (\$50,000) under the CPU Offer

subject to a maximum priority allocation for any person holding Units and URF Notes II and/or URF Notes III of 1,000 CPUs (\$100,000).

Rollover of URF Notes I

To enable holders of URF Notes I to participate in the CPU Offer without needing to fund an application for CPU's, before receiving the proceeds of redemption of their URF Notes I, the PDS will allow holders of URF Notes I to transfer their URF Notes I to the Responsible Entity in satisfaction of the application price for CPUs. This will be a 1 for 1 exchange meaning that a holder of URF Notes I will receive 1 CPU for every URF Note I transferred. URF Notes I so transferred will be cancelled on issue of the CPUs under the CPU Offer. From lodgement of an application until cancellation, the URF Notes I to be transferred will be subject to a holding lock meaning that they cannot be traded on ASX.

As URF Notes I Noteholders will have transferred their URF Notes to the Responsible Entity prior to the record date for the 31 December 2017 interest payment, they will not receive a final interest payment in respect of the period from 1 October 2017 to completion of the transfer. However, in addition to the issue of a CPU for each URF Note I transferred, the Responsible Entity will also make a cash payment to transferring noteholders equal to the interest they would have received had the final interest period for the notes transferred been from 1 October 2017 to the date of issue of the CPUs. Based on the current timetable for the CPU Offer, this will be for the period to 22 December 2017 and will represent a cash payment of \$1.74 per URF Note I.

Distribution Reinvestment Plan

The Responsible Entity operates a distribution reinvestment plan (**DRP**) under which holders of Units may elect to reinvest cash distributions in additional Units. These additional Units are issued at the prevailing market price for Units on ASX less a discount determined by the Responsible Entity in its discretion.

As part of the CPU Proposal, the **DRP** will be amended to permit the participation of CPU holders in the **DRP**. The amended **DRP** will allow CPU holders to elect to reinvest cash distributions paid on CPUs in subscription for new Units. The **DRP** will not provide for the issue of additional CPUs. The issue price for such Units will be the VWAP of Units traded on ASX over the 10 trading days up to the record date for participation in the CPU distribution less a fixed 5% discount.

To ensure equality of treatment between holders of CPUs and Unitholders, the issue price for additional Units issued to Unitholders electing to reinvest cash distributions paid on Units will be set at the same price being a fixed 5% discount

to the 10 day VWAP of Units traded on ASX up to the record date for that distribution.

Details of the revised **DRP** will be issued following passage of the CPU Resolutions.

3. Implementation of the CPU Proposal

3.1. Terms of issue of CPU

CPUs are perpetual cumulative convertible step-up preference units in URF. They are a separate class of units issued by the Responsible Entity. The terms of issue for CPUs will be set out in a Schedule to the Constitution which will form part of the Constitution. A full copy of the CPU terms of issue are set out in Schedule 2 (**CPU Terms**). Except as expressly altered by the CPU Terms, CPUs have the same terms as Units.

A summary of the CPU terms of issue is set out below:

Issue Price

CPUs have an issue price of \$100.00 per CPU (Issue Price).

Term

CPUs are perpetual and continue on issue until converted to Units. CPUs are not redeemable.

Entitlement to Standard Distributions

CPUs carry a right to receive a preferential distribution in priority to holders of Units (**Standard Distribution**).

The distribution rate is 6.25% per annum of the Issue Price for the period from the date of issue to 31 December 2022. From 1 January 2023 the distribution rate steps up by 2.5% to 8.75% per annum of the Issue Price.

Distributions are payable to holders of CPUs before payment of distributions to holders of Units. Distributions are payable semi-annually to holders as at 30 June and 31 December. The first distribution is payable in respect of the period from the date of issue to 30 June 2018. Distributions are payable within 40 Business Days of the end of a distribution period.

Deferred Distributions

The payment of Standard Distributions is discretionary meaning that the Responsible Entity may decide not to pay a Standard Distribution at the relevant rate or at all.

However, Standard Distributions are cumulative meaning

that any shortfall in a Standard Distribution calculated at the applicable rate in respect of a Distribution Period can be made up in later Distribution Periods, subject only to the Responsible Entity determining to pay a distribution (a **Deferred Distribution**).

Distribution stopper

If, for any reason, the Responsible Entity has not paid a Distribution in an amount equal to the entitlement to a Distribution for that Distribution Period within 40 Business Days after the end of the relevant Distribution Period, the Responsible Entity must not, without the approval of a Special Resolution passed at a separate meeting of CPU holders:

- (a) pay any distributions (whether of income or capital) on;
- (b) undertake a buyback (other than as a result of a on-market buyback undertaken in accordance with ASIC Corporations (ASX-listed Schemes On-market Buybacks) Instrument 2016/1159 or any successor or replacement instrument), redeem or otherwise cancel; or
- (c) give effect to a redemption of or withdrawal from URF in respect of,

any Units or any other units in URF over which the CPUs rank in priority for participation of profits with respect to the Distribution Period for that Distribution, unless and until all outstanding Deferred Distributions have been paid.

DRP

The URF DRP will be amended to provide for participation by CPU Holders. Participation in the DRP is voluntary. A CPU Holder may elect to apply any cash distribution payable in respect of CPUs in subscription for Units. The DRP does not presently contemplate the issue of CPUs on reinvestment of distributions. The issue price for Units issued to CPU Holders under the DRP will be 95% of the VWAP of Units over the 10 trading days up to the end of the relevant Distribution Period (ie 30 June or 31 December). Under the amended DRP, Ordinary Unitholders will also receive this 5% discount to the VWAP so that they participate in the DRP at the same price as CPU Holders.

Both Standard Distributions and Deferred Distributions may be reinvested in the DRP.

Conversion by the Responsible Entity

The Responsible Entity may elect to convert all CPUs to Units as at the first day of a Distribution Period commencing on 1 January 2023. The Responsible Entity will issue an ASX announcement regarding conversion not later than 10

Business Days prior to the date for conversion.

Conversion by CPU Holders

CPU Holders may elect to convert all of their CPUs to Units as at the first day of the next Distribution Period more than 20 Business Days after delivery of notice of conversion to the Responsible Entity only if the Responsible Entity has breached its obligations under the distribution stopper referred to above.

Conversion

Subject to the minimum and maximum conversion described below, each CPU converts into the number of Units on the relevant conversion date determined in accordance with the following formula (**CA** or **Conversion Amount**):

$$CA = CN + ACN$$

Where:

CN is the Conversion Number; and

ACN is the Additional Conversion Number.

The Conversion Number is the number determined in accordance with the following formula:

$$CN = IP/CVWAP$$

Where:

CN is the Conversion Number;

IP is the Issue Price; and

CVWAP is the Conversion VWAP,

provided that:

- ➔ if the Conversion Number so determined is less than the applicable Minimum Conversion Number, the Conversion Number is the Minimum Conversion Number; and
- ➔ if the Conversion Number so determined is greater than the applicable Maximum Conversion Number, the Conversion Number is the Maximum Conversion Number.

The Additional Conversion Number is the number determined in accordance with the following formula:

$$ACN = OD/CVWAP$$

Where:

ACN is the Additional Conversion Number;

OD is the aggregate of all Distributions that the CPU holder would have been entitled to receive as at the Conversion Date had the Responsible Entity determined to pay:

- (i) a Standard Distribution; and
- (ii) a Deferred Distribution in respect of all periods up to the Conversion Date that remained unpaid; and

CVWAP is the Conversion VWAP,

For the above formulae,

Conversion VWAP means an amount equal to 97.5% of the VWAP of Units over the 10 Business Days (whether or not trading of Units occurs on those Business Days) up to but excluding the conversion date.

See Section 4.6 for a worked example regarding conversion in a number of scenarios.

Minimum Conversion Number and Maximum Conversion Number

Conversion is subject to a minimum and maximum conversion number. The initial maximum and minimum conversion number is as follows:

- ➔ the Maximum Conversion Number would be 205 effectively providing CPU holders with equity participation below a Unit price of \$0.50; and
- ➔ the Minimum Conversion Number would be 44 effectively providing CPU holders with equity participation above a Unit price of \$2.33.

Adjustment to Maximum and Minimum Conversion Number

The Maximum Conversion Number and Minimum Conversion Number are subject to adjustment as follows:

- ➔ in a consolidation of Units, the Minimum CN and Maximum CN must be consolidated in the same ratio as the Units;
- ➔ in a subdivision of Units, the Minimum CN and Maximum CN must be subdivided in the same ratio as the Units;
- ➔ if the Responsible Entity undertakes a pro rata rights issue or bonus issue of Units to Ordinary Unitholders generally, each of the Minimum CN and Maximum CN is adjusted in accordance with the following formula:

$$AMCN = MCN \times (CV / ((CV - (S + D)) / N + 1))$$

Where:

AMCN is the adjusted Minimum CN or Maximum CN (as appropriate);

MCN is the Minimum CN or Maximum CN (as appropriate) immediately prior to application of this formula;

CV is the VWAP of Units during the period from the first Business Day after the announcement of the rights or bonus issue up to and including the last Business Day of trading cum rights or bonus issue;

S is the subscription or security price per Unit for the rights issue and is zero in the case of a bonus issue;

D is the distributions due but not yet paid on Units (except those to be issued under the pro rata issue); and

N is the number of Units with rights or entitlements that must be held to receive a right to one new Unit under the pro rata issue, provided that no adjustment is made to the

Minimum CN or Maximum CN if:

- (S + D) exceeds CV; or
- at or about the time of the rights issue or bonus issue, the Issuer offers Units to the Holders at the same issue price and in the same proportion as if the Holders had been able to participate in the rights issue or bonus issue, whether or not they have the ability to renounce the rights.

if the Issuer undertakes an off-market buyback or cancellation of Units, each of the Minimum CN and Maximum CN is adjusted in accordance with the following formula:

$$AMCN = MCN \times (CV / ((CV - (S + D)) / N + 1))$$

Where:

AMCN is the adjusted Minimum CN or Maximum CN (as appropriate);

MCN is the Minimum CN or Maximum CN (as appropriate) immediately prior to application of this formula;

CV is the VWAP of Units during the period from the first Business Day after the announcement of the buy-back up to and including the last Business Day of trading cum buy-back;

S is the price per Unit paid under the buy-back;

D is the distributions due but not yet paid on Units (if any); and

N is the proportion of the issued Units bought back expressed as a decimal,

provided that no adjustment is made to the Minimum CN or Maximum CN if:

- (S + D) exceeds CV; or
- at or about the time of the rights issue or bonus issue, the Issuer offers Units to the Holders at the same issue price and in the same proportion as if the Holders had been able to participate in the rights issue or bonus issue, whether or not they have the ability to renounce the rights.

Notwithstanding the above, in any reconstruction or alteration of capital, the Minimum CN and Maximum CN must be adjusted so that:

- ➔ a CPU Holder will not receive a benefit that holders of Units do not receive; and
- ➔ CPU Holder does not forego any benefit that it would have received had the reconstruction or alteration of capital not happened.

No other adjustments

Unless otherwise approved by Special Resolution passed at

a separate meeting of CPU Holders and a Special Resolution of members of URF, no adjustment to the methodology for determining the number of Units into which CPUs are Converted may be made as a result of the Responsible Entity undertaking:

- ➔ an issue of Units other than an issue undertaken on a pro rata basis (including a placement, an issue under an off-market takeover bid, an issue under an unitholder purchase plan and an issue under a DRP);
- ➔ a distribution of capital or income to holders of Units; or
- ➔ an on-market buy-back of Units.

Winding up

Unless and until Conversion, if there is a return of capital on a winding up of URF, CPU Holders are entitled to receive out of the assets of URF available for distribution, in respect of each CPU held, a cash payment equal to the aggregate of the Issue Price and any Distribution that the Holder would have been entitled to receive as at the date the Responsible Entity determined to wind up the Fund had the Responsible Entity determined to pay a Standard Distribution and a Deferred Distribution in respect of all periods up to that date that remained unpaid as determined before any return of capital is made to holders of Units or any other class of securities ranking behind the CPUs.

