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4 November 2019

ASX Announcement

SCHEME BOOKLET REGISTERED

URB Investments Limited (**ASX: URB**) is pleased to announce that the Australian Securities and Investments Commission (**ASIC**) has today registered the Scheme Booklet in relation to the proposal from 360 Capital FM Limited as responsible entity for 360 Capital Total Return Active Fund and 360 Capital Total Return Passive Fund (**ASX: TOT**) to acquire all of the ordinary shares in URB by way of a scheme of arrangement (**Scheme**).

The Scheme Booklet sets out the information shareholders require to evaluate the Scheme, along with an associated Notice of Meeting and proxy form.

Scheme consideration

If the Scheme is approved by the requisite majority of URB shareholders and all other conditions precedent are satisfied or waived (where capable of waiver), each URB shareholder (other than ineligible overseas scheme shareholders) will receive 0.9833 TOT units for each URB share they hold.

Board Recommendation and Independent Expert's Report

The Directors of URB consider that the Scheme is in the best interests of URB shareholders, and unanimously recommend that URB shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable to and in the best interests of URB shareholders, and there being no superior proposal.

Each Board member of URB intends, in the absence of a superior proposal, to vote all eligible URB shares they own or control in favour of the Scheme.

For the reasons set out in its Report dated 31 October 2019, the Independent Expert, Lonergan Edwards & Associates Limited, has concluded that the Scheme is fair and reasonable to and in the best interests of URB Shareholders, in the absence of a superior proposal.

Scheme Booklet

A copy of the Scheme Booklet, including the Independent Expert's Report lodged with ASIC, is attached to this announcement. URB shareholders will receive a copy of the Scheme

Booklet, together with a proxy form, in the coming days. Shareholders are encouraged to read the document in its entirety.

Scheme Meeting

The Scheme requires approval of URB's shareholders and will be considered at the Scheme Meeting to be held on Friday 6 December 2019 at 9.00am (Sydney time) at Brickworks Design Studio, 2 Barrack Street, Sydney NSW 2000.

All shareholders are encouraged to vote by attending the Scheme Meeting or by lodging a proxy vote by 9am (Sydney time) on Wednesday 4 December 2019. Details of how to lodge a proxy vote are included in the Scheme Booklet.

Shareholder Information

Shareholders who have questions about the Scheme can call the URB shareholder Information Line on 1300 554 474 on business days between 8.30am and 5.00pm (Sydney time).

Indicative key dates

The Scheme Booklet details in full the important dates, however a summary is provided below:

| Key Dates | |
|---|--|
| Scheme meeting | Friday 6 December 2019 (9:00am Sydney time) |
| Second Court date for approval of the Scheme | Tuesday 10 December 2019 |
| Record date for determining entitlements to Scheme consideration | Friday 13 December 2019 (7:00pm Sydney time) |
| Scrip consideration to be issued | Friday 20 December 2019 |
| Commencement of trading of new TOT securities on the ASX on a normal settlement basis | Monday 23 December 2019 |

All dates following the date of the Scheme meeting are indicative only, and, among other things, are subject to all necessary approvals from the Court and other regulatory authorities.

URB has been advised by Andover Corporate Finance (financial), Ashurst (legal and tax) and McGrath Nicol (financial due diligence).

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About URB Investments: URB is a research driven, listed investment company, focused on capturing long-term value by investing in a diversified portfolio of assets with exposure to urban renewal and regeneration. Listed on the ASX (URB:ASX) and managed by Contact Asset Management, an investment in URB gives shareholders access to a diversified portfolio of Equity Assets and Direct property Assets.

Scheme Booklet

In relation to a proposal from 360 Capital Total Return Fund (TOT) to acquire all URB Shares that it does not already own from URB Shareholders for New TOT Securities.

URB Investments Limited

ABN 89 615 320 262

Vote in Favour

The URB Directors unanimously recommend that you **vote in favour** of the Scheme, in the absence of a Superior Proposal.

The Independent Expert has concluded that the Scheme is fair and reasonable to and in the best interests of URB Shareholders, in the absence of a Superior Proposal.

This is an important document and requires your immediate attention. You should read it in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in any doubt about what to do, you should consult your legal, financial, taxation or other professional adviser immediately.

If you have any questions about this Booklet or the Scheme, please contact URB's Share Registry, Link Market Services, on 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia) on Business Days between 8:30 am and 5:00 pm (Sydney time).

Financial adviser to URB:

ANDOVER CORPORATE FINANCE

Legal advisers to URB:

ashurst

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1. IMPORTANT NOTICES

1.1 General

URB Shareholders are encouraged to read this Booklet in its entirety before making a decision as to how to vote on the resolution to be considered at the Scheme Meeting. If you have sold all of your URB Shares, please ignore this Booklet.

If you have any questions about the Scheme, please contact the Share Registry on 1300 554 474 (callers within Australia) or +61 1300 554 474 (outside Australia) from Monday to Friday between 8:30am and 5:00pm (Sydney time). For information about your individual financial or taxation circumstances please consult your investment, legal, taxation or other professional adviser.

1.2 Date of this Booklet

This Booklet is dated 4 November 2019.

1.3 Purpose of this Booklet

The purpose of this Booklet is to explain the terms of the Scheme and the manner in which the Scheme will be considered and Implemented (if approved) and to provide such information as is prescribed or otherwise material to the decision of URB Shareholders whether or not to approve the Scheme. This Booklet includes the explanatory statement and other information required to be sent to URB Shareholders under Part 5.1 of the Corporations Act in relation to the Scheme.

1.4 Status of this Booklet

With regard to the New TOT Securities, this Booklet is not a product disclosure statement lodged under Chapter 7 of the Corporations Act. Section 1020F of the Corporations Act provides that ASIC may exempt a person from all or specified provisions of Part 7.9 (*Financial product disclosure and other provisions relating to issue, sale and purchase of financial products*). The ASIC Corporations (*Compromises or Arrangements*) Instrument 2015/358 is made under section 1020F (and 741) of the Corporations Act and provides at section 6(1) that a person does not have to comply with section 1012B or 1012C of the Corporations Act where the person: (a) issues or sells; (b) makes an offer to issue or sell; or (c) makes an offer to arrange for the issue of, a financial product under a compromise or arrangement under Part 5.1 of the Corporations Act and approved at a meeting held, or to be considered at a meeting to be held, as a result of an order made by the Court under section 411(1) or (1A) of the Corporations Act.

1.5 Responsibility for information

The information contained in this Booklet other than the TOT Information and the Independent Expert's Report has been prepared by URB and is the responsibility of URB. None of TOT or its directors, officers or advisers assumes any

responsibility for the accuracy or completeness of the URB Information.

The TOT Information has been provided by TOT and is the responsibility of TOT. None of URB or its directors, officers or advisers assumes any responsibility for the accuracy or completeness of the TOT Information.

The Independent Expert has provided and is responsible for the Independent Expert's Report contained in Schedule 1. None of URB, TOT or any of their respective directors, officers and advisers assume any responsibility for the accuracy or completeness of the Independent Expert's Report, except, in the case of URB and TOT, respectively, in relation to the information which it has provided to the Independent Expert. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Booklet other than that contained in Schedule 1.

1.6 Foreign jurisdictions

This Booklet has been prepared having regard to Australian disclosure requirements. These requirements may be different from those in other jurisdictions. Accordingly, the release, publication or distribution of this Booklet in jurisdictions other than Australia may be restricted by law or regulation in those other jurisdictions and persons outside Australia who come into possession of this Booklet should seek advice on and observe any applicable restrictions. This Booklet and the Scheme do not in any way constitute an offer to buy securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

URB Shareholders resident outside Australia for tax purposes should also seek specific taxation advice in relation to the Australian and overseas taxation implications of their participation in the Scheme.

1.7 ASIC, the Court and the ASX

A copy of this Booklet was provided to ASIC under section 411(2) of the Corporations Act and registered by ASIC under section 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Booklet in accordance with section 411(2) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. Neither ASIC nor any of its officers take any responsibility for the contents of this Booklet.

A copy of this Booklet has been lodged with the ASX. Neither the ASX nor any of its officers take any responsibility for the contents of this Booklet.

1.8 Important notice associated with the Court under section 411(1) of the Corporations Act

A copy of this Booklet was submitted to the Court to obtain an order of the Court under section 411(1) of the Corporations Act directing URB to convene the Scheme Meeting. That order was obtained at the First Court Hearing on Monday, 4 November 2019.

The fact that, under section 411(1) of the Corporations Act, the Court has ordered that the Scheme Meeting be convened and has directed that the explanatory statement accompany the Notice of Scheme Meeting does not mean that the Court:

- (a) has formed any view as to the merits of the Scheme or as to how URB Shareholders should vote on the Scheme (on this matter, URB Shareholders must reach their own decision);
- (b) has prepared, or is responsible for, the content of this Booklet; or
- (c) has approved or will approve the terms of the Scheme.

1.9 No investment advice

This Booklet does not constitute financial product advice and has been prepared without reference to individual URB Shareholders or any other person. It is important that you read this Booklet before making any decision, including a decision on whether or not to vote in favour of the Scheme. If you are in any doubt as to what you should do, you should consult your financial, legal, taxation or other professional advisers immediately.

You should consult your taxation adviser as to the applicable tax consequences of the Scheme. A general summary of the taxation considerations is set out in Section 13.

1.10 Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Schedule 4.

1.11 Notice of Second Court Date

On the Second Court Date, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting. Any URB Shareholder may appear at the Second Court Hearing, expected to be held on Tuesday, 10 December 2019 at the Federal Court of Australia, Law Courts Building, 184 Phillip Street, Sydney NSW 2000. Any URB Shareholder who wishes to oppose approval of the Scheme on the Second Court Date may do so by filing with the Court and serving on URB a notice of appearance in the prescribed form together with any affidavit that the URB Shareholder proposes to rely on.

1.12 Notice to URB Shareholders in jurisdictions outside Australia and New Zealand

URB Shareholders who are Ineligible Overseas Shareholders will not receive New TOT Securities under the Scheme. New TOT Securities that would otherwise be issued to these shareholders under the Scheme will be issued to a Sale Agent to be sold on the ASX, with the Sale Proceeds to be paid to Ineligible Overseas Shareholders, after deducting applicable brokerage costs, stamp duty, and other selling costs, taxes and charges. See Section 12.12 for further information.

The offer of New TOT Securities under the Scheme is being extended to New Zealand URB Shareholders in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. This Booklet is not a Product Disclosure Statement for the purpose of New Zealand law.

URB Shareholders resident outside Australia for tax purposes should seek specific tax advice in relation to the Australian and overseas tax implications of the Scheme. This Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would be unlawful to make such an offer. In particular, this Booklet may not be distributed to any person, and the New TOT Securities may not be offered or sold, in any country outside Australia except to the extent provided in this Booklet. Refer to Section 12.11 for further information.

1.13 Implied value

You will receive your Scheme Consideration as New TOT Securities and Cash Consideration (if applicable) see Section 7.18 for a description of the circumstances in which you will receive Cash Consideration. Any reference to the implied value of the Scrip Consideration should not be taken as an indication that URB Shareholders will receive cash in respect of this portion of the Scheme Consideration.

The implied value of the Scrip Consideration is not fixed. As URB Shareholders are being offered New TOT Securities as part of their consideration for their URB Shares under the Scheme, the implied value of the Scheme Consideration will vary with the market price of New TOT Securities.

If you are an Ineligible Overseas Shareholder, this also applies to the New TOT Securities which will be issued to the Sale Agent and sold on the ASX by the Sale Agent. Any cash remitted to Ineligible Overseas Shareholders from the net proceeds of such sales by the Sale Agent will depend on the market price of New TOT Securities at the time of sale by the Sale Agent.

1. IMPORTANT NOTICES CONT.

1.14 Forward looking statements

This Booklet contains both historical and forward looking statements in connection with URB and TOT.

The forward looking statements in this Booklet are not based on historical facts, but reflect the current expectations of URB or, in relation to the TOT Information, TOT concerning future results and events and generally may be identified by the use of forward looking statements such as 'aim', 'anticipate', 'believe', 'estimate', 'expect', 'forecast', 'foresee', 'future', 'intend', 'likely', 'may', 'planned', 'potential', 'should' or other similar words. Similarly, statements that describe URB's and TOT's objectives, plans, goals or expectations are or may be forward looking statements.

URB Shareholders should be aware that there are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, market conditions, results, performance or achievements of URB, TOT or the Combined Group to be materially different from the future conduct, market conditions, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Deviations as to future conduct, market conditions, results, performance and achievements are both normal and to be expected.

The historical financial performance of URB or TOT is no assurance or indicator of future financial performance of the Combined Group (or URB or TOT in the scenario where the Scheme does not proceed). Neither URB nor TOT gives any representation, assurance or guarantee to URB Shareholders that any forward looking statements will actually occur or be achieved. URB Shareholders are cautioned not to place undue reliance on such forward looking statements. The forward looking statements in this Booklet reflect views held only as at the date of this Booklet. Additionally, statements of the intentions of TOT reflect its present intentions as at the date of this Booklet and may be subject to change.

Other than as required by law, none of URB, TOT, their directors, officers, advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Booklet will actually occur. You are cautioned against relying on any such forward looking statements.

Subject to the Corporations Act and any other applicable laws or regulations, URB and TOT disclaim any duty to update any forward looking statements other than with respect to information that they become aware of prior to the Scheme Meeting which is material to making a decision whether or not to vote in favour of the Scheme.

1.15 Taxation implications of the Scheme

If the Scheme becomes Effective, there will be tax consequences for Scheme Shareholders which may include tax being payable. For further detail regarding general Australian tax consequences of the Scheme for certain URB Shareholders, refer to Section 13. This summary is not tax advice and should not be relied on, as such, the tax treatment may vary depending on the nature and characteristics of the URB Shareholders and their specific circumstances. Accordingly, URB Shareholders should seek professional tax advice in relation to their particular circumstances.

1.16 Privacy and personal information

URB, TOT and their respective share registries may need to collect personal information to Implement the Scheme. The personal information collected may include the name, contact details and details of holdings of URB Shareholders, together with contact details of individuals appointed as proxies, attorneys or corporate representatives for the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act. The primary purpose of the collection of personal information is to assist URB to conduct the Scheme Meeting and to assist URB and TOT to Implement the Scheme. If you are an individual, you and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected. If you wish to exercise these rights, you may contact the Share Registry on 1300 554 474 (callers within Australia) or +61 1300 554 474 (callers outside Australia) on Business Days between 8:30am and 5:00pm (Sydney time). The personal information collected may be disclosed to URB, TOT and their respective Related Bodies Corporate and advisers, print and mail service providers, share registries, share brokers and any other service provider to the extent necessary to Implement the Scheme. If the personal information outlined above is not collected, URB may be hindered in, or prevented from, conducting the Scheme Meeting or Implementing the Scheme. If you appoint an individual as your proxy, attorney or corporate representative to vote at the Scheme Meeting, you should inform that individual of the matters outlined above.

1.17 No internet site is part of this Booklet

URB and TOT maintain websites. Any references in this Booklet to any website are for information purposes only and no information contained on any website forms part of this Booklet.

1.18 Defined terms

Capitalised terms used in this Booklet (other than in the Schedules which accompany this Booklet) are either defined in brackets when first used or are defined in the Glossary in Section 15.

The Glossary also sets out some rules of interpretation which apply to this Booklet. The Independent Expert's Report contains its own defined terms which are sometimes different from those set out in the Glossary in Section 15.

References to Sections and Schedules are to the named Sections in and Schedules to this Booklet.

1.19 Financial amounts

All financial amounts in this Booklet are expressed in Australian currency unless otherwise stated.

1.20 Effect of rounding

A number of figures, amounts, percentages prices, estimates, calculations of value and fractions in this Booklet are subject to the effect of rounding. Accordingly, the actual calculation of figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Booklet. Any discrepancies between totals in tables or financial information, or in calculations, graphs or charts are due to rounding.

1.21 Charts and diagrams

Any charts, diagrams, maps, graphs and tables appearing in this Booklet are illustrative only and may not be drawn to scale.

1.22 Timetable and dates

All references to time in this Booklet are references to the time in Sydney, Australia, unless otherwise stated. The dates and times set out in the timetable in Section 4 are indicative only and are subject to change. Any changes to the timetable will be announced through the ASX and published on URB's website (www.urbinvest.com.au).

1.23 Additional information about the Scheme

Refer to Section 14.16 for information about the steps that URB will take if information about the Scheme needs to be updated. If you have any questions or require further information in relation to this Booklet or the Scheme, you should call the Share Registry on 1300 554 474 (callers within Australia) or + 61 1300 554 474 (callers outside Australia) on Business Days between 8:30am and 5:00pm (Sydney time).

2. LETTER FROM CHAIRMAN OF URB

4 November 2019

Dear URB Shareholder

On behalf of the board of URB Investments Limited (**URB**) I am pleased to provide you with this Booklet which contains important information in relation to the proposed acquisition of URB by 360 Capital FM Limited (**360 Capital FM Limited**) as responsible entity of 360 Capital Total Return Active Fund and 360 Capital Total Return Passive Fund together comprising the listed stapled entity known as the 360 Capital Total Return Fund (ASX: **TOT**).

The Proposed Transaction

On 14 October 2019, URB announced that it had entered into a Scheme Implementation Deed with TOT in relation to a proposal under which the ordinary shares TOT does not already own in URB (**Scheme Shares**) will be acquired by TOT (**Proposed Transaction**).

The Proposed Transaction will be implemented through an URB scheme of arrangement (**Scheme**) under which each Scheme Share will be transferred to TOT in exchange for 0.9833 TOT Securities (being a stapled unit in each of the 360 Capital Total Return Active Fund and 360 Capital Total Return Passive Fund) for every fully paid Scheme Share transferred (**Scrip Consideration**).

Based on the closing price of TOT Securities of \$1.18 on 11 October 2019 (being the last Trading Day prior to the announcement of the Scheme) the implied value of the Scrip Consideration is approximately \$1.16 per URB Share. This incorporates a 3.0% premium to the URB adjusted pre-tax NTA per share of \$1.136 as at 30 September 2019 (on an ex dividend basis and allowing for transaction costs). This represents the following premiums to relevant URB Share price benchmarks:

- 13.2% premium to URB's closing price on the last Trading Day prior to the date of announcement of the Scheme;
- 12.3% premium to URB's 30 day VWAP of URB Shares on 11 October 2019;
- 7.2% premium to URB's 3 month VWAP of URB Shares on 11 October 2019; and
- 29.6% premium to URB's trading price of \$0.895 on 24 May 2019 (being the date prior to TOT commencing to buy URB Shares).

The Scrip Consideration merger ratio incorporates a 3.0% premium to the adjusted pre-tax NTA per URB Share of \$1.136 as at 30 September 2019 (on an ex-dividend basis and allowing for transaction costs), and was calculated using the adjusted core NTA per TOT Security as at 30 September 2019 of \$1.190 (on an ex-distribution basis and allowing for transaction costs).

Based on the closing price of TOT Securities on 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet, the implied value of the Scrip Consideration is approximately \$1.14 per URB Share, which represents a 4.1% premium to the closing price of URB Shares on that date.

The implied value of the Scrip Consideration of \$1.16 (as determined by URB based on the closing price of TOT Securities of \$1.18 per unit on 11 October 2019, being the last Trading Day prior to the announcement of the Scheme) is at the upper end of the Independent Expert's valuation of the Scrip Consideration and exceeds the upper end of the Independent Expert's valuation range for URB Shares.

URB Shareholders are expected to have an entitlement to the TOT December 2019 quarterly distribution payable by the Combined Group, forecast to be 2.25 cents per unit, on the basis that the Scheme will be implemented prior to the record date for the distribution (which is expected to be in late December 2019) however this does not form part of the Scheme Consideration (see Section 5.1(c) for further details). If the Scheme implements after that record date, Scheme Shareholders will, subject to URB granting a Loan to TOT on the terms described in Section 12.6, receive additional consideration of 2.25 cents per Scheme Share (**Cash Consideration**) under the Scheme. URB intends to provide the Loan to TOT in circumstances where the Scheme will be implemented after the TOT December Distribution Record Date.

The Scheme is subject to a number of conditions, including Court approval and approval by Scheme Shareholders. See Section 12.3 for more details.

This Booklet sets out details of the Scheme and important matters relevant to your vote in relation to the Scheme.

Recommendation of the URB Directors

The URB Directors have considered the Proposed Transaction and, after receiving advice from their financial and legal advisers and considering the Independent Expert's Report and subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable to and in the best interests of URB Shareholders and there being no Superior Proposal:

- unanimously recommend that you vote in favour of the Scheme Resolution to approve the Scheme; and
- intend to vote all eligible URB Shares they own or control in favour of the Scheme.

Further information to assist you in determining whether to vote in favour or against the Scheme is set out in Section 5 of this Booklet.

Independent Expert's opinion

The URB Board has commissioned the Independent Expert, Lonergan Edwards & Associates Limited, to prepare an Independent Expert's Report to opine on the Scheme. The Independent Expert has concluded that the Scheme is fair and reasonable to and in the best interests of URB Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the value of URB to be in the range of \$1.07 to \$1.11 per share and the value of the Scrip Consideration to be in the range of \$1.05 to \$1.16 per share.

Major shareholder

Washington H. Soul Pattinson and Company Limited who holds 12.35% of the Shares in URB, is supportive of the proposed merger and has indicated its intention to vote all URB Shares it holds in favour of the Scheme, subject to a 'fair and reasonable' opinion from the Independent Expert and no Superior Proposal emerging.

Novation of the Investment Management Agreement

If the Scheme is Implemented, Contact Asset Management will be replaced as the investment manager of URB by 360 Capital Group Limited (the **New Investment Manager**) in accordance with the terms of the Deed of Novation. The New Investment Manager will pay Contact Asset Management \$2.5 million (exclusive of GST) for novation of the New Investment Management Agreement. Contact Asset Management will be paid an additional \$300,000 (exclusive of GST) for transitional services to be provided to the New Investment Manager for a 6 month period following the Implementation Date.

The ownership of Contact Asset Management is as follows:

- (a) 40% indirectly by an entity controlled by Mr Tom Millner, Mr Millner has a relevant interest in 229,995 URB Shares;
- (b) 40% indirectly by an entity controlled by Mr Will Culbert, Mr Culbert has a relevant interest in 258,829 URB Shares; and
- (c) 20% by Washington H. Soul Pattinson and Company Limited which holds 12.35% of all the URB Shares.

Given that the shareholders in Contact Asset Management also have a relevant interest in URB Shares, the URB Board commissioned the Independent Expert to determine the market value of the existing management rights held by Contact Asset Management in relation to the management of URB's investment portfolio which will be novated to the New Investment Manager.

The Independent Expert has stated that whilst the transaction price under the Deed of Novation is consistent with the top end of the assessed value of the management rights to Contact Asset Management, it exceeds the range of the estimated market value of the management rights of \$1.3 million to \$1.9 million, which implies that Contact Asset Management are receiving a sale price for the management rights which exceeds the range of their market value by \$0.6 million to \$1.2 million. Accordingly, the Independent Expert has concluded that the transaction in respect of the management rights represents the receipt by Contact Asset Management of a net benefit when measured by reference to the market value of the management rights (please refer to Schedule 1 for the full reasoning of the Independent Expert).

Contact Asset Management will also be paid a transitional services fee of \$300,000 which was calculated by reference to the management fee of 0.65% per annum to be charged by the New Investment Manager in respect of the URB portfolio from Implementation and the total assets of URB as at 30 September 2019. The Independent Expert found that it is likely that this transitional services fee will provide Contact Asset Management with a substantial profit margin which would indicate that the transitional services fee also provides a net benefit to Contact.

Using the lowest end of the range of market value for the management rights found by the Independent Expert (being \$1.3 million) and based on the Contact shareholder's respective interests in Contact, the maximum indirect benefit provided to Washington H. Soul Pattinson and Company Limited is \$240,000 and the maximum indirect benefit provided to entities controlled by Mr Millner and Mr Culbert is \$480,000 each. Note these amounts assume distribution to shareholders of the \$2.5 million Novation Price. It is not known whether the full amount of these funds will be distributed by Contact Asset Management to its shareholders given Contact Asset Management will continue to be an operating business following Implementation. It will be a matter for Contact Asset Management to determine what, if any, portion of the Novation Price and Transitional Services Fee can be distributed to its shareholders.

Please refer to Sections 5.3 and 7.30 for further detail regarding the Payment to Contact Asset Management under the Deed of Novation.

Notwithstanding the finding of a net benefit, the Independent Expert has concluded that the Scheme is fair and reasonable to, and in the best interests of, URB Shareholders. Having regard to the Independent Expert's opinion and having regard to the reasons to vote in favour of the Scheme as outlined in Section 5.1, the URB Board considers the Scheme to be in the best interests of URB Shareholders and unanimously recommends URB Shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable to and in the best interests of URB Shareholders and there being no Superior Proposal.

Scheme Meeting and next steps

The Scheme requires approval of URB Shareholders at the Scheme Meeting to be held at 9.00am (Sydney time) on Friday, 6 December 2019 at Brickworks Design Studio, 2 Barrack Street, Sydney NSW 2000. Your vote is important in determining whether or not the Scheme proceeds. In order for the Scheme to proceed, the Scheme Resolution (outlined in Section 6.4 of this Booklet) must be passed by the Requisite Majority of URB Shareholders.

The URB Board strongly encourages you to participate in this important decision either by attending the Scheme Meeting to vote or by completing the enclosed Scheme Meeting Proxy Form. The URB Board urges you to read this Booklet (including the Independent Expert's Report) in its entirety as it contains important information that will need to be considered before you vote on the Scheme Resolution.

Further information

If you have any questions about the Scheme, please contact the Share Registry on +61 1300 554 474 from Monday to Friday between 8.30am to 5.00pm (Sydney time).

For information about your individual financial or taxation circumstances, please consult your investment, legal, taxation or other professional adviser.

On behalf of the URB Board, I would like to take this opportunity to thank you again for your ongoing support of URB and I look forward to your participation at the Scheme Meeting.

Yours sincerely,



Warwick Negus

Non-Executive Chairman
URB Investments Limited

3. LETTER FROM CHAIRMAN OF 360 CAPITAL FM LIMITED

Dear URB Shareholder

On behalf of the board of 360 Capital FM Limited as responsible entity for the 360 Capital Total Return Active Fund and 360 Capital Total Return Passive Fund (ASX: TOT), I am pleased to provide you with the opportunity to participate in the Scheme which will see the creation of a stronger, larger and more diversified real estate investment fund.

The Scheme has been unanimously recommended by the URB Board and each URB Director has also indicated that they intend to vote their shares in favour of the Scheme, in both instances in the absence of a Superior Proposal. The Independent Expert has also concluded that the Scheme is fair and reasonable to and in the best interests of URB Shareholders, in the absence of a Superior Proposal.

About the 360 Capital Group

TOT forms part of the 360 Capital Group. The 360 Capital Group has a demonstrated track record in delivering superior returns across direct real estate, real estate turnarounds and funds management.

After selling the 360 Capital funds management platform (360 Capital Industrial Fund (ASX:TIX) and 360 Capital Office Fund (ASX:TOF)) to Centuria Capital Group in 2017 for approximately \$291m, the 360 Capital Group has repositioned itself as an alternative asset manager. TOT is the 360 Capital Group's flagship listed real estate investment business and undertakes all real estate activities of the 360 Capital Group.

Strategic Rationale

The rationale for the Scheme is to create a combined entity that is better positioned to increase securityholder value through a broader scope for investment in direct and indirect real estate and real estate related assets.

By voting in favour of the Scheme, you, as a shareholder of URB, will have the opportunity to gain exposure to TOT's assets, and as a security holder in the Combined Group, will benefit from the stronger balance sheet of the Combined Group providing it the flexibility to pursue quality assets and further optimise the portfolio.

Combined Group Profile

If Implemented, the proposed Scheme will combine two highly complementary real estate vehicles to provide TOT Securityholders and URB Shareholders with an enhanced investment proposition relative to each strategy on a standalone basis.

Following successful Implementation of the Scheme, the objective of 360 Capital FM Limited as responsible entity for TOT will be to combine the assets of TOT and URB and where appropriate seek to recycle URB's existing assets and reinvest the proceeds in line with TOT's investment strategy.

The Combined Group investment strategy will be to invest in real estate based activities, across four main pillars including:

- Direct real estate
- Indirect real estate
- Real estate debt
- Non-performing real estate debt

TOT has a proven track record and will continue to focus on delivering value for all its security holders, both existing and future, including an expected FY20 distribution guidance of 9.0 cents per TOT Security (on an annualised basis). We are optimistic the Combined Group will benefit all stakeholders, with an estimated market capitalisation of approximately \$166 million post Implementation.

I encourage you to read this Booklet carefully and vote in favour of the Scheme at the Scheme Meeting to be held at 9.00am (Sydney time) on Friday, 6 December 2019 at the Brickworks Design Studio, 2 Barrack Street, Sydney NSW 2000.

We look forward to welcoming you as a TOT Securityholder following successful Implementation.

Yours sincerely,



Mr David van Aanholt

Independent Chairman
360 Capital FM Limited

4. TIMETABLE AND KEY DATES

| Event | Indicative time and date |
|--|--|
| Key Dates | |
| Date of the First Court Hearing on which the Court convenes the Scheme Meeting | Monday, 4 November 2019 |
| Last time and date by which the Scheme Meeting Proxy Forms must be received by the Share Registry (whether in person, by mail, by fax or online) | 9:00am (Sydney time) on Wednesday, 4 December 2019 |
| Voting Record Date Time and date for determining eligibility to vote at the Scheme Meeting | 7:00pm (Sydney time) on Wednesday, 4 December 2019 |
| Scheme Meeting | 9:00am (Sydney time) on Friday, 6 December 2019 |
| If the Scheme is approved by the Requisite Majority of URB Shareholders | |
| Second Court Date Date of the Second Court Hearing for approval of the Scheme | Tuesday, 10 December 2019 |
| Effective Date Court order lodged with ASIC and the Scheme becomes Effective Last day of trading in URB Shares on the ASX | Wednesday, 11 December 2019 |
| Suspension of URB Shares from trading on the ASX | Close of trade on Wednesday, 11 December 2019 |
| Commencement of trading of New TOT Securities on the ASX on a deferred settlement basis | Thursday, 12 December 2019 |
| Scheme Record Date Time and date for determining entitlements to the Scheme Consideration | 7:00pm (Sydney time) on Friday, 13 December 2019 |
| Implementation Date Scrip Consideration to be issued | Friday, 20 December 2019 |
| Commencement of trading of New TOT Securities on the ASX on a normal settlement basis | Monday, 23 December 2019 |

All references to time in this Booklet are references to Sydney, Australia time unless otherwise stated.

All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other Regulatory Authorities. Any changes to the above timetable (which may include an earlier or later date for the Second Court Hearing) will be announced through the ASX and published on URB's website (www.urbinvest.com.au).

5. REASONS FOR VOTING FOR AND AGAINST THE SCHEME

This Section 5 provides a summary of the advantages and disadvantages of the Scheme.

5.1 Reasons to vote in favour of the Scheme

The reasons why you may decide to vote in favour of the Scheme are set out below.

(a) URB's Directors unanimously recommend the Scheme

The URB Directors believe that the Scheme is in the best interests of URB Shareholders and unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.

Further, they intend to vote all eligible URB Shares they hold or control in favour of the Scheme, in the absence of a Superior Proposal.

During the period from January 2018 to 24 May 2019 the URB Share price has traded at a discount to pre-tax NTA of between 3.4% and 17.6%.¹ In recommending the Scheme, the URB Directors have reviewed the strategic alternatives to address the quantum of this discount, which alternatives, among others, includes URB continuing in its current form. After considering various options, and being cognisant of the fact that the size of the market price discount to NTA cannot easily be reduced because of the size of URB and relative illiquidity of share market trading in URB Shares, the Directors believe that the Scheme is in the best interests of URB Shareholders, in the absence of a Superior Proposal.

(b) The implied value of the Scrip Consideration of \$1.16 per URB Share represents an attractive price for URB Shares relative to historical trading prices and to NTA

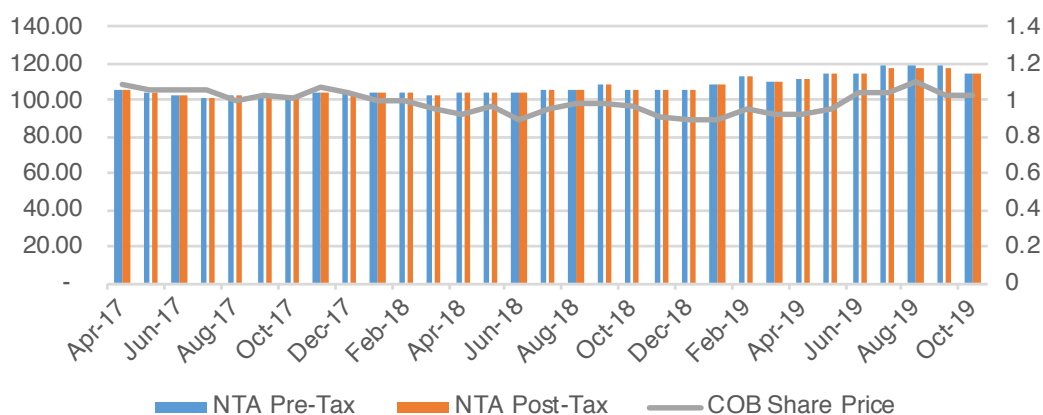
The Scrip Consideration merger ratio of 0.9833 was calculated by reference to the adjusted 30 September 2019 NTA of both URB and TOT (being \$1.136 per URB Share and \$1.190 per TOT Security, both on an ex-distribution basis and allowing for transaction costs), and incorporates a 3.0% premium to URB's adjusted pre-tax NTA.

The implied value of the Scrip Consideration is approximately \$1.16 per URB Share (based on the merger ratio of 0.9833 TOT Securities per URB Share and the closing price for TOT on the trading day immediately prior to the announcement of the Scheme on 14 October 2019).

This represents an attractive premium to the price at which URB Shares have historically traded since URB's IPO in April 2017, and incorporates a premium to 30 September 2019 pre-tax NTA per URB Share (on an ex dividend basis and allowing for transaction costs).

The implied value of the Scrip Consideration of \$1.16 (as determined by URB based on the closing price of TOT Securities of \$1.18 per unit on 11 October 2019, being the last Trading Day prior to the announcement of the Scheme) is at the upper end of the Independent Expert's valuation of the Scrip Consideration and exceeds the upper end of the Independent Expert's valuation range for URB Shares found by the Independent Expert.

URB Investments - Share Price v NTA since listing



¹ Based on month end closing share prices and month end pre-tax NTA data.

5. REASONS FOR VOTING FOR AND AGAINST THE SCHEME CONT.

Premium to URB NTA

The Scrip Consideration merger ratio incorporates a 3.0% premium to the adjusted pre-tax NTA per URB Share of \$1.136 as at 30 September 2019 (on an ex-dividend basis and allowing for transaction costs), and was calculated using the adjusted core NTA per TOT Security as at 30 September 2019 of \$1.190 (on an ex-distribution basis and allowing for transaction costs).

Premium to URB historical share price

The implied value of the Scrip Consideration of \$1.16 per URB Share represents the following premiums to relevant URB Share price benchmarks:

- (i) 13.2% premium to URB's closing price on 11 October 2019 (being the last Trading Day prior to the announcement of the Scheme);
- (ii) 12.3% premium to URB's 30 day VWAP of URB Shares on 11 October 2019;
- (iii) 7.2% premium to URB's 3 month VWAP of URB Shares on 11 October 2019; and
- (iv) 29.6% premium to the closing share price on 24 May 2019 (being the date prior to TOT commencing to buy URB Shares).

Based on the closing price of TOT Securities on 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet, the implied value of the Scrip Consideration is approximately \$1.14 per URB Share, which represents a 4.1% premium to the closing price of URB Shares on that date.

(c) Distribution accretion

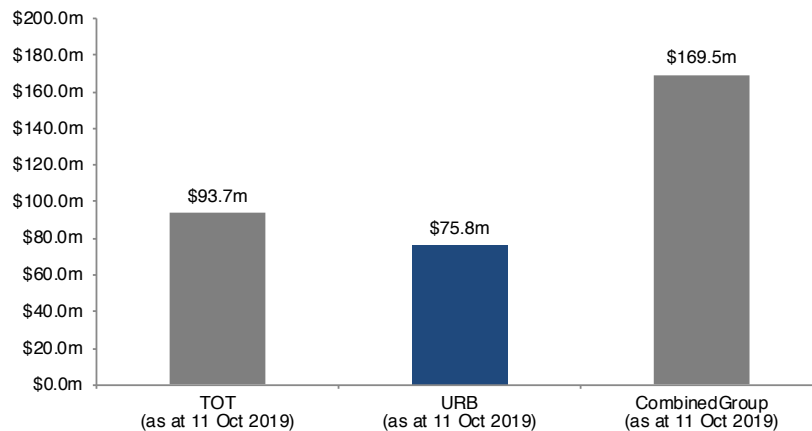
URB Shareholders are expected to participate in the improved earnings and distribution profile of the Combined Group, including a forecast FY2020 distribution of 9.0 cents per TOT Security on an annualised basis, representing a substantial increase above URB's ordinary dividends of 2.25 cents and total dividends for FY2019 of 5.75 cents per share.

URB Shareholders are expected to have an entitlement to the TOT December 2019 quarterly distribution, forecast to be 2.25 cents per unit, on the basis that Implementation Date will occur prior to the TOT December Distribution Record Date however this does not form part of the Scheme Consideration. 360 Capital FM Limited as responsible entity for TOT is responsible for declaring distributions for TOT. It is expected that the distribution for the quarter ending 31 December 2019 will be 2.25 cents per TOT Security in line with TOT's full year FY20 forecast distribution guidance of 9.0 cents per TOT Security. However, until 360 Capital FM Limited declares the distribution calculation date and the distribution date, there is no legally binding obligation on TOT to make the distribution. Note if 360 Capital FM Limited declares the distribution the payment of the distribution will not form part of the Scheme Consideration and will not be subject to the same protections that would apply if it was part of the Scheme Consideration.

(d) Increase in market capitalisation and expected increase in market liquidity

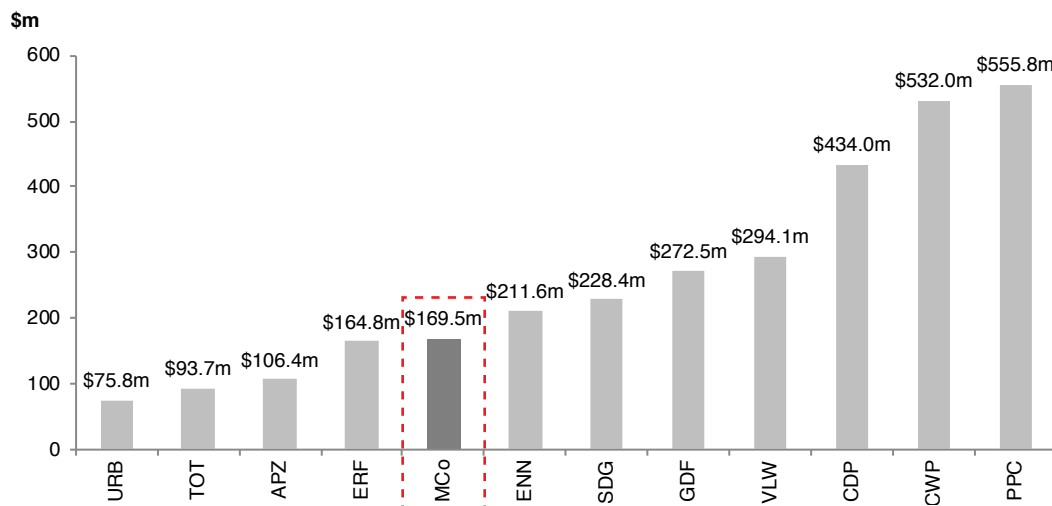
The Combined Group will be significantly larger than URB on a standalone basis and with a market capitalisation of approximately \$166m compared with URB on a standalone basis of \$81m as at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet. The combination of the two entities will potentially attract new investors and result in enhanced share market liquidity as against URB on a standalone basis.

Market capitalisation of URB, TOT and Combined Group



Note: Combined Group market capitalisation is based on total TOT Securities outstanding post Implementation of the Scheme, multiplied by TOT Security price of \$1.18 (the closing price of TOT Securities on 11 October 2019, being the last Trading Day prior to the announcement of the Scheme). TOT market capitalisation is based on total TOT Securities outstanding post settlement of the institutional placement by TOT announced on 14 October 2019 multiplied by TOT Security price of \$1.18 (the closing price of TOT Securities on 11 October 2019) and URB market capitalisation is based on the number of URB Shares on issue and the closing price of URB Shares on 11 October 2019.

Market capitalisation of S&P/ASX (ex300) A-REITs



Note: Combined Group market capitalisation is based on total TOT Securities outstanding post Implementation of the Scheme, multiplied by TOT Security price of \$1.18 (the closing price of TOT Securities on 11 October 2019, being the last Trading Day prior to the announcement of the Scheme). TOT market capitalisation is based on total TOT Securities outstanding post settlement of the institutional placement by TOT announced on 14 October 2019 multiplied by TOT Security price of \$1.18 (the closing price of TOT Securities on 11 October 2019) and URB market capitalisation is based on the number of URB Shares on issue and the closing price of URB Shares on 11 October 2019.

5. REASONS FOR VOTING FOR AND AGAINST THE SCHEME CONT.

(e) **Diversified portfolio**

The investment theme of the Combined Group will be investment in a diversified portfolio of real estate debt investments and direct and indirect real estate assets, which will incorporate the reinvestment of URB's cash and funds currently invested in listed equities in accordance with TOT's investment strategy for the Combined Group. It will have the ability to access direct real estate debt transactions through a 50.0% ownership of AMF Finance, 360 Capital FM Limited's real estate credit origination platform.

(f) **Experienced management**

The Combined Group will have a dedicated real estate management team with diverse experience across direct and indirect real estate equity and debt investment, turnarounds and asset repositioning.

Refer to Section 9.6 of this Booklet for detailed profiles of the Combined Group's real estate management team.

(g) **Conclusion of the Independent Expert**

The URB Board has appointed the Independent Expert, Lonergan Edwards & Associates Limited to prepare the Independent Expert's Report to give its opinion as to whether the Scheme is fair and reasonable to and in the best interests of URB Shareholders.

The Independent Expert has concluded the Scheme is fair and reasonable to and in the best interests of URB Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the value of URB to be in the range of \$1.07 to \$1.11 per share and the value of the Scrip Consideration to be in the range of \$1.05 to \$1.16 per share.

The Independent Expert has also considered a range of factors in reaching its conclusion and URB Shareholders are encouraged to read the Independent Expert's Report in full, a copy of which is included in Schedule 1 of this Booklet.

(h) **No Superior Proposal has emerged**

Since announcing the Scheme on 14 October 2019 and up to the date of this Booklet, no Superior Proposal has emerged.

The Scheme Implementation Deed prohibits URB from soliciting, inviting or encouraging Competing Proposals during the Exclusivity Period. Although URB has agreed to certain exclusivity provisions that restrict it from soliciting or inviting, or engaging with the proponent of a Competing Proposal, these restrictions do not prevent URB from considering an unsolicited Competing Proposal that would reasonably be expected to result in a Superior Proposal. TOT also has a right under the Scheme Implementation Agreement to match an unsolicited Superior Proposal if one is received by URB.

If a Competing Proposal for URB emerges prior to the Scheme Meeting, your Directors will carefully consider the proposal to determine whether it is a Superior Proposal and will inform you of any material developments which may affect your Directors' view that the Scheme is in the best interests of URB Shareholders. Any change of your Directors' current recommendation in response to a Superior Proposal that is announced may result in URB being obliged to pay a Break Fee of \$758,100 (exclusive of GST) to TOT, subject to the terms of the Scheme Implementation Deed.

(i) **The URB Share price quoted on the ASX may fall if URB Shareholders do not vote in favour of the Scheme and no Superior Proposal emerges**

If the Scheme is not Implemented, the URB Shares will remain quoted on the ASX and will continue to be subject to market volatility as a result of URB's performance, size and liquidity conditions, general stock market movements and general economic conditions. The URB Directors are unable to predict the price at which the URB Shares on the ASX will trade in the future, but it is possible that in the absence of the Implementation of the Scheme, and having regard to the fact that since URB's IPO in April 2017, URB Shares have traded for long periods at a significant discount to NTA, the price of the URB Shares on the ASX may fall.

(j) **No brokerage or stamp duty**

You will not incur any brokerage or stamp duty on the transfer of your URB Shares pursuant to the Scheme. This is particularly relevant to holders of less than a marketable parcel of Shares. If Shares are sold on the ASX, URB Shareholders may have to pay brokerage and other costs.

5.2 Reasons to not vote in favour of the Scheme

There are some potential reasons to vote against the Scheme that URB Shareholders should consider in deciding how they should vote at the Scheme Meeting.

(a) **You may disagree with the unanimous recommendation of the URB Directors' and the Independent Expert's conclusion and believe that the Scheme is not in your best interest**

Despite the unanimous recommendation of the URB Directors, and the opinion of the Independent Expert that, in the absence of a Superior Proposal, the Scheme is fair and reasonable to and in the best interests of URB Shareholders, you may believe that the Scheme is not in your best interests or that of the other URB Shareholders.

(b) **You may have a preference to maintain an investment in URB**

If the Scheme is approved and Implemented, you will receive the Scheme Consideration in return for your investment and you will cease to hold Shares in URB.

This may not be consistent with your investment objectives. You may wish to maintain an interest in URB because you wish to maintain an investment focused on the urban renewal investment thematic pursued by URB in Equity Assets and Direct Property Assets and not be exposed to the broader investment strategy to be pursued by the Combined Group, or because you may consider that, despite the risk factors relevant to URB's potential future operations, URB may be able to deliver greater risk adjusted returns and yields from its assets by remaining a standalone entity or by seeking alternative corporate transactions in the future.

(c) **You may not believe the Scheme Consideration adequately reflects URB's long-term growth potential**

You may believe that URB has stronger long term growth potential and valuation upside, and the Scheme Consideration does not fully reflect your view of long term value. You may therefore decide that it is in your best interests to retain your URB Shares in order to maintain your current investment and risk profile.

(d) **Expectation that a Superior Proposal will emerge**

It is possible that, if URB were to continue as a stand-alone listed company, a corporate control proposal for URB may materialise in the future which is more favourable for URB Shareholders than the current Proposed Transaction. URB Shareholders are being asked to vote on the Scheme and if the Scheme proceeds, this would preclude the possibility of URB Shareholders obtaining the benefit of any future, potentially more favourable, proposal for their Shares that could emerge if URB were to remain a separate ASX listed company.

Under the Scheme Implementation Deed, URB is permitted to engage with third parties that approach it in respect of a Competing Proposal if the URB Directors determine that the Competing Proposal is or could reasonably be considered to become a Superior Proposal and it would be likely to be a breach of their fiduciary duties or statutory obligations not to so engage.

As at the date of this Booklet, no Superior Proposal has emerged.

(e) **Taxation consequences**

If the Scheme is Implemented, there will be tax consequences for Scheme Shareholders which may include tax being payable. The disposal of the URB Shares by a Scheme Shareholder pursuant to the Scheme will cause a capital gains tax event to happen. The particular tax consequences of the Scheme, including the consequences of the capital gains tax event, will depend on your personal situation. A general guide to the Australian taxation implications is set out in Section 13 of this Booklet. Section 13 is expressed in general terms only, and URB Shareholders should consult with their own independent taxation advisers regarding the taxation implications of the Scheme.

(f) **Increase in base management fees**

If the Scheme is Implemented, the on-going base management fees that the URB Shareholders will be exposed to, as securityholders in TOT, will be 30% higher than those currently paid by URB to Contact Asset Management. The base management fee (excluding any performance fees) for TOT is 0.65% of gross assets, an increase from 0.5% of gross assets payable under the Investment Management Agreement between Contact Asset Management and URB currently in place. Please refer to Section 9.1 for an overview of all management fees payable to 360 Capital FM Limited as responsible entity for TOT.

The Independent Expert reflected the increase in management fees in the valuation of the Scrip Consideration (please refer to Schedule 1 for the full report of the Independent Expert).

5. REASONS FOR VOTING FOR AND AGAINST THE SCHEME CONT.

5.3 Other matters – Payment to Contact Asset Management under the Deed of Novation

If the Scheme is Implemented, Contact Asset Management will be replaced by the New Investment Manager in accordance with the terms of the Deed of Novation.

Whilst URB is a party to the Deed of Novation by necessity as the existing party to the existing Investment Management Agreement, URB was not involved in the negotiation of the payments to be made by the New Investment Manager to Contact Asset Management.

The New Investment Manager will pay Contact Asset Management \$2.5 million (exclusive of GST) for novation of the Investment Management Agreement (the **Novation Price**). Contact Asset Management will be paid an additional \$300,000 (exclusive of GST) for transitional services to be provided to the New Investment Manager for a 6 month period following the Implementation Date (the **Transitional Services Fee**).

The ownership of Contact Asset Management is as follows:

- (a) 40% indirectly by an entity controlled by Mr Tom Millner, Mr Millner has a relevant interest in 229,995 URB Shares;
- (b) 40% indirectly by an entity controlled by Mr Will Culbert, Mr Culbert has a relevant interest in 258,829 URB Shares; and
- (c) 20% by Washington H. Soul Pattinson and Company Limited which holds 12.35% of all the URB Shares.

Given that the shareholders in Contact Asset Management also have a relevant interest in URB Shares, the URB Board commissioned the Independent Expert to determine the market value of the existing management rights held by Contact Asset Management in relation to the management of URB's investment portfolio which will be novated to the New Investment Manager.

The Independent Expert has assessed the payment to be made to Contact Asset Management for the management rights under the Deed of Novation and in summary has opined that (please refer to Schedule 1 for the full reasoning of the Independent Expert):

- The value of the management rights to Contact Asset Management to be in the range of \$2.1 million to \$2.5 million;
- The value of the management rights to 360 Capital Group in conjunction with the Scheme is likely to be materially higher than their value to Contact Asset Management;
- The market value of the management rights to be in the range of \$1.3 million to \$1.9 million; and
- As a valuation cross-check to other transactions which have involved the acquisition of interests in small fund managers, the 'market value' range of \$1.3 million to \$1.9 million implies a value of 1.5% to 2.1% of URB funds under management. The payment to be made to Contact Asset Management of \$2.5 million represents approximately 2.8% of funds under management.

The Independent Expert has therefore stated that whilst this Novation Price is consistent with the top end of the assessed value of the management rights to Contact Asset Management, it exceeds the range of the estimated market value of the management rights of \$1.3 million to \$1.9 million, which implies that Contact Asset Management are receiving a sale price for the management rights which exceeds the range of their market value by \$0.6 million to \$1.2 million. Accordingly, the Independent Expert has concluded that the transaction in respect of the management rights represents the receipt by Contact Asset Management of a net benefit when measured by reference to the market value of the management rights.

Contact Asset Management will also be paid the Transitional Services Fee which was calculated by reference to the management fee of 0.65% per annum to be charged by the New Investment Manager in respect of the URB portfolio from Implementation and the total assets of URB as at 30 September 2019. The Independent Expert found that it is likely that the Transitional Services Fee will provide Contact Asset Management with a substantial profit margin which would indicate that the Transitional Services Fee also provides a net benefit to Contact.

Using the lowest end of the range of market value for the management rights found by the Independent Expert (being \$1.3 million) and based on the Contact shareholder's respective interests in Contact, the maximum indirect benefit provided to Washington H. Soul Pattinson and Company Limited is \$240,000 and the maximum indirect benefit provided to entities controlled by Mr Millner and Mr Culbert is \$480,000 each. Note these amounts assume distribution to shareholders of the \$2.5 million Novation Price. It is not known whether the full amount of these funds will be distributed by Contact Asset Management to its shareholders given Contact Asset Management will continue to be an operating business following Implementation. It will be a matter for Contact Asset Management to determine what, if any, portion of the Novation Price and Transitional Services Fee can be distributed to its shareholders.

Notwithstanding the finding of a net benefit, the Independent Expert has concluded that the Scheme is fair and reasonable to, and in the best interests of, URB Shareholders. Having regard to the Independent Expert's opinion and having regard to the reasons to vote in favour of the Scheme as outlined in Section 5.1, the URB Board considers the Scheme to be in the best interests of URB Shareholders and unanimously recommends URB Shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable to and in the best interests of URB Shareholders and there being no Superior Proposal.

Having regard to the payment to Contact Asset Management under the Deed of Novation, Contact Asset Management has not participated in the URB Board's consideration of the Proposed Transaction.

6. ACTIONS FOR URB SHAREHOLDERS

6.1 Carefully read this Booklet

You should read this Booklet in full before making any decision on how to vote on the Scheme Resolution.

There are answers to questions you may have about the Scheme in Section 7 of this Booklet.

If you have any additional questions in relation to this Booklet or the Scheme, please call the Share Registry on 1300 554 474 (callers within Australia) or +61 1300 554 474 (callers outside Australia) on Business Days between 8:30am and 5:00pm (Sydney time).

If you are in any doubt as to what you should do, you should seek independent legal, financial, taxation or other professional advice before voting on the Scheme.

6.2 Information contained in this Booklet

Enclosed with this Booklet is a Scheme Meeting Proxy Form.

If you are unable to attend the Scheme Meeting, or if you do not wish to attend the Scheme Meeting in person, you can appoint a proxy to attend and vote on your behalf.

To appoint a proxy, complete the Scheme Meeting Proxy Form. You can lodge your proxy forms online at the Share Registry's website, www.linkmarketservices.com.au, by going to the "Vote Online" section and following the prompts and instructions. Alternatively, complete and return these forms using the enclosed reply paid envelope, or by fax. Proxy forms can also be returned to URB's postal address at Locked Bag A14, Sydney South NSW 1235 or hand delivered to the Share Registry at Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138.

Scheme Meeting Proxy Forms must be received by the Share Registry by 9:00am (Sydney time) on Wednesday, 4 December 2019. Proxy forms received after these times will be invalid.

6.3 Scheme Meeting details

The Scheme Meeting is scheduled to be held at 9:00am (Sydney time) on Friday, 6 December 2019 at Brickworks Design Studio, 2 Barrack Street, Sydney NSW 2000.

6.4 What am I being asked to vote on?

URB Shareholders will be asked to consider, and if thought fit, approve the Scheme Resolution. The Scheme Resolution is set out in Notice of Scheme Meeting at Schedule 4. The Scheme will only proceed if the Scheme Resolution is approved by the Requisite Majority of URB Shareholders at the Scheme Meeting. If the Scheme Resolution does not pass, the Scheme will not proceed.

