

### **Issued by Equity Trustees Limited**

(ABN 46 004 031 298; AFSL No. 240975)

Financial Advisor of the Offer:



Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832; AFSL No. 240992)(Citi) Lead Manager of the Offer:



Bell Potter Securities Limited (ABN 25 006 390 772) (Bell Potter) Co-Manager of the Offer:



Shaw and Partners Limited (ABN 24 003 221 583) (Shaw and Partners)

# IMPORTANT INFORMATION

# THIS INFORMATION IS IMPORTANT AND REQUIRES YOUR ATTENTION

It is important that you read this document carefully and in its entirety prior to making your investment decision with respect to the Offer. In particular you should pay careful consideration to the risk factors outlined in Section 7 and the tax implications in Section 10 of this document as they relate to your personal investment objectives, financial circumstances and needs. The potential tax effects of the Offer will vary between investors. Other risk factors may exist in addition to those identified in this document which should also be considered in light of your personal circumstances.

#### THE ISSUER

This document is a product disclosure statement (PDS) for the purposes of Part 7.9 of the Corporations Act and has been issued by Equity Trustees Limited (EQT) (ABN 46 004 031 298) (Responsible Entity) as Responsible Entity of the US Student Housing REIT (ARSN 655 096 629) (REIT). The offer contained in this PDS is an initial public offering of new units in the REIT (Units) (Offer). The offer contained in this PDS is an initial public offering of new units in the REIT (Units) (Offer).

### LODGEMENT AND LISTING

This PDS is dated 15 December 2021 and was lodged with the Australian Securities and Investments Commission (ASIC) in accordance with Section 1015B of the Corporations Act on that date. The Responsible Entity will apply for the admission of the REIT to the official list of ASX and the quotation of the Units on ASX within seven days of the date of this PDS. Neither ASIC nor ASX takes any responsibility for the contents of this PDS or the merits of the investment to which this PDS relates.

#### **NOT INVESTMENT ADVICE**

The information contained in this PDS should not be taken as financial product advice and has been prepared as general information only without consideration for your particular investment objectives, financial circumstances or particular needs. In particular you should pay careful consideration to the risk factors outlined in Section 7 in light of your personal circumstances, recognising that other risk factors may exist in addition to those identified and should also be considered before deciding whether to invest. If you have any queries or uncertainties relating to aspects of this PDS or the Offer please consult your stockbroker, accountant or other independent financial adviser before deciding whether to invest. Similarly the tax implications of your investment will vary depending on your personal financial circumstances and investment objectives. You should consider the tax implications outlined in Section 10 of this PDS and obtain your own professional taxation advice prior to deciding whether to invest in this Offer.

#### **EXPOSURE PERIOD**

The Corporations Act prohibits the Responsible Entity from processing Applications in the seven day period after the date of lodgement of the PDS with ASIC (Exposure Period). This period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this PDS to be examined by market participants before the sale of the Units. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

#### **NO COOLING OFF RIGHTS**

Cooling-off rights do not apply to an investment in the Units pursuant to the Offer.

# RIGHTS AND LIABILITIES ATTACHED TO THE SECURITIES

From the date the Units under the Offer are issued, all Units will rank equally in all respects to the Units on issue. Details of the rights and liabilities attached to each Unit are set out in Section 12.1 and in the Constitution of the REIT, copies of which are available for inspection at the registered office of the Responsible Entity within normal trading hours.

#### **ELECTRONIC PDS**

An electronic copy of this PDS may be viewed online by Australian investors at www.usq-reit.com during the Offer Period. If you access the PDS electronically please ensure that you download and read the PDS in its entirety. The Offer to which this PDS relates is available to persons receiving this PDS (electronically or otherwise) in Australia only. It is not available to persons in other jurisdictions other than under the Institutional Offer.

A paper form of this PDS can be obtained, free of charge, during the Offer Period by contacting the REIT's Offer Information Line on 1300 737 760 within Australia and +61 2 9290 9600 from outside Australia (toll free within Australia) between 9:00am and 5:00pm Eastern Standard Time (EST) Monday to Friday.

Applications for Units will only be considered if applied for on an Application Form attached to or accompanied by a copy of this PDS (refer to Section 8 for further information). The Corporations Act prohibits any person from passing the Application Form on to another person unless it is accompanied by this PDS in its paper form or the complete and unaltered electronic form.

#### **OVERSEAS INVESTORS**

This PDS has been prepared to comply with the requirements of Australian law and is only being made to Australian resident Retail

Investors and Institutional Investors in Australia, New Zealand, Hong Kong, Singapore and any other jurisdictions as determined by the Responsible Entity and Lead Manager. This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Distribution of this PDS outside of Australia (whether electronically or otherwise) may be restricted by law. Persons who receive this PDS outside of Australia are required to observe any such restrictions. Failure to comply with such restrictions may find you in violation of applicable securities laws. No action has been taken to register or qualify the Units or the Offer, or to otherwise permit a public offering of Units in any jurisdiction outside Australia. The Units have not been, and will not be registered under the US Units Act and may not be offered or sold in the United States or except in transactions exempt from, or not subject to, the registration requirements of the US Units Act. This PDS may not be distributed in the United States or to any person in the United States. Any person subscribing for Units in the Offer shall by virtue of such subscription be deemed to represent that they are not in a jurisdiction which does not permit the making of an offer or invitation as detailed in this PDS, and are not acting for the account or benefit of a person within such jurisdiction.

Neither of the Responsible Entity, the Lead Manager, nor any of their respective directors, officers, employees, consultants, agents, partners or advisers accepts any liability or responsibility to determine whether a person is able to participate in the Offer. See Section 8 for further details.

### WARNING FOR NEW ZEALAND INVESTORS

The warning statement below is required under the Financial Markets Conduct Regulations 2014 of New Zealand and relates to the Offer and Capital Distribution, which are made pursuant to those Regulations in New Zealand. This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made. There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand [http://www.fma.govt.nz]. The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian financial products is not the same as for New Zealand financial products. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the REITs credited to a bank account in New Zealand in New Zealand dollars. If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

#### **UPDATED INFORMATION**

Information regarding the Offer may need to be updated from time to time. Any updated information about the Offer that is considered not materially adverse to investors will be made available on the REIT's website at www.usq-reit.com. The Responsible Entity will provide a copy of the updated information free of charge to any eligible investor who requests a copy by contacting the REIT's Offer Information Line on 1300 737 760 within Australia and +61 2 9290 9600 from outside Australia (toll free within Australia) between 9:00am and 5:00pm Eastern Standard Time (EST) Monday to Friday during the Offer Period. In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction to this PDS prior to making any investment decision.

#### **VARIATION OF THE OFFER**

At any time prior to the allocation of the Units contemplated in this PDS, the Responsible Entity reserves the right in its absolute discretion, without advance notice and without liability, to vary the Offer or its procedures or to postpone or cancel the Offer.

#### **FINANCIAL INFORMATION**

Section 6 of this PDS sets out in detail the financial information referred to in this PDS and the basis of preparation of that information. The Financial Information in this PDS should be read in conjunction with, and is qualified by reference to, the information contained in Section 6.

All financial amounts contained in this PDS are expressed in Australian dollars and rounded to the nearest A\$1,000 unless otherwise stated. Some numerical figures included in this PDS have been subject to rounding adjustments. Any discrepancies between totals and sums of components in tables contained in this PDS are due to rounding. All fees in the PDS are quoted exclusive of GST unless otherwise stated. All financial information, operational information, and Portfolio statistics contained in this PDS are believed to be current as at the date of this PDS.

The Financial Information includes the Pro Forma Statement of Financial Position of the REIT as at the date on which allotment is expected to occur (Allotment Date) reflecting the structure and pro-forma portfolio of the REIT post Listing, including the impact of funds raised the Offer.

The Forecast Financial Information included in this PDS comprises the Pro Forma Forecast Income Statement and the Pro Forma Forecast Distribution Statement of the REIT for the twelve months ending 31 December 2022 (CY2022). The Pro Forma Statement of Financial Position and the Forecast Financial Information are prepared and presented in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, except where otherwise stated.

The REIT has sought and obtained confirmation from ASIC that historical financial information is not required to be included in this PDS on the basis that the REIT is a recently established trust (and managed investment scheme) and there is therefore limited historical financial information in relation to the assets.

#### **NON-IFRS FINANCIAL INFORMATION**

Investors should be aware that certain financial data included in this PDS is 'non-IFRS financial information' under Regulatory Guide 230 Disclosing non-IFRS financial information, published by ASIC. The Directors believe this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the REIT. The non-IFRS measures do not have standardised

meanings prescribed by Australian Accounting Standards and therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information and ratios included in this PDS.

Investors should also be aware that the PDS contains pro forma financial information. The pro forma financial information provided in this PDS is for illustrative purposes only and is not represented as being indicative of the Directors' views on the future financial condition and/or performance of the REIT. Unless otherwise stated or implied, all pro forma data in this PDS gives effect to the pro forma adjustments referred to in Section 6.

#### **FORWARD-LOOKING STATEMENTS**

Certain "forward-looking statements" have been provided in this PDS. These statements can be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend" "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Preparation of these forwardlooking statements was undertaken with due care and attention, however, forward-looking statements remain subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Responsible Entity and its officers, employees, agents and advisers. Consequently, such factors may impact the performance of the REIT such that actual performance differs materially to any performance indicated in the forward looking statements. Some of the risk factors that impact on forward looking statements in this PDS are set out in Section 7. No assurance can be provided that actual performance will mirror the guidance provided. Other than as required by law, none of the Responsible Entity, its directors, officers, employees or 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 PDS will actually occur. You are cautioned not to place undue reliance on those statements. The forward looking statements in this PDS reflect the views held only immediately before the date of this PDS, unless otherwise stated. Subject to the Corporations Act and any other applicable law, each of the Responsible Entity, its directors, officers, employees and advisers disclaim any duty to disseminate after the date of this PDS any updates or revisions to any such statements to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

# IMPORTANT INFORMATION CONTINUED

#### **LEAD MANAGER PARTIES**

The Lead Manager, their respective affiliates and their respective officers, directors, employees, partners, advisers or agents (the Lead Manager Parties), in their capacity as principal or agent are involved in a wide range of commercial banking and investment banking activities globally in respect of which they may receive fees and other benefits and out of which conflicting interests or duties may arise. These activities may include (without limitation) securities issuing, securities trading, brokerage activities, provision of retail, business, private, commercial and investment banking, investment management, corporate finance. credit and derivative, trading and research products and services or the provision of finance, including (without limitation) in respect of units of the REIT, or loans to the REIT or persons directly or indirectly involved with the Offer or interests associated with such persons. In the ordinary course of these activities, each Lead Manager Party may at any time for their own account, or for the account of their clients or customers, make or hold long or short positions and investments, as well as actively trade or otherwise effect transactions in the debt, equity and hybrid securities (or related derivative securities) or other financial products (including bank loans and other obligations) of the Responsible Entity, the REIT, unitholders, associates and third parties as well as those of other entities and persons and their affiliates which may or may not be involved in or affected by the transaction arising from or relating to the Offer or otherwise have relationships with the Responsible Entity, may finance the acquisition of those units and/or financial products or take or enforce security over those units and/or financial products.

# PHOTOGRAPHS, DIAGRAMS AND ARTIST'S RENDERINGS

Photographs, diagrams and artist's renderings contained in this PDS that do not have accompanying descriptions are intended for illustrative purposes only. They should not be interpreted to mean an endorsement of this PDS or its contents by any person shown in these images. Furthermore assets not accompanied by a description should not be interpreted as being owned by the REIT.

Diagrams used in this PDS are also intended for illustrative purposes only and may not be drawn to scale.

#### **USE OF LOGOS**

Where logos and company names are used in the PDS, the logos and company names are trademarks of their respective holders, owners or registered proprietors (**Trade Mark Owners**).

Except as otherwise expressed in this PDS, use of these logos and company names in the PDS does not imply any affiliation with or endorsement by the relevant Trade Mark

Owner. No Trade Mark Owner has authorised or caused the issue of this PDS, nor has any Trade Mark Owner made any statement in this PDS. Accordingly, no Trade Mark Owner makes any representation regarding, nor takes any responsibility for, any statements or materials in, or omissions from, this PDS.

# DEFINITIONS, ABBREVIATIONS AND OTHER INFORMATION

Explanations of defined terms and abbreviations used throughout this PDS can be found in the PDS Glossary (Section 14). Unless otherwise stated or implied, references to times in this PDS are Sydney, Australia time. Similarly, references to dates or years in this PDS are financial years unless otherwise stated or implied.

#### **PRIVACY**

By filling out an Application Form to apply for Units, you are providing personal information to the Responsible Entity through the Registry that may be personal information for the purposes of the *Privacy Act 1988* (as amended). The Responsible Entity and the Registry on its behalf, collect, hold and use that personal information in order to process your Application. The Responsible Entity may also collect, hold and use that personal information in order to service your needs as a Unitholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Responsible Entity and/or the Registry may not be able to process or accept your Application. Your personal information may also be used from time to time to inform you about other products and services offered by the Responsible Entity, or entities within the REIT which it considers may be of interest to you. Your personal information may also be provided to the Responsible Entity's agents and service providers on the basis that they deal with such information in accordance with their respective privacy policies. These agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Lead Manager in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- investment managers or other financial institutions to facilitate or manage an investment; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Units and for associated actions.

Under the Privacy Act 1988 (as amended), you may request access to your personal information held by (or on behalf of) the Responsible Entity. You may be required to pay a reasonable charge to the Registry in order to access your personal information. You can request access to your personal information by telephoning the Registry on 1300 737 760 (within Australia) and +61 2 9290 9600 (outside of Australia). If any of your information is not correct or has changed, you may request it to be corrected. By submitting an Application, you agree that the Responsible Entity and the Registry may communicate with you in an electronic form or contact you by telephone in relation to the Offer.

#### **DISCLAIMER**

No person is authorised to give any information, or to make any representation, in connection with the Offer that is not contained in this PDS. Any information or representation that is not in this PDS may not be relied on as having been authorised by the Responsible Entity in connection with the Offer. Except as required by law, and only to the extent so required, neither the Responsible Entity, nor any other person, warrants or guarantees the future performance of the REIT or the repayment of capital, or any return on any investment made pursuant to this information. The Lead Manager have not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this PDS and does not make or purport to make any statement in this PDS and there is no statement in this PDS which is based on any statement by the Lead Manager. The Lead Manager and their affiliates, officers and employees, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this PDS and make no representation or warranty as to the currency, accuracy, reliability or completeness of this PDS.

#### **FURTHER QUESTIONS**

If you have any queries relating to aspects of this PDS please call the REIT's Offer Information Line on 1300 737 760 within Australia and +61 2 9290 9600 from outside Australia (toll free within Australia) between 9:00am and 5:00pm (AEST) Monday to Friday (excluding public holidays).



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# **KEY INFORMATION**

Key Offer statistics at Allotment	
Offer Price per Unit	A\$1.38
Offer size	A\$45,000,000 <sup>1</sup>
Number of Units to be issued under the Offer	32,625,000
Total number of Units on issue following Allotment	76,926,078
Market capitalisation at the Offer Price	A\$106,104,935 <sup>2</sup>
Distribution payout ratio <sup>3</sup>	100%
Forecast Adjusted Distribution Yield assuming full utilisation of Foreign Tax Credit (%) per unit (based on offer price)	5.3%
Forecast Adjusted Distribution Yield assuming full utilisation of Foreign Tax Credit and completion of Anticipated Refinance (%) <sup>4</sup> per unit (based on the Offer Price)	6.3%
NTA per Unit	A\$1.31
Offer Price premium to NTA value per Unit	5.2%
Underlying Asset Level Gearing on Completion	63.3%

Key Offer statistics at Allotment	
Number of Properties	11
Independent Valuation <sup>3,5</sup>	US\$189 million
Weighted Average Capitalisation Rate (WACR) <sup>4,6</sup>	5.11%
Occupancy as at October 2021	96.13%

<sup>1.</sup> The REIT is targeting to raise A\$45 million but retains the discretion to accept oversubscriptions or reduce the Offer size.

Assumes an Offer size of A\$45 million.

Assumes an other size of A943 micron.
 The REIT expects to target a distribution payout ratio of 100% of Distributable Income from the REIT.
 Refer section 6.6 Sensitivities for further details on the Anticipated Refinance.
 Independent Valuation as at October 2021.

<sup>6.</sup> Weighted by Independent Valuations.

Important dates	
PDS Lodgement Date	15 December 2021
Broker Firm Offer and Priority Offer opens	17 January 2022
Broker Firm Offer and Priority Offer closes	7 February 2022
Settlement of offer proceeds	11 February 2022
Issue and allotment of Units	14 February 2022
Dispatch of holding statements	16 February 2022
Commencement of trading on a normal settlement basis	16 February 2022

The timetable above is indicative only and may change without notice. The Responsible Entity, with consent from the Lead Manager, reserves the right to amend any or all of these dates and times subject to the Listing Rules, the *Corporations Act 2001* (Cth) and other applicable laws, including closing the Offer early, extending the Offer or accepting late Applications, either generally or in particular cases, without notification.

# **Important dates**

Applicants under the Broker Firm Offer may apply for Units by completing and lodging a valid Application Form attached to or accompanying this PDS with the Broker who invited them to participate in the Offer.

Applicants under the Priority Offer will be invited to apply by the Responsible Entity and should follow the personalised instructions provided.

Further instructions on how to apply for the Units are set out in Section 8 of this PDS and on the back of the Application Form.

If you require a replacement Application Form or have any questions relating to the Offer, please contact the Offer Information Line on 1300 737 760 within Australia and +61 2 9290 9600 from outside Australia (toll free within Australia) between 8:30am and 5:30pm (Sydney time) Monday to Friday (excluding public holidays) during the Offer Period. You should read this PDS carefully and in its entirety, and seek relevant professional advice before making a decision to invest.

To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.



# **REIT** composition

The REIT will be an Australian Real Estate Investment Trust listed on the ASX that will seek to own a portfolio of purpose-built student housing real estate assets within close proximity to top-tier public universities across the United States of America.

The REIT will invest via Delaware vehicles into Investee Companies (Investee Companies) that acquire and manage US student housing assets. The REIT acquired its first property, The Edge, in Texas Tech University, in early 2021. Capital raised will be used to acquire a minimum 90% interest in each property, with Student Quarters investing alongside the REIT for the balance.

### **REIT** objective

The REIT's objective is to provide Unitholders with an opportunity to benefit from both stable income generation and capital growth. This will be achieved through an exposure to a high quality, defensive portfolio of assets with favourable sector trends. The REIT will be actively managed to grow the portfolio through investments across student housing assets.

# Benefits in investing in the REIT

The REIT is expected to offer Unitholders several benefits, including:

- Exposure to a high quality portfolio of defensive student housing assets that are supported by favourable sector trends;
- A high quality management team who have proven student housing expertise and a strong track record for delivering stable and growing returns through a hands-on and active management approach;
- Value-add and growth opportunities driven by a development pipeline; and
- Unique exposure to attractive student housing real estate assets in the United States.



# Description of the Offer

The REIT is seeking to raise A\$45m through the issue of approximately 32.63 million securities at an offer price of A\$1.38 per Unit (the **Offer**), however, the REIT reserves the discretion to accept oversubscriptions or reduce the Offer size. The Offer to the public comprises:

- The Institutional Offer, which consists of an offer to Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Units; and
- The Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Units from their Broker: and
- The Priority Offer, which is open to selected investors nominated by the REIT in eligible jurisdictions, who have received a Priority Offer invitation to acquire Units under this PDS and are not in the United States or acting for the account or benefit of a person in the United States.

Members of the public wishing to subscribe for Units under the Offer must do so through the Broker Firm Offer. An application will be made for the REIT to be listed, and to have Units quoted on the ASX, with a targeted listing date of 16 February 2022.

This PDS contains important information in relation to the REIT, the Offer, and the risks associated with an investment in the REIT. You should read this PDS carefully and in its entirety, and seek relevant professional advice before making a decision to invest. The risks associated with an investment in the REIT are outlined in Section 7.

Should eligible investors have any questions about how to apply for Units, please contact the Offer information line on 1300 737 760 within Australia and +61 2 9290 9600 from outside Australia (toll free within Australia).

On behalf of the Board of Directors, I thank you for considering this opportunity to invest in the US Student Housing REIT and I look forward to welcoming you as a Unitholder.

Yours sincerely,

Philip Gentry

Executive Chairman - Equity Trustees Limited



# 1. INVESTMENT OVERVIEW

# 1.1 Introduction

Topic	Summary	Reference
What is US Student Housing REIT?	US Student Housing REIT will be a real estate investment trust listed on the ASX with a mandate to invest in off campus student housing at large public universities across the Unites States.	Section 2
	US Student Housing REIT's initial Portfolio will consist of 11 assets, with a fair value of US\$189 million.	
What is the REIT's investment objective and	The objective of the REIT is to provide Unitholders with stable and secure income with the potential for both income and capital growth through exposure to a portfolio of high-quality US student housing assets.	Section 2
strategy?	The REIT intends to achieve its objective by:	
	<ul> <li>Targeting properties at public 4-year universities with 10,000+ students, historic and projected enrolment growth, large off-campus resident demand, good supply dynamics and low student debt default ratios.</li> </ul>	
	<ul> <li>Targeting properties with valuations between US\$20m to US\$40m as these are outside of the reach of family run operations, and too small for institutional capital, often resulting in more favourable terms.</li> </ul>	
	<ul> <li>Acquiring and managing purpose-built student housing assets with bed and bath parity that are located within close proximity to campus or the centre of campus activity.</li> </ul>	
	Driving value through operational strategy and capital upgrades.	
What is the REIT's approach to acquiring and	The REIT will target pre-existing off-campus student housing via detailed asset analysis of local market demographics, competitive landscape, quality of operators, sustainability of occupancy, and asset and environmental due diligence.	Section 2
divesting properties?	Asset profiles will be across Core Plus, Value add and Opportunistic strategies:	
	• Core Plus: These assets command a higher yield premium in comparison to Opportunistic but still present a strong capital growth opportunity. Core-Plus assets increase cash flow with light property improvements, management efficiencies or by increasing the quality of tenants. These properties tend to be of superior quality and have a great track record of occupancy.	
	• Value-Add: These assets yields similar returns to Core Plus but can be well positioned assets but in distressed markets, newer properties with management issues, or adolescent properties needing light enhancements to remain competitive.	
	• Opportunistic: These properties may have little to no cash flow at acquisition but have the potential to produce strong cash flow over time. The intention is to add value through a higher initial capex spend to reposition the asset, ideally leading to better cash flow and potential cap rate compression.	

# 1. INVESTMENT OVERVIEW CONTINUED

Topic	Summary	Reference
Will the REIT take on material development risk?	There is no development undertaken, properties are pre-existing and are of 2005 or newer vintage.	Section 2
What is US Student Housing REIT?	US Student Housing REIT will be a real estate investment trust listed on the ASX with a mandate to invest in off campus student housing at large public universities across the United States.	Section 2
	US Student Housing REIT's initial Portfolio will consist of 11 assets, with a fair value of US\$189 million.	

# 1.2. Benefits and risks

Topic	Summary	Reference
What are the benefits associated	There are a number of benefits associated with investing in the REIT which are set out in further detail in Section 2 of this PDS.	Section 2
with an investment in the REIT?	Key benefits include:	
	<ul> <li>Exposure to a diversified portfolio of US student housing assets located within close proximity to large public universities across the United States.</li> </ul>	
	<ul> <li>Defensive asset class – resilient performance through COVID-19 and recessions has attracted institutional capital into the sector.</li> </ul>	
	<ul> <li>Hard asset backed yield – Annual rental growth can provide a hedge against inflation.</li> </ul>	
	• <b>Highly fragmented market</b> – Deep pipeline of opportunities available for experienced owners and operators.	
	• Low reliance on foreign students with >95% of US university enrolments comprised of domestic students.	
	<ul> <li>High barriers to entry – Tightened underwriting standards by agencies and banks has resulted in Loan to Value Ratio's (LVR) reducing, and credit only available to experienced investors with an operating track record in student housing.</li> </ul>	
What are the key risks associated with an investment	There are a number of risks associated with investing in the REIT which are set out in further detail in Section 7 of this PDS. Key risks specific to an investment in the REIT include:	Section 7
in the REIT?	Rental income and expenses risk	
	Distributions made by the REIT are largely dependent on the rents received from tenants across the Portfolio and expenses incurred during operations, which may be affected by a number of factors, including overall economic conditions and property market conditions.	
	Property valuation risk	
	The value of each property held by the REIT may fluctuate due to a number of factors affecting both the property market generally or the REIT's properties in particular. A reduction in the value of any property may adversely affect the value of Units.	

Topic	Summary	Reference
What are the key risks associated with an investment in the REIT? continued	Property liquidity  By their nature, investments in real property assets are illiquid investments. There is a risk that should the REIT be required to realise property assets, it may not be able to do so in a short period of time, or may not be able to realise a property asset for the amount at which it has been valued. This may adversely affect the REIT's NTA and the value of Units.	Section 7
	Re-leasing and vacancy risk  The Portfolio's leases will come up for renewal on an annual basis. There is a risk that the REIT may not be able to negotiate suitable lease renewals. This may result in periods of vacancy, a reduction in the REIT's profits and Distributions and a reduction in the value of the assets of the REIT.	
	Foreign exchange risk  The assets of the REIT and its controlled entities are denominated in US dollars. The value of the Units will be affected by increases and decreases in the value of the US dollar relative to the Australian dollar. The value of the Australian dollar has been subject to significant fluctuations with respect to the US dollar in the past and may be subject to significant fluctuations in the future.	

# 1.3. Portfolio

Торіс	Summary		Reference
What are the key metrics of the Initial Portfolio?	Key Initial Portfolio statistics <sup>7</sup>		Section 3
	Number of Properties	11	
	Independent Valuation	US\$189 million	
	Weighted Average Capitalisation Rate (WACR)	5.11%	
	Occupancy	96.13%	
What is the REIT's valuation policy?	The REIT measures its investments in financial instruments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the REIT. Fair values are determined by independent valuations.		Section 3

<sup>7.</sup> Includes 3 properties that will be acquired as part of the Offer. Based on CBRE, Inc independent valuations at various dates in October 2021 for all properties in the Portfolio excluding Clemson, Vue on Walnut, Cherry Street and Lofts on 8th, which are at purchase price.

# 1. INVESTMENT OVERVIEW CONTINUED

# 1.4. Governance, Responsible Entity and management

Topic	Summary	Reference
How will the REIT be structured?	The REIT will be an Australian registered managed investment scheme structured as a unit trust. The REIT will have exposure via Delaware entities to a portfolio of US student housing assets.	Section 5
Who are the	The REIT will be externally governed by the Responsible Entity.	Section 5
Responsible Entity and the managers of the REIT?	The Responsible Entity will appoint an Investment Manager and Asset Manager to provide property management, leasing, marketing, and day-to-day management of the REIT's assets. The Responsible Entity may also appoint others to provide other management services including but not limited to acquisitions, divestments and associated marketing of the REIT's assets.	
Who are the	The Directors of the Responsible Entity are:	Section 5
Directors of the Responsible Entity?	Philip Gentry	
,	Michael O'Brien	
	Russell Beasley	
Who is Auctus Asset Management?	Auctus Asset Management is the Investment Manager for the REIT, and a wholly owned subsidiary of Auctus Investment Group Limited (together <b>Auctus</b> ), and an Authorised Representative of Auctus Pty Ltd AFSL 517083.	Section 5
	Auctus Investment Group Limited (ASX: AVC) is an ASX listed private markets asset manager based in Melbourne, Australia and founded in 2018. Auctus are currently managing >A\$400 million as at the date of this PDS across healthcare technology, energy infrastructure, operating real estate & consumer essentials.	
Who is Student Quarters?	Student Quarters is the Asset Manager for the REIT. Student Quarters is an Atlanta based, specialist student housing asset manager with a demonstrated track record of value generation.	Section 5
	Since its founding in 2013, SQ has built a meaningful portfolio in its target markets with 50+ transactions completed, and over US\$1bn assets and 10,000+ beds currently under management.	
	The team are highly experienced student housing owners with over 50 years of combined experience in underwriting, repositioning, managing, and disposing of quality student housing properties.	
Will Unitholders be able to appoint the Directors of the Board?	As the REIT's independent Responsible Entity, the Directors will serve as the REIT's Board. Unitholders will not be able to appoint Equity Trustees Limited Directors.	Section 5
What will be the governance arrangements for the REIT?	The Board seeks to ensure that the REIT is properly managed to protect and enhance Unitholders interests, and that the Responsible Entity and its Directors, and the Managers of the REIT operate in an appropriate environment of corporate governance. Accordingly, the Board has created a governance framework for managing the REIT, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for the operation of the REIT and that are designed to promote the responsible management and conduct of the REIT.	Section 5

Topic	Summary	Reference
Can the Responsible Entity be removed?	The Responsible Entity may retire as the responsible entity of the Trust as permitted by law.	Section 5
	The Responsible Entity must retire as the responsible entity of the Trust when required by law.	
What would be the consequences of removing the Responsible Entity?	If the Responsible Entity is removed as responsible entity or retires as responsible entity of the REIT at the request of the REIT Manager or Members and the REIT is taken in-house with the REIT Manager or transferred to another responsible entity or trustee at any time, the REIT Manager must pay to the Responsible Entity the greater of the annual Ongoing Basis Points Fee or Annual Minimum Fee in accordance with Schedule 5 of the Investment Management agreement (IMA), for the year ended on the date of removal of the Responsible Entity or the applicable annual minimum fee. Such payment does not take effect if the removal of the Responsible Entity is due to fraud or negligence on the part of the Responsible Entity.	Section 5

# 1.5. Financial information

Topic	Summary	Reference
What is the REIT's expected Distributable Income and Distribution Yield?	Based on the Offer Price, the REIT is forecast to have a CY22 Adjusted Distribution Yield (see section 6.2.3 for definition) of 4.5%. The REIT expects to pay quarterly distributions to Unitholders.	Section 6
	Unitholders may be able to use foreign income tax offsets (including that generated through an investment in the REIT) as a rebate against their Australian tax liability on foreign sourced income. Assuming full utilisation of the foreign tax credit, the forecast distributions represent a yield of 5.3%.	
	At the completion of the Anticipated Refinance (refer section 6.6 for further details on the Anticipated Refinance) and assuming the full utilisation of foreign tax credits, the REIT is forecast to have an adjusted CY22 distribution yield of 6.3%.	
What is the REIT's distribution policy?	The REIT intends to distribute all of the available income for distribution to Unitholders (i.e. a target distribution payout ratio 100% of Distributable Income). The Board of the Responsible Entity retains the discretion to vary the distribution policy.	Section 6
	The Responsible Entity intends to pay distributions quarterly, with Unitholders to receive distributions within 2 months following the end of each distribution period, being the three months ending 31 March, 30 June, 30 September and 31 December. The first distribution is expected to be paid in May 2022.	
Are Distributions guaranteed?	The Responsible Entity can provide no guarantee as to the extent of future Distributions and these will depend on the future Distributable Income of the REIT and its financial position at that time. The Responsible Entity will continue to monitor the appropriateness of the distribution policy to ensure that it meets the ongoing objectives of the REIT and is in the best interests of Unitholders.	Section 6
What portion of the Distributions will be tax deferred for Australian tax purposes?	There will be no tax deferred portions of distributions, distributions paid will be based on taxable income and capital gains.	Section 6

# 1. INVESTMENT OVERVIEW CONTINUED

Topic	Summary	Reference
What is the pro forma NTA per Unit?	At Allotment, the REIT will have a pro forma NTA of A\$1.31per Unit.	Section 6
What will be the	The REIT will have zero debt and therefore no gearing.	Section 6
gearing of the REIT?	The Underlying Asset Level Gearing of the portfolio however will be in the range of 60% to 65%.	
What is the REIT's	The REIT does not hedge its exposure to USD exchange rate risk.	Section 6
hedging policy?	To manage the risk arising from the fluctuation of interest rates, the REIT may enter into fixed rate borrowings and/or interest rate swaps to convert floating interest rate borrowings to fixed rate borrowings and vice-versa.	
	The Responsible Entity will continue to monitor the appropriateness of hedging policies to ensure they meet the ongoing objectives of the REIT and are in the best interest of Unitholders.	