If, upon a winding up of URF, there are insufficient funds to pay in full the amounts referred to above and the amounts payable in respect of any other units in URF ranking as to such distribution equally with the CPUs on a winding up of URF, CPU Holders and the holders of any such other units share in any distribution of assets of URF in proportion to the amounts to which they are entitled respectively.

The CPUs do not confer on CPU Holders any further right to participate in the surplus assets of URF on a winding up or in the property or profits of URF beyond the rights set out above.

Voting Rights

CPUs carry the right for CPU Holders to receive notice of, attend and vote at general meetings of members of URF.

At a meeting of members of URF on a show of hands, each CPU Holder has one vote for each CPU held. On a poll, each CPU Holder has one vote for each dollar of value of all CPUs held. If CPUs are quoted on ASX, the value of CPUs is determined by reference to the last price at which CPUs traded on ASX on the trading day prior to the poll. The voting rights for Units are determined on the same basis. By way of example, if the last prices at which Units and CPUs traded on ASX before a poll were \$2.00 and \$100 respectively, a Unit would entitle an Ordinary Unitholder to cast 1 vote and a CPU would entitle a CPU Holder to cast 50 votes on that poll.

Quotation on ASX

The Responsible Entity must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of CPU on ASX.

Other issues of URF securities

Except as set out above, the CPUs carry no right to participate in any offering of securities by the Responsible Entity.

The issue by the Responsible Entity of any other class of units which rank in priority to the CPUs in respect of distributions or return of capital on a winding up constitutes an alteration of the rights attached to the CPUs. Accordingly, unless and until all the CPUs have been Converted, the Responsible Entity must not, without approval of a Special Resolution passed at a separate meeting of CPU Holders, issue, or permit the conversion of any existing units ranking in priority to the CPUs as to distributions or return of capital on winding up.

The Responsible Entity is at all times authorised to issue further CPUs or other securities ranking equally or behind any existing CPUs as to distributions or return of capital on winding up without approval of a Special Resolution passed at a separate meeting of CPU Holders. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing CPUs.

Amendment

Subject to the Corporations Act, the Responsible Entity may amend the CPU Terms if the amendment has been approved by a Special Resolution passed at a separate meeting of CPU Holders. As the CPU Terms form part of the Constitution, approval by Special Resolution of members of URF is generally also required to amend the CPU Terms.

3.2. Amendments to Constitution

The Constitution contemplates the issue of units of different classes with different rights. However, as the issue of CPUs affects the rights of Ordinary Unitholders by deferring rights to payment of distributions and on a winding up, the Responsible Entity is also amending the Constitution to take account of the issue of CPUs and certain other consequential amendments.

The proposed amendments to the Constitution are summarised below. A complete copy of the Constitution including all proposed amendments will be tabled at the Meeting. Copies will also be provided free of charge on request before the Meeting. If you would like to receive a copy of the proposed amended Constitution please contact Catherine Collins on 1300 883 158 or send an email to Catherine.Collins@walshandco.com.au. A copy will also be released to ASX immediately following the Constitution's amendment.

The key amendments to the Constitution proposed are as follows:

Issue of CPUs

The CPU Terms will be included as a Schedule to the Constitution and a definition of the CPUs and CPU Terms will be added. Clause 4.1 permitting the issue of different classes of units will be amended to expressly permit the issue of CPUs on the CPU Terms.

Application Price

Clause 5 will be amended to expressly permit the initial issue of CPUs at an issue price of \$100 per CPU. Historical provisions dealing with issues of Units in the past will be amended to clarify that they relate to Units and not CPUs.

The provision allowing the Responsible Entity to set the application price payable for units as part of a placement will be updated to reflect the current relief granted by ASIC for issues.

Distributions of Income

Clause 10 will be amended to provide the Responsible Entity with the discretion to pay distributions and to otherwise comply with the CPU Terms with respect to distributions. This includes the obligation to pay distributions to CPU Holders up to the applicable distribution rate before payment of distributions to Unitholders and the obligation to comply with the distribution stopper set out in the CPU Terms. The Responsible Entity will be prohibited from making a distribution to any CPU Holder any additional amount out of the distributable income other than an amount which the CPU Holder is entitled to be paid in accordance with the CPU Terms.

Under the existing Constitution, if in any financial year the Responsible Entity fails to determine the distributable income available for payment to members, the operating income for URF for that financial year is deemed to be the distributable income. As this may unduly restrict distributions that may be paid to members, if the Responsible Entity fails to determine the distributable income in any financial year the default distributable income is defined to be:

- the net income of URF as defined in Section 95(1) of the 1936 Tax Act, excluding any amount that is included in the net income of URF that will not be received by the Responsible Entity; but
- not less than the amount which if distributed would prevent the Responsible Entity being liable to tax on the income of URF.

Distribution reinvestment

The power to implement a distribution reinvestment plan in clause 10.14 will be expanded to permit the Responsible

Entity to issue units of another class and to take any other action which it considers necessary, desirable or reasonably incidental to give effect to the terms of any DRP. This is required to permit CPU Holders to participate in the DRP and receive Units rather than CPUs on reinvestment of distributions.

Winding Up

Amendments will be made to the procedure for distribution of income and surplus assets on termination of URF in clause 21.3 to be consistent with the CPU Terms. This includes the entitlement of CPU Holders to receive a distribution of surplus assets of URF after payment of all liabilities up to the issue price for CPUs and all distributions that would have been paid had the Responsible Entity determined to pay a Standard Distribution and Deferred Distributions as at the date of winding up in priority to Unitholders.

4. Key considerations for Unitholders

4.1. Why Unitholders may vote in favour of the Resolutions

Reasons why Unitholders may choose to vote in favour of the Resolutions include the following:

- **Reduction in interest costs** – URF Notes I bear interest at 7.75% per annum. Until 31 December 2022, CPUs entitle holders to receive distributions in priority to Unitholders at a rate of 6.25% per annum. This will meaningfully reduce the ongoing expenses of URF. For the 12 months to 30 June 2017, URF incurred annual interest expenses on URF Notes I of \$11,625,000. This compares with the annual distribution payable for the first 5 years on a similar number of CPUs which would equate to \$9,375,000.
- **Reduction in leverage ratio** – CPUs are classified as equity for balance sheet classification rather than debt. The issue of CPUs will reduce URF's leverage, helping protect the Fund from restrictive banking covenants, and provide flexibility for the Fund to call on additional leverage as required.
- The issue of CPUs will reduce the Fund's Leverage Ratio from 55% as at 30 June 2017 to 52% (for the minimum subscription) and 45% (for the maximum subscription) based on the unaudited proforma balance sheet as at 30 June 2017. See Section 4.5 for details.
- **Payment of distributions is discretionary** – CPU holders will receive distributions rather than interest, with payments made at the discretion of the Responsible Entity. This provides the Responsible Entity with the opportunity to retain or deploy cash in more

effective ways as operational circumstances require. **Participation in DRP** – Holders of CPU may elect to reinvest distributions in Units through the amended DRP on the same terms as Unitholders being a discount of 5% to the prevailing market price. This provides the Fund with the ability to retain cash otherwise payable to CPU holders and to deploy cash in more effective ways as operational circumstances require.

- An increase in the number of Units on issue may increase the liquidity of Units on ASX providing greater opportunities for Unitholders to trade Units on ASX.
- **Responsible Entity control over conversion** – CPUs convert into a variable number of Units based on the market price of Units traded on ASX over the 10 trading days up to the conversion date, subject to a maximum and minimum number of Units. The Responsible Entity has no obligation to convert CPUs to Units and so may choose an appropriate time to exercise its conversion rights.
- **Potential for favourable tax treatment of distributions** – the conversion of CPUs to Units may increase the liquidity of URF to the extent necessary to obtain relief from withholding tax provisions under US tax law. See Section 4.9 for details.

For the reasons outlined above, the Responsible Entity considers that the CPU Proposal is in the best interests of Unitholders and recommends that Unitholders vote in favour of Resolutions 1 and 2. As a number of the Directors may participate in the CPU Offer, the Responsible Entity does not consider it appropriate to make a recommendation on Resolutions 3 and 4.

4.2. Why Unitholders might vote against the Resolutions

While the Responsible Entity considers it is in the best interests of Unitholders to approve the CPU Proposal, Unitholders may not support the CPU Proposal. Reasons why Unitholders may choose to vote against the Resolutions include the following:

- **Priority** – CPUs will rank ahead of Units for distributions up to the distribution rate of 6.25% to 31 December 2022 and thereafter at 8.75%. CPUs will rank ahead of Units on a distribution of capital on a winding up of the Fund up to the issue price of \$100.00 per CPU. See Section 3.1 for details.
- **Step up in distribution rate** – If the Responsible Entity does not convert CPUs on 31 December 2022, the distribution rate will increase to 8.75% per annum. This is above the current interest rate payable on URF Notes I.

See Section 3.1 for details.

- **Distribution stopper** – if the Responsible Entity does not pay a Standard Distribution equal to the then current distribution rate on CPUs, it may not pay a distribution or undertake an off-market buyback or redemption of Units until the shortfall in distributions are paid. See Section 3.1 for details.
- **Perpetual instruments** – CPUs are perpetual instruments and conversion to Units is discretionary. While the step up in distribution rate from 1 January 2023 provides an incentive to the Responsible Entity to convert CPUs to Units, the Responsible Entity may elect not to do so, maintaining the priority of distributions and return of capital on a winding up outlined above indefinitely. See Section 3.1 for details.
- **Voting rights** – CPUs carry rights to vote at a general meeting of members of URF. URF Notes do not carry voting rights. The issue of CPUs will dilute the collective voting power of Unitholders.
- **Potential dilution** – CPUs convert into a variable number of Units based on the market price of Units traded on ASX over the 10 trading days up to the conversion date less a discount of 2.5%, subject to a maximum and minimum number of Units in respect of the issue price for CPUs. Unitholders' percentage interest in the Fund will be reduced on conversion and the extent of any dilution to Unitholders will depend on the price at which Units trade on ASX up to the date of conversion. See Section 4.6 for details. However, the Responsible Entity is not obliged to convert CPUs to Units and so may determine when is an appropriate time to exercise its conversion rights.

4.3. Use of Proceeds

The principal purpose of the CPU Offer is to improve the balance sheet for URF and to provide working capital to fund URF's ongoing investment strategy and operations generally.

As outlined in Section 2.4, the Responsible Entity will provide holders of URF Notes I the opportunity to exchange their URF Notes for CPUs. URF Notes I repurchased by the Responsible Entity will be cancelled, thereby reducing the number of URF Notes I on issue. No cash will be raised from such an exchange and so the notional proceeds of the issue of these CPUs will be applied solely to redeem URF Notes I.

The cash proceeds on the issue of the remaining CPUs issued under the CPU Offer will be applied to:

- pay the costs of the CPU Offer;
- redeem, in whole or in part, the URF Notes I that remain

on issue on completion of the repurchase of URF Notes I under the CPU Offer;

- accelerate the completion of the renovation pipeline; and
- to fund general corporate activities of the Group.

The allocation of cash raised from the CPU Offer amongst the above will depend on the cash raised from the CPU Offer and the extent to which holders of URF Notes I elect to exchange their notes for CPUs and market conditions.

The Responsible Entity may elect to redeem URF Notes I in whole or in part on 19 December 2017 and each subsequent interest payment date commencing on 31 December 2017. As notice of the proposed redemption must be released on ASX at least 15 business days before the proposed redemption date, the Responsible Entity expects that any redemption of URF Notes I that remain on issue on close of the CPU Offer will take place on either 31 December 2017 or 31 March 2018.

Further information regarding the allocation of the use of proceeds will be announced as the CPU Offer progresses.