6.5 What majorities are required to approve the Scheme Resolution?

In order to enable the Scheme to be Implemented, the Scheme Resolution must be passed by the Requisite Majority of URB Shareholders, being:

- (a) a majority in number (more than 50%) of Scheme Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of a corporate Scheme Shareholder, by corporate representative) **(Headcount Test)**; and
- (b) at least 75% of the total number of votes cast on the Scheme Resolution.

The Court has a statutory discretion to disregard the Headcount Test for the purpose of the Scheme Meeting.

The Court must also approve the Scheme before it can become Effective.

6.6 Voting

(a) Voting by poll

Voting at the Scheme Meeting will be conducted by way of a poll. Scheme Shareholders will have one vote for every URB Share held (subject to the restrictions on voting rights set out in the Notice of Scheme Meeting available at Schedule 4).

(b) Entitlement to vote

Each Scheme Shareholder who is registered on the Share Register as the holder of a URB Share at 7:00pm (Sydney time) on Wednesday, 4 December 2019 may vote at the Scheme Meeting in person, by proxy, attorney or, in the case of a corporate Scheme Shareholder, by corporate representative (subject to the restrictions on voting rights set out in the Notice of Scheme Meeting available at Schedule 4).

(c) How to vote

Each Scheme Shareholder who is entitled to vote can vote at the Scheme Meeting:

- (i) in person, by attending the Scheme Meeting. If you plan to attend the Scheme Meeting, please arrive at Brickworks Design Studio, 2 Barrack Street, Sydney NSW 2000, 30 minutes earlier than 9:00am (Sydney time) on Friday, 6 December 2019, if possible, so that your shareholding may be checked against the Share Register and your attendance noted (you must register your attendance on arrival);
- (ii) by appointing a proxy to attend and vote on your behalf; or
- (iii) by appointing an attorney or, in the case of a corporate Scheme Shareholder, a corporate representative to attend and vote on your behalf.

6.7 Voting by proxy

If you are unable to attend the Scheme Meeting in person, you can appoint a proxy to attend and vote on your behalf.

To appoint a proxy, complete the Scheme Meeting Proxy Form. You can appoint a proxy by:

- (a) lodging your appointment online at www.linkmarketservices.com.au;
- (b) mailing the accompanying Scheme Meeting Proxy Form using the enclosed reply paid envelope;
- (c) faxing the accompanying Scheme Meeting Proxy Form to +61 2 9287 0309; or
- (d) hand delivering the accompanying Scheme Meeting Proxy Form to the Share Registry at Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138.

Alternatively, you may send or fax your Scheme Meeting Proxy Forms to URB's registered office. For additional proxy forms, contact Link Market Services Limited on 1300 554 474 (or from outside Australia, +61 1300 554 474).

To be valid, your Scheme Meeting Proxy Form(s) must be received by the Share Registry by 9:00am (Sydney time) on Wednesday, 4 December 2019.

For further information on proxy voting, refer to the detailed instructions contained in the Scheme Meeting Proxy Form.

6.8 Appointing an attorney

If voting by attorney, the power of attorney appointing the attorney must be duly signed and specify the name of each of the URB Shareholder, URB and the attorney, and also specify the meetings at which the appointment may be used. The power of attorney must be returned in the same manner, and by the same time, as outlined for the proxy forms.

6.9 Appointing a corporate representative

A corporate URB Shareholder, or body corporate appointed as a proxy, may appoint an individual as its representative to attend the Scheme Meeting and vote on its behalf. Corporate URB Shareholders or proxies who appoint a representative must provide the representative with a properly executed notice of appointment, which the representative must bring to the Scheme Meeting for the purpose of registration.

A form for corporate representative appointment may be obtained from the Share Registry at www.linkmarketservices.com.au (see the "Resources", "Forms" section under the "Holding Management" heading) or from Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000.

7. QUESTIONS AND ANSWERS

This Section 7 answers some frequently asked questions about the Scheme.

| Question | Response | Section reference |
|----------|--|-------------------|
| 7.1 | <p>What is a scheme of arrangement?</p> <p>A scheme of arrangement is a statutory arrangement facilitated by Part 5.1 of the Corporations Act between a company and its shareholders.</p> <p>Schemes are commonly used to effect the acquisition of shares in a target company.</p> <p>Schemes must be approved by a requisite majority of shareholders and the Court in order to become binding on the target company's shareholders.</p> | Section 12 |
| 7.2 | <p>What is the Scheme that I am being asked to consider?</p> <p>Scheme Shareholders are being asked to consider the proposed scheme of arrangement between URB and Scheme Shareholders as at the Scheme Record Date, under which it is proposed that 360 Capital FM Limited as responsible entity for TOT Active Fund will acquire 100% of the Scheme Shares, in return for which Scheme Shareholders (excluding Ineligible Overseas Shareholders – see below) will receive the Scrip Consideration of 0.9833 New TOT Securities for each Scheme Share held and the Cash Consideration (if applicable) – see Section 7.18 for a description of the circumstances in which you will receive Cash Consideration.</p> <p>The Scheme requires approval by the Requisite Majority of URB Shareholders at the Scheme Meeting and approval by the Court at the Second Court Hearing in order to become Effective.</p> <p>A copy of the Scheme is contained in Schedule 2.</p> | Section 12 |
| 7.3 | <p>What is the Scheme Implementation Deed and is it binding on me?</p> <p>The Scheme Implementation Deed contains various undertakings by URB and TOT to pursue and progress the Scheme. The key terms of the Scheme Implementation Deed are summarised in Section 14.9.</p> <p>The Scheme Implementation Deed is binding on URB only and not on Scheme Shareholders. The Scheme will only become binding on Scheme Shareholders if and when the Scheme is approved by the Requisite Majority of URB Shareholders at the Scheme Meeting.</p> | Section 14.9 |
| 7.4 | <p>What should I do?</p> <p>URB Shareholders should read this Booklet carefully and in its entirety. URB Shareholders should also consult their financial, legal, taxation or other professional advisers in relation to any of the information contained in this Booklet.</p> <p>Based on this Booklet and any independent advice you may receive, you should determine how you wish to vote on the Scheme. You are able to vote by attending the Scheme Meeting, or by appointing a proxy, attorney or, in the case of a corporate Scheme Shareholder, a corporate representative, to vote on your behalf.</p> <p>Refer to Section 6 above and Schedule 4 for further information on how to vote on the Scheme.</p> | Section 6 |

| | Question | Response | Section reference |
|-----|---|---|-------------------|
| 7.5 | Who is TOT? | TOT is a stapled fund comprised of the 360 Capital Total Return Passive Fund (ARSN 602 304 432) (TOT Passive Fund) and 360 Capital Total Return Active Fund (ARSN 602 303 613) (TOT Active Fund). 360 Capital FM Limited (ABN 15 090 664 396 and AFSL 221474) (360 Capital FM Limited) is the responsible entity for each of the TOT Passive Fund and the TOT Active Fund. | Section 9 |
| 7.6 | TOT governance arrangements | <p>TOT is an externally managed vehicle meaning that TOT Securityholders do not hold shares in the responsible entity. As noted above, the responsible entity for each of the funds comprising TOT is 360 Capital FM Limited, which is a member of the 360 Capital Group. As responsible entity, 360 Capital FM Limited is responsible for the management and administration of TOT. The board of 360 Capital FM Limited comprises a majority of independent directors as described in Section 9.5.</p> <p>As a listed entity TOT is required to comply with the continuous disclosure obligations under the ASX Listing Rules, although as TOT is not a listed investment company it is not required to comply with the regular reporting requirements imposed on listed investment companies (including URB).</p> | Section 9.1 |
| 7.7 | Who is entitled to participate in the Scheme? | Persons who hold URB Shares on the Scheme Record Date other than 360 Capital FM Limited, can participate in the Scheme. | Section 12.10 |
| 7.8 | Why is 360 Capital FM Limited excluded from the Scheme? | <p>360 Capital FM Limited is excluded from the Scheme and is not a Scheme Shareholder. 360 Capital FM Limited as responsible entity for TOT Active Fund will acquire the Scheme Shares if the Scheme Implements. Any URB Shares held by 360 Capital FM Limited are excluded from the Scheme and thus excluded from being voted on the Scheme.</p> <p>As at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet, 360 Capital FM Limited holds approximately 11.66% of URB Shares on issue².</p> <p>As at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet, 360 Capital Property Limited (ACN 146 484 433) (a wholly owned subsidiary of 360 Capital Group Limited (ACN 113 569 136) holds 2,723,217 URB Shares. 360 Capital Property Limited is an Associate of 360 Capital FM Limited and will not vote any URB Shares that it controls on the Scheme at the Scheme Meeting due to this association. 360 Capital Property Limited is a Scheme Shareholder and will participate in the Scheme.</p> | Section 12.7 |

² Based on substantial holder notices (Form 604) filed pursuant to Section 671B of the Corporations Act as at that date.

7. QUESTIONS AND ANSWERS CONT.

| Question | | Response | Section reference |
|----------------|--|--|----------------------------|
| 7.9 | Will I have to pay brokerage fees on a transfer of Scheme Shares to TOT Active Fund? | No brokerage fees will be payable on the transfer of Scheme Shares to 360 Capital FM Limited as responsible entity for TOT Active Fund under the Scheme (unless you are an Ineligible Overseas Shareholder, in which case fees may apply). | Section 5.1(j) |
| Scheme process | | | |
| 7.10 | What do the URB Directors recommend? | <p>Subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the Scheme is fair and reasonable to and in the best interests of URB Shareholders, each URB Director:</p> <ul style="list-style-type: none"> • recommends that you vote in favour of the Scheme to be considered at the Scheme Meeting; and • intends to use the voting rights attached to any URB Shares held or controlled by him or her, to vote in favour of the Scheme. | Section 5.1(a) |
| 7.11 | What alternatives did the URB Board consider? | <p>Since 2018, the URB Directors have reviewed various strategic options to address the quantum of the discount at which URB Shares have traded in comparison to its NTA including share buybacks, capital return, recapitalisation in conjunction with the introduction of a strategic investor(s), delisting and conversion to an unlisted trust, various merger and acquisition options, internalisation of management and the orderly sale of assets and winding-up.</p> <p>The URB Directors are of the view that the Scheme is more likely to enhance URB Shareholder value by providing an immediate share market valuation uplift at an attractive premium to historical prices and the potential for increased distributions, than other potential available alternatives, including maintenance of the status quo.</p> <p>Having regard to the advantages and disadvantages and risks as set out in Sections 5 and 11 and the opportunities for both URB and URB Shareholders to realise the future growth of URB, the URB Directors concluded that the Scheme is in the best interests of URB Shareholders.</p> | Section 5.1(a) |
| 7.12 | What is the Independent Expert's opinion? | <p>Lonergan Edwards & Associates Limited, the Independent Expert has concluded that the Scheme is fair and reasonable to and in the best interests of URB Shareholders, in the absence of a Superior Proposal.</p> <p>A complete copy of the Independent Expert's Report is contained in Schedule 1.</p> | Section 5.1(g), Schedule 1 |

| Question | | Response | Section reference |
|----------|---|--|-------------------|
| 7.13 | What premium is being offered to the trading prices of my URB Shares? | <p>The implied value of the Scrip Consideration of \$1.16 per URB Share (being 0.9833 New TOT Securities for every fully paid share in URB), based on the closing price of TOT Securities at \$1.18 per TOT Security on the last practicable Trading Date prior to the announcement of the Scheme, represents a:</p> <ul style="list-style-type: none"> • 13.2% premium to URB's closing price on 11 October 2019 (being the last practicable Trading Day prior to the date of announcement of the Scheme; • 12.3% premium to URB's 30 day VWAP of URB Shares on 11 October 2019; • 7.2% premium to URB's 3 month VWAP of URB Shares on 11 October 2019; • 29.6% premium to the closing share price of URB Shares on 24 May 2019 (being the date prior to TOT commencing to buy URB Shares); and • 4.1% premium to the closing price of URB Shares based on the closing price of TOT Securities on 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet. | Section 5.1(b) |
| 7.14 | Is a premium being offered to URB's NTA backing per Share? | <p>Based on the closing price of TOT Securities of \$1.18 on 11 October 2019 (being the last Trading Day prior to the announcement of the Scheme) the implied value of the Scrip Consideration is approximately \$1.16 per URB Share. This incorporates a 3.0% premium to the URB adjusted pre-tax NTA per share of \$1.136 as at 30 September 2019 (on an ex dividend basis and allowing for transaction costs).</p> | Section 5.1(b) |

7. QUESTIONS AND ANSWERS CONT.

| Question | | Response | Section reference |
|-----------------------------|--|--|--------------------------|
| 7.15 | Why may I consider voting in favour of the Scheme? | <ul style="list-style-type: none"> • The URB Directors unanimously recommend the Scheme • The implied value of the Scheme Consideration of \$1.16 per URB Share (based on the closing price of TOT Securities of \$1.18 on 11 October 2019, being the last Trading Day prior to the announcement of the Scheme) represents an attractive price for URB Shares relative to historical trading prices and incorporates a premium to 30 September 2019 adjusted pre-tax NTA (on an ex-dividend basis and allowing for transaction costs) per URB Share • Distribution accretion (increase in projected distributions) • Increase in market capitalisation and ownership base and expected increase in stock market liquidity • Diversification of portfolio to include primarily direct and indirect real estate and real estate debt investments • Experienced and dedicated property investment and real estate debt management team • Conclusion of the Independent Expert • No Superior Proposal has emerged • The URB Share price quoted on the ASX may fall if URB Shareholders do not vote in favour of the Scheme and no Superior Proposal emerges • No brokerage or stamp duty is payable on transfer of URB Shares pursuant to the Scheme | Section 5.1 |
| 7.16 | Why may I consider voting against the Scheme? | <ul style="list-style-type: none"> • You may disagree with the unanimous recommendation of the URB Directors' and the Independent Expert's conclusion and believe that the Scheme is not in your best interest • You may have a preference to maintain an investment in URB and not be exposed to the investment strategy of the Combined Group • You may not believe the Scheme Consideration adequately reflects URB's long-term growth potential or current market conditions • You may have an expectation that a Superior Proposal will emerge • The taxation consequences • Increase in base management fees | Section 5.2 |
| Scheme Consideration | | | |
| 7.17 | What will I receive if the Scheme is Implemented? | <p>If you are an Eligible Shareholder and the Scheme is Implemented, you will receive 0.9833 New TOT Securities for each Scheme Share held at the Scheme Record Date.</p> <p>Refer to Section 12.10 to determine whether you are an Eligible Shareholder.</p> | Sections 12.10 and 12.13 |

| | Question | Response | Section reference |
|------|---|--|-------------------|
| 7.18 | When is the Cash Consideration payable? | <p>URB Shareholders are expected to have an entitlement to the TOT December 2019 quarterly distribution, forecast to be 2.25 cents per unit, on the basis that Implementation Date will occur prior to the TOT December Distribution Record Date.</p> <p>If the Implementation Date occurs after the TOT December Distribution Record Date, Scheme Shareholders will, subject to URB granting a Loan to TOT on the terms described in Section 12.6, receive additional consideration of 2.25 cents per Scheme Share (Cash Consideration) under the Scheme.</p> <p>URB intends to provide the Loan to TOT in circumstances where the Scheme will be Implemented after the TOT December Distribution Record Date.</p> | Section 12.13(h) |
| 7.19 | What are the terms of the Loan? | <ul style="list-style-type: none"> • The key terms of the Loan are as follows: • Loan amount - 90% of the URB cash as at 31 December 2019; • the Loan is secured as a first charge against all assets of the TOT Passive Fund; • interest of 7% per annum accrues daily and payable at the end of each calendar month; and • the Loan is for 6 months from the date of the first drawdown (at the end of which the principal and interest must be repaid in full). | Section 12.6 |
| 7.20 | How will fractional Scheme Consideration be treated? | If in calculating your Scheme Consideration you would be entitled to a fraction of a New TOT Security or a fraction of the Cash Consideration, the fractional entitlement will be rounded up or down (with any fractional entitlement of less than 0.5 being rounded down and any such fractional entitlement of 0.5 or more being rounded up) to the nearest whole number of New TOT Securities or cents (as applicable). | Section 12.13(i) |
| 7.21 | I am a foreign URB Shareholder. Does that make me an Ineligible Overseas Shareholder? | An URB Shareholder who (or who is acting on behalf of) a citizen or resident of a jurisdiction other than (and is not resident of) Australia and its external territories or New Zealand or whose Registered Address is a place outside Australia and its external territories or New Zealand or who is acting on behalf of such a person, will be classed as an Ineligible Overseas Shareholder, unless URB and TOT jointly determine that it is lawful and not unduly onerous or impracticable to issue that URB Shareholder New TOT Securities when the Scheme becomes Effective. | Section 12.11 |

7. QUESTIONS AND ANSWERS CONT.

| | Question | Response | Section reference |
|------|--|--|--------------------------|
| 7.22 | How will Ineligible Overseas Shareholders be treated under the Scheme? | <p>All Scheme Shareholders are invited to participate in the Scheme and Ineligible Overseas Shareholders will participate in the Scheme on the same basis as all Eligible Shareholders. However, New TOT Securities will not be issued to Ineligible Overseas Shareholders. Instead, the New TOT Securities to which the Ineligible Overseas Shareholders would otherwise have been entitled will be issued to a Sale Agent and sold on the ASX.</p> <p>The Sale Agent will sell those New TOT Securities as soon as practicable (and in any case, not later than 15 Business Days) after the Implementation Date and the Sale Agent will remit the Sale Proceeds to TOT Active Fund and TOT Active Fund will then remit the Sale Proceeds to each Ineligible Overseas Shareholder (after deducting applicable brokerage costs, stamp duty, and other selling costs, taxes and charges).</p> <p>Ineligible Overseas Shareholders will still receive the Cash Consideration (if applicable), which will be paid in accordance with the process outlined in Section 12.12.</p> | Sections 12.11 and 12.12 |
| 7.23 | Can I choose to keep my URB Shares? | No. If the Scheme is Implemented, your URB Shares will be transferred to 360 Capital FM Limited as responsible entity for TOT Active Fund and you will receive the Scheme Consideration. Provided that the Scheme Resolution is passed by the Requisite Majority of URB Shareholders at the Scheme Meeting and approved by the Court at the Second Court Hearing, this will occur even if you did not vote on the Scheme or if you voted against the Scheme Resolution. | N/A |
| 7.24 | Can I sell my URB Shares? | <p>Yes. You can sell your URB Shares on the ASX at any time before the close of trading on the Effective Date.</p> <p>Trading in URB Shares will be suspended from official quotation on the ASX from the close of trading on the Effective Date. You will not be able to sell your URB Shares on the ASX after this time.</p> <p>If you sell your URB Shares on the ASX prior to the Effective Date:</p> <ul style="list-style-type: none"> – you will not receive the Scheme Consideration; – you may be required to pay brokerage on the sale of your URB Shares; and – there may be different tax consequences for you compared with those consequences that would apply if you disposed of your URB Shares under the Scheme. | N/A |

| | Question | Response | Section reference |
|------|--|---|-------------------|
| 7.25 | Can I choose to receive cash instead of New TOT Securities under the Scheme? | <p>No. There is no option for URB Shareholders to elect to receive cash in place of the Scrip Consideration.</p> <p>On the Implementation Date, all Eligible Shareholders will receive Scrip Consideration of 0.9833 New TOT Securities.</p> <p>Following Implementation, you may elect to sell your New TOT Securities on the ASX.</p> <p>Alternatively, you may elect to sell your URB Shares on the ASX at any time before the close of trading on the Effective Date.</p> | N/A |
| 7.26 | Can I subscribe for additional New TOT Securities under the Scheme? | <p>No. There is no option for URB Shareholders to elect to receive or to subscribe for additional New TOT Securities under the Scheme. The Scheme Consideration includes a fixed securities offer ratio of 0.9833 New TOT Securities per Scheme Share held on the Scheme Record Date and Cash Consideration (if applicable) - see Section 7.18 for a description of the circumstances in which you will receive Cash Consideration.</p> <p>URB Shareholders are able to purchase additional TOT Securities through normal trading on the ASX.</p> | N/A |
| 7.27 | Is TOT bound to provide the Scheme Consideration? | <p>In accordance with the Deed Poll, if the Scheme becomes Effective, TOT is bound to ensure that Scheme Shareholders receive the Scheme Consideration. A copy of the Deed Poll is included in this Booklet at Schedule 3.</p> <p>Under the Scheme, Scheme Shareholders appoint URB as their agent and attorney to enforce the Deed Poll.</p> | Schedule 3 |
| 7.28 | When will I receive the Scheme Consideration? | <p>If the Scheme becomes Effective and you are an Eligible Shareholder, you will have your name entered into the TOT Register as the holder of your New TOT Securities on the Implementation Date. If you are an Ineligible Overseas Shareholder, the net cash proceeds of the sale of the New TOT Securities to which you would otherwise have been entitled will be paid to you in accordance with the process outlined in Section 12.12.</p> <p>Further, if the Implementation Date is after the TOT December Distribution Record Date and URB provides the Loan to TOT on the terms set out in Section 12.6, you will receive the Cash Consideration within two Business Days of the Implementation Date.</p> <p>If the Scheme Meeting is adjourned or the Effective Date is otherwise delayed, the issue of the Scheme Consideration and payment of the Cash Consideration (if applicable) will also be delayed.</p> | Section 12.13(f) |

7. QUESTIONS AND ANSWERS CONT.

| Question | Response | Section reference |
|-------------------------------------|---|-------------------------------|
| 7.29 | <p>How will I receive the Cash Consideration (if applicable)?</p> <p>If the Implementation Date is after the TOT December Distribution Record Date, and URB provides the Loan to TOT on the terms set out in Section 12.6, you will be entitled to receive the Cash Consideration. URB intends to provide such Loan to TOT in circumstances where the Scheme will be Implemented after the TOT December Distribution Record Date.</p> <p>Within two Business Days after the Implementation Date, TOT will pay Scheme Shareholders the Cash Consideration by direct deposit into their nominated bank account. Scheme Shareholders will be required to advise the Share Registry of the details of their nominated bank account prior to the Scheme Record Date (if this information is not already held by the Share Registry).</p> <p>If you do not nominate a bank account by the Scheme Record Date, payment will be made by cheque sent to you by post to your Registered Address as it appears in the Share Register.</p> | Section 12.13(h) |
| Voting at the Scheme Meeting | | |
| 7.30 | <p>Who can vote at the Scheme Meeting?</p> <p>Scheme Shareholders who are registered on the Share Register at 7:00pm (Sydney time) on Wednesday, 4 December 2019 will be entitled to vote at the Scheme Meeting, subject to any voting exclusions set out in the Notice of Meeting included in Schedule 4 of this Booklet.</p> <p>However Mr Millner and Mr Culbert and their respective controlled entities who are Scheme Shareholders have decided that they will not vote any URB Shares that they control on the Scheme at the Scheme Meeting, because of any indirect benefit that they may receive through the purchase of the management rights pursuant to the Deed of Novation.</p> <p>As at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet, 360 Capital Property Limited ACN 146 484 433 (a wholly owned subsidiary of 360 Capital Group Limited (ACN 113 569 136) holds 2,732,217 URB Shares. 360 Capital Property Limited is an Associate of the 360 Capital FM Limited and will not vote any URB Shares that it controls on the Scheme at the Scheme Meeting due to this association. 360 Capital Property Limited is a Scheme Shareholder and will participate in the Scheme.</p> | Section 6.6(b) and Schedule 4 |
| 7.31 | <p>When and where will the Scheme Meeting be held?</p> <p>The Scheme Meeting is scheduled to be held at 9:00am (Sydney time) on Friday, 6 December 2019 at the Brickworks Design Studio, 2 Barrack Street, Sydney NSW 2000.</p> | Section 6.3 |

| | Question | Response | Section reference |
|------|--|--|---|
| 7.32 | How do I vote at the Scheme Meeting? | <p>How to vote in person</p> <p>If you are entitled to vote and wish to do so in person, you should attend the Scheme Meeting.</p> <p>If you are attending as an attorney, you must bring a copy of the authority under which the proxy forms were signed (unless you have already provided a copy of the authority to the Share Registry). If you are attending as a corporate representative, you must bring evidence of your authority.</p> <p>How to vote by proxy</p> <p>If you are unable to attend the Scheme Meeting you can vote by proxy by completing and lodging your proxy forms online at the Share Registry's website, www.linkmarketservices.com.au. Alternatively, complete and return the Scheme Meeting Proxy Form by using the enclosed reply paid envelope, or by fax. Proxy forms can also be hand delivered to the Share Registry at Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138. All proxy forms must be received by the Share Registry by no later than 9.00am (Sydney time) on Wednesday, 4 December 2019 for the Scheme Meeting Proxy Form.</p> <p>If an attorney signs a proxy form on your behalf, a copy of the authority under which the proxy form was signed must be received by the Share Registry at the same time as the proxy form (unless you have already provided a copy of the authority to the Share Registry).</p> <p>If you complete and return a proxy form, you may still attend the Scheme Meeting in person.</p> | Sections 6.6 - 6.9 |
| 7.33 | What vote is required to approve the Scheme? | <p>For the Scheme to proceed, the Scheme Resolution must be approved by the Requisite Majority of URB Shareholders, which is:</p> <ul style="list-style-type: none"> – a majority in number (more than 50%) of Scheme Shareholders present and voting at the Scheme Meeting (in person or by proxy, attorney or corporate representative); and – at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting. | Section 6.5 |
| 7.34 | What if I do not vote at the Scheme Meeting or do not vote in favour of the Scheme Resolution? | <p>If you do not vote or vote against the Scheme Resolution, but the Scheme Resolution is approved by the Requisite Majority of URB Shareholders, then, subject to the other Conditions Precedent to the Scheme being satisfied or waived (as applicable), and Court approval, the Scheme will be Implemented and binding on all Scheme Shareholders, including those who did not vote or voted against the Scheme Resolution.</p> | Sections 6.5, 12.3, 12.7, 12.8 and 12.9 |

7. QUESTIONS AND ANSWERS CONT.

| Question | | Response | Section reference |
|---------------------------------------|--|--|-----------------------|
| 7.35 | When will the result of the Scheme Meeting be known? | <p>The result of the Scheme Meeting will be announced to the ASX shortly after the conclusion of the Scheme Meeting. The result will be accessible from the ASX's website (www.asx.com.au) and on URB's website (www.urbinvest.com.au).</p> <p>Even if the Scheme Resolution is passed by the Requisite Majority of URB Shareholders at the Scheme Meeting, the Scheme will not become Effective unless and until it is approved by the Court at the Second Court Hearing and the Court order is lodged with ASIC.</p> | Sections 6.5 and 12.2 |
| Tax implications of the Scheme | | | |
| 7.36 | What are the Australian tax implications of the Scheme for URB Shareholders? | <p>If the Scheme becomes Effective, there will be tax consequences for Scheme Shareholders which may include tax being payable.</p> <p>A summary of the general Australian income tax (including capital gains tax), stamp duty and GST consequences for URB Shareholders who participate in the Scheme is set out in Section 13.</p> <p>The general summary is not tax advice and should not be relied on as each individual's tax position is different. URB Shareholders are urged to consult their own professional tax advisers as to the specific tax consequences to them of the Scheme, including the applicability and effect of income and other tax laws in their particular circumstances.</p> | Section 13 |

| Question | Response | Section reference |
|-------------------|---|-------------------|
| Further questions | | |
| 7.37 | <p data-bbox="256 409 512 533">Are there any conditions that need to be satisfied before the Scheme can proceed?</p> <p data-bbox="560 409 1214 499">As at the date of this Booklet, the outstanding Conditions Precedent which must be satisfied or waived (as applicable) before the Scheme can become Effective are:</p> <ul data-bbox="560 521 1214 1619" style="list-style-type: none"> <li data-bbox="560 521 1214 611">– URB Shareholder approval – the Requisite Majority of URB Shareholders approves the Scheme at the Scheme Meeting; <li data-bbox="560 633 1214 723">– ASIC approval – ASIC provides any consents or approvals reasonably necessary to Implement the Scheme and the consents or approvals are not revoked; <li data-bbox="560 745 1214 768">– Court approval – the Court approves the Scheme; <li data-bbox="560 790 1214 913">– No regulatory intervention – no court or Regulatory Authority takes any action to restrain or prohibit the Scheme, as at 8:00am (Sydney time) on the Second Court Date; <li data-bbox="560 936 1214 1059">– No prescribed events – no URB Prescribed Events or TOT Prescribed Events have occurred between the date of the Scheme Implementation Deed and 8:00am (Sydney time) on the Second Court Date; <li data-bbox="560 1081 1214 1205">– No material adverse change – no URB Material Adverse Change or TOT Material Adverse Change has occurred between the date of the Scheme Implementation Deed and 8:00am (Sydney time) on the Second Court Date; <li data-bbox="560 1227 1214 1317">– New TOT Securities – the ASX approves the quotation of the New TOT Securities, subject to any customary conditions, and the approval is not revoked; <li data-bbox="560 1339 1214 1485">– Independent Expert opinion – the Independent Expert issues a report which concludes that the Scheme is fair and reasonable to and in the best interest of URB Shareholders and does not change its opinion before 8:00am (Sydney time) on the Second Court Date; and <li data-bbox="560 1507 1214 1619">– Representations and Warranties – the Representations and Warranties given by URB and TOT under the Scheme Implementation Deed are true and correct in all material respects. <p data-bbox="560 1641 1214 1697">Further details regarding the Conditions Precedent are available at Section 12.3.</p> | Section 12.3 |

7. QUESTIONS AND ANSWERS CONT.

| Question | Response | Section reference |
|----------|---|------------------------------|
| 7.38 | <p>When will the Scheme become Effective?</p> <p>If the Conditions Precedent are satisfied or waived (as applicable) and the Scheme is approved by the Requisite Majority of URB Shareholders at the Scheme Meeting, URB will apply to the Court to approve the Scheme at the Second Court Hearing.</p> <p>The Scheme will become Effective on the date on which the Court order approving the Scheme is lodged with ASIC. The Scheme is expected to become Effective on the Second Court Date or the Business Day following the Second Court Date.</p> | Section 12.13 |
| 7.39 | <p>What happens if the Scheme is not Implemented?</p> <p>If the Scheme is not Implemented:</p> <ul style="list-style-type: none"> – you will not receive the Scheme Consideration; – you will retain your URB Shares; and – URB will continue to operate in the ordinary course of business and will continue as a standalone entity listed on the ASX. | N/A |
| 7.40 | <p>What happens if a Competing Proposal is proposed?</p> <p>If a Competing Proposal is proposed to the URB Board prior to the Second Court Date, the URB Board will consider the proposal and determine whether it is a Superior Proposal.</p> <p>Under the Scheme Implementation Deed, URB must notify TOT of any Competing Proposal and its terms. TOT has a matching right in relation to any Competing Proposal.</p> | N/A |
| 7.41 | <p>Under what circumstances is a break fee payable?</p> <p>Under the Scheme Implementation Deed:</p> <ul style="list-style-type: none"> • URB must pay TOT a Break Fee of \$758,100 (exclusive of GST) if certain specified events occur, including if a majority of URB Directors recommend a Competing Proposal before the End Date; and • TOT must pay URB a Reverse Break Fee of \$828,700 (exclusive of GST) if certain specified events occur, including if TOT fails to provide the Scheme Consideration as required. | Sections 14.9(h) and 14.9(i) |
| 7.42 | <p>Who can I contact if I have further questions in relation to this Booklet or the Scheme?</p> <p>If you have any further questions about this Booklet or the Scheme, you should:</p> <ul style="list-style-type: none"> – seek independent legal, financial, taxation or other professional advice; and – contact the Share Registry on 1300 554 474 (callers within Australia) or + 61 1300 554 474 (callers outside Australia). <p>URB is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Information disclosed to the ASX by URB is available on the ASX's website at www.asx.com.au or on URB's website at www.urbinvest.com.au.</p> | Section 6.1 |

| | Question | Response | Section reference |
|-----------------------|--|--|-------------------------------------|
| 7.43 | What will happen to the investment management agreement with Contact Asset Management? | <p>If the Scheme is Implemented, Contact Asset Management will be replaced by the New Investment Manager in accordance with the terms of the Deed of Novation.</p> <p>The New Investment Manager will pay Contact Asset Management \$2.5 million for novation of the Investment Management Agreement. Contact Asset Management will be paid an additional \$300,000 for transitional services to be provided to the New Investment Manager for a 6 month period following the Implementation Date.</p> <p>Contact Asset Management is owned 40% indirectly by Mr Tom Millner, 40% indirectly by Mr Will Culbert and 20% by Washington H. Soul Pattinson and Company Limited (who also holds 12.35% of all the URB Shares).</p> <p>Please refer to the Independent Expert's Report in Schedule 1 which provides a 'net benefit' opinion on the payment to be made to Contact Asset Management under the Deed of Novation.</p> | Sections 5.3, 12.5 and Schedule 1 |
| 7.44 | Has Contact Asset Management been involved in assessing the Proposed Transaction? | Having regard to the payment to Contact Asset Management under the Deed of Novation, Contact Asset Management has not participated in the URB Board's consideration of the Proposed Transaction. | Section 5.3 |
| Combined Group | | | |
| 7.45 | What are TOT's intentions for URB and the Combined Group if the Scheme is Implemented? | <p>Following Implementation, the objective of 360 Capital FM Limited will be to combine the assets of TOT and URB and deploy these assets in order to provide total returns to TOT Securityholders through a selective and disciplined investment philosophy combined with 360 Capital FM Limited's expanded access to real estate based investment opportunities.</p> <p>With regard to the assets of URB, the New Investment Manager will, where appropriate, seek to recycle URB's existing assets and reinvest the proceeds in line with TOT's investment strategy, complemented by an expanded portfolio of direct real estate and real estate debt investments.</p> | Section 10.4 |
| 7.46 | Who will be the directors and the senior management of the Combined Group? | There will be no change to the 360 Capital FM Limited board or the key management of 360 Capital Group post Implementation of the Scheme. The URB Directors and Company Secretary will resign from the URB Board with effect from the Implementation Date. URB has no employees. | Sections 10.3, 10.4(b), 9.5 and 9.6 |
| 7.47 | What will the distribution policy of the Combined Group be? | There will be no change to the distribution policy of TOT which is described in Section 9.16 for the Combined Group. | Sections 9.16 and 10.4(c) |

8. OVERVIEW OF URB

8.1 Overview

URB Investments Limited (ASX: URB) is an ASX listed investment company focused on capturing long-term value by investing in a diversified portfolio of assets with exposure to urban renewal and regeneration opportunities. URB's objective is capture and add value through both capital and income growth, from an actively managed portfolio of Equity Assets and Direct Property Assets.

Contact Asset Management is appointed as URB's investment manager. Contact Asset Management is also the manager of BKI Investment Company Limited (ASX: BKI).

8.2 Investment strategy and recent performance

URB's investment strategy is to develop an investment portfolio that combines Equity Assets and Direct Property Assets (the **Investment Portfolio**).

The equity component of the Investment Portfolio comprises a diversified collection of Equity Assets that seek to capitalise on exposure to urban renewal and regeneration.

With respect to Direct Property Assets, URB targets assets that benefit from changes in use such as rezoning, gentrification and the maximisation of available floor space to enhance returns. URB's strategy in relation to URB's Direct Property Assets (**Direct Property Portfolio**) is to provide an opportunity for investors to gain exposure to assets traditionally only available to a select few.

Targeted Direct Property Assets are undervalued properties which require:

- a short term repositioning for income;
- capital for restructuring; or
- have an underlying opportunity for capital revaluation through a change in use.

8.3 Investment Manager

Since listing URB's investment strategy has been Implemented by the investment manager, Contact Asset Management. Contact Asset Management has a concentrated portfolio of corporate clients, developing strong relationships with those clients and investing alongside them, managing unique products to create long-term wealth.

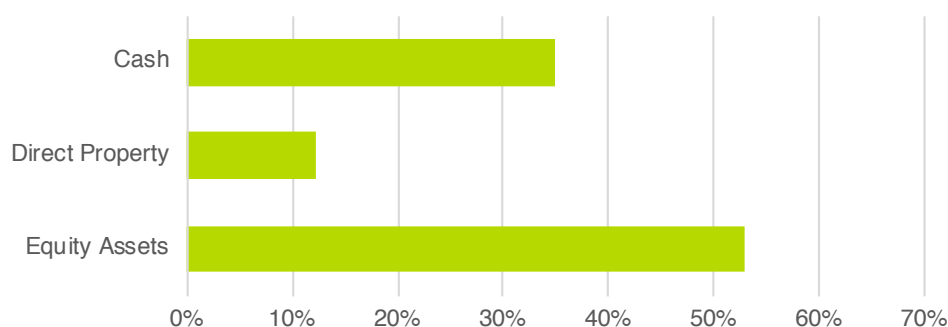
Contact Asset Management is owned 40% indirectly by Mr Tom Millner, 40% indirectly by Mr Will Culbert and 20% by Washington H. Soul Pattison and Company Limited (who also holds 12.35% of the Shares in URB).

8.4 Investments overview

URB's structure allows it to be opportunistic through effective asset allocation between equities and property. Liquid capital from cash and the equity portfolio enables Contact Asset Management to manage the asset allocation so URB can move quickly to take advantage of Direct Property Asset opportunities.

URB's maximum cap on investments in the Direct Property Portfolio is 75% of the Investment Portfolio. This provides flexibility for URB to take advantage of Direct Property Asset opportunities as they arise. Following the sale of PURT5:Prestons and PURT3: Kingsgrove, Direct Property Assets currently represent less than 20% of the Investment Portfolio.

As at 30 September 2019 URB's Direct Property Portfolio exposure is 12.2% (as a result of the sale of assets PURT5:Prestons and PURT3:Kingsgrove). URB's portfolio of Equity Assets represents 53.2% of URB's total investment assets, and cash accounts for 34.6%.



(a) URB's Equity Portfolio

As at 30 September 2019 URB's Equity Assets accounted for 53.2% of URB's total portfolio, and comprised a diversified collection of companies that seek to capitalise on exposure to urban renewal and regeneration. It continues to be well diversified across many sectors of the market including real estate, healthcare, consumer, utilities, building materials and industrials. URB's Equity Assets has no exposure to banks, diversified financials or resources.

All of URB's current large equity investments are included in the list of URB's top 20 investment included in Section 8.4(c).

(b) URB's Direct Property Portfolio

When URB listed in April 2017, it held options to acquire interests in three direct property seed assets (**Seed Assets**). Subsequent to listing, URB exercised its options and acquired a 49.9% interest in each of PURT3: Kingsgrove, PURT4: Penrith, and PURT5: Prestons, with the other 50.1% interest in each Seed Asset held by Washington H. Soul Pattinson and Company Limited.

Seed Assets

PURT3: Kingsgrove and PURT5: Prestons

In the period since listing the properties originally owned by PURT3: Kingsgrove and PURT5: Prestons have been developed and sold. During February 2019 PURT5: Prestons settled on the sale of its property and URB received a cash distribution of \$17.8m including \$4.6m paid out as a special distribution, with the project generating an Equity Internal Rate of Return (**IRR**) of 20.4% over 18 months, net of all expenses and fees. PURT3: Kingsgrove sold all commercial lots in its sub-division in multiple transactions throughout 2019FY. Overall URB received special distribution income of \$2.89m from PURT3: Kingsgrove, representing a return of 29% on its investment, and the project generated an IRR of 19% over the 18 months net of all expenses and fees.

PURT4: Penrith

The property held by PURT4: Penrith is a commercial property in Penrith NSW, west of Sydney in close proximity to the Badgery's Creek Airport and Northern Road upgrade. The property has approximately 6,500m² of gross lettable area, and is currently used for retail and office with approximately 20 individual lessees.

In the period since listing the property manager of PURT 4: Penrith has implemented a re-leasing strategy, seeking to improve the leasing profile of the property and the underlying quality of tenants. Occupancy is currently at 87%, with new tenants secured for a number of tenancies and average lease terms also increasing. In conjunction with this, the property manager continues to consider strategic options for realizing value from the property.

Other Direct Property Assets

Home HQ

In 2018FY URB acquired a minority stake in the Fortius Sydney Homemaker Trust (**HomeHQ**), a leading homemaker centre located in the suburb of Artarmon in Sydney. HomeHQ comprises approximately 22,200m² of gross lettable area, with the majority of space secured by leases with national brand tenants.

8. OVERVIEW OF URB CONT.

Triggers in Material Contracts upon Implementation of the Scheme

Under the Unitholders Agreement with respect to PURT 4, upon Implementation of the Scheme, the other unitholder, a Subsidiary of Washington H. Soul Pattinson and Company Limited, has the right to acquire URB's 49.9% interest in PURT4 for fair market value.

In addition, the Co-Investment Agreement that URB entered into with Washington H. Soul Pattinson and Company Limited, Pitt Street Real Estate and Contact Asset Management will terminate when Contact Asset Management ceases to be the manager of URB (which will occur on Implementation of the Scheme pursuant to the Deed of Novation).

Unregistered Managed Investment Scheme

As disclosed in the 2019 URB Annual Report, in July 2019 URB entered into a subscription deed under which URB committed to subscribing for units in an unregistered managed investment scheme up to an agreed value of \$1,000,000 (**Commitment Amount**). In October 2019, by mutual consent, the subscription deed was terminated, releasing URB from all obligations under the subscription deed. URB did not pay any of the Commitment Amount, and is no longer liable to pay any of the Commitment Amount.

(c) URB's Top 20 Investments

| Company / Trust | | % of Total Portfolio |
|---|--------------------------------|-------------------------|
| 1 | PURT No 4: Penrith | 8.7% |
| 2 | Transurban Group | 6.3% |
| 3 | Lendlease Group | 6.0% |
| 4 | Sydney Airport | 6.0% |
| 5 | Harvey Norman Holdings Limited | 4.1% |
| 6 | Home HQ Artarmon | 3.3% |
| 7 | Woolworths Limited | 3.1% |
| 8 | CIMIC Group | 3.1% |
| 9 | Regis Healthcare Limited | 2.7% |
| 10 | 360 Capital Group Limited | 2.5% |
| 11 | Goodman Group | 2.5% |
| 12 | Ramsay Health Care Limited | 2.3% |
| 13 | Mirvac Group | 2.2% |
| 14 | Wesfarmers Limited | 2.0% |
| 15 | Cedar Woods Properties Limited | 1.6% |
| 16 | Reece Limited | 1.5% |
| 17 | AV Jennings | 1.3% |
| 18 | Blackwall Property Trust | 1.2% |
| 19 | REA Group | 1.1% |
| 20 | GDI Property Group | 1.0% |
| Cash and cash equivalents | | 34.6% |
| Total of top 20 plus cash and cash equivalents | | 97.1% |

8.5 Board

As at the date of this Booklet, the URB Board comprised:

| Name | Position |
|-----------------------------|----------------------|
| Mr Warwick Martin Negus | Chairman |
| Mr Robert (Bruce) Dungey | Independent Director |
| Mr Anthony (Bruce) McDonald | Independent Director |
| Ms Victoria Weekes | Independent Director |

8.6 Capital structure

As at the date of this Booklet, URB has 73,959,549 shares on issue.

8.7 Share price history

URB Shares are listed on the ASX under the ASX code 'URB'.

The closing price of URB Shares on the ASX on 11 October 2019, being the last Trading Day prior to the announcement of the Scheme, was \$1.025.

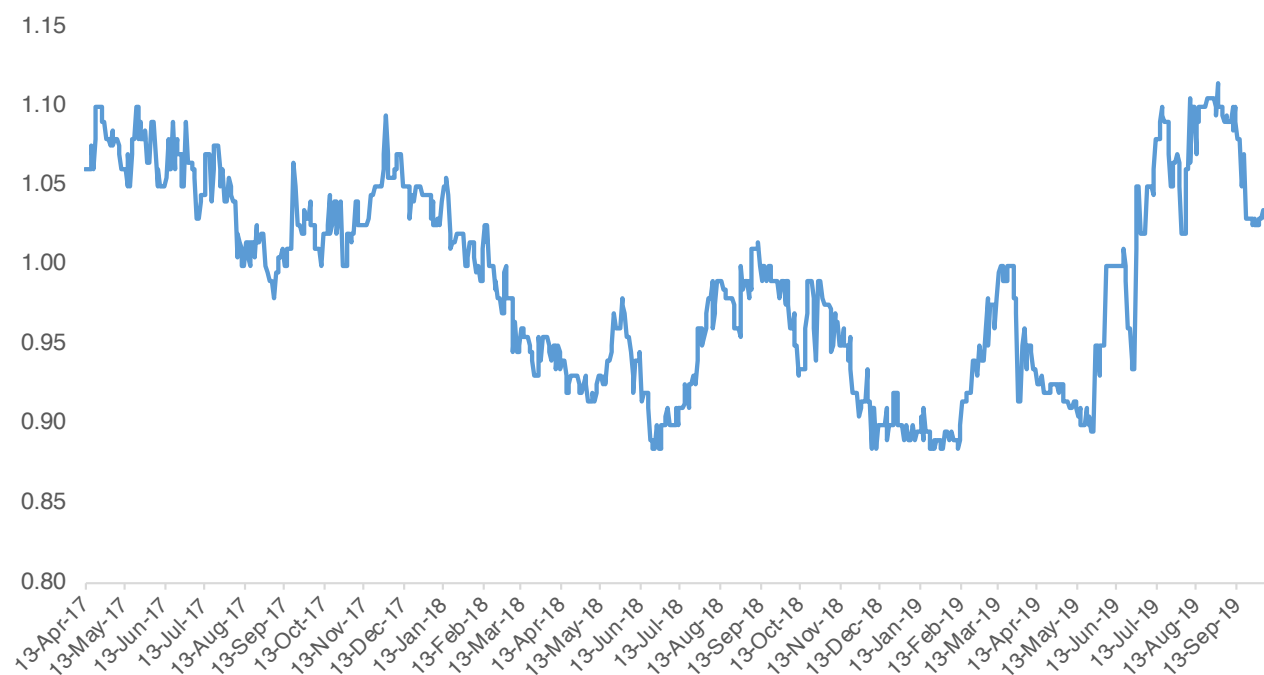
The closing price for URB Shares on the ASX on 1 November 2019, being the last Trading Day prior to the release of this Booklet was \$1.095.

During the three months ended 1 November 2019:

- the highest recorded daily closing price for URB Shares was \$1.115 on 29 August 2019; and
- the lowest recorded daily closing price for URB Shares was \$1.02 on 1 and 2 August 2019 and 7, 8, 9 and 10 October 2019.

Set out below is a summary of URB's trading performance since its initial public offering in April 2017 as at \$1.10 per share, until 11 October 2019, being the last Trading Day prior to the announcement of the Scheme.

URB Share Price - Apr 12, 2017 to Oct 11, 2019



8. OVERVIEW OF URB CONT.

8.8 Substantial URB Shareholders

The substantial holders of URB Shares as at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet, were as follows:³

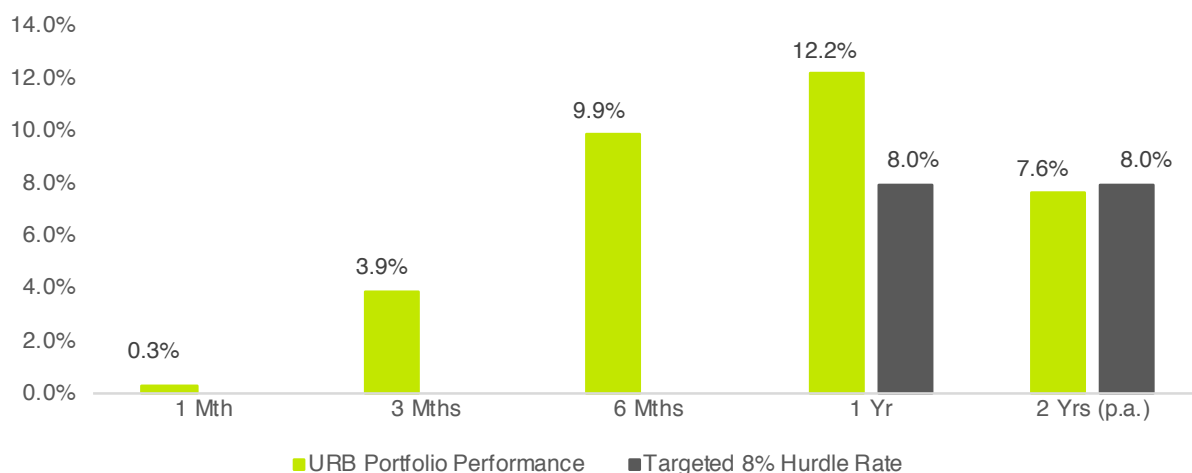
| URB Shareholder | Number of URB Shares | Voting interests at time of notice |
|--|----------------------|------------------------------------|
| Washington H. Soul Pattinson and Company Limited | 9,137,343 | 12.35% |
| Brickworks Limited and its Subsidiaries ⁴ | 9,137,343 | 12.35% |
| 360 Capital FM Limited | 8,621,828 | 11.66% |

Mr Warwick Negus, Chairman of URB, is also an independent non-executive director of Washington H. Soul Pattinson and Company Limited. Due to his role as Chairman of URB Mr Warwick Negus has not and will not participate in any deliberations by the board of Washington H. Soul Pattinson and Company Limited in respect of the Proposed Transaction.

8.9 URB Historical Financial Information

The key historical financial information for URB is set out below. This has been extracted from URB's audited financial statements for the 12 months ending 30 June 2019. These statements are available on the ASX or the news and the announcements section of URB's website at www.urbinvest.com.au.

(a) Key financial performance measures



Source: URB, Contact Asset Management, Bloomberg. URB's Net Portfolio Return is the change in URB's disclosed pre-tax NTA over a defined period, and is calculated after deducting all operating expenses and provision and payment of both income and capital gains tax and adding back any dividends paid. The 8% Hurdle Rate is an annualised rate.

³ Based on substantial holder notices (Form 604) filed pursuant to section 671B of the Corporations Act as at that date.

⁴ Shares held by Brickworks Limited represent a technical Relevant Interest as a result of Brickworks Limited's shareholding in Washington H. Soul Pattinson & Company Limited.

| URB FY2019 Performance Highlights | Ordinary Operations \$'000 | Abnormal Items \$'000 | Statutory Numbers \$'000 | Change from 2018 |
|---|---|----------------------------------|---|-----------------------------|
| Income from Equity Portfolio | 1,835 | 204 | 2,039 | |
| Income from Direct Property Portfolio | 175 | 7,533 | 7,708 | |
| Interest Income | 206 | - | 206 | |
| Income from Operations | 2,216 | 7,737 | 9,953 | 192% |
| Operating Expenses | (1,341) | - | (1,341) | |
| Fair Value Gain on Direct Property Assets | - | 178 | 178 | |
| Operating Result Before Income Tax | 875 | 7,915 | 8,790 | 272% |
| Income Tax Expense | 3 | (2,313) | (2,310) | |
| Net Operating Result | 878 | 5,602 | 6,480 | 200% |

| | | | Cents per share | |
|--------------------------------------|--|--|------------------------|-------------|
| EPS Based on Operating Result | | | 8.84 | 199% |
| Ordinary Dividend per share | | | 2.25 | |
| Special Dividend per share | | | 3.50 | |
| Total Dividends per share | | | 5.75 | 283% |

8.10 URB's publicly available information

URB is a "disclosing entity" for the purpose of section 111AC(1) of the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require URB to announce price sensitive information as soon as it becomes aware of the information, subject to exceptions for certain confidential information. URB is also required to prepare and lodge with ASIC and ASX both annual and half-yearly financial statements accompanied by a statement and report from the URB Directors and an audit or review report, respectively. In addition, URB is also required to lodge with the ASX monthly NTA backing reports which are also available on URB's website at www.urbinvest.com.au.

Further announcements concerning URB will continue to be made available on ASX's website after the date of this Booklet.

Copies of the documents filed with ASX may be obtained from ASX's website at www.asx.com.au and URB's website at www.urbinvest.com.au. Copies of the documents lodged with ASIC in relation to URB may be obtained from, or inspected via, ASIC's online registry portal ASIC Connect at www.asicconnect.asic.gov.au including at ASIC's self-service kiosks at ASIC's service centres. Copies of these documents will also be made available free of charge following a request in writing to URB at any time before the Scheme Meeting.

8.11 Material changes in URB's financial position

To the knowledge of the URB Directors, there have been no material changes to the financial position of URB since 30 June 2019, except as publicly disclosed on URB's ASX profile located on the ASX's website www.asx.com.au or in this Booklet.

9. OVERVIEW OF TOT

9.1 Overview

TOT is a stapled fund comprised of the 360 Capital Total Return Passive Fund (ARSN 602 304 432) (**TOT Passive Fund**) and 360 Capital Total Return Active Fund (ARSN 602 303 613) (**TOT Active Fund**). 360 Capital FM Limited (ABN 15 090 664 396 and AFSL 221474) (**360 Capital FM Limited**) is the responsible entity for each of the TOT Passive Fund and the TOT Active Fund.

TOT is an externally managed vehicle meaning that TOT Securityholders do not hold shares in the responsible entity. As noted above, the responsible entity for each of the funds comprising TOT is 360 Capital FM Limited, which is a member of the 360 Capital Group. As responsible entity, 360 Capital FM Limited is responsible for the management and administration of TOT. The board of 360 Capital FM Limited comprises a majority of independent directors as described in Section 9.5. As a listed entity TOT is required to comply with the continuous disclosure obligations under the ASX Listing Rules, although as TOT is not a listed investment company it is not required to comply with the regular reporting requirements imposed on listed investment companies (including URB).

360 Capital FM Limited as responsible entity for TOT is entitled to receive fees as set out below:

| Fee Type | Fee Regime |
|---|--|
| Management fee | The responsible entity is entitled to charge a management fee of 0.65% per annum of the gross asset value of TOT. |
| Other expenses and cost recoveries | Expenses relating to the proper performance of the responsible entity's duties in connection with TOT were \$203,877 (0.23%) per annum (plus GST) of TOT's gross asset value as at 30 June 2019. |
| Performance fee* | The responsible entity is entitled to receive a performance fee of 20% of returns to TOT Securityholders in excess of 12% per annum. |
| Acquisition fee* | The responsible entity is entitled to receive an acquisition fee of up to 1.0% of the total purchase price of an investment made by TOT. |
| Disposal fee* | The responsible entity is entitled to receive a disposal fee of up to 1.0% of the total sale price of an investment sold by TOT. |

** Despite the fact that 360 Capital FM Limited as responsible entity for TOT is entitled to receive these fees, it has not charged acquisition or disposal fees since FY 16 and it has not charged performance fees since listing on the ASX.*

The fund listed on the ASX in April 2015 as a unique, opportunistic fund investing in various forms of Australian real estate assets. TOT's objective is to deliver a total return of 12.0% plus per annum, through disciplined investment in a broad range of real estate opportunities. TOT is currently focused on opportunistically investing in real estate equity and investing in secured real estate debt transactions.