# 1.6. Overview of the Offer

Topic	Summary	Reference
What is the Offer and how is it structured?	The Offer is an initial public offering of 32.63 million Units in the REIT at an Offer Price of A\$1.38 per Unit, and is expected to raise A\$45.00 million. The Units will be issued by the Responsible Entity.	
	The Offer comprises:	
	<ul> <li>The Institutional Offer, which consists of an offer to Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Units; and</li> </ul>	
	<ul> <li>The Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Units from their Broker; and</li> </ul>	
	<ul> <li>The Priority Offer, which is open to selected investors nominated by the REIT in eligible jurisdictions, who have received a Priority Offer invitation to acquire Units under this PDS and are not in the United States or acting for the account or benefit of a person in the United States.</li> </ul>	
	Members of the public wishing to subscribe for Units under the Offer must do so through a Broker with a firm allocation.	
Who is the issuer of the PDS?	Equity Trustees Limited as Responsible Entity.	Important Information
Is the Offer underwritten?	No. The Offer will not be underwritten.	Section 8
Who are the Lead Manager and	Lead Manager of the Offer are Bell Potter Securities Limited (ABN 25 006 390 772) (Bell Potter).	Section 8
Co-Managers?	Co-Manager of the Offer will be Shaw and Partners Limited (ABN 24 003 221 583) (Shaw and Partners).	

Торіс	Summary				Reference	
How will the	The Offer proceeds will be used to:					
proceeds of the Offer be used?	Sources	US\$m	Uses	US\$m	6 & 8	
	Proceeds from the Offer	32.6	Transaction costs	2.3		
	Cash at bank	5.0	Acquisition of non- controlling interests	4.4		
			Acquisition of Additional Properties (inclusive of transaction costs)	25.5		
			Cash at bank	5.4		
	Total sources	37.6	Total uses	37.6		
	The required investment for the REIT's Investee Compan levels of 60-65%, aligned wi REIT is unable to enter into t terminate the acquisition of Street and Lofts on 8th) with	ies enter i th the cur the planne each addit	nto new financing facilities rent portfolio gearing. In th d debt facilities, the REIT is tional property (Vue on Wal	at a gearing ne event the s able to nut, Cherry		
What will the Unitholding	Details of the ownership of Units prior to and following Completion are set out below:					
structure be on Completion?	Unit holders		Number of Units pre completion	Number of Units post completion		
	US Student Housing REIT		44,301,078	44,301,078		
	New Unitholders		0	32,625,000		
	Total Units		44,301,078	76,926,078		
Can the Offer be withdrawn?	Yes, the Responsible Entity ror any part of it and to withd of Units.				Section 8	
	If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded in full without interest.					
Who can participate in the Offer?	The Broker Firm Offer is open to Retail and Wholesale Investors in Australia and Wholesale investors in New Zealand who have received a firm allocation from their Broker.					
	Institutional Investors in Australia, New Zealand and certain other jurisdictions will be invited to participate in the Institutional Offer.					
	The Priority Offer is only ope a residential address in Aus					

# 1. INVESTMENT OVERVIEW CONTINUED

Topic	Summary	Reference
Where do I find an Application Form?	Broker Firm Offer Applicants  An Application Form accompanies this PDS or can be obtained from your Broker.	Section 8
	To apply under the Broker Firm Offer, you must lodge your Application Form and Application Monies in accordance with your Broker's directions in order to receive your firm allocation.	
	Institutional Offer Applicants The Lead Manager will separately advise Institutional Investors of the Application procedures for the Institutional Offer.	
	Priority Offer  Allocations under the Priority Offer will be invited to apply by the Responsible Entity and should follow the personalised instructions provided.	
When do I apply?	Applications under the Broker Firm Offer and Priority Offer will only be accepted during the Offer Period, which is open from 9:00am (Sydney time) on 17 January 2022 to 5:00pm (Sydney time) on 7 February 2022 (unless a later application is expressly permitted by the Responsible Entity).	Section 8
	All times and dates referred to in this PDS are subject to change and as such if you wish to participate in the Offer, you are encouraged to submit your Application Form as soon as possible.	
When will I know my Application has been accepted?	Holding statements confirming your allocation under the Offer are expected to be dispatched on 16 February 2022.	Section 8
Is there a cooling-off period?	Cooling-off rights do not apply to Applications. Once you lodge an Application, you cannot withdraw it (other than in certain limited circumstances permitted by law).	Section 8
What are the minimum and	For Applicants under the Broker Firm Offer and Priority Offer, the minimum Application amount is A\$2,000 and in increments of at least A\$500 thereafter.	Section 8
maximum Application amounts?	Applicants under the Institutional Offer will be provided further information regarding the Institutional Offer from the Lead Manager.	
	There is no maximum Application amount, however, you may be subject to scale-back.	
What is the allocation policy?	The allocation of Units between the Broker Firm Offer, Priority Offer and the Institutional Offer will be determined by the Responsible Entity in agreement with the Lead Manager.	
	The Issuers have absolute discretion regarding the allocation of Units to Applicants in the Offer.	
	Applicants whose Applications are accepted in full will receive the whole number of Units calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Units to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Responsible Entity.	

Topic	Summary	Reference
Will the Units be quoted on ASX?	The Responsible Entity will apply, within seven days of the date of the PDS, for admission of the REIT to the Official List and the quotation of Units on ASX under the code USQ.	Section 8
When can I sell my Units on the ASX?	It is expected that Units will commence trading on ASX on a normal settlement basis on or about 16 February 2022.	
	It is the responsibility of the Applicants to confirm their allocation of Units prior to trading in Units. Unitholders who sell Units before they receive their holding statements do so at their own risk.	

# 1.7. Taxation

Topic	Summary	Reference
What are the tax implications of investing in the Units?	There may be tax implications arising from Applications for Units. Summaries of certain Australian tax consequences of participating in the Offer and investing in Units are set out in Section 10. These implications will differ depending on the individual circumstances of the Applicant.	Section 10
	Applicants should obtain their own professional taxation advice about the consequences of investing.	

# 1.8. Transaction costs

Topic	Summary	Reference
What are the fees and costs associated with the offer?	Total Offer Costs are expected to be approximately US\$2.31 million. Transaction costs will be paid by the REIT from the proceeds of the Offer.	Section 11
Is there any brokerage,	No brokerage, commission or stamp duty is payable by Applicants who apply for Units using an Application Form.	Section 11
commission or stamp duty payable by Applicants?	Investors who buy or sell Units on ASX may be subject to brokerage and other transaction costs.	

# 1.9. Further information

Topic	Summary	Reference
Where can I find out further information about the Offer?	If you have further enquiries or questions relating to aspects of this PDS or about the Offer, please contact the Offer Information Line on 1300 737 760 within Australia and +61 2 9290 9600 from outside Australia (toll free within Australia) between 8:30am and 5:30pm (Sydney time) Monday to Friday (excluding public holidays) during the Offer Period.	Section 13
	If you are unclear in relation to any matter or are uncertain as to whether the REIT is a suitable investment, you should seek professional advice from your accountant, stockbroker, lawyer, or other professional adviser before deciding to invest.	





# 2. OVERVIEW OF THE US STUDENT HOUSING REIT

# 2.1. Overview of US Student Housing REIT

The US Student Housing REIT will be an Australian real estate investment trust listed on the ASX with a mandate to invest in high-quality purpose-built student housing real estate assets located within close proximity to top-tier public universities across the United States of America.

The objective of the REIT is to provide Unitholders with exposure to a diversified portfolio of US student housing assets underpinned by persistent growth in US university enrolment, and to provide a secure and growing income stream and future growth potential through rental growth and an identified pipeline of acquisition opportunities.

A summary of the Portfolio's key statistics is below, with further detail of each Property provided in Section 3.

Key Initial Portfolio statistics <sup>8</sup>	
Number of Properties	11
Independent Valuation <sup>9</sup>	US\$189 million

#### 2.2. Establishment and structure of the REIT

US Student Housing REIT will be externally managed. The Responsible Entity is Equity Trustees Limited. Auctus Asset Management has been appointed as Investment Manager and Student Quarters as Asset Manager to provide management services including but not limited to property management, leasing, acquisitions, divestments and asset management of the REIT's assets under the Investment and Property Management Agreements. For further detail around the Investment Management Agreements and the Property Management Agreements refer to Section 12.

The REIT is intended to be treated as a "flow-through" entity for Australian income tax purposes such that the net income of the REIT will be taxable in the hands of the Unitholders. See Section 10 for a taxation summary addressing the Australian tax consequences of Unitholders acquiring and disposing of Units in US Student Housing REIT.

The REIT invests via Delaware vehicles into Investee Companies (Investee Companies) that acquire and manage US student housing assets as outlined in the diagram below. Capital raised by the REIT will be used to capitalise SQ Property Opportunity Holdco, LLC (HoldCo), which will acquire a minimum 90% interest in targeted assets, with Student Quarters investing alongside the REIT in each asset as alignment capital.

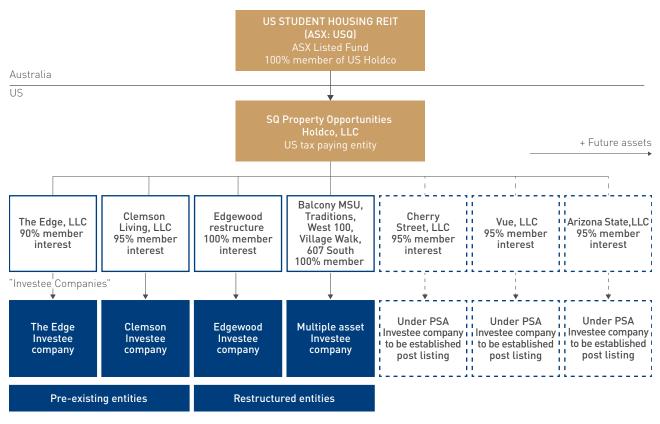
 $<sup>8. \</sup>quad Initial\ Portfolio\ metrics\ include\ contracted\ and\ warded\ acquisitions\ of\ Additional\ Properties.$ 

<sup>9.</sup> Based on independent valuations at various dates in October 2021 by CBRE, Inc for all properties in the Portfolio excluding Clemson, Vue on Walnut, Cherry Street and Lofts on 8th, which are at purchase price.

# 2. OVERVIEW OF THE US STUDENT HOUSING REIT CONTINUED

A simplified structure of the ownership and property interests of the REIT is shown below:

FIGURE 1: US STUDENT HOUSING REIT OWNERSHIP STRUCTURE



Entity held at Allotment

Entity to be established

### 2.3. Objectives and strategy of the REIT

US Student Housing REIT's objective is to provide Unitholders with consistent and growing distributions, and the potential for both income and capital growth through exposure to a diversified portfolio of US student housing assets.

The REIT intends to achieve its objectives by:

- maintaining high-quality and defensive exposure across US student housing real estate assets located within close proximity to top-tier public universities across the US;
- diversifying the Portfolio across multiple geographies and universities;
- Appointing Student Quarters to manage the assets and undertake value-add projects to deliver incremental income and capital growth; and
- pursuing acquisition opportunities which are in line with the REIT's investment strategy.

FIGURE 2: US STUDENT HOUSING REIT OBJECTIVE AND STRATEGY

INVESTMENT STRATEGY		Acquire and manage high-quality purpose-built student housing at large public universities, and drive value through operational strategy and capital upgrades
	Asset Class	Core-plus, Value-add and select Opportunistic
	Target Universities	Public 4-year universities with 10,000+ students, historic and projected enrolment growth, large off-campus resident demand, good supply dynamics and low student debt default ratios; ~240 qualified US university markets
ACCET BROKELE	Locations	Less than 1 mile from campus/centre of campus activity
ASSET PROFILE	Product Size	~200+ beds
	Vintage	2005 or newer
	Rent Class	Upper half of market
	Room Mix	Bed and bathroom parity
INVESTMENT	Asset Price	Minimum of \$20,000,000 total per asset. Auctus and SQ agreement provides Auctus with exclusivity on assets between \$20M-\$40M and optionality for assets above this
TARGETS	Asset Debt	60 to 65% loan to cost, non-recourse
	Target Returns	Annual return of 15% p.a. (incl. a >6% p.a. initial yield paid quarterly)

### 2.4. Investment and asset management strategy

US Student Housing REIT's strategy is to deliver stable, attractive returns by investing in high-quality purpose-built student housing assets near large US public universities with strong underlying enrolment trends.

### 2.4.1. INVESTMENT STRATEGY

The REIT is intending to selectively acquire high quality assets in line with the REIT's US student housing theme and where beneficial for Unitholders. The REIT's investment strategy is to invest in a diversified portfolio of high-quality purpose-built student housing property assets located in markets around US public 4-year universities with 10,000+ students, with the following characteristics:

- Located less than one mile from campus/centre of campus activity;
- Target universities with historic and projected enrolment growth and low student debt default ratios; and
- Locations with large off-campus resident demand and with good supply dynamics.

Based on the aforementioned characteristics, the REIT has identified approximately 240 qualifying US university markets.

The REIT will invest in assets across three distinct strategies namely "Core-Plus", "Value-Add" and "Opportunistic", as detailed in Figure 3 below.

# 2. OVERVIEW OF THE US STUDENT HOUSING REIT CONTINUED

#### FIGURE 3: US STUDENT HOUSING REIT INVESTMENT STRATEGIES

#### CORE PLUS

These assets command a higher yield premium in comparison to Opportunistic but still present a strong capital growth opportunity. Core-Plus assets increase cash flow with light property improvements, management efficiencies or by increasing the quality of tenants.

These properties tend to be of superior quality and have a solid track record of occupancy.

#### VALUE-ADD

Value-Add yields similar returns to Core Plus but can be:

- well positioned assets but in distressed markets.
- newer properties with management issues.
- adolescent properties needing light enhancements to remain competitive or a combination of all three.

#### **OPPORTUNISTIC**

Opportunistic properties may have little to no cash flow at acquisition but have the potential to produce strong cash flow over time.

The intention is to add value through a higher initial capex spend to reposition the asset, ideally leading to a better cash flow and potential cap rate comparison.

The REIT will continually evaluate acquisition opportunities across the US student housing sector including those outside the Initial Portfolio. The REIT will actively manage the Portfolio, including through acquiring and divesting assets from time to time, to achieve its investment objective and to maintain and enhance the quality of the Portfolio.

#### 2.4.2. INVESTMENT PROCESS

The REIT intends to selectively acquire properties over time that are consistent with its objectives and strategy to provide further diversification and enhance the performance of the Portfolio for investors. The REIT applies a filter that focuses on the top public US universities and their student housing markets to ensure discipline in its acquisition strategy. An outline of the key investment considerations is set out below:

- State population growth;
- Average market occupancy and rental growth;
- Known and expected new supply over investment duration;
- Ratio of on and off-campus beds to student population;
- University rankings in terms of research and sport;
- Number of students (10,000+) and enrolment growth;
- University student loan default rates;
- Ratio of foreign students to total enrolments;
- Walking distance to campus (within 1 mile) and student nightlife;
- Age of asset (2005 or newer); and
- 1-to-1 bed/bathroom parity.

Investment decisions will be supported by a detailed due diligence process including utilising third party advisers where relevant, financial analysis, asset strategy, risk assessment and market review.

#### 2.4.3. ASSET MANAGEMENT STRATEGY

To maximise returns and manage risk for Unitholders, the Asset Manager will undertake ongoing assessments of leasing, marketing, tenant incentives and capital expenditure requirements while maintaining engagement with tenants. The Asset Manager will look for ways to improve the tenant experience and amenities at the Properties in order to retain and attract tenants; protect or enhance revenue; and improve the experience and offerings for all users of the Properties.

### 2.5. Benefits of an investment in the REIT

### 2.5.1. HIGH QUALITY AND GEOGRAPHICALLY DIVERSIFIED PORTFOLIO

The Pro Forma Portfolio will consist of 11 high-quality Properties with a Gross Asset Value of US\$189 million:

- Geographically diversified portfolio of 11 purpose-built student housing properties located across 8 universities in 6 states;
- Portfolio of 1.827 beds:
- Boutique assets with no development risk;
- High portfolio occupancy rate of 96.13%; and
- Properties consist of core plus and value-add assets.

#### 2.5.2. ATTRACTIVE FINANCIAL METRICS

The REIT is forecast to have an adjusted CY22 distribution yield (based on the Offer Price) of 4.5%. The REIT expects to pay quarterly distributions to Unitholders.

Unitholders may be able to use foreign income tax offsets (including that generated through an investment in the REIT) as a rebate against their Australian tax liability on foreign sourced income. Assuming full utilisation of the foreign tax credit, the forecast distributions represent a yield of 5.3%.

At the completion of the Anticipated Refinance (refer section 6.6 for further details on the Anticipated Refinance) and assuming the full utilisation of the foreign tax credit, the REIT is forecast to have an adjusted CY22 distribution yield of 6.3%.

The Offer Price of A\$1.38 per Unit represents a premium to pro forma NTA (being inclusive of transaction costs) of 5.2% as at Allotment.

### 2.5.3. STABLE CASH FLOW AND GROWTH

- Stable and defensive portfolio, which demonstrated resilience through the COVID-19 pandemic with US student housing asset class achieving a national increase in rental rates in 2020.
- Occupancy levels have normalised since the onset of COVID-19 pandemic, with pre-leasing levels indicating an average of approximately 92% occupancy for the Fall semester of 2021, in-line with the national year-end occupancy range of approximately c.92%-95% observed in the period 2013-2019.

#### 2.5.4. POSITIONED FOR FURTHER ACCRETIVE GROWTH

The REIT aims to deliver enhanced returns through active capital deployment into accretive acquisition opportunities which improve the risk profile and return prospects of the portfolio. The REIT's capital structure is supportive of growth with a net cash position on Allotment, which is available for potential deployment into accretive acquisition opportunities.

Students Quarters' proven acquisition track record, expertise and relationships with brokers and vendors provides a strong platform for the REIT to take advantage of acquisition opportunities within the US student housing sector which is largely fragmented, providing opportunities to grow market share. 10 Student Quarters has identified a pipeline of acquisition opportunities with 9,000+ beds and an estimated total value of US\$1.3bn.

### 2.5.5. PROVIDES EXPOSURE TO HIGH QUALITY, HARD TO ACCESS US STUDENT HOUSING REAL ESTATE

The REIT offers exposure to high quality US student housing real estate assets, an asset class that is currently difficult to access for ASX investors. The REIT is the first ASX-listed Australian real estate investment trust with a primary strategy of investing into the US student housing real estate market.

# 2. OVERVIEW OF THE US STUDENT HOUSING REIT CONTINUED

#### 2.5.6. EXPERIENCED MANAGER

The REIT's Portfolio of US student housing assets will be managed by Student Quarters. Student Quarters is an Atlanta based, specialist student housing asset manager with a demonstrated track record of value generation, as demonstrated by:

- Student Quarters have a realised net IRR of 23.6% (gross of withholding and US corporate taxes) since its inception in 2013:
- 50+ years of direct operational and asset management expertise with 80+ transactions completed; and
- Over US\$1bn of assets under management across off campus US student housing with a current portfolio representing 38 properties and 10,000+ beds at 21 universities.

#### 2.5.7. EXPERIENCED BOARD WITH STRONG CORPORATE GOVERNANCE

As the REIT's Responsible Entity, Equity Trustees Limited will be the REIT's independent Board. EQT is comprised of experienced and capable individuals with experience across business, industry and corporate governance. The Board is comprised of 3 members.

#### 2.5.8. ALIGNMENT OF INTERESTS BETWEEN STUDENTS QUARTERS AND THE REIT

Students Quarters' interests are aligned with the REIT's. Student Quarters currently maintains a minority investment of approximately 5-10% in the Edge and Clemson. Student Quarters also intends to co-invest a similar ownership interest in future asset acquisitions by the REIT.

#### 2.6. Risks of an investment in the REIT

The REIT is subject to risks that are both specific to its business operations in the property industry and to those of a general nature. Many of these risks are outside the control of the Responsible Entity, the Directors and the Managers and if they were to eventuate, may adversely affect the future operating performance of, and the value of an investment in the REIT. Section 7 of this PDS describes what the Responsible Entity currently believes to be the key risks associated with an investment in the REIT. There may be additional risks that should be considered in light of prospective investors' personal circumstances.

### 2.7. Financing arrangements

At Allotment, the REIT is projected to have a net cash position. The REIT does not intend to incur debt on its balance sheet. All asset related debt will be held at the Investee Company level.

The REIT will use a combination of debt and equity at the Investee Company level to finance its investments. On an underlying basis, the REIT will target gearing in the range of 60% to 65%. This may be higher if the Responsible Entity considers the circumstances warrant a short-term increase beyond the target gearing range and it is prudent to do so. The net cash position of the REIT at Allotment will provide capacity to fund the REIT's contracted and awarded acquisitions of Cherry Street, Vue on Walnut and Lofts on 8th [Additional Properties] and to enable the REIT to pursue acquisition opportunities consistent with its investment strategy.

#### 2.7.1. DEBT FACILITIES

The REIT holds debt facilities at the asset level which are structured as separate credit facilities for each of the REIT's assets. The Debt Facilities are provided by Government-sponsored agencies (e.g. Fannie Mae and Freddie Mac) or commercial banks and other lending institutions, each having separate and distinct maturity dates, financial covenants and security.

Refer to section 12.6 for a summary of the key terms of the Debt Facilities.

#### 2.7.2. INTEREST RATE HEDGING POLICY

To manage the risk arising from the fluctuation of interest rates, the Investee Companies may enter into fixed rate borrowings and/or interest rate swaps to convert floating interest rate borrowings to fixed rate borrowings and vice-versa.

The Investment Manager and the Asset Manager (together the **Managers**) will review this policy on an ongoing basis in the context of any future indebtedness and the prevailing market conditions. The Managers will continue to monitor the appropriateness of this policy to ensure that it meets the ongoing objectives of the REIT and is in the best interest of Unitholders.

# 2.8. Distribution policy

The REIT expects to target a distribution payout ratio of 100% of Distributable Income. The Board of the Responsible Entity retains the discretion to vary the distribution policy.

Distributable Income from the REIT represents the income available for distribution to Unitholders and is equal to Net Profit less Gain on Fair Value of Investee Company Properties.

The Responsible Entity intends to pay distributions quarterly, with Unitholders to receive distributions within 2 months following the end of each distribution period, being the three months ending 31 March, 30 June, 30 September and 31 December. The first distribution is expected to be paid in May 2022.

The Responsible Entity can provide no guarantee as to the extent of future Distributions and these will depend on the future Distributable Income of the REIT and its financial position at that time. The Responsible Entity will continue to monitor the appropriateness of the distribution policy to ensure that it meets the ongoing objectives of the REIT and is in the best interests of Unitholders.

## 2.9. Valuation policy

#### 2.9.1. VALUATION BASIS

The REIT invests in unlisted property companies that are not quoted in an active market. The REIT uses a fair value valuation technique for these positions. The REIT's Investment Manager, (via the REIT's Asset Manager, SQ) engages an independent US valuation advisor to provide an annual arm's length valuation for the purposes of supporting a fair market valuation for the investees on an annual basis.

In addition the Responsible Entity will review the independent valuations on an annual basis concurrent to the Responsible Entity's annual audit of the REIT.

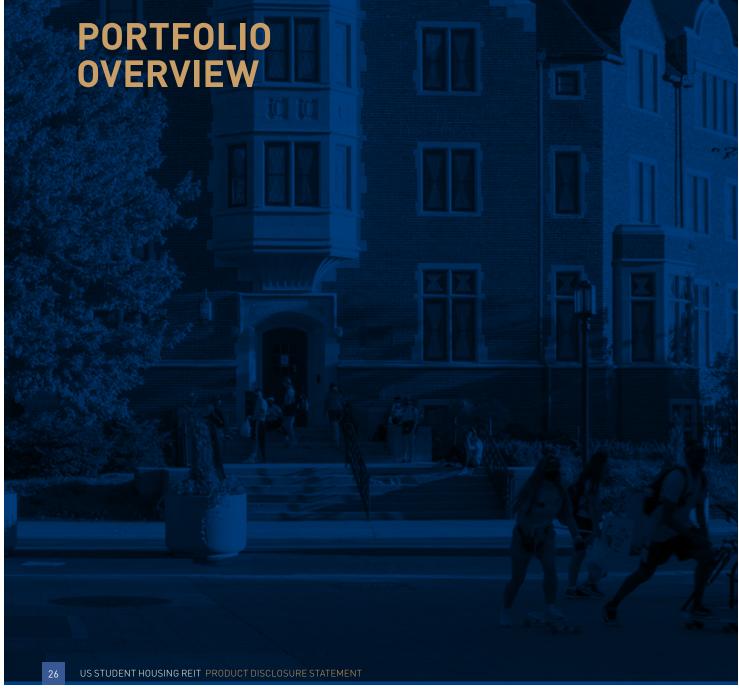
## 2.10. Reporting

For accounting and reporting purposes, the REIT will report on a 30 June financial year basis. Formal reporting is therefore provided to Unitholders as at 30 June (full year) and 31 December (interim) each year.

An annual financial report will be provided to Unitholders in accordance with the Corporations Act. The annual report will be audited whilst the interim financial report will be subject to review by the auditor.

The Investment Manager will establish a website that will provide information on the REIT, including access to half-yearly and annual reports, and distribution information.





# 3. PORTFOLIO OVERVIEW

### 3.1. Introduction

The Portfolio will, on completion of the acquisition of all Additional Properties, consist of 11 assets with a fair value of approximately US\$189 million across 8 universities in 6 states. The Portfolio will have an initial occupancy of 96.13% across 1,827 beds with a weighted average capitalisation rate of 5.11%.

The table below summarises the key metrics for each asset in the Portfolio.

# 3.2. Portfolio Summary<sup>11</sup>

	Asset	Ownership status	University	Valuation (US\$)	No. of Beds	Occupancy	Cap Rate	Asset Profile	Owner- ship
1	607 South	Settled	University of Mississippi	\$5,600,000	52	100%	5.25	Core Plus	100%
2	Traditions	Settled	University of Mississippi	\$6,100,000	72	97%	5.25	Core Plus	100%
3	Village Walk	Settled	University of Mississippi	\$4,875,000	54	93%	5.25	Core Plus	100%
4	West 100	Settled	University of Mississippi	\$4,900,000	60	87%	5.25	Core Plus	100%
5	Balcony MSU	Settled	Mississippi State University	\$10,275,000	116	100%	5.00	Core Plus	100%
6	200 Edgewood	Settled	Georgia State University	\$34,900,000	240	95%	4.85	Core Plus	100%
7	The Edge	Settled	Texas Tech University	\$27,500,000	288	97%	5.25	Value-Add	90%
8	Clemson Living	Settled	Clemson University	\$25,500,000	245	99%	4.75	Core Plus	95%
9	Vue on Walnut*	Held under PSA	Missouri State University	\$25,700,000	348	93%	6.00	Value-Add	95%
10	Cherry Street Apartments*	Held under PSA	Texas A&M University	\$27,000,000	240	100%	4.60	Core Plus	95%
11	Lofts on 8th*	Held under PSA	Arizona State University	\$16,650,000	112	92%	5.30	Value-Add	95%
			Total 11 Properties	\$189,000,000	1,827	96.13%	5.11		

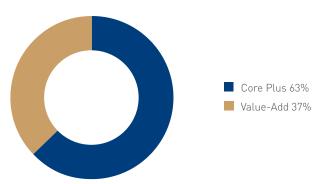
<sup>11.</sup> Includes properties that will be acquired as part of the Offer: "Pro Forma Properties". Assets Held under Purchase and Sale Agreement (**PSA**) is where the REIT has paid deposits on Vue on Walnut, Cherry St Apartments and Lofts on 8th which are refundable in the event the acquisition doesn't proceed.

# 3. PORTFOLIO OVERVIEW CONTINUED

# 3.3. Portfolio summary metrics

The Portfolio composition asset profile (weighted by value) is outlined in the chart below. US Student Housing REIT will target investments across Core Plus, Value-Add and Opportunistic.

FIGURE 4: PORTFOLIO ASSET PROFILE BY STRATEGY



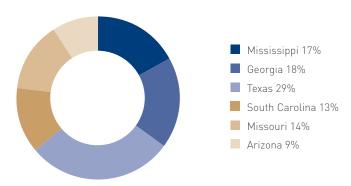
The Core Plus assets representing approximately 63% of the portfolio, commands a higher yield premium in comparison to Opportunistic assets but still present a strong capital growth opportunity. Core-Plus assets increase cash flow with light property improvements, management efficiencies or by increasing the quality of tenants. These properties tend to be of superior quality and have a great track record of occupancy.

Value-Add assets represent approximately 37% of the portfolio and yields similar returns to Core Plus. These assets are typically newer properties with management issues with some needing light enhancements to improve both occupancy and returns.

There are currently no Opportunistic assets in the portfolio.