4.4. Impact on financial position

The unaudited summary pro-forma statements of financial position set out below represents the audited statement of financial position of the Fund as at 30 June 2017 released by the Responsible Entity on 15 September 2017 in summary form, adjusted to take account of post-balance date transactions and implementation of the CPU Proposal. They are intended to be illustrative only and they neither reflect the actual position of the Fund as at the date of this Booklet nor on implementation of the CPU Proposal. In particular, they do not reflect actual expenditure of funds since 30 June 2017.

References to 'pro-forma' information are non-IFRS financial Information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial Information) issued in June 2016. Non-IFRS financial information has not been subject to audit or review.

Unaudited summary proforma statements of financial position

\$'000 (unless otherwise stated)	Auditor reviewed 30 June 2017	Minimum subscription - \$100 million	\$200 million raising	Maximum subscription - \$300 million
Cash and cash equivalents	179,463	118,925	216,875	314,825
Investment properties	1,047,639	1,047,639	1,047,639	1,047,639
Investments in jointly controlled entities	26,964	26,964	26,964	26,964
Other assets	71,454	71,454	71,454	71,454
Total assets	1,325,520	1,264,982	1,362,932	1,460,882
Borrowings	710,327	561,964	561,964	561,964
Other liabilities	116,078	98,558	98,558	98,558
Total liabilities	826,405	660,522	660,522	660,522
Net assets	499,115	604,460	702,410	800,360
Unit capital	464,559	473,591	473,591	473,591
CPU capital	-	97,950	195,900	293,850
Reserves	111,977	111,977	111,977	111,977
Accumulated losses	-77,421	-79,058	-79,058	-79,058
Total equity	499,115	604,460	702,410	800,360
Units on issue (# '000)	350,383	412,381	469,361	526,341
Pre-tax diluted NAV (\$/unit)	1.68	1.68	1.69	1.69
Post-tax diluted NAV (\$/unit)	1.43	1.47	1.5	1.52

Notes:

- The column headed "Auditor reviewed 30 June 2017" reflects the financial position of the Fund as at 30 June 2017 in summary form as set out in the auditor reviewed half yearly financial statements of the Fund as at that date.
- The column headed "Minimum Subscription - \$100 million" reflects the column headed "Auditor-reviewed 30 June 2017" adjusted as if the following took place as at 30 June 2017:
 - in respect of the half year to 30 June 2017, the payment of a cash distribution for the half year to 30 June 2017 of \$8,488,000 to holders of Units and the issue of units at \$1.80/Unit under the DRP (totalling \$9,032,000);
 - the issue of 1 million CPUs to raise gross proceeds of \$100 million
 - the application of net proceeds of the CPU Offer of \$97,950,000 to reduce in part the principal outstanding under the URF Notes I; and
 - payment of costs of the Issue of \$2,050,000.
- The column headed "\$200 million Raising" reflects the column headed "Auditor-reviewed 30 June 2017" adjusted as if the following took place as at 30 June 2017:
 - in respect of the half year to 30 June 2017, the payment of a cash distribution for the half year to 30 June 2017 of \$8,488,000 to holders of Units and the issue of units at \$1.80/Unit under the DRP (totalling \$9,032,000);
 - the issue of 2 million CPUs to raise gross proceeds of \$200 million;
 - the application of net proceeds of the CPU Offer of \$150,000,000 to redeem the URF Notes I in full; and

- iv. payment of costs of the Issue of \$4,100,000.
4. The column headed "Maximum Subscription - \$300 million" reflects the column headed "Auditor-reviewed 30 June 2017" adjusted as if the following took place as at 30 June 2017:
- i. in respect of the half year to 30 June 2017, the payment of a cash distribution for the half year to 30 June 2017 of \$8,488,000 to holders of Units and the issue of units at \$1.80/Unit under the DRP (totalling \$9,032,000);
 - ii. the issue of 3 million CPUs to raise gross proceeds of \$300 million;
 - iii. the application of net proceeds of the CPU Offer of \$150,000,000 to redeem the URF Notes I in full; and
 - iv. payment of costs of the Issue of \$6,150,000.
5. The unaudited summary proforma statements of financial position have been prepared applying the accounting policies applied in preparing the audited financial statements for the financial year ended 30 June 2017.
6. Figures have been rounded to the nearest \$100,000. Totals may not sum due to rounding.
7. The line headed "Units on issue (# '000)" reflects the Units on issue at 30 June 2017, and the number of Units based on the unaudited proforma balance sheet set out above the relevant item as if the CPUs had been issued and then immediately converted to Units as at 30 June 2017 based on a theoretical Conversion VWAP of \$1.80.
8. The line headed "Pre-tax diluted NAV (\$/unit)" reflects the pre-tax net tangible asset backing per Unit as at 30 June 2017 based on the Units on issue in the unaudited proforma balance sheet set out above the relevant item.
9. The lines headed "Post-tax diluted NAV (\$/unit)" reflects the post-tax net tangible asset backing per Unit as at 30 June 2017 based on the Units on issue in the unaudited proforma balance sheet set out above the relevant item.

4.5. Impact on key financing ratios

The URF prospectus for the offer of URF Notes provided information regarding certain historical and financial ratios based on the funds to be raised under these prospectuses.

Ratio	Auditor reviewed 30 June 2017	Minimum subscription - \$100 million	\$200 million raising	Maximum subscription - \$300 million
Leverage Ratio	55%	52%	48%	45%
Leverage Ratio (look through) ¹	55%	54%	50%	47%
Gearing Ratio	159%	133%	115%	101%
Gearing Ratio (look through) ²	166%	140%	120%	105%
Working Capital Ratio	11x	17x	22x	27x

The above ratios have been calculated on the following bases:

Gearing Ratio

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

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

Leverage Ratio

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

$$\text{Leverage Ratio} = \frac{(\text{Gross Debt})}{(\text{Gross Assets})}$$

The Gearing Ratio and the Leverage Ratio indicate the extent to which the assets of the Issuer are funded by debt. Generally, a higher ratio indicates greater use of borrowings to fund a business.

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

Working Capital Ratio

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

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

4.6. Conversion and dilution

CPUs are perpetual instruments and carry no redemption rights. However, CPUs may be converted to Units by the Responsible Entity on the first day of a Distribution Period from 1 January 2023. CPU Holders may also elect to convert all of their CPUs to Units if the Responsible Entity has breached its obligations under the distribution stopper referred to above.

Subject to a minimum and maximum conversion threshold, in respect of the issue price for CPUs, CPUs convert to Units at the VWAP of Units over the 10 trading days up to the conversion date. See Section 3.1 for details of the precise conversion mechanics.

The initial Maximum Conversion Number is 205 effectively providing CPU holders with equity participation below a Unit price of \$0.50

The initial Minimum Conversion Number is 44 effectively providing CPU holders with equity participation above a Unit price of \$2.33.

The tables below illustrate the impact of conversion of CPUs to Units on the capital structure of URF.

Proforma Capital Structure

Minimum Raising	\$1.80 VWAP ⁴		Maximum Conversion Number ⁵		Minimum Conversion Number ⁶	
	Number	%	Number	%	Number	%
\$100 million¹						
Existing Units	355,400,553	86.18	355,400,553	63.42	355,400,553	88.98
Converted Units	56,980,056	13.82	205,000,000	36.58	44,000,000	11.02
Total	412,380,609	100	560,400,553	100	399,400,553	100

Minimum Raising	\$1.80 VWAP ⁴		Maximum Conversion Number ⁵		Minimum Conversion Number ⁶	
	Number	%	Number	%	Number	%
\$200 million²						
Existing Units	355,400,553	75.72	355,400,553	46.43	355,400,553	80.15
Converted Units	113,960,113	24.28	410,000,000	53.57	88,000,000	19.85
Total	469,360,666	100.00	765,400,553	100.00	443,400,553	100.00

Minimum Raising	\$1.80 VWAP ⁴		Maximum Conversion Number ⁵		Minimum Conversion Number ⁶	
	Number	%	Number	%	Number	%
\$300 million³						
Existing Units	355,400,553	67.52	355,400,553	36.62	355,400,553	72.92
Converted Units	170,940,170	32.48	615,000,000	63.38	132,000,000	27.08
Total	526,340,723	100.00	970,400,553	100.00	487,400,553	100.00

Notes:

1. The table headed "Minimum Raising \$100 million" sets out the proforma capital structure assuming that the Responsible Entity issues 1 million CPUs to raise gross proceeds of \$100 million.
2. The table headed "\$200 million Raising" sets out the proforma capital structure assuming that the Responsible Entity issues 1 million CPUs to raise gross proceeds of \$200 million.
3. The table headed "Maximum Raising \$300 million" sets out the proforma capital structure assuming that the Responsible Entity issues 3 million CPUs to raise gross proceeds of \$300 million.
4. The column headed "\$1.80 VWAP" sets out the proforma capital structure assuming that the VWAP at conversion of CPUs is \$1.80.

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5. The column headed "Maximum Conversion Number" sets out the proforma capital structure assuming that the VWAP at conversion (after application of the 2.5% discount under the CPU Terms) is below \$0.50 resulting in the conversion of each CPU into 205 Units.
6. The column headed "Minimum Conversion Number" sets out the proforma capital structure assuming that the VWAP at conversion (after application of the 2.5% discount under the CPU Terms) is above \$2.33 resulting in the conversion of each CPU into 44 Units.
7. The above tables are based on the number of Units on issue as at 31 October 2017.
8. The above tables assume that all Standard Distributions are paid and there are no Deferred Distributions as at the conversion date.

4.7. Impact on distributions

Historical Unit Distributions and URF Notes I Interest Payments	2015	2016	2017
URF Notes I Interest Payments	7.89%	7.76%	3.86%
Unit Distributions	5.56%	5.56%	2.78%

The interest rate for the URF Notes I is 7.75% per annum compared to the distribution rate for CPUs for the period to 31 December 2023 of 6.25% per annum. As URF has historically paid all income to unitholders as distributions and the net effect of the CPU issue on a per security basis is to reduce the cash outflows of URF, the replacement of URF Notes I by CPUs should result in higher income available for distributions. This is illustrated in the table below which sets out interest payments made on URF Notes I and distributions to holders of Units in the financial years ended 31 December 2015 and 2016 and the half year to 30 June 2016.

Notes:

1. Historical distributions and interest payments from the period of URF Notes I issue on 19 December 2014 to June 30 2017.
2. Percentages expressed as a portion of Face Value (\$100) for URF Notes I interest payments, and the Unit price (\$1.80) as at 11 October 2017 for Unit distributions

Unitholders are reminded that the proceeds of the issue of CPUs may be used for purposes other than redeeming URF Notes I and so the net outflows from URF through the payment of distributions on CPUs may be higher than the interest payments of URF Notes I to be redeemed.

4.8. Taxation implications

Outlined below is a general summary of the key Australian income tax (consequences for Australian resident individuals, companies and complying superannuation entities who subscribe for the CPUs pursuant to the Offer and hold the Units on capital account for Australian income tax purposes (Investors).

It should be noted that the Responsible Entity has been in discussions with the Australian Taxation Office (ATO) to confirm some of the conclusions outlined below and has sought a private ruling in relation to these matters. At the date of the issue of this Booklet, the ATO have not indicated any contrary view. The Responsible Entity does not anticipate that the outcome of its ruling application will be known by the time of the Meeting.

Investors should be aware that the actual Australian tax and stamp duty implications of investing in the Fund may differ from those summarised, depending on the individual circumstances of each Investor.

For example, complying superannuation funds with pension liabilities may be exempt from income tax on some or all of the income derived and thus some of the income tax commentary below may not be relevant to these Investors. Similarly, Investors subject to the Taxation of Financial Arrangements regime may be taxable upon different bases, depending upon which elections they have made.

Investors should seek advice from their own professional taxation adviser regarding the Australian tax consequences of acquiring, holding and selling the Units in the Fund, having regard to their particular circumstances.