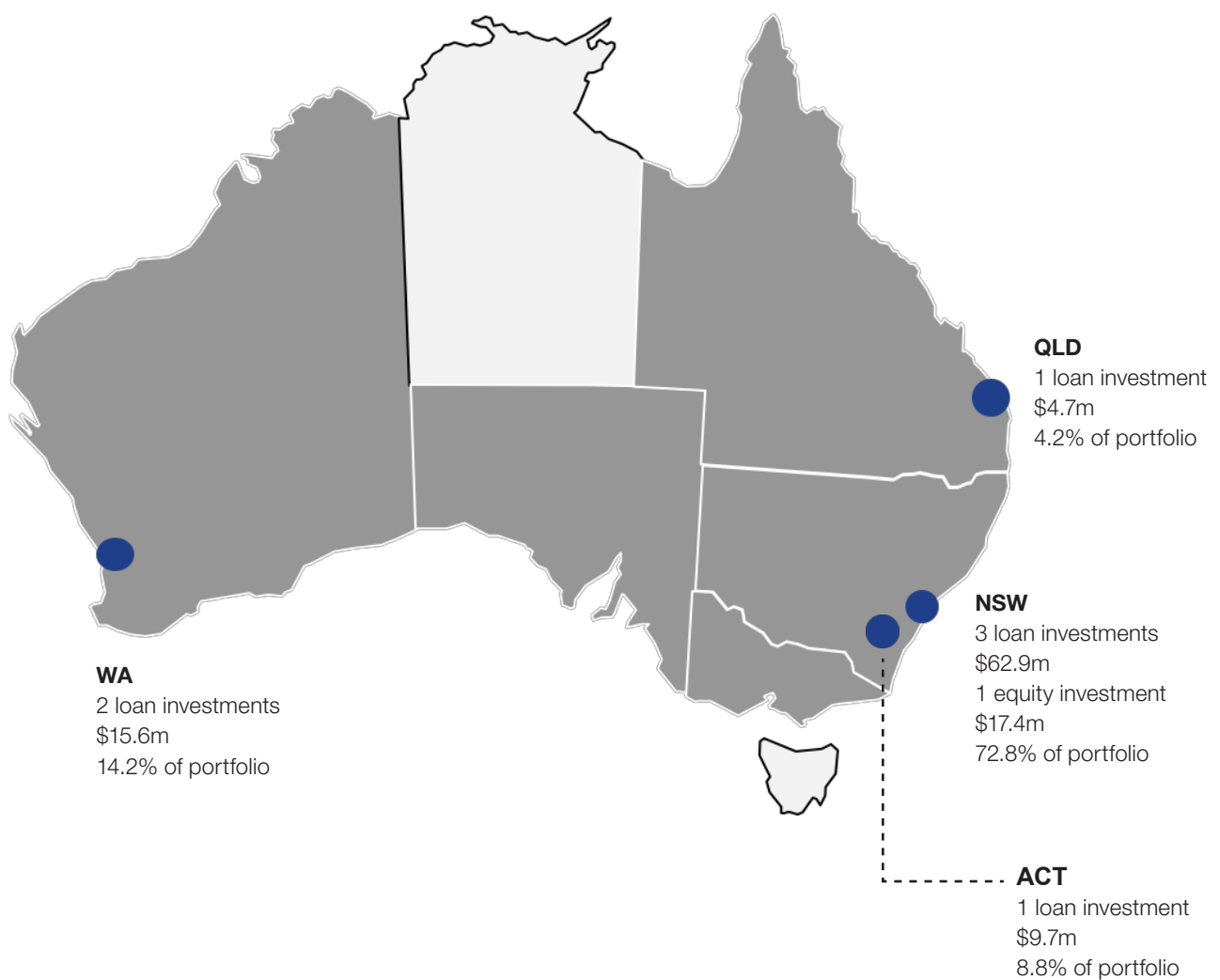
9.2 Investment strategy and recent performance

Given TOT's wide real estate mandate, the investment strategy is to identify opportunities across the real estate capital stack, taking advantage of market conditions to maximise risk – adjusted returns for TOT Securityholders. TOT's investment strategy includes:

- (a) Direct real estate
 - (i) Asset repositioning
 - (ii) Opportunistic acquisitions
 - (iii) Rezoning / redevelopment
 - (iv) Income generating real estate
- (b) Indirect real estate
 - (i) Real estate related operating businesses
 - (ii) Strategic equity investments
 - (iii) Participation in mergers and acquisitions
 - (iv) Recapitalisations

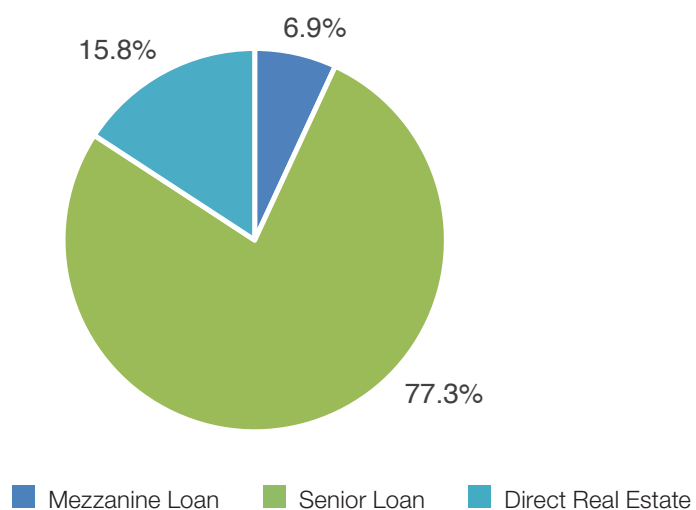
- (c) Real estate debt
 - (i) First and second mortgage
 - (ii) Preferred equity
- (d) Non-performing real estate debt
 - (i) Distressed financing
 - (ii) Non-performing loans

9.3 Current Investment Portfolio

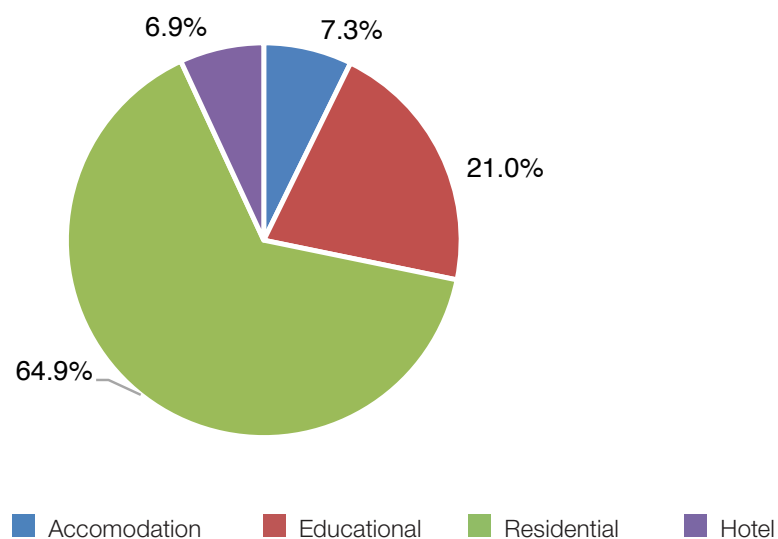


9. OVERVIEW OF TOT CONT.

INVESTMENT TYPE



PROPERTY TYPE



9.4 Investment strategies

(a) Direct Real Estate

TOT has exchanged contracts to acquire 23 brand new strata titled apartments in Gladesville, NSW approximately 12 kilometres north of Sydney CBD.

The project has recently been completed and comprises a combination of one, two and three – bedroom apartments, which were purchased for \$16.5 million, with a current valuation of \$20.5 million and an original list price of \$24.3 million.

The purchase price reflects a (-32%) discount to the list price and a (-20%) discount to the current market value. The investment provides TOT with potential trading profits through the sale of inventory.



Direct Real Estate Investment

| | |
|-----------------------------|---|
| Project Description: | 23 apartments in Gladesville, approximately 12 kilometres north of Sydney CBD |
| Size: | Original list price: \$24.3m Current market value: \$20.5m Purchase price: \$16.5m (-32% discount to list price) |
| Term: | Exit over 12 – 36 months |

9. OVERVIEW OF TOT CONT.

(b) Real Estate Debt

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and changes to the Australian prudential regulatory landscape have provided the non-bank sector with opportunities to fund commercial and residential real estate projects, given the reduced appetite from some Australian financial institutions.

Over the past 30 months, whilst maintaining TOT's disciplined and strict lending criteria, TOT has originated and written approximately \$145 million in loan investments across 10 borrowers and 16 individual properties in major capital cities along the Eastern seaboard and Perth. Of this, three (3) loan investments have been repaid, returning \$56.6m of capital and generating a weighted average internal rate of return of 15.9% p.a. These are summarised below.

(i) Repaid Loans



Real Estate Debt Investment

| | |
|---------------------------------------|---|
| Project Description: | Development of 162 room 4-star hotel in Melbourne CBD |
| Size: | Net Realisation: \$53.0m Facility Amount: \$36.3m (68.4% LVR) |
| Internal Rate of Return (IRR): | 16.8% p.a. |
| Term: | 12.5 months (original loan facility settled 11 May 2018) |



Real Estate Debt Investment

| | |
|---------------------------------------|--|
| Project Description: | Development of 2,396 sqm (GLA) medical centre in Sunbury, VIC |
| Size: | Net Realisation: \$13.0m Facility Amount: \$9.3m (71.2% LVR) |
| Internal Rate of Return (IRR): | 14.6% p.a. |
| Term: | 17 months (original loan facility settled 01 December 2017) |



Real Estate Debt Investment

| | |
|---------------------------------------|--|
| Project Description: | Construction of 30 residential apartments in Western Sydney |
| Size: | Net Realisation: \$16.8m Facility Amount: \$8.2m (48.9% LVR) |
| Internal Rate of Return (IRR): | 13.5% p.a. |
| Term: | 10 months (original loan facility settled 01 June 2018) |

9. OVERVIEW OF TOT CONT.

(ii) Current Loan Book

The current loan book consists of seven investments, standing at \$92.9m with a projected end value of \$205.2m⁵, comprised of six senior facilities and a mezzanine facility, equating to an average interest rate of 10.7%⁶ and 66.9%⁷ loan-to-value ratio. Brief details of each facility are set out below:



Real Estate Debt Investment

| | |
|-----------------------------|--|
| Project Description: | Development of 94 apartments in Western Sydney |
| Size: | Net Realisation: \$46.7m Facility Amount: \$31.8m (68.0% LVR / 79% LTC) |
| Term: | 24 months (original loan facility settled 10 July 2018) |
| Credit Enhancements: | Registered First mortgage Personal and director's guarantees First Ranking General Security Deed Tri-partite Deed |

⁵ Based on "As if Complete" valuation (net of GST).

⁶ Weighted average interest rate inclusive of line-fee and interest margin.

⁷ Based on "As if Complete" valuation (net of GST).



Real Estate Debt Investment

| | |
|-----------------------------|--|
| Project Description: | Medium density complex comprising 109 waterfront, residential apartments in Port Coogee, W.A. |
| Size: | Net Realisation: \$13.2m Facility Amount: \$8.0m (61.0% LVR) |
| Term: | 18 months (original loan facility settled 03 September 2018) |
| Credit Enhancements: | Registered First mortgage Parent company guarantee First Ranking General Security Deed |



Real Estate Debt Investment

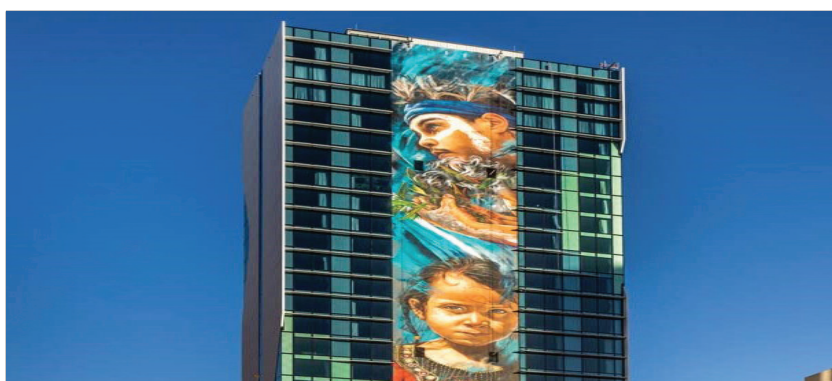
| | |
|-----------------------------|---|
| Project Description: | Medium density complex comprising 22 luxury apartments in New Farm, QLD |
| Size: | Net Realisation: \$8.0m Facility Amount: \$4.7m (58% LVR) |
| Term: | 12 months (original loan facility settled 30 May 2019) |
| Credit Enhancements: | Registered First mortgage Personal guarantees First Ranking Security Deed |

9. OVERVIEW OF TOT CONT.



Real Estate Debt Investment

| | |
|-----------------------------|---|
| Project Description: | Bridging facility for portfolio of seven (7) childcare assets leased to Affinity Education |
| Size: | Current Valuation: \$35.6m Facility Amount: \$23.1m (65% LVR) |
| Term: | 12 months (original loan facility settled 16 October 2019) |
| Credit Enhancements: | Registered First mortgages Personal and corporate guarantees First Ranking Security Deed |



Real Estate Debt Investment - Mezzanine

| | |
|-----------------------------|--|
| Project Description: | Construction of pre-leased hotel in Perth, W.A. |
| Size: | Net Realisation: \$76.0m Facility Amount: \$7.6m (70% LVR / 78% LTC) |
| Term: | 24 months (original loan facility settled 15 December 2017) |
| Credit Enhancements: | Registered Second mortgage Personal guarantees Second Ranking Security Deed Inter-creditor deed |



Real Estate Debt Investment

| | |
|-----------------------------|---|
| Project Description: | Development of 28 room residential accommodation facility in Coogee, NSW |
| Size: | Net Realisation: \$11.4m Facility Amount: \$8.0m (70% LVR / 80% LTC) |
| Term: | 20.5 months (original loan facility settled 16 March 2018) |
| Credit Enhancements: | Registered First mortgage Personal guarantees First Ranking Security Deed |



Real Estate Debt Investment

| | |
|-----------------------------|--|
| Project Description: | Development of 27 townhouses in Greenway, ACT |
| Size: | Net Realisation: \$13.5m Facility Amount: \$9.7m (71.9% LVR) |
| Term: | 15 months (original loan facility settled 11 October 2019) |
| Credit Enhancements: | Registered First mortgage Personal and corporate guarantees First Ranking Security Deed Builder Side Deed |

9. OVERVIEW OF TOT CONT.

(c) **URB Investments**

TOT has invested approximately \$8.6 million in URB at an average price of \$1.03, being a (-13.4%) discount to the last reported pre-tax net tangible assets of \$1.19 per URB Share, as at the last practicable Trading Day prior to the date of this Booklet.

As at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet, TOT and its Associates hold 15.34% of URB Shares and is the largest URB Shareholder

(d) **AMF Finance**

TOT holds a 50% stake in AMF Finance, a 50/50 joint venture owned with 360 Capital Property Limited. AMF Finance originates alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on real estate transactions written by 360 Capital Group entities, including TOT and the proposed 360 Capital High Yield Credit Fund.

AMF Finance has now originated over \$165 million in senior loans and mezzanine loans at an average interest rate of 11.2% and 66.3% loan-to-value ratio, providing the fund with high risk – adjusted returns, secured against a suite of collateral security including: first registered mortgage rights, first registered general security claims as well as additional guarantor and directors' guarantees (if any).

9.5 Board of Directors

The Directors of 360 Capital FM Limited as at the date of this Booklet are:

(a) **David van Aanholt (Chairman and Independent Director);**

David has over 30 years' experience in the property and funds management industry. Prior to establishing his own property group in 2007, David worked for the ASX listed Goodman Group where he was the Chief Executive Officer (Asia Pacific) and was responsible for Goodman's operations in Australia, New Zealand, Hong Kong and Singapore. Prior to working for Goodman David held senior roles at Paladin Australia and CDH Properties (acquired by KPMG). David holds a Bachelor of Business (Land Economy), a Post Graduate Diploma in Management, a Masters in Business Administration and he is a Fellow of the Australian Property Institute.

David is a non-executive Director and Chair of Kennard's Self Storage Group and a Councillor at the University of New England where he sits on the Audit and Risk, Finance and Infrastructure, Innovation and Remuneration Committees.

(b) **Tony Pitt (Managing Director);**

Tony is a founding Director of 360 Capital Group and has worked in the property and property funds management industries for over 20 years. As Managing Director, Tony is responsible for the 360 Capital Group's investments strategic direction and overall group strategy. He has overseen the IPO on the ASX of three AREITs since 2012 as well as the creation of various unlisted funds, undertaken various corporate acquisitions and disposals, mergers and acquisitions and the ASX listing of 360 Capital Group.

Tony has formerly held numerous senior roles and directorships at Mirvac Group, James Fielding Group and Paladin Australia. He also held positions at Jones Lang LaSalle and CB Richard Ellis.

He graduated from Curtin University with a Bachelor of Commerce (Property), has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.

(c) **John Ballhausen (Independent Non-Executive Director);**

John is a financial services professional with over 35 years' experience. He is a founder of Quay Fund Services Limited providing trustee and responsible entity services to fund managers. He is also a non-executive director of Arctic Intelligence.

John founded Rimcorp Property Limited and became its Managing Director. In 2008, Rimcorp was successfully sold with approximately \$100 million in funds under management spread over four registered property schemes. Before 2002 John held the position of Chief Investment Officer with HIH Insurance, with responsibility for more than \$3 billion of funds across fixed interest, equities and property asset classes. John has a Bachelor of Commerce from the University of NSW, is a Fellow of the Financial Services Institute of Australasia and a Graduate of the Australian Institute of Company Directors.

(d) **Graham Lenzer (Independent Non-Executive Director);**

Graham has had a career spanning four decades, with particular emphasis on funds management and financial markets. Graham was an Executive Director of the Armstrong Jones Group for 12 years, the last four years as Joint Managing Director. Other previous roles include Finance and Deputy Managing Director of Aquila Steel, General Manager Finance and Investments of MMI Insurance Limited and Director Head of Equities with Schroder Darling Management Limited. Graham has served on the board of a number of public and private companies.

(e) **Andrew Moffat (Independent Non-Executive Director).**

Andrew has in excess of 23 years of corporate and investment banking experience, including serving as a director of Equity Capital Markets and Advisory for BNP Paribas Equities (Australia) Limited. Andrew is the sole principal of Cowoso Capital Pty Ltd, a company providing corporate advisory services. Andrew is also a Director of Pacific Star Network Limited and a Director of ICP Funding Pty Ltd. His past public company directorships include Rubik Financial limited, Keybridge Capital Limited, CCK Financial Solutions Limited, itX Group Limited and Infomedia Limited.

9.6 Key People

(a) **Tony Pitt (Managing Director)**

Refer to Section 9.5(b) above.

(b) **Glenn Butterworth (Chief Financial Officer)**

Glenn is a key executive within the business and is responsible for all 360 Capital Group's financial management activities. Glenn has over 25 years' experience and joined 360 Capital Group from Mirvac where he spent 11 years, most recently as Financial Controller of the Mirvac's Investment Division where he was responsible for Mirvac Property Trust, listed and wholesale managed funds and partnership structures, and has a wealth of transactional and financial management experience. Glenn is a Chartered Accountant and holds a Bachelor of Commerce and commenced his career at Deloitte.

(c) **James Storey (Head of Real Assets)**

James has over 12 years' experience in real estate funds management including such areas as asset management, capital transactions, analytics and valuations. Prior to his current role, James was the Fund Manager of the 360 Capital Office Fund (ASX: TOF) and 360 Capital Industrial Fund (ASX: TIX) with a combined gross asset of over A\$1.1b. Prior to his tenure at 360 Capital Group, James held the role of Investment Manager at Brookfield Office Properties, Senior Analyst at Valad Property Group and worked for Ernst & Young within its Transaction Advisory Services team.

James has a Bachelor of Business (Property Economics) from the University of Western Sydney and a graduate certificate of applied finance and investment. He is also a licensed real estate agent.

(d) **Jennifer Vercoe (Company Secretary and Head of Compliance)**

Jennifer has worked in finance and funds management within the commercial property industry since 2001. She was appointed Company Secretary of 360 Capital Group in February 2017 and has worked alongside 360 Capital Group since 2015 as Financial Controller of TT Investments. Prior to this, she held finance and funds management roles at Stockland, Valad Property Group and AMP Capital. Jennifer is a Chartered Accountant and has a certificate in Applied Finance and Bachelor of Commerce and Business Administration from Macquarie University.

(e) **Matt Bowden (Financial Controller)**

Matt has worked in finance and professional services since 2005. His most recent role was as an Associate Director in Macquarie Capital's financial management group focused on providing financial transaction advice. Prior to that he was based in London and had various financial controllership roles with GE Capital Real Estate, GIC and Logica Europe.

Matt commenced his career with EY Sydney where he became a Chartered Accountant. He holds a Bachelor of Commerce degree from the University of New South Wales.

9. OVERVIEW OF TOT CONT.

(f) **Libby Langtry (Investor Relations)**

Libby oversees Investor Relations for the group, focused on ensuring that all investor and stakeholder communications to the market are clear, on time and effective. Additionally, Libby oversees all registry related requirements and assists on corporate actions and corporate positioning. She has 13 years' experience across a variety of related disciplines including business development, pursuit management, marketing and communications within the Australian Funds Management Sector. Prior to 360 Capital Group, Libby worked at CBRE, Propertylink, Forum Partners, AMP Capital and ING Real Estate.

(g) **Scott Morgan (Debt Origination Manager)**

Scott has 20 years' experience in real estate investments and is skilled in strategy, deal origination, execution, management and investor relations. Scott establishes strong relationships and is able to work collaboratively with a wide range of stakeholders applying commercial acumen to achieve great outcomes.

Prior to his current role, Scott was a Director with Newground Capital Partners responsible for originating real estate transactions, capital raising, fund management and reporting to investors.

Scott has also held senior roles at Investa Property Group, Babcock and Brown, Investec and led the Sydney Deloitte Real Estate team as a Director.

Scott has a Bachelor of Commerce from the Australian National University and holds a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia. He is also a Chartered Accountant and former Director of industry body, Property Funds Australia.

(h) **Genevieve Naughton (Debt Transaction Manager)**

Genevieve has over 8 years' experience across real estate development and construction finance, loan origination and financial planning.

Prior to her current role, Genevieve was Risk and Compliance manager at Lambert Capital, a family office located in Melbourne.

Genevieve has a Bachelor of Business majoring in Economics and Finance at RMIT University and an advanced diploma in Financial Planning.

(i) **Jonathon Nguyen (Analyst)**

Jonathon joined 360 Capital Group as an Analyst in 2018. Prior to this, Jonathon was a Treasury Analyst (ALM) for a mutual bank, responsible for the liquidity/funding requirements and management of fixed income investments in the banking portfolio. He initially started his career as a Graduate at State Street Bank & Trust Co., working in the Global Markets Division. Jonathon holds a Bachelor of Commerce from the University of New South Wales.

9.7 Corporate governance

Responsibility for TOT's proper corporate governance rests with 360 Capital FM Limited as responsible entity. 360 Capital FM Limited's guiding principle in meeting this responsibility is to act honestly, in good faith and in the best interests of TOT as a whole.

The board of directors of 360 Capital FM Limited has established governance arrangements to ensure that TOT is effectively managed in a manner that is properly focused on its investment objectives and the interests of TOT Securityholders as well as conforming to regulatory and ethical requirements. TOT has its own investment committee chaired by an independent TOT Director with independent TOT Directors making up the majority of this committee.

As responsible entity of ASX listed registered managed investment schemes, 360 Capital FM Limited has adopted the following policies and charters.

- (a) Code of Conduct – This policy sets out the standards of ethical behaviours and integrity that 360 Capital FM Limited expects of its Directors, officers and any employees.

- (b) Continuous Disclosure – TOT must comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act to ensure TOT discloses to the ASX any information concerning TOT which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the TOT Securities. This policy sets out TOT's procedures and measures which are designed to ensure that TOT complies with its continuous disclosure obligations.
- (c) Risk Framework – This framework is designed to assist TOT to identify, evaluate, monitor and manage risks affecting TOT's business.
- (d) Securities Trading Policy – This policy is designed to maintain investor confidence in the integrity of 360 Capital FM Limited's internal controls and procedures and in particular to provide guidance to TOT Directors, executives and any employees on avoiding any conflicts of interest or breaches of insider trading laws.
- (e) Communications Policy – This policy sets out the practices which TOT implements to ensure effective and efficient communication with TOT Securityholders.
- (f) Diversity Policy – This policy sets out TOT's objectives for achieving diversity amongst TOT Directors, executives and any employees.
- (g) Compliance Plan – Sets out the procedures for 360 Capital FM Limited to comply with the Corporations Act and the TOT constituent documents. This plan is overseen by the TOT Board and 360 Capital FM Limited's compliance with it is audited annually.
- (h) Compliance Committee – The TOT Board comprises a majority of independent members (in accordance with section 601JA of the Corporations Act). See Section 9.5 for further information. Accordingly there is no compliance committee. TOT considers breaches arising during the course of the operation of TOT, any audit issues raised, and reports of managers, key employees and service providers throughout the reporting year. Provision is made in the TOT Board's ordinary meeting agenda for the consideration of critical compliance and risk management issues as they arise. Standard compliance and risk management reporting to the TOT Board occurs on a quarterly basis, generally in February, June, August and November of each year.

Copies of 360 Capital FM Limited's corporate governance policies may be downloaded from <https://360capital.com.au/about-us/corporate-governance/>

9.8 Board and Key Management interests in TOT Securities

- (a) TOT Securities

| Name | Position | Equity Holding as at 1 November 2019 |
|-------------------|-------------------------|--------------------------------------|
| David van Aanholt | Director | 26,016 |
| Tony Pitt | Director | 836,148 |
| John Ballhausen | Director | 120,000 |
| Graham Lenzer | Director | 153,907 |
| Andrew Moffat | Director | 430,956 |
| Glenn Butterworth | Chief Financial Officer | 29,642 |
| James Storey | Head of Real Assets | 17,474 |

9.9 Board and key management interests in URB Shares

None of the TOT Directors or key management of TOT hold any interests in URB Shares.

9. OVERVIEW OF TOT CONT.

9.10 Interests in URB Shares and benefits

- (a) URB Shares and other securities on issue

The existing capital structure of URB is described in Section 8.6.

- (b) TOT's interest in URB Shares

As at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet, TOT and its Associates own 11,345,045 URB Shares. This equates to 15.34% of all URB Shares.

- (c) Recent acquisitions of URB Shares by TOT or its Associates and price paid

In the 4 months prior to the date of this Booklet, TOT made the following acquisitions of URB Shares:

| Date | Consideration per URB Share | Number of URB Shares acquired | % of URB Shares |
|--------------|--|-------------------------------|-----------------|
| 4 Jul 2019 | \$1.0198 | 31,323 | 0.04% |
| 5 Jul 2019 | \$1.0494 | 358,612 | 0.49% |
| 9 Jul 2019 | \$1.0500 | 178,321 | 0.24% |
| 10 Jul 2019 | \$1.0483 | 141,000 | 0.19% |
| 11 Jul 2019 | \$1.0600 | 287,763 | 0.39% |
| 12 Jul 2019 | \$1.0745 | 549,496 | 0.75% |
| 15 Jul 2019 | \$1.0800 | 21,900 | 0.03% |
| 16 Jul 2019 | \$1.0800 | 60,100 | 0.08% |
| 5 Aug 2019 | \$1.0572 | 103,632 | 0.14% |
| 7 Aug 2019 | \$1.0949 | 260,774 | 0.36% |
| 8 Aug 2019 | \$1.0641 | 11,000 | 0.01% |
| 12 Aug 2019 | \$1.0615 | 33,181 | 0.05% |
| 13 Aug 2019 | \$1.0900 | 96,366 | 0.13% |
| 14 Aug 2019 | \$1.0900 | 354,464 | 0.48% |
| 15 Aug 2019 | \$1.0963 | 150,233 | 0.20% |
| 16 Aug 2019 | \$1.1000 | 678,531 | 0.92% |
| 19 Aug 2019 | \$1.1000 | 43,364 | 0.06% |
| 20 Aug 2019 | \$1.1000 | 15,000 | 0.02% |
| 21 Aug 2019 | \$1.1000 | 22,502 | 0.03% |
| 04 Oct 2019 | \$1.0500 (pursuant to the URB dividend reinvestment plan) | 316,397 | 0.43% |
| 15 Oct 2019* | \$1.0944 | 778,114 | 1.05% |
| 16 Oct 2019* | \$1.0964 | 141,886 | 0.19% |
| 17 Oct 2019* | \$1.0950 | 185,000 | 0.25% |
| 18 Oct 2019* | \$1.1055 | 715,074 | 0.97% |
| 21 Oct 2019* | \$1.1000 | 35,615 | 0.05% |
| 22 Oct 2019* | \$1.1000 | 19,590 | 0.03% |
| 23 Oct 2019* | \$1.0998 | 579,721 | 0.78% |
| 24 Oct 2019* | \$1.1000 | 268,217 | 0.36% |

* Acquisitions made by an Associate of TOT.

- (d) Highest price paid for URB Shares by TOT or its Associates

\$1.1055

(e) Pre-Scheme benefits

A summary of the terms of the Deed of Novation is set out in Section 12.5.

If the Scheme is Implemented, Contact Asset Management will be replaced as the investment manager of URB by 360 Capital Group Limited in accordance with the terms of the Deed of Novation. 360 Capital Group Limited will pay \$2.5 million (exclusive of GST) to Contact Asset Management for novation of the Investment Management Agreement. Contact Asset Management will be paid an additional \$300,000 (exclusive of GST) for transitional services to be provided to 360 Capital Group Limited for a 6 month period following the Implementation Date.

Contact Asset Management is owned 40% indirectly by Mr Tom Millner, 40% indirectly by Mr Will Culbert and 20% by Washington H. Soul Pattinson and Company Limited (who also holds 12.35% of all the URB Shares).

Given that the shareholders in Contact Asset Management also have a relevant interest in URB Shares, the URB Board commissioned the Independent Expert to determine the market value of the existing management rights held by Contact Asset Management in relation to the management of URB's investment portfolio which will be novated to the New Investment Manager.

The Independent Expert has assessed the payment to be made to Contact Asset Management under the Deed of Novation and in summary has opined that (please refer to Schedule 1 for the full reasoning of the Independent Expert):

- The value of the management rights to Contact Asset Management to be in the range of \$2.1 million to \$2.5 million;
- The value of the management rights to 360 Capital Group in conjunction with the Scheme is likely to be materially higher than their value to Contact Asset Management;
- The market value of the management rights to be in the range of \$1.3 million to \$1.9 million; and
- As a valuation cross-check to other transactions which have involved the acquisition of interests in small fund managers, the 'market value' range of \$1.3 million to \$1.9 million implies a value of 1.5% to 2.1% of URB funds under management. The payment to be made to Contact Asset Management of \$2.5 million represents approximately 2.8% of funds under management.

The Independent Expert has therefore stated that whilst this transaction price under the Deed of Novation is consistent with the top end of the assessed value of the management rights to Contact Asset Management, it exceeds the range of the estimated market value of the management rights of \$1.3 million to \$1.9 million, which implies that Contact Asset Management are receiving a sale price for the management rights which exceeds the range of their market value by \$0.6 million to \$1.2 million. Accordingly, the Independent Expert has concluded that the transaction in respect of the management rights represents the receipt by Contact Asset Management of a net benefit when measured by reference to the market value of the management rights.

Contact Asset Management will also be paid the Transitional Services Fee which was calculated by reference to the management fee of 0.65% per annum to be charged by the New Investment Manager in respect of the URB portfolio from Implementation and the total assets of URB as at 30 September 2019. The Independent Expert found that it is likely that the Transitional Services Fee will provide Contact Asset Management with a substantial profit margin which would indicate that the Transitional Services Fee also provides a net benefit to Contact.

Using the lowest end of the range of market value for the management rights found by the Independent Expert (being \$1.3 million) and based on the Contact shareholder's respective interests in Contact, the maximum indirect benefit provided to Washington H. Soul Pattinson and Company Limited is \$240,000 and the maximum indirect benefit provided to entities controlled by Mr Millner and Mr Culbert is \$480,000 each. Note these amounts assume distribution to shareholders of the \$2.5 million Novation Price. It is not known whether the full amount of these funds will be distributed by Contact Asset Management to its shareholders given Contact Asset Management will continue to be an operating business following Implementation. It will be a matter for Contact Asset Management to determine what, if any, portion of the Novation Price and Transitional Services Fee can be distributed to its shareholders.

Notwithstanding the finding of a net benefit, the Independent Expert has concluded that the Scheme is fair and reasonable to, and in the best interests of, URB Shareholders.

Having regard to the potential payment to Contact Asset Management under the Deed of Novation (refer to Section 12.5 for further detail), Contact Asset Management has not participated in the URB Board's consideration of the Proposed Transaction.

9. OVERVIEW OF TOT CONT.

9.11 TOT Financial Information

| (\$'000) | Audited 30 Jun 19 TOT | Unaudited 30 Sep 19 TOT | Adjustments | Unaudited Proforma 30 Sep 19 TOT |
|--|-----------------------------|-------------------------------|-----------------------|---|
| Cash | 42,333 | 25,624 | ⁸ (22,306) | 3,318 |
| Receivables | 132 | 491 | | 491 |
| Direct Property [Assets] | - | ⁹ 831 | ¹⁰ 16,592 | ¹¹ 17,423 |
| Loans Investments | 39,965 | 48,082 | ¹² 24,207 | 72,289 |
| AASB 9 Allowance | (1,073) | (1,073) | | (1,073) |
| AMF Finance Joint Venture | 397 | 298 | | 298 |
| Investments in Listed Securities (other than URB) | 64 | 926 | | 926 |
| Investment in URB | 4,819 | 8,555 | ¹³ 1,210 | 9,765 |
| Other Assets | 51 | - | | - |
| TOTAL ASSETS | 84,576 | 83,733 | | 103,436 |
| Payables | 2,250 | 91 | | 91 |
| Distributions payable | 2,107 | 1,580 | | 1,580 |
| Borrowings | - | - | ¹⁴ 8,000 | 8,000 |
| Other Liabilities | - | - | ¹⁵ 365 | 365 |
| TOTAL LIABILITIES | 4,312 | 1,671 | | 10,036 |
| NET ASSETS | 82,376 | 82,062 | | 93,400 |
| Add back: AASB 9 Allowance | 1,073 | 1,073 | | 1,073 |
| CORE NET ASSETS | 83,449 | 83,135 | | 94,472 |
| Securities on issue | 70,225 | 70,225 | 9,143 | 79,369 |
| Core NTA excluding (AASB 9) Allowance | \$1.19 | \$1.18 | | \$1.19 |
| Gearing ¹⁶ | | | | 4.7% |

Indicative Proforma Balance Sheet based on unaudited management accounts at 30 September 2019 and management adjustments to reflect expected impact of the Institutional Placement and other specific transactions. This Proforma Balance Sheet has not been prepared in accordance with all the disclosure or measurement requirements of AASB.

8 Represents net cash movements: comprising net proceeds after costs from Institutional Placement \$10,493 less \$32,798 used to partly fund Gladesville and Affinity Childcare Portfolio investments.

9 Deposit on Gladesville apartments.

10 Settlement Gladesville apartments including transaction costs.

11 Gladesville apartments carried at cost.

12 Settlement of Affinity Childcare Portfolio and Greenway loan.

13 Remeasurement of investment in URB at URB NTA plus 3% premium of \$1.17.

14 Debt Facility, drawn upon settlement of Gladesville apartments.

15 Recognition of expected TOT Scheme transaction costs.

16 Gearing calculated as Net Debt / (Total Assets less Cash).

9.12 Basis of preparation of the TOT pro forma financial information

The pro forma statement of financial position of TOT as at 30 September 2019, as set out in Section 9.11 (**TOT Financial Information**) was prepared based on the unaudited statement of financial position of TOT, as at 30 September 2019. The TOT Financial Information includes assumptions which are subject to risk and uncertainties and may result in the actual results and financial position being different from the pro forma TOT Financial Information.

The TOT Financial Information has been prepared using the following key assumptions:

- (i) TOT investment portfolio based on unaudited 30 September 2019 financial accounts, adjusted for the:
 - (a) Affinity Childcare loan investment, subject to satisfaction of conditions precedent; and
 - (b) Settlement of Greenway loan investment,
 - (c) settlement of Gladesville apartments, including transaction costs held as inventory.
- (ii) Cash balance based on unaudited 30 September 2019 financial accounts, adjusted for the:
 - (a) net cash proceeds, post Institutional Placement;
 - (b) transaction costs relating to the Institutional Placement; and
 - (c) settlements of assets in the TOT investment portfolio.
- (iii) Loans receivable, which are initially recognised at fair value and subsequently carried at amortised cost in accordance with AASB 9;
- (iv) The borrowings, in anticipation of TOT's debt facility actually being drawn.

9.13 Capital structure

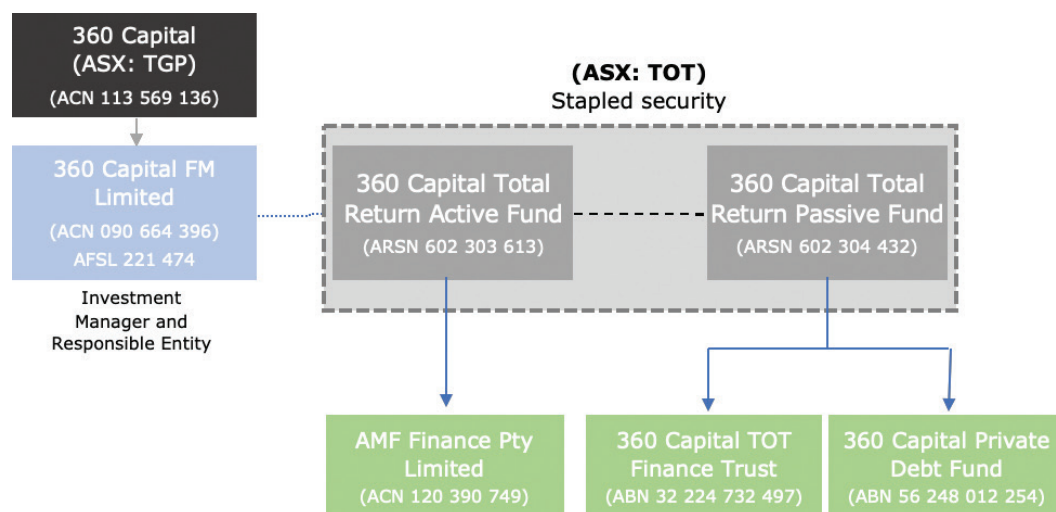
TOT is structured as a stapled entity comprising TOT Passive Fund and TOT Active Fund (with 360 Capital FM Limited as the responsible entity for each). Units in TOT Passive Fund and TOT Active Fund are stapled together to form a TOT Security such that a unit in the TOT Passive Fund and a unit in the TOT Active Fund may only be purchased, sold and otherwise dealt with together.

TOT Active Fund enables TOT to undertake a broader investment mandate than would otherwise be possible with only a passive investment trust. Activities that may be held in TOT Active Fund include (but are not limited to) such things as distressed asset acquisitions, financing activities, short term repositioning of assets, underwriting and, mergers and acquisitions activities. TOT Active Fund is a trading trust and pays tax on income from its activities. As a result of its status as a trading trust, holders of TOT Active Fund units receive after tax, franked distributions.

TOT Passive Fund holds investment properties, receives interest income and holds other assets that do not result in TOT Passive Fund being deemed a trading trust. TOT Passive Fund is a "pass through" trust and is able to distribute a higher proportion of the income it receives via unfranked distributions, a component of which may be tax deferred.

9. OVERVIEW OF TOT CONT.

The diagram below illustrates the structure of TOT.



9.14 Substantial TOT Securityholders

Set out below is a list of TOT Securityholders who own more than 5% of the TOT Securities as at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet¹⁷.

| TOT Securityholder | Date of substantial holder notice | TOT Securities held | % of TOT Securities |
|-------------------------------|-----------------------------------|---------------------|---------------------|
| 360 Capital Property Limited | 25 Jan 2019 | 18,832,614 | 27.24 |
| Naos Asset Management Limited | 22 Oct 2019 | 11,576,629 | 14.59 |
| Salt Funds Management Limited | 29 Oct 2018 | 5,438,157 | 8.258 |
| Moelis Australia Limited | 06 Nov 2017 | 5,000,000 | 7.58 |
| Greig & Harrison | 07 Sep 2018 | 4,474,651 | 6.79 |

¹⁷ Based on substantial holder notices (Form 604) filed pursuant to Section 671B of the Corporations Act as at that date, and the current total number of TOT securities on issue at the time.

9.15 Historical TOT Total Securityholder Return

(ASX: TOT) Total Return Since Listing



9.16 Distribution history and policy

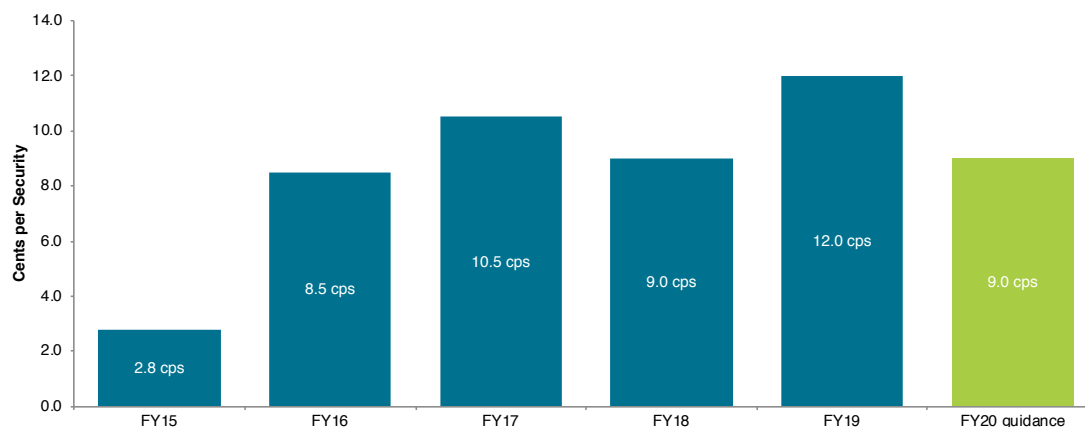
Distributions are paid to TOT Securityholders quarterly in arrears in the month following the end of each quarter.

Distributions are determined with reference to the level of TOT's operating earnings and its capital requirements.

360 Capital FM Limited as responsible entity for TOT is responsible for declaring distributions for TOT. It is expected that the distribution for the quarter ending 31 December 2019 will be 2.25 cents per TOT Security in line with TOT's full year FY20 forecast distribution guidance of 9.0 cents per TOT Security. However, until 360 Capital FM Limited declares the distribution calculation date and the distribution date, there is no legally binding obligation on TOT to make the distribution. Note if 360 Capital FM Limited declares the distribution the payment of the distribution will not form part of the Scheme Consideration and will not be subject to the same protections that would apply if it was part of the Scheme Consideration.

Refer to Section 10.6 for the financial information of the Combined Group.

TOT Historical distribution per TOT Security



9. OVERVIEW OF TOT CONT.

9.17 New TOT Securities

The New TOT Securities will be granted official quotation on the ASX. The latest recorded sale price for TOT securities as at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet was \$1.155 per TOT Security. The latest recorded sale price for TOT Securities as at the date immediately prior to the date on which the execution of the Scheme Implementation Deed was announced was \$1.18 per TOT Security. The highest and lowest recorded sale prices for TOT Securities during the 3 months immediately prior to 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet are as set out below:

| Recorded sale price | Date of Sale | Price paid per TOT Security |
|---|--------------|-----------------------------|
| Highest sale price for TOT Securities during the 3 months immediately prior to the last practicable Trading Day prior to the date of this Booklet | 2 Sep 2019 | \$1.25 |
| Lowest sale price for TOT Securities during the 3 months immediately prior to the last practicable Trading Day prior to the date of this Booklet | 28 Oct 2019 | \$1.14 |

9.18 Rights and liabilities attaching to New TOT Securities

The New TOT Securities will, upon issue:

- be duly issued and fully paid;
- be free from any Security Interest or other encumbrance, other than as provided for in the constitutions of TOT Active Fund and TOT Passive Fund; and
- rank equally in all respects, including for future dividends, with all existing TOT Securities.

9.19 Unitholding restrictions and other limitations

The TOT Securities comprise a stapled unit in each of the TOT Active Fund and the TOT Passive Fund. The stapling provisions in the constitutions of the TOT Active Fund and the TOT Passive Fund effectively provide, among other things, that:

- as far as the law permits a stapled unit in each of the TOT Active Fund and the TOT Passive Fund shall be treated as one security;
- no transfer of a unit in the TOT Active Fund is to occur without the stapled unit in the TOT Passive Fund being transferred at the same time to the same transferee (and vice versa); and
- no unit in the TOT Active Fund is to be issued unless a corresponding unit in the TOT Passive Fund is issued at the same time to the same person (and vice versa).

9.20 October 2019 Placement

On Monday, 14 October 2019, TOT undertook a placement to new and existing institutional investors of 9,143,498 new TOT Securities (**Placement Units**) at an offer price of \$1.18 per Placement Unit (**Offer Price**), raising \$10.8 million (**Institutional Placement**). The Institutional Placement was fully underwritten by Moelis Australia Advisory Pty Limited (ACN 142 008 446) and Shaw and Partners Limited (ABN 24 003 221 583). Proceeds raised under the Institutional Placement were used to replenish working capital to support TOT.

Placement Units issued under the Institutional Placement rank equally with existing TOT Securities on issue (and will therefore rank equally with the New TOT Securities). The Offer Price and the previously published distribution guidance of 9.0 cents per TOT Security for the financial year ending 30 June 2020 reflect a prospective distribution yield of 7.6% on an annualised basis.

9.21 Funding of Cash Consideration

If the Scheme becomes Effective and the Implementation Date is after the TOT December Distribution Record Date (and URB grants TOT a loan on the terms set out in Section 12.6), the Scheme Consideration will be comprised of Scrip Consideration and Cash Consideration components. If the Cash Consideration becomes payable, it will be funded by surplus cash from TOT's cash balances.

10. OVERVIEW OF THE COMBINED GROUP

10.1 Overview of the Combined Group

The Scheme, if Implemented will combine two real estate investment businesses. As further described in Section 12.5, the New Investment Manager has entered into the Deed of Novation (which is conditional upon Implementation occurring), to give effect to the novation of the Investment Management Agreement from Contact Asset Management to the New Investment Manager in accordance with the terms set out in the Deed of Novation.

Following Implementation, the New Investment Manager will continue to perform the Investment Management Agreement and 360 Capital FM Limited will implement the strategy of the Combined Group as outlined below.

10.2 Strategy of the Combined Group

Following Implementation, the objective of 360 Capital FM Limited will be to combine the assets of TOT and URB and deploy these assets in order to provide total returns to TOT Securityholders through a selective and disciplined investment philosophy combined with 360 Capital FM Limited's expanded access to real estate based investment opportunities.

TOT currently invests in real estate and real estate related assets, complementing URB's strategy of investing in companies and real estate assets that benefit from urban renewal. The Combined Group will continue to invest across both real estate debt and real estate equity depending on market conditions, opportunistically maximising risk-adjusted returns to TOT Securityholders.

Given the TOT Board's opinion that certain property types are entering the late stage of the real estate cycle, the Combined Group will continue to capitalise on TOT's broad mandate and focus on real estate debt investment which the TOT Board currently believes provides higher risk-adjusted returns than equity investing. The self-liquidating nature of the Combined Group's loan investments will continue to provide flexibility, allowing the TOT Board to consider equity investment opportunities should market conditions change.

360 Capital FM Limited's general investment strategy will be to continue to invest in real estate based activities, across four main pillars including:

Direct real estate

- Asset repositioning
- Opportunistic acquisitions
- Rezoning / redevelopment
- Income generating real estate

Indirect real estate

- Real estate related operating businesses
- Strategic equity investments
- ASX and unlisted securities that benefit from urban renewal
- Participation in mergers and acquisitions
- Recapitalisations

Real estate debt

- First and second mortgages
- Preferred equity

Non-performing real estate debt

- Distressed financing
- Non-performing loans

With regard to the assets of URB, the New Investment Manager will where appropriate seek to recycle URB's existing assets and reinvest the proceeds in line with TOT's investment strategy, complemented by an expanded portfolio of direct real estate and real estate debt investments.

The Combined Group will be focused on the opportunistic real estate-based investment to take advantage of varying market conditions in order to maximise risk - adjusted returns for unitholders. The Combined Group's strategy is unique and allows the Combined Group to invest across a broad range of real estate asset classes, at various stages of their lifecycle and the capital structure (both debt and equity).

10. OVERVIEW OF THE COMBINED GROUP CONT.

The New Investment Manager, has a demonstrated track record in delivering superior returns across direct real estate, real estate turnarounds and funds management across traditional real estate asset classes of industrial, retail and office along with hospitals and more recently data centres.

By continuing to maintain a disciplined investment strategy and active management, 360 Capital FM Limited as the responsible entity for TOT will aim to deliver recurring income along with capital growth to drive a total return to TOT Securityholders.

This objective will be achieved through:

- sourcing new investment opportunities that sit outside both the investment mandates of institutional investors and the general scale of most private investors;
- conducting thorough due diligence in respect of all investments to ensure appropriate risk-adjusted returns;
- defining a clear strategy for each investment including an appropriate exit strategy; and
- accessing 360 Capital FM Limited's proven expertise in asset management and sourcing new investment opportunities.

10.3 Board and Management of the Combined Group

There will be no change to the 360 Capital FM Limited board or the key management of 360 Capital Group as a consequence of the Implementation of the Scheme. The URB Directors and Company Secretary will resign from the URB Board with effect from the Implementation Date.

10.4 Intentions in relation to URB and the Combined Group

This Section sets out TOT's intentions for the Combined Group if the Scheme is Implemented. The statements of intention made in this Section have been formed on the basis of facts and information concerning URB and the general business environment which are known to TOT at the date of this Booklet.

Final decisions on these matters will only be made by the TOT Board (following Implementation) in light of all material information, facts and circumstances at the relevant time if the Scheme is Implemented. Accordingly, it is important to recognise that the statements set out in this Section are statements of TOT's current intentions only, which may change as new information becomes available or circumstances change, and which will be superseded by the intentions, strategic focus, outlook and decisions of the TOT Board (following Implementation).

(a) Continuation of business/investment portfolios

The strategy of the Combined Group is described in Section 10.2 above. Post Implementation of the Scheme, the New Investment Manager will, where appropriate, seek to recycle URB's existing assets and reinvest the proceeds in line with TOT's investment strategy, complemented by an expanded portfolio of direct real estate and real estate debt investments.

The TOT Board and 360 Capital Group's senior management team have extensive experience in the Australian property and funds management sectors and will be fully aligned with investors (including all investors in the Combined Group), with the New Investment Manager holding, indirectly, as at 1 November 2019 being the last practicable Trading Day prior to the date of this Booklet, 15.34% of the Combined Group post Implementation of the Scheme.

(b) Employees

As noted above, there will be no change to the 360 Capital FM Limited board or the key management of 360 Capital Group post Implementation of the Scheme. The URB Directors and Company Secretary will resign from the URB Board with effect from the Implementation Date. URB does not have any employees.

(c) Distribution Policy

There will be no change to the distribution policy of TOT which is described in Section 9.16 for the Combined Group.

10.5 Securities of the Combined Group

The existing capital structure of TOT is described in Section 9.13.

Under the terms of the Scheme, each Scheme Shareholder will be issued 0.9833 New TOT Securities for each Scheme Share that it holds. Fractional entitlements to New TOT Securities will be dealt with in the manner described in Section 12.13(i). The anticipated post Implementation breakdown of TOT Securities as at 1 November, being the last practicable Trading Day prior to the date of this Booklet, is set out in the below table:

| Details | TOT Securities |
|--|----------------|
| TOT Securities on issue as at the last practicable Trading Day prior to the date of this Booklet (including the Placement Units described in Section 9.20) | 79,368,897 |
| New TOT Securities to be issued as Scheme Consideration to Scheme Shareholders | 64,244,421* |
| TOTAL | 143,613,318* |

* Note: Subject to adjustments for fractional entitlements.

10. OVERVIEW OF THE COMBINED GROUP CONT.

10.6 Combined Group Financial Information

| (\$'000) | Unaudited Proforma 30 Sep 19 TOT | Unaudited Proforma 30 Sep 19 URB | Merger Adjustments | Merge Co. |
|---|---|---|-----------------------|----------------|
| Cash | 3,318 | 30,697 | ¹⁸ (5,568) | 28,447 |
| Receivables | 491 | 298 | | 789 |
| Direct Property [Assets] | 17,423 | 10,957 | | 28,380 |
| Loans Investments | 72,289 | - | | 72,289 |
| AASB 9 Allowance | (1,073) | - | | (1,073) |
| AMF Finance Joint Venture | 298 | - | | 298 |
| Investments in Listed Securities (other than URB) | 926 | 47,531 | | 48,457 |
| Investment in URB | 9,765 | - | (9,765) | - |
| Other Assets | - | 494 | | 494 |
| TOTAL ASSETS | 103,436 | 89,978 | | 178,081 |
| Payables | 91 | 116 | | 207 |
| Distributions/dividends payable | 1,580 | 2,368 | (3,948) | - |
| Borrowings | 8,000 | - | | 8,000 |
| Other Liabilities | 365 | 3,455 | ¹⁹ (1,620) | 2,200 |
| TOTAL LIABILITIES | 10,036 | 5,939 | | 10,407 |
| NET ASSETS | 93,400 | 84,039 | | 167,674 |
| Add back: AASB 9 Allowance | 1,073 | - | | 1,073 |
| CORE NET ASSETS | 94,472 | 84,039 | | 168,747 |
| Securities on issue | 79,369 | 73,960 | (9,715) | 143,613 |
| Core NTA excluding (AASB 9) Allowance | \$1.19 | \$1.14 | | \$1.17 |
| Gearing ²⁰ | 4.7% | - | | - |

Indicative Proforma Balance Sheet based on unaudited proforma management accounts of TOT and URB at 30 September 2019 and adjustments to reflect expected impact of the Scheme and the payment of the accrued 30 September 2019 TOT distribution and URB dividend. This Indicative Proforma Balance Sheet has not been prepared in accordance with all the disclosure or measurement requirements of AASB.