The portfolio is diversified by State with no state representing more than 30%. Over time, the REIT will target geographic diversification in assets across its target markets.

FIGURE 5: PORTFOLIO ASSET PROFILE BY GEOGRAPHY



# 3.4. Robust active pipeline<sup>12</sup>

SQ has longstanding broker and seller relationships that provide them with early access to new deals coming to market and deals that have either fallen out of contract or failed to meet vendor expectations. SQ's pipeline of opportunities for this fund account for ~9,000 beds across multiple states with a total value of US\$1.3 billion.

Market	Estimated Price (US\$)	Beds	Price Per Bed (US\$/bed)	Built/Reno	Profile
Arkansas University	\$35,500,000	625	\$56,800	2019	Core Plus
Florida State University	\$66,750,000	602	\$110,880	2020	Core Plus
Mississippi State University	\$88,750,000	820	\$104,573	2019	Core Plus
Auburn University	\$58,600,000	501	\$116,966	2020	Value-Add
Maryland	\$320,000,000	1,493	\$214,334	2016	Core
University of Florida	\$68,000,000	592	\$114,865	2015	Core Plus
Arizona State University	\$150,000,000	833	\$180,072	2017	Core
Texas-Arlington	\$68,000,000	688	\$98,837	2019	Core
South Carolina	\$62,500,000	660	\$94,697	2016	Core Plus
Texas State University	\$48,000,000	390	\$123,077	2021	Core
Ohio State University	\$23,000,000	111	\$207,207	2018	Core Plus
Alabama University	\$39,000,000	225	\$170,000	2020	Core
Delaware	\$48,000,000	320	\$150,000	2021	Core
Temple University	\$97,500,000	464	\$210,129	2019	Core
Brigham Young University	\$45,000,000	448	\$100,446	2016	Core Plus
University of Pennsylvania	\$88,000,000	309	\$284,740	2021	Core
Total	\$1,306,600,000	9,081			

 $<sup>12. \ \</sup> Includes \ properties \ that \ will \ be \ acquired \ as \ part \ of \ the \ offer: \ "Pro \ Forma \ Assets".$ 

# 3. PORTFOLIO OVERVIEW CONTINUED

#### 3.5. Portfolio overview

### 3.5.1. INVESTMENT PROPERTIES AT ALLOTMENT DATE

### Address: 200 Edgewood Avenue NE, Atlanta GA 30303

200 Edgewood is located in downtown Atlanta within walking distance to the Georgia State University (GSU) campus, destination nightlife, and Atlanta's commercial and cultural district. The asset is a short two-block (0.6 mile) walk from the GSU campus centre, including academic buildings, dormitories, and student centres. Additionally, it is located in the epicentre of the rapidly evolving Downtown Atlanta. Historically a commercial district, rising popularity and housing costs of proximate neighbourhoods and GSU's campus expansion have made Downtown Atlanta a go-to nightlife, dining, and housing destination, not only for GSU students, but also millennial Atlantans more broadly.

Property Information			
Asset Name	200 Edgewood	Current Occupancy	95.42%
University	Georgia State University	Number of Beds	240
Enrolment	52,000	Cap Rate	4.85
Ownership	100%	Year Built	2016
Fair Market Value	US\$34,900,000		

### Address: 703 S 19th Street Oxford, MS 38655

The University of Mississippi ("Ole Miss") assets (Traditions, Village Walk, West 100 and 607 South) consist of four boutique garden style and townhome apartments with a combined total of 238 beds. Three of the four assets are located to the east of campus close to nightlife and dining in the Oxford town centre known as "The Square". All units offer bed bath parity, granite countertops, modern appliances, a flatscreen television and hardwood floors in common areas. West 100 also includes rising glass walls in the living areas which allow for an indoor/outdoor living experience.

Property Information			
Asset Name	Traditions	Current Occupancy	97.22%
University	University of Mississippi	Number of Beds	72
Enrolment	21,856	Cap Rate	5.25
Ownership	100%	Year Built	2016
Fair Market Value	US\$6,100,000		

### Address: 1550 University Avenue Oxford, MS 38655

Property Information				
Asset Name	Village Walk	Current Occupancy	92.59%	
University	University of Mississippi	Number of Beds	54	
Enrolment	21,856	Cap Rate	5.25	
Ownership	100%	Year Built	2016	
Fair Market Value	US\$4,875,000			

### Address: 1806 Jackson Avenue W Oxford, MS 38655

Property Information				
Asset Name	West 100	Current Occupancy	86.67%	
University	University of Mississippi	Number of Beds	60	
Enrolment	21,856	Cap Rate	5.25	
Ownership	100%	Year Built	2015	
Fair Market Value	US\$4,900,000			

### Address: 607 South 16th Street Oxford, MS 38655

Property Information				
Asset Name	607 South	Current Occupancy	100%	
University	University of Mississippi	Number of Beds	52	
Enrolment	21,856	Cap Rate	5.25	
Ownership	100%	Year Built	2014	
Fair Market Value	US\$5,600,000			

# Address: 210 South Montgomery Street Starkville, MS 39759

The Balcony MSU (Starkville) is a four-storey, 116 bed, garden style apartment located within walking distance to campus. The property has a premium location between the student nightlife district (Cotton District), downtown Starkville and the university. This location (along with unique unit features discussed below) provide The Balcony with a major competitive leasing advantage.

Property Information			
Asset Name	Balcony MSU (Starkville)	Current Occupancy	100%
University	Mississippi State University	Number of Beds	116
Enrolment	23,000	Cap Rate	5.00
Ownership	100%	Year Built	2016
Fair Market Value	US\$10,275,000		

# 3. PORTFOLIO OVERVIEW CONTINUED

### Address: 223 Indiana Avenue Lubbock, TX 79415

The Edge is a property adjacent to Texas Tech University (and was purchased at effectively "replacement cost" owing to a recent partnership split). The property is located in Lubbock, West Texas. With a population of just over a quarter-million people, Lubbock is a remote city surrounded by the Great Plains, with its closest neighbours of any size: Amarillo, Abilene and Roswell, N.M. a two to three-hour drive away. The Edge is a 2009-built garden style community northwest of campus with 204 units and 288 beds. Possessing a highly attractive unit mix (40% one-bedrooms; 60% two bedrooms) all offering bed-bath parity which is not widely available elsewhere in this submarket. Located across the road from Texas Tech's regional/teaching hospital, medical complex, and health sciences buildings The Edge is adjacent to the recently completed 94,000 square feet Veteran Affair's super clinic and close to downtown bars and restaurants.

Property Information				
Asset Name	The Edge	Current Occupancy	96.53%	
University	Texas Tech University	Number of Beds	288	
Enrolment	40,000	Cap Rate	5.25	
Ownership	90%	Year Built	2009	
Fair Market Value	US\$27,500,000			

# Address: 100 Old Central Road Clemson, SC 29631 (The Farm) | 109 College Street Clemson, SC 29631 (109 College) | 240 Elm Street Clemson, SC 29631 (The Estate) | 111 College Street Clemson, SC 29631 (The Boundary)

Clemson Living Portfolio is a 245-bed purpose-built, student housing community serving Clemson University (Clemson) and its roughly 26,400 students. Located in Clemson, South Carolina and roughly 1 mile from the Northern side of campus, Clemson Living Portfolio was delivered in 2016, apart from 109 College, which was delivered in 1992, with 5 units renovated in 2016. The property offers 1-, 3-, and 4-bedroom floorplans all with bed bath parity.

Property Information			
Asset Name	Clemson Living	Current Occupancy	99%
University	Clemson University	Number of Beds	245
Enrolment	26,000	Cap Rate	4.75
Ownership	95%	Year Built	2016
Purchase Price	US\$25,500,000		

### 3.5.2. ADDITIONAL PROPERTIES

Assets in this section will not be held by the REIT at allotment date however are held under PSA. It is anticipated that these assets will be settled in February 2022.

#### Address: 430 E Walnut Street Springfield, MO 65806

Vue on Walnut is a 348 bed (107 unit) purpose-built, student housing community serving Missouri State University and its roughly 24,200 students. Located in Springfield, MO and less than 0.2 miles from the northwest side of campus, Vue was delivered in 2019 with first move-ins for the Academic Year 2019-20. The property offers Studio, 2-, 3-, and 4- bedroom floorplans all with bed-bath parity and full furnishings.

Property Information				
Asset Name	Vue on Walnut	Current Occupancy	93%	
University	Missouri State University	Number of Beds	348	
Enrolment	24,000	Cap Rate	6.00	
Ownership	95%	Year Built	2019	
Purchase Price	US\$25,700,000			

### Address: 200 Cherry Street College Station, TX 77840

Cherry Street Apartments was built in 2008 has been among the market leaders in occupancy since 2016, when the asset underwent major unit and interior renovations. Between the 2017 and 2021 academic years, Cherry Street is currently 100% occupied. Cherry Street offers bed-bath parity across its 240-bed facility. The property is just a 5-minute walk from College Station's main hub, University Drive, which is a major draw for students at Texas A&M due to its expansive selection of restaurants, bars, and retail stores. Moreover, Cherry Street is located within a 5-minute walk to Texas A&M's Engineering, Mathematics, and Science quad.

Property Information			
Asset Name	Cherry Street Apartments	Current Occupancy	100%
University	Texas A&M University	Number of Beds	240
Enrolment	72,000	Cap Rate	4.60
Ownership	95%	— Year Built	2008 (Renovation
Purchase Price	US\$27,000,000	— rear buill	2017-2021)

### Address: 901 S. Gary Drive Tempe, AZ 85281

Lofts on 8th is a 112-bed, 28-unit purpose-built, student housing town home community serving Arizona State University (ASU) and its roughly 75,000 students. Located in Tempe, AZ and less than 0.5 miles from the east side of campus, Lofts was delivered in 2020. The property offers 4-bedroom town homes all with bed-bath parity.

Property Information				
Asset Name	Lofts on 8th	Current Occupancy	95%	
University	Arizona State University	Number of Beds	112	
Enrolment	52,000	Cap Rate	5.30	
Ownership	95%	Year Built	2020	
Purchase Price	US\$16,650,000			





# 4. INDUSTRY OVERVIEW

## 4.1. Introduction

US Student Housing REIT's investment mandate is to own a portfolio of US student housing sector assets. It will target investment in purpose-built student housing assets in close proximity to large public universities in the United States [US], which are exposed to the following key themes:

- Persistent growth in US university enrolment, supported by demand for university education and favourable demographics;
- Resilient performance of US student housing assets, despite the COVID-19 pandemic; and
- Relatively low US student housing asset capitalisation rates.

This section provides an overview of the US student housing market and summaries of the market's key drivers and the broader investment environment.

# 4.2. Overview of Student Housing in the US

#### 4.2.1. DEFINITION

Student housing in the US is divided into three categories:

- 1. "On-campus" university living.
- 2. Purpose-built student housing.
- 3. Other housing including renting and living at home.

In the 68 university markets tracked by American Campus Communities, 23% of student housing supply is from on-campus student housing, 25% is from purpose-built student housing, and the remaining 52% from alternate supply<sup>13</sup>.

#### Purpose-built student housing

Purpose-built student housing refers to purpose-built, off-campus, apartment, studio, or residence hall-like communities designed specifically for students.

Purpose-built student housing is considered attractive to students for a range of reasons, such as:

- Proximity: properties are typically located in close to campus and are often within walking distance;
- Modern: facilities tend to be more modern than other forms of accommodation, for example the median age of existing on-campus housing which primarily consists of residence halls, exceeds 50 years<sup>14</sup>; or
- Affordability: rental rates are competitively priced compared to private letting options, especially given most purpose-built student housing facilities are pre-furnished.

#### 4.2.2. PRICING

Proximity to campus is a key determinant of rents in the US student housing market. Housing options closer to campus command a significant rent premium as illustrated below.

<sup>13.</sup> American Campus Communities, investor presentation (NAREIT Investor Deck, June 2021).

<sup>14.</sup> American Campus Communities, investor presentation (NAREIT Investor Deck, June 2021).

# 4. INDUSTRY OVERVIEW CONTINUED

\$900 \$800 \$700 \$600 \$500 \$782 \$400 \$725 \$635 \$602 \$300 \$200 \$100 \$0 National Avg. Rent < 0.5 Mile Rent 0.5 to 1 Mile Rent >1 Mile Rent

FIGURE 6: AVERAGE EFFECTIVE RENT BY DISTANCE (\$US)

Source: RealPage, Market Intelligence: Fall Student Apartment Webcast.

For the Fall 2021 semester, effective asking rents for students living within a half-mile of campus were US\$782 per month on average, according to tracking across 175 core universities by RealPage<sup>15</sup>. This compares to effective asking rents of US\$635 per month for students living within a half-mile to one mile from campus, and an average of US\$602 per month for those living farther than one mile from campus. In total, rents for the fall 2021 academic year averaged US\$725 per month.<sup>16</sup>

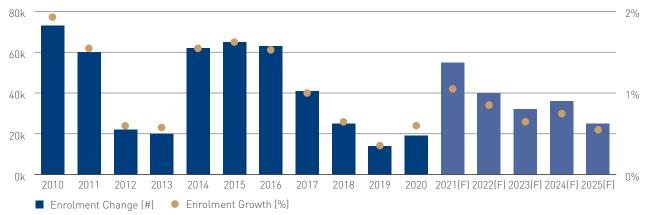
# 4.3. Key Drivers

#### 4.3.1. ENROLMENT

Demand for the US student housing is underpinned by the consistent growth in student enrolment. Enrolment at the United States' top 175 four-year public and private universities has increased every year since 1994<sup>17</sup>.

Figure 7 illustrates the growth profile of student enrolment over the past decade and a half, and projects forecasted enrolment growth for the next five years. As outlined in Figure 7 enrolment growth remained resilient throughout the COVID-19 pandemic in 2020 and is expected to accelerate over the next five years.

# FIGURE 7: US ENROLMENT GROWTH 2010-2025

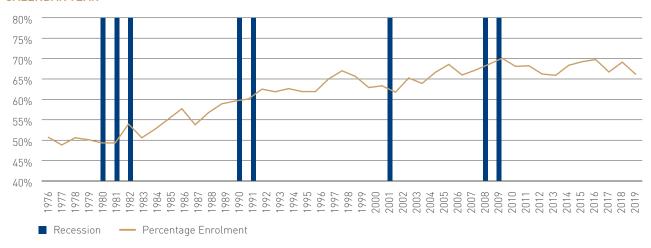


Source: RealPage, Market Intelligence: Fall Student Apartment Webcast.

The rising university enrolment is driven by the steadily increasing percentage of high school graduates who enrol in university immediately after graduation, rising from 51% in 1975 to 63% in 2000 and to 69% in 2015<sup>18</sup>.

- 15. RealPage, Market Intelligence: Fall Student Apartment Webcast.
- 16. RealPage, Market Intelligence: Fall Student Apartment Webcast.
- 17. RealPage, Market Intelligence: Fall Student Apartment Webcast.
- 18. National Center for Education Statistics, 2020 Tables and Figures (Table 302.10).

FIGURE 8: US ENROLMENT FOR INDIVIDUALS AGED 18-24 WHO COMPLETED HIGH-SCHOOL IN THE PRIOR CALENDAR YEAR



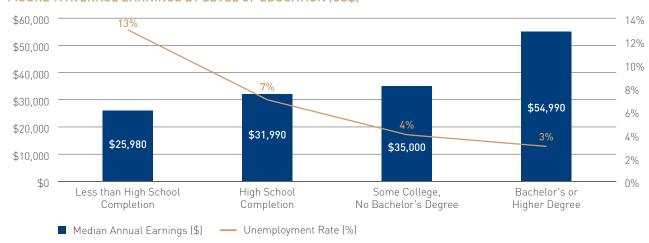
Source: National Center for Education Statistics, 2020 Tables and Figures (Table 302.10).

There are a number of factors that contribute to enrolment growth at US universities, as outlined in the following subsections.

### **Economic Mobility**

In the United States, the average earnings for workers with four-year college educations are higher than those with lower levels of educational attainment, as illustrated below.

FIGURE 9: AVERAGE EARNINGS BY LEVEL OF EDUCATION (US\$)



Source: National Center for Education Statistics, 2018 Tables and Data, Table 502.30 and Table 501.80.

Similarly, individuals with higher education in the United States are more likely than others to be employed and are more likely to have job benefits such as retirement and health insurance, which provide additional economic security.<sup>19</sup>

Enrolment in large, 4-year public universities is also increasing at a rate faster than other institutions, as a result of the growing disparity between the average tuition of private and public university.<sup>20</sup>

<sup>19.</sup> CollegeBoard, Trends in College Pricing 2019 (Table 6.1).

<sup>20.</sup> CollegeBoard, Trends in College Pricing 2019 (Table 6.1).

# 4. INDUSTRY OVERVIEW CONTINUED

#### FIGURE 10: AVERAGE SEMESTER TUITION AND FEES AND ROOM AND BOARD IN 2019 (US\$)

Academic Year	Private Nonprofit Four-Year Tuition and Fees	Public Four-Year Tuition and Fees
1989–1990	\$17,860	\$3,510
1999–2000	\$23,890	\$5,170
2009–2010	\$30,670	\$8,420
2019–2020	\$36,800	\$10,440

Source: CollegeBoard, Trends in College Pricing 2019 (Table 6.1).

### **US Demographics**

Supporting the increase in total university enrolment is the combination of US population growth and the proportion of college-age people within the population. From 1990 to 2020, the US population grew from 249 million to 331 million people, an increase of 33% and a CAGR of  $0.9\%^{21}$ , while the percentage of the population under the age of 18 has remained about the 20-25% level<sup>22</sup>.

#### International Student Enrolment

Unlike other international student destinations, US university enrolments are dominated by domestic students. For the 2019-2020 academic year, international students represented less than 5% of university enrolments in the  $US^{23}$ , while new enrolment of international students has been declining every academic year since fall 2016. This compares to Australia where international students represented 27.1% of university enrolments for the 2019 academic year, while new enrolment of international students increased every year from 2013 to  $2020^{24}$ .

During the COVID-19 pandemic, the small percentage of international students relative to total students helped insulate US student housing against restrictions on international student mobility. The low exposure to international students also helps reduce the risk of impacts from exogenous shocks such as currency movements which may potentially impact the cost and demand for higher education for international students.

Despite initial concerns that COVID-19 would severely impact international student enrolment in the US, the impact on US student housing was limited as according to the Institute of International Education survey, 92% of international students remained in the United States and continued to take their classes online<sup>25</sup>.

## 4.4. Performance during COVID-19

## 4.4.1. OCCUPANCY & PRE-LEASING

As a result of the COVID-19 pandemic, most US universities transitioned to online learning from mid- to late-March  $2020^{26}$ . A survey of off-campus student housing management companies revealed physical occupancies onsite ranged between 40-60% in March and April of  $2020^{27}$ .

Following this, with the majority of US universities electing to return to in-person education, occupancy levels have since normalised, with pre-leasing levels indicating an average of approximately 92% occupancy for the Fall semester of 2021, in-line with the national year-end occupancy range of approximately c.92%-95% observed in the period 2013-2019<sup>28</sup>.

- 21. United States Census, Historical Population Change Data (1910-2020).
- 22. United States Census, The U.S. Adult and Under-Age-18 Populations: 2020 Census.
- 23. Migration Policy Institute, International Students in the United States 2021.
- 24. Parliament of Australia, Overseas students in Australian higher education: a quick guide 2021.
- 25. Institute of International Education, COVID-19 Effects on US Higher Education Campuses, Report 3.
- 26. CBRE Valuation and Advisory Services, Appraisal Report, Traditions.
- 27. CBRE Valuation and Advisory Services, Appraisal Report, Traditions.
- 28. RealPage, Market Intelligence: Fall Student Apartment Webcast.

98%
95%
89%
86%
83%

Fall 2017

Fall 2018

Fall 2019

Fall 2020

Fall 2021

FIGURE 11: NATIONAL OCCUPANCY RATES 2013-2021

Source: RealPage, Market Intelligence: Fall Student Apartment Webcast.

Fall 2015

Fall 2016

Fall 2014

Note: Fall 2021 reflects average pre-lease.

Fall 2013

# 4.4.2. **RENT**

The US student housing sector showed its resilience in 2020, particularly given the impact of the COVID-19 pandemic on various real estate asset classes. According to Newmark, US student housing was one of the only US asset classes which achieved a national increase in rental rates in 2020,<sup>29</sup> with effective rental rates for Fall semester 2020 increasing 1.4% over Fall 2019 to an average of US\$682 per bed per month.<sup>30</sup>

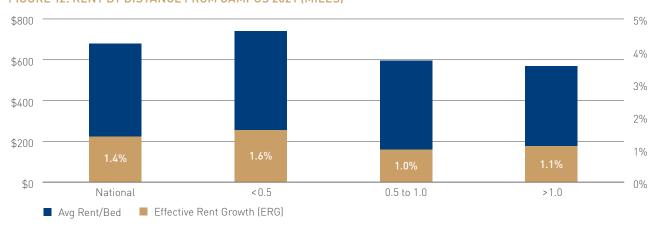


FIGURE 12: RENT BY DISTANCE FROM CAMPUS 2021 (MILES)

Source: Newmark, 2020 Student Housing Market Overview and 2021 Outlook.

Fall 2021 saw the largest year end growth rate since 2016, with rent rates increasing by 2.3% on the previous Fall Semester.31

<sup>29.</sup> Newmark, 2020 Student Housing Market Overview and 2021 Outlook.

<sup>30.</sup> Newmark, 2020 Student Housing Market Overview and 2021 Outlook.

<sup>31.</sup> RealPage, Market Intelligence: Fall Student Apartment Webcast.

# 4. INDUSTRY OVERVIEW CONTINUED

3.0% 2.5% 2.0% 1.5% 1.0% 0.5% 0.0% Fall 2013 Fall 2015 Fall 2018 Fall 2019 Fall 2020 Fall 2014 Fall 2016 Fall 2017 Fall 2021

FIGURE 13: US STUDENT HOUSING ANNUAL EFFECTIVE ASKING RENT CHANGE 2013-2021

Source: RealPage, Market Intelligence: Fall Student Apartment Webcast.

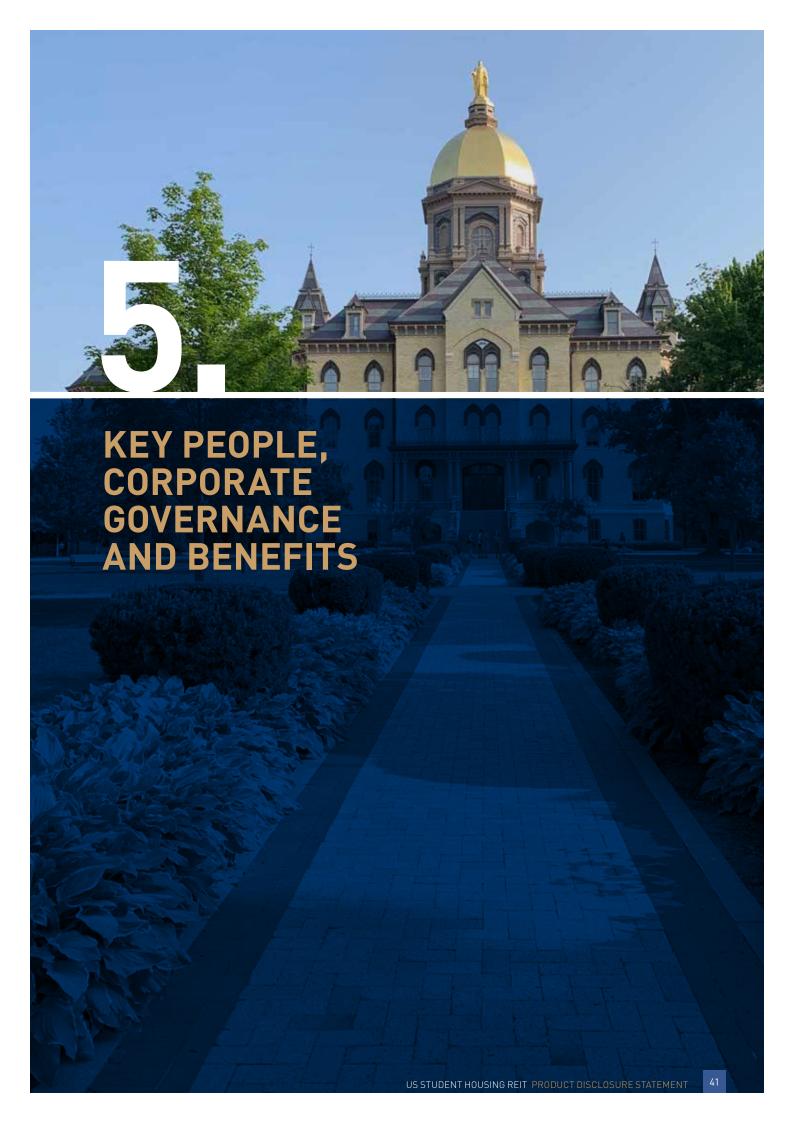
# 4.5. Capitalisation Rates

Capitalisation rates in the US student housing have compressed from c.6% in 2014 to c.5.5% in 2020 for investment-grade student housing assets (US\$2.5m+), sustaining near-record lows driven by continued demand from investors. Although interest rates are expected to fluctuate, US student housing capitalisation rates are forecast to remain near historic lows with student housing sales volumes expected to remain robust in 2021 as institutional and private investors, both domestic and global, seek to enter the purpose-built student housing sector throughout the US.



FIGURE 14: STUDENT HOUSING CAP RATES 2014-2020

Source: Newmark, 2020 Student Housing Market Overview and 2021 Outlook.



# 5. KEY PEOPLE, CORPORATE GOVERNANCE AND BENEFITS

# 5.1. Overview of the management of the REIT

#### **5.1.1. RESPONSIBLE ENTITY**

The independent Responsible Entity of the REIT is Equity Trustees Limited (**Equity Trustees**). The Responsible Entity is responsible for the governance and operation of the REIT. Equity Trustees holds an AFSL with number 240975.

#### 5.1.2. MANAGERS

Auctus Asset Management Pty Ltd (ABN 30 610 804 263; AFSL No. 517083), fully owned subsidiary of Auctus Investment Group Limited (ASX:AVC) is the Investment Manager of the REIT, and Student Quarters LP is the Asset Manager for the REIT (together **the Managers**). The Responsible Entity has appointed the Managers to provide certain asset management, investment management, leasing and property management services to the REIT under the Management Agreements. Under the Constitution, the Responsible Entity is permitted to appoint a manager to manage the assets of the REIT, and the Responsible Entity is authorised to, and will, pay all fees and costs under the Management Agreement out of the assets of the REIT, subject to the provisions of the Constitution.

# 5.2. Overview of Auctus Investment Group

Auctus Asset Management is the Investment Manager for the REIT, and a wholly owned subsidiary of Auctus Investment Group Limited (together 'Auctus'), and an Authorised Representative of Auctus Pty Ltd AFSL 517083.

Auctus Investment Group Limited (ASX: AVC) is an ASX listed private markets asset manager based in Melbourne, Australia and founded in 2018. Auctus are currently managing >A\$400M as at the date of this PDS across healthcare technology, energy infrastructure, operating real estate & consumer essentials.

#### 5.3. Overview of Student Quarters

Student Quarters is an Atlanta based, specialist student housing asset manager founded in 2013 with a demonstrated track record of value generation.

SQ manage in excess of >US\$1bn across off-campus student housing, and 10,000+ beds.

The team are highly experienced student housing owners with over 50 years of combined experience in underwriting, repositioning, managing, and disposing of quality student housing properties. SQ provides best in class operating and leasing experience for premier located, pedestrian friendly assets at major public Universities.

# 5.4. Board of the Responsible Entity and external management

# 5.4.1. BOARD OF DIRECTORS

The Board of Directors of the Independent Responsible Entity is as follows.

Director/Position	Experience, qualifications and expertise
Mr Philip Gentry	BSc (UNSW), MBA (IMD), SEP (Stanford)
Chair, CFO & COO	Mr Gentry has more than 25 years' experience in leadership positions within financial services, property, agribusiness, international trade, commodities and logistics. His previous roles have included Managing Director of Agrium Asia Pacific, CFO of AWB and several leadership positions at ANZ Bank. He is also a Director of a number of the Group's subsidiary companies.
	Philip is currently the Chair of the Audit Committee and has been a member since its formation in August 2018.
Mr Michael O'Brien	CFA, GAICD, FIAA
Managing Director	Executive Director (Appointed July 2018)
	Managing Director of the EQT Group
	Mick has broad wealth management experience in superannuation, investment management, insurance and advice, spanning over 35 years in both retail and institutional markets. Mick was formerly CEO and director of Invesco Australia Limited, director of Templeton Global Growth Fund Limited, director of Alliance Capital Management Australia and Chief Investment Officer of AXA Australia and New Zealand where he was also a director of AXA's Responsible Entities and Regulated Superannuation Entities.
Mr Russell Beasley	Dip Fin Mkts, SA Fin
Executive General Manager, Corporate Trustee Services Australia	Mr Beasley was appointed Director of EQTL and as a member of the Responsible Entity Compliance Committee in September 2020.
	Russell has more than 40 years' experience in the financial services industry, holding senior positions within funds management and retail banking. Russell has held a variety of roles at Equity Trustees, culminating in the most recent appointment at Executive General Manager, Corporate Trustee Services – Australia. Before joining Equity Trustees, his previous roles include Communication Manager, MLC Investment Management; Portfolio Manager, National Australia Funds Management; Senior Manager Operations, County Investment Management; and various retail banking appointments within National Australia Bank. He is also a Director of a number of the Group's subsidiary companies.  Russell joined Equity Trustees in February 2005.

## **5.4.2. THE INVESTMENT MANAGEMENT TEAM**

The Responsible Entity has appointed Auctus Asset Management, fully owned subsidiary of Auctus Investment Group, as investment manager of the REIT. The key members of the team are as follows:

Director/Position	Experience, qualifications and expertise
Campbell McComb Managing Director, Auctus Investment Group	GAICD, B.Econ, F Fin  Campbell has over 20 years funds management experience in Australia, the UK and Asia.  He has established and successfully run several funds management companies.