Investors should also be aware that the tax laws can change with either prospective or retrospective effect.

Implications for URF

Income tax status of the Fund

The Fund should be treated as a “flow through” entity for Australian income tax purposes. That is, the Fund should not be liable to pay income tax on net (i.e. taxable) income for an income year, provided that unitholders are presently entitled to the distributable income of the trust for the income year.

For income tax purposes, the Fund may be taxed like a company if it is a “public trading trust”. Whilst the Fund is

listed on the ASX it will be a public trading trust if it is a trading trust. However, provided that the Fund and the entities that the Fund controls (or has the ability to control, either directly or indirectly) do not carry on a “trading business”, the Fund should not be treated as a public trading trust. It is not expected that the Fund will be a public trading trust.

The Fund is a “managed investment trust” (MIT) for Australian income tax purposes. The Fund has made an irrevocable election (**the MIT capital election**) to apply the capital gains tax (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). In this regard, capital gains made by the Fund from the realisation of investments covered by the MIT capital election that have been held for 12 months or more should qualify for discount CGT treatment.

The Fund can also make an irrevocable election to be treated as an Attributable Managed Investment Trust (**the AMIT election**). However, the Fund does not intend to make this election whilst the CPUs are on issue.

Should it be the case that the Fund does make an AMIT election, the CPUs may be treated as debt for Australian income tax purposes. As such, coupons paid would simply be treated as assessable interest income and be tax deductible to URF (to the extent allowable under the thin capitalisation rules) instead of the analysis outlined below.

Net income of the Fund

Investors that are presently entitled to a share of the distributable income of the Fund and not under a legal disability (eg minors) should be required to include in their assessable income their proportionate share of the Fund’s net income for each relevant income year. The following provides a broad overview of how the net income of the Fund might be calculated.

The net income of the Fund may include:

- ➔ Distributions paid to the Fund or credited to the account of the Fund;
- ➔ Foreign exchange gains and losses attributable to Australian currency exchange rate movements in respect of distributions made to the Fund;
- ➔ Interest income on term deposits and cash equivalent investments held by the Fund; and
- ➔ Net capital gains (discounted and undiscounted)

The net income of the Fund may also include an amount of income that is calculated under Australia’s controlled foreign company (CFC) rules. Given the Fund’s controlled foreign companies are in the US (a listed country) it is not expected that any amounts would be attributed to the Fund under the CFC rules.

The net income of the Fund is reduced by allowable deductions including income tax losses carried forward.

As at 30 June 2017, the Fund had approximately \$70 million of tax losses. These tax losses were not distributable to Investors. Instead, the tax loss may be able to be carried forward and utilised by the Fund to offset future assessable income when determining the net income, provided that the Fund satisfies the applicable trust loss recoupment rules.

Similarly, any net capital losses can be carried forward by the Fund to be utilised to offset future net capital gains.

Implications for Investors

Acquisition of CPUs

Each CPU will be a CGT asset. For CGT purposes, the cost base (and reduced cost base) of each Unit held by an Investor should include the amount that the Investor paid to acquire the Unit, plus (among other things) any incidental costs of acquisition and disposal.

Distributions from the Fund

Investors not under a legal disability (eg minors) will be assessed in the same income year in which the Fund derives its income. Investors will be required to include their proportionate share of the Fund's net income in their assessable income for each relevant income year.

Each component of the Fund's net income should retain its tax character in the hands of Investors for Australian income tax purposes. Distributions may include foreign income, net capital gains and other income.

If a net capital gain included in the taxable income of the Fund is a discount capital gain, Investors should be required to gross up the amount of the capital gains included in their assessable income. Investors may apply to any available capital losses and any remaining discount capital gains may be eligible for the CGT discount (see the discussion on the disposal of Fund units below).

In the event that foreign tax is imposed on income derived by the Fund, Investors may be entitled to a foreign income tax offset (FITO) in respect of these taxes. In some circumstances, Investors may also be entitled to a FITO for foreign tax paid by the LP. A FITO that may be claimed by an Investor in a year of income is broadly calculated as the lesser of the Investor's share of the amount of the foreign taxes paid by the Fund and the offset limit. Broadly, the offset limit is the greater of \$1,000 and the amount of the Australian income tax payable on an Investor's foreign source income on which foreign tax has been incurred and other assessable foreign source income. A FITO that is not utilised in the year it is derived cannot be carried forward to a later income year.

The Fund may make cash distributions to Investors in excess

of the net income of the Fund. Such distributions may arise as a result of:

- ➔ "Tax deferred" distributions (e.g. returns of capital or income sheltered by tax losses); and
- ➔ "CGT concession" amounts (i.e. the discount component of net capital gains derived by the Fund).

Tax deferred distributions should not be immediately assessable to Investors but, for CGT purposes, will reduce the cost base (and reduced cost base) of an Investor's units in the Fund (but not below nil). If the cost base of units is reduced to nil, Investors will make a capital gain on any further tax deferred distributions received. Any such capital gain may be eligible for discount CGT treatment, depending on whether an Investor has held the Units in the Fund for at least 12 months. Certain integrity provisions may also apply (refer below).

Under the current law, distributions of CGT concession amounts are not assessable to Investors and should not affect the cost base (or reduced cost base) of an Investor's units in the Fund for CGT purposes. However, it should be noted that the Government announced on 19 July 2017 that the Government will clarify that Investors in MITs will be required to adjust the cost base of their units in the MIT when it distributes an amount claimed to be non-assessable (the CGT concession amount). This will mean that Investors in MITs will no longer be able to exclude the distributions they receive in relation to these non-assessable amounts in recalculating their cost base.

This change will apply to distributions made in relation to the 2017-18 income year and future income years.

Investors will be provided with an annual statement setting out the details of assessable income arising from their investment in the fund.

Conversion of CPUs

Any capital gain or capital loss made from converting the CPUs should be ignored. Instead, Investors should be entitled to roll-over their cost base of the CPUs into the ordinary units.

However, it should be noted that the Units may be taken to have been acquired on the conversion day. This is important because any capital gains tax discount (see below) may not be available if these ordinary units are disposed of within 12 months.

Sale of CPUs

A sale of the CPUs will constitute a disposal for CGT purposes, and may result in a capital gain or capital loss for an Investor.

A capital gain will arise to the Investor where the capital proceeds received from the sale or redemption of the CPUs are greater than the cost base for CGT purposes. A capital loss will arise if the capital proceeds on sale or redemption are less than the reduced cost base of the CPUs for CGT

purposes.

Discount CGT treatment may be available to reduce the capital gain realised by the Investor on the sale or redemption of CPUs. If CPUs had been held for at least 12 months, the Investor may, after offsetting capital losses of the Investor, be able to discount the resulting capital gain by one half in the case of an individual or trust, or by one third in the case of a complying superannuation entity. Companies are not entitled to discount CGT treatment.

Investors who dispose of their CPUs within 12 months of acquiring them or dispose of them under an agreement entered into within 12 months of acquiring the CPUs will not be eligible for discount CGT treatment.

Integrity rules exist which can prevent the CGT discount being applied to capital gains arising from the disposal of CPUs where a majority of the underlying CGT assets of the Fund, by value, have not been held for at least 12 months. These integrity rules should not apply if:

- an Investor (together with its associates) beneficially owns less than 10% of the CPU in the Fund just prior to the disposal; or
- the Fund has at least 300 Investors and the ownership of the Fund is not concentrated (ownership will be concentrated if 20 or fewer individuals own, directly or indirectly, at least 75% of the income, capital or voting interests in the Fund).

Any capital gain or capital loss realised by an Investor in respect of the CPUs should be aggregated with any other capital gains or capital losses that the Investor may have in that year, less any available net capital losses from prior income years, discounts or reductions, to determine the Investor's net capital gain or net capital loss for that year.

A net capital gain is included in the Investor's assessable income. A net capital loss can only be offset against capital gains. Net capital losses may be carried forward and offset against future taxable capital gains.

Withholding of tax from distributions

The Responsible Entity is required to deduct Pay-As-You-Go withholding tax from distributions paid to Investors at the highest marginal tax rate plus the Medicare levy (currently 49%) if the Investor has not quoted either their tax file number or Australian business number, and none of the relevant exemptions apply. Investors should generally be entitled to a tax credit for any such tax withheld.

4.9. US Withholding Tax

The Fund holds its interests in US residential property indirectly through the US Masters Residential Property (USA)

Fund, a non-wholly owned controlled entity of URF which is a Maryland real estate investment trust (**US REIT**).

During 2015, the US government passed legislation that has the potential to eliminate or significantly reduce withholding tax on distributions of capital gains made by US REIT, provided certain specified criteria are satisfied. If all qualifying criteria are satisfied in a year where a capital gain is realised and distributed, then such distribution would be subject to withholding at the lower operating profit distribution rate of 15%, instead of the current rate of 35%.

Historically, the Group has not consistently satisfied all of the criteria necessary to qualify for the reduction in the rate of withholding tax, but may do so in the future. However, because (based on historical experience) the Group was not expected to satisfy all necessary criteria in future years to qualify for the reduced withholding tax rate, a deferred tax liability at 35% in respect of the temporary differences has continued to be recognised in the Condensed Consolidated Statement of Financial Position of the Group at balance date.

One of the criteria available to URF for obtaining relief from the 35% withholding is that URF has on issue securities that are publicly traded. To satisfy this requirement, more than 10% of Units must be traded in any 12-month period. Historically URF has not reached this trading level. If CPUs are issued and converted to Units, there is the potential for the increased capital of URF to promote greater liquidity which in turn may enable URF to satisfy this criterion for relief from US withholding tax.

5. Additional Information

This Section includes additional information that the Responsible Entity considers is material to the decision on how to vote on the Resolutions to be considered at the Meeting. This Section summarises the Listing Rule requirements relevant to the Resolutions.

5.1. Listing Rule disclosure – Resolution 2 – issue of CPUs

The following information is provided in accordance with Listing Rule 7.3:

- The maximum number of CPUs to be issued in accordance with the Resolutions is 3 million;
- The initial Maximum Conversion Number is 205 equating to an effective minimum conversion price of \$0.50. If the maximum number of CPUs are issued and at conversion there are no Distributions outstanding, the initial maximum number of Units into which the CPUs convert is 615

million Units representing 63.38% of the post-conversion capital of URF based on the current capital structure of URF. The Maximum Conversion Number and Minimum Conversion Number may adjust in limited circumstances. See Section 3.1 for details.

- The CPUs will be issued as soon as practicable after close of the CPU Offer and in any event within 3 months of passage of the Resolutions.
- The issue price for the CPUs is \$100 per CPU.
- The CPUs will be issued to applicants for CPUs under the PDS. Applicants for CPUs may include holders of URF Notes I who elect to exchange their URF Notes I for CPUs.
- The terms of the CPUs are summarised in Section 3.1 and are set out in full in Schedule 2.
- The intended use of funds raised from the issue of CPUs is set out in Section 4.3.

5.2. Listing Rule disclosure – Resolution 3 – issue of CPUs to Directors

Each of Resolutions 3(a) to 3(j) refers to the proposed issue of up to 55,580 CPUs (Participation Units) to the related parties of the Fund named in the relevant Resolution pursuant to the CPU Offer.

Listing Rule 10.11 requires the Responsible Entity to obtain the approval of unitholders before issuing equity securities to a related party of the Fund. For these purposes, a “related party” includes a director of the Responsible Entity and a director of any entity that controls the Responsible Entity and entities controlled by them.

Accordingly, approving each of the Resolutions permits the persons named in the Resolutions, being directors of the Responsible Entity, an entity that controls the Responsible Entity, and their associated entities (Participating Directors), to participate in the PDS Offer by acquiring CPUs up to the maximum set out for that director in the table below.