¹⁸ Cash impact of payment of distributions/dividends and transactions costs.

¹⁹ Transaction costs in relation to implementation of Proposal.

²⁰ Gearing calculated as Net Debt / (Total Assets less Cash).

10.7 Basis of preparation of the pro forma Financial Information

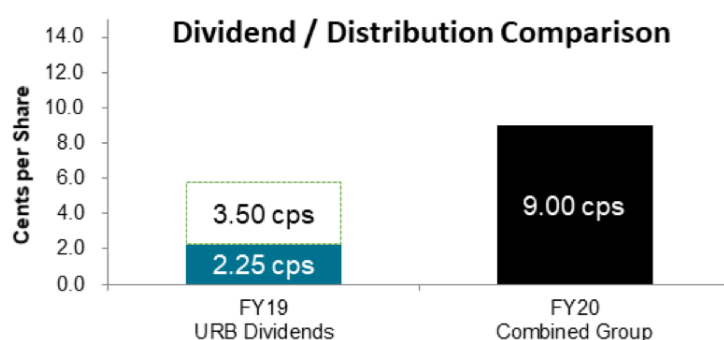
The pro-forma statement of financial position of the Combined Group as at 30 September 2019, as set out in Section 10.6 (**Combined Group Financial Information**) was prepared based on unaudited pro forma statements of financial position of each of TOT and URB as at 30 September 2019. The Combined Group Financial Information includes assumptions which are subject to risk and uncertainties and may result in the actual results and financial position being different from the Combined Group Financial Information.

The pro forma Combined Group Financial Information has been prepared using the following key assumptions:

- (i) Cash balance based on unaudited 30 September 2019 pro forma financial accounts, adjusted for the:
 - (a) impact of the payment of distributions and dividends; and
 - (b) TOT and URB transaction costs, relating to the Scheme; and
- (ii) Acquisition by TOT of the Scheme Shares and issue of Scrip Consideration in accordance with Scheme, upon successful Implementation of Scheme.

10.8 Forecast Distribution profile

The chart below shows the dividend of 5.75 cents which URB Shareholders received in FY19, compared to the forecast distribution profile of 9.00 cents per security in the Combined Group in FY20.



11. RISK FACTORS

11.1 Introduction

In considering the Scheme, you should be aware that there are a number of risk factors, both general and specific, associated with the Scheme. This Section 11 outlines:

- (a) specific risks relating to the Scheme and the creation of the Combined Group (see Section 11.2);
- (b) specific risks relating to TOT and its business (see Section 11.3);
- (c) existing risks relating to URB and its business including your current investment in URB Shares (see Section 11.4); and
- (d) general risks relating to share ownership (see Section 11.5).

The outline of risks in this Section 11 is a summary only and should not be considered exhaustive. This Section 11 does not purport to list every risk that may be associated with an investment in URB, TOT or the Combined Group now or in the future, and the occurrence or consequences of some of the risks described in this Section 11 may be partially or completely outside the control of URB, TOT or the Combined Group. You should carefully consider the risk factors discussed in this Section, as well as the other information contained in this Booklet before voting on the Scheme.

11.2 Risks relating to the Scheme and the creation of the Combined Group

(a) Due diligence

The negotiations between URB and TOT were conducted on the basis of the information that was publicly available and on voluntary limited disclosure by each party to the other.

While URB and TOT consider the due diligence investigations have been adequate and consistent with market practice for a transaction of this type, the investigations were undertaken within a limited timeframe and both parties have not been able to verify the accuracy, reliability or completeness of all of the information provided to them against independent data. Furthermore, consistent with market practice in Australia the warranties provided by URB and TOT in the Scheme Implementation Deed are more limited than what a seller in a privately negotiated share acquisition agreement would normally provide.

As a result, following Implementation of the Scheme, unknown liabilities of URB or TOT may arise, or expected types of liabilities may be greater than anticipated, and this may have a negative impact on the profitability, results of operations, financial position, market value and share price of the Combined Group, which the relevant party might otherwise have discovered if it had conducted a complete due diligence review and obtained extensive warranties from the other party.

(b) Potential variation in the value of New TOT Securities

TOT has offered 0.9833 New TOT Securities for each Scheme Share held under the terms of the Scheme. As this share ratio is fixed, the number of New TOT Securities to be received by Scheme Shareholders in the context of the Scheme will remain unchanged even if the market value of New TOT Securities differs relative to the pre-Implementation market values of TOT Securities and URB Shares.

No adjustment will be made to such ratio due to fluctuations in the market price of TOT Securities or URB Shares. Accordingly, any such fluctuations may adversely affect the market value of TOT Securities (including the market value of New TOT Securities) from time to time.

(c) Litigation

In connection with the Scheme, URB and/or TOT could face new claims and litigation, in particular brought by partners, suppliers, competitors and/or regulators of URB or TOT, or by investors in connection with the Scheme.

(d) After-market

If a large number of shareholders in the Combined Group do not intend to continue to hold their TOT Securities (including, for URB Shareholders, those New TOT Securities received as Scrip Consideration) after Implementation and instead choose to sell, there is a risk that the trading price of TOT Securities will be adversely impacted by selling.

The Sale Agent will be issued New TOT Securities attributable to Ineligible Overseas Shareholders. The precise number of New TOT Securities issued to the Sale Agent will not be known until after the Scheme Record Date (being the date for determining an URB Shareholder's entitlement to receive the Scheme Consideration). However, on the basis of the recent composition of the Share Register, the New TOT Securities issued to the Sale Agent are expected to be less than 0.5% of the total number of New TOT Securities issued under the Scheme.

(e) Conditions Precedent

Implementation of the Scheme is subject to a number of Conditions Precedent, outlined in Section 12.3 including that no court or Regulatory Authority takes any action to restrain or prohibit the Scheme. Certainty of these Conditions Precedent are beyond the control of URB and TOT. There can be no guarantee that the Conditions Precedent to the Scheme will be satisfied or waived (as applicable) in a timely manner or at all. Any failure or delay in satisfying the Conditions Precedent could prevent or delay Implementation of the Scheme, which could reduce the benefits that TOT expects to obtain from the Scheme, increase the costs associated with the Scheme and impede successful integration of TOT's and URB's businesses.

(f) Tax consequences for URB Shareholders

If the Scheme proceeds, there may be tax consequences for URB Shareholders, including tax payable on any gain on the disposal of URB Shares. URB Shareholders should seek their own professional advice regarding the individual tax consequences of the Scheme applicable to them. General information on the tax consequences of the Scheme is set out in Section 13.

(g) Court delays

There is a risk that the Court may not approve the Scheme. There is also a risk that some or all of the aspects of the court approvals required for the Scheme to be Implemented may be delayed or not be granted.

(h) Change in risk and investment profile

The investment strategy of the Combined Group will differ from URB's. The investment strategy of the Combined Group will be broader than URB's investment strategy and there may be additional associated risks. In particular URB's investment strategy is focused on Equity Assets and Direct Property Assets which have exposure to urban renewal and regeneration, whilst the Combined Group's investment strategy will have a broad ranging real estate asset strategy including other asset classes, such as real estate debt and non-performing real estate debt which comes with it a different risk profile.

(i) Acquisition, development and construction risks

The Combined Group may from time to time, choose to pursue investment opportunities related to the acquisition, development or redevelopment of projects, which it deems suitable for its investment strategy. Any delays or unexpected costs associated with such activities may harm growth prospects, future operating results and financial returns.

Such acquisitions involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of real estate assets. While the Combined Group aims to mitigate risk by undertaking appropriate due diligence, unexpected problems or other latent liabilities may still emerge.

Whilst the Combined Group intends to mitigate development/redevelopment risk (if applicable) through the use of fixed price building contracts and pre-commitments from potential leases, there is risk that a developer engaged on a given project will be unable to complete the specified works on time or could default on other obligations under contractual agreements. Construction works may be delayed for many reasons, including but not limited to, industrial disputes, inclement weather, permitted variations to works, changes to legislative requirements and delays in authority inspections or approvals.

(j) Residential property market risk

A portion of the Combined Group's investment portfolio may be comprised of direct real estate (e.g. Gladesville apartments), which may be closely tied to residential property market conditions. General and/or specific market risks such as negative consumer sentiment or the ability of prospective buyers to obtain mortgage finance may impact the ability to achieve desirable sales volumes or prices, due to uncertainty in future market values amongst other factors, which may negatively impacts investors' returns.

(k) Re-leasing and vacancy risk

Following successful Implementation of the Scheme, it may not be possible to negotiate lease renewals or maintain existing lease terms, which may also adversely impact the Combined Group's net income and asset values, with respect to direct property assets of the Combined Group. The ability to lease or re-lease tenancies upon expiry of the current lease, and the rent achievable, will depend on the prevailing market conditions at the relevant time and these may be affected by economic, competitive or other factors.

11. RISK FACTORS CONT.

(l) Financing risk

From time to time, the Combined Group may enter into debt facilities which will contain covenants that have income and asset value tests. Falling asset values, declining rental income or other unforeseen circumstances may cause covenants under such debt facilities to be breached. A breach of a debt facility covenant may result in a financier enforcing its security over the relevant assets. The financier may require repayment of the facility, possibly prior to its expected expiry. This could result in an early sale of assets at a less than optimal sale price; for instance, in a depressed market, additional equity being required, or distributions being reduced or suspended to repay the borrowings.

11.3 Risks relating to TOT and its business

(a) Investment manager risk

The performance of TOT is affected by the performance of 360 Capital FM Limited as the responsible entity and the investment manager of TOT, and that of the external service providers engaged by 360 Capital FM Limited, and is therefore not assured.

360 Capital FM Limited requires staff to have a variety of skills and expertise, some of which may be considered niche specialities in which there are limited practitioners available for recruitment. While 360 Capital FM Limited has initiatives to mitigate this risk, the loss of key staff may have a negative impact on 360 Capital FM Limited. The loss of key staff to a competitor may amplify this impact.

(b) Availability of suitable investment opportunities

The performance of 360 Capital FM Limited and the New Investment Manager following Implementation is dependent on the ability of the senior management team of 360 Capital FM Limited to identify and source suitable investment opportunities. Such opportunities are subject to market conditions and other factors outside the control of the senior management team.

Failure to deploy the funds into suitable investment opportunities may adversely affect returns available to TOT Securityholders.

(c) Risk of existing underperforming loan investments

Loan investments made by TOT may become non-performing for a variety of reasons, including non-payment of principal or interest, as well as breaches by the party that has borrowed monies, the subject of any of TOT's loan investments. Such non-performing investments may require a substantial amount of workout negotiations and/or restructuring may entail, among other things, substantial irrecoverable costs, a substantial reduction in the interest paid, a substantial write-down of the principal of such loan and/or a substantial change in the terms, conditions and covenants with respect to such defaulted loan. However, even if a restructure were to be successfully accomplished, there is potential risk that, upon maturity of any such real estate loan, replacement "take-out" financing will not be available.

It is possible that TOT may find it necessary or desirable to pursue (either itself or through the appropriate counterparty) enforcement of an underlying security. Any enforcement process can be lengthy and expensive, which could have a material negative effect on TOT's anticipated return on any investment. By way of example, it would not be unusual for any costs of enforcement to be paid out in full before the repayment of interest and principal relating to the relevant investment. This could substantially reduce TOT's anticipated return on the relevant investment.

The level of defaults in TOT's portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions. The liquidity in defaulted investments may also be limited, and to the extent that defaulted investments are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon, which would adversely affect the value of TOT's loan portfolio and, consequently, the value of TOT Securities.

(d) Borrowers unable to meet financial obligations

There are various factors which could adversely affect the ability of parties that have borrowed monies, the subject of TOT's investments to fulfil their payment obligations or which may cause other events of default. These include but are not limited to changes in financial and other market conditions, interest rates, government regulations or other policies, the worldwide economic environment, changes in law and taxation, natural disasters, terrorism, social unrest and civil disturbances.

A party that has borrowed monies, the subject of any of the TOT's investments may not fulfil its payment or other obligations in full, or at all, and/or may cause, or fail to rectify, other events of default under the loan. TOT may, in these circumstances, suffer from reduced income and therefore have a reduced ability to pay out distributions, as well as be required to exercise any contractual rights of enforcement that it has against the party that has borrowed monies the subject of any of the loan investments to attempt to recover its investment. As such, there is no guarantee that TOT will be able to recover all or any of its investment.

(e) Capital values

The ongoing value of an investment is influenced by changes in market conditions including supply, demand, capitalisation rates and rentals. There is no guarantee that an investment will achieve a capital gain on its sale or that the value of the investment will not fall as a result of unfavourable economic or market conditions.

(f) Income returns

Distributions to TOT Securityholders will include a degree of dependency upon income return received in connection with the investments of 360 Capital FM Limited and the New Investment Manager. There is a risk that the contracts associated with investments may fall into default which could result in a reduction in income and additional expenses associated with enforcement action.

The earnings of TOT following Implementation, may be volatile due to uncertain timing in relation to making opportunistic investments, receiving income (if any) from investments and realising investments.

(g) Property valuation risk

The value of the assets held by TOT following Implementation, may be impacted by a number of risks including those listed above, as well as market factors.

(h) Trading price of TOT Securities

New TOT Securities issued pursuant to the Scheme are anticipated to begin trading on a normal settlement basis on ASX on or about Monday, 23 December 2019. The market price of the New TOT Securities (along with all existing TOT Securities) will fluctuate due to numerous factors including general movements in interest rates, the Australian and international general investment markets, economic conditions, global geo-political events and hostilities, changes in the market rating of the TOT Securities relative to other listed and unlisted property investments, other investment options such as debentures or interest bearing deposits and investor sentiment towards TOT following Implementation.

There can be no guarantee that liquidity will be maintained and the number of potential buyers or sellers of TOT Securities on ASX at any given time may vary. This may increase the volatility of the market price of the TOT Securities and therefore, affect the market price at which TOT Securityholders are able to buy or sell the TOT Securities. TOT Securityholders who wish to sell their TOT Securities may be unable to do so at a price acceptable to them. The market price of TOT Securities could trade at a discount to the value of the net tangible assets per TOT Security.

(i) Financing risk

360 Capital FM Limited's ability to raise funds, including both debt and equity, on favourable terms (including fees and the interest rate margin payable) for future refinancing, capital expenditure, investments or acquisitions depends on a number of factors including general economic conditions, political, capital and credit market conditions and the reputation, performance and financial strength of TOT following Implementation. Any change in these factors could increase the cost of funding, reduce the availability of funding, as well as increase the TOT's refinancing risk for maturing debt facilities or increase the possibility that 360 Capital FM Limited will need to realise assets or investments for less than their fair value, which would impact TOT's net tangible assets per TOT Security.

At the date of this Booklet, TOT has received a credit approved offer for finance from a major Australian bank (currently in the process of documentation). Assuming this facility is drawn in line with the proforma financials in Section 9.11, proforma gearing of TOT is 4.7%, prior to Scheme Implementation.

(j) Conflict of interest risk

360 Capital FM Limited is a member of the 360 Capital Group. The directors of 360 Capital Group are the same as the directors of 360 Capital FM Limited. This creates the potential for a conflict of interest in assessing and procuring investment opportunities. 360 Capital FM Limited will follow formal procedures to ensure that an investment opportunity sourced by 360 Capital FM Limited is offered to the most appropriate entity in the 360 Capital Group based on the relevant entity's investment mandate.

11. RISK FACTORS CONT.

11.4 Existing risks relating to URB

(a) Contact Asset Management and risk

The success and profitability of URB depends heavily on the ability of Contact Asset Management to construct an Investment Portfolio that increases in value over time and delivers income. Contact Asset Management may not effectively manage the Investment Portfolio or may advise URB in a manner that does not consistently meet the URB's investment objectives over time. The past performance of portfolios managed by Contact Asset Management, and persons associated with Contact Asset Management, are not necessarily a guide to future performance of URB or the Investment Portfolio.

If Contact Asset Management, or a key employee of Contact Asset Management, ceases to manage the Investment Portfolio and/or the Investment Management Agreement is terminated, URB would need to identify and engage a suitably qualified and experienced investment manager to ensure that the Investment Portfolio continues to meet URB's investment objectives. A change to the investment manager may impact the success and profitability of URB and the Investment Portfolio.

If the Scheme is Implemented, Contact Asset Management will be replaced as the investment manager of URB by 360 Capital Group in accordance with the terms of the Deed of Novation (refer to Section 12.5 for further detail).

(b) Investment risk

There is a risk that the Investment Portfolio (both the portfolio of Equity Assets and/or the Direct Property Portfolio) will fall in value over the short or long term or may experience sustained periods of poor investment performance (absolute, or relative to benchmarks and/or competitors) or failure to meet URB's investment objectives. Individual security prices may fluctuate and under perform other asset classes over time. Investors in URB are exposed to this risk through both their holding in URB Shares and through URB's investment in the Equity Assets and Direct Property Assets.

The Securities may continue to trade on ASX at a discount to the net asset value of the Investment Portfolio on a per share basis and the performance of the shares may not be correlated with the performance of the Investment Portfolio.

(c) Direct Property Investment Risk

The value of the Direct Property Assets and therefore the Investment Portfolio may be adversely affected by a number of factors outside the control of URB, including supply and demand for the Direct Property Assets, general property market conditions, the availability of credit, the ability to attract and Implement economically viable rental arrangements, re-leasing or subdivision of properties, capitalisation rates and general economic factors such as the level of inflation and interest rates.

Real property is by its nature an illiquid form of investment and the Direct Property Assets acquired by URB may take a long time to sell. In the event that URB needs to divest a property, time constraints may impact the ability of URB to achieve an optimal sale price or realise the book value of the property. There is no guarantee that the time the Direct Property Assets will be put on the market will coincide with a favourable time to sell.

(d) Compensation fee structure risk

Contact Asset Management may receive compensation based on URB's performance. Performance fee arrangements may create an incentive for Contact Asset Management to make more speculative or higher risk investments than would be the case in the absence of such a fee.

(e) Potential conflicts of interest

Contact Asset Management is also the investment manager to BKL. While Contact Asset Management has Implemented policies and procedures to identify and mitigate conflicts of interest, it is possible that Contact Asset Management may, in the course of its business, have potential conflicts of interest which may not be managed effectively and may be detrimental to URB and URB Shareholders.

The Investment Management Agreement requires that Contact Asset Management have adequate arrangements in place to manage any potential conflict of interest and provides that where Contact Asset Management has a material interest, conflict of interest or conflict of duty, it must treat URB reasonably, fairly and equitably and otherwise act in good faith.

(f) Revenue and lease default risk

The value of the Direct Property Assets and therefore the Investment Portfolio will, in part, depend upon the amount of rent received from tenants of the Direct Property Assets and those tenants paying rent in accordance with their lease terms.

The rental income generated by the Direct Property Assets may be affected by a number of factors including:

- overall economic conditions;
- financial condition of tenants (in relation to the risk of default);
- the ability to extend leases or to replace outgoing tenants with new tenants;
- fluctuations in rental arrears and vacancy rates and periods; and
- supply and demand in the property market at any given point in time.

In particular, tenants may default on their lease obligations, resulting in potential capital losses and/or a reduction in income to URB. Any resulting amount of capital loss or loss of income may not be covered in full or at all by bank or personal guarantees.

Any negative impact on rental income has the potential to adversely affect the financial performance of the Investment Portfolio and the value of the URB Shares.

11.5 General risks in relation to share ownership

General risks in relation to share ownership include the following:

- (a) **Stock market fluctuations and economic conditions** – the New TOT Securities, which will be issued if the Scheme is Implemented, do not carry any guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. The value of the New TOT Securities will be determined by the share market and will be subject to a range of factors beyond the control of URB, TOT and the Combined Group.
- These factors include the demand for and availability of TOT Securities, movements in domestic interest rates, exchange rates, fluctuations in Australian and international share markets and general domestic and economic activity. Returns from an investment in the New TOT Securities may also depend on general share market conditions, as well as the performance of the Combined Group.
- (b) **General economic conditions** – the performance of the Combined Group will be affected by domestic and global economic conditions. Adverse changes in macroeconomic conditions, including global and country-by-country economic growth, the costs and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption, consumer spending and sentiment, employment levels, industrial disruption, and other conditions, are outside the control of the Combined Group and may result in material adverse impacts on the Combined Group's business and operating results.
- (c) **Equity dilution** – the Combined Group may undertake offerings of equities in the future. Factors including the increase in the number of fully paid shares issued, the ability of an individual shareholder to participate in the equity offer and the issue price and the possibility of selling such equities, may have an adverse effect on the financial position or voting power of any individual shareholder.
- (d) **Access to capital** – the Combined Group will rely on access to debt and equity financing. The ability to secure financing, or financing on acceptable terms, may be materially adversely affected by volatility in financial markets, either globally or impacting a particular geographic region, industry or economic sector, or by a downgrade in its credit rating. For these or other reasons, financing may be unavailable or the cost of financing may be significantly increased. Such inability to obtain, or such increase to the costs of obtaining, financing could materially adversely affect the Combined Group's operations or financial performance.
- (e) **Tax** – a change to the current tax regime may affect shareholders in the Combined Group. Personal tax liabilities will be the responsibility of each investor in the Combined Group. The Combined Group will not be responsible for tax or penalties incurred by investors in the Combined Group.
- (f) **Change in accounting or financial reporting standards** – AAS are set by the AASB and are outside the Combined Group's control. Changes to accounting standards issued by the AASB (including the introduction of AASB 16 Leases from 1 January 2019), or changes to any other financial reporting standards, could materially adversely affect the financial performance and position reported in the Combined Group's financial statements.

12. DETAILS OF THE SCHEME

12.1 Background to the Scheme

On 14 October 2019, URB and TOT announced that they had entered into a Scheme Implementation Deed under which the two entities will merge. The key terms of the Scheme Implementation Deed are summarised in Section 14.9.

12.2 Key steps to Implement the Scheme

The key steps to Implement the Scheme are as follows:

- **Scheme Meeting** – Scheme Shareholders will vote on whether to approve the Scheme at the Scheme Meeting (currently expected to be at 9:00am (Sydney time) on Friday, 6 December 2019);
- **Court approval** – if the Scheme is approved by the Requisite Majority of URB Shareholders at the Scheme Meeting, URB will apply to the Court to approve the Scheme on the Second Court Date (currently expected to be Tuesday, 10 December 2019);
- **Scheme become Effective** – if the Court approves the Scheme, and all the Conditions Precedent to the Scheme have been satisfied or waived (as applicable), URB will lodge with ASIC an office copy of the Court order approving the Scheme. URB expects to lodge this with ASIC on the Second Court Date or the Business Day after the Second Court Date, following which the Scheme will become Effective (but will not be Implemented until the Implementation Date);
- **Suspension of trading in URB Shares** – URB Shares are expected to be suspended from trading on the ASX with effect from the close of trading on the Effective Date (currently expected to be Thursday, 12 December 2019);
- **Scheme Record Date** – Scheme Shareholders will be entitled to receive the Scheme Consideration under the Scheme if they are registered in the Share Register as the holders of Scheme Shares on the Scheme Record Date. The Scheme Record Date is currently expected to be 7:00pm (Sydney time) on Friday, 13 December 2019;
- **Implementation** – the Scheme will be Implemented - all Scheme Shares held by Scheme Shareholders on the Scheme Record Date will be transferred directly or indirectly to 360 Capital FM Limited as responsible entity for TOT Active Fund and Scheme Shareholders will receive the Scheme Consideration;
- **Trading commences** – New TOT Securities commence trading on the ASX on a normal settlement basis (currently expected to be Monday, 23 December 2019); and
- **Delisting** – after the Scheme has been Implemented, URB will apply for termination of the official quotation of URB Shares on the ASX and to have itself removed from the official list of the ASX.

12.3 Conditions Precedent to Implementation

Overview

The Scheme is subject to a number of Conditions Precedent set out in clause 3.2 of the Scheme Implementation Deed including, but not limited to, the following:

- (a) URB Shareholder approval – the Requisite Majority of URB Shareholders approve the Scheme at the Scheme Meeting;
- (b) ASIC approval – ASIC provides any consents or approvals reasonably necessary to Implement the Scheme and the consents or approvals are not revoked;
- (c) Court approval – the Court approves the Scheme;
- (d) no regulatory intervention – no court or Regulatory Authority takes any action to restrain or prohibit the Scheme, as at 8:00am (Sydney time) on the Second Court Date;
- (e) no prescribed events - no URB Prescribed Events or TOT Prescribed Events have occurred between the date of the Scheme Implementation Deed and 8:00am (Sydney time) on the Second Court Date;
- (f) No material adverse change – no URB Material Adverse Change or TOT Material Adverse Change have occurred between the date of the Scheme Implementation Deed and 8:00am (Sydney time) on the Second Court Date;
- (g) New TOT Securities – the ASX approves the quotation of the New TOT Securities, subject to any customary conditions, and the approval is not revoked;
- (h) Independent Expert opinion – the Independent Expert issues a report which concludes that the Scheme is fair and reasonable to and in the best interests of URB Shareholders and does not change its opinion or withdraws its report before 8:00am (Sydney time) on the Second Court Date;

- (i) Deed of Novation – URB delivery of a duly executed counterpart of the Deed of Novation to 360 Capital Group; and
- (j) Representations and Warranties – the Representations and Warranties given by URB and TOT under the Scheme Implementation Deed are true and correct in all material respects as at the time given.

The Scheme will not proceed unless all the Conditions Precedent are satisfied or waived (as applicable) in accordance with the Scheme Implementation Deed.

12.4 Status of other Conditions Precedent

As at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet, URB and TOT were not aware of any circumstances which would cause the Conditions Precedent not to be satisfied or waived (as applicable). However, a number of Conditions Precedent are outside the control of URB and TOT. To this extent, URB intends to work with TOT and relevant third parties (including all relevant Regulatory Authorities) to enable the Conditions Precedent to be satisfied or waived (as applicable). The risks associated with a failure to obtain, or delay in, satisfaction or waiver of the Conditions Precedent are discussed further in Section 11.2(e).

12.5 Deed of Novation of the Investment Management Agreement

The terms of the Deed of Novation provide, among other things, that conditional upon Implementation occurring:

- (a) the New Investment Manager will be substituted for Contact Asset Management under the Investment Management Agreement as if the New Investment Manager had originally been a party to the Investment Management Agreement instead of Contact Asset Management;
- (b) Contact Asset Management releases and discharges URB from its obligations and liabilities, and any claims Contact Asset Management may have against URB in respect of the Investment Management Agreement;
- (c) URB releases and discharges Contact Asset Management from its obligations and liabilities, and any claims URB may have against Contact Asset Management in respect of the Investment Management Agreement;
- (d) on the Implementation Date the New Investment Manager will pay \$2.5 million (exclusive of GST) to Contact Asset Management (being the consideration payable for Contact Asset Management agreeing to the novation of the Investment Management Agreement to the New Investment Manager);
- (e) the New Investment Manager will also pay to Contact Asset Management any accrued but unpaid base monthly fees for the month in which Implementation occurs and a one off up front fee of \$300,000 (exclusive of GST) in consideration for Contact Asset Management agreeing to provide certain transitional services for a period of 6 months following the Implementation Date; and
- (f) if Implementation does not occur the Deed of Novation will automatically terminate (meaning the Investment Management Agreement would continue to be performed by its existing parties in its current form).

Please refer to the Independent Expert's Report in Schedule 1 which provides a 'net benefit' opinion on the payment to be made to Contact Asset Management under the Deed of Novation.

12.6 Loan

Scheme Shareholders are expected to have an entitlement to the TOT December 2019 quarterly distribution, forecast to be 2.25 cents per unit, on the basis that Implementation Date will occur prior to the TOT December Distribution Record Date however this does not form part of the Scheme Consideration. 360 Capital FM Limited as responsible entity for TOT is responsible for declaring distributions for TOT. It is expected that the distribution for the quarter ending 31 December 2019 will be 2.25 cents per TOT Security in line with TOT's full year FY20 forecast distribution guidance of 9.0 cents per TOT Security. However, until 360 Capital FM Limited declares the distribution calculation date and the distribution date, there is no legally binding obligation on TOT to make the distribution. Note if 360 Capital FM Limited declares the distribution the payment of the distribution will not form part of the Scheme Consideration and will not be subject to the same protections that would apply if it was part of the Scheme Consideration.

If the Implementation Date occurs after the TOT December Distribution Record Date, Scheme Shareholders will, subject to URB granting a Loan to TOT on the terms described in this Section 12.6, receive additional consideration of 2.25 cents per Scheme Share (under the Scheme).

12. DETAILS OF THE SCHEME CONT.

URB intends to provide such Loan to TOT in circumstances where the Scheme will be Implemented after the TOT December Distribution Record Date.

The terms of the Loan are as follows:

| Item | Term |
|-------------|---|
| Loan amount | 90% of the URB cash as at 31 December 2019. |
| Security | Secured first charge over all assets of TOT Passive Fund will be provided pursuant to a general security agreement. |
| Drawdown | Loan may be drawn in one line or in tranches. Each drawdown will be payable on five Business Days' notice. A drawdown notice must be delivered prior to the earlier of the Second Court Date or the End Date. |
| Interest | 7% per annum. Accrues daily and payable at the end of each calendar month. |
| Term | Principal and interest to be repaid in full on the date which is six months from the date of the first drawdown. |
| Other | There will be no restrictive covenants. The Loan will otherwise be granted on customary market terms. |

12.7 Scheme Meeting

For the Scheme to proceed, the Requisite Majority of URB Shareholders must approve the Scheme at the Scheme Meeting. If the Scheme Resolution is not approved by the Requisite Majority of URB Shareholders at the Scheme Meeting, it will not be Implemented and URB will not apply to the Court for any further orders in connection with the Scheme.

The result of the Scheme Meeting will be announced to the ASX shortly after the conclusion of the Scheme Meeting. The result will be accessible from the ASX's website (www.asx.com.au) and on URB website (www.urbinvest.com.au).

On Monday, 4 November 2019 at the First Court Hearing, the Court made the requisite orders that the Scheme Meeting be convened and that this Booklet be despatched to Scheme Shareholders. The Scheme Meeting is scheduled to be held at the Brickworks Design Studio, 2 Barrack Street, Sydney NSW 2000 at 9:00am (Sydney time) on Friday, 6 December 2019.

The orders made by the Court convening the Scheme Meeting do not constitute an endorsement of, or any other expression of opinion on, the Scheme or this Booklet. The terms of the Scheme are contained in Schedule 2 and the Notice of Scheme Meeting is set out in Schedule 4.

Each Scheme Shareholder who is registered on the Share Register as the holder of a Scheme Share at 7:00pm (Sydney time) on Wednesday, 4 December 2019 is entitled to attend and vote at the Scheme Meeting. However Mr Millner and Mr Culbert and their respective controlled entities who are Scheme Shareholders have decided that they will not vote any URB Shares that they control on the Scheme at the Scheme Meeting, because of any indirect benefit that they may receive through the purchase of the management rights pursuant to the Deed of Novation. 360 Capital Property Limited is an Associate of the 360 Capital FM Limited and will not vote any URB Shares that it controls on the Scheme at the Scheme Meeting due to this association. 360 Capital Property Limited is a Scheme Shareholder and will participate in the Scheme.

Voting at the Scheme Meeting will be by poll. Refer to Section 6.6 for details of how to vote at the Scheme Meeting.

12.8 Court approval

URB will apply to the Court for an order approving the Scheme if:

- (a) the Scheme is approved by the Requisite Majority of URB Shareholders at the Scheme Meeting; and
- (b) all other Conditions Precedent are satisfied or waived (as applicable).

The date on which the Court hears URB's application is the Second Court Date, which is expected to be on Tuesday, 10 December 2019. Any change to this date will be announced through the ASX and published on URB's website (www.urbinvest.com.au).

The Court has discretion as to whether to grant the orders approving the Scheme, even if the Scheme is approved by the Requisite Majority of URB Shareholders. Any URB Shareholder may appear at the Second Court Hearing, expected to be held on Tuesday, 10 December 2019 at the Federal Court of Australia, Law Courts Building, 184 Phillip Street, Sydney NSW 2000. Any URB Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on URB a notice of appearance in the prescribed form together with any affidavit that the URB Shareholder proposes to rely on.

12.9 Consequences of approving the Scheme

If the Court approves the Scheme at the Second Court Hearing, URB and TOT will procure the taking of all steps necessary to implement the Scheme, including:

- (a) URB will lodge with ASIC an office copy of the Court order approving the Scheme under section 411(10) of the Corporations Act, at which time the Scheme will become Effective;
- (b) at the close of trading on the Effective Date, URB will be suspended from trading on the ASX;
- (c) on the Implementation Date, all of the Scheme Shares held by Scheme Shareholders on the Scheme Record Date (currently expected to be 7:00pm (Sydney time) on Friday, 13 December 2019) will be transferred to 360 Capital FM Limited as responsible entity for TOT Active Fund, and in return TOT will procure that the Scheme Consideration is provided to Scheme Shareholders in accordance with the terms of the Scheme as summarised in Section 12; and
- (d) following the Implementation Date, the Sale Agent will sell all New TOT Securities issued to it in accordance with the terms of the Scheme and will remit the Sale Proceeds to TOT, and TOT will then remit the Sale Proceeds to the relevant Ineligible Overseas Shareholder (after deducting applicable brokerage costs, stamp duty, and other selling costs, taxes and charges). Refer to Sections 12.10 and 12.11 to determine whether you are an Eligible Shareholder or Ineligible Overseas Shareholder.

12.10 Entitlement to participate in the Scheme

- (a) Scheme Shareholders

The way in which an individual Scheme Shareholder participates in the Scheme will depend on whether that shareholder is an:

- (i) Eligible Shareholder; or
- (ii) Ineligible Overseas Shareholder.

- (b) Eligible Shareholders

Eligible Shareholders are Scheme Shareholders (as at the Scheme Record Date) who are not Ineligible Overseas Shareholders. If the Scheme becomes Effective and is Implemented, each Eligible Shareholder will receive Scrip Consideration of 0.9833 New TOT Securities for each Scheme Share in respect of each Scheme Share held on the Scheme Record Date.

URB Shareholders are expected to have an entitlement to the TOT December 2019 quarterly distribution, forecast to be 2.25 cents per unit, on the basis that Implementation Date will occur prior to the TOT December Distribution Record Date however this does not form part of the Scheme Consideration. 360 Capital FM Limited as responsible entity for TOT is responsible for declaring distributions for TOT. It is expected that the distribution for the quarter ending 31 December 2019 will be 2.25 cents per TOT Security in line with TOT's full year FY20 forecast distribution guidance of 9.0 cents per TOT Security. However, until 360 Capital FM Limited declares the distribution calculation date and the distribution date,

12. DETAILS OF THE SCHEME CONT.

there is no legally binding obligation on TOT to make the distribution. Note if 360 Capital FM Limited declares the distribution the payment of the distribution will not form part of the Scheme Consideration and will not be subject to the same protections that would apply if it was part of the Scheme Consideration.

If the Implementation Date occurs after the TOT December Distribution Record Date, Scheme Shareholders will, subject to URB granting a Loan to TOT on the terms described in Section 12.6, receive additional consideration of 2.25 cents per Scheme Share (**Cash Consideration**) under the Scheme. URB intends to provide the Loan to TOT in circumstances where the Scheme will be Implemented after the TOT December Distribution Record Date.

For the avoidance of doubt, if the Implementation Date occurs prior to the TOT December Distribution Record Date or after the End Date, the Cash Consideration does not form part of the Scheme Consideration.

12.11 Ineligible Overseas Shareholders

Ineligible Overseas Shareholders are Scheme Shareholders who are (or who are acting on behalf of) a citizen or resident of a jurisdiction other than (and is not a resident of) Australia and its external territories or New Zealand or whose Registered Address is a place outside Australia and its external territories or New Zealand unless TOT and URB jointly determine that:

- (a) it is lawful and not unduly onerous and not unduly impracticable to issue that Scheme Shareholder with New TOT Securities when the Scheme becomes Effective; and
- (b) it is lawful for that Scheme Shareholder to participate in the Scheme by the law of the relevant place outside Australia and its external territories and New Zealand.

12.12 Operation of the Sale Facility

Ineligible Overseas Shareholders will participate in the Scheme on the same basis as all Eligible Shareholders. However, New TOT Securities will not be issued to Ineligible Overseas Shareholders. Instead, the New TOT Securities to which the Ineligible Overseas Shareholders would otherwise have been entitled will be issued to the Sale Agent and sold, within 15 Business Days of the Implementation Date, on the ASX at a price determined by the Sale Agent in good faith. The Sale Agent will remit the Sale Proceeds to TOT, and TOT will then remit the Sale Proceeds to each Ineligible Overseas Shareholder (after deducting applicable brokerage, stamp duty and other selling costs, taxes and charges). The Sale Proceeds will be paid to each Ineligible Overseas Shareholder in Australian dollars by:

- (a) direct credit to the nominated bank account as noted on the Share Register on the Scheme Record Date; or
- (b) where an account has not been provided, cheque drawn on an Australian bank and sent by prepaid ordinary post (or if the Ineligible Overseas Shareholder's Registered Address is outside Australia, by pre-paid airmail post).

The payment of the Sale Proceeds to Ineligible Overseas Shareholders through the Sale Facility will be in full satisfaction of the rights of Ineligible Overseas Shareholders to New TOT Securities under the Scheme.

Full details of this process are contained in clause 5.6 of the Scheme (which is set out in Schedule 2).

12.13 Implementation of the Scheme

- (a) Effective Date

The Scheme will become Effective on the Effective Date, being the date on which the office copy of the order of the Court under section 411(10) of the Corporations Act approving the Scheme is lodged with ASIC or such other date as the Court determines or specifies in the order. URB intends to lodge the order of the Court with ASIC on the next Business Day after the Second Court Date, which is currently expected to be Tuesday, 10 December 2019.

If the Scheme becomes Effective, URB will immediately give notice of the event to the ASX.

Once the Scheme becomes Effective, URB and TOT will become bound to Implement the Scheme in accordance with its terms.

- (b) Deed Poll

360 Capital FM Limited as responsible entity of 360 Capital Total Return Active Fund and 360 Capital Total Return Passive Fund will execute a Deed Poll in favour of the Scheme Shareholders, under which TOT agrees to perform all of its obligations in relation to the Scheme if the Scheme becomes Effective.

(c) Suspension of trading in URB Shares

URB Shares will be suspended from trading on the ASX from close of trading on the Effective Date (currently expected to be Wednesday, 11 December 2019).

(d) Scheme Record Date

Only Scheme Shareholders who appear in the Share Register on the Scheme Record Date (currently expected to be 7:00pm (Sydney time) on Friday, 13 December 2019) will be entitled to receive the Scheme Consideration.

(e) Determination of Scheme Shareholders

For the purpose of determining which URB Shareholders are eligible to participate in the Scheme, dealings in URB Shares will be recognised only if:

- (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Share Register as the holder of the relevant URB Shares as at the Scheme Record Date; and
- (ii) in all other cases, registrable transmission applications or transfers in respect of those dealings are received by the Share Registry before the Scheme Record Date with sufficient time to allow for registration of the transferee before or on the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

For the purpose of determining entitlements under the Scheme, URB will not accept for registration or recognise any transmission or transfer application in respect of URB Shares received after the Scheme Record Date.

(f) Implementation Date

The Scheme will be Implemented on the Implementation Date (currently expected to be Friday, 20 December 2019). On that date, all Scheme Shares will be transferred directly or indirectly to 360 Capital FM Limited as responsible entity for TOT Active Fund in return for the Scheme Consideration.

(g) Issue of Scrip Consideration

If the Scheme becomes Effective, URB must procure that, in consideration for the transfer to 360 Capital FM Limited as responsible entity for TOT Active Fund of the Scheme Shares, TOT issues to the Scheme Shareholders (or the Sale Agent on behalf of Ineligible Overseas Shareholders) the Scrip Consideration.

(h) Payment of Cash Consideration

If the Scheme becomes Effective, and URB has provided a Loan to TOT on the terms set out in Section 12.6 (noting, URB intends to provide such Loan to TOT in circumstances where the Implementation Date will be after the TOT December Distribution Record Date) and the Implementation Date is after the TOT December Distribution Record Date:

- (i) TOT must, by no later than two Business Days before the Implementation Date, deposit in Immediately Available Funds an amount equal to the aggregate amount of the Cash Consideration payable to Scheme Shareholders into a trust account operated by or on behalf of URB (except that the amount of any interest on the amount deposited will be to TOT's account); and
- (ii) within two Business Days after the Implementation Date, subject to receipt of the Cash Consideration from TOT, URB must pay (or procure payment) from the trust account, to each Scheme Shareholder an amount equal to the Cash Consideration for each Scheme Share transferred to 360 Capital FM Limited as responsible entity for TOT Active Fund on the Implementation Date by that Scheme Shareholder.

Unless otherwise directed by the Scheme Shareholders before the Scheme Record Date, TOT will make the payment of the Cash Consideration by:

- direct credit to the nominated bank account as noted on the Share Register on the Scheme Record Date; or
- where an account has not been provided, cheque drawn on an Australian bank and sent by pre-paid ordinary post (or if the Ineligible Overseas Shareholder's Registered Address is outside Australia, by pre-paid airmail post).

For the avoidance of doubt, if the Implementation Date occurs prior to the TOT December Distribution Record Date or after the End Date, the Cash Consideration does not form part of the Scheme Consideration.

12. DETAILS OF THE SCHEME CONT.

(i) Fractional entitlements and rounding

If the number of Scheme Shares held by a Scheme Shareholder as at the Scheme Record Date is such that the aggregate entitlement of the Scheme Shareholder to Scheme Consideration comprises:

- (i) New TOT Securities such that a fractional entitlement to a New TOT Security arises; or
- (ii) cash, such that a fractional entitlement to a cent arises,

then the entitlement of that Scheme Shareholder must be rounded up or down, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole number of New TOT Securities (or cents, as applicable), and any such fractional entitlement of 0.5 or more will be rounded up to the nearest whole number of New TOT Securities (or cents, as applicable).

(j) Trading in New TOT Securities

TOT will seek confirmation from the ASX that, from the Business Day after the Effective Date (or any later date as the ASX requires), the New TOT Securities will be listed for quotation on the official list of the ASX.

The New TOT Securities are expected to commence trading on the ASX, initially on a deferred settlement basis from Friday, 13 December 2019 and, from the first Business Day after the Implementation Date being Friday, 20 December 2019 (or any later date as the ASX requires), on a normal settlement basis.

The exact number of New TOT Securities to be issued to each Scheme Shareholder will not be known until after the Scheme Record Date and will not be confirmed to each Scheme Shareholder until they receive their holding statements following the Implementation Date. It is the responsibility of each Scheme Shareholder to confirm their holdings of New TOT Securities before they trade them, to avoid the risk of committing to sell more than will be issued to them.

URB Shareholders who sell New TOT Securities before they receive their holding statements or confirm their holdings of New TOT Securities, do so at their own risk. Neither URB nor TOT takes any responsibility for such trading.

(k) Delisting of URB

After the Scheme has been Implemented, URB will request that the ASX removes it from the official list of the ASX. The delisting is expected to occur shortly following the Implementation Date.

(l) Warranty by Scheme Shareholders

The Scheme provides that each Scheme Shareholder is taken to have warranted to TOT, and appointed and authorised URB as its attorney and agent to warrant to TOT, that:

- (i) all of their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred under the Scheme will, as at the time of the transfer, be fully paid and (subject to URB's constitution) free from all security interests (including mortgages, charges, liens, encumbrances, pledges, security interests and interest of third parties of any kind, whether legal or otherwise), and from any restrictions on transfer of any kind; and
- (ii) they have full power and capacity to sell and to transfer their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) to 360 Capital FM Limited as responsible entity for TOT Active Fund under the Scheme.

URB undertakes that it will provide such warranty to TOT as agent and attorney of each Scheme Shareholder.

URB Shareholders should be aware that, to the extent that this warranty is untrue in respect of their Scheme Shares, and their Scheme Shares are not transferred under the Scheme free of third party interests, they may be liable to compensate TOT for any damage caused to those parties resulting from such encumbrance.

13. TAXATION IMPLICATIONS

13.1 Introduction

The following is a general summary of the main Australian income tax, stamp duty and goods and services tax (**GST**) consequences for the Scheme Shareholders that are residents of Australia for Australian tax purposes of disposing of their URB Shares under the Scheme. It is based upon Australian taxation law and administrative practice in effect as at the date of this Booklet.

This summary applies to Australian tax resident Scheme Shareholders who hold their URB Shares on capital account for Australian income tax purposes. It does not deal with the taxation consequences of disposing of URB Shares that are held on revenue account or as trading stock, URB Shares that may be subject to specific tax provisions (eg, the employee share scheme rules and life insurance companies) or the implications of disposing of URB Shares under the taxation laws of countries other than Australia. This summary also does not address Scheme Shareholders who are not residents of Australia for tax purposes or Scheme Shareholders who are required to, or have elected to, determine the tax treatment of gains and losses for financial arrangements under the taxation of financial arrangements regime under Division 230 of the ITAA 1997.

Except where otherwise stated, this summary does not apply to Scheme Shareholders that are partnerships or trusts or persons that are partners of such partnerships, or beneficiaries of such trusts. If a partnership or trust is a Scheme Shareholder, the partners of such partnership or the beneficiaries of such trust should consult their own tax advisers in relation to the Australian taxation consequences to them of the partnership or the trust (as applicable) participating in the Scheme.

This summary does not constitute tax advice and is intended only as a general guide to the Australian tax implications of participating in the Scheme. It does not consider any specific facts or circumstances that may apply to a particular Scheme Shareholder. As the tax consequences to URB Shareholders participating in the Scheme will depend on each Scheme Shareholder's own individual circumstances, all Scheme Shareholders are advised to seek their own independent professional advice regarding the Australian and, if relevant, foreign tax consequences of disposing of their URB Shares based on their own particular circumstances.

13.2 ATO Class Ruling

If the Scheme Implements, then URB will obtain a Class Ruling from the ATO to obtain its views on the specific income tax consequences in relation to the Scheme for certain Scheme Shareholders under the Scheme. The Class Ruling is unlikely to be issued by the ATO prior to the Scheme Meeting. When issued, a Class Ruling will be available on the ATO website at www.ato.gov.au.

It is possible that the ATO may reach conclusions on one or more issues which differ from those expressed in this summary and it is therefore important that this summary is read in conjunction with the Class Ruling, which will be issued following the Implementation of the Scheme.

13.3 Capital gains tax

General

The comments in this Section are subject to the comments in Section 13.4 below concerning scrip for scrip roll-over relief. This Section should be read in conjunction with Section 13.4.

The disposal of the URB Shares by a Scheme Shareholder pursuant to the Scheme will cause a capital gains tax (**CGT**) event to happen. The CGT event will happen at the time that the Scheme Shareholder disposes of its URB Shares under the Scheme, which will be the Implementation Date.

A capital gain or capital loss will arise as a consequence of this CGT event equal to the difference between the capital proceeds that the Scheme Shareholder receives or is entitled to receive in respect of the disposal of their URB Shares and the Scheme Shareholder's cost base (or reduced cost base, in the case of a capital loss) in their URB Shares. A Scheme Shareholder will make a capital gain if the capital proceeds exceed the Scheme Shareholder's cost base of their URB Shares and a capital loss if the capital proceeds are less than the Scheme Shareholder's reduced cost base of their URB Shares.

A Scheme Shareholder's capital proceeds should generally be equal to the market value of the New TOT Securities and, if applicable, the Cash Consideration received by them in respect of the disposal of their URB Shares. A Scheme Shareholder's cost base (and reduced cost base) of their URB Shares should generally include the amount given by the Scheme Shareholder to acquire their URB Shares plus any non-deductible incidental costs of acquisition and disposal of their URB Shares (eg, brokerage fees and stamp duty).

13. TAXATION IMPLICATIONS CONT.

If a Scheme Shareholder makes a capital gain and is an individual, a trustee of a trust or a trustee of a complying superannuation entity that has held, or is taken to have held, its URB Shares for at least 12 months (for CGT discount purposes) at the time of the disposal of its URB Shares, the discount CGT provisions should apply. This means that:

- (a) if the Scheme Shareholder is an individual or a trustee of a trust, only one-half of the capital gain will be taxable; and
- (b) if the Scheme Shareholder is a trustee of a complying superannuation entity, only two-thirds of the capital gain will be taxable.

The CGT discount is generally not available to Scheme Shareholders that are companies.

If the Scheme Shareholder makes a discount capital gain, its available capital losses may be applied to reduce the undiscounted capital gain before either the one-half or one-third (as applicable) discount is applied. The resulting amount is included in the Scheme Shareholder's net capital gain for the income year, which forms part of the Scheme Shareholder's assessable income for the income year.

If a Scheme Shareholder makes a capital loss from the disposal of their URB Shares, this may be used to offset any capital gains it derives in the same or subsequent years of income (subject to satisfying certain conditions) but cannot be offset against ordinary income nor carried back to offset net capital gains arising in earlier income years.

Subject to the comments in Section 13.4, the first element of a Scheme Shareholder's cost base in their New TOT Securities should be the value of the consideration provided for them, that is, the market value of the URB Shares exchanged at the Implementation Date to the extent referable to the New TOT Securities received. This should equate to the market value of the New TOT Securities received.

A New TOT Security will comprise of two separate CGT assets consisting of a TOT Passive Fund Unit and a TOT Active Fund Unit. The first element of the cost base (and reduced cost base) of the TOT Passive Fund Unit component of each New TOT Security received by a Scheme Shareholder should be equal to that part of the market value of the New TOT Security that is referable to the TOT Passive Fund Unit component. Subject to the comments in Section 13.4, the first element of the cost base (and reduced cost base) of the TOT Active Fund Unit component of each New TOT Security received by a Scheme Shareholder should be equal to that part of the market value of the New TOT Security that is referable to the TOT Active Fund Unit component.

Generally, an NTA apportionment ratio is used to determine the respective market values of entities which are traded as stapled securities (ie the TOT Active Fund and the TOT Passive Fund) on the Implementation Date. TOT has advised that as at 30 June 2019, the NTA apportionment ratio referable to the TOT Active Fund Unit component was 15.9% with the balance referable to the TOT Passive Fund Unit component. TOT publishes its NTA apportionment on an annual basis on its website at www.360capital.com.au/investor-centre.

The Class Ruling is expected to confirm the reasonableness of the valuation methodology used to determine the market value referable to the TOT Active Fund Unit component and the TOT Passive Fund Unit component of the New TOT Securities.

Subject to our comments in Section 13.4 below, the acquisition date for CGT purposes of the New TOT Securities should be the Implementation Date.

13.4 CGT scrip for scrip roll-over relief

Broadly, scrip for scrip roll-over relief may be available to defer a capital gain (but not a capital loss) made by a taxpayer if, under an arrangement, a taxpayer exchanges a share in a company for a share in another company. The TOT Active Fund Unit component of the New TOT Securities (**Eligible Proceeds**) may be regarded as shares for income tax purposes (TOT has advised that the TOT Active Fund will form a tax consolidated group with its wholly-owned subsidiary effective from 27 August 2019) and potentially be eligible for scrip for scrip roll-over relief, whereas the TOT Passive Fund Unit component and, if applicable, the Cash Consideration (together the **Ineligible Proceeds**) will not be eligible for scrip for scrip roll-over relief (**partial scrip for scrip roll-over relief**).

Under the Scheme, Scheme Shareholders will be exchanging their URB Shares for New TOT Securities (if no Cash Consideration), or for a combination of New TOT Securities and Cash Consideration. If partial scrip for scrip roll-over relief is available, Scheme Shareholders who make a capital gain on the disposal of their URB Shares may be able to make a choice to disregard their capital gain to the extent that it relates to the TOT Active Fund Unit component of the New TOT Securities received by the Scheme Shareholder.

Scrip for scrip roll-over relief can only be chosen for a Scheme Shareholder in respect of the Eligible Proceeds received in exchange for the URB Shares. As a result, the roll-over relief only applies to a Scheme Shareholder to the extent of the value of the TOT Active Fund Unit component of the New TOT Securities (ie, the Eligible Proceeds) and only then if a capital gain arises (ie, roll-over relief does not apply to a capital loss).

Based on the 30 June 2019 NTA apportionment ratio advised by TOT as set out above, an approximation of the market value of the Eligible Proceeds is 15.9% of the market value of the New TOT Securities (however, the actual apportionment will be confirmed in the Class Ruling).

Broadly, if scrip for scrip roll-over relief is available, the consequences of a Scheme Shareholder choosing that scrip for scrip roll-over relief applies should be that:

- The portion of the capital gain made on the disposal of URB Shares that is attributable to Eligible Proceeds is disregarded.
- The Scheme Shareholder will be deemed (for CGT discount purposes only) to have acquired the TOT Active Fund Unit component of their New TOT Securities at the time that they originally acquired their URB Shares. The acquisition date of the TOT Passive Fund Unit component of the New TOT Securities should be the Implementation Date (as described above).
- Only the capital gain in relation to the Ineligible Proceeds should be taken into account as described above in Section 13.3. A Scheme Shareholder's capital gain in relation to the Ineligible Proceeds should be broadly equal to the value of the Ineligible Proceeds less the cost base of their URB Shares that is reasonably attributable to the Ineligible Proceeds.
- If no Cash Consideration is received the first element of the cost base of the New TOT Securities should be (based on the 30 June 2019 NTA ratio apportionment advised by TOT as set out above):
 - approximately 15.9% of their existing cost base in URB Shares, as the first element of the cost base of the TOT Active Fund Unit component of the New TOT Securities; and
 - approximately 84.1% of the market value of New TOT Securities, as the first element of the cost base of the TOT Passive Fund Unit component of the New TOT Securities.
- If Cash Consideration is received, the first element of the cost base of the TOT Active Fund Unit should comprise that proportion of their existing URB Share cost base as is referable to the TOT Active Fund Unit component of the combined Cash Consideration and New TOT Securities value received. The first element of the cost base of the TOT Passive Fund Unit received should be approximately 84.1% of the market value of the New TOT Securities (based on the 2019 NTA apportionment advised by TOT as set out above).