# 5. KEY PEOPLE, CORPORATE GOVERNANCE AND BENEFITS CONTINUED

Director/Position	Experience, qualifications and expertise
<b>Laz Siapantas</b> Director, Auctus Asset Management	GAICD,AdDip Fin, Dip Fin  Laz has over 15 years' funds management experience in both onshore and offshore capital markets with a core focus on private market investments. His experience spans public and private markets and executive and ASX listed board roles.
Geoff Koudelka Capital Markets, Auctus Investment Group	B.Econ, Dip Fin  Geoff has spent a decade in alternative asset distribution, principally focused on private markets opportunities in growth capital & real estate in the US & locally. Prior to this Geoff was institutional equity sales both in the UK and Australia.
Justine Wilkie Head of Funds, Auctus Investment Group	BA, B.Comm, Grad Dip App Fin  Justine has over 14 years' experience within boutique and global funds management organisations spanning relationship and operational management, product development and investment structuring.

## 5.4.3. THE ASSET MANAGEMENT TEAM

The Responsible Entity has sub appointed Student Quarters LP as asset manager for the REIT. Student Quarters have significant experience in US student housing asset investment and property management. The key members of the team are as follows:

Director/Position	Experience, qualifications and expertise
Andy Feinour	BSc MBA
President & CEO, Student Quarters	Andy has over 15 years' experience in student housing. He built the Student Quarters portfolio to over 9,000 beds. Prior to starting Student Quarters, Andy was Senior VP of Carter (2009-2012) and VP of Holder Properties (2001-2008) plus 4 years with the Boston Consulting Group.
Stephanie Lynch	BA MBA
Chief Investment Officer & CFO, Student Quarters	Stephanie is responsible for the firm's capital and investment activities. She has executed over US\$4 billion of direct real estate debt and equity deals and advised on US\$2 billion of loan sales, debt restructurings and fund investments. Stephanie has held senior management roles with Savills Studley in Washington DC, Ceres Capital Partners and Jones Lang LaSalle's Real Estate Investment Banking group.
Andrew Layton	BA JD MBA
Chief Acquisition Officer, Student Quarters	Andrew leads the origination, underwriting and structuring for both the acquisition and development of student housing assets for SQ investors. Prior to SQ, Andrew was MD at Phoenix Housing Partners (2013), Director of Acquisitions at Kayne Anderson Real Estate Advisors (2008-2012) and VP of the Acquisition Finance Group for ING Capital LLC (1999-2008).
Keith Jernigan	BA JD
COO & General Counsel, Student Quarters	Keith is responsible for the operations of the company, including performing DD on acquisitions, JV's compliance and legal matters. Keith spent over 18yrs in private practice as a commercial real estate lawyer with law firms of Smith, Gambrell and Russell LLP (1999-2004), Epstein Becker and Green, P.C. (2004-2008) and Coleman Talley LLP (2008-20018)

#### 5.5. Interests and benefits of Directors

#### 5.5.1. DIRECTORS INTERESTS

None of the Directors or their associates will have interests in the REIT.

#### 5.5.2. REMUNERATION AND RELATED ARRANGEMENTS

Under the Constitution, in addition to the fees outlined in Section 11 the Responsible Entity is entitled to be indemnified out of the REIT for costs incurred in relation to the proper performance of its duties.

#### 5.6. Custodian

The Custodian is Mainstream Fund Services Pty Ltd (ACN 118 902 891). The Responsible Entity has entered into the Custody Deed with the Custodian, under which the Custodian has agreed to hold the assets of the REIT that are transferred or delivered to the Custodian on behalf of the Responsible Entity. A summary of the key terms of the Custody Deed is set out in Section 12.1 of this PDS.

## 5.7. Corporate Governance

The Responsible Entity recognises the importance of strong corporate governance and is committed to a high standard of both corporate governance and compliance. The Responsible Entity will determine the appropriate governance arrangements for the REIT, having regard to market practice, the ASX Recommendations and ensuring that there are adequate arrangements to manage potential conflicts. The corporate governance arrangements established by the Responsible Entity will be continually monitored in order to ensure that they remain effective and appropriate for the REIT.

The key corporate governance policies and practices that will be adopted by the Responsible Entity in respect of the REIT from Completion are summarised below.

The Board seeks to ensure that the REIT is properly managed to protect and enhance Unitholders interests, and that the Responsible Entity, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the REIT, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for the operation of the REIT and that are designed to promote the responsible management and conduct of the REIT.

#### 5.7.1. ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

The ASX Corporate Governance Council has developed the ASX Corporate Governance Principles and Recommendations 4th edition (ASX Recommendations) for ASX listed entities to promote investor confidence and assist companies in meeting stakeholder expectations. The ASX Recommendations are not prescriptive, but have provided guidelines against which entities have to report on an "if not, why not" basis.

The Board of the Responsible Entity has adopted policies recommended by the ASX Recommendations, to the extent that they are applicable to an externally managed listed entity. Under the Listing Rules, the REIT will be required to disclose the extent of its compliance with the ASX Recommendations for each reporting period. Where the REIT has not followed an ASX Recommendation, it will be required to identify the recommendation that has not been followed and give reasons for not following it. The REIT must also explain what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

The REIT intends to comply with all of the applicable ASX Recommendations from the time of Completion, including as they relate to the composition and operation of the Board and the Audit and Risk Committee. The REIT will also disclose, in the annual report, the extent of its compliance with the ASX Recommendations.

# 5. KEY PEOPLE, CORPORATE GOVERNANCE AND BENEFITS CONTINUED

#### 5.7.2. BOARD COMPOSITION AND INDEPENDENCE

The Board of the REIT comprises the Independent Board of the Responsible Entity. Detailed biographies of the directors of the Board are provided in Section 5.4.1.

The Responsible Entity's Director Independence Policy sets out guidelines to assist in considering the independence of Directors and has adopted a definition of independence that is based on that set out in the ASX Recommendations. In general, Directors will be considered to be independent if they meet those guidelines.

The Board is responsible for the overall governance of the Responsible Entity. The Board considers issues of substance affecting the Responsible Entity, with advice from external advisers as required. Each Director must bring an independent view and judgement to the Board and must declare all actual or potential conflicts of interest on an ongoing basis. Any issue concerning a Director's ability to properly act as a Director must be discussed at a Board meeting as soon as practicable, and a Director must not participate in discussion or resolutions pertaining to any matter for which the Director has a material personal interest.

#### 5.7.3. BOARD CHARTER

The Board has adopted a written charter to provide a framework for the effective operation of the Board, including in its capacity as the responsible entity of the REIT. The Charter sets out the Board composition, the Board's role and responsibilities, the relationship and interaction between the Board and management and the authority delegated by the board to management and Board committees.

The key functions of the Board include:

- setting the ethical tone and standards of the REIT at the highest levels and encouraging a culture that promotes responsible decision-making;
- monitoring compliance associated with the REIT's legislative, contractual and fiduciary obligations;
- maintaining compliance with the relevant securities exchange and their continuous disclosure obligations including compliance with the ASX Listing Rules;
- overseeing the integrity of the REIT's accounting and reporting systems, including internal and external audit, including ensuring that the auditors of the REIT are able to raise matters directly with the Board;
- monitoring the effectiveness of the REIT's compliance, risk and governance frameworks;
- ensuring the REIT has adequate systems of internal control;
- reviewing the division of the functions between the Board and Management to ensure that it continues to be appropriate to the needs of the REIT;
- satisfying itself that appropriate internal audit arrangements are in place and operating effectively; and
- ensuring the REIT adheres to the Responsible Entity's Corporate Delegations of Authority.

The management function is conducted by the Managers as directed by the Board and in accordance with the Management Agreements. The Board collectively, and any Director individually, may seek independent professional advice necessary to discharge their responsibilities as directors at the Responsible Entity's reasonable expense. Approval from the Chair of the Board is required prior to obtaining such advice.

The Board retains oversight over all aspects of the REIT business and affairs.

#### 5.7.4. BOARD COMMITTEES

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit Committee, Disclosure Committee and Compliance Committee. Membership of Board committees is based on the needs of the REIT, relevant legislation, regulatory and other requirements, and the skills and experience of Board members.

Committee	Overview	Members	
Audit Committee	The Audit Committee assists the Board to carry out its accounting, auditing and financial reporting responsibilities, including with respect to the oversight of, among other things:	Mr Philip Gentry (Chair) Mr Travis Goudie Mr Darren Thompson Ms Mary O'Connor Mr Michael Do (External, non-director independent member)	
	<ul> <li>the reliability and integrity of the REIT's financial management, application of accounting policies, financial reporting systems and processes;</li> </ul>		
	<ul> <li>the appointment, remuneration, independence and competence of the REIT's external auditors;</li> </ul>		
	• the performance of the external audit functions and review of their audits;	Mr Darren Scammell (External, non-director	
	<ul> <li>the accounting judgments exercised by management in preparing the REIT's financial statements;</li> </ul>	independent member)	
	<ul> <li>management's performance against the REIT's risk management framework;</li> </ul>		
	<ul> <li>the implementation and effectiveness of the REIT's system of risk management and internal controls; and</li> </ul>		
	<ul> <li>the REIT's systems and procedures for compliance with applicable legal and regulatory requirement; and the REIT's taxation risk management, financial risk management, business policies and practices, and risks associated with transactions of a strategic or routine nature.</li> </ul>		
Compliance Committee	The Compliance Committee assists the Board in providing an efficient and effective mechanism to bring the transparency and focus needed to oversee Responsible	Ms Anne O'Donnell (Chair, Non-Executive & independent Director)	
	Entity compliance obligations.  The Compliance Committee reviews and makes recommendations to the Board in relation to the Responsible Entities' compliance with the <i>Corporations Act 2001</i> and their license obligations. In performing its role, the Committee aspires to excellence in governance standards.	Mr Glenn Sedgwick (Non-Executive & independent Director) Mr Russell Beasley	
Disclosure Committee	The Disclosure Committee assists the Board in meeting continuous disclosure obligations in accordance with the	Mr Philip Gentry (Chair)	
	relevant securities exchanges', rules and Corporations Act	Mr Russell Beasley	
	2001 for listed and quoted funds for which Equity Trustees Limited acts as Responsible Entity. Key roles include:	Mr Michael (Mick) O'Brien	
	<ul> <li>Reviewing whether information concerning the REIT and Responsible Entity is required to be disclosed in accordance with the EQTL Continuous Disclosure Policy and will make the disclosure to the ASX when the decision of the Board is not able to be made in a timely manner;</li> </ul>		
	<ul> <li>Authorised to submit to the ASX a request for a trading halt and to give the ASX information which the ASX considers will correct or prevent a false market; and</li> </ul>		
	• Liaise where possible and relevant with the Investment Manager in making a determination as to whether information is market sensitive and whether it is necessary to call a trading halt.		

# 5. KEY PEOPLE, CORPORATE GOVERNANCE AND BENEFITS CONTINUED

#### 5.7.5. CORPORATE GOVERNANCE POLICIES

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which will be available on the REIT website be at www.usq-reit.com.

#### 5.7.5.1. Code of Conduct and Ethics

The Responsible Entity is committed to achieving sustained performance and delivering value to its clients and shareholders while maintaining high standards of integrity and ethical behaviour. Accordingly, the Board has adopted a formal Code of Conduct and Ethics, which is followed by all Directors, as well as all other officers and employees of the Managers, and all other persons that act on behalf of the REIT.

The Code of Conduct and Ethics is designed to provide a set guiding principles to promote professional behaviour throughout the REIT, support its business reputation and corporate image within the communities and make Directors and employees and officers of the Managers aware of the consequences if they breach the policy.

## 5.7.5.2. Listed Investment Trusts Trading Policy

The Responsible Entity has adopted a trading policy to regulate dealings in Units. The policy explains the type of conduct that is prohibited under the Corporations Act and other laws applicable to the Responsible Entity and the REIT. The policy also establishes a best practice procedure in relation to dealings in Units by Directors, employees and officers of the Managers and their associates.

The policy sets out the restrictions that apply to such dealings including the "black-out periods", during which certain persons are generally not permitted to deal in Units, along with a procedure under which persons are required in certain circumstances to submit prior notification and obtain written confirmation prior to dealings outside those "black-out periods".

#### 5.7.5.3. Securities Trading Policy

The Responsible Entity has adopted a trading policy to regulate dealings in Securities of the Responsible Entity. The policy explains the type of conduct that is prohibited under the Corporations Act and other laws applicable to the Responsible Entity in relation to the trading of Securities of the Responsible Entity.

The policy sets out the restrictions that apply to such trading including the "black-out periods", during which persons are generally not permitted to deal in Securities of the Responsible Entity, along with a procedure under which persons are required in certain circumstances to submit a written request for clearance to trade and obtain written confirmation prior to dealings outside those "black-out periods".

#### 5.7.5.4. Continuous Disclosure Policy

Once the REIT is listed on the ASX, the Responsible Entity will be required to comply with the continuous disclosure requirements of the Listing Rules, in addition to those disclosure requirements to which the Responsible Entity is currently subjected to under applicable law. Subject to the exceptions contained in the Listing Rules, the Responsible Entity will be required to disclose to the ASX any information concerning the REIT which is not generally available and which a reasonable person would expect to have a material effect on the price or value of Units.

The Responsible Entity is committed to observing its continuous disclosure obligations and has adopted a continuous disclosure policy which establishes procedures that are aimed at ensuring that Directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price sensitive information.

#### 5.7.5.5. Unitholder Communication Policy

The Responsible Entity also aims to ensure that Unitholders are provided with sufficient information to assess the performance of the REIT and that they are informed of all major developments affecting the state of affairs of the REIT in accordance with all applicable laws.

All disclosures made to the market, including half-year and annual financial reports, will be posted on the REIT's website www.usq-reit.com as soon as they have been released by the Responsible Entity on the ASX. The full text of all policies relating to the REIT, monthly updates and media releases will also be posted on the REIT's website.

#### 5.7.5.6. Whistleblower Policy

The Board has adopted a Whistleblower Policy, which encourages the reporting of suspected improper behaviour and provides that those who report may do so with confidence and without fear of reprisals, discriminatory action or adverse consequences. Reportable conduct under the Whistleblower Policy includes (but is not limited to):

- intentional or negligent disregard for legislative or regulatory requirements and/or for the policies and procedures adopted by the Board;
- an act of theft or fraud;
- criminal or wilful damage to property;
- unsafe work practices;
- violence or threatened violence;
- the use and/or sale of prohibited substances;
- the misuse of a staff member's position for personal gain; and
- any other matter of misconduct or an improper state of affairs.

The Whistleblower Policy ensures protection over whistleblowers by allowing for anonymous reports to be made, protecting confidentiality of the whistleblowers and not tolerating any detriment caused or threatened to be caused against any person who has made or who is believed to have made a report regarding the reportable conduct.

The Whistleblower Policy also providers that a Whistleblower Protection Officer is responsible for safeguarding the interests of the Whistleblower and determining whether a Whistleblower has been or is likely to be personally disadvantaged in any relevant manner.

#### 5.7.5.7. Anti-Bribery and Corruption Policy

The Board has adopted an Anti-Bribery and Corruption Policy to demonstrate its commitment to conducting its business and operations with honesty, integrity and the highest standards of personal and professional ethical behaviour, complementing its Code of Conduct and Ethics. All employees, officers, Directors and agents acting for, or representing the Responsible Entity (including officers and employees of the Managers), in all their dealings, must not either directly or indirectly:

- offer, promise, give, request, or agree to receive or accept a bribe in any form;
- offer or accept gifts, entertainment, sponsored travel, political donations or any other benefits that could improperly influence, or be perceived to improperly influence, any person in order to obtain or retain business or any other advantage;
- offer or provide anything of value to a public official or any member of their family in order to improperly influence, or be perceived to improperly influence;
- make a donation or grant as a way of improperly influencing any person in order to obtain or retain business or an improper advantage of any kind;
- enter into, or continue, a business relationship with third parties (for example suppliers, agents, intermediaries, joint venture partners or proposed merger and acquisition targets) without appropriate due diligence being conduct; or
- keep inaccurate books and records or keep accounts or transactions relating to dealings with third parties "off-book" to facilitate or conceal improper payments.

The policy also sets out practices and procedures to provide for identification and management of, and reporting on, bribery and corruption matters. The Board Risk Committee is responsible for the monitoring of breaches or incidents relating to the policy.

#### 5.7.5.8. Related Party Transactions Policy

The Board of the Responsible Entity is responsible for reviewing and approving all transactions in which the Responsible Entity is a participant and in which any parties related to the Responsible Entity, including its executive officers, Directors, beneficial owners of more than 5% of the Units, immediate family members of the foregoing persons and any other persons whom the Board determines may be considered related parties of the Responsible Entity, has or will have a direct or indirect material interest. The Board or its Chairperson, as the case may be, will only approve those related party transactions that are determined to be in, or are not inconsistent with, the best interests of the REIT and its Unitholders, after taking into account all available facts and circumstances as the Board or its Chairperson determines in good faith to be necessary. Transactions with related parties will also be subject to Unitholder approval to the extent required by the ASX Listing Rules.



# 6. FINANCIAL INFORMATION

#### 6.1. Overview

The Directors of the Responsible Entity are responsible for the presentation of the financial information included in this Section and comprises:

- the proforma forecast income statement for the 12 months ending 31 December 2022 (the Pro Forma Forecast Income Statement) as set out in section 6.3.1:
- the proforma forecast distribution statement for the 12 months ending 31 December 2022 (the Pro Forma Forecast Distribution Statement) as set out in section 6.3.2;
- collectively referred to as the Forecast Financial Information; and
- the proforma statement of financial position at the Allotment Date (the Pro Forma Statement of Financial Position) as set out in section 6.4.

Together, the Forecast Financial Information and Pro Forma Statement of Financial Position constitute the Financial Information.

The REIT was incorporated in July 2020 and has prepared a statutory financial report for the year ended 30 June 2021. However, no statutory historical financial information has been presented in this PDS as the Directors believe that the provision of this financial information is not reflective of the operations post-listing Offer and would not be relevant and meaningful to potential investors.

Also summarised in this section are:

- the basis of preparation and presentation of the Financial Information including a description of non-International Financial Reporting Standards (IFRS) measures used in the PDS, as set out in Section 6.2;
- the Directors' best estimate assumptions underlying the Forecast Financial Information, as set out in Section 6.5;
- the key sensitivities in respect of the Forecast Financial Information, as set out in Section 6.6;
- a description of the significant accounting policies of the REIT as set out in Section 6.8; and
- information on the REIT's working capital, as set out in Section 6.9.

The Financial Information has been reviewed by BDO in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information, as per its Investigating Accountant's Report in Section 9. Investors should note the scope and limitations of the Investigating Accountant's Report.

The REIT currently reports on a financial year ending 30 June. Figures in the PDS may be subject to rounding adjustments causing discrepancies in totals, sum of components and percentage calculations. The Financial Information provided in this Section should be read in conjunction with the other information provided in this PDS.

# 6.2. Basis of preparation and presentation of financial information

The presentation of the Financial Information has been prepared by the directors of the Responsible Entity and is intended to explain the Forecast Financial Information together with the Pro Forma Statement of Financial Position.

The Financial Information is in accordance with Australian Accounting Standards [AAS] measurement principles determined by the Australian Accounting Standards Board (AASB). AAS recognises and ensures compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The significant accounting policies adopted by the REIT are set out in Section 6.7.

The Financial Information is presented in an abbreviated form and does not contain all of the presentation and disclosures, statements or comparative information required by AAS and the Corporations Act for annual general purpose financial reports.

# 6. FINANCIAL INFORMATION CONTINUED

#### 6.2.1. PREPARATION OF THE FORECAST FINANCIAL INFORMATION

The Forecast Financial Information has been prepared on a pro forma basis to be representative of the implementation of the Restructure, including the acquisition of the Restructure Assets, and the Offer as described in this PDS. Due to its nature, the pro forma Forecast Financial Information does not represent the REIT's actual or prospective financial performance and distributable income for the 12 months to 31 December 2022.

Specifically, the Forecast Financial Information has been prepared to reflect the following pro forma adjustments:

- The Investee Companies reflected in the Forecast Financial Information includes the Edge, and Edgewood, Balcony MSU, 607 South, Traditions, Village Walk and West 100 (**Restructure Assets**) only;
- The Forecast Financial Information does not include the REIT's investment in Clemson, given this investment was only recently acquired making it difficult to compile forecasts that comply with Regulatory Guide 170 Prospective financial information (RG 170);
- The Forecast Financial Information does not include the Offer proceeds or the Additional Properties, given the contracted and awarded acquisitions of the Additional Properties are not unconditional and given the difficulty compiling forecasts for prospective investments that comply with RG 170; and
- One-off IPO transaction costs have been excluded.

The Forecast Financial Information has been prepared by the Directors of the Responsible Entity based on an assessment of present economic and operating conditions and on a number of best-estimate assumptions, including the general assumptions and the specific assumptions set out in Section 6.5.

The Directors of the Responsible Entity have prepared the Forecast Financial Information with due care and attention. They consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this PDS. However, this information is not fact and investors are cautioned to not place undue reliance on the Forecast Financial Information.

This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on the REIT's actual financial performance, financial position and/or distributable income. Investors are advised to review the assumptions set out in Section 6.5 in conjunction with the sensitivity analysis set out in Section 6.6, the risk factors set out in Section 7, and other information set out in this PDS.

The Forecast Financial Information has been presented on a pro forma basis and assumes the Proposal is completed on the Allotment Date of 14 February 2022.

#### 6.2.2. PREPARATION OF THE PRO FORMA STATEMENTS OF FINANCIAL POSITION

The Pro Forma Statement of Financial Position has been prepared for the sole purpose of inclusion in this PDS.

The Pro Forma Statement of Financial Position represents the REIT's financial position at the Allotment Date. It has been prepared to reflect the following underlying transactions and adjustments at the Allotment Date:

- The REIT's existing investments in Investee Companies that hold interests in Edge and Clemson, and other pre-Offer assets and liabilities;
- Implementation of the Restructure, including the acquisition of the Restructure Assets through the issue of approximately 20.41 million units;
- Completion of the Offer on the basis that the Offer is fully subscribed at A\$45 million, through the issue of approximately 32.63 million Units at A\$1.38 per Unit; and
- US\$2.31 million in Transaction Costs (of which US\$1.50 million is offset against contributed equity and US\$0.80 million is expensed through the profit and loss).

The REIT's Investee Companies are contracted to acquire an interest in three properties – Vue on Walnut and Cherry Street Lofts on 8th (Additional Properties). The contracts for these assets are not unconditional and have therefore been excluded from the Pro Forma Statement of Financial Position at the Allotment Date.

#### 6.2.3. EXPLANATION OF CERTAIN NON-IRFS FINANCIAL MEASURES

The REIT uses certain measures to manage and report on its business that are not recognised under AAS or IFRS. These measures are collectively referred to as non-IFRS financial measures. These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities.

These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although the Directors of the Responsible Entity believe these non-IFRS financial measures provide useful information for measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in the PDS.

The principal non-IFRS financial measures that are referred to in this PDS are as follows:

- Gain on Fair Value of Investee Company Properties: in accordance with IFRS, the movement in the FV of Investment Properties is recognised as a gain or loss through the income statement. Investments in Investee Companies are initially measured at cost, and subsequently measured at fair value taking into account external third party valuations (CBRE valuations), debt and other assets and liabilities at the Investee Company level. The Forecast Financial Information has been prepared on the basis of the following fair value assumptions:
  - No change in external valuations of the underlying properties during the forecast period;
  - A decrease in debt as a result of debt amortisation payments;
  - No change in any other assets or liabilities that would impact FV;
- Distributable Income from the Investee Companies: represents the funds from operations of the Investee Companies, net of non-cash accounting adjustments and other cash flows, including but not limited to capital expenditure, and debt repayments/drawdowns.
- **Distributable Income from the REIT:** represents the income available for distribution to Unitholders and is equal to Net Profit less Gain on fair Value of Investee Company Properties.
- Adjusted Pre-IPO Units: represents the Units on issue in the REIT prior to the Offer, adjusted for the number of Units
  associated with Clemson (which is shown on the Pro Forma Statement of Financial Position at Allotment Date but
  not in the Forecast Financial Information).
- Adjusted Distribution Yield: represents Distributable Income Available for Distribution from the REIT per Adjusted Pre-IPO Unit divided by the Offer Price.
- Underlying Asset Level Gearing (%): Interest in Investee Company Borrowings divided by Interest in Fair Value of Investee Company Properties.

## 6.3. Forecast Financial Information

This section contains the REIT's Pro Forma Forecast Income Statement and the Pro Forma Forecast Distribution Statement. This section should be considered in conjunction with the basis of preparation and presentation of the Financial Information set out in Section 6.2.

#### 6.3.1. PRO FORMA FORECAST INCOME STATEMENT

The table below presents the REIT's Pro Forma Forecast Income Statement for the 12 months ending 31 December 2022.

Income Statement of the REIT	US\$
Distribution from Investee Companies	2,649,958
Gain on Fair Value of Investee Company Properties	701,794
REIT Management Fees	(612,380)
REIT Overheads	(185,393)
US Corporate Tax	(3,782)
Net Profit	2,550,197

# 6. FINANCIAL INFORMATION CONTINUED

The tables below provide detail on the calculation of Distribution from Investee Companies, presenting the Income Statement and the Distribution Statement for the Investee Companies for the 12 months ending 31 December 2022.

Income Statement of Investee Companies	US\$
Rental revenue	8,858,017
Other revenue	544,000
Total revenue	9,402,018
Property expenses	(3,731,629)
Asset management fees	(431,529)
Other expenses	(38,794)
Depreciation	(2,175,971)
Asset level interest expense	[1,848,314]
Total expenses	[8,226,237]
Investee Companies Net Profit Before Tax	1,175,781
Distribution Statement of Investee Companies	US\$
Investment Properties Net Profit Before Tax	1,175,781
Add back: Depreciation	2,175,971
Less: Debt amortisation	(701,794)
Distribution from Investee Companies	2,649,958

# 6.3.2. PRO FORMA FORECAST DISTRIBUTION STATEMENT

The table below presents the Pro Forma Forecast Distribution Statement for the 12 months ending 31 December 2022 on the basis that the Offer is fully subscribed to at A\$45 million.

Distribution Statement of the REIT	US\$
Net Profit	2,550,197
Less: Gain on Fair Value of Investee Company Properties	(701,794)
Distributable Income before US Withholding Tax	1,848,403
US Withholding Tax	(259,260)
Distributable Income after US Withholding tax	1,589,143
Foreign Tax Credit	259,260
Distributable Income assuming full utilisation of Foreign Tax Credit	1,848,403

The tables below present key metrics and key adjusted metrics for the 12 months ending 31 December 2022 on the basis that the Offer is fully subscribed to at A\$45 million, respectively. The key metrics are calculated using the number of Units at Allotment Date whereas the key adjusted metrics are calculated using the number of pre-IPO Units less Units associated with the acquisition of Clemson in order to reflect the assets included in the Forecast Financial Information.

Key Metrics	US\$
Payout ratio (%)	100%
Distribution per Unit after US Withholding Tax (cents)	2.07
Foreign Tax Credit per Unit (cents)	0.34
Distribution per Unit assuming full utilisation of Foreign Tax Credit (cents)	2.40
Distribution Yield assuming full utilisation of Foreign Tax Credit (%)6	2.4%

Key Adjusted Metrics	US\$
Adjusted Distribution per Unit after US Withholding Tax (cents)	4.51
Adjusted Distribution Yield after US Withholding Tax [%]	4.5%
Adjusted Distribution per Unit assuming full utilisation of Foreign Tax Credits (cents)	5.25
Adjusted Distribution Yield assuming full utilisation of Foreign Tax Credit (%)	5.3%

The table below provides further detail on the reconciliation from Pre-IPO Units to Adjusted Pre-IPO Units.

Adjusted Pre-IPO Units	US\$
Number of Pre-IPO Units	44,301,078
Less: Clemson Units	[9,101,620]
Adjusted Number of Pre-IPO Units	35,199,458

# 6.4. Pro Forma Statement of Financial Position

The tables below present the Pro Forma Statement of Financial Position of the REIT at the Allotment Date and summary key metrics respectively, on the basis the Offer is fully subscribed to at A\$45 million.

Group Balance Sheet	US\$
ASSETS	
Cash	30,945,082
Investments	42,873,900
Other Assets	251,750
Total Assets	74,070,732
LIABILITIES	
Borrowings	-
Other Liabilities	941,601
Total Liabilities	941,601
NET ASSETS	73,129,131
EQUITY	73,129,131

# 6. FINANCIAL INFORMATION CONTINUED

Key Metrics	
Units on issue (#)	76,926,078
NTA per Unit (US\$)	0.95
Balance Sheet Gearing [%]	-
Underlying Asset Level Gearing (%)	63.3%

The table below provides further detail on the Investment in Investment Properties at the Allotment Date as presented in the Pro Forma Statement of Financial Position.

Investment in Investment Properties	US\$
Fair Value of Investee Company Properties	116,853,020
Less Investee Company Borrowings	(73,979,119)
Net Investment in Underlying Investee Company Properties	42,873,900

# 6.5. Forecast assumptions

The Directors' key general and specific assumptions relating to the preparation of the Forecast Financial Information are set out below.

#### 6.5.1. GENERAL ASSUMPTIONS

In preparing the Forecast Financial Information, the key best estimate general assumptions during the forecast period include:

- the Offer is implemented on Allotment which is expected to be on 14 February 2022;
- the Offer proceeds in accordance with the timetable set out in this PDS;
- no material change in the level of government restrictions due to COVID-19. Please refer to the sensitivity of a change in property rental income in Section 6.6 and for a summary of the risks relating to COVID-19 in Section 7;
- no material acquisitions or disposals of investment properties other than those involved in the Offer or in the Restructure;
- no material litigation or contract dispute during the Forecast Period;
- no significant change in the competitive environment in which the REIT operates;
- no significant changes to the statutory, legal or regulatory environment which would be detrimental to the REIT in any of the jurisdictions in which it operates;
- no significant change in the economic conditions (including property market and financial market stability) in which the REIT operates;
- no material changes in credit markets;
- no material changes to the REIT's corporate or funding structure other than as set out in, or contemplated in, the PDS;
- all leases are enforceable and perform in accordance with their terms;
- no significant amendment to any material contract relating to the REIT's business;
- no material changes in current US and Australian tax legislation;
- no material changes in applicable AAS, other mandatory professional reporting requirements or the Corporations Act that would have a material impact on the REIT's financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures; and
- no underlying movement in the fair value of the investments (other than the amortisation of debt in the Forecast Financial Information at the Investee Company level, as noted in section 6.2.3) properties or other financial assets including any mark-up, as the Directors of the Responsible Entity do not believe such movements can be reliably estimated.

#### 6.5.2. SPECIFIC ASSUMPTIONS

The key forecast assumptions applied in preparing the Forecast Financial Information are described below.