Participating Director	Relationship of Participating Director to Responsible Entity	Maximum CPUs
Alan Dixon	Alan Dixon is a director of Evans Dixon Pty Limited (ED) and Dixon Advisory Group Pty Limited (DAG), being entities that control the Responsible Entity.	30,000
Daryl Dixon	Daryl Dixon is a director of DAG being an entity that controls the Responsible Entity.	13,000
Tristan O’Connell	Tristan O’Connell is a director of the Responsible Entity and a director of DAG.	350
Alex MacLachlan	Alex MacLachlan is a director of the Responsible Entity and Walsh & Company Group Pty Limited (WCG), being an entity that controls the Responsible Entity.	500
Nerida Cole	Nerida Cole is a director of DAG, being an entity that controls the Responsible Entity.	300
Patrick Broughton	Patrick Broughton is a director of ED, being an entity that controls the Responsible Entity.	5,850
Chris Brown	Chris Brown is a director of ED and DAG, being entities that control the Responsible Entity.	1,170
Max Walsh	Max Walsh was a director of DAG within the last 6 months, being an entity that controls the Responsible Entity.	3,500
Tom Kline	Tom Kline is a director of WCG, being an entity that controls the Responsible Entity	610
Warwick Keneally	Warwick Keneally is a director of the Responsible Entity	300

ASX Listing Rule 10.13.5 requires this Explanatory Memorandum to state the proposed issue price for CPUs to be issued. The Participation Units will be issued at \$100.00 per CPU.

Subject to Unitholder approval of each of Resolutions 3(a) to 3(j), the Participating Director named in the relevant Resolution will participate in the acquisition of the Participation Units outlined in the table above on the same terms and conditions as Unitholders who participate in the PDS Offer.

The proceeds of the issue of the Participation Units will be used by the Fund in the same manner as the capital raised pursuant to the CPU Offer, as outlined in Section 4.3.

The issue and allotment of the relevant Participation Units will take place after the later of, the passage of the relevant Resolution and the issue of CPUs to participants under the CPU Offer by the Responsible Entity, and in any event within one month of the date of this Meeting.

If any of Resolutions 3(a) to 3(n) is approved (meaning that approval is given under Listing Rule 10.11), approval is not required under Listing Rule 7.1 to the issue of the relevant Participation Units.

5.3. Listing Rule disclosure – Resolution 4 – issue of Units to Directors

Each of Resolutions 4(a) to 4(j) refers to the potential issue of Units to the related parties of the Fund named in the relevant Resolution as a result of their participation in the DRP.

Listing Rule 10.11 requires the Responsible Entity to obtain the approval of unitholders before issuing equity securities to a related party of the Fund. For these purposes, a “related party” includes a director of the Responsible Entity and a director of any entity that controls the Responsible Entity and entities controlled by them.

Approval is being sought for the Participating Directors to subscribe for Units on reinvestment of Distributions received in respect of the CPUs for the Distribution Period to 30 June 2018 on the same terms as other investors. Under Listing Rule 10.12 exception 3, an issue of Units to directors and other related parties under a distribution reinvestment plan is an exception to Listing Rule 10.11. However, as the CPUs will not be the primary class of securities in URF on issue, the ASX considers that the DRP exception in Listing Rule 10.12 exception 3 is not available to directors and other related parties applying for Units on reinvestment of distributions paid on CPUs.

Accordingly, approving each of the Resolutions permits the Participating Directors, to participate in the DRP.

The following additional information is provided in respect of Resolution 4:

- The names of the Participating Directors are set out in Section 5.2.
- The number of Units to be issued is the number determined by dividing the Distribution paid on CPUs held by the Participating Director divided by 95% of the VWAP of Units traded on ASX over the 10 trading days up to the record date for that Distribution.
- The Units will be issued as soon as practicable after payment of the Distribution for the initial Distribution Period to 30 June 2018 at the same time and on the same terms as Units to be issued to unrelated CPU holders under the DRP. This is anticipated to be on or about 15 August 2018. In any event this issue will be completed by the date 9 months from the date of the Meeting.
- The issue price for Units issued under Resolution 4 will be 95% of the VWAP of Units traded on ASX over the 10 trading days up to the record date for that Distribution.
- The proceeds of the issue of the Units will be applied by the Fund to provide working capital to fund URF’s ongoing investment strategy and operations generally.
- If any of Resolutions 4(a) to 4(j) is approved (meaning that approval is given under Listing Rule 10.11), approval is not required under Listing Rule 7.1 to the issue of the relevant Units.

The number of Units to be issued to Participating Directors under Resolution 4 will depend on, among other things, the Distribution paid, the number of CPUs held by the Participating Director, the relevant issue price for Units and the extent to which the Participating Director participates in the DRP.

The following worked examples illustrate the number of Units that may be issued to Participating Directors on the basis of the assumptions set out below:

Distribution	VWAP	Issue Price	Number of Units
\$180,825	\$2.20	\$2.09	86,519
\$180,825	\$1.80	\$1.71	105,746
\$180,825	\$1.20	\$1.14	158,619

The above worked examples assume the following:

- (a) The Participating Directors are issued 55,580 CPUs under the CPU Offer on 22 December 2017 being the maximum number of CPUs that may be issued to Participating Directors if Resolution 3 is passed.
- (b) The Responsible Entity pays a Standard Distribution at the distribution rate of 6.25% per annum on all CPUs.

- (c) All Participating Directors participate in the DRP in respect of all of their CPUs.

→ any other aspects of this Booklet.

5.4. Listing Rule Waivers

Listing Rule 10.13.3 requires Units issued under an approval granted under Listing Rule 10.13 to be completed within 1 month of the meeting to approve the issue. ASX has granted a waiver of Listing Rule 10.13.3 in respect of the issue the subject of Resolution 4 on the basis that any issue of Units to directors and other related parties on reinvestment of Distributions paid in respect of CPUs is completed within 9 months of passage of the Meeting.

Listing Rule 10.13.5 requires a notice of meeting to state the issue price of Units when seeking approval for an issue of Units to directors and other related entities under Listing Rule 10.11. ASX has granted a waiver from this requirement in respect of Resolution 4.

These waivers are granted subject to the following conditions:

- (a) the Units are issued:
- (i) no later than nine months after the date of the meeting, and otherwise on the same terms as approved by Unitholders; and
 - (ii) at the same time and on the same terms as Units to be issued to unrelated CPU holders under the DRP;
- (b) the notice of meeting includes the formulae by which the number of Units to be issued and the issue price will be calculated;
- (c) the Fund's annual report for any period during which Units are issued to related party CPU holders under the DRP discloses details of the units that were issued; and
- (d) the terms of the waiver are included in the Notice.

5.5. Voting on the Resolutions

Resolution 1 is a special resolution and requires approval by a majority of 75% of votes cast on the Resolution by eligible Unitholders at the Meeting. Resolutions 2-4 require approval by a simple majority of votes cast by eligible Unitholders at the Meeting. The Notice of Meeting sets out the voting restrictions that apply to the Resolutions.

5.6. Independent advice

Unitholders should consult their legal, financial, taxation or other professional adviser if they have any queries regarding:

- the Resolutions; or

6. Glossary

6.1. Defined Terms

The following terms used in this Booklet (including the Notice of Meeting in Appendix 1 to this Booklet) have the meanings given to them below, unless the context otherwise requires.

AMIT	An election to be treated as an Attributable Managed Investment Trust.
Associate	has the same meaning as in the Corporations Act
ASIC	Australian Securities & Investment Commission
Board	the board of Directors of the Responsible Entity
Booklet or Explanatory Memorandum	this explanatory memorandum (also referred to as the Unitholder Booklet or Booklet) dated 15 November 2017
Call Date	the date on which the Responsible Entity may redeem URF Notes I prior to the scheduled maturity date being 19 December 2017 and thereafter every subsequent 31 December, 31 March, 30 June or 30 September.
CFC	Controlled foreign corporation
CGT	capital gains tax
Constitution	the constitution of URF from time to time.
Corporations Act	Corporations Act 2001 (Cth)
CPU	perpetual convertible cumulative step-up preference units to be issued by the Responsible Entity on the CPU Terms
CPU Offer	the offer to issue up to 3 million CPUs to be made by the Responsible Entity
CPU Proposal	the issue of the CPUs under the CPU Offer as described in this Booklet including the approval of the issue of CPUs and amendment of the constitution to permit the issue of CPUs

CPU Terms	the proposed terms of issue of the CPUs set out in Schedule 2	Rollover	the exchange of CPUs for URF Notes I under the CPU Offer.
Directors	the directors of the Responsible Entity	Unitholder	a registered holder of Units
DRP	the URF distribution reinvestment plan as amended from time to time.	Units	ordinary units in the Fund
FITO	Foreign income tax offset	URF	US Masters Residential Property Fund (ARSN 150 256 161)
Fund	US Masters Residential Property Fund (ARSN 150 256 161)	URF Notes	URF Notes I, URF Notes II and URF Notes III
Group	URF and its controlled entities.	URF Notes I	URF Notes I issued by the Responsible Entity on 24 December 2014 and trading under the ASX code URFHA
Issue Price	\$100.00 per CPU.	URF Notes II	URF Notes II issued by the Responsible Entity on 23 October 2015 and trading under the ASX code URFHB
Meeting	the meeting of Unitholders to be convened on 8 December 2017. The notice convening the Meeting is contained in Appendix 1 of this Booklet	URF Notes III	URF Notes III issued by the Responsible Entity on 20 February 2017 and trading under the ASX code URFHC
MIT	A “managed investment trust for Australian income tax purposes.		
MIT capital election	An irrevocable election to apply the CGT rules as the primary code for the taxation of gains and losses on the disposal of assets.		
NAV	Pre-tax net tangible asset backing per Unit		
Notice of Meeting	the notice for the Meeting dated 15 November 2017, as set out in Appendix 1 of this Booklet		
Participating Directors	Has the meaning given in Section 5.2.		
Participation Units	Has the meaning given in Section 5.2		
PDS	the product disclosure statement to be issued by the Responsible Entity in relation to the CPU Offer.		
Priority Offer	the priority offer to be made to Unitholders and holders of URF Notes described in Section 2.4.		
Registry	Boardroom Pty Limited		
Resolutions	the resolutions set out in the Notice of Meeting		
Responsible Entity	Walsh & Company Investments Limited (ACN 152 367 649) as responsible entity for the Fund		

6.2. Additional defined terms

Unless expressly defined above, terms defined in the CPU Terms have the same meaning in this Booklet.

Schedule 1

Notice of Meeting

(ARSN 150 256 161)

Notice of Meeting for the Meeting of Unitholders

To be held at 10:00am (Sydney time) on 8 December 2017 at Level 15, 100 Pacific Highway, North Sydney NSW 2060

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.

This Notice of Meeting is an appendix to an Explanatory Memorandum. The Explanatory Memorandum and its appendices have been prepared to assist Unitholders in determining whether or not to vote in favour of the Resolutions set out in this Notice of Meeting.

The Explanatory Memorandum and its appendices should be read in conjunction with this Notice of Meeting.

You are encouraged to attend the meeting, but if you cannot, you are requested to complete and return the enclosed proxy form without delay to:

Address: GPO Box 3993, Sydney NSW 2001 Australia

Fax number: +61 2 9290 9655

Business

The business of the meeting is to consider the following proposed resolution.

Resolution 1 – Amendment of Constitution

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

“That, conditional on the passage of Resolution 2, the Constitution be amended in the manner set out in the document tabled at the Meeting and initialled by the Chairman for identification being in the form outlined in the Explanatory Memorandum.”

Without limitation, Section 601GC(1)(a) of the Corporations Act 2001 is relevant to this Resolution.

Voting Exclusion Statement:

Under section 253E of the Corporations Act, the Responsible Entity and its Associates may not vote on the Resolutions as they have an interest in the Resolutions other than as a member of the Fund.

Resolution 2 – Issue of CPUs

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, conditional on the passage of Resolution 1, the issue of up to 3,000,000 CPUs at an issue price of \$100.00 per CPU and otherwise on the terms and conditions set out in the Explanatory Memorandum, is authorised and approved.”