Scheme Shareholders can make and evidence their choice for scrip for scrip roll-over relief to apply by the manner in which they lodge their income tax returns for the income year that the CGT event happened.

The Class Ruling is expected to confirm the availability of the partial CGT scrip for scrip roll-over relief for the Scheme Shareholders.

13.5 Implications of holding New TOT Securities

As the New TOT Securities comprise both TOT Passive Fund Units and TOT Active Fund Units, Scheme Shareholders may receive distributions from both these securities (**TOT Distributions**). Scheme Shareholders should seek professional tax advice in relation to their TOT Distributions that takes into account their own particular circumstances.

General comments on the tax implications for Scheme Shareholders on TOT Distributions and the disposal of their New TOT Securities is outlined below.

(a) Distributions from TOT Passive Fund

The TOT Passive Fund is a trust that has elected to be taxed under the “AMIT regime”. In broad terms, provided that the TOT Passive Fund attributes 100% of its taxable income for an income year to its unitholders, it will be taxed on a flow through basis (ie, the unitholders, rather than the trustee, should be taxed on this taxable income). The Scheme Shareholders will be subject to tax on their “determined member components” under the AMIT regime. These determined member components comprise, in effect, each Scheme Shareholder's share of the TOT Passive Fund's income and certain other tax attributes (including items such as tax offsets). These components will be attributed to Scheme Shareholders and other unitholders of the TOT Passive Fund on a fair and reasonable basis in respect of each income year. The information in respect of the components will be provided to Scheme Shareholders in an AMIT Member Annual Statement (or **AMMA Statement**).

13. TAXATION IMPLICATIONS CONT.

The determined member components may include assessable income, exempt income, non-assessable non-exempt income, and tax offsets (such as foreign income tax offsets). Each of these components retain their character in the hands of the Scheme Shareholders, and the Scheme Shareholders will (generally) be taxed on these components even if they are not distributed in cash. Scheme Shareholders that are attributed discount capital gains from the TOT Passive Fund may be eligible to apply the CGT discount provided certain eligibility requirements are met.

Where the distribution received by a Scheme Shareholder is less than the tax components attributed to that Scheme Shareholder, the Scheme Shareholder's cost base of the units in the TOT Passive Fund will be increased by the difference; where the distribution received by a Scheme Shareholder is more than the tax components attributed to that Scheme Shareholder (i.e., there is a "tax deferred distribution"), the Scheme Shareholder's cost base of the units in the TOT Passive Fund will be decreased by that difference (such excess or shortfall is referred to as the **AMIT cost base net amount**). If the cost base of a Scheme Shareholder's units is reduced to zero by receipt of tax deferred amounts, any further receipts of tax deferred distributions from the TOT Passive Fund will be taxable as a capital gain (to which the CGT discount may be applied, if applicable). The AMMA Statement issued by the TOT Passive Fund to its unitholders will set out what the trustee reasonably estimates to be the amount the AMIT cost base net amount for income year in respect of the CGT asset that is the Scheme Shareholder's TOT Passive Fund Units.

(b) Distributions from TOT Active Fund

As noted above, TOT has advised that the TOT Active Fund will elect to form a tax consolidated group effected 27 August 2019. As such, TOT Active Fund should in effect be taxed as a company, and TOT Active Fund Units treated in effect as company shares for income taxation purposes. This means that, broadly, distributions of profits are treated as dividends and may be franked or unfranked for imputation purposes.

Any distributions received by a Scheme Shareholder in respect of a TOT Active Fund Unit should be included in the Scheme Shareholder's assessable income in the income year in which the distributions are paid. To the extent that the distributions are franked, Scheme Shareholders who are "qualified persons" will be required to include in their assessable income an additional amount representing the franking credit attached to the distributions.

Scheme Shareholders who are "qualified persons" should also be able to claim a tax offset equal to the amount of the franking credits attached to the distributions paid on the units. This tax offset will either reduce any tax payable by the Scheme Shareholder, and in the case of some Scheme Shareholders give rise to a tax refund (to the extent that it exceeds the tax that is otherwise payable by the Scheme Shareholder for that income year and the Scheme Shareholder is a taxpayer eligible for a refund of excess franking credits). Broadly, to be a "qualified person" in relation to a franked distribution, a Scheme Shareholder must satisfy:

- (i) the "holding period rule" – which requires that the TOT Active Fund Units to be held "at risk" by a Scheme Shareholder for a continuous period of at least 45 days (not including the day of acquisition or the day of disposal) at some stage between the date of acquisition (i.e. the Implementation Date) and 45 days after the TOT Active Fund Units become ex-dividend; and
- (ii) the "related payments rule" – which requires that where a Scheme Shareholder is obliged to pass the benefits of distributions on to others, they must hold the units "at risk" for a continuous period of at least 45 days, commencing 45 days before and ending 45 days after (not including the date of acquisition and disposal) the TOT Active Fund Units become ex-dividend.
- (iii) Scheme Shareholders will also be regarded as a "qualified person" where the "small shareholder exemption" applies. This exemption is available where the sum of tax offsets to be claimed does not exceed \$5,000 and the "related payments rule" does not apply.

TOT Active Fund will issue distribution statements that outline the amount of the distribution and their tax attributes as franked or unfranked.

13.6 Subsequent disposal of New TOT Securities on or after Implementation

The disposal of New TOT Securities received by Scheme Shareholders under the Scheme, will cause a CGT event to happen and Scheme Shareholders may thereby realise a capital gain or loss. The first element of the cost base and reduced cost base of the TOT Passive Fund Units and the TOT Active Fund Units acquired under the Scheme and their acquisition time for CGT discount purposes is described above in Sections 13.3 and 13.4 (as applicable).

13.7 Stamp duty

URB Shareholders will not be required to pay any stamp duty on the transfer of their Scheme Shares under the Scheme. Similarly, URB Shareholders, being Eligible Shareholders, will not be required to pay any stamp duty in connection with the Scheme Consideration under the Scheme.

13.8 Goods and services tax

URB Shareholders will not be required to pay GST on the disposal of Scheme Shares under the Scheme, as such a disposal would be an input taxed supply. Similarly, no GST will be payable by Eligible Shareholders on the acquisition of New TOT Securities under the Scheme, as such an acquisition is an input taxed supply.

One consequence of the supply or disposal of Scheme Shares under the Scheme and the acquisition of New TOT Securities under the Scheme being input taxed is that no input tax credits (or only reduced input tax credits) may be available for GST incurred on acquisitions to the extent that they relate to the disposal of Scheme Shares or acquisition of New TOT Securities (such as GST on advisor and legal fees).

14. ADDITIONAL INFORMATION

14.1 Interests of URB Directors

(a) URB Directors

The URB Directors at the date of lodgement of this Booklet for registration by ASIC were:

- (i) Warwick Negus
- (ii) Robert (Bruce) Dungey
- (iii) Anthony (Bruce) McDonald
- (iv) Victoria Weekes

(b) Securities in URB held by, or on behalf of, URB Directors as at 1 November 2019, being the last practicable Trading Day prior to the date of this Booklet, are set out in the table below:

| URB Director | Shares | Percentage Holdings |
|--------------------------|----------------|---------------------|
| Warwick Negus | 107,256 | 0.15% |
| Robert (Bruce) Dungey | 113,673 | 0.15% |
| Anthony (Bruce) McDonald | 100,000 | 0.14% |
| Victoria Weekes | 34,000 | 0.05% |
| Total | 354,929 | 0.49% |

(c) Except as stated in Section 14.1(b):

- (i) there are no marketable securities of URB held by or on behalf of URB Directors as at the date of this Booklet;
- (ii) no URB Director holds, or has any interest in, marketable securities of TOT or any other member of the TOT Group;
- (iii) other than as stated in clause 14.1(c)(iv), there has been no dealing by any of the URB Directors in any marketable securities of URB or TOT or any other member of the TOT Group in the four months preceding 1 November 2019, the last practicable Trading Day prior to the date of this Booklet; and
- (iv) Mr Warwick Negus participated in a dividend reinvestment plan on 4 October 2019 in respect of 3,936 ordinary fully paid URB Shares at \$1.05 per URB Share.

14.2 Interests and dealings of URB Directors in securities in TOT or any other member of TOT Group

No URB Director has a Relevant Interest in any securities in TOT or any other member of the TOT Group.

14.3 Agreements or arrangements with any URB Director in connection with the Scheme

No payment or other benefit is proposed to be made or given to a director or secretary of URB as compensation for loss of, or as consideration for or in connection with their retirement from, office in URB as a result of the Scheme.

14.4 Independent Expert

Loneragan Edwards & Associates Limited has prepared the Independent Expert's Report set out in Schedule 1 advising as to whether, in its opinion, the Scheme is fair and reasonable to and in the best interests of URB Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable to and in the best interests of URB Shareholders, in the absence of a Superior Proposal.

14.5 Implications for creditors of URB

The Scheme, if Implemented, is not expected to materially prejudice URB's ability to pay its creditors. No material new liability will be incurred by URB as a consequence of Implementation of the Scheme other than the transaction costs described in Section 14.7. URB have paid and are paying all their creditors substantially within URB's normal terms of trade. URB is solvent and is trading in an ordinary commercial manner.

14.6 Consents and disclaimers

(a) Consents

The following parties have given and have not withdrawn, before the time of registration of this Booklet by ASIC, their written consent to be named in this Booklet in the form and context in which they are named:

- (i) Andover Corporate Finance Pty Limited as financial advisor to URB;
- (ii) Ashurst Australia as legal advisor to URB;
- (iii) Lonergan Edwards & Associates Limited as Independent Expert;
- (iv) Washington H Soul Pattinson and Company Limited; and
- (v) Link Market Services Limited.

Lonergan Edwards & Associates Limited has also given and has not withdrawn, before the time of registration of this Booklet with ASIC, its written consent to the inclusion of its Independent Expert's Report in this Booklet in the form and context in which it is included and to all references in this Booklet to that report in the form and context in which they appear.

TOT has also given and has not withdrawn, before the time of registration of this Booklet with ASIC, its written consent to the inclusion of the TOT Information in the form and context in which it is included and to all references in this Booklet to the TOT Information in the form and context in which they appear.

(b) Disclaimers

None of the persons referred to in Section 14.6(a) has authorised or caused the issue of this Booklet and does not make or purport to make any statement in this Booklet other than those statements made in the capacity and to the extent the person has provided its consent, as referred to above. To the maximum extent permitted by law, each person referred to in Section 14.6(a) disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Booklet other than as described in Section 14.6(a) with that person's consent. The TOT Information has been prepared by and is the responsibility of TOT. URB does not assume responsibility for the accuracy or completeness of the TOT Information.

14.7 Fees

The amount of the fees and expenses expected to be incurred by URB in connection with the Scheme up to Implementation of the Scheme, including the fees and expenses of financial advisers, lawyers, accountants, and communication consultants, is estimated at approximately \$1.255 million (excluding GST).

14.8 Status of regulatory conditions

Implementation of the Scheme is subject to various approvals and consents. As at the date of lodgement of this Booklet with ASIC for registration, URB and TOT have applied for all of the Regulatory Approvals, consents or relief which they consider are necessary or desirable for the purpose of Implementing the Scheme.

14.9 Agreements in connection with the Scheme – Scheme Implementation Deed

On 14 October 2019, URB and TOT entered into a Scheme Implementation Deed which sets out the steps required to be taken by the parties to give effect to the Scheme. The key terms of the Scheme Implementation Deed are summarised below.

(a) Conditions Precedent

The Conditions Precedent are summarised in Section 12.3 of this Booklet and are set out in full in clause 3.2 of the Scheme Implementation Deed. As at the date of this Booklet, the URB Directors are not aware of any circumstances which would cause the outstanding Conditions Precedent not to be satisfied or waived (as applicable).

14. ADDITIONAL INFORMATION CONT.

(b) No-shop

During the Exclusivity Period, URB must ensure that neither it nor any of its Representatives directly or indirectly:

- (i) solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or
- (ii) communicates any intention to do any of these things,

with a view to obtaining, or that may reasonably be expected to lead to, any offer, proposal or expression of interest from any person in relation to a Competing Proposal.

(c) No-talk

Subject to the exceptions noted in Section 14.9(e) during the Exclusivity Period, URB must ensure that it and its Representatives do not directly or indirectly:

- (i) negotiate or enter into; or
- (ii) participate in negotiations or discussions with any other person regarding,

a Competing Proposal or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, invited, encouraged or initiated by URB or any of its Representatives or the person has publicly announced the Superior Proposal.

(d) No due diligence

Subject to the exceptions noted in Section 14.9(e) during the Exclusivity Period, URB must not, and must ensure that its Representatives do not, make available or permit any third party to:

- (i) undertake due diligence investigations on URB or its businesses or operations; or
- (ii) receive any non-public information relating to URB,

in connection with the formulation, development or finalisation of a Competing Proposal.

(e) Exceptions

The obligations in Sections 14.9(c) and 14.9(d) do not apply to the extent that it restricts URB or the URB Board from taking or refusing to take any action with respect to a bona fide Competing Proposal (which was not solicited, invited, encouraged or initiated by URB in contravention of the provisions in Section 14.9(b)) provided that the URB Board has determined, in good faith that:

- (i) after consultation with its financial advisors, such a Competing Proposal is, or could reasonably be considered promptly to become, a Superior Proposal; and
- (ii) after receiving written legal advice from its external legal advisers that failing to respond to such a Competing Proposal would be likely to constitute a breach of the URB Board's fiduciary or statutory obligations.

(f) Notice of Approaches

During the Exclusivity Period, URB must promptly notify TOT if it or any of its Related Bodies Corporate or Representatives receives or becomes aware of any:

- (i) approach or proposal (whether written or otherwise) with respect to any Competing Proposal and must disclose to TOT the fact that such an approach or proposal has been made and reasonable details of the approach or proposal, including, the details and identity of the party making the approach or proposal (and if different, details and identity of the proposed bidder or acquirer), the terms and conditions of the approach or proposal and any material updates to the approach or proposal; or
- (ii) provision by URB or any of its Representatives of any information relating to URB or any of its business or investments to any person in connection with or for the purposes of the person formulating, developing or finalising an actual, proposed or potential Competing Proposal, now or in the future.

(g) Matching right

During the Exclusivity Period, URB:

- (i) must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a third party, URB or both proposes or propose to undertake or give effect to an actual, proposed or potential Competing Proposal; and
- (ii) must use its best endeavours to procure that none of the URB Directors changes their recommendation in favour of the Scheme, to publicly recommend an actual, proposed or potential Competing Proposal, unless:
 - (iii) the URB Board acting in good faith and in order to satisfy what the URB Board considers to be its statutory or fiduciary duties (having received written advice from its external legal advisers), determines the Competing Proposal is a Superior Proposal;
 - (iv) URB has provided TOT with the material terms and conditions of the actual, proposed or potential Competing Proposal, including price, conditions, timing, break fees (if any), the identity of the third party making the actual, proposed or potential Competing Proposal and must disclose any URB Confidential Information that has been disclosed to the third party but not to TOT;
 - (v) URB has given TOT at least five Business Days after the date of the provision of the information referred to above to provide a matching or superior proposal on the terms of the actual, proposed or potential Competing Proposal; and
 - (vi) either:
 - (A) TOT has not announced or delivered to the URB Board a matching or superior proposal to the terms of the actual, proposed or potential Competing Proposal (**Bidder Counter Proposal**) by the expiry of the above five Business Day period; or
 - (B) TOT has not announced or delivered to the URB Board a Bidder Counter Proposal by the expiry of the above five Business Day period and the URB Board, acting in good faith and after having taken written advice from URB's external legal and financial advisers, determines that the Bidder Counter Proposal is not as favourable or more favourable (as a whole) to the URB Shareholders than the Competing Proposal.

Any modification to any Competing Proposal notified to TOT (which will include any modification relating to the price or value of any Competing Proposal) will be taken to make that proposal a new Competing Proposal in respect of which URB must comply with its obligations under this Section 14.9(g) again.

However, URB's "no talk", "no due diligence" and "notification of approaches" obligations are subject to a fiduciary carve-out. This means that these obligations do not apply to the extent that the URB Directors determine that:

- (i) after consultation with their financial advisers, the Competing Proposal is, or could reasonably be considered to become a, Superior Proposal; and
- (ii) after receiving legal advice from their external legal advisers, that taking or refusing to take the action (as applicable) would be likely to constitute a breach of the fiduciary or statutory duties owed by any URB Director.

These exclusivity arrangements are set out in full in clause 8 of the Scheme Implementation Deed.

(h) Break Fee

Subject to the exceptions described further below, URB has agreed to pay a break fee of approximately \$758,100 (exclusive of GST) to TOT if:

- (i) (**Competing Proposal**) a Competing Proposal is announced or made prior to the earlier of the termination of the Scheme Implementation Deed and the End Date, and is publically recommended, promoted or otherwise endorsed by a majority of the URB Board.

14. ADDITIONAL INFORMATION CONT.

- (ii) **(change of recommendation)** any of the URB Directors change or withdraw their recommendation, except in the following circumstances where the Scheme Implementation Deed is terminated because:
 - (A) a Condition Precedent set out in clause 3.2(c) to 3.2(j) or 3.2(g) to 3.2(k) of the Scheme Implementation Deed is not satisfied other than as a result of a breach by URB of its obligations to use reasonable endeavours to procure that the Conditions Precedents are satisfied;
 - (B) TOT is in breach of the Scheme Implementation Deed;
 - (C) the Effective Date has not occurred by the End Date; or
 - (D) the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not in the best interests of the URB Shareholders (other than where a Competing Proposal has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by the Scheme Implementation Deed).
- (iii) **(termination by TOT for material breach)** TOT terminates the Scheme Implementation Deed following material breach by URB, except for when, at the time of termination, URB has the right to terminate for TOT's material breach.

URB will not have to pay the Break Fee to TOT if the Scheme becomes Effective or to the extent that payment of the break fee is finally determined by the Takeovers Panel or a court to be unlawful, involve a breach of fiduciary or statutory duties of the URB Board, or constitute unacceptable circumstances within the meaning of the Corporations Act. In these circumstances, if any amount has already been paid by URB to TOT, it must be refunded by TOT to URB.

The Break Fee will not be payable to TOT merely by reason of any Scheme Resolution not being approved by the Requisite Majority of URB Shareholders at the Scheme Meeting.

(i) Reverse Break Fee

Subject to the exceptions described further below, TOT has agreed to pay a reverse break fee of approximately \$828,700 (exclusive of GST) to URB if:

- (i) **(termination for material breach)** URB validly terminates the Scheme Implementation Deed following material breach by TOT; or
- (ii) **(failure to issue or pay Scheme Consideration)** TOT fails to issue the Scrip Consideration or pay the Cash Consideration (if applicable) in accordance with the Scheme Implementation Deed, Scheme or Deed Poll by the Implementation Date.

TOT will not have to pay the Reverse Break Fee to URB if the Scheme becomes Effective. In these circumstances, if any amount has already been paid by TOT to URB, it must be refunded by URB to TOT.

(j) Termination by TOT

TOT may terminate the Scheme Implementation Deed at any time prior to 8:00am (Sydney time) on the Second Court Date if:

- (i) URB's Board fails to recommend the Scheme or any director of URB withdraws or adversely revises his or her recommendation that URB Shareholders vote in favour of the Scheme or otherwise makes a public statement that it no longer supports the Scheme; or
- (ii) URB enters into an agreement to Implement a Competing Proposal.

(k) Termination by URB

URB may terminate the Scheme Implementation Deed at any time before 8.00am on the Second Court Date by notice in writing to URB if:

- (i) the majority of the URB Board publicly (including as permitted under clause 5.1 of the Scheme Implementation Deed) changes (including by attaching qualifications to) or withdraws its recommendation that URB Shareholders approve the Scheme or publicly recommends, promotes or otherwise endorses a Superior Proposal; and
- (ii) URB has complied with its obligations set out in clause 8 and clause 9 of the Scheme Implementation Deed (including payment of the Break Fee, if applicable).

(l) Termination by either party

Either party may terminate the Scheme Implementation Deed:

- (i) If a condition of the Scheme Implementation Deed is not fulfilled or waived;
- (ii) if at any time before 8.00 am on the Second Court Date the other party is in material breach of any clause of the Scheme Implementation Deed, provided that the terminating party has given notice to the other party setting out the relevant circumstances and stating an intention to terminate the Scheme Implementation Deed, and the relevant circumstances have continued to exist for 5 Business Days (or any shorter period ending at 8.00 am on the Second Court Date) from the time such notice is given, such proviso not to apply where TOT is the terminating party in the case of a material breach by URB of clauses 5 and 8 of the Scheme Implementation Deed;
- (iii) if the Scheme has not become Effective on or before the End Date; or
- (iv) if the Scheme Resolution is not approved by the Requisite Majority of URB Shareholders at the Scheme Meeting.

14.10 Scheme

The proposed Scheme under Part 5.1 of the Corporations Act between URB and Scheme Shareholders, as generally summarised in this Booklet, is included in Schedule 2, subject to any modifications or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by URB and TOT.

14.11 Deed Poll

The Deed Poll requires TOT to perform their obligations under the Scheme, including the obligation on TOT to provide the Scheme Consideration to each Scheme Shareholder, subject to the Scheme becoming Effective. A copy of the Deed Poll is included in Schedule 3.

14.12 Lodgement of Booklet

The Booklet was given to ASIC on Thursday, 17 October 2019 in accordance with section 411(2)(b) of the Corporations Act. ASIC takes no responsibility for the content of this Booklet.

14.13 International offer restrictions

No action has been taken to register or qualify the New TOT Securities or otherwise permit a public offering of such securities in any jurisdiction outside Australia. Based on the information available to URB as at the date of this Booklet, Scheme Shareholders whose Registered Addresses on the Scheme Record Date are in the following jurisdictions will be entitled to have New TOT Securities issued to them pursuant to the Scheme, subject to the qualifications, if any, set out below or otherwise disclosed in this Booklet in respect of that jurisdiction:

- (a) Australia; and
- (b) New Zealand.

Nominees, custodians and other URB Shareholders who hold URB Shares on behalf of a beneficial owner resident in Australia or New Zealand may forward this Booklet (or accompanying documents) to such beneficial shareholder but may not forward this Booklet to any person in any other country without the consent of URB. This Booklet does not constitute an offer of securities in any jurisdiction in which it would be unlawful. In particular, this Booklet may not be distributed to any person, and the New TOT Securities may not be offered or sold, in any country outside Australia except to the extent provided below.

14.14 URB Directors' statements

The issue of this Booklet has been authorised by the URB Board.

The URB Board has given (and not withdrawn) its consent to lodgement of this Booklet with ASIC.

14.15 Other information material to the making of a decision in relation to the Scheme

Except as set out in this Booklet, there is no other information material to the making of a decision in relation to the Scheme, being information that is within the knowledge of any of the URB Directors, which has not previously been disclosed to URB Shareholders.

14. ADDITIONAL INFORMATION CONT.

14.16 Supplementary information

To the extent required by the ASX Listing Rules, the Corporations Act and any other applicable law, URB will issue a supplementary document to this Booklet if it becomes aware of any of the following, between the date of lodgement of this Booklet for registration by ASIC and the Effective Date:

- (a) a material statement in this Booklet is or becomes false or misleading in a material respect;
- (b) a material omission from this Booklet;
- (c) a significant change affecting a matter included in this Booklet has occurred; or
- (d) a significant new matter that has arisen which would have been required to be included in this Booklet if it had arisen before the date of lodgement of this Booklet for registration by ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances and subject to obtaining any relevant approvals, URB may circulate and publish any supplementary document by:

- (a) placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- (b) posting the supplementary document on URB's website (www.urbinvest.com.au); or
- (c) making an announcement to ASX.

15. GLOSSARY

15.1 Interpretation

In this Booklet (other than the Schedules):

- (a) except as otherwise provided, all words and phrases used in this Booklet have the meanings (if any) given to them in the Corporations Act;
- (b) headings are for ease of reference only and will not affect the interpretation of this Booklet;
- (c) words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. A reference to a person includes a reference to a corporation;
- (d) all dates and times are Sydney, Australia times, unless otherwise stated; and
- (e) a reference to a Section or Schedule is to a Section in or Schedule to this Booklet, unless otherwise stated.

15.2 Glossary

The following is a glossary of certain terms used in this Booklet.

| Defined term | Meaning |
|-------------------------------|---|
| 360 Capital FM Limited | 360 Capital FM Limited (ACN 090 664 396). |
| 360 Capital Group | 360 Capital Group Limited (ACN 113 569 136) and its Subsidiaries. |
| AAS | Australian Accounting Standards. |
| AASB | Australian Accounting Standards Board. |
| AMF Finance | AMF Finance Pty Limited (ACN 120 390 749). |
| AMIT | Attribution Managed Investment Trust. |
| ASIC | Australian Securities and Investments Commission. |
| Associate | has the meaning given in section 12(2) of the Corporations Act. |
| ASX | ASX Limited (ABN 98 008 624 691) or the market operated by it, as the context requires. |
| ASX Listing Rules | the listing rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX. |
| ATO | Australian Tax Office. |
| Booklet | this scheme booklet. |
| Break Fee | \$758,100 (exclusive of GST). |
| Business Day | a business day as defined in the ASX Listing Rules. |
| Cash Consideration | \$0.0225 per Scheme Share held by a Scheme Shareholder at the Scheme Record Date, subject to and in accordance with the Scheme. |
| CHESS | the Clearing House Electronic Subregister System, operated by ASX Settlement Pty Limited (ABN 49 008 504 532). |
| Combined Group | TOT and the entities owned and/or controlled by TOT following Implementation (including URB). |

15. GLOSSARY CONT.

| Defined term | Meaning |
|---------------------------------|--|
| Competing Proposal | <p>a proposal, transaction or arrangement (whether by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities, joint venture or otherwise) which, if completed, would mean a person (other than TOT or its Related Bodies Corporate) whether alone or together with its Associates would:</p> <p>(a) directly or indirectly, acquire an interest or Relevant Interest in or become the holder of 20% or more of the URB Shares;</p> <p>(b) acquire control of URB, within the meaning of section 50AA of the Corporations Act;</p> <p>(c) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all or a substantial part or a material part of the assets of or business conducted by URB; or</p> <p>(d) otherwise acquire, or merge (including by a reverse takeover bid, scheme of arrangement or dual listed company structure) with, URB.</p> |
| Conditions Precedent | the conditions precedent set out in clause 3 of the Scheme Implementation Deed. |
| Contact Asset Management | Contact Asset Management Pty Limited (ACN 614 316 595) |
| Corporations Act | the <i>Corporations Act 2001</i> (Cth). |
| Corporations Regulations | the <i>Corporations Regulations 2001</i> (Cth). |
| Court | the Federal Court of Australia or any other court of competent jurisdiction under the Corporations Act. |
| Deed of Novation | the deed of novation entered into between the Contact Asset Management, URB and 360 Capital Group on 14 October 2019. |
| Deed Poll | the deed poll, substantially in the form of Schedule 3. |
| Direct Property Asset | direct Australian property or real estate. |
| Effective | when used in relation to the Scheme, means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme. |
| Effective Date | the date on which the Scheme becomes Effective (currently expected to occur on Wednesday, 11 December 2019). |
| Eligible Shareholder | any Scheme Shareholder who is not an Ineligible Overseas Shareholder. |
| End Date | 28 February 2020, or such other date as is agreed by URB and TOT. |
| Equity Asset | equities listed on ASX (including unlisted securities on the condition that they are proposed to be listed on ASX within 12 months of acquisition) that form part of URB's Investment Portfolio. |
| Exclusivity Period | <p>the period commencing on 14 October 2019 and ending on the earlier of:</p> <p>(a) termination of the Scheme Implementation Deed in accordance with its terms;</p> <p>(b) the Implementation Date; and</p> <p>(c) the End Date.</p> |
| First Court Hearing | the first day of the hearing of the application made to the Court for orders under section 411(1) of the Corporations Act to convene the Scheme Meeting. |
| FY | <p>the 12-month period ended 30 June in the relevant year.</p> <p>A reference to Financial Year has a corresponding meaning.</p> |

| Defined term | Meaning |
|--|---|
| Government Agency | means a government, government department or a governmental, semi-governmental, administrative, statutory or judicial entity, agency, authority, commission, department, tribunal, or person charged with the administration of a law or agency, whether in Australia or elsewhere, including the Australian Competition and Consumer Commission, ASIC, ASX, the Takeovers Panel, and any self-regulatory organisation established under statute or by ASX. |
| GST | has the same meaning as in the GST Law. |
| GST Law | has the meaning given in <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth). |
| Headcount Test | means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Scheme Shareholders eligible to vote at the Scheme Meeting and who are present and voting, either in person or by proxy. |
| Immediately Available Funds | a bank cheque or other form of cleared funds acceptable to URB. |
| Implementation | the issuing and payment (as applicable) of the Scheme Consideration to Scheme Shareholders and the transfer of all Scheme Shares to 360 Capital FM Limited as responsible entity for TOT Active Fund pursuant to the Scheme. A reference to Implement , Implemented , Implementing , or Implementation of the Scheme has a corresponding meaning. |
| Implementation Date | the date scheduled for Implementation, being the fifth Business Day following the Scheme Record Date (currently expected to be Friday, 20 December 2019). |
| Independent Expert | means Lonergan Edwards & Associates Limited (ABN 53 095 445 560). |
| Independent Expert's Report | the report of the Independent Expert, as set out in Schedule 1. |
| Ineligible Overseas Shareholder | a Scheme Shareholder: <ul style="list-style-type: none"> (a) who is (or is acting on behalf of) a resident of a jurisdiction other than Australia or New Zealand and their respective external territories; or (b) whose address shown in the Share Register is a place outside Australia or New Zealand and their respective external territories. |
| Investment Management Agreement | the investment management agreement between URB and Contact Asset Management dated 23 February 2017, as amended by the amendment deed between URB and Contact Asset Management dated 12 April 2019, and as otherwise amended from time to time. |
| Investment Portfolio | URB's portfolio of Equity Assets, Direct Property Assets and cash and cash equivalents to be managed in accordance with the Investment Management Agreement by the Investment Manager pursuant to the investment mandate. |
| IPO | means an initial public offering. |
| ITAA 1997 | the <i>Income Tax Assessment Act 1997</i> (Cth). |
| Loan | means the potential loan that may be provided by URB to TOT on the terms set out in Section 12.6. |
| New Investment Manager | 360 Capital Group Limited (ACN 113 569 136). |
| New TOT Securities | the TOT Securities to be issued to Scheme Shareholders as Scrip Consideration. |
| Notice of Scheme Meeting | the notice of Scheme Meeting as set out in Schedule 4. |
| NTA | net tangible asset. |

15. GLOSSARY CONT.

| Defined term | Meaning |
|---|---|
| Pitt Street Real Estate Partners | Pitt Street Real Estate Partners Pty Limited (ACN 147 011 970). |
| PPS Security Interest | a security interest that is subject to the PPSA. |
| PPSA | the <i>Personal Property Securities Act 2009</i> (Cth). |
| Registered Address | in relation to a URB Shareholder, the address shown in the Share Register as at the Scheme Record Date. |
| Regulatory Approval | means: <ul style="list-style-type: none"> (a) any approval, consent, authorisation, registration, filing, lodgement, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority, waiver, modification or exemption from, by or with a Governmental Agency; or (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Governmental Agency intervened or acted in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action. |
| Regulatory Authority | includes: <ul style="list-style-type: none"> (a) the ASX, the ACCC, ACMA, ASIC and the Australian Takeovers Panel; (b) a government or governmental, semi-governmental or judicial entity or authority; (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and (d) any regulatory organisation established under statute. |
| Related Body Corporate | has the meaning given in the Corporations Act. |
| Relevant Interest | has the meaning given in sections 608 and 609 of the Corporations Act. |
| Representation and Warranty | the representations and warranties of each of URB and TOT as set out in clauses 12.2 and 12.3 of the Scheme Implementation Deed. |
| Representative | in relation to a natural person, a body corporate, a partnership, a trust and the trustee of trust: <ul style="list-style-type: none"> (a) each of the its Subsidiaries; and (b) each of its directors, officers, employees and legal, financial and other expert advisers or any of its Subsidiaries. |
| Requisite Majority of URB Shareholders | in relation to the Scheme Resolution: <ul style="list-style-type: none"> (a) a majority in number (more than 50%) of Scheme Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of a corporate Scheme Shareholder, by corporate representative); and (b) at least 75% of the total number of votes cast on the Scheme Resolution. |
| Reverse Break Fee | an amount equal to \$828,700 (exclusive of GST). |
| Sale Agent | the entity (or entities) to be appointed by TOT to sell or facilitate the transfer of the New TOT Securities attributable to Ineligible Overseas Shareholders, under the Sale Facility. |
| Sale Facility | the facility described in clause 5.6 of the Scheme. |
| Sale Proceeds | the proceeds of the New TOT Securities by the Sale Agent through the Sale Facility payable to each Ineligible Overseas Shareholder. |

| Defined term | Meaning |
|-----------------------------------|--|
| Scheme | the scheme of arrangement (under Part 5.1 of the Corporations Act under which all the Scheme Shares will be transferred to 360 Capital FM Limited as responsible entity for TOT Active Fund) in the form of Schedule 2, together with any amendment or modification made pursuant to section 411(6) of the Corporations Act. |
| Scheme Consideration | the Scrip Consideration and if the Implementation Date is after the TOT December Distribution Record Date (and prior to the End Date), the Cash Consideration. |
| Scheme Implementation Deed | the Scheme Implementation Deed dated 14 October 2019 between TOT and URB, a copy of which was released to the ASX alongside URB's announcement of the Scheme on 14 October 2019. |
| Scheme Meeting | the meeting to be convened by the Court at which Scheme Shareholders will vote on the Scheme pursuant to section 411(1) of the Corporations Act, and includes any adjournment of that meeting. |
| Scheme Meeting Proxy Form | the proxy form for the Scheme Meeting which accompanies this Booklet. |
| Scheme Record Date | 7:00pm (Sydney time) on the second Business Day following the Effective Date or such other date as URB and TOT agree (currently expected to be Friday, 13 December 2019). |
| Scheme Resolution | the resolution set out in the Notice of Scheme Meeting to approve the terms of the Scheme. |
| Scheme Share | means an URB Share on issue on the Scheme Record Date excluding any URB Share registered to 360 Capital FM Limited. |
| Scheme Shareholder | each URB Shareholder as at the Scheme Record Date (taking into account registration of all registrable transfers and transmission applications received at URB's Share Registry by the Scheme Record Date), excluding 360 Capital FM Limited. |
| Scrip Consideration | 0.9833 New TOT Securities for each Scheme Share held by a Scheme Shareholder at 7:00pm (Sydney time) on the Scheme Record Date. |
| Security Interest | any security interest, including: <ul style="list-style-type: none"> (a) a PPS Security Interest; (b) any other mortgage, charge, pledge or lien; or (c) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over unsecured creditors in relation to any property. |
| Second Court Date | the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme or declines to approve the Scheme. |
| Second Court Hearing | the hearing of the application made to the Court for an order pursuant to sections 411(4)(b) and 411(6) of the Corporations Act approving the Scheme. |
| Share Register | the register of URB Shares. |
| Share Registry | Link Market Services Limited (ACN 083 214 537). |
| Subsidiary | of an entity means another entity which: <ul style="list-style-type: none"> (a) is a subsidiary of the first entity within the meaning of the Corporations Act; and (b) is part of a consolidated entity constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares, or would be if the first entity was required to prepare consolidated financial statements. |

15. GLOSSARY CONT.

| Defined term | Meaning |
|--|---|
| Superior Proposal | a bona fide Competing Proposal which the URB Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is: <ul style="list-style-type: none"> (a) reasonably capable of being completed, taking into account all aspects of the Competing Proposal, including its conditions; and (b) of a higher financial value and is more favourable to URB Shareholders than the Scheme, taking into account all aspects of the Competing Proposal, including the identity, reputation and financial condition of the person making such proposal, and legal, regulatory and financial matters. |
| TOT | 360 Capital Total Return Fund (ABN 15 090 664 396). |
| TOT Active Fund | the 360 Capital Total Return Active Fund (ARSN 602 303 613). |
| TOT Active Fund Register | the register of members of TOT Active Fund maintained by or on behalf of TOT Active Fund in accordance with section 168(1) of the Corporations Act. |
| TOT Active Fund Unit | a fully paid ordinary unit in TOT Active Fund. |
| TOT Board | the board of directors of 360 Capital FM Limited ACN 090 664 396, as responsible entity for TOT. |
| TOT Director | a director of 360 Capital FM Limited ACN 090 664 396, the responsible entity for TOT. |
| TOT December Distribution Record Date | the record date for the TOT distribution for the quarter ending 31 December 2019. |
| TOT Group | TOT and its Subsidiaries. |
| TOT Information | all information in this Booklet regarding the Combined Group and TOT provided by TOT for inclusion in this Booklet, including the 'Letter from the Chairman of TOT', the 'Reasons to vote in favour of the Scheme' in Sections 5.1(c) to 5.1(f), information set out in Sections 9 and 10 of this Booklet, the 'Risks relating to the Scheme and the creation of the Combined Group' in Section 11.2, the 'Risks relating to TOT and its business' in Section 11.3, the 'General risks in relation to share ownership' in Section 11.5, 'Trading in New TOT Securities in Section 12.13(j) and definitions relating to TOT or the Combined Group. |
| TOT Material Adverse Change | has the meaning given to Bidder Material Adverse Change in clause 1.1 of the Scheme Implementation Deed. |
| TOT Passive Fund | the 360 Capital Total Return Passive Fund (ARSN 602 304 432). |
| TOT Passive Fund Register | the register of members of TOT Passive Fund maintained by or on behalf of TOT Active Fund in accordance with section 168(1) of the Corporations Act. |
| TOT Passive Fund Unit | a fully paid ordinary unit in TOT Passive Fund. |
| TOT Prescribed Event | has the meaning given to Bidder Prescribed Event in clause 1.1 of the Scheme Implementation Deed. |
| TOT Register | means the TOT Active Fund Register and the TOT Passive Fund Register which together form the register of members of TOT maintained by or on behalf of TOT in accordance with section 168(1) of the Corporations Act. |
| TOT Security | a stapled security in TOT consisting of one TOT Active Fund Unit and one TOT Passive Fund Unit. |
| TOT Securityholder | each person registered in the TOT Register as a holder of TOT Securities from time to time. |
| Trading Day | has the meaning given in the ASX Listing Rules. |

| Defined term | Meaning |
|---|--|
| Unitholders Agreement | the unitholders agreement in respect of PURT No. 4 between URB, ALPF Head Company Pty Limited (ACN 162 474 437) and PSRE Penrith Pty Ltd (ACN 617 093 526) dated 10 April 2017. |
| URB | URB Investments Limited (ABN 89 615 320 262) and, as the context requires, its Subsidiaries. |
| URB Board | the board of directors of URB. |
| URB Confidential Information | all confidential, non-public or proprietary information regardless of how the information is stored or delivered, exchanged between URB and any third party (other than a Representative of URB in connection with a Competing Proposal) before, on or after the date of this document relating to the business, including the assets, liabilities contracts or other affairs, of URB. |
| URB Director | a director of URB. |
| URB Information | the information in this Booklet other than the TOT Information, the Independent Expert's Report and any other report or letter issued by a third party. |
| URB Material Adverse Change | has the meaning given to Target Material Adverse Change in clause 1.1 of the Scheme Implementation Deed. |
| URB Prescribed Event | has the meaning given to Target Prescribed Event in clause 1.1 of the Scheme Implementation Deed. |
| URB Share | an ordinary fully paid share in the capital of URB. |
| URB Shareholder | each person registered in the Share Register as the holder of URB Shares. |
| Voting Record Date | 7:00pm (Sydney time) on Wednesday, 4 December 2019, or such other date as notified by URB to the ASX. |
| VWAP | volume weighted average price. |
| Washington H. Soul Pattinson and Company Limited | Washington H Soul Pattinson and Company Limited (ACN 000 002 728). |

SCHEDULE 1

INDEPENDENT EXPERT'S REPORT

LONERGAN EDWARDS & ASSOCIATES LIMITED

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The Directors
URB Investments Limited
Level 2, 160 Pitt Street Mall
Sydney NSW 2000

31 October 2019

Subject: Proposed Scheme between URB Investments Limited (URB) and 360 Capital Total Return Fund (360 Capital TRF)

Dear Directors

Introduction

- 1 On 14 October 2019, URB Investments Limited (URB or the Company) and 360 Capital Total Return Fund (360 Capital TRF) announced that they had entered into a Scheme Implementation Deed (the Agreement) under which it is proposed that 360 Capital TRF will acquire 100% of the issued capital of URB (the Proposed Transaction).
- 2 The Proposed Transaction is to be implemented by a scheme of arrangement between URB and its shareholders (other than 360 Capital TRF) (the Scheme) and is subject to a number of conditions precedent (as set out in Section I of our report).
- 3 If the Scheme is approved and implemented, URB shareholders will receive 0.9833 360 Capital TRF securities for each URB share they hold as at the Scheme Record Date¹ (the Scrip Consideration).
- 4 The Scheme is subject to the Court convening a meeting of URB's shareholders other than 360 Capital TRF. For ease of reference, we have referred to "URB shareholders other than 360 Capital TRF" as "URB shareholders" in the remainder of our report.
- 5 In order for the Scheme to be approved and implemented, URB shareholders eligible to vote must approve the Scheme Resolution by the requisite majorities, being:
 - (a) a majority in number (more than 50%) of URB shareholders present and voting at the meeting (either in person or by proxy), and
 - (b) at least 75% of the total number of votes cast on the Scheme Resolution.

¹ The Scheme Record Date means 7.00pm on the day which is two business days after the Scheme becomes effective, or any other date (after the effective date) agreed by the parties to be the record date to determine entitlements to receive Scrip Consideration under the Scheme.

Purpose of report

- 6 Whilst 360 Capital TRF holds 8,621,828 shares in URB (representing 11.66% of the ordinary shares on issue)², as 360 Capital TRF does not have a relevant interest in URB of more than 30% and does not have representation on URB's Board of Directors, there is no regulatory requirement for an independent expert's report (IER) on the Scheme. However, both the Scheme and the URB Directors' recommendation of the Scheme are conditional upon an independent expert concluding and continuing to conclude that the Scheme is fair and reasonable and in the best interests of URB shareholders.
- 7 Accordingly, the Directors of URB have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in our opinion, the Scheme is fair and reasonable to, and in the best interests of, URB shareholders and the reasons for that opinion.
- 8 LEA is independent of URB and 360 Capital TRF and has no other involvement or interest in the proposed Scheme.

Summary of opinion on the Scheme

- 9 In our opinion, the acquisition of URB shares by 360 Capital TRF under the Scheme is fair and reasonable to, and in the best interests of, URB shareholders in the absence of a superior proposal. We have formed this opinion for the following reasons.

Assessment of fairness

- 10 Pursuant to RG 111 the Scheme is "fair" if the value of the Scrip Consideration is equal to or greater than the value of the securities the subject of the Scheme.
- 11 This comparison is shown below:

| Comparison of Scrip Consideration and value of URB as at 30 September 2019 | | |
|---|--------------|--------------|
| | Low | High |
| | \$ per share | \$ per share |
| Value of Scrip Consideration ⁽¹⁾ | 1.05 | 1.16 |
| Value of 100% of the shares in URB ⁽²⁾ | 1.07 | 1.11 |
| Extent to which the Scrip Consideration exceeds (or is less than) the value of the shares in URB ⁽¹⁾ | (0.02) | 0.05 |

Note:

- 1 Refer Section VI.
- 2 Refer Section V.

- 12 As the value of the Scrip Consideration is consistent with our assessed value of 100% of the shares in URB, in our opinion, the Scheme is fair when assessed based on the guidelines set out in Australian Securities & Investment Commission (ASIC) Regulatory Guideline 111 – *Content of expert reports* (RG 111).

² As at 7 October 2019. The stated holder of the interest is 360 Capital FM Limited as responsible entity for 360 Capital Total Return Active Fund stapled to 360 Capital Total Return Passive Fund, which trades as 360 Capital TRF.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

- 13 URB shareholders should note that changes in the net tangible assets (NTA) of URB and/or 360 Capital TRF will potentially affect both the value of the Scrip Consideration and the value of 100% of the shares in URB. Accordingly, it may be necessary to confirm and/or update our opinion prior to the URB shareholder meeting to vote on the Scheme.

Assessment of reasonableness and in the best interests

- 14 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 15 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of URB shareholders when assessed based on the guidelines set out in RG 111.

Summary of advantages and disadvantages

- 16 We also summarise below the advantages and disadvantages of the Scheme for URB shareholders:

Advantages

- (a) our assessed value of the Scrip Consideration represents a premium of between 2.9% to 7.4% to the likely listed market value of URB shares in the absence of the Scheme. URB shareholders should therefore be better off from a value perspective (at least in the short term) if the Scheme proceeds
- (b) there is a modest increase in the NTA position of URB shareholders as a result of the Scheme
- (c) 360 Capital TRF has historically paid higher annual distributions than URB and this is expected to continue (although this is principally due to the different nature of each entity’s underlying investments)
- (d) the market capitalisation of 360 Capital TRF post-implementation of the Scheme (the Merged Entity) will be more than twice the market capitalisation of URB, which should result in improved share liquidity for both URB and 360 Capital TRF shareholders. In addition, the increased size of the Merged Entity should result in a more diversified investment portfolio

Disadvantages

- (e) ongoing management fees payable by URB shareholders who remain securityholders in 360 Capital TRF will be 30% higher if the Scheme is implemented (as management fees will increase from 0.5% of gross assets to 0.65% of gross assets if the Scheme is implemented³).

Conclusion

- 17 Given the above analysis, we consider that the acquisition of URB shares by 360 Capital TRF under the Scheme is fair and reasonable and in the best interests of URB shareholders in the absence of a superior proposal. We are of this view notwithstanding our opinion that the novation of the IMA provides Contact with a net benefit (as discussed below).

³ These higher management fees are reflected in our valuation of the Scrip Consideration.

Novation of Management Rights

Scope

- 18 As noted in Section I, the Scheme is conditional upon, inter-alia, the novation of the investment management agreement (IMA)⁴ between URB and Contact to 360 Capital Group Limited (which we refer to below as the sale of the “Management Rights”).
- 19 In addition to our opinion on the Scheme, the Directors of URB have requested that we provide a separate opinion on whether, in our view, the consideration to be received by Contact in relation to the sale of the Management Rights to 360 Capital Group constitutes the receipt of a net benefit as interpreted by the Takeovers Panel in Takeovers Panel Guidance Note 21 (TPGN 21).
- 20 Our opinion on the market value of the Management Rights, and whether a net benefit is being provided, is set out in Section VIII.
- 21 In summary:
 - (a) we have assessed the value of the Management Rights to Contact at \$2.1 million to \$2.5 million. This reflects the NPV of the future revenues expected to be generated over the Initial Term of the Management Rights (being the period to 22 February 2027). No operating costs have been reflected in this calculation on the basis that Contact also manages BKI Investment Company Limited (BKI), an Australian Securities Exchange (ASX) listed investment company⁵ with a market capitalisation of approximately \$1.2 billion as at 7 October 2019⁶. Given the relative size of the BKI and URB investment mandates, in our view, it is unlikely that Contact’s cost base will change materially due to the sale of the Management Rights (as the incremental cost to Contact of managing URB would be negligible)
 - (b) the value of the Management Rights to 360 Capital Group in conjunction with the Scheme is likely to be materially higher than their value to Contact. This is because:
 - (i) if the Scheme is implemented, the gross asset value of 360 Capital TRF will increase from approximately \$93 million as at 30 September 2019 to approximately \$182 million (due to the acquisition of URB). However, the costs 360 Capital Group will incur to manage 360 Capital TRF are unlikely to increase by any material amount
 - (ii) as a result of the Scheme, 360 Capital Group will receive higher management fees of 0.65% (compared to the current 0.50%) on URB assets (as these assets will be held by 360 Capital TRF)⁷

⁴ The IMA is dated 23 February 2017 and sets out the terms regarding the management of URB by Contact.

⁵ BKI primarily holds a portfolio of investments in ASX listed companies.

⁶ We have not been provided with the financial statements of Contact (the current investment manager).

⁷ It should be noted that the higher value of the Management Rights to 360 Capital Group arises due to the Scheme rather than the IMA itself because the increase in management fees is an outcome of the Scheme only.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

- (c) whilst the most likely acquirer of the Management Rights is an entity with an existing funds management business which is able to generate synergy benefits, in a market value transaction, it is generally the case that the buyer will only pay away a share of expected synergy benefits. Further, a potential purchaser of the Management Rights is likely to assume that some incremental costs will be incurred to undertake the management services set out in the IMA. Consequently, the market value of the Management Rights will be less than the NPV of the future revenue stream which Contact and 360 Capital Group could generate as the holder of the Management Rights
- (d) we set out below the sensitivity of the value of the Management Rights to changes in the key assumptions:

| Value of Management Rights (based on a discount rate of 8.2% p.a.) | | | | | | |
|--|------|---------------|-------|-------|-------|-------|
| | | Growth in FUM | | | | |
| | | 1.0% | 2.0% | 3.0% | 4.0% | 5.0% |
| Profit margin | 50% | 1,038 | 1,083 | 1,130 | 1,179 | 1,230 |
| | 60% | 1,246 | 1,300 | 1,356 | 1,415 | 1,476 |
| | 70% | 1,454 | 1,517 | 1,582 | 1,650 | 1,722 |
| | 80% | 1,661 | 1,733 | 1,808 | 1,886 | 1,968 |
| | 90% | 1,869 | 1,950 | 2,034 | 2,122 | 2,214 |
| | 100% | 2,077 | 2,167 | 2,260 | 2,358 | 2,460 |

- (e) whilst the profit margin which would be assumed in a “market value” transaction between a buyer and seller acting at arm’s length cannot be directly observed (and is therefore subjective), as stated above, it is reasonable to assume that such parties would:
- assume that some incremental costs will be incurred to undertake the management services set out in the IMA
 - not pay away the full value of expected synergy benefits (i.e. the buyer would generally pay a price which is lower than the value of the Management Rights to the buyer)
- (f) based on the results of the sensitivity table above, for the purposes of our report we have assessed the market value of the Management Rights at between \$1.3 million and \$1.9 million
- (g) the Management Rights are being acquired by 360 Capital Group for \$2.5 million in cash⁸ ⁹. Whilst this transaction price is consistent with the top end of our assessed value of the Management Rights to Contact, it exceeds the estimated market value of the Management Rights of \$1.3 million to \$1.9 million, which implies that Contact is receiving a sale price for the Management Rights which exceeds their market value by \$0.6 million to \$1.2 million.
- 22 Accordingly, we have concluded that the transaction in respect of the Management Rights represents the receipt by Contact of a net benefit when measured by reference to the market value of the Management Rights (as required by TPGN 21).

⁸ This figure represents the stated transaction price and does not take into account the \$100,000 contribution by Contact to URB’s transaction costs associated with the Scheme. Contact will also be paid \$300,000 for transitional services to be provided to the new investment manager for a six month period following the implementation date.

⁹ The transaction price represents approximately 2.8% of funds under management (FUM).

Transitional services fee

- 23 Contact will also be paid \$300,000 for transitional services to be provided to the new investment manager for a six month period following the implementation date. This fee has been calculated by reference to the management fee of 0.65% per annum to be charged by 360 Capital Group in respect of the URB portfolio from completion and the total assets of URB as at 30 September 2019.
- 24 At the date of this report the extent of the transitional services required, and therefore the level of costs to be incurred by Contact, is unknown. However, as the transitional services fee is equal to the full management fee payable by 360 Capital TRF to 360 Capital Group for the six month period, in our view, it is likely to provide Contact with a substantial profit margin (which would indicate that the transitional services fee also provides a net benefit to Contact).

General

- 25 In preparing this report, we have considered the interests of URB shareholders as a whole (other than 360 Capital TRF). Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 26 The impact of approving the Scheme on the tax position of URB shareholders depends on the individual circumstances of each investor. URB shareholders should read the Scheme Booklet and consult their own professional advisers if in doubt as to the taxation consequences of the Scheme.
- 27 The ultimate decision whether to approve the acquisition of URB shares by 360 Capital TRF under the Scheme should be based on each URB shareholder's assessment of their own circumstances. If URB shareholders are in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice. For our full opinion on the Scheme and the reasoning behind our opinion, we recommend that URB shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

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SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

I Key terms of the Scheme

Terms

- 28 On 14 October 2019, URB and 360 Capital TRF announced that they had entered into a Scheme Implementation Deed (Agreement) under which it is proposed that 360 Capital TRF will acquire 100% of the issued capital of URB (the Proposed Transaction).
- 29 The Proposed Transaction is to be implemented by a scheme of arrangement between URB and its shareholders (other than 360 Capital TRF) (the Scheme). If the Scheme is approved and implemented, URB shareholders will receive 0.9833 360 Capital TRF securities for each URB share they hold as at the Scheme Record Date¹⁰ (the Scrip Consideration).

Conditions

- 30 The Scheme is subject to the satisfaction of a number of conditions precedent. These conditions include, inter alia:
- (a) Court approval
 - (b) approval by URB shareholders
 - (c) the independent expert concluding, and continuing to conclude, that the Scheme is fair and reasonable and in the best interests of URB shareholders; and
 - (d) the novation of the investment management agreement (IMA) between URB and Contact Asset Management Pty Ltd (Contact) to 360 Capital Group Limited (360 Capital Group).
- 31 The above is a summary of some of the conditions only. Further information on these conditions and the other conditions precedent are set out in the Scheme Booklet.

Break fees

- 32 In light of the significant costs that both URB and 360 Capital TRF will incur in connection with performing their respective obligations under the Agreement and the Scheme, URB has agreed to pay 360 Capital TRF a fee of \$758,100 (exclusive of GST) (the Break Fee) if¹¹:
- (a) a competing proposal is announced or made prior to the earlier of the date the Agreement is terminated and the end date and either:
 - (i) LEA no longer concludes that the Scheme is fair and reasonable and in the best interests of URB shareholders due to the existence of a competing proposal and the Agreement is therefore subsequently terminated automatically, or
 - (ii) the competing proposal is publicly recommended, promoted or otherwise endorsed by a majority of the URB Board, or
 - (b) prior to the earlier of the date the Agreement is terminated and the end date any URB Director:

¹⁰ The Scheme Record Date means 7.00pm on the day which is two business days after the Scheme becomes effective, or any other date (after the effective date) agreed by the parties to be the record date to determine entitlements to receive Scrip Consideration under the Scheme.

¹¹ Refer to clause 9 of the Agreement for further details.