#### Property Revenue of Investee Companies

Revenue of Investee Company Properties are forecast on a property by property basis and includes gross rental income, less concessions and allowance for bad debts, and other revenues (including but not limited to utility income and parking income).

For the January 2022 to July 2022 forecast period (i.e. the remainder of the current academic year), rental income has been forecast with reference to current rent rolls based on existing leases. For the August 2022 to December 2022 forecast period, rental income forecasts take into account the properties' key performance indicators such as current and forecast rent rates and occupancy, and comparable rent rates and occupancy assumptions used by independent valuers.

### Property Expenses of Investee Companies

Expenses of Investee Company Properties are forecast on a property by property basis and include general administration, payroll, utilities, marketing, contract services, repairs and maintenance, turn expenses and property taxes and insurance expenses. Property expenses are forecast to increase by 4.4% on the trailing twelve months to September 2021, mostly driven by increases in insurance costs and utilities. Property expenses are otherwise on trend with the trailing twelve months to September 2021.

#### Net interest expense

Interest expense is based on existing loan agreements for each of the Investment Properties included in the Forecast Financial Information, which represent an effective interest rate of 3.18% in the Forecast Financial Information. Interest income is assumed to be 0% on any cash balance.

#### Amortisation

Amortisation is based on existing loan agreements for each of the Investment Properties included in the Forecast Financial Information.

# Exchange rate

The Pro Forma Balance Sheet and Pro Forma Income Statement assume an exchange rate of US\$0.725 per A\$1.000 at the time of Allotment and for the 12 months ending 31 December 2022.

#### Management fees

The Responsible Entity is entitled to:

• A Responsible Entity Fee equal to 0.07% Gross Value of Assets (**GAV**) (plus GST) less cash at bank and cash like instruments (**Adjusted GAV**) up to or equal to A\$250 million, 0.06% per annum for that component of the Adjusted GAV above A\$250 million, but less than or equal to A\$500 million; and 0.05% per annum for that component of the Adjusted GAV above A\$500 million.

The Investment Manager is entitled to:

- an Investment Management Fee equal to 0.60% per annum of the Adjusted GAV; and
- A Performance Fee where an Asset is realised calculated as 20% of the performance of the asset in excess of the Hurdle Rate of an Internal Rate of Return of 10% pre annum.
- Compensation Amount: where the Investment Management Agreement expires and is not extended, or where the Investment Management Agreement is terminated by either the Responsible Entity or the Investment Manager in accordance with the Investment Management Agreement, the Investment Manager is entitled to a Compensation payment of 1 year of Management Fees calculated as at the termination date (not captured in the forecast period).

# 6. FINANCIAL INFORMATION CONTINUED

The Property Manager is entitled to:

Fee Structure (\$US)	Restructure Assets excluding Edgewood	200 Edgewood	The Edge and Clemson
Property Management Fee	Property management fees are unchanged from pre-restructure property management agreements (i.e. 6% of gross income for each asset each month)	A property management fee equal to 3.5% of gross income for each asset each month	A property management fee equal to 3.5% of gross income for each asset each month
Asset Management Fee	Not applicable	Not applicable	An asset management fee equal to the minimum of US\$20k per asset or 0.5% of gross income per asset each month, whereby the net share of the fee will be determined by the REIT's interest in the asset
Financing/Re-financing Fee	Not applicable	Not applicable	A financing fee equal to US\$75k for debt placement on new assets, whereby the net share of the fee will be determined by the REIT's interest in the new asset (noting this was paid for the Edge)
Acquisition Fee	Not applicable	Not applicable	An acquisition fee equal to 1.0% of the purchase of new assets, whereby the net share of the fee will be by determined by the REIT's interest in the new asset
Performance Fee	100% of any performance fee is payable to the Asset Manager	100% of any performance fee is payable to the Asset Manager	Asset Manager will be entitled to 70% of any performance fee payable to the Investment Manager

## Other REIT expenses

Other REIT expenses include fund administration fees, ASX listing fees, custodian and registry fees, accounting, tax adviser and audit fees, and other costs. These other expenses have been forecast based on relevant agreements and quotes from external parties.

#### Tax expense

Federal income tax is payable in the US based on the REIT's look-through interest in the net profit of the Investee Companies.

The REIT is intended to be treated as a "flow-through" entity for Australian income tax purposes under the Attribution Managed Investment Trust rules such that the net income of the REIT will be taxable in the hands of the Unitholders on an attribution basis.

#### Transaction Costs

The Pro Forma Statement of Financial Position includes the transaction costs associated with the Offer which are not reflected in the Forecast Financial Information.

Transaction Costs include stamp duty, offer management fees, advisers' fees, legal fees, ASX listing fees and other expenses associated with the Transaction. At the date of this PDS, cash Transaction Costs have been estimated at US\$2.31 million (based on existing agreements and quotes, and applicable stamp duty rates), of which US\$1.50 million is offset against contributed equity and US\$0.82 million is expensed through retained earnings.

The table below summarises the Transaction Costs in relation to the Offer that will be paid from the Offer proceeds.

Transaction Costs	US\$
Advisor Fees	1,341,250
Legal Fees	304,500
ASX Listing Fees	137,750
Other Fees	529,613
Total Transaction Costs	2,313,113
Capitalised	1,496,527
Expensed	816,586

## Distributions

Distributions are to be made quarterly with the first Distribution expected to be paid by May 2022. The Directors of the Responsible Entity will review and assess the appropriateness of the Distribution policy on a quarterly basis.

# Capital expenditure

Capital expenditures is forecast on a property by property basis. Capital expenditure is assumed to be funded by Investment Property level reserves and cash balances.

# 6. FINANCIAL INFORMATION CONTINUED

# 6.6. Sensitivity analysis

The Pro Forma Forecast Financial Information is based on a number of assumptions that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Directors and the Managers. These estimates and assumptions are subject to change. The Pro Forma Forecast Financial Information is also subject to a number of risks as outlined in Section 7.

Investors should be aware that future events cannot be predicted with certainty and, as a result, deviations from the figures forecast in this PDS are to be expected.

To assist investors in assessing the impact of these assumptions on Pro Forma Forecast Financial Information, the table below sets out the sensitivity of the REIT's Pro Forma Forecast Distributable Income to changes in certain key assumptions.

The sensitivity analysis is intended to provide a guide only and variation in actual performance could exceed the ranges shown. The anticipated refinance scenario (**Anticipated Refinance**) is representative of the REIT's intention to refinance the Investee Company borrowings at five of the seven Investment Properties included in the Forecast Financial Information, subsequently reducing the REIT's amortisation from US\$701,994 to US\$335,782 for the 12 months ending 31 December 2022. It is assumed that the Anticipated Refinance takes place before 1 January 2022. The scenario does not include a change in interest rates from the assumption in the Forecast Financial Information for these Investee Companies, despite the expectation that the five assets would be refinanced at interest rates lower than those reflected in the current loan agreements.

Change in forecast assumption		Change in Adjusted Distribution Yield assuming full utilisation of Foreign Tax Credit (%)	Adjusted Distribution Yield assuming full utilisation of Foreign Tax Credit (%)
2.50% change in rental revenue	[+/-]	0.6%	5.9%-4.6%
2.50% change in property expenses	[+/-]	(0.3%)	5.0%-5.5%
Anticipated Refinance	[+]	1.0%	6.3%

The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables to illustrate the likely impact on the Adjusted Distribution Yield assuming full utilisation of Foreign Tax Credit. In practice, changes in variables may offset each other or may be cumulative.

#### 6.7. Valuation Policy

#### **FAIR VALUE MEASUREMENT**

The REIT measures financial instruments, and non-financial assets such as property investments, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the group. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant.

The REIT uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

• Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Responsible Entity will review the independent valuations on an annual basis concurrent to the Responsible Entity's annual audit of the REIT.

# 6.8. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

#### 6.8.1. REIT SIGNIFICANT ACCOUNTING POLICIES

# 6.8.1.1. Basis of preparation

The REIT and US-domiciled holding companies are consolidated for financial reporting purposes in accordance with AASB 10 Consolidated Financial Statements.

Property investments via Investee Companies are classified as financial assets measured at fair value through profit and loss

#### 6.8.1.2. Fair Value Measurement of Investments

Property investments via Investee Companies are initially recognised at cost, and are then measured at fair value through profit or loss at subsequent reporting periods.

# 6.8.1.3. Distribution income

Distribution income is recognised on the distribution date with any related foreign withholding tax recorded as an expense. The REIT currently incurs US withholding tax on investment income. Such income is recorded gross of withholding tax in the income statement.

REIT distributions are recognised on an entitlement basis.

#### 6.8.1.4. Applications

Applications received for units in the REIT are recorded net of any entry fees payable prior to the issue of units in the REIT.

## 6.8.2. INVESTEE COMPANY SIGNIFICANT ACCOUNTING POLICIES

#### 6.8.2.1. Rental income

Rental income is recognised at the fair value of consideration receivable. Rental income relating to lease components are recognised on a straight-line basis over the term of the lease for the period where the rental income is fixed and determinable.

#### 6.8.2.2. Finance costs

Interest expense is recognised in the income statement using the effective interest rate method.

#### 6.8.2.3. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### 6.8.2.4. Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Gains and losses are recognised in the income statement in the period in which they arise.

# 6. FINANCIAL INFORMATION CONTINUED

#### 6.8.2.5. Trade and other receivables

Rent receivables are recorded initially at fair value and subsequently at amortised cost, less any impairment allowances under the expected credit loss model.

#### 6.8.2.6. Trade and other payables

Trade payables and other amounts payable are initially recorded at fair value and subsequently at amortised cost.

#### 6.8.2.7. Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in income statement in the period in which they arise. Fair values are determined by independent valuations. The independent valuations are performed by an accredited independent valuer. Investment properties are independently valued on a yearly basis.

# 6.9. Working capital

The Board is of the opinion that the REIT will have sufficient working capital at the time of its admission to carry out its stated business objectives.

Before the IPO, the REIT is expected to have US\$4.96 million in cash at bank. Therefore, on the basis that the Offer is fully subscribed at A\$45 million (US\$32.63 million), the REIT is expected to have US\$30.87 million in cash at bank at Completion, when accounting for US\$2.31 million of transaction costs associated with the Offer and US\$4.40 million in acquisitions of non-controlling interest.

The REIT plans to acquire the remaining non-controlling interest in the following assets; Edgewood, Traditions, 607 South, Balcony MSU, West 100 and Village Walk.

- The REIT will pay in cash US\$4.00 million to acquire the remaining 26.27% interest in Edgewood to a third party.
- The REIT will pay in cash US\$0.40 million to acquire the remaining 4.07% interest in Traditions, 607 South, Balcony MSU, West 100 and Village Walk to a third party.

## 6.10. Detailed overview of use of IPO proceeds

This section provides an overview of the REIT's planned use of IPO proceeds.

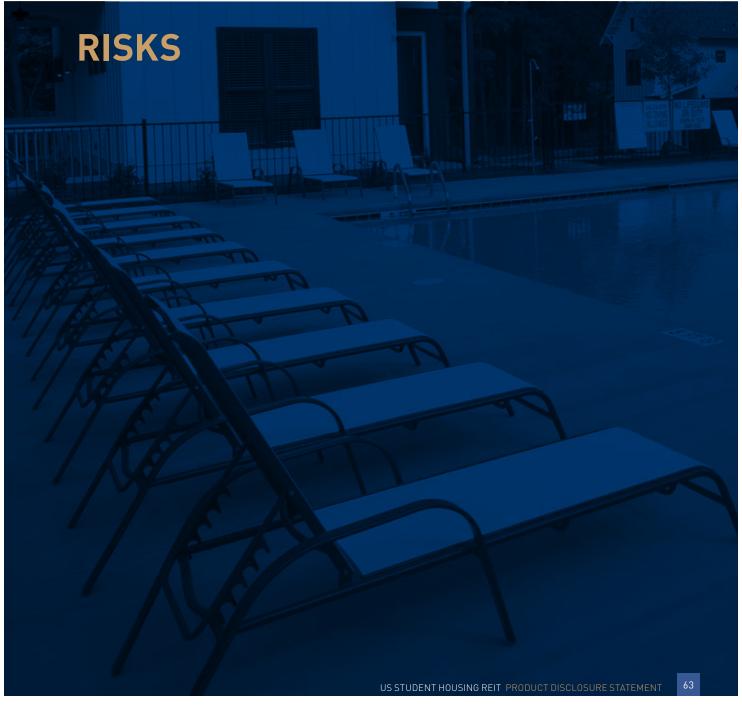
#### 6.10.1. SETTLE CONTRACTED AND AWARDED ACQUISITIONS OF ADDITIONAL PROPERTIES

Following the IPO, the REIT plans to use the proceeds to settle its contracted and awarded acquisitions of Additional Properties. The required investment for each Additional Property, inclusive of transaction costs, is outlined below, assuming the REIT's Investee Companies enter into new financing facilities at a gearing level of 65%:

- Vue on Walnut: US\$9.65 million
- Cherry Street: US\$9.5 million
- Lofts on 8th: US\$6.31 million

In the event the REIT's Investee Companies are unable to enter into the planned debt facilities, the REIT is able to terminate the acquisition of each of Vue on Walnut, Cherry Street and Lofts on 8th without incurring a loss of deposit.





# 7. RISKS

The REIT is subject to various risk factors. Some of these are specific to its business activities, while others are of a general nature. Many of these risks, or the consequences of them, are outside the control of the Responsible Entity, which if they were to eventuate, either individually or in combination, may have a material adverse impact on the REIT's assets and liabilities, financial position and performance, profits and losses and prospects, and the value of the Units.

Prospective investors should note that this Section 7 identifies the Responsible Entity's current views of the key risks of Investing in the REIT and are not an exhaustive list of the risks associated with the REIT or the property industry in which it operates, or an investment in the REIT either now or in the future. This information should be used as guidance only and read in conjunction with all other information presented in this PDS.

There can be no guarantee that the REIT will achieve its stated objectives or that any forward looking statement or forecasts will eventuate.

Before deciding whether to invest in the REIT, prospective investors should read this section together with the entire PDS and satisfy themselves that they have a sufficient understanding of the potential risks and should consider whether an investment in the REIT is suitable for them after considering their own investment objectives, financial circumstances and tax position. There may be additional risks that should be considered in light of each prospective investors' personal circumstances.

If you do not understand any part of this PDS, or are in doubt as to whether to invest in the REIT or not, it is recommended that you seek professional guidance from your broker, solicitor, accountant or other qualified professional adviser before deciding whether to invest.

# 7.1. Risks specific to investment in the REIT

#### **RENTAL INCOME AND EXPENSES RISK**

The REIT's primary source of income is generated through its leasing arrangements on the Portfolio.

Distributions made by the REIT are largely dependent on the rents received from tenants across the Portfolio and expenses incurred during business operations, which may be affected by a number of factors, including:

- overall economic conditions;
- local property market conditions;
- the financial condition and solvency of tenants;
- ability to attract new tenants;
- ability to extend leases or replace outgoing tenants with new tenants;
- incentives offered to attract prospective tenants;
- increases in rental arrears and vacancy periods;
- increase in unrecoverable outgoings;
- competition from newly built or existing properties;
- reliance on key tenant(s) which lease a significant proportion of the Portfolio;
- expenses associated with re-leasing the tenancies, attracting prospective tenants or taking enforcement actions;
- changes in tenancy laws;
- supply and demand in the property market; and
- external factors including pandemics, terrorist attacks, significant security breaches or a major world event.

The REIT expects to receive rental income from its Portfolio as described in Section 6. However, there is a risk that rental income might be materially different to the income described in the Financial Information set out in Section 6. Additionally, the forecasts included in this PDS (see Section 6.5) make a number of assumptions in relation to the level of rental income, including that all existing leases are performed in accordance with their current terms. Rental income may decline for a number of reasons, including as a result of:

- failure of existing tenants to perform existing leases in accordance with their terms;
- failure on the part of the REIT to enforce contracted rent increases or agree market rental reviews; or
- termination of a lease by a tenant due to convenience or failure on the part of the REIT to meet lease terms.

Any adverse impact on rental income could potentially decrease the value of the REIT and materially adversely affect the REIT's financial performance and distributions.

#### **RE-LEASING AND VACANCY RISK**

As at the date of this PDS, approximately 96.13% of the REIT's operating properties are leased.

The Initial Portfolio's leases are due for renewal on a periodic basis. There is a risk that the REIT may not be able to negotiate suitable lease renewals with existing tenants, maintain existing lease terms or locate new tenants to occupy the currently unoccupied properties. The REIT's ability to secure lease renewals or to obtain new tenants may be influenced by any leasing incentives granted to prospective tenants and the supply of properties in the market, which, in turn, may increase the time required to let vacant space. Should the REIT be unable to secure a tenant for a vacant property for a period of time, this will result in lower rental returns to the REIT, which could materially adversely affect the REIT's financial performance and distributions.

The REIT could lose tenants due to a range of events including as a result of failure to renew a lease, termination of a lease due to change of control, deterioration in the level of service provided to tenants, weakening of tenant relationships or disputes with tenants, consolidation of a tenant's sites or insolvency of tenants. Any of these factors could adversely affect the financial performance of the REIT and distributions.

#### **PROPERTY VALUATION RISK**

The Responsible Entity has obtained independent valuations for each of the properties in the Initial Portfolio and Pro Forma Portfolio and will periodically review those values by engaging an independent valuer in accordance with the REIT's valuation policy. The value of the Initial Portfolio, or each property held by the REIT may fluctuate due to a number of factors affecting both the property market generally or the REIT's properties in particular, including:

- changes in property income;
- changes in discount rates used by valuers;
- fluctuating occupancy levels;
- tenant defaults;
- material change in quality of tenant;
- change in supply and demand for commercial properties;
- general property market conditions; and
- general economic conditions, including prevailing interest rates.

Reported valuations will represent only the analysis and opinion of the valuation experts at a certain date, and are not guarantees of present or future Property values.

The valuations contained in the Valuation Reports reflect the relevant valuers' assessment of the value of the relevant property as at September 2021. Property value may fall if the underlying assumptions on which the valuation reports are based change in the future. Valuations may differ depending on the valuer appointed. A valuation may not affect the actual price that would be realised if a Property is sold. A reduction in the value of any property may adversely impact the REIT's income statement or value of Units in the REIT. Additionally, it may also impact the REIT's financing arrangements.

# 7. RISKS CONTINUED

#### PROPERTY ILLIQUIDITY

The REIT may be required to dispose of some of its property assets in response to adverse business conditions. By their nature, investments in real property assets are illiquid investments. There is a risk that should the REIT be required to realise property assets, it may not be able to do so in a short period of time, or may not be able to realise a property asset for the amount at which it has been valued. This may adversely affect the REIT's NTA and the value of Units. There is no guarantee that the time a property is put out to the market coincides with an optimal time to sell, particularly when the decision is driven by a factor other than the receipt of a third party favourable offer. This may affect the REIT's net asset value or trading price per Unit.

#### COMPETITION

The REIT will face competition from other property groups active in the United States. Some of these competitors have significantly greater scale, and may have an advantage in acquiring properties relative to the REIT due to more readily available sources of capital and a lower return threshold. Competition for new acquisitions in the sector in which the REIT operates may make it difficult for the REIT to acquire properties and to increase its scale or its level of diversification. In addition, such competition could lead to the following adverse outcomes:

- loss of tenants to competitors;
- an inability to secure new tenants resulting from oversupply of commercial space;
- an inability to secure maximum rents due to increased competition; and
- a risk that further properties are not able to be purchased on suitable terms.

#### **ENVIRONMENTAL AND CONTAMINATION RISKS**

Property income, Distributions or property valuations could be adversely affected by discovery of an environmental contaminant and the costs of property preservation or remediation associated with environmental contamination. This risk may occur whether or not the contamination was accidental, caused by the REIT, or by prior owners or third parties. This risk may not be possible to ascertain in due diligence on a new acquisition. Government authorities may require the REIT to remediate such contamination and require it to undertake any such remediation at its own cost. Remediation costs may be significant, and there may be consequential effects such as Property closure and loss of rent (including potential costs of relocation of tenants in some circumstances) which could adversely affect Distributions and the Unit price of the REIT. It may also potentially hinder the ability of the REIT to dispose of the property and their ability to be used as collateral may be limited.

In addition, environmental laws impose penalties for environmental damage and contamination which may be material. Whilst the nature of the REIT's operations are such that the risk should be minimal, should a person be exposed to a hazardous substance at a property within the Portfolio, they may make a personal injury claim against the REIT. Such a claim could be material.

Environmental issues may also result in interruptions to the operations of a Property. Any lost income caused by such an interruption to operations may not be recoverable.

The operations of the REIT and the tenants are subject to government environmental legislation. New or more stringent environmental laws or regulations could be introduced in the future, for example in relation to climate change, which may require the REIT to incur additional material expenditure to ensure that the required compliance is maintained.

While environmental issues are continually monitored, there is no assurance that the REIT's operations or those of a tenant will not be affected by an environmental incident or subject to environmental liabilities, which could impact the reputation and financial performance of the REIT and distributions.

#### **HEALTH AND SAFETY**

There is a risk that liability arising from workplace health and safety matters at a Property may be attributable to the REIT as the landlord instead of, or in addition to, the tenant. To the extent that any liabilities may be borne by the REIT, this may impact the financial performance of the REIT (to the extent not covered by insurance). In addition, penalties may be imposed upon the REIT which may have an adverse impact on the REIT or Distributions.

#### TRANSACTIONS THAT ARE SIGNED BUT NOT COMPLETED/CONSENT RISK

Completion of the acquisition or transfer of the Additional Properties has not yet occurred and will not occur until after the completion of the Offer. Some of the acquisitions are conditional upon the consent of third parties which have not been given at the date of this PDS and may not be provided. Whether the consent of a third party is not received, the acquisition may not proceed and the Pro Forma Portfolio will differ from that set out in this PDS. This may have an adverse impact on the REIT's financial performance and Distributions.

#### **FINANCIAL FORECASTS**

This PDS contains Forecast Financial Information for the 12 months ending 31 December 2022. The forward-looking statements, opinions and estimates provided in this PDS, including the Forecast Financial Information, rely on various factors, many of which are outside the control of the Responsible Entity. There can be no guarantee that the assumptions on which the forward-looking statements, opinions and estimates are based, will ultimately prove to be valid or accurate, including rents, property costs and corporate expenses incurred by the REIT.

The REIT and the Responsible Entity give no assurance that the REIT's actual results will not differ materially from those presented in the Forecast Financial Information. Any material adverse difference may adversely affect the value of the Units.

#### NO GUARANTEE OF DISTRIBUTIONS OR CAPITAL RETURNS

There is no guarantee as to the amount of any income or capital return from the Units or the performance of the REIT as its ability to pay distributions is subject to many variables.

Even if the REIT is able to pay a distribution, its ability to maintain and/or increase distributions over time cannot be guaranteed as its ability to do so is dependent on a number of factors including rental income, acquisitions and completion of developments on time or to budget.

If any of these factors are not met, the REIT's ability to maintain or increase distributions may be adversely impacted.

#### **ACQUISITIONS**

The REIT and the Investment Manager will continue to seek to identify new properties for acquisition. There is a risk that the REIT or the Investment Manager will be unable to identify future properties that meet its investment objectives, or if such properties are identified, that they cannot be acquired on suitable terms. A failure to identify appropriate properties or successfully acquire such properties could adversely affect the growth prospects and the financial performance of the REIT.

The REIT has endeavoured, and will continue to endeavour, to do all reasonable and necessary due diligence on acquisition properties. However, there remains a risk that potential issues are uncovered subsequent to due diligence and that these risks cannot be fully mitigated by the warranties and indemnities in the sale agreements, or related insurance arrangements, for those acquisitions.

In the event an unforeseen liability arises in respect of which the purchaser is not able to be indemnified, this may adversely impact the financial performance of the REIT and distributions. There can also be no guarantee as to the financial capacity of vendors of properties. In these circumstances, if a warranty or other claim was made under an acquisition agreement, there is a risk that funds may not be available to meet that claim. Any inability to recover amounts claimed from vendors could materially adversely impact the REIT's financial performance.

There is also a risk that acquired properties do not perform as expected due to a variety of factors including but not limited to changing property market conditions, tenants vacating the properties or tenant default.

In relation to the Portfolio, some of the information regarding the acquisitions has been derived from information made available by or on behalf of the vendors of each property. Although the REIT (and its advisers) have conducted reasonable levels of due diligence, they have not verified the accuracy and completeness of all information provided to it. To the extent that any of this information is incomplete, inaccurate or misleading, there is a risk that the financial performance of the REIT may differ, potentially adversely, from its expectations. Further, if the properties have not been managed consistently with expectations or contractual requirements, there is a risk that the financial performance of the REIT may differ from expectations, potentially adversely, including writing down the carrying value of assets.

# 7. RISKS CONTINUED

#### **CONFLICTS OF INTEREST**

The Responsible Entity, its affiliates and its various service providers may from time to time act as issuer, investment manager, market maker, custodian, Unit registry, broker, administrator, distributor or dealer to other parties or REITs that have similar objectives to those of the REIT. It is, therefore, possible that any of them may have potential conflicts of interest with the REIT.

The Responsible Entity and its affiliates may invest in, directly or indirectly, or manage or advise other REITs which invest in assets which may also be purchased by the REIT.

Neither the Responsible Entity nor any of its affiliates nor any person connected with it is under any obligation to offer investment opportunities to the REIT.

The Responsible Entity may, from time to time, engage affiliates and/or associates in their professional advisory capacity. The parties in their capacity as advisers may receive fees for providing services including, but not limited to, accounting, legal, human resources and/or strategic advice. The amount of these fees and payment terms will be negotiated at arm's length and will be deducted from the returns of the REIT or paid directly by the Responsible Entity. The Responsible Entity maintains a related party transaction policy to ensure that it manages its obligations to the REIT.

#### THE REIT MAY BE UNABLE TO REFINANCE, REPAY OR RENEW ITS DEBT

The REIT's Investee Companies use a combination of equity and bank debt to partially fund asset purchases. The REIT's Investee Companies will be subject to various financial and non-financial covenants under the Debt Facilities which could limit its future financial flexibility. For further details of the particular terms of the Debt Facilities please refer to Section 12.6.

Interest payable on the Debt Facilities will depend on the interest rate, which may be comprised of a base interest rate plus a variable interest rate margin. An increase in interest rates or an increase in the margins on which financing can be obtained may increase the REIT's financing costs. For example, the applicable margin for each tranche of the Debt Facilities will increase as the loan to value ratio increases.

If the REIT's financial performance deteriorates, including due to a decline in rental income or the value of the Portfolio, the REIT Investee Companies may be unable to meet the covenants under the Debt Facilities. This may require the REIT's investee to seek amendments, waivers of covenant compliance or alternative borrowing arrangements, to reduce debt or raise additional equity.

If a breach of covenant under the Debt Facilities were to occur, there is no assurance that a debt financier would consent to an amendment or waiver, or that debt financiers would not exercise enforcement rights, including cancelling the Debt Facilities, requiring immediate repayment or enforcing their security. If a debt financier enforces its security over the relevant assets of a REIT Investee Company which have been provided as security to support the REIT Investee Company's debt financing and forces a sale of the secured property, there is a risk that the value received may be less than the amount of the secured obligations and may be less than the optimal sale price. If the REIT's Investee Companies are unable to repay or refinance the Debt Facilities upon maturity or in the event of a breach of covenant, the Investee Companies may have to seek further equity, dispose of assets or enter into new debt facilities on less favourable terms. These factors could materially adversely affect the Investee Companies' ability to operate its business, acquire new properties and fund capital expenditure and could materially adversely affect the financial performance of the REIT and distributions, and may result in reputational damage which could result in lenders being unwilling to extend additional finance or potentially raise future borrowing costs.

To the extent that the REIT's Investee Companies incur variable rate indebtedness that is unhedged, increases in interest rates may increase the cost of borrowing and this may adversely affect the REIT Investee Companies' ability to make timely payments in respect of the Debt Facilities

#### STAMP DUTY ON ACQUISITIONS

Unitholders should not be liable for stamp duty in respect of their initial subscription of Units. Future acquisitions and disposals of Units should not be liable to stamp duty provided the REIT remains listed on the ASX and the interest acquired either alone or with an associated/related person is not 90% or more. For further tax and stamp duty consideration please refer to Section 10.

#### **TAX**

The REIT is intended to be treated as a "flow-through" entity for Australian income tax purposes under the Attribution Managed Investment Trust rules such that the net income of the REIT will be taxable in the hands of the Unitholders on an attribution basis. Tax will be withheld on distributions paid to unitholders. The ability of unitholders to claim an offset for the withholding tax paid is dependent on the unitholders' specific circumstances.

US corporate income tax will be imposed on the US operations. This tax will not be available as an offset to unitholders.

Changes to Australian and US tax legislation or regulations, or the interpretation thereof by the courts, may impact on the manner or basis of taxation of the REIT or Unitholders. Further details of tax consequences for certain Australian investors are provided in Section 10 of this PDS.

#### **INSOLVENCY EVENT**

In the event of any liquidation or winding up of the REIT, the claims of the REIT's creditors will rank ahead of those of its Unitholders. Under such circumstances the REIT will first repay or discharge all claims and debts of its creditors.

Any surplus assets will then be distributed to the REIT's Unitholders. All Unitholders will rank equally in their claim and will be entitled to an equal share per Unit.

#### **COMPLIANCE RISK**

The Responsible Entity is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. If the Responsible Entity breaches the Corporations Act or the terms of its AFSL, ASIC may take action to suspend or revoke the licence, which in turn would adversely impact the ability of the Responsible Entity to manage the REIT. In order to ensure compliance with the REIT's Constitutions, the Corporations Act and the Listing Rules, the Responsible Entity has adopted a Compliance Plan (set out in Section 12.4) which sets out the key processes the Responsible Entity will apply in complying with its compliance obligations.

#### **DISPUTES AND LITIGATION**

The REIT may be the subject of claims, disputes or litigation in the course of its business by Unitholders, tenants, landlords, governmental agencies or other third parties.

For example, tenants may claim that rent is not due and payable, governmental agencies may claim that the REIT has not paid rates or other taxes or is not compliant with applicable planning or zoning laws and third parties may claim for breach of contract.

Any complaints, disputes, claims or litigation in which the REIT is involved may result in a financial penalty, the inability of the REIT to conduct its business or implement its strategy and/or damage to the REIT's reputation and may divert financial and managerial resources away from running the REIT's business.

Any of these potential outcomes may adversely affect the REIT's financial performance and distributions.