Without limitation, Listing Rule 7.1 is relevant to this Resolution. The voting exclusion statement for this Resolution is set out below.

Voting Exclusion Statement:

The Fund will disregard any votes cast on Resolution 2 by a person who may participate in the proposed issue of CPUs and a person who might obtain a benefit Resolution 2 is passed (except a benefit obtained solely in the capacity as a holder of Units) and an associate of those persons.

However, the Fund need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the person chairing the meeting as proxy for a person who

is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, under section 253E of the Corporations Act, the Responsible Entity and its Associates may not vote on the Resolutions as they have an interest in the Resolutions other than as a member of the Fund.

Resolution 3 – Approval for Directors to Acquire CPUs

To consider, and if thought fit, to pass the following resolutions as separate **ordinary resolutions**:

- a. *“That, conditional on the passage of Resolutions 1 and 2, the issue of up to 30,000 CPUs to Alan Dixon or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”*
- b. *“That, conditional on the passage of Resolutions 1 and 2, the issue of up to 13,000 CPUs to Daryl Dixon or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”*
- c. *“That, conditional on the passage of Resolutions 1 and 2, the issue of up to 350 CPUs to Tristan O’Connell or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”*
- d. *“That, conditional on the passage of Resolutions 1 and 2, the issue of up to 500 CPUs to Alex MacLachlan, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”*
- e. *“That, conditional on the passage of Resolutions 1 and 2, the issue of up to 300 CPUs to Nerida Cole or an entity under her control or otherwise associated with her, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”*
- f. *“That, conditional on the passage of Resolutions 1 and 2, the issue of up to 5,850 CPUs to Patrick Broughton or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”*
- g. *“That, conditional on the passage of Resolutions 1 and 2, the issue of up to 900 CPUs to Chris Brown or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”*
- h. *“That, conditional on the passage of Resolutions 1 and 2, the issue of up to 3,500 CPUs to Max Walsh or an*

entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”

- i. *“That, conditional on the passage of Resolutions 1 and 2, the issue of up to 610 CPUs to Tom Kline or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”*
- j. *“That, conditional on the passage of Resolutions 1 and 2, the issue of up to 300 CPUs to Warwick Keneally or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”*

Without limitation, Listing Rule 10.11 is relevant to these Resolutions.

Voting Exclusion Statement:

The Fund will disregard any votes cast on:

- a. Resolution 3(a) by the applicant for CPUs under that Resolution and any of its associates;
- b. Resolution 3(b) by the applicant for CPUs under that Resolution and any of its associates;
- c. Resolution 3(c) by the applicant for CPUs under that Resolution and any of its associates;
- d. Resolution 3(d) by the applicant for CPUs under that Resolution and any of its associates;
- e. Resolution 3(e) by the applicant for CPUs under that Resolution and any of its associates;
- f. Resolution 3(f) by the applicant for CPUs under that Resolution and any of its associates;
- g. Resolution 3(g) by the applicant for CPUs under that Resolution and any of its associates;
- h. Resolution 3(h) by the applicant for CPUs under that Resolution and any of its associates;
- i. Resolution 3(i) by the applicant for CPUs under that Resolution and any of its associates;
- j. Resolution 3(j) by the applicant for CPUs under that Resolution and any of its associates;

However, the Fund need not disregard a vote if it is cast by:

- a. a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- b. the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, under section 253E of the Corporations Act, the Responsible Entity and its Associates may not vote on the Resolution as they have an interest in the Resolution other than as a member of the Fund.

Resolution 4 – Approval for Directors to Acquire Units under DRP

To consider, and if thought fit, to pass the following resolutions as separate **ordinary resolutions**:

- a. “That, conditional on the passage of Resolutions 1 - 3, the issue of Units to Alan Dixon or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”
- b. “That, conditional on the passage of Resolutions 1 - 3, the issue of Units to Daryl Dixon or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”
- c. “That, conditional on the passage of Resolutions 1 - 3, the issue of Units to Tristan O’Connell or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”
- d. “That, conditional on the passage of Resolutions 1 - 3, the issue of Units to Alex MacLachlan, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”
- e. “That, conditional on the passage of Resolutions 1 - 3, the issue of Units to Nerida Cole or an entity under her control or otherwise associated with her, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”
- f. “That, conditional on the passage of Resolutions 1 - 3, the issue of Units to Patrick Broughton or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”
- g. “That, conditional on the passage of Resolutions 1 - 3, the issue of Units to Chris Brown or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”
- h. “That, conditional on the passage of Resolutions 1 - 3,

the issue of Units to Max Walsh or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”

- i. “That, conditional on the passage of Resolutions 1 - 3, the issue of Units to Tom Kline or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”
- j. “That, conditional on the passage of Resolutions 1 - 3, the issue of Units to Warwick Keneally or an entity under his control or otherwise associated with him, on the terms and conditions as set out in the Explanatory Memorandum, is authorised and approved.”

Without limitation, Listing Rule 10.11 is relevant to these Resolutions.

Voting Exclusion Statement:

The Fund will disregard any votes cast on:

- a. Resolution 4(a) by the applicant for Units under that Resolution and any of its associates;
- b. Resolution 4(b) by the applicant for Units under that Resolution and any of its associates;
- c. Resolution 4(c) by the applicant for Units under that Resolution and any of its associates;
- d. Resolution 4(d) by the applicant for Units under that Resolution and any of its associates;
- e. Resolution 4(e) by the applicant for Units under that Resolution and any of its associates;
- f. Resolution 4(f) by the applicant for Units under that Resolution and any of its associates;
- g. Resolution 4(g) by the applicant for Units under that Resolution and any of its associates;
- h. Resolution 4(h) by the applicant for Units under that Resolution and any of its associates;
- i. Resolution 4(i) by the applicant for Units under that Resolution and any of its associates;
- j. Resolution 4(j) by the applicant for Units under that Resolution and any of its associates;

However, the Fund need not disregard a vote if it is cast by:

- a. a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

- b. the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, under section 253E of the Corporations Act, the Responsible Entity and its Associates may not vote on the Resolution as they have an interest in the Resolution other than as a member of the Fund.

Explanatory Memorandum

Unitholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Meeting.

Entitlement to vote

The Directors have decided that for the purpose of determining entitlements to attend and vote at the Meeting, Units will be taken to be held by the persons who are the registered holders at 7.00 pm (Sydney time), on 6 December 2017. Accordingly, Unit transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

How to vote

Unitholders entitled to vote at the Meeting may vote:

by attending the meeting and voting in person; or

by appointing an attorney to attend the meeting and vote on their behalf or, in the case of corporate Unitholders or proxies, a corporate representative to attend the meeting and vote on its behalf; or

by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying this Notice. A proxy may be an individual or a body corporate.

Proxies

Any Unitholder entitled to attend and vote at this General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead.

A proxy need not be a Unitholder of the Fund.

If the Unitholder appoints two proxies, the Unitholder may specify the proportion or number of votes each proxy is entitled to exercise. If no proportion or number of votes is specified, each proxy may exercise half of the votes. If the specified proportion or number of votes exceeds that which the Unitholder is entitled to, each proxy may exercise half of the Unitholder's votes. Any fractions of votes brought about by the apportionment of votes to a proxy will be disregarded.

Proxies must be:

- a. lodged by posting them or delivering them by hand to the address specified below;

- b. received at the fax number specified below; or

- c. registered online at www.votingonline.com.au/urfgm2017

not later than 48 hours before the General Meeting i.e. 10:00 am (Sydney time) on 6 December 2017.

Address: GPO Box 3993, Sydney NSW 2001
Australia

Fax number: +61 2 9290 9655

A form of proxy is provided with this Notice.

By order of the Board

Hannah Chan

Company Secretary

15 November 2017

Schedule 2

Terms of Issue

1. Issue Price

1.1. Issue Price

- a. The issue price of each CPU is \$100.00 (**Issue Price**).
- b. Each CPU must be paid for in full on application.

2. Form and Ranking

2.1. Form

- a. Each CPU is a perpetual cumulative convertible step-up preference unit in URF conferring an undivided share in the beneficial interest in the assets of the URF. A CPU converts into Ordinary Units in accordance with these Terms.
- b. CPUs are issued according to the Constitution of which these Terms form part.

2.2. Entries in the Register

CPUs are taken to be issued when they are entered in the Register.

2.3. No certificates

No certificates will be issued in respect of any CPU unless the Issuer determines that certificates should be available or they are required by any applicable law.

2.4. Ranking

Subject to the Constitution, each CPU ranks:

- a. equally with all other CPUs in all respects;
- b. senior to Ordinary Units in respect of Distributions and payments in a winding up of the URF in accordance with these Terms; and
- c. subordinate to all creditors of the Issuer as responsible entity of URF in respect of distributions and payments in a winding up of URF.

3. Distributions

3.1. Calculation of Distributions

- a. Subject to these Terms (including clause 3.3), each CPU entitles the Holder on the relevant Record Date to receive on each relevant Distribution Payment Date a distribution (**Standard Distribution**) in respect of each CPU Distribution Period for each CPU calculated in accordance with the following formula:

$$D = R \times IP \times N/365$$

Where:

D is the distribution payable in respect of that CPU Distribution Period;

R is the Rate;

IP is the Issue Price for the CPU; and

N is the number of days from and including the Issue Date until (and including) the last day of the first CPU Distribution Period and thereafter from and including the first day of each succeeding CPU Distribution Period until (and including) the last day of the relevant CPU Distribution Period.

- b. In these Terms, **Rate** means:
 - (i) in respect of all CPU Distribution Periods in the period from the Issue Date to but excluding the Step-Up Date – 6.25% per annum;
 - (ii) in respect of all CPU Distribution Periods from and including the Step-Up Date – 8.75% per annum.
- c. The Issuer may not pay a Standard Distribution greater than the amount determined in accordance with clause 3.1(a).

3.2. CPU Distribution Period

- a. The initial CPU Distribution Period is the period from the date of issue of the CPUs to 30 June 2018.
- b. Thereafter, subject to clause 3.2(c), each CPU Distribution Period is the period of 6 months until the next to occur of 30 June and 31 December.
- c. The final CPU Distribution Period is the period from the first day of the current CPU Distribution Period until the Conversion of the CPUs.

3.3. Payment of Distributions

The payment of Standard Distributions and Deferred Distributions (each a **Distribution**) is subject to:

- a. the Issuer determining the Distribution to be payable;
- b. the Constitution; and
- c. the Corporations Act and any other law not prohibiting the Issuer from paying the Distribution.

3.4. Rounding of Distributions

All calculations of Distributions must be rounded down to 2 decimal places. For the purposes of calculating a Holder's aggregate entitlement to a Distribution, any fraction of a cent must be disregarded.

3.5. Distribution Payment Dates

Distributions are payable in arrears by the date 40 Business Days after the end of the relevant CPU Distribution Period

3.6. Record Dates

A Distribution is only payable to persons who are Holders on the Record Date for that Distribution.

3.7. Ordinary Units issued on reinvestment

- a. In the case of a reinvestment of a Distribution at the election of a Holder, the number of Ordinary Units to be issued must be determined in accordance with the following formula:

$$U = RA/DRPP$$

Where

U is the number of Ordinary Units to be issued;

RA is the total amount to be reinvested in Ordinary Units; and

DRPP is the DRP Price as determined in accordance with clause 3.7(b).

- b. For the purposes of clause 3.7(a), **DRP Price** means an amount equal to 95% of the VWAP of Ordinary Units over the 10 Business Days (whether or not trading of Ordinary Units occurs on those Business Days) up to but excluding the Record Date for the relevant CPU Distribution Period.
- c. If the Issuer elects to issue Ordinary Units under this clause 3.7 (**Distribution Ordinary Units**), it must:
 - (i) issue the Distribution Ordinary Units within 5 Business Days of the payment date for the relevant Distribution;

- (ii) ensure that the Distribution Ordinary Units rank pari passu with Ordinary Units from the date of issue;

- (iii) apply for official quotation of the Ordinary Units and issue holding statements for the Distribution Ordinary Units within the time periods stipulated by the Listing Rules for a new issue of Ordinary Units.