- (i) does not recommend the Scheme or agree to the inclusion of a statement in the Scheme Booklet that they do not intend to vote in favour of the Scheme
 - (ii) withdraws or adversely modifies or qualifies their earlier recommendation that URB shareholders vote in favour of the Scheme or their intention to vote in favour of the Scheme
 - (iii) approves, recommends, or makes an announcement in support of a competing proposal
 - (iv) announces an intention to do any of the abovementioned acts, unless:
 - URB is entitled to terminate the document¹², or
 - LEA no longer concludes that the Scheme is fair and reasonable and in the best interests of URB shareholders for reasons not due to the existence of a competing proposal
 - (c) URB is in breach of the Agreement and the Agreement is subsequently terminated¹³.
- 33 360 Capital TRF has also agreed to pay URB a fee of \$828,700 (exclusive of GST) (the Reverse Break Fee) if the Scheme does not proceed due to¹⁴:
- (a) termination of the Agreement by URB due to a material breach by 360 Capital TRF¹⁵
 - (b) 360 Capital TRF fails to issue or pay the Scrip Consideration.

Other matters

- 34 URB shareholders will participate in 360 Capital TRF's quarterly distribution for the period ending 31 December 2019 if the Scheme is implemented prior to the record date for the distribution.
- 35 If the Scheme implements after the record date for the 360 Capital TRF's quarterly distribution for the period ending 31 December 2019 and certain other requirements are met:
- (a) URB shareholders will receive additional cash consideration to the equivalent value of the quarterly distribution (being some \$0.0225 per URB share held at the Scheme Record Date)
 - (b) URB is to provide a secured loan to 360 Capital TRF on 31 December 2019 for an amount equivalent to 90% of URB's cash reserves as at 31 December 2019 at an interest rate of 7% per annum to be repaid in full six months from the first drawdown¹⁶.

¹² Under clause 11.1(b) of the Agreement.

¹³ In accordance with clause 11.1(b) of the Agreement.

¹⁴ Refer to clause 10 of the Agreement for further details.

¹⁵ In accordance with clause 11.1(b) of the Agreement.

¹⁶ The terms of this loan are set out in Schedule 4 to the Agreement.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.



Resolution

- 36 URB shareholders will be asked to vote on the Scheme in accordance with the resolution contained in the Notice of Scheme Meeting accompanying the Scheme Booklet.
- 37 If the resolution is passed by the requisite majorities, URB must apply to the Court for orders approving the Scheme, and if that approval is given, lodge the orders with ASIC and do all things necessary to give effect to the Scheme. Once the Court approves the Scheme it will become binding on all URB shareholders who hold URB shares as at the Scheme Record Date, whether or not they voted for the Scheme (and even if they voted against the Scheme).

II Scope of our report

Purpose

- 38 The Scheme is to be effected pursuant to Part 5.1 of the *Corporations Act 2001* (Cth) (Corporations Act), which governs schemes of arrangement. Part 3 of Schedule 8 of the Corporations Regulations 2001 (Corporations Regulations) prescribes information to be sent to shareholders in relation to a member's scheme of arrangement pursuant to s411 of the Corporations Act.
- 39 Paragraph 8303 of Schedule 8 of the Corporations Regulations provides that, where the other party to the transaction holds not less than 30% of the voting shares in the company the subject of the scheme, or where a director of the other party to the transaction is also a director of the company the subject of the scheme, the explanatory statement must be accompanied by an IER assessing whether the proposed scheme is in the best interests of shareholders and state reasons for that opinion.
- 40 Whilst 360 Capital TRF holds 8,621,828 shares in URB (representing 11.66% of the ordinary shares on issue)¹⁷, as 360 Capital TRF does not have a relevant interest in URB of more than 30% and does not have representation on URB's Board of Directors, there is no regulatory requirement for an IER on the Scheme. However, the Scheme and the URB Directors' recommendation of the Scheme are conditional upon an independent expert concluding and continuing to conclude that the Scheme is fair and reasonable and in the best interests of URB shareholders.
- 41 The Directors of URB have therefore requested LEA to prepare an IER stating whether the proposed acquisition of URB by 360 Capital TRF under the Scheme is fair and reasonable and in the best interests of URB shareholders and the reasons for that opinion.
- 42 This report has been prepared by LEA for the benefit of URB shareholders to assist them in considering the resolution to approve the Scheme. Our report will accompany the Notice of Scheme Meeting and Scheme Booklet to be sent to URB shareholders.
- 43 The ultimate decision whether to approve the Scheme should be based on each URB shareholder's assessment of their own circumstances. If in doubt about the action they should take in relation to the Scheme or matters dealt with in this report, shareholders should seek independent professional advice.

Basis of assessment

- 44 In preparing our report we have given due consideration to the Regulatory Guides issued by ASIC including, in particular, RG 111.
- 45 RG 111 distinguishes "fair" from "reasonable" and considers:
- (a) the Scheme to be "fair" if the value of the Scrip Consideration is equal to or greater than the value of the securities that are the subject of the Scheme. A comparison must be made assuming 100% ownership of the target company

¹⁷ As at 7 October 2019. The stated holder of the interest is 360 Capital FM Limited as responsible entity for 360 Capital Total Return Active Fund stapled to 360 Capital Total Return Passive Fund, which trades as 360 Capital TRF.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

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& ASSOCIATES LIMITED

- (b) the Scheme to be “reasonable” if it is fair. The Scheme may also be “reasonable” if, despite not being “fair” but after considering other significant factors, there are sufficient reasons for shareholders to approve the Scheme in the absence of a superior proposal.
- 46 There is no legal definition of the expression “in the best interests”. However, RG 111 states that a Scheme may be “in the best interests of the members of the company” if there are sufficient reasons for securityholders to vote in favour of the Scheme in the absence of a higher offer.
- 47 In our opinion, if the Scheme is “fair” and “reasonable” under RG 111 it must also be “in the best interests” of URB shareholders.
- 48 Our report has therefore considered:
 - (a) the market value of 100% of the shares in URB
 - (b) the value of the consideration offered by 360 Capital TRF
 - (c) the extent to which (a) and (b) differ (in order to assess whether the Scheme is fair under RG 111)
 - (d) the likely listed market price of the Merged Entity’s shares and the impact of the Scheme on the listed market value of the shareholdings held by URB shareholders
 - (e) the likely impact of the Scheme on URB shareholders future dividend / distribution income
 - (f) the relative NTA position of URB shareholders before and after implementation of the Scheme
 - (g) the advantages and disadvantages of the Scheme from the perspective of URB shareholders; and
 - (h) other qualitative and strategic issues associated with the Scheme.

Limitations and reliance on information

- 49 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.
- 50 Our report is also based upon financial and other information provided by URB and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 51 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Scheme from the perspective of URB shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be

appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

- 52 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transaction, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 53 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 54 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 55 In forming our opinion, we have also assumed that:
 - (a) the information set out in the Scheme Booklet is complete, accurate and fairly presented in all material respects
 - (b) if the Scheme becomes legally effective, it will be implemented in accordance with the terms set out in this report.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

III Profile of URB (prior to Scheme)

Overview

- 56 URB is an Australian listed investment company (LIC) focused on capturing long term value through a combination of capital and income growth generated by investing in a diversified portfolio of ASX listed equity assets and direct property assets with exposure to urban renewal and regeneration. The company was established in October 2016, and its shares subsequently listed on the ASX in April 2017. As at 30 September 2019, URB had a market capitalisation of approximately \$76 million.
- 57 The long term target of URB is to offer shareholders sustainable and growing fully franked dividends and a competitive yield (relative to other LICs).

Portfolio

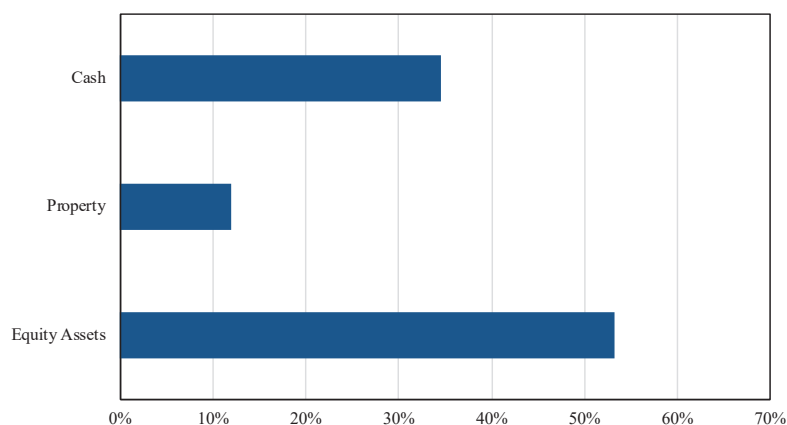
- 58 URB's structure allows URB to be opportunistic through effective asset allocation between equities and property. Liquidity arising from the cash and equity portfolio held by URB enables the portfolio manager to adjust the asset allocation and move quickly to take advantage of direct property opportunities as they arise.
- 59 URB's 20 largest investments as at 30 September 2019 are set out below:

| URB – top 20 investments ⁽¹⁾ | |
|---|----------------------|
| | % of total portfolio |
| PURT No.4 – Penrith property | 8.7 |
| Transurban Group | 6.3 |
| Lendlease Group | 6.0 |
| Sydney Airport | 6.0 |
| Harvey Norman Holdings Limited | 4.1 |
| Home HQ Artarmon | 3.3 |
| Woolworths Limited | 3.1 |
| CIMIC Group | 3.1 |
| Regis Healthcare Limited | 2.7 |
| 360 Capital Group Limited | 2.5 |
| Goodman Group | 2.5 |
| Ramsay Health Care Limited | 2.3 |
| Mirvac Group | 2.2 |
| Wesfarmers Limited | 2.0 |
| Cedar Woods Properties Limited | 1.6 |
| Reece Limited | 1.5 |
| AV Jennings | 1.3 |
| Blackwall Property Trust | 1.2 |
| REA Group | 1.1 |
| GDI Property Group | 1.0 |
| Cash and cash equivalents | 34.6 |
| Total of top 20 plus cash and cash equivalents | 97.1 |

Source: URB NTA and Monthly Report as at 30 September 2019.

- 60 URB's asset allocation is divided between property¹⁸, listed equities and cash as represented in the diagram below:

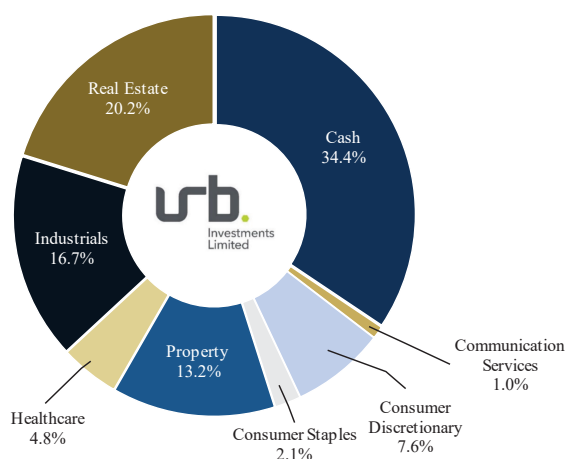
URB – portfolio asset allocation
As at 30 September 2019



Source: URB NTA and Monthly Report as at 30 September 2019.

- 61 The composition of the investment portfolio of URB is set out in the following diagram, with the equity portion of the portfolio typically made up of 30 stocks, primarily focused on urban renewal, yet diversified across many sectors of the market as summarised below¹⁹:

URB – Segment exposure



Source: URB 2019 Full Year Results Presentation (page 18).

¹⁸ URB's maximum cap on investments in the property portfolio is 75% of the portfolio.

¹⁹ URB does not invest in banking and resource stocks.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

Management

- 62 The investment portfolio of URB is managed by Contact²⁰ in accordance with the IMA²¹. The Initial Term of the IMA is 10 years from its commencement date in 2017, with an extended term automatically commencing at the expiry of the Initial Term (unless the right to terminate is triggered).
- 63 In accordance with the IMA, Contact charges an annual management fee of 0.5% (plus GST) on URB's total assets.
- 64 In addition, under the IMA, Contact is entitled to a performance fee equal to 15% of URB's out-performance over a pre-tax NTA 12 month return of 8% (calculated after the payment of any ordinary dividends to URB shareholders).
- 65 A summary of the management fees and performance fees paid or accrued since establishment is set out below:

| URB – Management fees and performance fees paid or accrued ⁽¹⁾ | | | |
|---|------------|------------|------------|
| | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 |
| | Audited | Audited | Audited |
| | \$000 | \$000 | \$000 |
| Investment management fee | 100 | 397 | 422 |
| Performance fee | - | - | 348 |
| Total management and performance fees | 100 | 397 | 770 |

Note:

1 Rounding differences may exist.

Source: URB Annual Report for the years ended 30 June 2017 to 30 June 2019.

Statement of financial performance

- 66 The financial performance of URB for the three years ended 30 June 2019 is summarised below:

²⁰ WHSP owns 20% of Contact.

²¹ Dated 23 February 2017.

| URB – Statement of financial performance | | | |
|--|--------------------------------|------------------|------------------|
| | 30 Jun 17⁽¹⁾ | 30 Jun 18 | 30 Jun 19 |
| | Audited | Audited | Audited |
| | \$000 | \$000 | \$000 |
| Ordinary income from investment portfolio | 522 | 2,488 | 2,010 |
| Interest income | 122 | 121 | 206 |
| Other gains | - | 10 | - |
| Other income | - | 10 | - |
| Income from operating activities ⁽²⁾ | 644 | 2,629 | 2,216 |
| Less expenses | | | |
| Investment management and performance fees | (100) | (397) | (770) |
| Director fees | (47) | (189) | (189) |
| Administration and other expenses | (108) | (327) | (382) |
| Operating profit⁽³⁾ | 389 | 1,716 | 875 |
| Dividends and distributions (special investment revenue) | - | 776 | 7,737 |
| Fair value gains / (losses) on direct property assets | - | (132) | 178 |
| Transaction costs on acquiring direct property assets | (1,249) | - | - |
| Operating profit before tax | (860) | 2,360 | 8,790 |
| Income tax (expense) / benefit | 253 | (199) | (2,310) |
| Net profit after tax | (607) | 2,161 | 6,480 |
| Earnings per share (EPS) (cents) ⁽⁴⁾ | (0.83) | 2.96 | 8.84 |

Note:

- 1 As stated above, URB was established in October 2016, subsequently listing on the ASX in April 2017.
- 2 Excluding special investment income.
- 3 Before tax, special investment income and fair value gains / (losses) on investments.
- 4 Based on net profit after tax.

Source: URB Annual Report for the years ended 30 June 2018 and 30 June 2019.

Historical performance

- 67 As a traditional listed investment company, URB's operating profit is heavily reliant on the distributions of profits from the companies and trusts in which it invests.
- 68 For the year ended 30 June 2019, URB achieved a significant increase in operating profit, predominantly generated from the sale of development properties (classified as special investment revenue) combined with ordinary income from URB's share portfolio and property rental income.

Dividend and distribution income

- 69 Dividends and distributions are recognised as income on the date that the investment trades "ex-dividend". Such dividends and distributions from ordinary revenue comprise ordinary dividends and ordinary trust distributions and are considered part of operating revenue.
- 70 Special dividends and special trust distributions are accounted for separately as special investment revenue and are not considered part of operating revenue due to their irregular nature. Special distributions from the direct property portfolio are those distributions designated as being special by the investee and to date represent distributions of realised profit derived from development activities.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

Statement of financial position

- 71 The statement of financial position of URB as at 30 June 2019 and 30 September 2019²² is set out below:

| URB – Statement of financial position ⁽¹⁾ | | |
|---|-------------------------------|---------------------------------|
| | 30 Jun 19 Audited \$000 | 30 Sep 19 Unaudited \$000 |
| Cash and cash equivalents | 29,353 | 30,697 |
| Trade and other receivables | 460 | 298 |
| Prepayments | 55 | 75 |
| Total current assets | 29,868 | 31,071 |
| Financial assets ⁽²⁾ | 56,770 | 58,488 |
| Property, plant and equipment | 2 | 2 |
| Deferred tax assets | 857 | 417 |
| Total non-current assets | 57,629 | 58,907 |
| Total assets | 87,497 | 89,978 |
| Trade and other payables | 426 | 2,495 |
| Current tax liabilities | 1,608 | 1,771 |
| Total current liabilities | 2,034 | 4,267 |
| Deferred tax liabilities ⁽³⁾ | 779 | 1,032 |
| Total non-current liabilities | 779 | 1,032 |
| Total liabilities | 2,813 | 5,298 |
| Net assets | 84,684 | 84,680 |
| NTA backing per share (before tax)⁽⁴⁾ | \$1.15 | \$1.15 |
| NTA backing per share (after tax)⁽⁵⁾ | \$1.15 | \$1.14 |

Note:

- 1 Rounding differences exist.
- 2 Refer paragraph 72 below.
- 3 Refer paragraph 74 below.
- 4 Before deferred tax assets and deferred tax liabilities.
- 5 This measure reduces pre-tax NTA for the deferred provision for tax on net unrealised gains on the Company's investment portfolio as required by current Accounting Standards.

Source: URB Annual Report for the year ended 30 June 2019; URB pro-forma post-DRP balance sheet and NTA calculation as at 30 September 2019.

Financial assets

- 72 Financial assets held by URB consist of listed securities and unlisted units in property trusts, stated at their fair value with reference to the following fair value measurement hierarchy mandated by accounting standards:

²² Being pro-forma post dividend reinvestment plan (DRP). That is, adjusted to reflect payment of the \$0.04 dividend on 4 October 2019 and the DRP (URB traded ex-dividend on 12 September 2019).

- (a) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities
- (b) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and
- (c) Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

73 The following table sets out URB's financial assets at fair value as at 30 September 2019:

| URB – Financial assets as at 30 September 2019⁽¹⁾ | | | | |
|---|------------------------------|------------------------------|------------------------------|---------------|
| | Level 1⁽²⁾ | Level 2⁽³⁾ | Level 3⁽⁴⁾ | Total |
| | \$000 | \$000 | \$000 | \$000 |
| Listed equity portfolio | 47,531 | - | - | 47,531 |
| Unlisted property trusts: | | | | |
| Home HQ: Artarmon | - | 2,963 | - | 2,963 |
| PURT No.3: Kingsgrove property | - | 28 | - | 28 |
| PURT No.5: Prestons property | - | 186 | - | 186 |
| PURT No.4: Penrith property | - | - | 7,781 | 7,781 |
| Total financial assets | 47,531 | 3,177 | 7,781 | 58,488 |

Note:

- 1 Levels 1 to 3 as noted in paragraph 72 above.
- 2 Based on ASX share prices of listed investments.
- 3 Based on the NTA calculated by the asset manager.
- 4 Based on the capitalisation of theoretical net market rental income, adjusted for variations caused by the current leasing profile.

Source: URB pro-forma post-DRP balance sheet as at 30 September 2019.
Rounding differences exist.

Deferred tax liabilities

- 74 URB is a long term investor and does not intend to dispose of its entire investment portfolio. However, under AASB 112²³, URB is required to provide for the full deferred tax liabilities that would arise if the entire investment portfolio was sold.
- 75 As at 30 September 2019, the deferred tax liability is composed as follows:

| URB – Deferred tax liabilities | |
|---|------------------|
| | 30 Sep 19 |
| | Unaudited |
| | \$000 |
| Deferred tax liability on: | |
| Revaluation of investment portfolio | 953 |
| Differences in tax and accounting cost base | 66 |
| Unfranked dividends / interest receivable | 13 |
| Total deferred tax liabilities | 1,032 |

Source: URB pro-forma post-DRP balance sheet as at 30 September 2019.

²³ Australian Accounting Standards Board (AASB) 112 – *Income Taxes* (AASB 112).

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

Issued capital

76 As at 25 October 2019:

- (a) the number of URB fully paid ordinary shares on issue was 73,959,549 and there were no other securities on issue
- (b) the five largest shareholders in URB held 27.3% of the issued capital, as shown in the following table:

| URB– top five shareholders (as at 25 October 2019) | | |
|--|--------------------|---------------------|
| | No. of shares held | % of issued capital |
| Washington H Soul Pattinson and Company Limited | 9,137,343 | 12.35 |
| 360 Capital FM Limited ⁽¹⁾ | 8,621,828 | 11.66 |
| Marsden Holdings (Canberra) Pty Ltd | 862,118 | 1.17 |
| Netwealth Investments Limited | 814,710 | 1.10 |
| J S Millner Holdings Pty Limited | 746,906 | 1.01 |
| Total top five shareholders | | 27.29 |

Note:

- 1 Since the announcement of the Scheme up to 23 October 2019, 360 Capital Group has also acquired 2,455,000 shares in URB.

Share price performance

77 The price of URB shares as at the end of the month relative to its pre-tax NTA backing over the period from 31 December 2017 to 30 September 2019 is summarised below:

| URB – share price relative to pre-tax NTA backing | | | |
|---|------------------------------|----------------|---------------------------------------|
| As at | Pre-tax NTA backing \$/share | Share price \$ | Premium / (discount) to pre-tax NTA % |
| 31 December 2017 | 1.044 | 1.045 | 0.1 |
| 31 January 2018 | 1.044 | 1.005 | (3.7) |
| 28 February 2018 | 1.039 | 0.995 | (4.3) |
| 31 March 2018 | 1.032 | 0.955 | (7.4) |
| 30 April 2018 | 1.043 | 0.925 | (11.3) |
| 31 May 2018 | 1.047 | 0.970 | (7.4) |
| 30 June 2018 | 1.050 | 0.900 | (14.3) |
| 31 July 2018 | 1.054 | 0.955 | (9.4) |
| 30 August 2018 | 1.053 | 0.990 | (6.0) |
| 30 September 2018 | 1.092 | 0.990 | (9.3) |
| 31 October 2018 | 1.064 | 0.975 | (8.3) |
| 30 November 2018 | 1.055 | 0.915 | (13.3) |
| 31 December 2018 | 1.064 | 0.890 | (16.3) |
| 31 January 2019 | 1.080 | 0.890 | (17.6) |
| 28 February 2019 | 1.125 | 0.950 | (15.6) |
| 31 March 2019 | 1.111 | 0.920 | (16.8) |
| 30 April 2019 | 1.113 | 0.925 | (16.9) |
| 31 May 2019 | 1.146 | 0.950 | (17.1) |
| 30 June 2019 | 1.152 | 1.050 | (8.9) |

| URB – share price relative to pre-tax NTA backing | | | |
|---|------------------------------|----------------|---------------------------------------|
| As at | Pre-tax NTA backing \$/share | Share price \$ | Premium / (discount) to pre-tax NTA % |
| 31 July 2019 | 1.186 | 1.050 | (11.5) |
| 30 August 2019 | 1.191 | 1.100 | (7.6) |
| 30 September 2019 ⁽²⁾ | 1.153 | 1.030 | (10.7) |
| Average premium / (discount) | | | (10.6) |
| Median premium / (discount) | | | (10.0) |

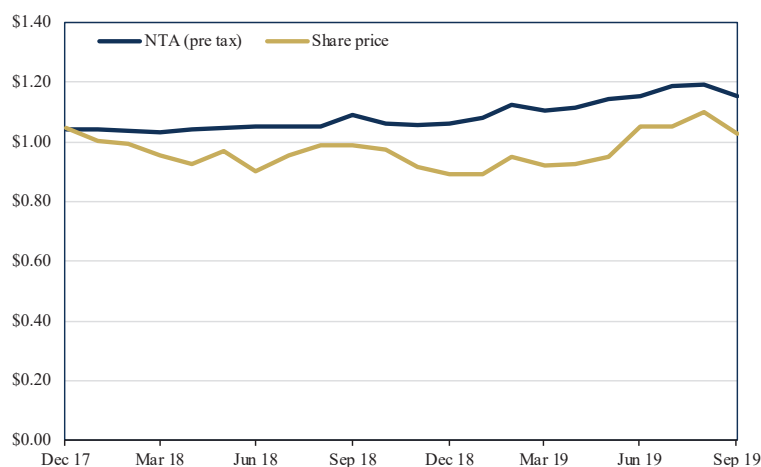
Note:

- 1 The proposed Scheme was announced on 14 October 2019.
- 2 Adjusted to reflect payment of the \$0.04 dividend on 4 October 2019 and the DRP (URB traded ex-dividend on 12 September 2019).

Source: URB management.

- 78 The following graph illustrates the movement in the URB share price relative to its pre-tax NTA backing during the period from 31 December 2017 to 30 September 2019:

URB – movement of share price relative to pre-tax NTA backing
31 December 2017 to 30 September 2019



Source: URB management.

- 79 As shown in the graph above, the share price of URB has consistently traded below its pre-tax NTA backing throughout the period. This discount can largely be attributed to the deferred tax liabilities discussed in paragraph 74 above, as well as management, performance and administrative fees incurred. While the pre-tax NTA does not take into account the deferred tax liabilities, the market price of URB shares is likely to reflect some allowance for the present value of this liability.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

Liquidity in URB shares

- 80 The liquidity in URB shares based on trading on the ASX over the 12 month period preceding the announcement of the Scheme (i.e. up to 11 October 2019) is set out below:

| URB – liquidity of shares | | | | |
|---------------------------|------------|-----------|-------------|------------|
| Period | Start date | End Date | Value \$000 | Volume 000 |
| 3 months | 12 Jul 19 | 11 Oct 19 | 4,590 | 4,243 |
| 6 months | 12 Apr 19 | 11 Oct 19 | 12,437 | 12,204 |
| 1 year | 12 Oct 18 | 11 Oct 19 | 16,049 | 16,095 |

Source: Bloomberg.

- 81 As indicated above, in the 12 month period prior to the announcement of the proposed Scheme the total value of URB shares traded was approximately \$16.0 million, indicating a relatively high level of market liquidity given the size of the company and existence of significant shareholders.
- 82 However, it should be noted that the main purchaser in URB shares in the last 12 months was 360 Capital TRF. In particular, 360 Capital TRF started acquiring URB shares in late May 2019, acquiring a total of 8.3 million shares on-market (which represented approximately 52% of the shares traded in the 12 months prior to the announcement of the Scheme).

IV Profile of 360 Capital TRF (prior to Scheme)

Overview

- 83 360 Capital TRF is an Australian listed investment fund focused on investing in various forms of Australian real estate assets. The fund listed on the ASX²⁴ in April 2015 as a stapled entity comprising:
- (a) 360 Capital Total Return Passive Fund and its controlled entities, and
 - (b) 360 Capital Total Return Active Fund and its controlled entities.
- 84 The responsible entity (RE) of 360 Capital TRF is 360 Capital FM Limited (CFML).
- 85 The objective of 360 Capital TRF is to deliver a total return of 12% per annum (before tax) or greater via investment in a broad range of real estate opportunities, including debt and equity investments in direct and indirect property assets. Given the RE's opinion that the economy is entering the late stage of the real estate cycle, 360 Capital TRF is capitalising on its broad mandate and is currently focusing on real estate debt investment, which it believes provides higher risk adjusted returns than equity investing.

Loan portfolio

- 86 360 Capital TRF invests solely in the property sector within Australia. In the past two years, the fund has been investing in real estate debt given the non-bank lending opportunities arising from the Banking Royal Commission and associated changes to prudential regulation.
- 87 For strategic purposes associated with the Proposed Transaction, in May 2019 the fund recommenced investing in equity via its investment in URB.
- 88 As at 30 September 2019 (adjusted for the recent capital raising), the composition of investments held by 360 Capital TRF was predominantly loan receivables (\$71.2 million), cash (\$3.3 million) and an investment in URB (\$9.8 million)²⁵.
- 89 A summary of the loan portfolio held by 360 Capital TRF as at 30 September 2019 is set out in Appendix C.

Management

- 90 The RE is entitled to receive fees in accordance with the product disclosure statement for management of the fund, a summary of which is set out below:

²⁴ The ASX security code for 360 Capital TRF is TOT.

²⁵ Based on unaudited 30 September 2019 figures in the 360 Capital TRF Capital Raising Presentation dated October 2019.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

| 360 Capital TRF – Fees paid / payable to the RE | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | FY16 Audited \$000 | FY17 Audited \$000 | FY18 Audited \$000 | FY19 Audited \$000 |
| Management fees | | | | |
| Paid to CIML ⁽¹⁾ | 310 | 142 | - | - |
| Paid to CFML ⁽¹⁾ | - | 200 | 548 | 556 |
| Performance fees | - | - | - | - |
| Acquisition and disposal fees | 506 | - | - | - |
| Fund recoveries | 20 | 10 | 7 | 3 |
| Total | 836 | 352 | 555 | 559 |

Note:

1 The RE of 360 Capital TRF changed by resolution passed on 23 December 2016 from 360 Capital Investment Management Limited (CIML) to CFML.

Source: 360 Capital TRF Annual Report for the relevant financial year.

91 The RE is entitled to:

- a management fee of 0.65% per annum of the gross value of the assets of the fund during the relevant year for its role in managing and administering the fund
- a performance fee of 20% of any total return in excess of 12% per annum, payable in arrears after the end of the relevant financial year. The calculation of the total return is based on actual distributions paid to the stapled securityholders plus any increase in the trading price of stapled securities in the relevant financial year
- an acquisition fee of up to 1% of the total purchase price of an investment of the fund, payable upon completion of the relevant acquisition. During the year ended 30 June 2019, the RE was entitled to acquisition fees of \$45,595 relating to the fund's investment in URB, however no fees were charged
- a disposal fee of up to 1% of the total sale price of an investment sold by the fund, payable upon completion of the relevant sale.

Statement of financial performance

92 The financial performance of 360 Capital TRF for the three years ended 30 June 2019 is summarised below:

| 360 Capital TRF – Statement of financial performance⁽¹⁾ | | | |
|---|------------------|------------------|------------------|
| | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 |
| | Audited | Audited | Audited |
| | \$000 | \$000 | \$000 |
| Revenue from continuing operations | | | |
| Finance revenue ⁽¹⁾ | 82 | 2,463 | 8,691 |
| Distribution income ⁽²⁾ | 3,636 | 5 | 4 |
| Total revenue from continuing operations | 3,718 | 2,468 | 8,695 |
| Other income | | | |
| Net gain on fair value of financial assets | 3,643 | 9 | 275 |
| Net gain on disposal of financial assets | - | 274 | - |
| Share of equity accounted profits | - | 352 | 45 |
| Other income | - | - | 139 |
| Less expenses | | | |
| Administration fees | (220) | (212) | (225) |
| Management and other fees paid to RE | (352) | (555) | (559) |
| Transaction costs | (43) | (33) | (9) |
| Finance expenses | (46) | - | - |
| Loss allowance on loans receivable ⁽³⁾ | - | - | (630) |
| Operating profit from continuing operations before tax | 6,700 | 2,303 | 7,731 |
| Less income tax (expense) / benefit | - | 111 | (60) |
| Total comprehensive income for the year after tax | 6,700 | 2,414 | 7,671 |
| Attributable to: | | | |
| Securityholders of 360 Capital Total Return Passive Fund | 6,830 | 2,023 | 7,296 |
| Securityholders of 360 Capital Total Return Active Fund | (130) | 391 | 295 |
| Profit attributable to the stapled securityholders | 6,700 | 2,414 | 7,591 |
| External non-controlling interests | - | - | 80 |
| Profit for the period | 6,700 | 2,414 | 7,671 |
| Earnings per stapled security (cents) ⁽⁴⁾ | 18.2 | 3.7 | 11.2 |

Note:

- 1 Generated by interest on cash held and loans receivable deployed across the financial year.
- 2 Being distribution income from property funds.
- 3 Related to first time adoption of accounting standard AASB 9 – *Financial Instruments* (AASB 9). Refer paragraph 100 below.
- 4 Basic and diluted. Calculated based on the profit attributable to the stapled securityholders.

Source: 360 Capital TRF Annual Report for the years ended 30 June 2018 and 2019.

Historical performance

- 93 360 Capital TRF's operating profit is heavily reliant on the finance revenue generated by interest on cash held and loans receivable deployed across the financial year, the composition of which is set out below:

| 360 Capital TRF – Finance revenue⁽¹⁾ | | | |
|--|------------------|------------------|------------------|
| | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 |
| | Audited | Audited | Audited |
| | \$000 | \$000 | \$000 |
| Interest – cash at bank | 82 | 1,265 | 374 |
| Interest – loans receivable ⁽¹⁾ | - | 1,198 | 8,317 |
| Total financial revenue | 82 | 2,463 | 8,691 |

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

Note:

1 Interest revenue generated from real estate debt investments.

Source: 360 Capital TRF Annual Report for the year ended 30 June 2019.

Statement of financial position

94 The statement of financial position of 360 Capital TRF as at 30 June 2019 and 30 September 2019 is set out below:

| 360 Capital TRF – Statement of financial position | | |
|--|--|--|
| | 30 Jun 19 Audited \$000 | 30 Sep 19 Pro-forma Unaudited \$000 |
| Cash and cash equivalents | 42,333 | 3,318 |
| Receivables ⁽¹⁾ | 132 | 491 |
| Direct property ⁽²⁾ | - | 17,423 |
| Loans receivable ⁽³⁾ | 23,184 | 40,696 |
| Financial assets at fair value through profit or loss ⁽⁴⁾ | 64 | - |
| Total current assets | 65,713 | 61,928 |
| Loans receivable | 15,708 | 30,520 |
| Financial assets at fair value through profit or loss ⁽⁴⁾ | 4,819 | 10,691 |
| Investments equity accounted ⁽⁵⁾ | 397 | 298 |
| Deferred tax assets (net) | 51 | - |
| Total non-current assets | 20,975 | 41,509 |
| Total assets | 86,688 | 103,436 |
| Trade and other payables | 2,205 | 91 |
| Distribution payable | 2,107 | 1,580 |
| Transaction costs ⁽⁶⁾ | - | 365 |
| Total current liabilities | 4,312 | 2,036 |
| Borrowings | - | 8,000 |
| Total non-current liabilities | - | 8,000 |
| Total liabilities | 4,312 | 10,036 |
| Net assets | 82,376 | 93,400 |
| NTA backing per security | \$1.17 | \$1.18 |
| Core NTA backing per security⁽⁷⁾ | \$1.19 | \$1.19 |

Note:

1 Consisting of trade receivables, interest and distributions receivable.

2 Relates to the purchase of the Gladesville apartments. Refer paragraph 98 below.

3 Net of loss allowance on loans receivable. Refer paragraph 100 below and Appendix C.

4 Refer paragraph 101 below.

5 Refer paragraph 104 below.

6 Associated with the Scheme and the Capital Raising.

7 Calculated after add back of AASB 9 loan impairment provision. Refer paragraph 100 below.

Source: 360 Capital TRF Annual Report for the year ended 30 June 2019; pro-forma 30 September 2019 figures as per the 360 Capital TRF Capital Raising Presentation dated October 2019.

Rounding differences exist.

Capital raising

- 95 The 30 September 2019 pro-forma figures set out in the above table reflect the financial position of the fund as at 30 September 2019 adjusted for the institutional placement announced by 360 Capital TRF on 14 October 2019 of 9,143,498 securities at the offer price of \$1.18 per security (the Capital Raising).
- 96 360 Capital TRF has agreed to fund two new loans (set out in Appendix C), the combined total facility of which is \$32.84 million²⁶ to be funded by:
- (a) the \$10.8 million Capital Raising, and
 - (b) the fund's existing available uncommitted cash.
- 97 The Capital Raising has been undertaken in response to available market opportunities and is not conditional upon the implementation of the Scheme.

Direct property

- 98 On 3 September 2019, 360 Capital TRF announced its acquisition of 23 brand new strata titled apartments in Gladesville, New South Wales (NSW). The recently completed project was purchased for \$16.5 million²⁷, which 360 Capital TRF stated represented a 20% discount to the current market valuation of \$20.5 million²⁸.
- 99 360 Capital TRF stated in the ASX announcement that the acquisition of these apartments provided 360 Capital TRF *"with potential trading profits through the sale of inventory which, if marked to market, would reflect approximately 4.5cps uplift in TOT's proforma 30 June 2019 Core NTA to \$1.23 per security"*. 360 Capital TRF plans to progressively sell down the apartments individually over a two year period.

Loans receivable

- 100 360 Capital TRF has recognised a total loss allowance of \$1.1 million on loans receivable (current and non-current) based on the 12 month expected credit loss for each loan in the fund's portfolio in accordance with first-time adoption of AASB 9²⁹. Whilst a loss allowance on the loans receivable has been recognised, all loans were stated to be currently performing and no decline has occurred in the credit risk of borrowers³⁰. A summary of the loan portfolio held by 360 Capital TRF is set out in Appendix C.

Financial assets at fair value through profit or loss

- 101 Financial assets held by 360 Capital TRF, both current and non-current, consist of units in listed property entities, predominantly URB, valued at the unit price as quoted on the ASX at each statement of financial position date.

²⁶ Excluding transaction costs.

²⁷ The original list price of the Gladesville apartments was \$24.3 million.

²⁸ ASX announcement by 360 Capital TRF dated 3 September 2019.

²⁹ The new accounting standard requires a provision to be recognised based on the probability of future expected credit loss not on an actual incurred loss basis as previously required.

³⁰ Source: 360 Capital TRF Annual Report for the year ended 30 June 2019.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

- 102 As noted above, for strategic reasons associated with the Scheme, during the 2019 financial year 360 Capital TRF recommenced investing in equity through its investment in URB. As at 30 June 2019, the fund had acquired a 6.3% interest in URB for \$4.5 million and subsequent to balance date has invested a further \$4.4 million and increased its stake to some 11.7%.
- 103 A breakdown of the financial assets held by 360 Capital TRF as at 30 September 2019 is as follows:

| 360 Capital TRF – Financial assets | |
|--|--|
| | 30 Sep 19 Pro-forma Unaudited \$000 |
| Investments in listed securities (excluding URB) | 926 |
| Investment in URB ⁽¹⁾ | 9,765 |
| Total financial assets | 10,691 |

Note:

1 Being 8,621,828 URB shares. The carrying value in the pro-forma balance sheet reflects an average value of \$1.13 per share.

Source: 360 Capital TRF Capital Raising Presentation dated October 2019.

Investments equity accounted

- 104 360 Capital TRF holds a 50% interest in AMF Finance Pty Limited³¹, which is equity accounted. AMF Finance Pty Limited originates alternative lending and structured financing solutions to Australian real estate investors and developers and receives all establishment fees on development transactions written by 360 Capital Group entities, including 360 Capital TRF.

Issued capital

- 105 As at 25 October 2019:
- (a) the number of 360 Capital TRF ordinary securities on issue in the fund on a pro-forma basis (that is, post Capital Raising) amounted to 79,368,897³² and there were no other securities on issue
 - (b) the five largest securityholders in 360 Capital TRF held 66.7% of the issued securities, as shown in the following table:

³¹ The remaining 50% interest is held by 360 Capital Group.

³² Being 70,225,399 securities on issue as at 30 September 2019 (pre Capital Raising) plus placement of 9,143,498 securities under the Capital Raising.

| 360 Capital TRF– top five securityholders (as at 25 October 2019) | | |
|--|-------------------------------|-------------------------------|
| | No. of securities held | % of issued securities |
| 360 Capital Property Limited | 18,465,165 | 23.26 |
| National Nominees Limited | 15,686,183 | 19.76 |
| J P Morgan Nominees Australia Pty Limited | 13,394,953 | 16.88 |
| HSBC Custody Nominees (Australia) Limited | 2,736,614 | 3.45 |
| Horrie Pty Ltd <Horrie Superannuation a/c> | 2,661,587 | 3.35 |
| Total top five shareholders | | 66.70 |

Security price performance

- 106 The price of 360 Capital TRF securities as at the end of the month relative to its pre-tax NTA backing over the period from 31 December 2017 to 30 September 2019 is summarised below:

| 360 Capital TRF – security price relative to pre-tax NTA backing⁽¹⁾ | | | |
|---|---|------------------------------|--|
| As at | Core pre-tax NTA backing⁽²⁾ \$/security | Security price \$ | Premium / (discount) to pre-tax NTA % |
| 31 December 2017 | 1.207 | 1.205 | (0.2) |
| 31 January 2018 | 1.202 | 1.205 | 0.3 |
| 28 February 2018 | 1.196 | 1.185 | (0.9) |
| 31 March 2018 | 1.191 | 1.200 | 0.7 |
| 30 April 2018 | 1.187 | 1.195 | 0.7 |
| 31 May 2018 | 1.187 | 1.210 | 1.9 |
| 30 June 2018 | 1.188 | 1.260 | 6.1 |
| 31 July 2018 | 1.189 | 1.260 | 6.0 |
| 30 August 2018 | 1.187 | 1.260 | 6.2 |
| 30 September 2018 | 1.187 | 1.235 | 4.0 |
| 31 October 2018 | 1.187 | 1.220 | 2.8 |
| 30 November 2018 | 1.187 | 1.225 | 3.2 |
| 31 December 2018 | 1.188 | 1.230 | 3.5 |
| 31 January 2019 | 1.189 | 1.230 | 3.5 |
| 28 February 2019 | 1.188 | 1.230 | 3.5 |
| 31 March 2019 | 1.190 | 1.230 | 3.3 |
| 30 April 2019 | 1.190 | 1.165 | (2.1) |
| 31 May 2019 | 1.188 | 1.165 | (1.9) |
| 30 June 2019 | 1.189 | 1.180 | (0.8) |
| 31 July 2019 | 1.187 | 1.190 | 0.3 |
| 30 August 2019 | 1.194 | 1.200 | 0.5 |
| 30 September 2019 ⁽³⁾ | 1.184 ⁽⁴⁾ | 1.180 | (0.3) |
| Average premium / (discount) | | | 1.8 |
| Median premium / (discount) | | | 1.3 |

Note:

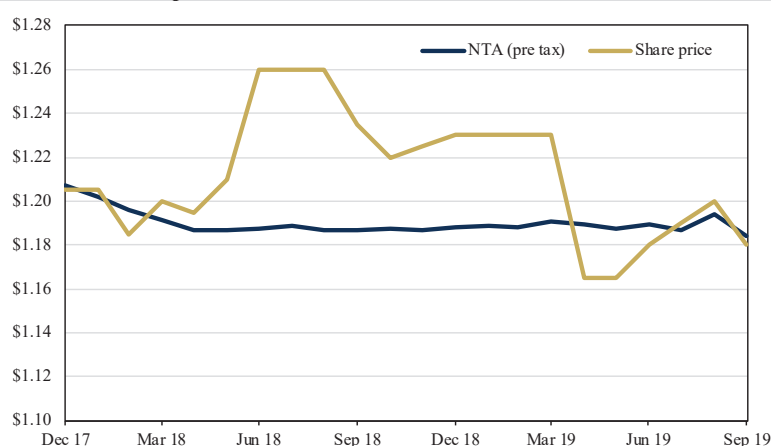
- The proposed Scheme was announced on 14 October 2019.
- The core NTA adds back the AASB 9 loan impairment provision (\$1.1 million as at 30 September 2019).
- Adjusted to reflect payment of the 2.25cps dividend on 24 October 2019 (360 Capital TRF traded ex-dividend on 27 September 2019).
- As stated above, on 14 October 2019, 360 Capital TRF announced that it had entered into an underwriting agreement to issue a further 9,143,498 360 Capital TRF shares at \$1.18 per share. The impact of this Capital Raising has not been reflected in the NTA of \$1.184 shown above.

Source: 360 Capital TRF management.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

- 107 The following graph illustrates the movement in the 360 Capital TRF security price relative to its pre-tax NTA backing during the period from 31 December 2017 to 30 September 2019:

**360 Capital TRF – movement of security price relative to pre-tax NTA backing
31 December 2017 to 30 September 2019**



Source: 360 Capital TRF management.

- 108 As shown in the graph above, the security price of 360 Capital TRF generally traded above its pre-tax NTA backing up until April 2019. More recently, 360 Capital TRF securities have traded around its pre-tax NTA.
- 109 As 360 Capital TRF operates as a trust, as opposed to a company, the market price of its securities will not reflect an allowance for notional deferred tax liabilities given that the trust passes through its taxation obligations³³ to its securityholders each year.

Liquidity in 360 Capital TRF securities

- 110 The liquidity in 360 Capital TRF securities based on trading on the ASX over the 12 month period preceding the announcement of the Proposed Transaction is set out below:

| 360 Capital TRF – liquidity of securities | | | | |
|---|------------|-------------------------|-------------|------------|
| Period | Start date | End Date ⁽¹⁾ | Value \$000 | Volume 000 |
| 3 months | 12 Jul 19 | 11 Oct 19 | 3,246 | 2,725 |
| 6 months | 12 Apr 19 | 11 Oct 19 | 7,460 | 6,302 |
| 1 year | 12 Oct 18 | 11 Oct 19 | 14,642 | 12,274 |

Note:

1 Being the most recent date prior to the announcement of the Proposed Transaction.

Source: Bloomberg.

³³ Arising from taxable income and (net) capital gains (where applicable).

- 111 As noted in paragraph 105 above, 360 Capital Property Limited holds approximately 23.3%³⁴ of 360 Capital TRF securities on issue, which reduces the number of securities able to be traded. Nonetheless, we note that in the three months prior to the announcement of the Scheme approximately \$3.2 million worth of 360 Capital TRF securities traded. In addition, at the same time as the Scheme was announced, 360 Capital TRF also announced the placement of 9,143,498 new securities at a price of \$1.18 per share³⁵.

³⁴ Post placement.

³⁵ This placement is not conditional on the Scheme proceeding.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

V Valuation of URB

Methodology

- 112 As URB is a listed investment company the market value of its shares have been determined by assessing the market value of its underlying investment portfolio³⁶ less an allowance for:
- (a) the selling costs which would be incurred upon a sale of the portfolio
 - (b) the capital gains tax (CGT) liability which would crystallise upon a sale of the portfolio
 - (c) the capitalised value of ongoing management fees payable and administration costs.
- 113 Our methodology recognises that the appropriate starting point for valuing listed investment companies is the net realisable value of the portfolio before allowing for unrealised tax liabilities. CGT liabilities are deducted on a discounted basis to recognise the benefit of deferring the payment of CGT by retaining rather than selling the portfolio (consistent with URB's long term investment horizon). Allowance is made for ongoing management fees and administration costs to ensure the costs associated with retaining the portfolio are allowed for.
- 114 In accordance with RG 111, we have assessed the value of URB shares on a 100% controlling interest basis. Our valuation therefore reflects the full underlying value of URB shares as at 30 September 2019 and implicitly includes a premium for control³⁷.

Investments

- 115 URB revalues its investment portfolio³⁸ and announces its updated NTA backing per share to the ASX on a monthly basis. For this purpose, each investment in the listed equities portion³⁹ of URB's investment portfolio is valued at its last traded market price. This is considered an appropriate basis of valuation given that the underlying investments predominately comprise shares in large listed companies with a reasonable level of market liquidity.
- 116 URB's investments in unlisted property trusts are valued at their estimated fair value by reference to the fair value measurement hierarchy set out in Section III. Importantly, the two main underlying property assets (PURT 4: Penrith and Home HQ Artarmon) are over 95% occupied, and have been valued based on the capitalisation of net income approach (PURT 4) or at the NTA advised by the external property manager (Home HQ Artarmon⁴⁰).
- 117 As at the most recent valuation date (30 September 2019), URB's investment portfolio less creditors and other liabilities had a market value of \$85.3 million (pre-tax). After allowing for realisation costs, we have adopted a (pre-tax) portfolio value in the range of \$83.5 million to \$86.4 million, calculated as follows:

³⁶ Net of creditors and other liabilities.

³⁷ As URB's main investments represent portfolio interests in large listed companies, in our opinion, a willing but not anxious purchaser would not pay any material premium to replicate the portfolio. Further, synergies would not be material. Accordingly, no significant premium for control should apply.

³⁸ It should be noted that property developments are only revalued when there is objective evidence that their market value has changed.

³⁹ Representing some 81.3% of the financial assets held by URB as at 30 September 2019 (excluding cash).

⁴⁰ URB owns less than 5% of Home HQ Artarmon.

| Value of URB investment portfolio as at 30 September 2019 | | | |
|---|----------------------------------|---|---------|
| | Book value (pre-tax) \$000 | Market value Low High \$000 \$000 | |
| Cash | 30,697 | 30,697 | 30,697 |
| Financial assets: | | | |
| Listed equities ⁽¹⁾ | 47,531 | 46,500 | 48,500 |
| Unlisted property trusts ⁽²⁾ | 10,957 | 10,500 | 11,500 |
| Total assets | 89,185 | 87,697 | 90,697 |
| Other assets (net of liabilities) ⁽³⁾ | (3,891) | (3,891) | (3,891) |
| Portfolio value (net of liabilities) (before realisation costs) | 85,294 | 83,806 | 86,806 |
| Less realisation costs: | | | |
| Listed equities (0.3%) ⁽⁴⁾ | - | (140) | (146) |
| Unlisted property trusts (2%) ⁽⁵⁾ | - | (210) | (230) |
| Value of URB investment portfolio (pre-tax) | 85,294 | 83,457 | 86,431 |

Note:

- 1 The low and high market values allow for daily fluctuation in listed company share prices. As noted in Section III, the large majority of listed investments are in large listed companies (which have a high level of daily trading).
 - 2 The low and high market values recognise that the market value of property assets should be assessed within a range rather than at a single point estimate.
 - 3 Being all other assets and liabilities excluding the deferred tax liabilities on realisation of the investment portfolio and other taxation benefits / (liabilities). Refer paragraphs 118 to 122 below.
 - 4 Assumed allowance for realisation costs on listed equities.
 - 5 Assumed allowance for realisation costs on direct property assets.
- Rounding differences exist.

Allowance for taxation

Capital gains tax liabilities

- 118 Realisation of URB's investment portfolio for the above market values would crystallise CGT liabilities in the range of some \$506,000 to \$1.4 million⁴¹.
- 119 However, as stated in Section III, URB is a long-term investor and has no current plans to liquidate its total portfolio in the foreseeable future⁴². Further, as shown below, annual cash realisations from the sale of the investment portfolio as a percentage of the value of the investment portfolio range from nil to 24%:

⁴¹ Refer paragraph 121 below.

⁴² As stated in the URB NTA and Monthly Report as at 30 September 2019, "URB is a long-term investor and does not intend to dispose of its total portfolio".

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

| Portfolio turnover of URB | | | | |
|--|---------------|---------------|---------------|--------------|
| | FY17 \$000 | FY18 \$000 | FY19 \$000 | Average % |
| Proceeds from sale of trading portfolio | - | 10 | - | |
| Proceeds from sale of investments ⁽¹⁾ | - | 14,602 | 13,453 | |
| Total proceeds from disposal of investments | - | 14,612 | 13,453 | |
| Book value of URB's financial assets | 61,064 | 73,524 | 56,770 | |
| Actual turnover rate | - | 19.9% | 23.7% | |
| Average turnover rate for FY17 to FY19 | | | | 14.7 |
| Average turnover rate for FY18 to FY19 | | | | 21.5 |

Note:

1 Relating to the sale of development properties.

Source: URB Annual Report for the respective financial year.

- 120 Given the above, it is appropriate to recognise that the present value of the CGT liability is significantly less than the amount calculated as payable upon realisation. This is because the deferred CGT liability is akin to an interest free loan, the present value of which is less than the amount recognised in the financial statements. While subjective, for valuation purposes we have made an allowance for 50% of the CGT liability which would crystallise upon realisation. In forming this opinion, we have considered:
- (a) the present value of the CGT liability assuming it crystallises over a period of up to 10 years
 - (b) the availability of roll over relief on scrip for scrip takeovers
 - (c) the ability of a purchaser of 100% of URB to borrow against the portfolio to realise cash rather than sell investments (thereby enabling crystallisation of the liability to be deferred for a longer period of time).
- 121 Based on the above, for valuation purposes we have made the following allowance for CGT liabilities:

| Present value of URB CGT liability | | |
|---|--------------|---------------|
| | Low \$000 | High \$000 |
| Market value of financial assets ⁽¹⁾ | 57,000 | 60,000 |
| CGT liability upon realisation of investment portfolio ⁽²⁾ | 506 | 1,406 |
| Allowance for CGT liability | 50% | 50% |
| Present value of CGT liability | 253 | 703 |

Note:

1 Being the sum of the assessed market values of listed equities and direct property stated in paragraph 116 above.

2 Calculated as some \$953,000 (being the book value of the deferred tax liabilities) plus 30% assumed tax rate times the increment / (decrement) in the market value of financial assets from the book value of the financial assets (of \$58.488 million).

Other taxation benefits / (liabilities)

- 122 For the purposes of our valuation of URB on an after tax basis, the residual net taxation benefits / (liabilities) must be allowed for, which we have assumed to be equivalent to the book values as at 30 September 2019 in the net amount of some \$338,000, as set out below:

| URB – Other taxation benefits (net) | | 30 Sep 19 Unaudited \$000 |
|---|--|---------------------------------|
| Deferred tax assets arising from: | | |
| Transaction costs on equity issues | | 242 |
| Differences in tax and accounting cost base | | 169 |
| Accrued expenses and operating tax losses | | 6 |
| Deferred tax liability arising from: | | |
| Differences in tax and accounting cost base | | (66) |
| Unfranked dividends / interest receivable | | (13) |
| Total other taxation benefits (net) | | 338 |

Source: URB pro-forma post-DRP balance sheet as at 30 September 2019.

Ongoing management fees and administration expenses

- 123 Our valuation of URB assumes the investment portfolio is retained (rather than liquidated)⁴³. Furthermore, URB's management agreement has a remaining term of approximately seven years and five months as at 30 September 2019, and can only be terminated by URB in limited circumstances (e.g. insolvency of the manager). Therefore, in considering the value of the equity in URB it is appropriate to have regard to ongoing management fees and administration expenses.
- 124 These expenses amounted to some \$1.34 million (before tax) in the year ended 30 June 2019⁴⁴. However, these costs included directors' fees (of \$189,000) and expenses other than management fees (e.g. public company costs) which are unlikely to be incurred by a 100% owner of URB, and which we have therefore disregarded for valuation purposes.
- 125 In accordance with the IMA, Contact charges URB an annual management fee of 0.5% (plus GST) on URB's total assets. For the purposes of our valuation, we have therefore adopted annual ongoing management fees of \$0.438 million to \$0.453 million calculated as follows:

| URB – Allowance for ongoing management fees | | |
|--|--------------|---------------|
| | Low \$000 | High \$000 |
| Assumed value of total assets ⁽¹⁾ | 87,697 | 90,697 |
| Management fee | 0.50% | 0.50% |
| Allowance for ongoing management fees | 438 | 453 |

⁴³ As stated in the URB NTA and Monthly Report as at 30 September 2019, "URB is a long-term investor and does not intend to dispose of its total portfolio".