#### **TERMINATION**

In the event the REIT is terminated or wound up, the claims of the REIT's creditors will have priority over the claims of Unitholders. Under such circumstances, the Responsible Entity may sell Properties and first repay or discharge all costs and liabilities owed to the REIT's creditors before distributing the remaining proceeds to Unitholders. Any remaining proceeds will be distributed among Unitholders pro rata in accordance with the proportion of Units held by Unitholders. As such, there is a risk that Unitholders may receive no amount, or an amount less than the purchase price, on termination or winding up of the REIT.

# 7. RISKS CONTINUED

#### THE REIT MAY SUFFER LOSS FOR WHICH IT IS NOT INSURED

The REIT will carry a range of insurances which the board of the Responsible Entity and management view as customary for the Properties. However, there are certain events for which the REIT will not maintain insurance cover. Insurance cover may not be available for certain kinds of losses, which may include, but are not limited to loss caused by:

- war or political or civil instability;
- terrorism; and
- catastrophic events such as floods or bushfires.

If any of the REIT's properties are damaged or destroyed by an event for which the REIT does not have coverage, the REIT could incur a capital loss and lose income which could reduce Unitholders' returns.

Dependent on the type of coverage, the REIT may have to incur an excess prior to any payment by the insurer or pay for any difference between the full replacement cost and insured amount. The REIT may also incur increases to its insurance premium applicable to other areas of cover as a result of the event requiring insurance.

The REIT may not be able to recover under its insurance if the company or companies providing the insurance (or any reinsurance) are under financial distress or insolvency.

#### **RETAIL TENANCIES LEGISLATION**

Retail tenancies legislation is in force in jurisdiction of the United States which regulates the terms on which leases and licences are granted to tenants of retail premises. As a retail business is carried on at a number of Properties in the Initial Portfolio, the REIT has considered the potential application of retail tenancies legislation in respect of the its business and, in the case of each lease, considers that such legislation by its terms does not apply to the leases or, if it does apply, it intends to comply with applicable legislation.

There is a risk that retail tenancies legislation as applicable in any jurisdiction of the United States may be amended in a manner unfavourable to the REIT or that the REIT does not comply with applicable retail tenancies legislation. In that event, the REIT may be adversely impacted as a result.

## **DATA BREACH**

The REIT will collect, process and store, through the ordinary course of its business operations, a wide range of data, including confidential data relating to its tenants. Measures that the REIT employs to secure and protect technology systems and data may not be sufficient to prevent system failures or data breaches arising from factors beyond its control and/or to detect or prevent unauthorised access to, or disclosure of, confidential information and data.

There is a risk that the REIT's systems, or those of its third-party service providers, fail, or are subject to disruption as a result of external threats or system errors. Cyber-attacks, data theft, data loss, human error or malfeasance may also result in data breaches resulting from unauthorised access to, or disclosure of information, including sensitive and/or confidential information, whether malicious or inadvertent.

Despite seeking to maximise the protection of data, there is a risk that the REIT is exposed to a security breach or successful cyberattack. Any systemic failure and/or data security breaches could result in significant disruption to the REIT's services, loss of system integrity, breaches of the REIT's obligations under applicable data protection laws or contractual agreements, an obligation under privacy laws to notify individuals and the Australian Information Commissioner of the breach, reputational damage, and could reduce its ability to retain existing tenants and generate new tenants, each of which could have a material adverse effect on the REIT's financial performance and distributions.

Further, there is a risk that the REIT may be unable to provide critical business processes due to a potential distributed denial-of-service attack, resulting in disruption of services, loss of customers and financial and reputational damage.

#### **DILUTION FROM FUTURE CAPITAL RAISINGS**

Future capital raisings and equity-funded acquisitions by the REIT may dilute the holdings of Unitholders. In the normal course of managing the REIT, the Responsible Entity is seeking to increase distribution income to Unitholders and to provide for the potential for capital growth. In order to provide this growth, capital raisings may be undertaken to acquire further property investments. At the extreme, a capital raising may need to be undertaken to reduce debt in order that the REIT remain compliant with its debt covenants.

### **RELIANCE ON THIRD PARTIES**

The execution of the REIT investment strategy relies on Auctus Asset Management's joint venture with Student Quarters to act as the REIT asset manager in the US market, and the ability of Student Quarters to execute on its US student housing strategy. The joint venture is governed by a term sheet, not an asset management agreement, so there is a risk that a change to the terms of the joint venture agreement may negatively impact the REIT's investment strategy, and its ability to achieve its forecast income and growth returns.

The Responsible Entity may engage third party services providers in respect of part or the whole of the Initial Portfolio. The terms of such engagement and the nature, scope and fees relating to the services provided by such third party service providers will be subject to contractual arrangements between the Responsible Entity or the Managers and the relevant third parties. A failure of third parties to discharge their agreed responsibilities may adversely affect the management and financial performance of the REIT and therefore also adversely impact returns to Unitholders.

### 7.2. General risks

### PRICE OF UNITS MAY FLUCTUATE

The Units in the REIT quoted on the ASX will become subject to the general market risk that is inherent in all securities traded on a stock exchange. This may result in fluctuations in the price of Units that are not explained by the fundamental operations and activities of the REIT. There is no guarantee that the price of the Units will increase following quotation on ASX, even if the REIT's earnings increase.

The Units may trade at, above or below the Offer Price due to a number of factors, including:

- general market conditions;
- shifts in consumer;
- fluctuations in the local and global market for listed stocks;
- changes to government policy, legislation or regulation;
- inclusion in or removal from particular market indices; and
- the nature of the markets in which the REIT operates.

Other factors that may negatively affect investor sentiment and influence the REIT specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, civil unrest, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.

### **FOREIGN EXCHANGE RISK**

HoldCo's investments are in the US property market. The assets of the REIT and its controlled entities are denominated in US dollars. The value of the Units will be affected by increases and decreases in the value of the US dollar relative to the Australian dollar whenever any of HoldCo's income is distributed to the REIT or the value of the REIT's net assets is calculated. An increase in the value of the US dollar against the Australian dollar will mean the distributions from HoldCo and the value of the HoldCo's assets less any liabilities will be worth more when converted into Australian dollars, but if the value of the US dollar falls those distributions and investments will be worth less in Australian dollar terms. Additionally, the value of the US dollar equivalent of the Australian dollar amounts to be paid as interest and on redemption fluctuates with changes in the exchange rate between the Australian dollar and the US dollar. The value of the Australian dollar has been subject to significant fluctuations with respect to the US dollar in the past and may be subject to significant fluctuations in the future. The capital value of the US assets held by the REIT will not be hedged, though borrowing of US dollar denominated debt provides a partial natural hedge. Investors should accordingly consider the impact of an adverse change in the Australian dollar and the US dollar exchange rate.

# 7. RISKS CONTINUED

### LIQUIDITY OF UNITS

There can be no guarantee that an active market for the Units will develop following Completion of the Offer. There may be relatively few potential buyers or sellers of the Units on the ASX at any given time. This may increase the volatility of the market price of the Units. It may also affect the prevailing market price at which Unitholders are able to sell their Units. This could result in Unitholders receiving a market price for their Units that are less than the price that they paid.

### **FORCES MAJEURE AND COVID-19**

Events may occur within or outside Australia and the United States that could impact upon the global and Australian and United States economies, the operations of the REIT and the price of the Units. These events include but are not limited to pandemics, acts of terrorism, an outbreak of international hostilities, civil unrest, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events that can have an adverse effect on the REIT's ability to conduct its business.

Further, these unforeseen circumstances and situations may affect any of the REIT's properties or property interests. Even though these unforeseen circumstances are outside the control of the Responsible Entity, however the REIT may be required to remediate any resulting damage or loss. The cost of remediation could be substantial. In addition, if the REIT is not able to remediate a Property, this may adversely affect its ability to sell the relevant property or to use it as collateral for borrowings.

The events relating to COVID-19 have resulted in significant market falls and volatility including in the prices of securities trading on ASX and on other foreign securities exchanges. There is continued uncertainty as to the further impact of COVID-19 including in relation to governmental action, work stoppages, lockdown, quarantines, travel restrictions and the impact on the Australian, US and global economy and share markets. In light of recent Australian, US and global macroeconomic events, including though not limited to the impact of COVID-19 and other factors, it is likely that Australia and other international economies will remain in recession or downturn of uncertain severity and duration which would further affect consumer spending, continue to impact on the operating and financial performance and prospects of the REIT and continue to interfere with the REIT's business.

The nature and extent of the effect of the COVID-19 outbreak on the performance of the REIT remains unknown. Any governmental or industrial measures taken in response to COVID-19 may adversely impact the REIT's operations and are likely to be beyond the control of the REIT. The REIT is monitoring the situation closely and considering the impact of COVID-19 on its business and financial performance.

However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the REIT will continue to update the market in regard to the impact of COVID-19 on its business and any adverse impact on the REIT.

## **CLIMATE CHANGE**

Climate change presents a potentially material risk to the REIT. The increasing severity of acute weather events (such as heatwaves, cyclones and storms) and chronic climate impacts may affect one or more of the REIT's Properties (and associated communities) through physical damage, operating costs, consumer visitation and ability to trade and operate. These acute weather events may be sudden and acute or more gradual in nature. For example, a Property may be damaged by storms or flooding which requires extensive repairs and may impact rental income at that Property. Alternatively, tenants may be impacted by disruptions to their operations.

The Managers have conducted both high-level and asset-level assessments of physical risks in order to identify and mitigate those risks.

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaption requirements related to climate change. These may require the REIT to incur costs to address these changes. The transition to a low carbon economy may enable the REIT to realise opportunities such as reducing its reliance on the electricity grid by generating onsite renewable energy which also protects its business from future energy market and policy uncertainty.

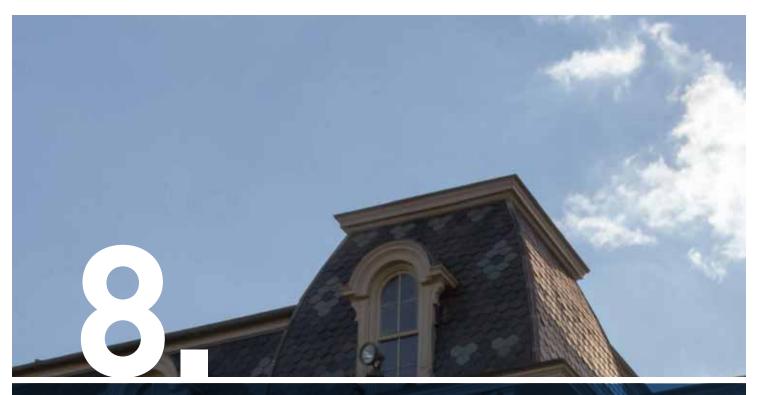
### LAWS AND REGULATORY CHANGES

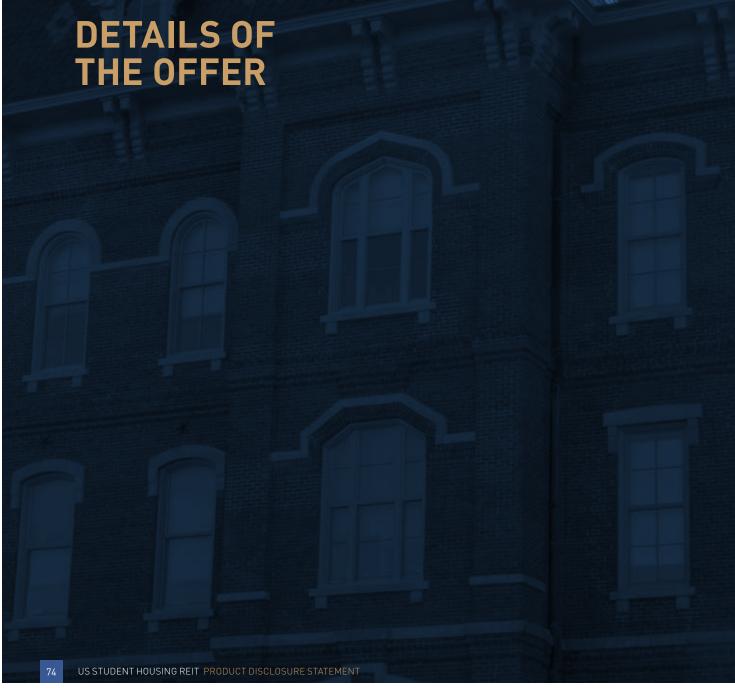
In the ordinary course of its business, the REIT is subject to a range of laws and regulations. These laws and regulations include those relating to tenancies, planning and zoning, employment, property the debt facilities and taxation (including GST and stamp duty).

There is the risk that changes in any law, regulation or government policy affecting the REIT's operations (which may or may not have a retrospective effect) will have an effect on the Portfolio and/or the REIT's performance and distributions. This may include changes to taxation regimes. Any changes may adversely affect the value of the Portfolio, including by increasing its costs either directly (for example, by increasing a tax or duty the REIT is required to pay) or indirectly (for example, by increasing the cost of complying with a particular legal requirement or increasing competition for tenants from other landlords).

### **ACCOUNTING STANDARDS**

The Australian Accounting Standards to which the REIT adheres are set by the Australian Accountings Standards Board (AASB) and are consequently out of the control of the Responsible Entity and its directors. Changes to accounting standards issued by AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the REIT's financial statements.





# 8. DETAILS OF THE OFFER

## 8.1. Overview of the Offer

This PDS relates to an initial public offering of Units by the REIT. The Responsible Entity of the REIT intends to issue approximately 32.63 million Units, raising proceeds of approximately A\$45.00 million at the Offer Price of A\$1.38 per Unit. The Offer is made on the terms, and is subject to the conditions, set out in this PDS.

The REIT's free float at the time of Completion is expected to be approximately 100%.

# 8.2. Purpose of the Offer & Use of Proceeds

The Proceeds of the Offer will be applied to:

- Settle the contracted acquisition of Vue on Walnut of US\$9.7 million.
- Settle the contracted acquisition of Cherry Street of US\$9.5 million.
- Settle the awarded acquisition of Lofts on 8th of US\$6.3 million.
- US\$4.0 million to acquire the remaining non-controlling interest in Edgewood from a third party.
- US\$0.4 million to acquire the remaining non-controlling interest in Traditions, 607 South, Balcony MSU, West 100 and Village Walk from a third party.

Table below sets out the sources and uses of Proceeds:

Sources of funds	US\$ million	Uses of funds	US\$ million
Proceeds from the Offer	32.6	Transaction costs	2.3
Cash at bank	5.0	Acquisition of Non-controlling interests	
		Acquisition of additional assets (including transaction costs)	25.5
		Cash at bank	5.4
Total sources	37.6	Total uses	37.6

The required investment for each Additional Property outlined above assumes the REIT's Investee Companies enter into new financing facilities at gearing levels of 65%, aligned with the current portfolio gearing. In the event the REIT is unable to enter into the planned debt facilities, the REIT is able to terminate the acquisition of each additional property (Vue on Walnut, Cherry Street and Lofts on 8th) without incurring any penalties or a loss of deposit.

## 8.3. Structure of the Offer

The Offer comprises:

- The Institutional Offer, which consists of an offer to Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Units:
- The Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Units from their Broker; and
- The Priority Offer, which is open to selected investors nominated by the REIT in eligible jurisdictions, who have received a Priority Offer invitation to acquire Units under this PDS and are not in the United States or acting for the account or benefit of a person in the United States.

No general public offer is being made under the Offer. Members of the public wishing to subscribe for Units under the Offer must do so through a Broker.

The allocation of Units between (and within) the Retail Offer and the Institutional Offer will be determined by agreement between the Responsible Entity and the Lead Manager, having regard to the allocation policies set out in Section 8.5.

The Issuer reserves the right to not proceed with the Offer at any time before the issue or transfer of Units to successful Applicants.

# 8. DETAILS OF THE OFFER CONTINUED

## 8.4. Lead Manager

The Responsible Entity has appointed Bell Potter Securities Limited as Lead Manager to the Offer.

The fees payable to the Lead Manager include:

Management Fee2% of ProceedsSelling Fee2% of ProceedsIncentive Fee0.75% of Proceeds

The Lead Manager intends on paying any syndicate members to the Offer a selling fee of 2% (inclusive of GST) on allocations. The Incentive Fee is payable at the absolute and unfettered discretion of the Responsible Entity.

# 8.5. Allocation policy

The allocation of Units between the Broker Firm Offer, Priority Offer and the Institutional Offer was determined by the Responsible Entity in agreement with the Lead Manager as is outlined below:

- Institutional Offer: The allocation of Units among Applicants in the Institutional Offer will be determined by agreement between the Lead Manager and the Responsible Entity.
- **Broker Firm Offer:** For Broker Firm Offer Applicants, it will be a matter for the Brokers how they allocate firm stock among their eligible clients.
- **Priority Offer:** Allocations under the Priority Offer will be at the absolute discretion of the Responsible Entity (in consultation with the Lead Manager). The Responsible Entity, in consultation with the Lead Manager, reserves the right to reject or scale back Applications in the Priority Offer.

The Issuers have absolute discretion regarding the allocation of Units to Applicants in the Offer (subject to Brokers in the Broker Firm Retail Offer having sole discretion in respect of the allocation of Units to their clients) and may reject an Application, or allocate fewer Units than applied for, in their absolute discretion. The Issuers may also aggregate Applications if they wish to do so.

Applicants whose Applications are accepted in full will receive the whole number of Units calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Units to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Responsible Entity.

## 8.6. Broker Firm Offer

## **8.6.1. WHO CAN APPLY?**

The Broker Firm Offer is open to Applicants who have received a firm allocation from their Broker to apply for Units under this PDS and who are Australian resident retail clients of participating Brokers. If a Broker offers you a firm allocation, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they are a participating Broker and may allocate Units to you under the Broker Firm Offer.

## 8.6.2. **HOW TO APPLY**

Applications for Units may only be made on an Application Form attached to or accompanying this PDS. If you are an investor investing under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms for the Broker Firm Offer must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form. By making an Application, you declare that you were given access to the PDS, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this PDS or the complete and unaltered electronic version of this PDS.

## 8.6.3. MINIMUM AND MAXIMUM APPLICATION AMOUNTS

For Applicants applying under the Broker Firm Offer, the minimum Application amount is A\$2,000, or as directed by the Applicant's Broker. There is no maximum Application amount under the Broker Firm Offer.

The Lead Manager and the Responsible Entity may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, at their discretion, in compliance with applicable laws.

### 8.6.4. BROKER FIRM OFFER OPENING DATE AND BROKER FIRM OFFER CLOSING DATE

The Broker Firm Offer opens at 9:00am (Sydney time) on Monday, 17 January 2022 and is expected to close at 5:00pm (Sydney time) on Monday, 7 February 2022. The Responsible Entity with the consent of the Lead Manager, may elect to close the Broker Firm Offer or any part of it early, extend the Broker Firm Offer or any part of it, or accept late Applications either generally or in particular cases. The Broker Firm Offer or any part of it may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

### 8.6.5. **HOW TO PAY**

Applicants under the Broker Firm Offer must lodge their Application Form and pay their Application Monies to their Broker in accordance with instructions provided by that Broker. Applicants under the Broker Firm Offer must not send their Application Forms to the Registry.

### 8.6.6. ALLOCATION POLICY UNDER THE BROKER FIRM OFFER

The allocation of Units to Brokers will be determined by the Lead Manager and the Responsible Entity. Units, which will be allocated to Brokers for allocation to their Australian resident clients, will be issued to the Applicants nominated by those Brokers (subject to the right of the Lead Manager and the Responsible Entity to reject or scale back Applications). It will be a matter for the Brokers how they allocate stock among their eligible Australian retail clients, and they will hold sole responsibility for ensuring that clients who have been provided a firm allocation receive their Units.

# 8.6.7. ANNOUNCEMENT OF FINAL ALLOCATION IN THE BROKER FIRM OFFER

Applicants in the Broker Firm Offer should confirm their final allocation with the Broker from whom they received their allocation. They may also call the Offer Information Line on 1300 737 760 within Australia and +61 2 9290 9600 from outside Australia (toll free within Australia) from 8:30am until 5:30pm (Sydney time) Monday to Friday to confirm their allocations during the Offer Period. If you sell Units before receiving a holding statement, you do so at your own risk, even if you have confirmed your firm allocation with your Broker or obtained details of your holding from the Offer Information Line.

# 8. DETAILS OF THE OFFER CONTINUED

# 8.7. Priority Offer

### **8.7.1. WHO CAN APPLY?**

The Priority Offer is selected investors who have been made an offer by the Responsible Entity and who fall within eligible jurisdictions of the Retail Offer. If you are a Priority Offer Applicant, you will receive a personalised invitation to apply for Units in the Priority Offer.

## **8.7.2.** HOW TO APPLY

If you have received a personalised invitation to apply for Units under the Priority Offer and you wish to apply for all or some of those Units, you must apply in accordance with the instructions provided in your personalised invitation to apply. Recipients of the Priority Offer invitation should read the separate Offer letter and this PDS carefully and in their entirety before deciding whether to apply under the Priority Offer. If you are unclear in relation to any matter or are uncertain as to whether Units are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

To apply under the Priority Offer, you must complete the Priority Offer Application Form in accordance with the instructions provided in your Priority Offer invitation. By making an Application, you declare that you were given access to this PDS, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this PDS or the complete and unaltered electronic version of this PDS.

Applications must be received by no later than 5:00pm (Sydney time) on Monday, 7 February 2022 and it is your responsibility to ensure this occurs.

The minimum Application under the Priority Offer is A\$2,000 worth of Units.

### 8.7.3. HOW TO PAY

Payment may be made via BPAY only. Application Monies must be received by no later than 5:00pm (Sydney time) on Friday, 11 February 2022 and it is your responsibility to ensure that this occurs. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment.

## 8.7.4. ALLOCATION POLICY

The allocation of Units among Applicants in the Priority Offer will be determined by the Responsible Entity in consultation with the Lead Manager.

### 8.8. Institutional Offer

## 8.8.1. INVITATIONS TO BID

The Responsible Entity and the Lead Manager Parties will invite certain Institutional Investors to apply for Units via the Institutional Offer. The Institutional Offer will comprise an Offer provided to Australian resident Institutional Investors and other eligible Institutional Investors in eligible jurisdictions outside the United States to bid for Units in the REIT, as outlined in this PDS. The Lead Manager Parties will provide direct guidance to select Institutional Investors regarding the Application procedure for the Institutional Offer.

### 8.8.2. ALLOCATION POLICY UNDER THE INSTITUTIONAL OFFER

The allocation of Units among Applicants in the Institutional Offer will be determined by the Lead Manager Parties in consultation with the Responsible Entity. The Lead Manager Parties, in consultation with the Responsible Entity, have absolute discretion regarding the basis of allocation of Units among Institutional Investors, and there is no assurance that any Institutional Investor will be allocated any Units, or the number of Units for which it bids. The allocation policy will also be influenced by a number of factors, including:

- number of Units bid for and commitments made by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Responsible Entity's desire for an informed and active trading market following the commencement of trading on ASX;

- the Responsible Entity's desire to establish a broad register of Institutional Investors;
- overall level of demand under the Broker Firm Offer, Priority Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Unitholders; and
- other factors that the Responsible Entity and Lead Manager consider appropriate.

## 8.9. No cooling-off

Applicants should note that there will not be any applicable cooling off period in relation to Applications. Once an Application has been lodged, it cannot be withdrawn. Should quotation of Units be granted by the ASX, Unitholders will have the opportunities to sell their Units at the prevailing market price, which may be different to the Offer Price.

# 8.10. Acknowledgements of Applicants

By submitting an Application, each Applicant under the Offer acknowledges, confirms and agrees:

- that the Applicant has reviewed and read in full a printed or electronic copy of this PDS (and any supplementary PDS);
- that the Applicant has submitted a complete and accurate Application Form per the instructions laid out in this PDS;
- that all information provided by an Applicant in any filings related to the application process is complete, accurate and not misleading (including by any omission of relevant information);
- declared that, where applicable (i.e., the Applicant is a natural person) the Applicant(s) is/are over 18 years of age and
  do/does not suffer from any legal disability preventing them from applying for Units;
- that the signature (particularly where a corporate or trust/trustee) is valid and binding;
- that, once the Responsible Entity or a Broker receives an Application Form, it may not be withdrawn;
- that it has applied for the number of Units (or equivalent dollar amount) shown on the front of the Application Form;
- to being allocated and issued the number of Units applied for (or a lower number allocated in a way described in this PDS), or no Units at all;
- to become a Unitholder of the REIT and to be bound by the terms of the Constitution and the terms and conditions of the Offer:
- that the Responsible Entity and the Lead Manager Parties and their respective officers or agents, are authorised to do anything on behalf of the Applicant(s) necessary for Units to be allocated to the Applicant(s), including to act on instructions received by the Registry upon using the contact details in the Application Form;
- that, in some circumstances, the Responsible Entity may not pay distributions;
- that the information contained in this PDS (or any supplementary PDS) is not financial product advice or a recommendation that Units are suitable for the Applicant(s), given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant(s);
- that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer, Priority Offer and Broker Firm Offer);
- that the Offer may be withdrawn by the Responsible Entity and/or may otherwise not proceed in the circumstances described in this PDS; and
- that if listing does not occur for any reason, the Offer will not proceed.

# 8. DETAILS OF THE OFFER CONTINUED

By submitting an Application, each Applicant in the Offer will be taken to have represented, warranted and agreed as follows:

- it understands that the Units have not been, and will not be, registered under the US Units Act or the Units laws in accordance with the US Units Act registration requirements or of any state of the United States and may not be offered, sold or resold, pledged or transferred in the United States or to US Persons, except in accordance with the US Units Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Units Act and any other applicable state Units laws;
- it is not in the United States;
- it has not sent and will not send this PDS or any other material relating to the Offer to any person in the United States;
- it is purchasing the Units in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Units in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Units Act and in compliance with all applicable laws in the jurisdiction in which Units are offered and sold.

### 8.11. Restrictions on distribution

No action has been taken to register or qualify this PDS, the Units or the Offer or otherwise to permit a public offering of the Units in any jurisdiction outside of Australia. This PDS does not constitute an offer or invitation to apply for Units in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this PDS. This PDS may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable Offer jurisdiction as set out in this PDS. This PDS does not constitute an offer to sell, or a solicitation of an offer to buy, Units in the United States. The Units have not been, and will not be, registered under the US Units Act or the Units law of any state of the United States and may not be offered, sold, re-sold, pledged or transferred in the United States or to US Persons except in accordance with US Units Act registration requirements or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Units Act and any other applicable state Units law.

# 8.12. Discretion regarding the Offer

The Responsible Entity may withdraw the Offer at any time before the issue of Units to successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Responsible Entity and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Units than applied or bid for.

# 8.13. Application to ASX for listing of the REIT and quotation of Units

The Responsible Entity will apply within seven days of the PDS Date for admission of the REIT to the Official List and quotation of the Units on ASX. the REIT's expected ASX code will be 'USQ'.

ASX takes no responsibility for this PDS or the investment to which it relates. The fact that ASX may admit the REIT to the Official List is not to be taken as an indication of the merits of the REIT or the Units offered for subscription.

If permission is not permitted for the official quotation of the Units on ASX, all Application Monies received by the Responsible Entity will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by the Responsible Entity from time to time), the Responsible Entity will be required to comply with the Listing Rules.

# 8.14. CHESS and issuer sponsored holdings

The Responsible Entity has applied (or will apply) to participate in the ASX's Clearing House Electronic Sub-register System (CHESS) and will comply with the Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in Units quoted on ASX under which transfers are affected in an electronic form.

When the Units become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Units of a Unitholder who is a participant in CHESS or a Unitholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Units will be registered on the issuer sponsored sub-register.

Following Completion, Unitholders will be sent a holding statement that sets out the number of Units that have been allocated to them. This statement will also provide details of a Unitholders Holder Identification Number (HIN) for CHESS holders or, where applicable, the Unitholder Reference Number (SRN) of issuer sponsored holders. Unitholders will subsequently receive statements showing any changes to their Unitholding. Certificates will not be issued.

Unitholders will receive subsequent statements shortly after the end of the month in which there has been a change to their holding and as otherwise required under the Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Unitholders sponsoring broker in the case of a holding on the CHESS sub-register or through the Registry in the case of a holding on the issuer sponsored sub-register. The REIT and the Registry may charge a fee for these additional issuer sponsored statements.

# 8.15. Trading of Units on-market

Trading of the Units on ASX is expected to commence on a normal settlement basis on Wednesday, 16 February 2022. Following the issue of Units, successful Applicants will receive a holding statement setting out the number of Units issued to them under the Offer. It is expected that holding statements will be dispatched by standard post on 16 February 2022.

It is the responsibility of each person who trades in Units to confirm their own holding before trading in Units. Investors will be able to confirm their holdings by telephoning the Offer Information Line on 1300 737 760 within Australia and +61 2 9290 9600 from outside Australia (toll free within Australia) from 8:30am to 5:30pm (Sydney time), Monday to Friday. If you sell Units before receiving a holding statement, you do so at your own risk. The Responsible Entity, the Registry, the Lead Manager and the Co-Managers disclaim all liability, whether in negligence or otherwise, if you sell Units before receiving your holding statement, even if you obtained details of your holding from the Offer Information Line or confirmed your firm allocation through a Broker.

## 8.16. Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants who apply for Units under the Offer. Various fees in relation to the Offer may be payable by the REIT to the Lead Manager. See Section 11 for further details. Investors who buy or sell Units on the ASX may be subject to brokerage and other Transaction Costs. No stamp duty will be payable by an investor on any subsequent trading of Units in the REIT on the ASX, provided the investor does not acquire (whether alone or together with related associates) 90% or more of the Units in the REIT.

## 8.17. Foreign selling restrictions

This PDS has been prepared to comply with the requirements of the laws of Australia. The distribution of this PDS in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this PDS should seek their own advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable Units laws. This document does not constitute an offer of Units in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Units may not be offered or sold, in any country outside Australia except to the extent permitted below.

See Section 13.2 for further details regarding foreign selling restrictions.

# 8. DETAILS OF THE OFFER CONTINUED

## 8.18. Taxation issues

General tax implications of investing in the REIT are explained in Section 10. It is intended to be a brief guide only and does not purport to be a complete statement of the relevant tax law, nor does it take into account your individual circumstances. Accordingly, we strongly recommend that you seek independent professional taxation advice on the tax implications of investing in the REIT relevant to your specific circumstances.

# 8.19. Return of Application Monies

Application Monies for the Units may be held for up to one month, starting on the day on which the money was received, before the Units are issued or the Application Monies are returned.

Application Monies will be refunded (in full or in part) in Australian dollars where an Application is rejected, an Application is subject to scale-back or the Offer is withdrawn (either partially or completely) or cancelled.