3.8. Distributions are cumulative

- a. The entitlement of the holder of a CPU to the payment of a Standard Distribution is cumulative so that if, in respect of a CPU Distribution Period, no Standard Distribution is paid or the Standard Distribution paid on a CPU is less than the entitlement to a Standard Distribution for that CPU Distribution Period, the shortfall (**Deferred Distribution**), is, subject to the Issuer's right to further defer payment of a Distribution under clause 3.3, payable on the Distribution Payment Date for the immediately following CPU Distribution Period.
- b. For the purposes of clauses 3.8(a) and 3.9(a), a Distribution is taken to have been paid if it has been reinvested in Ordinary Units at the election of the Holder.

3.9. Consequences of non-payment

- a. If, for any reason, the Issuer has not paid a Distribution in an amount equal to the entitlement to a Distribution for that CPU Distribution Period together with any amount of Deferred Distribution within 40 Business Days after the end of the relevant CPU Distribution Period, the Issuer must not, without the approval of a Special Resolution passed at a separate meeting of Holders:
 - (i) pay any distributions (whether of income or capital) on;
 - (ii) undertake a buyback (other than as a result of an on-market buyback undertaken in accordance with ASIC Corporations (ASX-listed Schemes On-market Buybacks) Instrument 2016/1159 or any successor or replacement instrument), redeem or otherwise cancel; or
 - (iii) give effect to a redemption of or withdrawal from URF in respect of,
 - any Ordinary Units or any other units in URF over which

the CPUs rank in priority for participation of profits with respect to the CPU Distribution Period for that Distribution, unless and until all Deferred Distributions have been paid.

- b. Without limiting clause 3.3 or clause 3.8 the Issuer may elect at any time to pay to Holders a distribution up to the amount of any Deferred Distribution.

4. Conversion

4.1. Conversion

- a. Each CPU converts into the number of Ordinary Units determined in accordance with clause 4.4:
 - (i) in respect of all CPUs held by a Holder who provides a Holder Conversion Notice, on the Holder Conversion Date for that Holder; and
 - (ii) in respect of all other CPUs, on the Issuer Conversion Date,

(the Conversion Date). CPUs do not convert into Ordinary Units in any other circumstances.

- b. Each CPU confers all the rights attaching to the relevant number of Ordinary Units determined in accordance with clause 4.4 but these rights do not take effect until the relevant Conversion Date. At that time:
 - (i) all other rights or restrictions conferred upon the CPUs under these Terms no longer have effect; and
 - (ii) the Ordinary Units into which each CPU has converted rank equally with all other Ordinary Units then on issue and the Issuer must issue a statement that the Holder of those Ordinary Units holds each Ordinary Unit so ranking.
- c. The taking effect of the rights of a CPU under this clause 4 by the reclassification of an interest in URF in the nature of a CPU to a Ordinary Unit is, for the purposes of these Terms, together termed Conversion (and Convert has a corresponding meaning).
- d. Conversion does not constitute cancellation, redemption or termination of a CPU nor an issue, allotment or creation of a new unit.

4.2. Issuer Conversion

- a. Subject to clause 4.2(c), the Issuer may elect to Convert all CPUs to Ordinary Units on 1 January 2023 or the first day of any subsequent CPU Distribution Period provided it first does the following:

- (i) if URF is Listed at that time, by releasing an announcement on the ASX Company Announcements Platform stating that all CPUs will be Converted and the relevant Issuer Conversion Date for Conversion; or
- (ii) if URF is not Listed at that time, by giving written notice to Holders.

- b. The announcement or notice issued under clause 4.2(a) must specify the date for Conversion being the last date of the then current CPU Distribution Period (**Issuer Conversion Date**).
- c. The Issuer must issue an announcement or give notice to Holders under clause 4.2(a) no later than 10 Business Days prior to the Issuer Conversion Date.

4.3. Holder Conversion

- a. A Holder may require the Conversion of all (but not some) of its CPUs in the circumstances set out in this clause 4.3 by giving written notice to the Issuer in the form published by the Issuer from time to time (**Holder Conversion Notice**). A Holder Conversion Notice is irrevocable other than with the consent of the Issuer which it may withhold in its discretion.
- b. A Holder may only deliver a Holder Conversion Notice if, as at the date of delivery of the Holder Conversion Notice, the Issuer has breached its obligations under clause 3.9.
- c. All CPUs held by a Holder who has delivered a Holder Conversion Notice Convert on the Holder Conversion Date for that Holder.
- d. The **Holder Conversion Date** for a Holder is the first day of the next CPU Distribution Period that is at least 30 Business Days after the date that Holder has delivered a Holder Conversion Notice to the Issuer.
- e. A Holder who has delivered a Holder Conversion Notice must:
 - (i) provide evidence of title acceptable to the Issuer for the CPUs the subject of the notice; and
 - (ii) not dispose of or otherwise agree to dispose of any interest in the CPUs to which the Holder Conversion Notice relates.

4.4. Conversion: number of Ordinary Units

- a. Subject to clause 4.4(g), on the Conversion Date, each CPU converts into the number of Ordinary Units determined in accordance with the following formula

(CA or Conversion Amount):

$$CA = CN + ACN$$

Where:

CN is the Conversion Number; and

ACN is the Additional Conversion Number.

- b. In these Terms, subject to clauses 4.4(e) - 4.4(f), **Conversion Number** is the number determined in accordance with the following formula:

$$CN = IP/CVWAP$$

Where:

CN is the Conversion Number;

IP is the Issue Price; and

CVWAP is the Conversion VWAP.

- c. In these Terms, **Additional Conversion Number** is the number determined in accordance with the following formula:

$$ACN = OD/CVWAP$$

Where:

ACN is the Additional Conversion Number;

OD is the aggregate of all Distributions that the Holder would have been entitled to receive as at the Conversion Date had the Issuer determined under clause 3.3 to pay:

- (i) a Standard Distribution in accordance with clause 3.1; and
- (ii) a Deferred Distribution in respect of all periods up to the Conversion Date that remained unpaid; and

CVWAP is the Conversion VWAP.

- d. In these Terms, **Conversion VWAP** means an amount equal to 97.5% of the VWAP of Ordinary Units over the 10 Business Days (whether or not trading of Ordinary Units occurs on those Business Days) up to but excluding the Conversion Date.
- e. If the Conversion Number determined in accordance with clause 4.4(b) is less than the Minimum CN, the Conversion Number is the Minimum CN.
- f. If the Conversion Number determined in accordance with clause 4.4(b) is greater than the Maximum CN, the Conversion Number is the Maximum CN.
- g. If on Conversion the aggregate number of Ordinary Units to which a Holder is entitled includes a fraction

of a Ordinary Unit, that fraction must be disregarded and the Holder has no further claim or right to that fraction of a Ordinary Unit.

4.5. Quotation from Conversion

The Issuer must apply for official quotation of the Ordinary Units issued upon Conversion within the time periods stipulated by the Listing Rules for a new issue of Ordinary Units.

4.6. Adjustment to Minimum CN and Maximum CN

- a. Subject to clause 4.6(e), in a consolidation of Ordinary Units, the Minimum CN and Maximum CN must be consolidated in the same ratio as the Ordinary Units.
- b. Subject to clause 4.6(e), in a subdivision of Ordinary Units, the Minimum CN and Maximum CN must be subdivided in the same ratio as the Ordinary Units.
- c. Subject to clause 4.6(e), if the Issuer undertakes a pro rata rights issue or bonus issue of Ordinary Units to holders of Ordinary Units generally, each of the Minimum CN and Maximum CN is adjusted in accordance with the following formula:

$$AMCN = MCN \times (CV / ((CV - (S + D)) / N + 1))$$

Where:

AMCN is the adjusted Minimum CN or Maximum CN (as appropriate);

MCN is the Minimum CN or Maximum CN (as appropriate) immediately prior to application of this formula;

CV is the VWAP of Ordinary Units during the period from the first Business Day after the announcement of the rights or bonus issue up to and including the last Business Day of trading cum rights or bonus issue;

S is the subscription or security price per Ordinary Unit for the rights issue and is zero in the case of a bonus issue;

D is the distributions due but not yet paid on Ordinary Units (except those to be issued under the pro rata issue); and

N is the number of Ordinary Units with rights or entitlements that must be held to receive a right to one new Ordinary Unit under the pro rata issue,

provided that no adjustment is made to the Minimum CN or Maximum CN if:

- (i) (S + D) exceeds CV; or
- (ii) at or about the time of the rights issue or

bonus issue, the Issuer offers Ordinary Units to the Holders at the same issue price and in the same proportion as if the Holders had been able to participate in the rights issue or bonus issue, whether or not they have the ability to renounce the rights.

- d. Subject to clause 4.6(e), if the Issuer undertakes an off-market buyback or cancellation of Ordinary Units, each of the Minimum CN and Maximum CN is adjusted in accordance with the following formula:

$$AMCN = MCN \times (CV / ((CV - (S + D)) / N + 1))$$

Where:

AMCN is the adjusted Minimum CN or Maximum CN (as appropriate);

MCN is the Minimum CN or Maximum CN (as appropriate) immediately prior to application of this formula;

CV is the VWAP of Ordinary Units during the period from the first Business Day after the announcement of the buy-back up to and including the last Business Day of trading cum buy-back;

S is the price per Ordinary Unit paid under the buy-back;

D is the distributions due but not yet paid on Ordinary Units (if any); and

N is the proportion of the issued Ordinary Units bought back expressed as a decimal,

provided that no adjustment is made to the Minimum CN or Maximum CN if:

- (i) (S + D) exceeds CV; or
- (ii) at or about the time of the rights issue or bonus issue, the Issuer offers Ordinary Units to the Holders at the same issue price and in the same proportion as if the Holders had been able to participate in the rights issue or bonus issue, whether or not they have the ability to renounce the rights.

- e. Notwithstanding the express provisions of clauses 4.6(a) - 4.6(d), in any reconstruction or alteration of capital, the Minimum CN and Maximum CN must be adjusted so that:

- (i) a Holder will not receive a benefit that holders of Ordinary Units do not receive; and
- (ii) a Holder does not forego any benefit that it would have received had the reconstruction or alteration of capital not happened.

4.7. No other adjustments

Unless otherwise approved by Special Resolution passed at a separate meeting of Holders and a Special Resolution of members of URF, no adjustment to the methodology for determining the number of Ordinary Units into which CPUs are Converted may be made as a result of Issuer undertaking:

- a. an issue of Ordinary Units other than an issue undertaken on a pro rata basis (including a placement, an issue under an off-market takeover bid, an issue under an unitholder purchase plan and an issue under a DRP);
- b. a distribution of capital or income to holders of Ordinary Units; or
- c. an on-market buy-back of Ordinary Units.

5. Payments to Holders

5.1. No set-off

The Holder has no right to set-off any amounts owing by it to the Issuer against any claims owing by the Issuer.

5.2. Time limit for claims

A claim against the Issuer for payment according to these Terms is void unless made within five years of the due date for payment.

6. Title and transfer of CPU

6.1. Title

Title to a CPU passes when details of the transfer are entered in the Register.

6.2. Issuer may request holding lock or refuse to register transfer

If CPU are Officially Quoted, and if permitted to do so by the Listing Rules and the Corporations Act, the Issuer may:

- a. request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of CPU approved by and registered on the CS Facility's electronic subregister or CPU registered on an issuer-sponsored subregister, as the case may be;

- or
- b. refuse to register a transfer of CPU.