⁴⁴ Being the sum of investment management and performance fees in the amount of \$0.77 million (including a performance fee of \$0.35 million), directors' fees of \$0.19 million and administration and other expenses in the amount of \$0.38 million.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

Note:

1 Refer paragraph 116 above.

- 126 Whilst subjective, we have adopted a pre-tax capitalisation multiple of 7.0⁴⁵ to 8.0⁴⁶ in determining a capitalised value for corporate costs. In our opinion, this multiple range is appropriate and is consistent with the retention period assumption when calculating the present value of the deferred CGT liabilities⁴⁷:

| URB – Capitalised value of ongoing management fees | | |
|---|--------------|---------------|
| | Low \$000 | High \$000 |
| Management fee ⁽¹⁾ | 438 | 453 |
| Pre-tax multiple | 8.0 | 7.0 |
| Capitalised value of ongoing management fees | 3,504 | 3,171 |

Note:

1 Refer paragraph 125 above.

Transaction costs

- 127 Transaction costs relating to the Scheme are estimated by management at approximately \$1.255 million. These costs principally relate to legal costs, due diligence expenses, the costs of this report and other costs associated with the Scheme. Approximately \$1.1 million of these costs are not dependent on the outcome of the Scheme and will largely be incurred by the date URB shareholders vote on the Scheme. Accordingly, they have been allowed for in our valuation⁴⁸.

Valuation of URB

- 128 Based on the above, we have assessed the value of 100% of the shares in URB as at 30 September 2019 in the range of \$1.07 to \$1.11 per share as shown below:

| Valuation of 100% of URB (post tax) as at 30 September 2019 | | |
|---|---------------|---------------|
| | Low \$000 | High \$000 |
| Value of URB investment portfolio (pre-tax) ⁽¹⁾ | 83,457 | 86,431 |
| Less allowance for CGT liabilities ⁽²⁾ | (253) | (703) |
| Add other taxation benefits (net) ⁽³⁾ | 338 | 338 |
| Less capitalised value of management costs ⁽⁴⁾ | (3,504) | (3,171) |
| Less estimated transaction costs | (1,100) | (1,100) |
| Value of 100% of URB (post tax) | 78,938 | 81,795 |
| Number of shares on issue (000s) ⁽⁵⁾ | 73,960 | 73,960 |
| Value of URB per share (post tax) | \$1.07 | \$1.11 |

⁴⁵ Applied in the high end of our valuation.

⁴⁶ Applied in the low end of our valuation.

⁴⁷ We also note that the capitalised value of these costs is only some 4% of the value of URB shares.

⁴⁸ The balance of \$150,000 have been allowed for in our valuation of the Merged Entity.

Note:

- 1 After allowing for realisation costs. Refer paragraph 116 above.
- 2 Refer paragraph 121 above.
- 3 Refer paragraph 122 above.
- 4 Refer paragraph 126 above.
- 5 As at 30 September 2019.

Comparison with recent stock market trading

- 129 As set out in Section III, prior to the announcement of the Scheme URB shares have generally traded at a discount to their pre-tax NTA⁴⁹. The size of this discount (in percentage terms) reduced in recent months, prima facie attributable to the commencement of the acquisition of URB shares by 360 Capital TRF from May 2019 onwards. Based on the pre-tax NTA of URB shares of \$1.136 as at 30 September 2019⁵⁰, the implied trading range for URB shares (based on a 5% to 10% discount to pre-tax NTA) is therefore approximately \$1.02 to \$1.08, as shown below:

| Implied trading range of URB shares | | |
|---|-----------------|------------------|
| | Low \$/share | High \$/share |
| URB pre-tax NTA on 30 September 2019 ⁽¹⁾ | 1.136 | 1.136 |
| Discount (5% to 10%) | (0.114) | (0.057) |
| Implied trading range | 1.022 | 1.079 |

Note:

- 1 Adjusted to reflect payment of the \$0.04 dividend on 4 October 2019, the impact of the DRP and after accruing the estimated transaction costs in connection with the Scheme. Rounding differences exist.

- 130 Whilst the above implied trading range is slightly lower than our assessed valuation range, this is likely to be due to the ongoing administration costs and directors' fees incurred by URB, which we have not reflected in our valuation (on the basis that they would not be incurred by a 100% owner).
- 131 For the purposes of our report, we have therefore adopted a controlling interest value for URB of between \$1.07 and \$1.11 per share (being the valuation range in paragraph 128).

⁴⁹ Largely attributed to the deferred tax liabilities as well as management, performance and administrative fees incurred.

⁵⁰ Adjusted to reflect payment of the \$0.04 dividend on 4 October 2019 (URB traded ex-dividend on 12 September 2019), the impact of the DRP, and after accruing the estimated transaction costs in connection with the Scheme (which are not reflected in the 30 September 2019 balance sheet set out in Section III).

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

VI Value of Merged Entity and Scrip Consideration

Methodology

132 In order to assess the value of the Merged Entity (i.e. 360 Capital TRF post implementation of the Scheme) we have considered:

- (a) the underlying value of the Merged Entity's portfolio less allowance for selling costs, CGT and ongoing administration expenses; and
- (b) the recent price at which 360 Capital TRF placed a new issue of securities (which represented some 13% of the existing number of securities on issue).

Value of net assets acquired from URB

133 As set out in Section V, the book and market value of URB's net assets (prior to taking into account ongoing management fees) is as follows:

| Value of URB's net assets as at 30 September 2019 ⁽¹⁾⁽²⁾ | | | |
|---|------------|--------------|---------|
| | Book value | Market value | |
| | \$000 | Low | High |
| | | \$000 | \$000 |
| Cash | 30,697 | 30,697 | 30,697 |
| Financial assets: | | | |
| Listed equities ⁽³⁾ | 47,531 | 46,500 | 48,500 |
| Unlisted property trusts ⁽⁴⁾ | 10,957 | 10,500 | 11,500 |
| Total assets | 89,185 | 87,697 | 90,697 |
| Other assets (net of liabilities) ⁽⁵⁾ | (3,891) | (3,891) | (3,891) |
| Portfolio value (net of liabilities) (before realisation costs) | 85,294 | 83,806 | 86,806 |
| Less realisation costs: | | | |
| Listed equities (0.3%) ⁽⁶⁾ | - | (140) | (146) |
| Unlisted property trusts (2%) ⁽⁷⁾ | - | (210) | (230) |
| Value of URB investment portfolio (pre-tax) | 85,294 | 83,457 | 86,431 |
| Less allowance for CGT liabilities ⁽⁴⁾ | (953) | (253) | (703) |
| Add other taxation benefits (net) ⁽⁵⁾ | 338 | 338 | 338 |
| Less estimated transaction costs ⁽⁸⁾ | - | (1,255) | (1,255) |
| Value of 100% of URB (post tax) ⁽⁹⁾ | 84,680 | 82,287 | 84,811 |

Note:

- 1 Rounding differences exist.
- 2 Prior to taking into account ongoing management fees.
- 3 The low and high market values allow for daily fluctuation in listed company share prices.
- 4 The low and high market values recognise that the market value of property assets should be assessed within a range rather than at a single point estimate.
- 5 Being all other assets and liabilities excluding the deferred tax liabilities on realisation of the investment portfolio and other taxation benefits / (liabilities).
- 6 Assumed allowance for realisation costs on listed equities.
- 7 Assumed allowance for realisation costs on direct property assets.
- 8 Inclusive of the additional costs incurred if the Scheme is approved and implemented.
- 9 Prior to deducting the allowance for ongoing management expenses. A reconciliation between the above figures and those in Section V is set out below:

| | Low | High |
|--|---------|---------|
| | \$ | \$ |
| Value above | 82,287 | 84,811 |
| Less allowance for ongoing management costs in Section V | (3,504) | (3,171) |
| Standalone valuation of URB shares in Section V | 78,783 | 81,640 |

Value of net assets of 360 Capital TRF prior to Scheme

- 134 The book value and our assessed market values of 360 Capital TRF's net assets (excluding its investment in URB) as at 30 September 2019 is summarised below:

| Value of 360 Capital TRF's net assets as at 30 September 2019 ⁽¹⁾⁽²⁾ | | | |
|---|------------|--------------|---------------|
| | Book value | Market value | |
| | \$000 | Low \$000 | High \$000 |
| Cash | 3,318 | 3,318 | 3,318 |
| Inventory / property ⁽³⁾ | 17,423 | 17,423 | 17,423 |
| Loans receivable ⁽⁴⁾ | 71,216 | 71,000 | 72,000 |
| Listed equities ⁽⁵⁾ | 926 | 900 | 950 |
| Subtotal | 92,882 | 92,641 | 93,691 |
| Borrowings | (8,000) | (8,000) | (8,000) |
| Other liabilities (net) | (882) | (882) | (882) |
| Less realisation costs: | | | |
| Listed equities (0.3%) ⁽⁶⁾ | - | (3) | (3) |
| Inventory / property (2%) ⁽⁷⁾ | - | (348) | (348) |
| Less estimated transaction costs ⁽⁸⁾ | (365) | (365) | (365) |
| Value of 360 Capital TRF net assets (excluding investment in URB) | 83,635 | 83,043 | 84,093 |

Note:

- 1 Rounding differences exist.
- 2 Prior to taking into account ongoing management fees.
- 3 On 3 September 2019, 360 Capital TRF announced its acquisition of 23 brand new strata titled apartments in Gladesville, NSW. The recently completed project was purchased for \$16.5 million, which 360 Capital TRF stated represents a 20% discount to the current market valuation of \$20.5 million. The book value includes acquisition costs.
- 4 The amount outstanding under the loan portfolio (including accrued interest) as at 30 September 2019 was \$72.3 million. Whilst there does not appear to be any evidence of any impairment, 360 Capital TRF has recognised a total loss allowance of \$1.1 million on loans receivable based on the 12 month expected credit loss for each loan in the fund's portfolio in accordance with first-time adoption of AASB 9.
- 5 The low and high market values allow for daily fluctuation in listed company share prices.
- 6 Assumed allowance for realisation costs on listed equities.
- 7 Assumed allowance for realisation costs on direct property assets.
- 8 These transaction costs will largely be incurred by the date of the Scheme meeting.

Capitalised value of ongoing management and administration costs

- 135 The RE of 360 Capital TRF is CFML, a wholly owned subsidiary of 360 Capital Group. The RE is entitled to a management fee of 0.65% per annum of the gross value of the assets of the fund during the relevant year for its role in managing and administering the fund.
- 136 In addition to these management fees, 360 Capital TRF incurred administration costs of \$225,000 in FY19. Due to the enlarged size of 360 Capital TRF as a result of the Scheme, for the purposes of our valuation we have increased the allowance for administration costs to between \$250,000 and \$300,000.

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- 137 Consistent with our valuation of URB, we have capitalised these costs at a pre-tax multiple of 7.0⁵¹ to 8.0⁵². On this basis the capitalised value of these ongoing management and administration costs is as follows:

| 360 Capital TRF (post Scheme) | | |
|--|----------------------|-----------------------|
| Capitalised value of ongoing management and administration fees | | |
| | Low \$000 | High \$000 |
| Gross assets of URB ⁽¹⁾ | 87,697 | 90,697 |
| Gross assets of 360 Capital TRF ⁽²⁾ | 92,641 | 93,691 |
| Total gross assets of enlarged 360 Capital TRF | 180,338 | 184,388 |
| Management fee (% of gross assets) | 0.65% | 0.65% |
| Management fee | 1,172 | 1,199 |
| Other administration costs | 250 | 300 |
| Management and administration expenses | 1,422 | 1,499 |
| Pre-tax multiple | 8.0 | 7.0 |
| Capitalised value of ongoing management fees | (11,376) | (10,493) |

Note:

- 1 Refer paragraph 133 above.
2 Refer paragraph 134 above.

Securities on issue

- 138 The securities on issue following implementation of the Scheme are as follows:

| 360 Capital TRF (post Scheme) – Securities on issue (000s) | |
|--|----------------|
| URB shares on issue | 73,960 |
| Less URB shares held by 360 Capital TRF | (8,622) |
| Number of URB securities subject to Scheme | 65,338 |
| Exchange ratio ⁽¹⁾ | 0.9833 |
| 360 Capital TRF shares issued to URB shareholders | 64,247 |
| Existing 360 Capital TRF securities on issue | 79,369 |
| Number of 360 Capital TRF securities on issue (post implementation of Scheme) | 143,615 |

Note:

- 1 Being 0.9833 360 Capital TRF securities for every URB share.
Rounding differences exist.

⁵¹ Applied to the high end of our valuation.

⁵² Applied to the low end of our valuation.

Underlying value of Merged Entity

139 Based on the above the underlying value of 360 Capital TRF securities on a minority (portfolio) interest basis⁵³, post implementation of the Scheme, is as follows:

| Underlying value of Merged Entity | | |
|--|---------------|---------------|
| | Low \$000 | High \$000 |
| Value of URB net assets ⁽¹⁾ | 82,287 | 84,811 |
| Value of 360 Capital TRF net assets (pre Scheme) ⁽²⁾ | 83,043 | 84,093 |
| Less capitalised value of management and administration costs ⁽³⁾ | (11,376) | (10,493) |
| Value of Merged Entity | 153,954 | 158,411 |
| Securities on issue ⁽⁴⁾ | 143,615 | 143,615 |
| Value of Merged Entity per share | \$1.07 | \$1.10 |

Note:

1 Refer paragraph 133 above.

2 Refer paragraph 134 above.

3 Refer paragraph 137 above.

4 Refer paragraph 138 above.

Recent placement of new securities

140 On 14 October 2019, 360 Capital TRF undertook an underwritten placement of 9,143,498 securities (which represents some 13% of the current number of 360 Capital TRF units on issue pre-placement) at a price of \$1.18 per security (the Capital Raising), which was over-subscribed. We note that the investors participating in the Capital Raising were also informed of the Scheme and as such, the placement price implicitly reflects the impact thereof.

141 We note that the placement price of \$1.18 per security represents:

- (a) a small premium to the pro-forma NTA of the Merged Entity of \$1.17 per share. In this respect we have assumed that investors participating in the Capital Raising had greater regard to the indicated yield than the underlying NTA
- (b) a significant premium to our assessed valuation (which implicitly reflects a greater allowance for ongoing management and administration costs).

142 Nonetheless, the Capital Raising represents market based evidence of the price that sophisticated investors were prepared to pay for a portfolio interest in the Merged Entity. Given the size of the Capital Raising we therefore consider that the issue price is an appropriate benchmark when assessing the value of the Scheme Consideration⁵⁴.

⁵³ We have allowed for the external management and other costs which would be incurred by a minority (portfolio) investor. However, in our view, no separate minority interest discount should be applied as 360 Capital TRF securities have historically traded consistent with their underlying NTA and, post the announcement of the Scheme, have traded above our underlying value assessment.

⁵⁴ We also note that since the announcement of the Scheme up to 25 October 2019 360 Capital TRF securities have traded between \$1.15 and \$1.20, and the VWAP during this period was \$1.17 per share.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

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Value of Scrip Consideration

- 143 Based on the above, for the purposes of our report we have adopted a value for the shares in the Merged Entity in the range of \$1.07 to \$1.18 per share, reflecting both our assessed value of 360 Capital TRF securities and the results of the Capital Raising.
- 144 On this basis the value of the Scrip Consideration is \$1.05 to \$1.16 per URB share, as shown below:

| Value of Scrip Consideration | | |
|--|---------------|---------------|
| | Low | High |
| | \$ per share | \$ per share |
| Likely trading range of Merged Entity Shares | 1.07 | 1.18 |
| Exchange ratio | 0.9833 | 0.9833 |
| Value of Scrip Consideration | \$1.05 | \$1.16 |

VII Evaluation of the Scheme

- 145 In our opinion the acquisition of URB shares by 360 Capital TRF under the Scheme is fair and reasonable and in the best interests of URB shareholders. We have formed this opinion for the following reasons.

Assessment of fairness

- 146 Pursuant to RG 111 the Scheme is “fair” if the value of the Scrip Consideration is equal to or greater than the value of the securities the subject of the Scheme.
- 147 This comparison as at 30 September 2019 is shown below:

| Comparison of Scrip Consideration and value of URB as at 30 September 2019 | | |
|--|--------------|--------------|
| | Low | High |
| | \$ per share | \$ per share |
| Value of Scrip Consideration ⁽¹⁾ | 1.05 | 1.16 |
| Value of 100% of the shares in URB ⁽²⁾ | 1.07 | 1.11 |
| Extent to which the Scrip Consideration exceeds (or is less than) the value of the shares in URB | (0.02) | 0.05 |

Note:

- 1 Refer Section VI.
2 Refer Section V.

- 148 As the value of the Scrip Consideration is consistent with our assessed value of 100% of the shares in URB, in our opinion, the Scheme is fair when assessed based on the guidelines set out in RG 111.
- 149 URB shareholders should note that changes in the NTA of URB and/or 360 Capital TRF will potentially affect both the value of the Scrip Consideration and the value of 100% of the shares in URB. Accordingly, it may be necessary to confirm and/or update our opinion prior to the URB shareholder meeting to vote on the Scheme.

Assessment of reasonableness and in the best interests

- 150 Pursuant to RG 111, a transaction is reasonable if it is fair. Further, in our opinion, if the Scheme is “fair and reasonable” it must also be “in the best interests” of shareholders.
- 151 Consequently, in our opinion, the Scheme is also “reasonable” and “in the best interests” of URB shareholders when assessed based on RG 111.
- 152 In assessing whether the Scheme is reasonable and in the best interests of URB shareholders LEA has also considered, in particular:
- the likely listed market price of the Merged Entity’s shares and the impact of the Scheme on the listed market value of the shareholdings held by URB shareholders
 - the likely impact of the Scheme on URB shareholders future dividend / distribution income

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- (c) the relative NTA position of URB shareholders before and after implementation of the Scheme
- (d) the advantages and disadvantages of the Scheme from the perspective of URB shareholders
- (e) other qualitative and strategic issues associated with the Scheme.

153 These issues are discussed in detail below.

Listed market values

154 As set out in Section III, URB shares have generally traded at a discount of between 5% and 10% to their pre-tax NTA⁵⁵. Based on the pre-tax NTA of URB shares of \$1.136 as at 30 September 2019⁵⁶, the implied trading range for URB shares is as shown below:

| Implied trading range | | |
|--------------------------------------|-----------------|------------------|
| | Low \$/share | High \$/share |
| URB pre-tax NTA on 30 September 2019 | 1.136 | 1.136 |
| Discount (5% to 10%) | (0.114) | (0.057) |
| Implied trading range | \$1.022 | \$1.079 |

155 We note that in the one month period prior to the announcement of the Scheme URB shares traded between \$1.02 and \$1.08 per share, and the volume weighted average price (VWAP) during that period was \$1.03 per URB share, consistent with the implied trading range above.

156 Accordingly, our assessed value of the Scrip Consideration represents a premium to the likely listed market value of URB shares in the absence of the Scheme, as shown below:

| Implied premium | | |
|---|-----------------|------------------|
| | Low \$/share | High \$/share |
| Value of Scrip Consideration (per URB share) ⁽¹⁾ | 1.05 | 1.16 |
| Likely URB listed market value in the absence of the Scheme ⁽²⁾ | 1.02 | 1.08 |
| Extent to which Scrip Consideration exceeds listed market value of URB shares | 0.03 | 0.08 |
| Extent to which Scrip Consideration exceeds listed market value of URB shares (%) | 2.9% | 7.4% |

Notes:

- 1 Refer Section VI.
- 2 Refer paragraph 154 above.

⁵⁵ As noted above, the size of this discount reduced in percentage terms subsequent to the commencement of the acquisition of URB shares by 360 Capital TRF from May 2019 onwards.

⁵⁶ This pre-tax NTA is lower than the pre-tax NTA shown in Section III by approximately \$0.017 per share due to the accrual for transaction costs associated with the Scheme.

- 157 Based on the above, in our opinion, the listed market value of the shareholdings held by URB shareholders is likely to increase if the Scheme is implemented.

Dividend / distribution income

- 158 We have also considered the impact of the Scheme on URB shareholders' future dividend / distribution income.
- 159 The following table summarises the actual level of dividends / distributions paid by both URB and 360 Capital TRF in FY18 and FY19 as standalone entities, and URB shareholders' pro-forma share of 360 Capital TRF's dividend assuming the Scheme had been implemented at the beginning of the period based on the Scheme (exchange) ratio:

| Dividends / distributions – cents per share | | |
|---|-------------|---------------------|
| | FY18 | FY19 |
| URB - actual dividends | 1.50 | 5.75 ⁽²⁾ |
| Franking ⁽¹⁾ | 100.0% | 100.0% |
| URB – gross dividend including franking credit | 2.1 | 8.2 |
| 360 Capital TRF - actual dividends | 9.0 | 12.0 |
| Franking | - | - |
| 360 Capital TRF – gross dividend including franking credit | 9.0 | 12.0 |
| Exchange ratio | 0.9833 | 0.9833 |
| 360 Capital TRF dividend per URB share based on Scheme terms | 8.8 | 11.8 |
| Extent to which URB dividend position would have been better / (worse) under Scheme terms | 6.7 | 3.6 |

Note:

- 1 URB's FY18 dividends were franked at 27.5%, whereas the FY19 dividends were franked at 30%.
- 2 URB's FY19 dividends included a special dividend of \$0.035 per share, prima facie attributable to the receipt of realised property development profits. Given the nature of this income source, the payment by URB of special dividends in future is likely to be infrequent.

- 160 It should be noted that the above dividend differences between URB and 360 Capital TRF reflect in part the nature of their investments. For example, URB has held a high level of low yielding cash and has a larger equity portfolio which offers the opportunity for capital growth (but also capital loss), whereas 360 Capital TRF's portfolio has focused on property loans which pay a high level of interest but implicitly do not offer the opportunity for capital growth. There are also different risks associated with the investments held by both entities.

Relative NTA

- 161 We also set out below:
- (a) the pre-tax NTA for URB and the Merged Entity (on a pro-forma basis) as at 30 September 2019; and
 - (b) URB shareholders share of the Merged Entity's pro-forma NTA based on the exchange ratio:

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| NTA as at 30 September 2019 | |
|--|----------------------------|
| | Pre-tax NTA \$/share |
| URB NTA ⁽¹⁾ | 1.136 |
| Merged Entity pro-forma NTA | 1.168 |
| Exchange ratio | 0.9833 |
| URB share of Merged Entity's NTA per URB share | 1.148 |
| Increase in NTA per share | \$0.012 |

Note:

1 Adjusted for estimated transaction costs.

- 162 As indicated above, there is a modest increase in the NTA position of URB shareholders as a result of the Scheme. However, URB shareholders should also note that pursuant to the Scheme, future management fees will increase (which is not reflected in reported NTA, but is discussed below).

Management and performance fees

- 163 URB shareholders currently pay a management fee to Contact equal to 0.5% of the gross assets of URB.
- 164 If the Scheme proceeds 360 Capital TRF will acquire URB. 360 Capital TRF is externally managed by 360 Capital Group, who charge 360 Capital TRF a management fee equal to 0.65% of the gross value of its assets.
- 165 Accordingly, ongoing management fees payable by URB shareholders who remain security holders in 360 Capital TRF will be 30% higher if the Scheme is implemented.
- 166 URB shareholders should also be aware that the basis upon which their performance fees are charged will also change as a result of the Scheme:
- in URB, performance fees are equal to 15% of URB's out-performance over a pre-tax NTA 12 month return of 8% (calculated after the payment of any ordinary dividends to URB shareholders)
 - in 360 Capital TRF, performance fees are equal to 20% of any total return in excess of 12% per annum (where the calculation of the total return is based on actual distributions paid to the securityholders plus any increase in the trading price of securities in the relevant financial year).
- 167 In summary, 360 Capital TRF's performance hurdle is higher than URB's (12% versus 8% plus ordinary dividends), but the quantum of the performance fee is also higher (20% versus 15% of the excess return). Further, the performance fee for 360 Capital TRF is based on changes in the market value of its securities, whereas URB's is currently calculated based on growth in reported pre-tax NTA.

Liquidity of Merged Entity shares

168 We note that the market capitalisation of the Merged Entity will be more than twice the market capitalisation of URB, which should result in improved share liquidity for both URB and 360 Capital TRF shareholders. In addition, the increased size of the Merged Entity should result in a more diversified investment portfolio.

Ownership interests

169 As at 25 October 2019, WHSP and 360 Capital TRF held 12.35% and 11.66% of URB shares respectively.

170 In contrast if the Scheme is implemented the Merged Entity's shares will be more widely held. In particular we note that:

- (a) WHSP's interest in the Merged Entity will reduce to approximately 6.26%
- (b) 360 Capital Group's⁵⁷ interest in 360 Capital TRF will reduce from 23.26% to approximately 14.54% if the Scheme is implemented.

Summary of advantages and disadvantages

171 Based on the above, we summarise below the advantages and disadvantages of the Scheme for URB shareholders:

Advantages

- (a) our assessed value of the Scrip Consideration represents a premium of between 2.9% to 7.4% to the likely listed market value of URB shares in the absence of the Scheme. URB shareholders should therefore be better off from a value perspective (at least in the short term) if the Scheme proceeds
- (b) there is a modest increase in the NTA position of URB shareholders as a result of the Scheme
- (c) 360 Capital TRF has historically paid higher annual distributions than URB and this is expected to continue (although this is principally due to the different nature of each entity's underlying investments)
- (d) the market capitalisation of the Merged Entity will be more than twice the market capitalisation of URB, which should result in improved share liquidity for both URB and 360 Capital TRF shareholders. In addition, the increased size of the Merged Entity should result in a more diversified investment portfolio

Disadvantages

- (e) ongoing management fees payable by URB shareholders who remain securityholders in 360 Capital TRF will be 30% higher if the Scheme is implemented (as management fees will increase from 0.5% of gross assets to 0.65% of gross assets if the Scheme is implemented⁵⁸).

⁵⁷ 360 Capital Group is the largest shareholder in 360 Capital TRF.

⁵⁸ These higher management fees are reflected in our valuation of the Scrip Consideration.

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Conclusion

- 172 Given the above analysis, we consider that the acquisition of URB shares by 360 Capital TRF under the Scheme is fair and reasonable and in the best interests of URB shareholders in the absence of a superior proposal.

VIII Novation of URB management rights to 360 Capital Group

Scope

- 173 As noted in Section I, the Scheme is conditional upon, inter-alia, the novation of the IMA⁵⁹ between URB and Contact to 360 Capital Group Limited (i.e. the Management Rights).
- 174 In addition to our opinion on the Scheme, the Directors of URB have requested that we provide a separate opinion on whether, in our view, the consideration to be received by Contact in relation to the disposal of the Management Rights to 360 Capital Group constitutes the receipt of a net benefit as interpreted by the Takeovers Panel in TPGN 21.
- 175 We understand that this opinion is required because:
- (a) WHSP owns a 20% interest in Contact and owns 12.35% of the shares in URB
 - (b) Fireman Investments Pty Limited as trustee for THZ Family Trust (which is a related entity of Mr Tom Millner) owns 40% of Contact, and Mr Millner has a relevant interest in 229,995 URB shares; and
 - (c) Stayer Holdings Pty Limited as trustee for The Culbert Family Trust (which is a related entity of Mr Will Culbert) owns 40% of Contact, and Mr Culbert has a relevant interest in 258,829 URB shares.

Basis of assessment

- 176 TPGN 21 sets out the Takeovers Panel's approach to assessing whether there are net benefits that give rise to the occurrence of unacceptable circumstances in takeovers and other change of control transactions. The Takeovers Panel starts from the premise that unacceptable circumstances are likely to exist whenever a bidder (or an associate of the bidder) provides a securityholder something of value (being a benefit) which it does not offer to other securityholders.
- 177 In such circumstances, there are a number of ways that a person might seek to establish that there is no net benefit being provided to a particular securityholder. One of those ways is to provide an expert's opinion about whether there is a net benefit.
- 178 An expert's opinion about whether there is a net benefit may incorporate a valuation by the expert (or another person). The independent valuation is required to establish the price that might be negotiated in an open, unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length (market value).
- 179 In respect of the sale by Contact of the Management Rights, our report has therefore considered:
- (a) the market value of the Management Rights held by Contact in relation to the management of URB's investment portfolio
 - (b) the value of the consideration offered by CFML for those Management Rights

⁵⁹ The IMA is dated 23 February 2017 and sets out the terms regarding the management of URB by Contact.

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- (c) the extent to which (a) and (b) differ (in order to assess whether a net benefit is being provided).

Market value of Management Rights

Key terms of management agreement

- 180 As stated in Section III, the investment portfolio of URB is currently managed by Contact in accordance with the IMA dated 23 February 2017. The key terms of the IMA are set out below:
- (a) the Initial Term of the IMA is 10 years, and URB can only terminate the IMA in limited circumstances prior to the expiry of this Initial Term (e.g. if an insolvency event occurs with respect to the manager, or if the manager is unable to perform its obligations under the IMA). Accordingly, in the absence of the Scheme, it is reasonable to assume that the IMA will continue until, at least, 22 February 2027 (being the end date of the Initial Term)
 - (b) the IMA will be automatically extended upon the expiry of the Initial Term until terminated by either party
 - (c) after the expiration of the Initial Term, termination of the IMA can occur *“on delivery of 3 months prior written notice to the Manager after an ordinary resolution is passed at a general meeting of the Company to terminate the Agreement”*⁶⁰
 - (d) the manager (i.e. Contact) is entitled to charge an annual management fee of 0.50% (plus GST) on the value of URB’s total assets
 - (e) Contact is also entitled to a performance fee equal to 15% of URB’s out-performance over a pre-tax NTA 12 month return of 8% (calculated after the payment of any ordinary dividends to URB shareholders).

- 181 A summary of the management fees and performance fees paid or accrued since establishment is set out below:

| URB – Management fees and performance fees paid or accrued ⁽¹⁾ | | | |
|---|-----------|-----------|-----------|
| | 30 Jun 17 | 30 Jun 18 | 30 Jun 19 |
| | Audited | Audited | Audited |
| | \$000 | \$000 | \$000 |
| Investment management fee | 100 | 397 | 422 |
| Performance fee | - | - | 348 |
| Total management and performance fees | 100 | 397 | 770 |

Note:

1 Excluding GST.

Source: URB Annual Report for the years ended 30 June 2017 to 30 June 2019.

⁶⁰ We note that termination can occur on the last day of the Initial Term provided URB gives written notice of termination at least two months before the last day of the Initial Term.

Valuation methodology

182 We have adopted the DCF method to value the Management Rights. Under this methodology the value of the Management Rights is equal to the NPV of the estimated future cash flows arising from ownership of the Management Rights. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

183 The key assumptions adopted in our DCF valuation are set out below.

Valuation date

184 We have adopted a valuation date of 20 December 2019 when valuing the Management Rights (which is consistent with the expected completion date of the Proposed Transaction). We understand that no net assets will be acquired by the purchaser, and that all accrued management fees up to the completion date will be payable to Contact.

Cash flow period

185 Notwithstanding that URB is not a “finite life” entity and that accordingly there is an expectation as to the need for continued management of the URB investment portfolio⁶¹, we have valued the Management Rights based on the expected free cash flows up to the expiry of the Initial Term (i.e. 22 February 2027) only. In our opinion, a potential purchaser would not attribute any significant value to the Management Rights beyond the Initial Term on the basis that:

- (a) termination can occur on the last day of the Initial Term provided URB gives written notice of termination at least two months before the last day of the Initial Term. Whilst it is not clear whether this notice requires a shareholder resolution, it is likely that shareholders would support any recommendation from the Board to remove or change a manager if a shareholder resolution was required
- (b) any extension will depend on, inter-alia, the purchaser’s investment performance over the remaining Initial Term
- (c) as noted above, only an ordinary resolution (rather than a special resolution) is required to be passed (by 50% of shareholders voting by number of shares) in order to terminate the Management Rights once the Initial Term has elapsed
- (d) there is a risk that URB could appoint a different manager at the expiry of the Initial Term
- (e) there is a risk that a third party could acquire a sufficient relevant interest in URB prior to expiry of the Initial Term and seek to appoint themselves as the manager of the fund⁶²
- (f) there is a risk that URB shareholders may decide to wind up the fund at or around the expiry date of the Initial Term
- (g) the Management Rights being valued only involve a single investment mandate (i.e. there is no diversification of funds under management (FUM)). Thus, if the investment mandate is terminated it is likely to be terminated in full. In contrast, investment

⁶¹ In the absence of a decision to wind-up the Company or return the large majority of capital to shareholders.

⁶² We note that the current investment manager (and related parties) does not have a sufficient voting interest to prevent such an outcome without the support of other URB shareholders.

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managers with a diversified source of FUM or investor base do not reflect this “all or nothing” risk

- (h) the performance fee mechanism in the IMA is unsustainable in the long term for the reasons noted in paragraph 199(b), which is likely to increase the risk that URB shareholders will seek to wind up the entity and/or terminate the IMA at the end of the Initial Term.

186 Whilst there is some probability of the IMA being extended, in our opinion, a knowledgeable, willing but not anxious purchaser and vendor of the Management Rights would not place any significant value on this possibility in the absence of any entrenchment of the manager (e.g. large shareholding in URB)⁶³.

Discount rate

187 We have applied a Base Case discount rate of 8.2% per annum (nominal) to the forecast free cash flows available to equity holders⁶⁴, which we consider reasonably reflects the required equity return for an investor acquiring the Management Rights. The discount rate has been derived using the capital asset pricing model (CAPM), based on a risk free rate of 3% per annum, a market risk premium (MRP) of 6.5% and a beta of 0.8. We note that when considering the required return on equity there is an inherent inter-relationship between the risk free rate and MRP (which is discussed further below).

Risk free rate

188 Whilst the risk free rate adopted of 3% significantly exceeds the current yield on long term Commonwealth government bonds (CGB) (28 year CGBs yielded approximately 1.5% on 7 October 2019), this is consistent with market practice which is to apply a normalised risk free rate having regard to a mix of historical averages and current spot rates. We also note that investors have generally required a higher rate of return on CGBs relative to United States of America (US) Government bonds (even though this is not currently the case^{65 66}).

Market risk premium

189 Empirical studies on the long term (historical) MRP in Australia generally support a MRP within the range of 5% and 7%. However, the risk free rate of return (which was used to derive the MRP in those studies) was, on average, significantly above both current levels and the 3% risk free rate adopted above. For example, the average 10 year CGB rate over the last 50 years⁶⁷ was approximately 7.9% per annum, which when added to the long term MRP based on empirical studies of 6% implies a (long term) total required equity rate of return of around 13.9% per annum.

⁶³ In any event, any such additional value due to the entrenchment of the manager arising from a large shareholding in URB arises due to the shareholding and not the Management Rights.

⁶⁴ Due to the intangible nature of the Management Rights our discount rate reflects 100% equity funding.

⁶⁵ As at 7 October 2019 the US 30 year Government bond rate was around 2% per annum.

⁶⁶ Since 17 February 2003, Australia has had an S&P credit rating of AAA, whereas the US' S&P credit rating was downgraded to AA+ on 5 August 2011 (one notch lower than AAA). Despite this, over the period from 5 August 2011 to 30 August 2019 the average yield on 10 year CGBs has been 0.7% per annum higher than the 10 year US Government bond rate. We note that Moody's and Fitch have retained their Aaa (Moody's) and AAA (Fitch) credit ratings for the US, and Fitch upgraded Australia's credit rating to AAA on 28 November 2011.

⁶⁷ Calculated from 1 August 1969 to 31 July 2019.

- 190 Whilst, prima-facie, recent lower interest rates globally have lowered the total equity return required by investors, based on our experience, such investors have not reduced their required rates of return by the full extent of the fall in risk free rates. Accordingly, in our opinion, it is appropriate to adopt a MRP of 6.5% (toward the upper end of the empirical studies) when used in conjunction with our risk free rate of 3% per annum. This is consistent with the current prevailing total expected equity return (being the sum of the risk free rate and market risk premium) adopted by most investment analysts of around 9% to 10% per annum⁶⁸.

Beta

- 191 The equity betas for other ASX listed fund managers are set out below:

| Beta estimates – ASX listed fund managers | | | |
|---|--------------------------------------|------|--------------------|
| Company | Market Capitalisation ⁽¹⁾ | Beta | RSQ ⁽²⁾ |
| | \$m | | |
| Magellan Financial Group | 9,053 | 1.48 | 0.25 |
| Platinum Asset Management | 2,347 | 1.67 | 0.24 |
| Pendal Group ⁽³⁾ | 2,250 | 1.52 | 0.23 |
| Perpetual Limited | 1,698 | 1.44 | 0.31 |
| Janus Henderson | 1,201 | 1.85 | 0.35 |
| Pinnacle Investment | 761 | 1.37 | 0.10 |
| Navigator Global | 512 | 0.97 | 0.08 |
| Pacific Group | 331 | 0.69 | 0.04 |
| Pengana Capital | 196 | 0.76 | 0.05 |
| Clime Investment | 29 | 0.56 | 0.08 |
| K2 Asset Management | 13 | 0.95 | 0.05 |

Note:

1 As at 7 October 2019.

2 The R-squared (RSQ) value measures (in simple terms) the reliability of the beta estimate, and ranges from zero (not reliable) to one (most reliable). Given the RSQ values above, only limited reliance should be placed on the above betas estimates.

3 Formerly BT Investment Management Limited.

Source: Rozetta Technology Limited (formerly SIRCA).

- 192 Notwithstanding the above beta estimates, we consider that the underlying cash flows adopted in our valuation are relatively low risk as the cash flow forecasts reflect the contracted term of the Management Rights only and do not assume significant growth in FUM. Accordingly, in our opinion, it is appropriate to apply a beta which is less than the market average of 1.0. As noted above, in respect of our valuation of the Management Rights, we have adopted a beta of 0.8.

Management fee income

- 193 As noted above, management fee income is equal to 0.5% of the value of the gross assets of URB, and was approximately \$422,000 during FY19. Future growth in management fee income is therefore a function of the increase in gross assets (and the value thereof).

⁶⁸ As noted, prevailing total expected equity rates of return adopted by investment analysts are around 4.4% per annum lower than the rates of return implied by empirical studies on the MRP (when higher risk free rates prevailed).

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- 194 As URB is debt free (and has no immediate plans to employ debt funding), the expected movement in gross asset value can be approximated by reference to the historical growth rate in URB's pre-tax NTA per share.
- 195 Whilst the initial public offering (which closed on 30 March 2017) was priced at \$1.10 per URB share⁶⁹, the pro-forma pre-tax NTA as at 31 March 2017 was approximately \$1.065 per share. The pre-tax NTA as at 30 September 2019 of \$1.153 is therefore 8.3% higher over the 2.5 year period. This represents a compound average growth rate (CAGR) of approximately 3.2% per annum.
- 196 This low growth rate reflects, inter-alia, the high dividend payout ratio over the period, as URB has paid interim, final and special dividends totalling \$0.015 per share in relation to FY18 and \$0.0575 per share in relation to FY19.
- 197 Based on the above, we have therefore adopted growth in management fee income of 3.2% per annum (consistent with the historical experience). The sensitivity of the DCF value to this assumption is set out in paragraph 214 below.

Performance fee income

- 198 As noted in paragraph 181 above, a performance fee of \$348,000 was paid to Contact in respect of FY19, based on the underlying performance of the investment portfolio. We understand the reported investment performance benefited from the realisation and distribution of property development profits during the year.
- 199 When considering the potential for further performance fees over the Initial Term, we note that:
- (a) the rate of return required to be generated by URB (based on the movement in the pre-tax NTA of URB shares) must exceed 8% per annum after deducting management fees, other administration costs and ordinary dividends (which were \$0.0225 per share in FY19, representing a dividend yield of approximately 2% based on the pre-tax NTA as at 30 September 2019). The total return required to be generated before performance fees are payable is therefore fairly high (particularly given that approximately 34% of URB's assets were held in cash as at 30 September 2019), and accordingly we consider a purchaser would view a repeat of the investment performance that gave rise to a performance fee in FY19 as likely to be infrequent
 - (b) performance fees are payable to the manager in any year in which the return achieved is above the benchmark, irrespective of whether the manager significantly underperformed the benchmark in earlier years. For example, if the return on URB shares in year 1 was negative 12% per annum, but this loss was recovered in year 2 (resulting in no investor return over the two year period), a performance fee would still be payable to the manager in relation to the return achieved in year 2 as the underperformance in year 1 does not need to be made good under the performance fee mechanism in the IMA.

⁶⁹ Source: FY19 annual report.

- 200 In our view, the performance fee mechanism described in paragraph 199(b) increases the likelihood of future performance fees being paid. Accordingly, for valuation purposes we have notionally assumed similar performance fees to those in FY19 will be paid every three years, consistent with the historical performance (notwithstanding the significant cash holding in the investment portfolio at the valuation date on which only a nominal rate of return will be generated given the prevailing level of interest rates on cash deposits).

Operating costs and profit margin

- 201 The sale of the Management Rights involves only the assignment of the IMA to 360 Capital Group. As noted above, none of the employees of the current manager are being acquired.
- 202 However, in assessing the market value of the Management Rights consideration must be given to the estimated costs likely to be incurred to appropriately perform the management services. Pursuant to the IMA, the manager must provide the following services to the Company:
- (a) invest and manage the portfolio for and on behalf of the Company in accordance with the IMA
 - (b) make recommendations, advise on and facilitate investments and manage the portfolio
 - (c) identify, investigate, research, analyse and evaluate investment opportunities for the Company
 - (d) facilitate and monitor the acquisition and disposal of investments within the portfolio
 - (e) supervise the management of the portfolio including:
 - (i) supervising any broker or other third party service provider engaged by the Company or any supervised subcontractor
 - (ii) supervising any property manager engaged by a trustee of a trust which the Company has an interest in and which holds unlisted Australian property
 - (f) manage the day to day administration of the portfolio
 - (g) advise on, and assist with, the strategy, future capital raisings and financing of the Company as required by the Board
 - (h) ongoing promotion and marketing of the Company, including but not limited to, the Company's website, financial result road shows, presentations to shareholders, quarterly reports, NTA and monthly reports
 - (i) respond to requests and queries from the Company's shareholders
 - (j) provide to the Company such details as are reasonably necessary and in timely manner to enable the Company to comply with the Company's obligations under any relevant law, including (but not limited to) the substantial holding or analogous requirements in respect of the portfolio under the ASX Listing Rules
 - (k) distribute at the end of each month stock values and market data to the Company to enable it to prepare a report on the value of net assets monthly and for the purposes of making reports to the ASX
 - (l) render investment, consultation, advisory and management services in relation to investments generally

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- (m) provide nominee directors to represent the Company on the board of any trustee of a property trust; and
 - (n) any other services and upon terms as may be agreed from time to time between the manager and the Board.
- 203 The extent of allowance made for such costs in the valuation of the Management Rights depends on whether “value” is assessed on a standalone basis, or in the context of a sale to an existing fund manager providing comparable management services.

Standalone value

- 204 On a standalone basis, we consider it likely that the costs incurred to undertake the above services would exceed the prevailing level of annual management fee income (\$422,000 in FY19)⁷⁰. On this basis, the Management Rights would not have any significant value on a standalone basis (prior to taking into account potential future performance fees).
- 205 If the management services were undertaken by a single investment manager (keeping other costs to a bare minimum) it may be possible to achieve margins equal to around 50% of management fee revenue (although the quality of services provided and hence the related investment performance may be lower). On this basis, the Management Rights would have a value of around \$0.9 million (excluding potential performance fees)⁷¹, or around \$1.14 million if potential performance fees are included⁷².

Value to existing funds management participants

- 206 However, it is generally the case that significant synergy benefits can be realised from the merger or acquisition of funds management businesses. In such circumstances, the value of the Management Rights to a potential purchaser (which already operates a funds management business and has significant FUM) will be substantially higher than their standalone value, due (inter alia) to the low level of incremental operating costs that would likely be incurred by the purchaser. For this reason:
- (a) the most likely acquirer of the Management Rights is an entity with an existing funds management business which is able to generate synergy benefits
 - (b) in the circumstances we consider it is appropriate to assess the market value of the Management Rights in this context.
- 207 In this regard we note that, whilst we understand that the Contact investment team comprises seven investment managers⁷³, Contact also manages BKI, an ASX listed investment company⁷⁴ with a market capitalisation of approximately \$1.2 billion as at 7 October 2019⁷⁵. Given the relative size of the BKI and URB investment mandates, in our view, it is unlikely

⁷⁰ For example, the cost of employing two investment managers and associated costs would likely exceed \$422,000 per annum.

⁷¹ Pro-forma FY19 earnings attributable to the Management Rights would be approximately \$148,000 (being \$422,000 in management fee income multiplied by 50% profit margin less 30% tax).

⁷² This calculation assumes that 50% of the potential performance fee is payable to the investment manager employees (in aggregate) as a bonus.

⁷³ Source: URB Investment Manager's Report for FY19.

⁷⁴ BKI primarily holds a portfolio of investments in ASX listed companies.

⁷⁵ We have not been provided with the financial statements of Contact (the current investment manager).

that Contact's cost base will change materially due to the sale of the Management Rights (as the incremental cost to Contact of managing URB would be negligible).

- 208 Arguably, therefore, the value of the Management Rights to Contact will approximate the NPV of the future revenues expected to be generated. Based on the base case assumptions discussed above, the resulting value of the Management Rights to Contact would range from \$2.1 million to \$2.5 million.
- 209 The value of the Management Rights to 360 Capital Group (in conjunction with the Scheme) is likely to be materially higher than their value to Contact when considered in the context of the Scheme. This is because:
- (a) if the Scheme is implemented, the gross asset value of 360 Capital TRF will increase from approximately \$93 million as at 30 September 2019 to approximately \$182 million (due to the acquisition of URB). However, the costs 360 Capital Group will incur to manage 360 Capital TRF are unlikely to increase by any material amount
 - (b) as a result of the Scheme, 360 Capital Group will receive higher management fees of 0.65% (compared to the current 0.50%) on URB assets (as these assets will be held by 360 Capital TRF)⁷⁶.

Market value

- 210 Whilst the most likely acquirer of the Management Rights is an entity with an existing funds management business which is able to generate synergy benefits, in a market value transaction, it is generally the case that the buyer will only pay away a share of expected synergy benefits. Further, a potential purchaser of the Management Rights is likely to assume that some incremental costs will be incurred to undertake the management services set out in the IMA.
- 211 Consequently, the market value of the Management Rights will be less than the NPV of the future revenue stream which Contact and 360 Capital Group could generate as the holder of the Management Rights.
- 212 Further, the assumptions set out above reflect the base case assumptions adopted in our financial model only. In addition, there are inherent qualifications that apply to cash flow projections on which DCF valuations are based, and the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.
- 213 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.
- 214 Accordingly, we set out below the sensitivity of the value of the Management Rights to changes in the key assumptions:

⁷⁶ It should be noted that the higher value of the Management Rights to 360 Capital Group arises due to the Scheme rather than the IMA itself because the increase in management fees is an outcome of the Scheme only.

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| Value of Management Rights (based on discount rate of 8.2% p.a.) | | | | | | |
|--|------|---------------|-------|-------|-------|-------|
| | | Growth in FUM | | | | |
| | | 1.0% | 2.0% | 3.0% | 4.0% | 5.0% |
| Profit margin | 50% | 1,038 | 1,083 | 1,130 | 1,179 | 1,230 |
| | 60% | 1,246 | 1,300 | 1,356 | 1,415 | 1,476 |
| | 70% | 1,454 | 1,517 | 1,582 | 1,650 | 1,722 |
| | 80% | 1,661 | 1,733 | 1,808 | 1,886 | 1,968 |
| | 90% | 1,869 | 1,950 | 2,034 | 2,122 | 2,214 |
| | 100% | 2,077 | 2,167 | 2,260 | 2,358 | 2,460 |

- 215 Whilst the profit margin which would be assumed in a “market value” transaction between a buyer and seller acting at arm’s length cannot be directly observed (and is therefore subjective), as stated above, it is reasonable to assume that such parties would:
- (a) assume that some incremental costs will be incurred to undertake the management services set out in the IMA
 - (b) not pay away the full value of expected synergy benefits (i.e. the buyer would generally pay a price which is lower than the value of the Management Rights to the buyer).
- 216 Based on the results of the sensitivity table above, for the purposes of our report we have assessed the market value of the Management Rights at between \$1.3 million and \$1.9 million.

Value as a percentage of FUM

- 217 As a cross-check on our valuation of the Management Rights, we have also considered recent transaction evidence involving the acquisitions of interests in fund managers⁷⁷, which is summarised below:

⁷⁷ We note that these transactions involved funds management businesses with substantially larger FUM than URB.

| Transaction multiples | | | | | | |
|-----------------------|--|--|---------------------|---------------------------|-------------------------------|-----------------------------------|
| Date ⁽¹⁾ | Target | Acquirer | Price \$m | Interest acquired % | FUM (100% basis) \$m | Price/ FUM ⁽⁵⁾ % |
| Feb 18 | Airlie Funds Management | Magellan Financial Group | 121.1 | 100.0 | 6,000 | 2.0 |
| Feb 18 | EAM Global Investors LLC | EAM Global Management / Pacific Current Group | 3.8 | 15.0 | 1,240 | 2.1 |
| Oct 17 | Contango Microcap Ltd | NOAS Asset Management | 10.8 ⁽²⁾ | 100.0 | 181 | 6.0 |
| Jul 17 | CBG Asset Management Ltd | Clime Investment Management Limited | 3.1 | 100.0 | 130 | 2.4 |
| May 17 | Armada Funds Management Pty Ltd | Moelis Australia Ltd | 29.6 | 100.0 | 800 | 3.7 |
| Nov 16 | Unnamed entity ⁽³⁾ | Unnamed entity ⁽³⁾ | 23.7 | 37.0 | 2,140 | 3.0 |
| Oct 16 | Raven Capital Management ⁽⁴⁾ | Josh Green | 8.6 | 25.0 | 740 | 4.6 |
| Jun 16 | Contango Funds Management Limited | Contango Asset Management Limited | 13.0 | 100.0 | 672 | 1.9 |
| May 16 | Pinnacle Investment Management Limited | Wilson Group Limited | 35.9 | 25.0 | 8,450 | 1.7 |
| Dec 15 | Aperio Group LLC | Pacific Current Group Ltd | 43.1 | 23.4 | 18,300 | 1.0 |
| Jul 15 | Rare Infrastructure ⁽⁴⁾ | Legg Mason | 112.0 | 30.0 | 9,800 | 3.8 |
| Jul 15 | Kapstream Capital Pty Ltd | Janus Capital Group Inc. | 45.0 | 25.0 | 8,700 | 2.1 |
| Jun 15 | Perennial Fixed Interest Partners / Perennial Growth Management Pty Ltd | Henderson Group PLC | 72.5 | 100.0 | 10,800 | 0.7 |

Note:

- 1 Date of announcement.
- 2 Consideration based on mid-point of independent expert's valuation of consideration.
- 3 Due to confidentiality, the name of the target and acquirer cannot be disclosed.
- 4 Based on upfront consideration only, and excludes potential earn-out based on future FUM growth.
- 5 Price / FUM based on market capitalisation less net cash and surplus assets.

218 It should be noted that value as percentage of FUM is only a broad indicator of value, and can vary widely depending on a range of factors (including, for example, underlying profitability, length of management agreements and expected future growth in FUM etc.). In this regard we note that:

- (a) in our opinion, a potential purchaser would not attribute any significant value to the Management Rights beyond the Initial Term (for the reasons stated above)
- (b) the Management Rights being valued only involve a single investment mandate (i.e. there is no diversification of FUM). Thus, if the investment mandate is terminated following expiry of the Initial Term, it is likely to be terminated in full. In contrast, investment managers with a diversified source of FUM or investor base do not reflect this "all or nothing" risk
- (c) growth in FUM is expected to be low
- (d) a large proportion of current FUM is cash

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- (e) most of the above transactions involved funds management businesses with substantially larger FUM than URB, and were therefore likely to be profitable on a standalone basis.
- 219 Given the above, in our opinion, the market value of the Management Rights as a percentage of FUM is likely to be toward the low end of range set out in the above table. In this regard we note that:
- (a) our assessed "market value" range of \$1.3 million to \$1.9 million implies a value of 1.5% to 2.1% of FUM⁷⁸
 - (b) the proposed consideration for the Management Rights of \$2.5 million represents approximately 2.8% of FUM⁷⁹.

Comparison with transaction price

- 220 As stated above, the Management Rights are being acquired by 360 Capital Group for \$2.5 million in cash⁸⁰. Whilst this transaction price is consistent with the top end of our assessed value of the Management Rights to Contact, it exceeds the estimated market value of the Management Rights of \$1.3 million to \$1.9 million, which implies that Contact are receiving a sale price for the Management Rights which exceeds their market value by \$0.6 million to \$1.2 million.
- 221 Accordingly, we have concluded that the transaction in respect of the Management Rights represents the receipt by Contact of a net benefit when measured by reference to the market value of the Management Rights (as required by TPGN 21).

Transitional services fee

- 222 Contact will also be paid \$300,000 for transitional services to be provided to the new investment manager for a six month period following the implementation date. This fee has been calculated by reference to the management fee of 0.65% per annum to be charged by 360 Capital Group in respect of the URB portfolio from completion and the total assets of URB as at 30 September 2019.
- 223 At the date of this report the extent of the transitional services required, and therefore the level of costs to be incurred by Contact, is unknown. However, as the transitional services fee is equal to the full management fee payable by 360 Capital TRF to 360 Capital Group for the six month period, in our view, it is likely to provide Contact with a substantial profit margin (which would indicate that the transitional services fee also provides a net benefit to Contact).

⁷⁸ Based on FUM of approximately \$89 million as at 30 September 2019

⁷⁹ Based on FUM of approximately \$89 million as at 30 September 2019.

⁸⁰ This figure represents the stated transaction price and does not take into account the \$100,000 contribution by Contact to URB's transaction costs associated with the Scheme.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and IERs in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The Corporations Act authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Scheme Booklet to be sent to URB shareholders in connection with the Scheme.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fixed fee of \$90,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared more than 500 independent expert's reports to shareholders.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 25 years and over 30 years experience respectively in the provision of valuation advice.

Declarations

- 3 This report has been prepared at the request of the Directors of URB to accompany the Scheme Booklet to be sent to URB shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Scheme is fair and reasonable and in the best interests of URB shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Scheme. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, URB agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of URB which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet.

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.