No interest will be paid on any refunded amounts. Refund cheques will be sent following Completion of the Offer or as otherwise applicable in the circumstances outlined above.

# 8.20. Enquiries

This PDS provides information for potential investors in the REIT, and should be read in its entirety. If, after reading this PDS, you have any questions about any aspect of an investment in the REIT, please contact your stockbroker, accountant or independent financial adviser. Enquiries from Australian resident investors relating to this PDS, or requests for additional copies of this PDS should be directed to the Offer Information Line on 1300 737 760 within Australia and +61.2 9290 9600 from outside Australia.



# 9. INDEPENDENT LIMITED ASSURANCE REPORT



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The Directors / Equity Trustees Limited
As Trustee and Responsible Entity of the US Student Housing REIT
Level 1, 575 Bourke Street
Melbourne VIC 3000

10 December 2021

Dear Directors

### INDEPENDENT LIMITED ASSURANCE REPORT

#### INTRODUCTION

BDO Corporate Finance (East Coast) Pty Limited (BDO) has been engaged by Equity Trustees Limited (EQT) As Trustee and Responsible Entity of the US Student Housing REIT (the REIT) to prepare this Independent Limited Assurance Report (Report) for inclusion in a product disclosure statement proposed to be issued, in relation to the initial public offering of shares in the REIT, on or about January 2022 (PDS) and listing on the Australian Securities Exchange (ASX) (the Offer).

As agreed in our engagement letter dated 23 September 2021, this report is prepared solely for distribution to users specified in section 9 of the PDS.

Unless stated otherwise in this Report, expressions defined in the PDS have the same meaning in this Report.

This Report has been prepared for inclusion in the PDS. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

### **SCOPE**

You have requested BDO to perform a limited assurance engagement in relation to the financial information described below and disclosed in the PDS.

The financial information is presented in the PDS in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards (AAS) or Australian equivalents to International Financial Reporting Standard (AIFRS) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

### FORECAST FINANCIAL INFORMATION

You have requested BDO review the following forecast financial information of the REIT included in Section 6 of the PDS:

- The pro forma forecast income statement for the 12 months ending 31 December 2022 (CY22); and
- The pro forma forecast distribution statement for CY22,

(together the Forecast Financial Information).

BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170 AFS Licence No. 247 420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (East Coast) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.



The Forecast Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in AIFRS and the REIT's adopted accounting policies set out in Section 6 of the PDS.

The directors' best-estimate assumptions underlying the forecast financial information are described in Section 6 of the PDS. Due to its nature, the Forecast Financial Information does not represent the REIT's actual or prospective distributable income for the year ending 31 December 2022. Care should be taken when considering and interpreting the Forecast Financial Information as this information does not forecast financial results which are actually expected to occur in the form presented.

### PRO FORMA STATEMENT OF FINANCIAL POSITION

You have requested BDO review the following financial information of the REIT included in Section 6 of the PDS:

• The pro forma statement of financial position at the Allotment Date

(the Pro Forma Statement of Financial Position).

The basis of preparation and the pro forma adjustments applied in deriving the Pro Forma Statement of Financial Position are described in Section 6 of the PDS.

### **DIRECTORS' RESPONSIBILITY**

The directors of EQT are responsible for:

- the preparation of the Forecast Financial Information including the best-estimate assumptions underlying the Forecast Financial Information;
- the preparation of the Pro Forma Statement of Financial Position, including the selection and determination of pro forma adjustments included in the Pro Forma Statement of Financial Position; and
- Such internal controls as the directors determine are necessary to enable the preparation of Financial Information (as defined in Section 6 of the PDS) that are free from material misstatement, whether due to fraud or error.

### **OUR RESPONSIBILITY**

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention that the Financial Information (as defined in Section 6 of the PDS), including the best-estimate assumptions underlying the Forecast Financial Information (and the reasonableness of the Forecast Financial Information), based on the procedures performed, and the evidence we have obtained, has not been properly compiled in all material respects by EQT, in accordance with the stated basis of preparation.

We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

The limited assurance procedures we performed were based on our professional judgement and included consideration of work papers, accounting records and other documents, including those dealing with the derivation of the Forecast Financial Information of the REIT from management forecasts prepared for the year ending CY22, as well as those dealing with the derivation of the Pro Forma Statement of Financial Position.

# 9. INDEPENDENT LIMITED ASSURANCE REPORT CONTINUED



Our limited assurance procedures consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with AIFRS and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

#### CONCLUSION

### FORECAST FINANCIAL INFORMATION

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the director's best-estimate assumptions, used in the preparation of the pro forma forecast income statement and pro forma forecast distribution statement of the REIT for the year ending 31 December 2022, do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
  - is not prepared on the basis of the director's best-estimate assumptions as described in Section 6 of the PDS: and
  - is not presented fairly in accordance with the stated basis of preparation, as described in Section 6 of the PDS.

## PRO FORMA STATEMENT OF FINANCIAL POSITION

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Statement of Financial Position, as described in Section 6 of the PDS is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 6 of the PDS.

### FORECAST FINANCIAL INFORMATION

The Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the REIT for the year ending 31 December 2022. The Pro Forma Statement of Financial Position has been prepared to provide prospective investors with a guide as to the financial position of the REIT at the Allotment Date on or around January 2022. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the pro forma forecast since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Forecast Financial Information relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the REIT. Evidence may be available to support the directors' best-estimate assumptions on which the pro forma forecast are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.



Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the REIT, which are detailed in the PDS, and the inherent uncertainty relating to the forecast. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 6 of the PDS. The sensitivity analysis described in Section 6 of the PDS demonstrates the impact on the pro forma forecast of changes in key best-estimate assumptions. We express no opinion as to whether the forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of EQT, that all material information concerning the prospects and proposed operations of the REIT has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

#### SUBSEQUENT EVENTS

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction(s) or event(s) outside of the ordinary business of the REIT not described in the PDS, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

## **INDEPENDENCE**

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the PDS other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. From time to time, BDO provides the REIT with certain other professional services for which normal professional fees are received.

## **GENERAL ADVICE WARNING**

This Report has been prepared, and included in the PDS, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 6 of the PDS, which describes the purpose of the financial information, being for inclusion in the PDS. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the PDS in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the PDS. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the PDS.

# 9. INDEPENDENT LIMITED ASSURANCE REPORT CONTINUED



### **FINANCIAL SERVICES GUIDE**

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

As set out in the financial services guide, this Report provides general information only. It does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

If you require any additional information and/or clarification on any matter please contact us. Yours faithfully

**BDO Corporate Finance (East Coast) Pty Limited** 

Stephen Seear Director

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#### FINANCIAL SERVICES GUIDE

Dated: 10 December 2021

This Financial Services Guide (FSG) helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd (BDO Corporate Finance, we, us, our).

The FSG includes information about:

- · Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

### FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide general advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

## GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

# FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the REIT has agreed to pay us \$185,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

### REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

#### ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

#### COMPLAINTS RESOLUTION

### **Internal Complaints Resolution Process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

### Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority GPO Box 3 MELBOURNE VIC 3001 Toll free: 1800 931 678 Email: info@afca.org.au

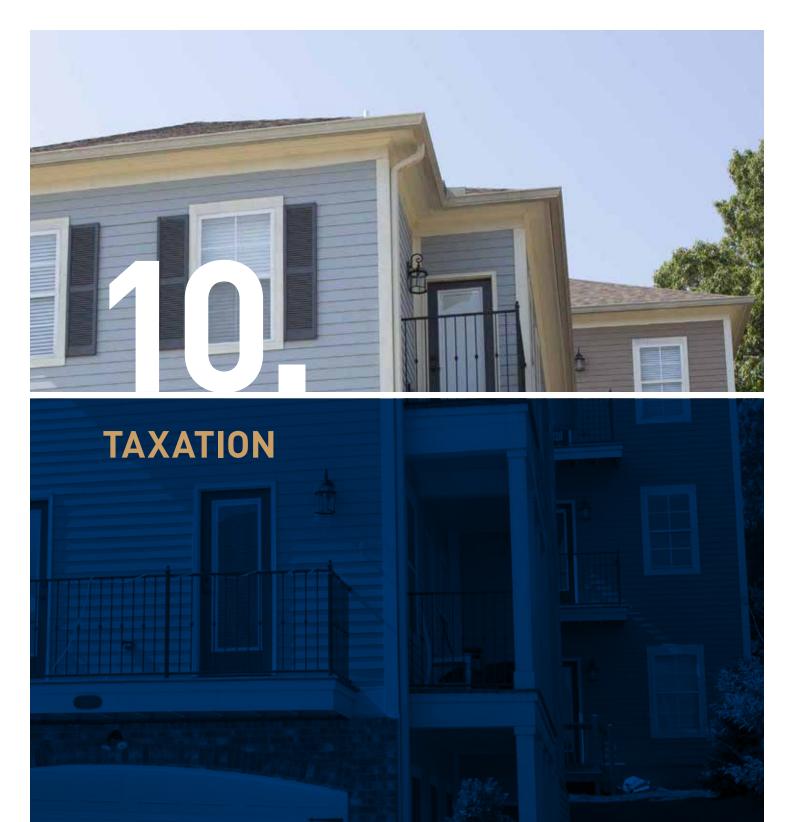
### COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

### CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing -  $\underline{cf.ecp@bdo.com.au}$ 

BDO Corporate Finance (East Coast) Pty Ltd ABN 70 050 038 170 AFS Licence No. 247420 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Corporate Finance (East Coast) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.



# 10. TAXATION

## 10.1. Taxation

The following is a general summary of the Australian income tax, GST and stamp duty implications arising for the Unitholders as a result of acquiring Units under the Offer. As this summary is necessarily general in nature, Unitholders should seek separate specific tax advice regarding their particular circumstances.

The tax summary only addresses the position of Unitholders who hold their Units on capital account.

This summary does not address the Australian tax consequences for Unitholders who:

- Hold their units on revenue account or as trading stock;
- Are subject to the Taxation of Financial Arrangements provisions (Division 230 of the *Income Tax Assessment Act 1997* (Cth)) in relation to gains and losses in respect of their Units;
- Are temporary tax residents of Australia; or
- Are non-residents of Australia who hold their Units in carrying on a business at or through a permanent establishment in Australia.

This summary is based on Australian tax law and relevant regulations, rulings or judicial or administrative interpretations of such tax laws and the Australia/U.S. Double Tax Agreement as at the date of this PDS.

# 10.2. Tax consequences of acquiring Units under the Offer

The Units will be capital gains tax (CGT) assets for tax purposes.

The initial cost base of a Unit acquired under the Offer will include the Offer Price paid to acquire the Unit, plus certain incidental costs of acquisition (if any) that are not otherwise deductible to the Unitholder. The reduced cost base of a Unit will be similarly determined.

### 10.3. Taxation of the REIT

The REIT intends to elect into the Attribution Managed Investment Trust (AMIT) regime. Accordingly, this summary has been prepared on the basis that the REIT is an AMIT.

As an AMIT, the REIT will be required to determine its 'determined trust components' each income year, which broadly reflect the taxable income of the REIT split into various classes of income for tax purposes. These components are then 'attributed' to the Unitholders.

The Responsible Entity is not subject to tax in respect of the income and gains derived by the REIT provided the Responsible Entity attributes (in full) the 'determined trust components' of the REIT to the Unitholders within three months of the end of each income year and the Responsible Entity limits the REIT's activities to undertaking, or controlling entities that undertake, an 'eligible investment business' for Australian taxation purposes.

It is intended that the REIT will be administered such that all of the REIT's 'determined trust components' in each income year will be attributed to the Unitholders and the REIT undertakes only 'eligible investment business' activities. On this basis, the REIT should not have any liability for Australian income tax (other than a requirement to withhold non-resident withholding tax associated with Australian sourced income). It is not expected that the REIT would be regularly required to withhold non-resident withholding tax.

The trust components of the REIT will include any distributions paid or credits by HoldCo that are characterised as dividends or interest under U.S. tax law.

The amount of U.S. tax withheld from the dividends and interest payments will also be included in the REIT's net income to, in effect, 'gross up' the dividend to its pre-withholding tax amount. A foreign income tax offset (FITO) may be available to the Unitholders for a proportionate share of the U.S. withholding tax paid, if certain requirements are met.

The REIT may also receive distributions from the HoldCo that will be characterised, for Australian tax purposes, as a return of capital. Such returns of capital should not be included in the REIT's taxable components. Rather, the REIT's cost base in the HoldCo shares will be reduced by the amount of the capital returns. If the aggregate return of capital (including any previous returns of capital) exceeds the cost base of the shares, a capital gain equal to the excess may arise which will be included in the net income of the REIT. The capital gain may be eligible for the general CGT discount provided that the HoldCo shares were held by the REIT for more than 12 months.

# 10. TAXATION CONTINUED

HoldCo and its subsidiaries will likely to be considered controlled foreign companies (CFC) of the REIT for Australian tax purposes. The CFC provisions could potentially apply to include certain income and gains derived by HoldCo in the REIT's trust components for an income year even if such income or gains are not repatriated to Australia in that year. However, there are specific exemptions which apply to the income to be derived by the REIT. This means that, under the current CFC rules, no amount should be attributed for tax purposes to the REIT in respect of its shareholding in HoldCo and its subsidiaries.

## 10.4. Taxation of distributions

Distributions to Unitholders may comprise taxable, capital gain and non-assessable components. The Australian tax treatment of those components depends upon whether the Unitholder is an Australian resident or non-resident.

### 10.4.1. AUSTRALIAN RESIDENT UNITHOLDERS

# Taxable component

An Australian resident Unitholder will include the taxable component of a distribution in their assessable income in the income year to which the distribution relates (i.e. the income year in which the REIT derives and attributes the income, not when the distribution is physically received by the Unitholder). Tax is levied on the taxable components at the Unitholder's marginal tax rate (assuming that the Unitholder is an individual).

Dividends paid by HoldCo will generally be subject to a withholding tax rate of 15% under the Australia/U.S. Double Tax Agreement. However, this could increase to 30% if the unitholder exceeds specific ownership thresholds.

Interest paid by HoldCo should be subject to a withholding tax rate of 10% under the Australia/U.S. Double Tax Agreement.

If the taxable component of a distribution includes a FITO, the Unitholder should be entitled to a tax offset equal to the amount of the FITO, provided certain requirements are met. The FITO that may be claimed by the Unitholder is, broadly, calculated as the lesser of the Unitholder's share of the amount of foreign tax paid by HoldCo and the foreign income offset limit for the Unitholder (the cap). The cap is (broadly) the amount of tax that would have been payable by the Unitholder had the income been taxable in Australia. In the event that the total foreign income tax paid exceeds the cap, no offset is allowed for the excess foreign income tax. The Unitholder may refrain from calculating the cap by instead electing to use the A\$1,000 de minimis cap. FITOs are non-refundable. To the extent that a FITO cannot be used by a Unitholder in an income year because the Unitholder's share of foreign taxes paid exceeds the cap, the excess is forfeited. The excess cannot be carried forward to a later income year.

# Capital gain component

To the extent that a net capital gain is included in the REIT's taxable income, the Australian resident Unitholder should be regarded as having derived a capital gain equal to the Unitholder's attributed share of the net capital gain. The REIT may recognise and disclose capital gains that are eligible for the general CGT discount. The amount disclosed to Unitholders will be the gross amount of the capital gain prior to the application of the general CGT discount. Australian resident Unitholders can then apply any available capital losses against the capital gain and then apply a CGT discount factor, if applicable.

In the case of a Unitholder that is an individual or a trust, the CGT discount is 50% and in the case of a complying superannuation entity, the CGT discount is 33.33%. Companies are not entitled to a CGT discount on capital gains.

### Non-assessable component

In broad terms, the non-assessable component represents the excess of the income distributed by the REIT over the taxable component and capital gain component of that distribution. Non-assessable amount received by an Australian resident Unitholder will generally not be included in that Unitholder's assessable income.

## CGT cost base adjustments

The CGT cost base of a Unitholder's units in the REIT will be increased by the amount of the taxable component and capital gain component and reduced by the gross amount of cash distributed to the Unitholder and the Unitholders share of any tax offsets (including FITOs). If the cost base of a Unit is reduced to nil, any subsequent amount distributed to a Unitholder in excess of the taxable component and capital gain component will be a taxable on receipt as a capital gain.

Eligible Australian resident Unitholders who are individuals, trustees or complying superannuation entities may be entitled to apply the applicable CGT discount to reduce any such capital gain (after the application of any capital losses).

### 10.4.2. NON-RESIDENT UNITHOLDERS

Non-residents are subject to Australian income tax on Australian sourced income only.

## Taxable component - Australian sourced dividends and interest

Australian sourced unfranked dividends and interest income included in a distribution to a non-resident will be subject to Australian withholding tax which is generally imposed at a rate of 30 per cent for unfranked dividends and 10 per cent for interest. This is a final withholding tax.

Non-resident Unitholders that are resident of a country that has concluded a double tax agreement with Australia may be entitled to a lower rate of withholding tax on such amounts.

## Taxable component - Other Australian sourced income

Distributions from the REIT of Australian sourced income other than dividends and interest should be subject to Managed Investment Trust (MIT) withholding tax.

The Responsible Entity will withhold MIT withholding tax from such distributions to the extent that they represent taxable income of the REIT. However, taxable income of the REIT that is non-Australian sourced income will not be subject to MIT withholding tax.

The MIT withholding tax rate will depend on the country in which the relevant non-resident Unitholder is a resident. For residents of countries with which Australia has an 'effective exchange of information on tax matters' and which have been specified in the legislation for these purposes, the rate will normally be 15%. For residents of other countries, the MIT withholding tax rate will be 30%.

### Non-assessable component

The remainder of distributions to non-resident Unitholders will comprise the non-assessable component. This portion of a distribution is generally not immediately taxable to the Unitholder.

A non-resident Unitholder's CGT cost base will be increased by the amount of the taxable component and reduced by the amount distributed to the Unitholders and the Unitholder's share of any tax offsets.

## 10.5. Disposal of Units

# 10.5.1. AUSTRALIAN RESIDENT UNITHOLDERS

Upon disposal of a Unit, a Unitholders will make a capital gain if the capital proceeds for the disposal exceed the cost base of the Unit. A Unitholder should make a capital loss if the capital proceeds are less than the reduced cost base of the Unit.

Individuals, complying superannuation entities or trustees that have held their Units for at least 12 months may be entitled to benefit from the general CGT discount to reduce the amount of the capital gain (after application of capital losses) form the disposal of their Units by:

- 50% in the case of individuals and trusts (for trustees, the ultimate availability of the discount of the beneficiaries of a trust will depend on the particular circumstances of the beneficiaries); or
- 33.33% for complying superannuation entities.

The CGT discount will not be available to a Unitholder that is a company.

### 10.5.2. NON-RESIDENT UNITHOLDERS

For Unitholders who are not Australian tax residents, the disposal of their Units should not be subject to CGT.

# 10. TAXATION CONTINUED

### 10.6. Other matters

## 10.6.1. TFN AND ABN

A Unitholder is not obliged to quote a TFN, or where relevant, ABN, to the REIT.

However, if an Australian resident Unitholder does not provide their TFN, ABN or details of their exemption from having to provide a TFN or ABN to the REIT, tax may be withheld (currently at a rate of 47%) on all or part of the distributions paid by the REIT. However, Unitholders are entitled to claim an income tax credit/refund (as applicable) in respect of the tax withheld in their income tax returns.

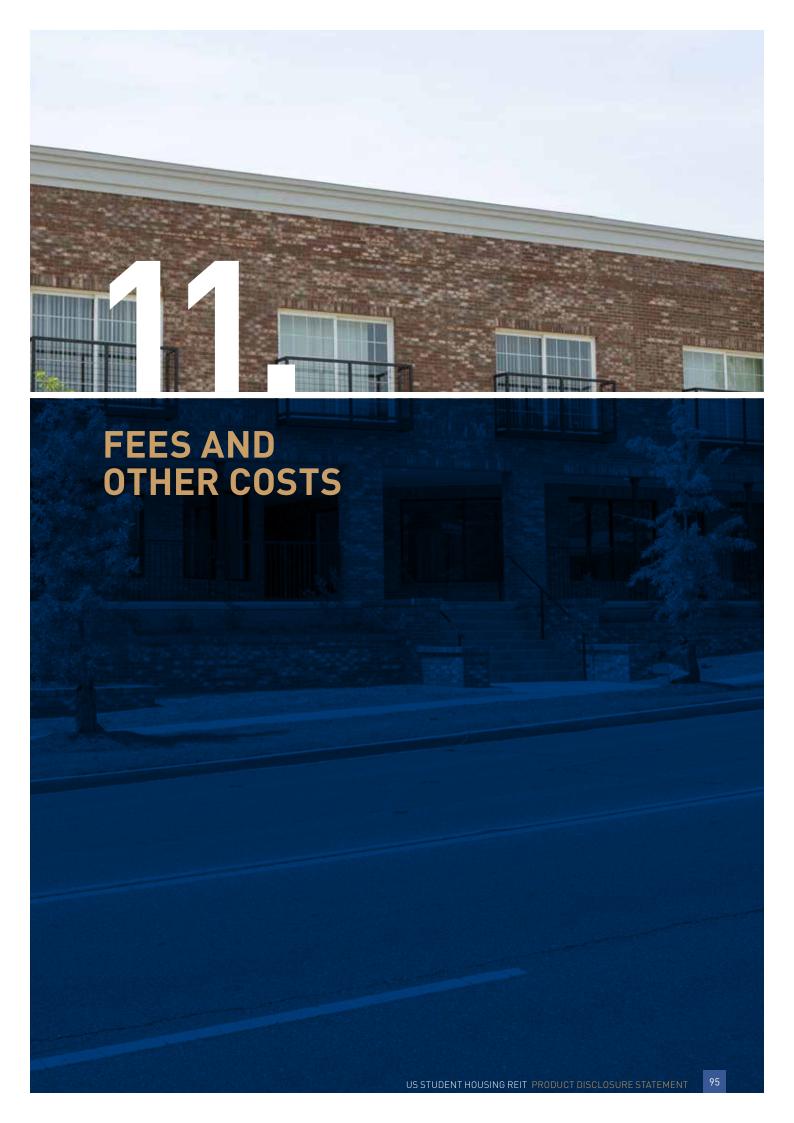
### 10.6.2. GST

No GST should be payable in respect of the acquisition of New Units pursuant to the Offer.

There may be an indirect GST cost for Unitholders on costs they incur on any supplies related to the acquisition of Units under the Offer, as full input tax credits will generally not be available for GST incurred in respect of supplies relating to the dealings with these Units (e.g. legal and other advisor fees). This will depend on the circumstances of the particular Unitholder.

# **10.6.3. STAMP DUTY**

Unitholders should not be liable for stamp duty in respect of their initial subscription of Units. Future acquisitions and disposals of Units should not be liable to stamp duty provided the REIT remains listed on the ASX and the interest acquired either alone or with an associated/related person is not 90% or more.



# 11. FEES AND OTHER COSTS

The Corporations Act requires Equity Trustees Limited as the Responsible Entity of the REIT to include the following standard consumer advisory warning. The information in the consumer advisory warning is standard across all product disclosure statements and is not specific to information on fees and costs in the REIT.

### **CONSUMER ADVISORY WARNING**

### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your REIT balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from A\$100,000 to A\$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the REIT or your financial adviser.

### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Units & Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

## 11.1. Fees and other costs

The following table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the REIT as a whole. Taxes are set out in Section 10. You should read all the information about fees and costs because it is important to understand their impact on your investment. All fees are guoted before GST.

US Student Housing REIT				
Type of fee or cost	Amount	How and When Paid		
Ongoing annual fees and costs				
Management fees and costs				
Ongoing management costs A fee for the management and operation of the REIT	Management Fee The Investment Manager is entitled, from Allotment, to a Management Fee equal to 0.60% per annum of Gross Asset Value (GAV) excluding cash and cash equivalents (Adjusted GAV)	To be paid from the income or assets of the REIT monthly in arrears		
Other costs	Other costs The Responsible Entity is entitled to be paid or reimbursed for expenses relating to proper performance of their duties as Responsible Entity (estimated to equal approximately 0.17% of GAV at Completion	Expenses are reimbursable to the Responsible Entity and Manager from the REITs' income and assets as and when incurred		
Performance fees				
Amounts deducted from your investment in relation to the performance of the REIT	The Investment Manager is entitled to a Performance Fee when an Asset is realised calculated as 20% of the performance of the asset in excess of the Hurdle Rate of an Internal Rate of Return of 10% per annum	The Performance Fee is deducted when an Asset is sold and paid from the sale proceeds		

US Student Housing REIT				
Type of fee or cost	Amount	How and When Paid		
Transaction costs				
The costs incurred by the scheme when buying or selling assets				
Member activity related fees	and costs (fees for services or when your money	moves in or out of the product)		
Establishment fee				
The fee to open your investment	not applicable	not applicable		
Contribution fee				
The fee on each amount contributed to your investment	not applicable	not applicable		
Buy-sell spread				
An amount deducted from your investment representing costs incurred in transactions by the scheme	not applicable	not applicable		
Withdrawal fee				
The fee on each amount you take out of your investment	not applicable	not applicable		
Exit fee				
The fee to close your investment	not applicable	not applicable		
Switching fees				
The fee for changing investment options	not applicable	not applicable		

# 11. FEES AND OTHER COSTS CONTINUED

### 11.2. EXAMPLE OF ANNUAL FEES AND COSTS

The following table gives an example of how the fees and costs to REIT can affect your investment over a 1 year period.

You should use this table to compare this product with other managed investment products. All amounts are exclusive of GST.

Type of fee or cost		Balance of A\$50,000 with a contribution of A\$5,000 during year <sup>1</sup>
Contribution Fees	nil	For every additional A\$5,000 you put in, you will be charged A\$0
PLUS Management costs	Estimated at 0.60% per annum of GAV excluding cash and cash equivalents	For every A\$50,000 you have invested you will be charged A\$857 <sup>2</sup>
PLUS Other costs	Estimated at 0.17% per annum of GAV	For every A\$50,000 you have invested you will be charged A\$2413
PLUS Performance fees	Estimated 0.06% per annum of GAV	For every A\$50,000 you have invested you will be charged A\$644
PLUS Transaction costs	Not applicable	
EQUALS Cost of REIT	If you had an investment of A\$50,000 at the beginning of the year you would be charged fees and expenses of A\$1,098 for that year (excluding any Performance Fee, which is not guaranteed)	

<sup>1.</sup> This table assumes that a total of A\$50,000 is invested under the Offer (i.e. to acquire 50,000 Units at A\$1.00 each). If you were to invest A\$50,000 in Units subsequent to the Offer, the amount of fees applicable to that investment may differ from the amounts set out in this table if more or less than 50,000 Units are acquired (even if the REIT's GAV and operating expenses were estimated).

## 11.3. Fees and costs associated with the Offer

The following table sets out the fees and costs expected to be incurred in connection with the Offer and the portion of those fees and costs which the REIT will be responsible for.

## Offer management, advisers', consultants' and other transaction costs

Transaction costs are estimated to be approximately US\$2.3 million and include offer management fees, advisers' and consultants' fees, printing, marketing, property valuation fees and costs associated with establishing a listed entity (such as registry, Responsible Entity and an initial listing fee). These costs will be paid by the REIT from the proceeds of the Offer.

Type of Fee or Cost inclusive of GST	Amount (US\$m)
Transaction costs	US\$0.5m
Offer management fees and costs	US\$1.8m
Total fees and costs	US\$2.3m

<sup>2.</sup> This amount has been estimated based on applying the full management fee of 0.60% per annum and assuming no cash or cash equivalents and leverage of 65%. This is an estimate only and it is likely that the REIT's GAV, and therefore the amount of the management fees and costs will change over time.

<sup>3.</sup> This amount has been estimated based on the REIT's expected GAV at Completion and assumes costs in-line with 0.17% per annum of GAV and leverage of 65%. This is an estimate only and it is likely the amount of costs will change over time.

<sup>4.</sup> This amount is an estimate only and is based on the below performance fee example outlined in section 11.5.1. For illustrative purposes it has been presented as a function of GAV assuming leverage of 65%.

# 11.4. Additional explanation of fees and costs

To the extent permitted by the Corporations Act, the Responsible Entity and the Investment Manager are entitled to recover all costs and expenses incurred in the proper performance of their duties as Responsible Entity and Manager of the REIT, including in relation to:

- the REIT's external advisers, such as the REIT's Auditor, accounting and tax advisers and legal advisers;
- ongoing fees payable to the ASX and ASIC or other regulatory and government authorities;
- fees payable to the Registry;
- fees payable to valuers and other consulting service providers;
- fees payable to the REIT's Custodian (refer to Section 12.3 for a description of the fees payable to the Custodian);
- amounts payable to the Investment Manager under the Property Management Agreement (these amounts are described below); and
- expenses (including travel), costs (excluding salaries) and disbursements incurred by Equity Trustees Limited Investors Group personnel in relation to the management and administration of the REIT and the Portfolio.

The Responsible Entity and the Investment Manager estimate that they will incur costs of managing and administering the REIT of approximately US\$0.19 million per annum which is equal to approximately 0.15% of the REIT's GAV at Completion. This is an estimate only and the actual expenses incurred by the Responsible Entity and Investment Manager may differ.

# 11.5. Fees to related parties under other arrangements

Certain fees and expenses will be paid from assets of the REIT to related parties of the REIT, including pursuant to the Investment and Property Management Agreements. See below for further detail on the fees payable under those agreements. These amounts, which are summarised below, are not included in the above tables as "management costs", as they are of a kind that would typically be incurred if investors acquired the relevant properties directly and not through the REIT.

## 11.5.1. INVESTMENT MANAGEMENT

Under the Investment Management Agreement, and in addition to the investment management fee, the Investment Manager is also entitled to:

• Performance Fee: The Investment Manager is entitled to a Performance Fee in respect of an Asset where the Realised Amount for an Asset exceeds the Hurdle Amount for the Asset as at the Realisation Date:

The amount of the Performance Fee for any Realised Amount for an Asset is the sum of the following marginal fees:  $Performance Fee = 20\% \times (Realised Amount - Hurdle Amount)$ .

where.

**Aggregate Distributions** means for the Performance Fee, the aggregate of all distributions paid directly or indirectly to the Fund that are attributable to the Asset made after the acquisition of the Asset until the relevant Performance Fee Calculation Date.