6.3. Issuer must request holding lock or refuse to register transfer

- a. The Issuer must request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of CPU approved by and registered on the CS Facility's electronic subregister or CPU registered on an issuer-sponsored subregister, as the case may be, if the Corporations Act, the Listing Rules or the terms of a restriction agreement require the Issuer to do so.
- b. The Issuer must refuse to register any transfer of CPU if the Corporations Act, the Listing Rules or the terms of a restriction agreement require the Issuer to do so.

6.4. Notice of holding locks and refusal to register transfer

If, in the exercise of its rights under clauses 6.2 and 6.3, the Issuer requests application of a holding lock to prevent a transfer of CPU or refuses to register a transfer of CPU, it must, within two months after the date on which the transfer was lodged with it, give written notice of the request or refusal to the Holder, to the transferee and the broker lodging the transfer, if any. Failure to give such notice does not, however, invalidate the decision of the Issuer.

7. Quotation and Foreign Holders

7.1. Quotation on ASX

The Issuer must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of CPU on ASX.

7.2. Foreign Holders

Where CPU held by a Foreign Holder are to be converted to Ordinary Units in accordance with these Terms, unless the Issuer is satisfied that the laws of the Foreign Holder's country of residence (as shown in the Register) permit the conversion to Ordinary Units of the Foreign Holder (but as to which the Issuer is not bound to enquire), either unconditionally or after compliance with conditions which the Issuer regards as acceptable and not unduly onerous, the Ordinary Units which the Foreign Holder is obliged to accept may be issued to a

nominee who will sell those Ordinary Units and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Foreign Holder. The nominee may be a related party of the Issuer.

8. Amendment of these Terms

8.1. Amendment without consent

Subject to complying with the Corporations Act and all other applicable laws, the Issuer may amend these Terms:

- a. if the Issuer is of the opinion that the amendment is:
 - (i) of a formal, minor or technical nature;
 - (ii) made to cure any ambiguity or correct any manifest error;
 - (iii) expedient for the purpose of enabling the CPU to be listed for quotation or to retain listing on any stock exchange, to be cleared or settled through any clearing system or to retain clearance and settlement through any clearing system or to be offered for, or subscription for, sale under the laws for the time being in force in any place and it is otherwise not reasonably considered by the Issuer to adversely affect the rights of Holders; or
 - (iv) necessary to comply with the provisions of any statute or the requirements of any statutory authority; or
- b. generally in any case where such amendment is reasonably considered by the Issuer not to adversely affect the rights of Holders.

8.2. Amendment with consent

Without limiting clause 8.1 but subject to the Corporations Act, the Issuer may amend these Terms if the amendment has been approved by a Special Resolution passed at a separate meeting of Holders.

8.3. Meanings

In this clause 8, **amend** includes modify, cancel, alter, adjust or add to and **amendment** has a corresponding meaning.

8.4. Notice of amendments

Any amendment of these Terms made in accordance with this clause 8 must be promptly notified to Holders.

9. General Provisions

9.1. Issues of other securities

Except as set out in these Terms or the rules of a DRP applied to a Distribution, the CPU carry no right to participate in any offering of securities by the Issuer.

9.2. Voting

The Constitution contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including any variation of these Terms which requires the consent of Holders.

9.3. Priority of Distributions

- a. If:
- (i) a Distribution for each CPU held in respect of a CPU Distribution Period; or
 - (ii) a distribution entitlement on any other units in URF which rank equally with the CPUs as to distributions;
has been determined by the Issuer to be paid but has not been paid, or is not able to be paid in full, any Distributions and any distributions payable on those other units must be paid pro rata.
- b. Unless and until Conversion occurs, the CPUs rank in priority to Ordinary Units for the payment of distributions.

9.4. Distribution of proceeds on a Winding Up

- a. Unless and until Conversion, if net proceeds are available to be distributed under Clause 21.3 on a winding up of URF, Holders are entitled to receive out of those proceeds, in respect of each CPU held, a payment equal to Wind Up Amount as determined as at the date the Issuer commenced the winding up of URF (**Wind Up Date**) before any payment of income or capital is made to holders of Ordinary Units or any other class of securities ranking behind the CPUs.
- b. In these Terms **Wind Up Amount** means the aggregate of:
- (i) the Issue Price; and
 - (ii) any Distribution that the Holder would have been entitled to receive as at the Wind Up

Date had the Issuer determined under clause 3.3 to pay:

- (A) a Standard Distribution in accordance with clause 3.1;
- (B) a Deferred Distribution in respect of all periods up to the Conversion Date that remained unpaid.

9.5. Shortfall on a Winding Up

If, upon a winding up of URF, there are insufficient funds to pay in full the amounts referred to in clause 9.4 and the amounts payable in respect of any other units in URF ranking as to such distribution equally with the CPUs on a winding up of URF, the Holders and the holders of any such other units share in any distribution of assets of URF in proportion to the amounts to which they are entitled respectively.

9.6. Participation in Surplus Assets and Profits

The CPUs do not confer on Holders any further right to participate in the surplus assets of URF on a winding up or in the property or profits of URF beyond the rights set out in these Terms.

9.7. Restrictions on other issues

- a. The issue of any other class of units in URF which rank in priority to the CPUs in respect of distributions or return of capital on a winding up constitutes an alteration of the rights attached to the CPUs. Accordingly, unless and until all the CPUs have been Converted, the Issuer must not, without approval of a Special Resolution passed at a separate meeting of Holders, issue, or permit the conversion of any existing units ranking in priority to the CPUs as to dividends or return of capital on winding up.
- b. The Issuer may at any time issue further CPUs or other securities ranking equally with (including any convertible preference unit on similar terms to the CPUs) or behind any existing CPUs as to distributions or return of capital on winding up without approval of a Special Resolution passed at a separate meeting of Holders. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing CPUs.

10. Interpretation and Definitions

10.1. Interpretation

- a. Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and the Constitution, then, to the maximum extent permitted by law, the provisions of these Terms will prevail.
- b. Except to the extent otherwise specified in these Terms, notices may be given by URF to a Holder in the manner described by the Constitution for the giving of notices to members of URF and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.
- c. Unless otherwise specified, in these Terms, a reference to a clause is a reference to a **clause** of these Terms.
- d. If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be rounded down to 2 decimal places.
- e. If an event under these Terms must occur, or anything must be done under these Terms, on or by a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- f. Definitions and interpretations under the Constitution also apply to these Terms, subject to clause 10.1(a).
- g. A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- h. Specifying anything in these Terms after the words **include** or **for example** or similar expressions does not limit what else is included unless there is express wording to the contrary.

10.2. VWAP adjustments

For the purposes of calculating VWAP in accordance with these terms:

- a. where, on some or all of the Business Days in the relevant calculation period (**Reference Period**), Ordinary Units have been quoted on ASX as cum any distribution or other entitlement and Distribution Ordinary Units are to be issued or the CPUs convert into Ordinary Units after the date those Ordinary Units no longer carry that entitlement (**Ex Date**), then the VWAP on the Business Days on which those Ordinary Units have been quoted cum distribution or cum entitlement must be reduced by an amount

(**Cum Value**) equal to:

- (i) (in the case of a distribution), the amount of that distribution;
 - (ii) (in the case of an entitlement which is traded on ASX on any of those Business Days), the volume weighted average price of all such entitlements sold on ASX during the Reference Period on the Business Days on which those entitlements were traded, as attributed to each Ordinary Units; or
 - (iii) (in the case of an entitlement not traded on ASX during the Reference Period), the value of the entitlement per Ordinary Unit as reasonably determined by the Issuer; and
- b. where, on some or all of the Business Days in the Reference Period, Ordinary Units have been quoted ex distribution or ex entitlement, and Distribution Ordinary Units are to be issued or the CPUs convert into Ordinary Units which would be entitled to receive the relevant distribution or entitlement, the VWAP on the Business Days on which those Ordinary Units have been quoted ex distribution or ex entitlement must be increased by the Cum Value.

11. Definitions

In these Terms the following terms have the meaning set out below:

Additional Conversion Number	has the meaning given in clause 4.4(c).
Applicable Regulation	such provisions of the Listing Rules, the ASX Settlement Operating Rules, the Corporations Act and any regulations or rules passed under or pursuant to any such provisions, as may be applicable to the transfer.
ASX	Australian Securities Exchange Limited.
Business Day	a day other than a Saturday, Sunday or public holiday on which banks are open for normal banking business in Sydney.
Constitution	the constitution of URF from time to time.
Conversion	has the meaning given in clause 4.1(c).

Conversion Amount	has the meaning given in clause 4.4(a).	Issue Date	the date of issue of a CPU.
Conversion Date	has the meaning given in clause 4.1(a).	Issue Price	has the meaning given in clause 1.1.
Conversion Number	has the meaning given in clause 4.4(b).	Issuer	the company registered with ASIC as the responsible entity for URF from time to time, being as at the Issue Date Walsh & Company Investments Limited (ACN 152 367 649) (AFSL 410 433) in its capacity as responsible entity of URF.
Conversion VWAP	has the meaning given in clause 4.4(d).	Issuer Conversion Date	has the meaning given in clause 4.2(b).
Corporations Act	the Corporations Act 2001 (Cth).	Issuer Conversion Notice	has the meaning given in clause 4.2(a)(i).
CPU	a series A perpetual cumulative convertible step-up preference unit in the capital of URF issued in accordance with these Terms.	Listing Rules	the listing rules of the ASX.
CPU Distribution Period	has the meaning given in clause 3.2.	Maximum CN	the number specified in the PDS as the Maximum CN from the date of issue adjusted from time to time in accordance with clause 4.6.
CS Facility	has the same meaning as "prescribed CS facility" in the Corporations Act.	Minimum CN	the number specified in the PDS as the Minimum CN from the date of issue adjusted from time to time in accordance with clause 4.6.
CS Facility Operator	the operator of a CS Facility.	Officially Quoted	a quotation on the official list of the ASX, including when quotation is suspended for a continuous period of not more than 60 days.
Deferred Distribution	has the meaning given in clause 3.8.	PDS	the product disclosure statement issued by the Issuer in connection with the offer of CPUs.
Distribution	a Standard Distribution or a Deferred Distribution.	Rate	has the meaning given in clause 3.1(b).
Distribution Payment Date	each date on which a Distribution is payable in accordance with clause 3.5, whether or not a Distribution is paid on that date.	Record Date	for payment of: a. a Standard Distribution - the last day of the CPU Distribution Period for that Distribution; and b. a Deferred Distribution or an Additional Distribution - the date prior to its payment that is determined by the Issuer.
Distribution Ordinary Units	has the meaning given in clause 3.7(c).	Register	the register of URF maintained by the Issuer.
DRP	a distribution reinvestment plan that may be adopted by Issuer under which Holders have the opportunity to reinvest a Distribution in securities in URF.	Registrar	Boardroom Pty Limited or any other person appointed by the Issuer to maintain the Register.
Foreign Holder	means a Holder whose address in the Register is a place outside Australia or New Zealand or who the Issuer otherwise believes may be a foreign Holder.	Special Resolution	has the meaning given in the Corporations Act.
Holder	a person whose name is for the time being entered in the Register as the holder of a CPU.		
Holder Conversion Date	has the meaning given in clause 4.3(d).		
Holder Conversion Notice	has the meaning given in clause 4.3(a).		

Standard Distribution	has the meaning given in clause 3.1.
Step-Up Date	1 January 2023.
Terms	these terms and conditions of issue of the CPUs.
Ordinary Unit	an ordinary unit in URF.
URF	US Masters Residential Property Fund (ARSN 150 256 161).
VWAP	subject to clause 10.2, the volume weighted average price of trading of Ordinary Units sold on the ASX market and the Chi-X market over the relevant period or on the relevant days but does not include any block trades, large portfolio trades, permitted trades during the pre-trading hours period, permitted trades during the post-trading period, out of hours trades and exchange traded option exercises.
Wind Up Amount	has the meaning given in clause 9.4(b)
Wind Up Date	has the meaning given in clause 9.4(a)