Appendix C

360 Capital TRF loan portfolio

1 A summary of 360 Capital TRF's loan portfolio is set out below:

| 360 Capital TRF – loan portfolio | | | | | | | | | | | | |
|--|--------------------------------|---------------------|------------------------------|-----------|-------------|------------------------------|-------------|--------------------------------|---|--|--|--------|
| Loan no. | Facility amount ⁽¹⁾ | | Drawn balance ⁽¹⁾ | Loan type | Term (mths) | Rate ⁽²⁾ (p.a.) % | Expiry date | Comp. value ⁽³⁾ \$m | LVR ⁽⁴⁾ % | Security position | Project description | Status |
| | \$m | \$m | | | | | | | | | | |
| Current loans as at: 30 September 2019 | | | | | | | | | | | | |
| 1 | 7.6 | 7.3 | Mezz. | 24 | 15 | 15 Dec 19 | 76.0 | 70.0 | Second mortgage, personal guarantee, director guarantee | Redevelopment of 900 Hay St, Perth WA into 26 storey 4.5 star hotel development with 250 rooms | Project is nearing completion and management expects loan to be refinanced in full by the end of October 2019 | |
| 2 | 8.0 | 8.0 | Senior | 20 | 12 | 30 Nov 19 | 11.4 | 70.0 | First mortgage, personal guarantee, GSA | Redevelopment of 284 Clovelly Rd, Coogee NSW into 28 room boarding house | Project delays have led to two facility extensions. However, project was 97% complete at July 2019 and management expect repayment in full by end of November 19 | |
| 3 | 31.8 | 22.1 ⁽⁵⁾ | Senior | 24 | 10 | 10 Jul 20 | 46.7 | 68.0 | First mortgage, personal guarantee, director guarantee, GSA | Development of 24-26 George St, Liverpool NSW into 94 apartments across 2 multi storey buildings | 34 apartments pre sold (out of 94); pre-sales have occurred at prices consistent with assumed completion value; construction three months ahead of schedule | |

Appendix C

| 360 Capital TRF – loan portfolio | | | | | | | | | | | |
|----------------------------------|------------------------------|---------------------|---------------------|----------------------------|-----|--------------------|------|---------------------|---|--|---|
| Facility | | Rate ⁽²⁾ | | Comp. value ⁽³⁾ | | LVR ⁽⁴⁾ | | Project description | Status | | |
| Loan amount ⁽¹⁾ | Drawn balance ⁽¹⁾ | Term (mths) | (p.a.) % | Expiry date | \$m | \$m | % | | | | |
| 4 | 8.0 | 6.3 | Cash advance senior | 28 | 10 | 9 Feb 21 | 12.5 | 64.1 | First mortgage over 24 residual units, GSA, parent guarantee | Medium density complex, comprising 109 waterfront, residential units in Port Coogee, Perth W.A. However, 360 Capital TRF loan is currently secured against the remaining 24 strata titled units only in the Marina Edge development. | Development is complete. Slower than expected sales resulted in a term extension from 18 to 28 months. 360 Capital TRF originally had security over 36 units, of which 12 have been sold at average sales prices approximately 15% below original completion value. External due diligence commissioned by URB indicated that, if the residual 24 unit values were also reduced by 15%, the LVR would increase to 64.1% if sold individually or 79.3% if sold in one line |
| 5 | 4.7 | 4.4 | Cash advance senior | 12 | 9 | May 20 | 8.0 | 58.0 | First mortgage secured against the 5 residual apartments, GSA, parent guarantee | The Zahra development in New Farm, QLD is a complex comprising 22 apartments, located in riverside suburb 5kms from Brisbane’s CBD | Development is complete. Seventeen apartments have been contracted; sell down expected of remaining five apartments in next six months. |
| Subtotal ⁽⁶⁾ | | 48.1 | | | | | | | | | |

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.



Appendix C

| 360 Capital TRF – loan portfolio | | | | | | | | | | | | |
|---|------------------------|-------|------|---------------------|-------------|---------------|-------------|--------------------------|----------------------|-------------------|---|---|
| Facility | | Drawn | | Rate ⁽²⁾ | | Comp. | | | | | | |
| Loan amount ⁽¹⁾ | balance ⁽¹⁾ | \$m | \$m | Loan type | Term (mths) | Rate (p.a.) % | Expiry date | value ⁽³⁾ \$m | LVR ⁽⁴⁾ % | Security position | Project description | Status |
| New loans as at: 30 September 2019 (Proforma) | | | | | | | | | | | | |
| 1 | 9.7 | 1.1 | 1.1 | Senior | 15 | 12 | Dec 20 | 13.5 | 71.9 | First mortgage | Development of 27 townhouses over 3 buildings in Greenway, ACT, located 24 km from Canberra CBD | 13 pre sales have been achieved providing 60% debt cover |
| 2 | 23.1 | 23.1 | 23.1 | Cash advance senior | 12 | 13 | Oct 20 | 35.6 | 65.0 | First mortgage | Bridging facility for portfolio of 7 freehold childcare centres across Sydney metropolitan. Borrower (Affinity) currently owns 150 childcare centres nationally with track record of acquiring, developing and operating childcare centres. | Loan over operating childcare centres. Management expects borrower to repay or refinance facility within 12 month term. |
| Subtotal ⁽⁶⁾ | | 24.2 | | | | | | | | | | |
| Total (gross) | | 72.3 | | | | | | | | | | |
| Less AASB 9 impairment | | (1.1) | | | | | | | | | | |
| Total (net) | | 71.2 | | | | | | | | | | |

Note:

- 1 Including accrued interest and fees.
- 2 Being interest rate plus line fee.
- 3 Net realisation value on completion (net of GST), based on independent valuations.
- 4 Loan to value ratio (LVR) equals total borrowing facilities divided by estimated completion value.
- 5 A provision for loan impairment under AASB 9 was raised at June 2019 for some \$859,000 in relation to this loan, being the largest current facility in 360 Capital TRF's current loan portfolio, and representing the majority of the loan impairment provision. However management believe that the loan is recoverable in full given the low LVR and security position held. The provision was raised due to the requirements under AASB 9 (refer Section IV of this report).
- 6 Forecast drawn closing balance. Rounding differences exist.

Appendix D

Glossary

| Term | Meaning |
|--------------------------|---|
| 360 Capital Group | 360 Capital Group Limited |
| 360 Capital TRF | 360 Capital Total Return Fund |
| AASB | Australian Accounting Standards Board |
| AASB 112 | AASB 112 – <i>Income Taxes</i> |
| AASB 9 | AASB 9 – <i>Financial Instruments</i> |
| AFCA | Australian Financial Complaints Authority |
| Agreement | Scheme Implementation Deed |
| ASIC | Australian Securities & Investments Commission |
| ASX | Australian Securities Exchange |
| BKI | BKI Investment Company Limited |
| Break Fee | \$758,100 (exclusive of GST) in accordance with the Agreement |
| CAGR | Compound annual growth rate |
| Capital Raising | The institutional placement announced by 360 Capital TRF on 14 October 2019 of 9,143,498 securities at the offer price of \$1.18 per security |
| CAPM | Capital asset pricing model |
| CFML | 360 Capital FM Limited |
| CGB | Commonwealth Government Bond |
| CGT | Capital gains tax |
| CIML | 360 Capital Investment Management Limited |
| Contact | Contact Asset Management Pty Limited |
| Corporations Act | <i>Corporations Act 2001</i> (Cth) |
| Corporations Regulations | Corporations Regulations 2001 |
| DCF | Discounted cash flow |
| DRP | Dividend reinvestment plan |
| EPS | Earnings per share |
| FSG | Financial Services Guide |
| FUM | Funds under management |
| FY | Financial year |
| IER | Independent expert's report |
| IMA | Investment Management Agreement dated 23 February 2017 between URB and Contact |
| Initial Term | The initial term of the IMA between URB and Contact, which expires on 22 February 2027 |
| LEA | LonerGAN Edwards & Associates Limited |
| LIC | Listed investment company |
| LVR | Loan to value ratio |
| Management Rights | The novation of Contact's management rights to 360 Capital Group Limited |
| Merged Entity | 360 Capital TRF post-implementation of the Scheme |
| MRP | Market risk premium |
| NPV | Net present value |
| NSW | New South Wales |
| NTA | Net tangible assets |
| Proposed Transaction | 360 Capital TRF's proposed acquisition of URB |
| RE | Responsible entity |
| Reverse Break Fee | \$828,700 (exclusive of GST) in accordance with the Agreement |
| RG 111 | Regulatory Guide 111 – <i>Content of expert reports</i> |
| RSQ | R-squared |

SCHEDULE 1 - INDEPENDENT EXPERT'S REPORT CONT.

LONERGAN EDWARDS
& ASSOCIATES LIMITED

Appendix D

| Term | Meaning |
|---------------------|--|
| Scheme | Scheme of arrangement between URB and its shareholders to implement the Proposed Transaction |
| Scrip Consideration | 0.9833 360 Capital TRF securities per URB share |
| Scheme Record Date | 7.00pm on the day two business days after the Scheme becomes effective, or any other date (after the effective date) agreed by the parties |
| TPGN21 | Takeovers Panel Guidance Note 21 |
| URB / the Company | URB Investments Limited |
| URB shareholders | URB shareholders other than 360 Capital TRF |
| US | United States of America |
| VWAP | Volume weighted average price |
| WHSP | Washington H. Soul Pattinson and Company Limited |

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SCHEDULE 2

SCHEME



Scheme of Arrangement

URB Investments Limited

ACN 615 320 262

The holders of ordinary fully paid shares issued in
Target

ATHA\SROBS\1000 052 528

SCHEME OF ARRANGEMENT

Under section 411 of the Corporations Act

BETWEEN:

- (1) URB Investments Limited ACN 615 320 262 whose registered office is at Level 14, 151 Clarence St Sydney NSW 2000 (**Target**); and
- (2) Each person registered as a holder of fully paid ordinary shares in Target as at 7.00 pm on the Record Date (excluding 360 Capital FM Limited ACN 090 664 396 as responsible entity for 360 Capital Total Return Active Fund).

BACKGROUND

- (A) Target is a public company incorporated in Australia. It is registered in Victoria and is a company limited by shares. Target is admitted to the official list of ASX and Target Shares are quoted on the stock market conducted by ASX. As at 14 October 2019, 73,959,549 of Target Shares were on issue.
- (B) 360 Capital FM Limited ACN 090 664 396 as responsible entity for 360 Capital Total Return Active Fund and 360 Capital Total Return Passive Fund (**Bidder**) is a public company incorporated in Australia under the Corporations Act. Bidder is admitted to the official list of ASX and its fully paid ordinary stapled units are quoted on the stock market conducted by ASX. As at 14 October 2019, 70,225,399 of Bidder Units were on issue.
- (C) Target and Bidder entered into the Scheme Implementation Deed on or about 14 October 2019 to facilitate the implementation of the Scheme. The directors of Target have proposed the Scheme to the members of Target and consider that the Scheme is in the best interests of Target and its members as a whole.
- (D) Under the Scheme Implementation Deed, Target and Bidder have agreed that each of them will perform their respective obligations under the Scheme and do everything within their powers that is necessary to give full effect to the Scheme.
- (E) Bidder has executed the Deed Poll under which it covenants in favour of the Scheme Shareholders to carry out its obligations under the Scheme, including to provide the Scheme Consideration in accordance with the terms of the Scheme.
- (F) If the Scheme becomes Effective:
 - (1) Bidder will issue the Scheme Consideration in accordance with the terms of this Scheme in consideration of the transfer of the Scheme Shares to Bidder Nominee; and
 - (2) all the Scheme Shares will be transferred to Bidder Nominee and Target will become a subsidiary of Bidder Nominee; and
 - (3) Target will enter the Bidder Nominee's name in the Register as the holder of all Scheme Shares.

SCHEDULE 2 - SCHEME CONT.

OPERATIVE PROVISIONS

1. INTERPRETATION

1.1 Definitions

The following definitions apply in this document:

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given to 'associate' under the Corporations Act.

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

ASX Listing Rules means the listing rules of ASX.

Bidder Nominee means 360 Capital FM Limited ACN 090 664 396 as responsible entity for 360 Capital Total Return Active Fund.

Bidder Unit means a stapled security in TOT consisting of one TOT Active Fund Unit and one TOT Passive Fund Unit.

Business Day means a business day as defined in the ASX Listing Rules.

Cash Scheme Consideration means \$0.0225 for each Scheme Share held at the Record Date.

CHES means the clearing house electronic subregister system for the electronic transfer of securities operated by ASX Settlement Pty Limited, which provides for the electronic transfer, settlement and registration of securities.

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

Court means the Federal Court of Australia.

Deed Poll means the deed poll executed by Bidder and Bidder Nominee in favour of Scheme Shareholders dated 31 October 2019 in the form of Schedule 3 of the Scheme Implementation Deed.

Effective means the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means 28 February 2020, subject to any extension under clause 3.6 of the Scheme Implementation Deed.

Immediately Available Funds means a bank cheque or other form of cleared funds acceptable to Target.

Implementation means the implementation of the Scheme, on it becoming effective under section 411(10).

Implementation Date means the fifth Business Day immediately following the Record Date.

Ineligible Overseas Shareholder means a Scheme Shareholder:

- (a) who is (or is acting on behalf of) a resident of a jurisdiction other than Australia or New Zealand and their respective external authorities; or
- (b) whose address shown in the Register is a place outside Australia or New Zealand and their respective external territories.

Ineligible Overseas Shareholder Sale Facility means the facility to be conducted in accordance with clause 5.6.

Loan means a loan from the Target to the Bidder on the Loan Terms.

Loan Terms means the terms agreed between the parties as set out in Schedule 4 of the Scheme Implementation Deed.

New Bidder Units means Bidder Units to be issued under the Scheme as Scrip Scheme Consideration.

Record Date means 7.00 pm on the day which is two Business Days after the Effective Date or any other date (after the Effective Date) agreed by the parties to be the record date to determine entitlements to receive Scheme Consideration under the Scheme.

Register means the register of members of Target.

Registered Address means, in relation to a Target Shareholder, the address of the shareholder shown in the Register.

Scheme means a scheme of arrangement under Part 5.1 of the Corporations Act between Target and the Scheme Shareholders set out in this document subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by each party.

Scheme Consideration means the consideration provided by Bidder for the transfer of the Scheme Shares held by Scheme Shareholders to Bidder, being:

- (a) the Scrip Scheme Consideration; and
- (b) if the Target grants the Bidder the Loan and the Implementation Date is after the TOT Distribution Record Date (and prior to the End Date), the Cash Scheme Consideration.

For the avoidance of doubt, if the Implementation Date occurs prior to the TOT Distribution Record Date or after the End Date, the Cash Scheme Consideration does not form part of the Scheme Consideration.

Scheme Implementation Deed means the Scheme Implementation Deed between Target and Bidder dated 14 October 2019 relating to the implementation of the Scheme.

Scheme Meeting means the Scheme Shareholders' meeting or meetings ordered by the Court to be convened under section 411(1) in relation to the Scheme.

Scheme Shares means the Target Shares on issue on the Record Date excluding any Target Shares registered to the Bidder Nominee.

Scheme Shareholder means each Target Shareholder as at the Record Date, taking into account registration of all registrable transfers and transmission applications in accordance with clause 6.1, excluding the Bidder Nominee.

SCHEDULE 2 - SCHEME CONT.

Scrip Scheme Consideration means 0.9833 Bidder Units for each Scheme Share held by a Scheme Shareholder as at the Record Date.

Second Court Date means the first day on which the Court hears the application for an order under section 411(4)(b) of the Corporations Act approving the Scheme or, if the application is adjourned or subject to appeal for any reason, the first day on which the adjourned or appealed application is heard.

Share Scheme Transfer means, for each Scheme Shareholder, a duly completed and executed proper instrument of the Scheme Shares held by that Scheme Shareholder for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.

Target Share means each fully paid ordinary share in the capital of Target.

Target Share Registry means Link Market Service Limited.

Target Shareholder means each person who is registered in the Register as a holder of Target Shares.

TOT Active Fund means the 360 Capital Total Return Active Fund (ARSN 602 303 613).

TOT Active Fund Unit means a fully paid ordinary unit in TOT Active Fund.

TOT Passive Fund means the 360 Capital Total Return Passive Fund (ARSN 602 304 432).

TOT Passive Fund Unit means a fully paid ordinary unit in TOT Passive Fund.

Trust Account means the trust account operated by or on behalf of Target to hold the Cash Scheme Consideration on trust for the purpose of paying the Cash Scheme Consideration to the Scheme Shareholders in accordance with clause 5.2.

1.2 Rules for interpreting this document

Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
 - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (iii) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.

- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The words **officer** and **security interest** have the same meaning as in section 9 of the Corporations Act.
- (g) The expression **related body corporate** has the same meaning given in section 50 of the Corporations Act.
- (h) All references to time in this document are references to Sydney, Australia.
- (i) A reference to **\$** or **dollar** is to Australian currency.

1.3 **Non-Business Days**

If the day on or by which a person must do something under this document is not a Business Day the person must do it on or by the previous Business Day.

2. **CONDITIONS PRECEDENT**

2.1 **Conditions precedent to the Scheme**

The Scheme is conditional on the following:

- (a) as at 8.00am on the Second Court Date, the Deed Poll not having been terminated;
- (b) all the conditions set out in clause 3.2 of the Scheme Implementation Deed, other than the conditions in clause 3.2(d), having been satisfied or waived in accordance with the terms of the Scheme Implementation Deed;
- (c) the Court having approved the Scheme, with or without any modification or condition, pursuant to section 411(4)(b) of the Corporations Act, and if applicable, Target and Bidder having accepted in writing any modification or condition made or required by the Court under section 411(6) of the Corporations Act; and
- (d) the coming into effect, pursuant to section 411(10) of the Corporations Act, of the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

2.2 **Conditions precedent and operation of clause 5**

The satisfaction of each condition of clause 2.1 of this Scheme is a condition precedent to the operation of clause 5 of this Scheme.

2.3 **Certificate in relation to conditions precedent**

- (a) Target and Bidder must provide to the Court on the Second Court Date a certificate confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent set out in clause 2.1 of this Scheme (other than the conditions precedent in clause 2.1(c) and 2.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.
- (b) The certificate referred to in this clause 2.3(a) will constitute conclusive evidence of whether the conditions precedent referred to in clause 2.1 of this Scheme (other than the conditions precedent in clause 2.1(c) and 2.1(d) of this Scheme) have been satisfied or waived as at 8.00am on the Second Court Date.

SCHEDULE 2 - SCHEME CONT.

3. SCHEME

3.1 Effective Date

Subject to clause 3.2, the Scheme takes effect pursuant to section 411(10) of the Corporations Act on the Effective Date.

3.2 End Date

The Scheme will lapse and be of no effect if the Effective Date has not occurred on or before the End Date.

4. THE SCHEME

4.1 Lodgement of Court orders with ASIC

If the conditions precedent set out in clause 2.1 of this Scheme (other than the condition precedent in clause 2.1(d) of this Scheme) are satisfied, Target must lodge with ASIC in accordance with section 411(10) of the Corporations Act an office copy of the order of the Court approving the Scheme under section 411(4)(b) of the Corporations Act as soon as possible, and in any event by no later than 4.00 pm on the first Business Day after that office copy is received (or any later date agreed in writing by Bidder).

4.2 Transfer and registration of Scheme Shares

On the Implementation Date subject to the provision of the Scheme Consideration in accordance with the Scheme and Bidder having provided Target with written confirmation of the provision of the Scheme Consideration:

- (a) all Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder Nominee without the need for any further act by any Scheme Shareholder (other than acts performed by Target as attorney and agent for the Scheme Shareholders under the Scheme) by:
 - (i) Target delivering to Bidder for execution duly completed and, if necessary, stamped Share Scheme Transfers to transfer the Scheme Shares to Bidder Nominee, duly executed by Target as the attorney and agent of each Scheme Shareholder as transferor under clauses 7.2 and 7.3;
 - (ii) Bidder Nominee executing the Share Scheme Transfers as transferee and delivering them to Target for registration; and
- (b) as soon as practicable after receipt of the duly executed Share Scheme Transfer, Target must enter or procure entry of the name of Bidder Nominee in the Target Register as the holders of all the Scheme Shares; and

4.3 Entitlement to Scheme Consideration

On the Implementation Date, in consideration for the transfer to Bidder Nominee of the Scheme Shares, each Scheme Shareholder will be entitled to receive the Scheme Consideration in respect of each of their Scheme Shares in accordance with clause 5 of this Scheme.

4.4 Title and rights in Scheme Shares

Subject to the provision of the Scheme Consideration for the Scheme Shares as contemplated by clause 5 of this Scheme, on and from the Implementation Date, Bidder Nominee will be beneficially entitled to the Scheme Shares transferred to it under the

Scheme, pending registration by Target of Bidder Nominee in the Register as the holder of the Scheme Shares.

4.5 Agreement to become member of Bidder

Each Scheme Shareholder agrees for all purposes to become a unitholder of Bidder (without the need for any further act on its part) and to be bound by the constituent documents of Bidder.

4.6 Target Shares transferred free from encumbrance

To the extent permitted by law, the Scheme Shares (including any rights and entitlements attaching to those shares) transferred to Bidder Nominee under the Scheme will be transferred (subject to Target's constitution) free from all security interests (including mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise).

4.7 Warranty by Scheme Shareholders

Each Scheme Shareholder warrants to Bidder and Bidder Nominee and is deemed to have authorised Target to warrant to Bidder and Bidder Nominee as agent and attorney for the Scheme Shareholder, that:

- (a) all its Scheme Shares (including any rights and entitlements attaching to those Shares) will, as at the time of the transfer of them to Bidder Nominee, be fully paid and (subject to Target's constitution) free from all security interests (including mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise), and from any restrictions on transfer of any kind; and
- (b) that it has full power and capacity to sell and to transfer its Scheme Shares (including any rights and entitlements attaching to those shares) to Bidder Nominee under the Scheme.

5. SCHEME CONSIDERATION

5.1 Consideration under the Scheme

On the Implementation Date, Target must procure that, in consideration for the transfer to Bidder Nominee of the Scheme Shares, Bidder:

- (a) issues to the Scheme Shareholders (or to the nominee in the case of Ineligible Overseas Shareholders, in accordance with clause 5.6) the Scrip Scheme Consideration; and
- (b) pays to the Scheme Shareholders the Cash Scheme Consideration (if applicable),

in accordance with this clause 5.

5.2 Satisfaction of obligations for Cash Scheme Consideration (if applicable)

The obligation of Bidder to procure payment of the Cash Scheme Consideration pursuant to clause 5.1 (if applicable) of this Scheme will be satisfied by Target procuring Bidder no later than 2 Business Days before the Implementation Date to deposit (or procure the deposit) in Immediately Available Funds the aggregate amount of the Cash Scheme Consideration payable to all Scheme Shareholders into the Trust Account (except that the amount of any interest on the amount deposited will be to Bidder's account).

SCHEDULE 2 - SCHEME CONT.

5.3 **Payment of Cash Scheme Consideration (if applicable)**

- (a) Within 2 Business Days after the Implementation Date, subject to receipt of the Scheme Consideration from Bidder in accordance with clause 5.2 of this Scheme, Target must pay to each Scheme Shareholder an amount equal to the Cash Scheme Consideration for each Scheme Share transferred to Bidder Nominee on the Implementation Date by that Scheme Shareholder.
- (b) Unless otherwise directed by the Scheme Shareholders before the Record Date, the amounts referred to in this clause 5.3 of this Scheme must be paid by direct credit or sending a cheque drawn on an Australian bank in Australian currency on the Implementation Date to each Scheme Shareholder by pre-paid ordinary post (or, if the address of the Scheme Shareholders in the Register is outside Australia, by pre-paid airmail post) to their address recorded in the Register on the Record Date.

5.4 **Unclaimed monies**

Target may cancel a cheque issued under clause 5.3 of this Scheme if the cheque:

- (a) is returned to Target; or
- (b) has not been presented for payment within 6 months after the date on which the cheque was sent.

During the period of 1 year commencing on the Implementation Date, on request from a Scheme Shareholder, Target must reissue a cheque that was previously cancelled under this clause 5.4.

5.5 **Orders of a Court**

In the case of notice having been given to Target (or the Registry) of an order made by a court of competent jurisdiction:

- (a) which requires payment to a third party of a sum in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with clause 5 of this Scheme, then Target must procure that payment is made in accordance with that order; or
- (b) which would prevent Target from dispatching payment to any particular Scheme Shareholder in accordance with clause 5.3 of this Scheme, Target will retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Cash Scheme Consideration until such time as payment in accordance with clause 5.3 of this Scheme is permitted by law.

5.6 **Ineligible Overseas Shareholders**

- (a) Ineligible Overseas Shareholders are not entitled to be issued the Scrip Scheme Consideration under clause 4.3 and 5.1(a). Instead, the Scrip Scheme Consideration that, but for this clause, would be issued to the Ineligible Overseas Shareholders will be issued to a person nominated by Bidder for this purpose (the **Nominee**).
- (b) Where the Nominee is issued Scrip Scheme Consideration under this clause, Bidder will cause:
 - (i) the Nominee, as soon as reasonably practicable (but, in any case within 15 Business Days after the Implementation Date), to offer all the Bidder Units comprising such Scrip Scheme Consideration for sale on ASX in such manner, at such price or prices and on such other terms as the Nominee

determines in good faith (and at the risk of the Ineligible Overseas Shareholders); and

- (ii) as reasonably practicable but in any case within 10 Business Days after settlement of all the sales of the Bidder Units comprising the Scrip Scheme Consideration issued to the Nominee having occurred, to be remitted to each Ineligible Overseas Shareholder the same proportion of the net proceeds of sale of all such shares (after deduction of any fees and taxes and other charges and costs of sale) as the Scrip Scheme Consideration issued to the Nominee in respect of that Ineligible Overseas Shareholder bears to the total number of Bidder Units issued to and sold by the Nominee under paragraph (i).
- (c) Each Ineligible Overseas Shareholder appoints Bidder as its agent to receive on its behalf any financial services guide or other notice that may be given under the Corporations Act by the Nominee to each Ineligible Overseas Shareholder for or in connection with its appointment or the sales.
- (d) Neither Target nor Bidder make any representation as to the amount of proceeds of sale to be received by Ineligible Overseas Shareholders under the Ineligible Overseas Shareholder Sale Facility. Both Target and Bidder expressly disclaim any fiduciary duty to the Ineligible Overseas Shareholders which may arise in connection with the Ineligible Overseas Shareholder Sale Facility.

5.7 Shares to rank equally

Bidder covenants in favour of Target (in its own right and on behalf of the Scheme Shareholders) that:

- (a) the New Bidder Units will rank equally in all respects with all existing Bidder Units;
- (b) it will do everything reasonably necessary to ensure that trading in the New Bidder Units commences by the first Business Day after the Implementation Date; and
- (c) on issue, each New Bidder Unit will be fully paid and free from all security interests (including mortgages, charges, liens, encumbrances, pledges, security interests and interests of third parties of any kind, whether legal or otherwise).

5.8 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any Bidder Units to be issued under this Scheme must be issued and registered in the names of the joint holders and entry in the TOT Register must take place in the same order as the holders' names appear in the Register;
- (b) any cheque required to be sent under this Scheme will be payable to the joint holders and sent to the holder whose name appears first in the Register as at the Record Date; and
- (c) any document required to be sent under this Scheme, will be forwarded to the holder whose name appears first in the Register as at the Record Date.

6. DEALINGS IN TARGET SHARES

6.1 What Target Share dealings are recognised?

To establish the persons who are Scheme Shareholders, dealings in Target Shares will be recognised by Target only if:

SCHEDULE 2 - SCHEME CONT.

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the Target Shares as at the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in registrable form in respect of those dealings are received at the Target Share Registry at or before the Record Date.

6.2 **Target to register transfer and transmission applications**

Target must register any registrable transfers and transmission applications of the Scheme Shares received in accordance with clause 6.1(b) by the Record Date.

6.3 **Transfers received after Record Date not recognised**

Target will not accept for registration, nor recognise for any purpose, any transfer or transmission application in respect of Scheme Shares received after the Record Date (except a transfer to Bidder Nominee pursuant to this Scheme and any subsequent transfer by Bidder Nominee or its successors in title).

6.4 **No disposal after Effective Date**

If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport or agree to dispose of any Scheme Shares or any interest in them after the Effective Date in any way except as set out in this Scheme and any such disposal will be void and of no legal effect whatsoever.

6.5 **Target to maintain Register to determine entitlements**

In order to determine entitlements to the Scheme Consideration, Target will maintain, or procure the maintenance of, the Register in accordance with this clause 6.5 until the Scheme Consideration has been paid to Scheme Shareholders and the Register in this form will solely determine entitlements to the Scheme Consideration.

6.6 **Holding statements no effect from Record Date**

From the Record Date, all holding statements for Scheme Shares (other than statements of holding in favour of Bidder Nominee and its successors in title) will cease to have effect as documents of title (or evidence thereof) and each entry on the Register at the Record Date will cease to have any effect other than as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration.

6.7 **Target to provide contact information for Scheme Shareholders**

As soon as practicable after the Record Date and in any event at least three Business Days before the Implementation Date, Target will give to Bidder or procure that Bidder be given details of the name, Registered Address and the number of Scheme Shares held by each Scheme Shareholder, as shown in the Register at the Record Date, in whatever form Bidder reasonably requires.

6.8 **Suspension of trading**

Suspension of trading in Target Shares on the stock market conducted by ASX will occur from the close of trading on the Effective Date.

6.9 Target to apply for termination of quotation of Target Shares

On a date after the Implementation Date to be determined by Bidder, Target will apply for termination of the official quotation on the stock market conducted by ASX of Target Shares and must apply to have itself removed from the official list of ASX.

7. GENERAL PROVISIONS

7.1 Target giving effect to the Scheme

Target must do anything (including execute any document) that is necessary or expedient to implement, and perform its obligation under, this Scheme. Without limiting Target's power under the Scheme, Target has power to do all things that it considers necessary or desirable to give effect to the Scheme and the Scheme Implementation Deed.

7.2 Scheme Shareholders' agreements and consents

Each Scheme Shareholder:

- (a) agrees to the transfer of their Target Shares, together with all rights and entitlements attaching to those Target Shares, to Bidder Nominee, in accordance with the Scheme; and
- (b) irrevocably consents to Target doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, expedient or incidental to Implementation and to give full effect to the Scheme and the transactions contemplated by it and Target, as agent of each Scheme Shareholder, may sub-delegate its functions under this document to any of its directors and officers, jointly and severally;

without the need for any further act by the Scheme Shareholder.

7.3 Appointment of Target as attorney of Scheme Shareholders

Each Scheme Shareholder, without the need for any further act by any Scheme Shareholder, irrevocably appoints Target and each of its directors and officers, jointly and severally, on and from the Effective Date, as the Scheme Shareholder's attorney and agent,

- (a) to execute any document or do any other act necessary, expedient or incidental to give full effect to the Scheme and the transactions contemplated by it, including the effecting of a valid transfer or transfers (or execution and delivery of any Share Scheme Transfer) under clause 4; and
- (b) to enforce the Deed Poll against Bidder,

and Target accepts such appointment.

7.4 No liability when acting in good faith

Without prejudice to the parties' rights under the Scheme Implementation Deed, neither Target nor Bidder, nor any of their respective officers, will be liable for anything done or omitted to be done in the performance of this Scheme in good faith.

7.5 Binding effect of Scheme

Each Scheme Shareholder acknowledges that the Scheme binds Target and all Scheme Shareholders from time to time, including those who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme.

SCHEDULE 2 - SCHEME CONT.

7.6 **Alteration or condition to Scheme**

If the Court proposes to approve the Scheme subject to any alteration or condition Target may, by its counsel or solicitors, but subject to the prior approval of Bidder (which may not be unreasonably withheld or delayed), consent on behalf of all persons concerned, including each Scheme Shareholder, to those alterations or conditions.

7.7 **Deed Poll**

Target undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against Bidder for and on behalf of each Scheme Shareholder.

7.8 **Notices**

Where a notice, transfer, transmission application, direction or other communication referred to in the Scheme is sent by post to Target, it will be deemed to be received on the date (if any) on which it is actually received at Target's registered office or Share Registry and on no other date.

7.9 **Costs and stamp duty**

Bidder must pay for or reimburse all stamp duty payable on this document or any instrument or transaction contemplated in or necessary to give effect to this document (including any fees, fines, penalties and interest in connection with any of those amounts) and is authorised to apply for and retain the proceeds of any refund due in respect of stamp duty paid by the Bidder under this clause 7.9.

7.10 **Governing law**

This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of the State of New South Wales within the Commonwealth of Australia.

7.11 **Serving documents**

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address set out in the Details.

SCHEDULE 1

Deed Poll

SCHEDULE 3

DEED POLL



Deed Poll

360 Capital FM Limited as responsible entity of 360
Capital Total Return Active Fund and 360 Capital Total
Return Passive Fund

ACN 090 664 396

Deed Poll relating to proposed Scheme of
Arrangement between URB Investments Limited
and its members

DEED POLL

THIS DEED POLL is made on

DATE 31 October 2019

BY

360 Capital FM Limited ACN 090 664 396 as responsible entity of 360 Capital Total Return Active Fund and 360 Capital Total Return Passive Fund (**Bidder**)

FOR THE BENEFIT OF

Each holder of Scheme Shares as at the Record Date (**Scheme Shareholder**)

RECITALS

- (A) The directors of Target have resolved that Target should propose the Scheme.
- (B) The effect of the Scheme will be that all Scheme Shares will be transferred to Bidder Nominee.
- (C) URB Investments Limited ACN 615 320 262 (**Target**) and Bidder have entered into the Scheme Implementation Deed.
- (D) Under the Scheme Implementation Deed, Target has agreed to propose the Scheme, pursuant to which (among other things) the Scheme Shareholders will transfer to Bidder Nominee, and Bidder Nominee is to acquire, all the Scheme Shares, and Bidder is to provide the Scheme Consideration to each Scheme Shareholder.
- (E) Bidder is executing this document to covenant in favour of each Scheme Shareholder to perform the obligations contemplated of it under the Scheme.

THE BIDDER DECLARES AS FOLLOWS

1. INTERPRETATION

1.1 Definitions

The following definition applies in this document.

Scheme Implementation Deed means the scheme implementation deed between Target and Bidder dated 14 October 2019.

Words and expressions that are defined in the Scheme or Scheme Implementation Deed (other than words and expressions defined in this document) have the same meaning in this document as given to them in the Scheme Implementation Deed, unless the context makes it clear that a definition is not intended to apply.

1.2 Rules for interpreting this document

The rules in clause 1.2 of the Scheme Implementation Deed apply in interpreting this document, unless the context makes it clear that a rule is not intended to apply.

2. NATURE OF THIS DOCUMENT

Each of Bidder and Bidder Nominee acknowledges and agrees that:

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SCHEDULE 3 - DEED POLL CONT.

- (a) this document is a deed poll and may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not parties to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Target and each of its directors and officers, jointly and severally, as its agent and attorney to enforce this document against Bidder.

3. CONDITIONS PRECEDENT AND TERMINATION

3.1 Conditions precedent

The obligations of Bidder and Bidder Nominee under this document are subject to the Scheme becoming Effective.

3.2 Termination

The obligations of the Bidder and Bidder Nominee under this document will automatically terminate and the terms of this document will be of no further force or effect if:

- (a) the Scheme has not become Effective on or before the End Date; or
 - (b) the Scheme Implementation Deed is terminated in accordance with its terms,
- unless Target and Bidder otherwise agree (and, if required, as approved by the Court).

3.3 Consequences of termination

If this document is terminated pursuant to clause 3.2 then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bidder and Bidder Nominee are released from their obligations to further perform this document except those obligations contained in clause 9.1 and any other obligations which by their nature survive termination; and
- (b) each Scheme Shareholder retains any rights, powers or remedies it has against Bidder and Bidder Nominee in respect of any breach of this document which occurred before this document was terminated.

4. PERFORMANCE OF OBLIGATIONS GENERALLY

Bidder will comply with its obligations under the Scheme Implementation Deed and do all acts and things necessary or desirable on its part to give full effect to the Scheme.

5. SCHEME CONSIDERATION

5.1 Compliance with Scheme obligations generally

Subject to clause 3, in consideration of the transfer of each Scheme Share to Bidder Nominee in accordance with the Scheme, Bidder covenants in favour of each Scheme Shareholder that it will duly and punctually observe and perform all obligations contemplated of it under the Scheme, including all obligations contemplated of it relating to the provision of the Scheme Consideration in accordance with the Scheme.

5.2 Provision of Scrip Scheme Consideration

- (a) Subject to clause 3, Bidder will on the Implementation Date, issue to each Scheme Shareholder (or to a nominee appointed by Bidder in respect of Ineligible Overseas

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Shareholders) the Scrip Scheme Consideration in accordance with clause 2.5 of the Scheme Implementation Deed.

- (b) The New Bidder Units to be issued under the Scheme will be validly issued and fully paid up, be free from any Security Interest (other than as provided for under the constitution of Bidder) and will rank equally in all respect with all other Bidder Units on issue as at the Implementation Date.

5.3 **Payment of Cash Scheme Consideration**

Subject to clause 3, if applicable pursuant to the Scheme Implementation Deed, Bidder covenants in favour of each Scheme Shareholder to pay the Cash Scheme Consideration to the Trust Account on behalf of each Scheme Shareholder in accordance with the Scheme.

5.4 **Manner of payment**

Bidder's undertaking to provide the Cash Scheme Consideration to Target on behalf of each Scheme Shareholder is satisfied by Bidder, no later than 2 Business Days before the Implementation Date, depositing in Immediately Available Funds the aggregate amount of the Cash Scheme Consideration payable to all Scheme Shareholders into the Trust Account (except that the amount of any interest on the amount deposited will be to Bidder's account).

5.5 **Joint holders**

In the case of Scheme Shares held in joint names any bank cheque required to be paid to the Scheme Shareholders by Bidder must be payable to the joint holders and be forwarded to the holder whose name appears first in the Register as at the Record Date.

6. **REPRESENTATIONS AND WARRANTIES**

Each of Bidder and Bidder Nominee represents and warrants in favour of each Scheme Shareholder that:

- (a) **(status)** it has been incorporated or formed in accordance with the laws of its place of incorporation or formation, is validly existing under those laws and has power and authority to own its assets and carry on its business as it is now being conducted;
- (b) **(power)** it has full legal capacity and power to execute this document and to carry out the transactions that this document contemplates;
- (c) **(corporate authority)** it has taken all corporate action that is necessary or desirable to authorise its execution of this document and its carrying out of the transactions that this document contemplates;
- (d) **(documents effective)** this document is valid and binding on it and enforceable against it in accordance with its terms;
- (e) **(no adverse regulatory action)** no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this document and, to the knowledge of Bidder, no such regulatory action has been threatened or is proposed to be taken against Bidder;
- (f) **(no contravention)** the entry by it into, its compliance with its obligations and the exercise of its rights under, this document do not and will not conflict with:

SCHEDULE 3 - DEED POLL CONT.

- (i) its constituent documents or cause a limitation on its powers or the powers of its directors to be exceeded;
- (ii) any law binding on or applicable to it or its assets; or
- (iii) any encumbrance or document binding on or applicable to it; and
- (g) **(authorisations)** it has in full force and effect each authorisation necessary for it to enter into this document, to comply with its obligations and exercise its rights under it, and to allow them to be enforced; and
- (h) **(solvent)** it is not Insolvent.

7. CONTINUING OBLIGATIONS

This document is irrevocable and, subject to clause 3, remains in full force and effect until the earlier of:

- (a) Bidder and Bidder Nominee having fully performed its obligations under this document; or
- (b) termination of this document pursuant to clause 3.2.

8. NOTICES

8.1 How to give a notice

A notice or other communication to a person in respect of this document is only effective if it is:

- (a) in writing, legible and in English, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) either:
 - (i) delivered or sent by pre-paid mail (by airmail, if the addressee is overseas) to that person's address; or
 - (ii) sent by email to the address referred to in clause 8.4.

8.2 When a notice is given

A notice, consent or other communication that complies with this clause is regarded as given and received:

- (a) if it is sent by mail:
 - (i) within Australia – three Business Days after posting; or
 - (ii) to or from a place outside Australia – seven Business Days after posting.
- (b) if sent by email:
 - (i) when the sender receives an automated message confirming delivery; or

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- (ii) four hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

8.3 Receipt outside business hours

Despite anything else in this clause 8 if communications are received or taken to be received under clause 8.2(b) (*When a notice is given*) after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in clause 8.4 as the address of the recipient and the time of receipt is the time in that place.

8.4 Address for notices

The mail address and email address for Bidder and Bidder Nominee are those set out below:

Bidder

Address: 360 Capital Group, Level 8, 56 Pitt Street, Sydney, NSW 2000
Email Address: tony.pitt@360capital.com.au
Attention: Tony Pitt

Bidder Nominee

Address: 360 Capital Group, Level 8, 56 Pitt Street, Sydney, NSW 2000
Email Address: tony.pitt@360capital.com.au
Attention: Tony Pitt

9. GENERAL

9.1 Stamp duty and registration fees

Bidder:

- (a) agrees to pay or reimburse all stamp duty, registration fees and similar taxes payable or assessed as being payable in connection with this document or any other transaction contemplated by this document (including any fees, fines, penalties and interest in connection with any of these amounts); and
- (b) indemnifies and agrees to keep indemnified each Scheme Shareholder against, and agrees to reimburse and compensate it, for any liability in respect of stamp duty under clause 9.1(a).

9.2 Amendment

A provision of this document or any right created under it may not be altered, varied or otherwise amended unless:

- (a) before the First Court Date, the variation is agreed to by Target and Bidder in writing; or
- (b) on or after the First Court Date, the variation is agreed to by Target and Bidder, and the Court indicates that the variation, alteration or amendment would not itself preclude approval of the Scheme,

SCHEDULE 3 - DEED POLL CONT.

in which event each of Bidder and Bidder Nominee executes a further deed poll in favour of each Scheme Shareholder giving effect to the variation, alteration or amendment.

9.3 **Partial exercising of rights**

Unless this document expressly states otherwise, if Bidder or Bidder Nominee does not exercise a right, power or remedy in connection with this document fully or at a given time, it may still exercise it later.

9.4 **Assignment**

The rights and obligations of Bidder, Bidder Nominee and of each Scheme Shareholder under this document are personal and, except with the prior written consent of Target and Bidder cannot be assigned, encumbered, charged or otherwise dealt with.

9.5 **Operation of this document**

- (a) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

9.6 **Further steps**

Each of Bidder and Bidder Nominee agrees, at its own expense, to do anything including executing all documents and do all things (on its own behalf or on behalf of each Scheme Shareholder) necessary or expedient to give full effect to this document and the transactions contemplated by it.

9.7 **Governing law**

- (a) This document and any dispute arising out of or in connection with the subject matter of this document is governed by the laws of the State of New South Wales.
- (b) Bidder submits to the non-exclusive jurisdiction of the courts of that state, and courts of appeal from them, in respect of any proceedings arising out of or in connection with the subject matter of this document.

9.8 **Serving documents**

Without preventing any other method of service, any document in an action in connection with this document may be served on Bidder or Bidder Nominee by being delivered or left at its respective address set out in clause 8.4.

EXECUTED as a deed poll.

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**SIGNED, SEALED AND DELIVERED by
360 CAPITAL FM LIMITED AS
RESPONSIBLE ENTITY OF 360 CAPITAL
TOTAL RETURN ACTIVE FUND:**



Signature of director

Tony Pitt

Name



Signature of director/secretary

Jennifer Vercoe

Name

**SIGNED, SEALED AND DELIVERED by
360 CAPITAL FM LIMITED AS
RESPONSIBLE ENTITY OF 360 CAPITAL
TOTAL RETURN PASSIVE FUND:**



Signature of director

Tony Pitt

Name



Signature of director/secretary

Jennifer Vercoe

Name

SCHEDULE 4

NOTICE OF SCHEME MEETING

Notice of Scheme Meeting

URB Investments Limited (ABN) (**URB**) hereby gives notice that by an order of the Federal Court of Australia (**Court**) made on 4 November 2019 pursuant to section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), an extra-ordinary meeting of URB Shareholders (other than 360 Capital FM Limited)(**Scheme Meeting**) will be held at:

Time: 9.00am (Sydney time)

Scheme Meeting date: Friday, 6 December 2019

Place: Brickworks Design Studio, 2 Barrack Street, Sydney NSW 2000.

BUSINESS OF MEETING

Scheme Resolution

To consider and, if thought fit, to agree (with or without amendment) the following resolution:

'That pursuant to, and in accordance with, section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed to be entered into between URB Investments Limited and the holders of its fully paid ordinary shares, excluding 360 Capital FM Limited, as contained in and more precisely described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (with or without modification as approved by the Federal Court of Australia).'

INFORMATION ABOUT THE SCHEME

Information about the Scheme is set out in the Booklet, of which this notice forms part. Terms used in this notice have the same meaning as set out in the Glossary in Section 15 of the Booklet, unless indicated otherwise.

PURPOSE OF THE SCHEME MEETING

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree (with or without modification) to a scheme of arrangement proposed to be made between URB and the holders of its fully paid ordinary shares.

CHAIR OF THE SCHEME MEETING

The Court has directed that Mr Warwick Negus, or failing him Mr Robert Dungey, be Chair of the Scheme Meeting and has directed the Chair of the Scheme Meeting to report the result of the Scheme Meeting to the Court.

VOTING

The URB Directors unanimously recommend that you vote in favour of the resolution at the Scheme Meeting, in the absence of a superior proposal. Each Director intends to vote all their ordinary shares held by or on behalf of them at the time of the Scheme Meeting in favour of the resolution on the Scheme, in the absence of a superior proposal.

By order of the URB Board

4 November 2019

Jaime Pinto

Company Secretary

NOTES TO THE NOTICE OF SCHEME MEETING

SCHEME BOOKLET

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Booklet, of which this Notice of Scheme Meeting forms part.

COURT APPROVAL

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) must be approved by an order of the Court. If the resolution put to the Scheme Meeting is passed by the Requisite Majority of URB Shareholders and the other conditions of the Scheme are satisfied, URB intends to apply to the Court on Tuesday, 10 December 2019 for approval of the Scheme.

VOTING AND PROXY INSTRUCTIONS

YOUR VOTE IS IMPORTANT

You are entitled to vote at the Scheme Meeting only if you are registered as a shareholder of URB at 7.00pm (Sydney time) on Wednesday, 4 December 2019.

*The time for the purposes of determining voting entitlements is pursuant to regulation 7.11.37 of the Corporations Regulations.

Entitlement to vote

Pursuant to Corporations Regulations 7.11.37 and 7.11.38, the URB Board have determined that for the purposes of determining voting entitlement at the meeting, URB Shares will be taken to be held by persons who are registered as URB Shareholders on the Share Register at 7.00pm (Sydney time) on Wednesday, 4 December 2019 (other than 360 Capital FM Limited).

Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Scheme Meeting.

Voting procedure

The Chair of the meeting intends to put the resolution set out in the agenda to a poll at the meeting. Voting results will be announced to the Australian Securities Exchange (**ASX**) as soon as practicable after the meeting.

The Chair of the meeting intends to vote any undirected proxies in favour of the Scheme Resolution.

Requisite Majority

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be passed by:

- a majority in number (more than 50%) of eligible URB Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate URB Shareholders, by corporate representative); and
- at least 75% of the total number of votes cast by eligible URB Shareholders on the Scheme Resolution.

Registration

You should arrive at the meeting venue 30 minutes before the time designated for the Scheme Meeting, if possible, so that your shareholding can be checked against URB's Share Register and attendances noted. Attorneys should bring with them original or certified copies of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting.

Appointing a proxy

If you are unable to attend the meeting, you may appoint a proxy to attend and vote on your behalf. A proxy need not be a shareholder of URB and may be an individual or a body corporate. If you wish to appoint a proxy, please complete the enclosed Scheme Meeting Proxy Form.

NOTES TO THE NOTICE OF SCHEME MEETING CONT.

A shareholder entitled to attend and cast at least two votes at the meeting is entitled to appoint two proxies. If a shareholder appoints two proxies, the shareholder may specify the proportion or number of votes each proxy may exercise. If a shareholder appoints two proxies but does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half the votes.

If a shareholder appoints two proxies, neither may vote on a show of hands if they both attend the meeting; however, they will be entitled to vote on a poll. The appointment of one or more duly appointed proxies will not preclude a member from attending the meeting and voting personally. The appointment of a proxy is not revoked by the member attending and taking part in the meeting; however, if the member votes on the resolution, the proxy/proxies will not be entitled to vote, and must not vote, as the member's proxy on the resolution.

Appointing an attorney

A shareholder may appoint an attorney to attend and vote at or appoint a proxy to attend and vote at a meeting. If the shareholder is an individual, the power of attorney must be signed in the presence of at least one witness.

Lodgement of proxies

For your vote to count, your proxy form must be received by the URB's Share Registry, Link Market Services Limited, no later than 48 hours prior to the commencement of the Scheme Meeting i.e. by no later than 9.00am (Sydney time) on Wednesday, 4 December 2019.

To lodge your proxy, you may:

- mail it to URB Investments Limited, c/o Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235;
- deliver it by hand to Link Market Services Limited at Level 12, 680 George Street, Sydney NSW 2000 or 1A Homebush Bay Drive, Rhodes NSW 2138;
- fax it to 61 2 9287 0309; or
- lodge it online at www.linkmarketservices.com.au (once logged in using your SRN or HIN click the Voting option at the top of the screen and follow the prompts).

For online proxy lodgement, you will need to enter your SRN or HIN shown at the top right hand side of your personalised proxy form with the notice of meeting. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions on the website.

For additional proxy forms, contact Link Market Services Limited on 1300 554 474 (or from outside Australia, +61 1300 554 474). Further instructions for appointing a proxy are included in the Scheme Meeting Proxy Form.

Power of attorney

If the Scheme Meeting Proxy Form is signed by an attorney, the original power of attorney under which the proxy form was signed, or a certified copy, must be received by Link Market Services at least 48 hours before the meeting i.e. by 9:00am (Sydney time) on Wednesday, 4 December 2019 (unless it has been previously provided). If the appointer of a power of attorney is an individual, the power of attorney must be signed in the presence of at least one witness.

Default of proxy votes to Chair in certain circumstances

If:

- a poll is duly demanded at the meeting in relation to the proposed resolution; and
- a member has appointed a proxy (other than the Chair) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
- that member's proxy is either not recorded as attending the meeting or does not vote on the resolution,

the Chair of the meeting will, before voting on the resolution closes, be taken to have been appointed as the proxy for the member for the purpose of voting on that resolution and must vote in accordance with the written direction of that member.

TO BE VALID, YOUR PROXY FORMS MUST BE RECEIVED BY THE SHARE REGISTRY BY NO LATER THAN 9.00AM (SYDNEY TIME) ON WEDNESDAY, 4 DECEMBER 2019

Corporate representatives

A corporate shareholder, or body corporate appointed as a proxy, may appoint an individual as its representative to attend the meeting and vote on its behalf. Corporate shareholders or proxies who appoint a representative must provide the representative with a properly executed notice of appointment, which the representative must bring to the meeting for the purpose of registration. The appointment may be for this meeting only or for all meetings of URB.

Jointly held securities

If the URB Shares are jointly held, only one of the joint URB Shareholders is entitled to vote. If more than one URB Shareholder votes, only the vote of the URB Shareholder whose name appears first in the Share Register will be counted.

Shareholder questions

If you have any additional questions in relation to this notice or the Scheme, call the Share Registry on 1300 554 474 (within Australia) and +61 1300 554 474 (outside Australia) between the hours of 8.30 am and 5.00pm (Sydney time) Monday to Friday.

LODGE YOUR VOTE



ONLINE
www.linkmarketservices.com.au



BY MAIL
URB Investments Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX
+61 2 9287 0309



BY HAND
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO
Telephone: 1300 554 474 Overseas: +61 1300 554 474



X9999999999

PROXY FORM

I/We being a shareholder(s) of URB Investments Limited and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chair of the Meeting (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **9:00am (AEDT) on Friday, 6 December 2019 at Brickworks Design Studio, 2 Barrack Street, Sydney NSW 2000 (the Meeting)** and at any postponement or adjournment of the Meeting.

The Chair of the Meeting intends to vote undirected proxies in favour of the resolution.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

Resolution

- 1 That pursuant to, and in accordance with, section 411 of the Corporations Act 2001(Cth), the scheme of arrangement proposed to be entered into between URB Investments Limited and the holders of its fully paid ordinary shares (other than 360 Capital FM Limited) as contained in and more precisely described in the Scheme Booklet of which the notice convening this meeting forms part, is approved (with or without modification as approved by the Federal Court of Australia).

For Against Abstain*

| | | |
|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--------------------------|--------------------------|--------------------------|



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

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

URB PRX1902C



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIR OF THE MEETING

If you leave this section blank, or your named proxy does not attend the Meeting, the Chair of the Meeting will be your proxy. If your named proxy attends the Meeting but does not vote on a poll on a resolution in accordance with your directions, the Chair of the Meeting will become your proxy in respect of that resolution. A proxy need not be a shareholder of the Company.

PROXY VOTING BY THE CHAIR OF THE MEETING

On a poll, the Chair of the Meeting will vote directed proxies as directed and may vote undirected proxies as the Chair of the Meeting sees fit. If the Chair of the Meeting is your proxy or becomes your proxy by default, and you do not provide voting directions, then by submitting the Proxy Form you are expressly authorising the Chair of the Meeting to exercise your proxy.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:00am (AEDT) on Wednesday, 4 December 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MOBILE DEVICE

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



BY MAIL

URB Investments Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)



COMMUNICATIONS PREFERENCE

We encourage you to receive all your shareholder communication via email. This communication method allows us to keep you informed without delay, is environmentally friendly and reduces print and mail costs.



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Communications' and click the first button to receive all communications electronically and enter your email address. To use the online facility, securityholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE SCHEME MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**

CORPORATE DIRECTORY

URB registered office

Level 14
151 Clarence St
Sydney NSW 2000

Share Registry

Link Market Services Limited

Level 12
680 George Street
Sydney NSW 2000

www.linkmarketservices.com.au

T: 1300 554 474

Financial adviser

Andover Corporate Finance Pty Limited
Level 9, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Legal & Tax adviser

Ashurst
Level 11
5 Martin Place
Sydney NSW 2000

T: +61 2 9258 6000

F: +61 2 9258 6999

Independent Expert

Lonergan Edwards & Associates Limited
Level 7
64 Castlereagh Street
Sydney NSW 2000

Auditor

Pitcher Partners
Level 16
Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

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URB Investments Limited
ABN 89 615 320 262