**Hurdle Amount** means for a Performance Fee Calculation Date, the Realised Amount as an outflow required at the last day of the Performance Fee Calculation Date, so that, when discounted (on an annual basis) to calculate the IRR with the following amounts:

- the Aggregate Distributions since the acquisition of the Asset (as an outflow);
- the acquisition price of the Asset (as an inflow);
- any Expenses incurred in the relation to the Asset (as an inflow); and
- results in an IRR equal to the Hurdle Rate.

Hurdle Rate means 10% per annum.

**IRR** (or Internal Rate of Return) means a calculation where the rate of annual return at which the net present value of all the relevant amounts (both positive and negative) to be included in the calculation is equal to zero.

# 11. FEES AND OTHER COSTS CONTINUED

**Performance Fee Calculation Date** means the date at which the Investment Manager receives the Realised Amount from the sale or disposal of an Asset.

Realised Amount means the total proceeds received in respect of the sale or disposal of an Asset.

### **EXAMPLE CALCULATION**

Cost of Acquisition for Asset in Year 0 A\$50 million
Annual Distributions Generated 3 years
IRR of 10% A\$70 million
Sale Proceeds A\$71 million

Performance Fee A\$1 million x 20% = A\$200,000

• Compensation Amount: where the Investment Management Agreement expires and is not extended, or where the Investment Management Agreement is terminated by either the Responsible Entity or the Investment Manager in accordance with the Investment Management Agreement, the Investment Manager is entitled to a Compensation payment of 1 year of Management Fees calculated as at the termination date.

### 11.5.2. PROPERTY MANAGEMENT AGREEMENT

The Investment Manager has appointed an Asset Manager to manage each of the Assets as follows:

In respect of Assets acquired under purchase and sale agreements after 1 January 2021, other than Assets acquired as part of the restructure for the purposes of Listing:

- a property management fee equal to 3.5% of gross income for each Asset each month;
- an asset management fee equal to the minimum of US\$20,000 per property Asset or 0.5% of gross income per property
  Asset each month, whereby the net share of the fee will be determined by the REIT's interest in the Asset;
- a financing fee equal to US\$75,000 for debt placement on new Assets, whereby the net share of the fee will be determined by the REIT's interest in the new Asset;
- an acquisition fee equal to 1.0% of the purchase of new Assets, whereby the net share of the fee will be by determined
  by the REIT's interest in the new Asset; and

In respect of Assets acquired by way of the restructure at or around the date of Listing (i.e. on or about 14 December 2022)

• a property management fee equal to 6.0% of gross income for each Asset each month.

## 11.5.3. RESPONSIBLE ENTITY FEES

On completion of the Offer and settlement of the Acquisitions, the Responsible Entity will be entitled to an Establishment Fee of A\$100,000 million in respect of the Offer.

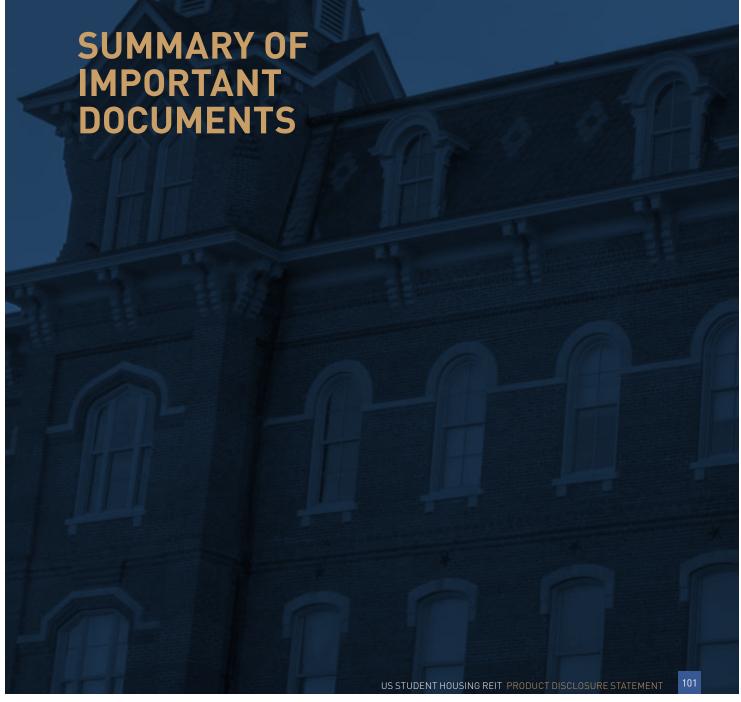
# 11.6. Fee changes

The Responsible Entity may not increase the fees payable to it as set out in the Constitution without a special resolution of Unitholders first having varied the Constitution. A special resolution requires 75% of the votes cast by those Unitholders entitled to vote on the resolution (by value).

## 11.7. Taxes

Unless stated otherwise, all fees in this section are inclusive of non-recoverable GST and less a full input tax credit or reduced input tax credit. For additional information in relation to the taxation implications of an investment in the REIT, please see Section 10.





# 12. SUMMARY OF IMPORTANT DOCUMENTS

# 12.1. Summary of the Constitution

A general summary of the rights attaching to the Units and other key provisions of the Constitution are set out below. This summary is not intended to be exhaustive and is qualified by the Constitution, Corporations Act, exemptions and declarations by ASIC, Listing Rules, waivers by ASX and the general law.

## 12.1.1. UNITS

The beneficial interest in the REIT is divided into Units. Each Unit confers an equal undivided interest in the REIT's assets as a whole, subject to the liabilities. It does not confer an interest in a particular asset of the REIT. The Responsible Entity may issue units or a single class or different classes, with different rights, obligations and restrictions as specified in the Constitution.

### 12.1.2. INCOME AND DISTRIBUTIONS

The Responsible Entity must determine the distributable income of the REIT for each distribution period and financial year. Unless the Responsible Entity determines otherwise prior to the end of the relevant distribution period or financial year, distributable income is:

for a financial year, the aggregate of:

- where the financial year is an Attribution Managed Investment Trust (AMIT) income year, the amount determined by
  the Responsible Entity as being the minimum amount which, if distributed by the Responsible Entity in respect of the
  financial year, would prevent there being an adjustment to the tax cost base of any Units in the REIT under the AMIT
  regime for the financial year; or
- where the financial year is not an AMIT income year, the amount which the Responsible Entity determines to be the "net income of the trust estate" for the REIT for the purposes of section 95 of the *Income Tax Assessment Act 1936* [Cth] for the financial year, but disregarding:
  - any amounts the Responsible Entity determines are included in the "net income of the trust estate" of the REIT for the financial year that represent either or both franking credits or foreign tax offsets; and
  - any reduction in the net capital gain for the REIT for the financial year which the Responsible Entity determines arises as a result of the discount capital gains concession; and
- any additional amount that the Responsible Entity considers appropriate for distribution for the Financial Year; and

for a distribution period, ending on a distribution calculation date other than the financial year termination date:

- where the distribution period is within an AMIT income year, the amount determined by the Responsible Entity for the distribution period under the Constitution, determined as if the distribution period was a financial year; and
- where the distribution period is not within an AMIT income year an estimate of the income for the distribution period determined as if the distribution period is a financial year and a "year of income" for the purposes of the *Income Tax Assessment Act 1936* (Cth).
- The preparation of the accounts of the REIT in accordance with any current or past Australian accounting standards
  and generally accepted accounting principles is not to be regarded as a determination of the method for calculating
  the income under the Constitution.

### 12.1.3. TRANSFER OF UNITS

If the Units are not Officially quoted, transfer must be:

- in a form approved by the Responsible Entity;
- accompanied by any evidence the Responsible Entity reasonably requires to show the right of the transferor to make the transfer; and
- if the Responsible Entity requires, be presented for registration duly stamped.

If the Units are quoted, transfer may be effected:

- as provided by the Operating Rules (if applicable); or
- by any other method of transfer which is required or permitted by the Corporations Act, ASX or ASIC; or
- by a duly completed instrument of transfer; or
- in accordance with the Constitution; or
- by registration with the Registrar, duly stamped if required and accompanied by any information that the Responsible Entity properly requires to show the right of the transferor to make the transfer,

the Responsible Entity must register the transferee as the relevant unitholder.

### 12.1.4. REDEMPTIONS

While the REIT is listed, a Unitholder may not make a request for the redemption of some or all of the Unitholder's Units by giving the Responsible Entity notice in writing of the request, specifying the number or value of Units to be redeemed and sufficient details to identify the Unitholder.

While the Units are officially quoted, the Responsible Entity may, subject to the Corporations Act and the Listing Rules, purchase Units on ASX or any other financial market on which the trading of Units is permitted, and also off-market, and cause the Units to be cancelled.

### 12.1.5. POWERS OF THE RESPONSIBLE ENTITY

The Responsible Entity in its capacity as trustee of the REIT has power to:

- borrow and raise money including to issue financial instruments;
- grant all types of security (whether for the obligations of the Responsible Entity or another person);
- grant guarantees and indemnities;
- enter into any financial instrument, including without limitation, a derivative, debenture, convertible note, performance payment note or any other instrument of a debt, equity, quasi-debt, quasi-equity or hybrid nature;
- invest in, dispose of or otherwise deal with property rights in its absolute discretion, invest the whole or part of the assets in a single type of asset, or in trusts managed or controlled by the Responsible Entity or its related body corporate, or such other investments as the Responsible Entity determines; and
- lend money and on-lend any money (whether or not that money forms part of the trust assets) or provide financial accommodation to any person including, without limitation, through any financial instrument (including without limitation, a derivative, debenture, convertible note, performance payment note or any other instrument of a debt, equity, quasi-debt, quasi-equity or hybrid nature).

## **12.1.6. MEETINGS**

The Responsible Entity may at any time convene a meeting of Unitholders and must do so if required by the Corporations Act.

### 12.1.7. LIMITATION OF LIABILITY AND INDEMNITY IN FAVOUR OF RESPONSIBLE ENTITY

Subject to the Corporations Act, the Responsible Entity is not liable in contract, tort or otherwise to relevant Unitholders for any loss suffered in any way relating to the REIT.

Subject to the Corporations Act, the liability of the Responsible Entity to any person other than a Unitholder in respect of the REIT (including in respect of any contracts entered into as responsible entity of the REIT or in relation to any assets) is limited to the Responsible Entity's ability to be indemnified from the assets.

The Responsible Entity is entitled to be indemnified out of the assets for any liability incurred by it in:

- properly performing its duties in relation to the REIT; or
- exercising any of its powers in the proper performance of its duties in relation to the REIT.

# 12. SUMMARY OF IMPORTANT DOCUMENTS CONTINUED

### 12.1.8. LIABILITY OF UNITHOLDERS

Subject to the Constitution and any separate agreement of acknowledgement by the Unitholder, the liability of a Unitholder is limited to the amount if any which remains unpaid in relation to the Unitholder's subscription for their Units.

Subject to the Constitution, a Unitholder need not indemnify the Responsible Entity if there is a deficiency in the assets or to meet the claim of any creditor of the Responsible Entity in respect of the REIT.

### 12.1.9. FEES AND EXPENSES

The Responsible Entity is entitled to receive an annual management fee. The Responsible Entity may accept lower fees than it is entitled to receive under the Constitution, or may waive or defer payment of its fees or reimbursement of any or all expenses under the Constitution for any period. Where payment is deferred, the fee continues to accrue daily until paid.

All expenses incurred by the Responsible Entity including, those in connection with the establishment, promotion and operation of the REIT, or in properly performing its duties, are payable or can be reimbursed out of the assets of the REIT.

### 12.1.10. WINDING UP

On winding up the REIT, and subject to any rights, obligations and restrictions attaching to any particular Unit or class of Units (**Class**) which are specified in the Constitution, each Unitholder is entitled to receive an amount of the net proceeds of realisation attributable to each Class, after making all liabilities and expenses of the REIT, proportionate to the number of Units held.

The Responsible Entity may commence winding up of the REIT in accordance with the termination procedure set out in the Constitution on the earliest of:

- the date specified by the Responsible Entity as the date of termination of the REIT in a notice given to Unitholders; and
- the date on which the Responsible Entity commences termination or winding up of the REIT in accordance with the Constitution or by law.

### 12.1.11. AMENDMENT TO CONSTITUTION

If the Corporations Act allows, the Constitution may be amended by a resolution passed at a meeting of Unitholders of the REIT or by deed executed by the Responsible Entity.

If the Responsible Entity reasonably considers the amendment will adversely affect the Unitholders' rights of a particular Class, a resolution of the Unitholders of that affected Class is also required in order to effect the amendment. Any such Class resolution is required to be passed by 75% of the votes cast by Unitholders of that Class entitled to vote on the resolution.

## 12.2. Summary of the Investment Management Agreement

The Responsible Entity has entered into an Investment Management Agreement with the Investment Manager on 26 November 2021.

### 12.2.1. MANAGEMENT SERVICES

Under the Investment Management Agreement, the Responsibility Entity has appointed the Investment Manager as investment adviser to the REIT and the REIT's portfolio of assets (**Portfolio**), and to promote and manage the REIT. The Investment Manager has been delegated the day-to-day control over the REIT and the REIT's Portfolio, subject to the supervision and control of the Responsible Entity, Auctus Pty Ltd (**AFSL Holder**) and the terms of the Agreement.

Services to be provided by the Investment Manager to the REIT and its Portfolio (the **Services**) include investment management services with respect to dealings in the REIT's assets, day-to-day management of the REIT's secretarial, accounting, administrative and reporting, management of auditors, advisers and other consultants, management of compliance and contractual requirements, including with respect to ASX listing obligations, and other services agreed by the Responsible Entity, the AFSL Holder and the Responsible Entity.

The Investment Manager may act on specific instructions given by the Responsible Entity without investigating whether the act will comply with the relevant law, but must not comply with any direction which it is aware will cause a breach of the relevant law.

The Investment Manager must use its best endeavours to comply with the guidelines in investing and managing the Portfolio, and act in accordance with the requirements of the REIT's investment policy and any applicable legal and other requirements. The AFSL Holder and the Investment Manager agree that the Responsible Entity may, at any time, instruct the AFSL Holder or the Investment Manager or vary any decision of the AFSL Holder or the Investment Manager in the performance of the AFSL Holder's or the Investment Manager's functions from that time, in which circumstances the Responsible Entity has the sole responsibility for the consequences of that instruction or variation. However, the AFSL Holder and Manager may complete any transaction already commenced provided it does not act contrary to any instruction of the Responsible Entity.

### 12.2.2. NON-EXCLUSIVITY

The Investment Manager may from time to time perform similar investment and management services for itself and other persons to the services performed for the Responsible Entity. The Responsible Entity acknowledges that:

- the Investment Manager has no obligation to purchase or sell, or recommend for purchase or sale, for the account of the Responsible Entity, any investment which the Investment Manager purchases or sells for its own account or for the account of any other client of the Investment Manager; and
- the Investment Manager may give advice and take action in the performance of its duties for other clients which differ from advice given and action taken in relation to the REIT.

#### 12.2.3. TERM AND TERMINATION

The Investment Management Agreement commences as of and from the date, and is in force for the term, if any, on the Listing Date (i.e. on or around 16 February 2022) (Effective Date).

The initial term of the Agreement is 10 years after its Effective Date (Initial Term) and is automatically extended for successive five year terms with such variations as agreed between the Responsible Entity, AFSL Holder and the Investment Manager, unless terminated by either the Investment Manager or the Responsible Entity at least 12 months prior to the end of the initial term or any successive five year term. This means that the initial term of the Agreement is at least 10 years unless otherwise terminated in one of the circumstances referred to below.

The AFSL Holder may recommend in writing to the Responsible Entity that it remove the Investment Manager and terminate the Agreement as it applies to the Investment Manager, and the Responsible Entity will subject to its duties and the law do so promptly, by providing not less than 20 Business Day's written notice of termination to the Investment Manager.

The Investment Manager is entitled to the following Compensation Amount, if the Investment Management Agreement:

- expires and is not extended under the Investment Management Agreement, other than where the Investment Management Agreement is not extended as a result of the Investment Manager giving a notice that it does not wish to extend the Agreement in accordance with the Investment Management Agreement; or
- is terminated by either the Responsible Entity or the Investment Manager, other than where the Investment Management Agreement is lawfully terminated by the Company under the Investment Management Agreement,

The Investment Manager must be paid an amount equal to one year of Management Fees, determined as at the date of expiry or termination of the Investment Management Agreement (Compensation Amount) within 7 days of the date of expiry or termination of the Investment Management Agreement.

### 12.2.4. DEFAULT OF THE AFSL HOLDER

The Responsible Entity may terminate the Investment Management Agreement, either as it applies to the AFSL Holder or in its entirety, at any time by written notice to the AFSL Holder if:

• a receiver, receiver and manager, administrative receiver or similar person is appointed with respect to the assets and undertakings of the AFSL Holder;

# 12. SUMMARY OF IMPORTANT DOCUMENTS CONTINUED

- the AFSL Holder:
  - goes into liquidation (other than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Responsible Entity);
  - ceases to carry on business in relation to its activities as an investment manager;
  - breaches any provision of the Investment Management Agreement, or fails to observe or perform any representation, warranty or undertaking given by the AFSL Holder under the Investment Management Agreement and the AFSL Holder fails to correct such breach or failure within 10 Business Days of receiving notice in writing form the Responsible Entity specifying such breach or failure; or
  - ceases to be a member of the group named in paragraph 7 of Schedule 1 of the Investment Management Agreement.
- the AFSL Holder sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of the AFSL Holder other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Responsible Entity; or
- relevant law requires the Investment Management Agreement to terminate.

### 12.2.5. DEFAULT OF INVESTMENT MANAGER

The Responsible Entity may terminate the Investment Management Agreement, either as it applies to the Investment Manager or in its entirety, at any time by written notice to the AFSL Holder if:

- a receiver, receiver and manager, administrative receiver or similar person is appointed with respect to the assets and undertakings of the Investment Manager;
- the Investment Manager:
  - goes into liquidation (other than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Responsible Entity);
  - ceases to carry on business in relation to its activities as an investment manager;
  - breaches any provision of the Investment Management Agreement, or fails to observe or perform any representation, warranty or undertaking given by the Investment Manager under the Investment Management Agreement and the Investment Manager fails to correct such breach or failure within 10 Business Days of receiving notice in writing form the Responsible Entity specifying such breach or failure; or
  - ceases to be a member of the group named in paragraph 7 of Schedule 1 of the Investment Management Agreement.
- the Investment Manager sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of the Investment Manager other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Responsible Entity; or
- relevant law requires the Investment Management Agreement to terminate.

## 12.2.6. MANAGEMENT FEE

The Investment Manager is entitled to receive a Management Fee of 0.60% per annum Gross Value of Assets (GAV) (plus GST) less cash at bank and cash like instruments (Adjusted GAV). The Management Fee is paid from the SQ Property Opportunity HoldCo out of an ongoing yield.

### 12.2.7. PERFORMANCE FEES

The Investment Manager is entitled to receive a Performance Fee in respect of an Asset where the Realised Amount for an Asset exceeds the Hurdle Amount for the Asset as at the Realisation Date.

The amount of the Performance Fee for any Realised Amount for an Asset is the sum of the following marginal fees:

Performance Fee = 20% x (Realised Amount – Hurdle Amount)

where:

**Aggregate Distributions** means for the Performance Fee, the aggregate of all distributions paid directly or indirectly to the Fund that are attributable to the Asset made after the acquisition of the Asset until the relevant Performance Fee Calculation Date.

**Hurdle Amount** means for a Performance Fee Calculation Date, the Realised Amount as an outflow) required at the last day of the Performance Fee Calculation Date, so that, when discounted (on an annual basis) to calculate the IRR with the following amounts:

- the Aggregate Distributions since the acquisition of the Asset (as an outflow);
- the acquisition price of the Asset (as an inflow); and
- any Expenses incurred in the relation to the Asset (as an inflow),
   results in an IRR equal to the Hurdle Rate.
- Hurdle Rate means 10% per annum.
- IRR (or Internal Rate of Return) means a calculation where the rate of annual return at which the net present value of all the relevant amounts (both positive and negative) to be included in the calculation is equal to zero.
- Performance Fee Calculation Date means the date at which the Company receives the Realised Amount from the sale or disposal of an Asset.
- Realised Amount means the total proceeds received in respect of the sale or disposal of an Asset.

#### 12.2.8. ESTABLISHMENT FEE

The Responsible Entity is entitled to receive an Establishment Fee of A\$100,000k plus A\$3k. Should the IPO not proceed the Responsible Entity is entitled to 75% of the initial amount.

#### 12.2.9. ANNUAL ONGOING BASIS POINTS FEE

The Responsible Entity is entitled to receive an Annual Ongoing Basis Points Fee based on the adjusted gross asset value of the REIT (Adjusted GAV):

GAV [A\$]	Basis Point Fee (per annum)
0 – 250 million	7 (plus GST)
250 – 500 million	6 (plus GST)
> 500 million	5 (plus GST)

### 12.2.10. ANNUAL MINIMUM FEES

Notwithstanding the Annual Ongoing Basis Points Fee of the REIT, the Responsibility Entity is entitled to receive a minimum fee:

- Year 1: A\$4k per month (plus GST);
- Year 2: A\$5k per month (plus GST); and
- Year 3: A\$6k per month (plus GST and increasing by CPI annually).

#### 12.2.11. COSTS AND EXPENSES

The Investment Manager acknowledges that the Responsible Entity shall be reimbursed for all costs associated with setup/transition, due diligence and ongoing costs by either the Investment Manager or the REIT.

#### 12.2.12. INDEMNITIES

The Responsible Entity indemnifies the AFSL Holder and Manager against any direct loss or liabilities reasonably incurred by the AFSL Holder or Manager arising out of, or in connection with, and any costs, charges and expenses incurred in connection with, the AFSL Holder, Investment Manager or any of their officers or agents properly acting under the Investment Management Agreement or on account of any bona fide investment decision made by the AFSL Holder or Investment Manager or any of their officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, fraud or dishonesty.

The AFSL Holder and Investment Manager each indemnify the Responsible Entity against any loss or liabilities reasonably incurred by the Responsible Entity arising out of, or in connection with, and any costs, charges and expenses incurred in connection with:

- any negligence, breach of agreement fraud or dishonesty of the AFSL Holder or Investment Manager or any of their officers;
- any act or omission of the AFSL Holder, Manager or any other person that causes the Responsible Entity to be liable to Members for which the Responsible Entity has no right of indemnity from the REIT;
- the Responsible Entity entering into any agreement or deed on the request of the AFSL Holder or Investment Manager, including without limitation a Platform Agreement or Prime Brokerage Agreement where:
  - the Responsible Entity forms the reasonable opinion that it is not able to be indemnified out of the assets of the REIT in relation to the relevant loss, liability, cost, charge or expense;
  - the Responsible Entity has not lost its ability to be indemnified out of the assets of the REIT as a result of its own fraud or dishonesty excluding any fraud or dishonesty of the AFSL Holder or Investment Manager or any other agent of the Responsible Entity; and
  - any act or omission of a Custodian or Administrator with whom the Responsible Entity has entered into an agreement
    in respect of the REIT at the request or with the consent of the Investment Manager (or an act or omission of any
    officer, employee or agent of the Custodian or Administrator), where the Responsible Entity forms the reasonable
    opinion that it is not able to be indemnified out of the assets of the REIT in relation to the relevant loss, liability,
    cost, charge or expense (including, without limitation, any loss, liability, cost, charge or expense that exceeds any
    contractual cap or limitation on the liability of the Custodian or Administrator (as relevant) to the Responsible Entity).

Despite the indemnities described above, it is acknowledged that:

- the AFSL Holder and Investment Manager are liable to the Responsible Entity for any consequential, indirect, incidental, punitive or special damages or economic loss arising out of, or in connection with, any negligence, fraud or dishonesty of the AFSL Holder and/or Investment Manager and any of their officers or supervised agents or as a result of any breach of the Investment Management Agreement by the AFSL Holder and/or Investment Manager, whether or not such loss or liability is foreseeable; and
- the Responsible Entity may also be held liable in relation to the REIT, to the extent of the Responsible Entity's right of indemnity out of the assets of the REITs.

## 12.3. Summary of the Custody Agreement

The Custody Agreement was entered into between the Responsible Entity and Mainstream Fund Services Pty Ltd (ACN 118 902 891) (Custodian) on 26 November 2021.

Under the Custody Agreement, the Custodian will:

- provide investment administration services including:
  - current pricing of fund assets;
  - processing transactions received from the Responsible Entity or the Investment Manager;
  - reconcile assets, bank accounts and corporate actions;
  - quarterly reporting to the Investment Manager on portfolio valuation, transaction listing, outstanding settlements,
     GST reports and month end unit prices; and
  - calculating of management fees and performance fees,
- fund accounting services including:
  - performing reconciliations of the REIT's bank accounts and advising on the status of investigations for reconciling items;
  - preparing journals fund accounts, quarterly profit & loss and balance sheets, full year and half year financial statements; and
  - providing working papers and facilitating on-site auditor visits,

- custody services including:
  - safekeeping assets on behalf of the REIT;
  - performing daily reconciliations and resolving all unallocated items in a timely manner; and
  - providing instructions for any sub-custodians.

The Custodian will also assist the Responsible Entity with the implementation of, and compliance with, the Responsible Entity's anti-money laundering and counter-terrorism financing program for the REIT (AML Program) for the purposes of Part 7 of the Anti-Money Laundering and CounterTerrorism Financing Act 2006 (Cth) (AML Act).

The Custodian is authorised to provide custodial services.

The Custodian is entitled to be indemnified by the Responsible Entity for any direct loss, liability, cost, claim, action, demand or expense that the Custodian may incur or that may be made against the Custodian arising out of the Custodian acting in accordance with an instruction given by the Responsible Entity, or in connection with the provision of services under the Custody Agreement, or by reason of the Custodian being the custodian to the Responsible Entity and the REIT, except to the extent that the relevant loss, liability, cost, claim, action, demand or expense results from the fraud, negligence, or wilful default of the Custodian.

Either party may terminate the Custody Agreement by giving the other party 120 days prior written notice and/or if there has been a material breach of the Custody Agreement (either by an act or omission) and that breach has not been adequately remedied.

The Custodian is entitled to the following service fees:

- for Investment Administration and Fund Accounting A\$32,000 and 2 basis points, per fund per annum; and
- for Custody arrangement a minimum of A\$25,000 per fund per annum.

## 12.4. Summary of the Compliance Plan

The Compliance Plan of the REIT describes the processes and procedures that the Responsible Entity will use to ensure compliance with its AFSL, the Constitution, the Corporations Act, and relevant industry and internal standards.

Under the Compliance Plan, the Responsible Entity must have, in addition to the Audit Committee, a compliance manager who reviews compliance on an ongoing basis, reports on compliance matters to the Responsible Entity and acts on the recommendations of the Board.

The investment objectives of the REIT are detailed in the Investment Management Agreement, and operational functions including custody and administration are outsourced to external parties under the Custody Agreement. The Responsible Entity remains ultimately responsible for the actions of the Investment Manager, the Custodian and the Administrator in respect of the functions contracted to them.

Sections of the Compliance Plan for the EQT 1888 Diversified Investments Fund (ARSN 106 872 735) are incorporated into the Compliance Plan of the REIT by reference.

## 12.5. Summary of the Property Management Agreements

The Property Managers have been appointed to act as the property managers of the REIT's real property assets under the Property Management Agreements.

The Property Managers have been delegated powers necessary to carry out their obligations under the Property Management Agreements to manage the REIT's properties, including each property in the Portfolio, by providing property and development management and leasing services (**Services**), including but not limited to:

- supervising and directing the leasing of the properties, including keeping the properties as fully leased as reasonably practicable under current market conditions:
- procuring and maintaining in good standing all licences and permits necessary or appropriate for the performance of the Property Mangers' duties;
- hiring, directing, supervising, discharging, suspending, disciplining and compensating all employees necessary for the efficient operation of the properties;
- negotiating and executing contracts for such services as are necessary and appropriate for the properties;

- making all ordinary maintenance and repairs to the properties;
- purchasing such building maintenance and janitorial supplies as are necessary and appropriate for the properties;
- reporting material accidents or claims for damage relating to the properties;
- · supervising and attending to all advertising and promotional events and matters relating to the properties; and
- maintaining a complete set of records, books and files and all other materials relating to the properties and their operation.

#### 12.5.1. PROPERTY MANAGER'S TERMINATION RIGHTS

A Property Manager may terminate a Property Management Agreement:

- immediately, if one or more of the following events occurs and is continuing:
  - the operating account falls below the minimum account balance for more than ten business days after the Owner is notified;
  - the Owner fails to pay any amount payable to the Property Manager under the Property Management Agreement;
  - the Owner fails to comply in any material respect with a provision of the Property Management Agreement, and the default continues for thirty days after the Owner is notified; or
- by giving at least thirty or sixty days prior written notice, as the Property Management Agreements prescribe, and without cause.

Notwithstanding termination of the Property Management Agreements, the Property Manager shall remain entitled to reimbursement of reimbursable expenditures made on or before the date of termination, and to compensation for all periods ended on or before the date of termination.

### 12.5.2. OWNER'S TERMINATION RIGHTS

An Owner may terminate a Property Management Agreement:

- immediately, if one or more of the following events occurs and is continuing:
  - the Property Manager or any of its directors, officers, employees or agents misappropriates any funds of the Owner or is guilty of gross negligence, wilful misconduct, fraud, malfeasance or breach of fiduciary duty;
  - the Property Manager commences voluntary proceedings seeking liquidation, reorganisation or other relief with respect to itself or its debts;
  - the Property Manager fails to comply in any material respect with a provision of the Property Management Agreement, and the default continues for thirty days after the Property Manager is notified; or
- by giving at least thirty or sixty days prior written notice, without cause.

Where the Owner terminates the agreement by providing 30 days written notice as above prior to the end of the initial term, termination in this circumstance will give rise to the payment of a termination fee to the Property Manager equal to one and one half times the average monthly management fee multiplied by the number of months remaining in the initial term at the time of termination.

#### 12.5.3. FEES

The Property Manager will be entitled to a monthly management fee payable under the Property Management Agreements as a percentage of the monthly gross revenues for the applicable calendar month, where monthly gross revenues are the sum of all revenues calculated on actual cash receipts from the relevant property.

The Property Manager may also be entitled to additional service fees where the Owner requests the manager to perform additional services with respect to the property. The amount of such fees will be agreed upon between the Owner and the Property Manager prior to the performance of the additional services.

#### 12.5.4. COSTS AND EXPENSES

The Property Manager is entitled to be reimbursed for all costs and expenses it reasonably and properly incurs as Property Manager in relation to undertaking the services and complying with its obligations under the Property Management Agreement, including costs for travel, payroll costs, management software costs, and any other out of pocket costs of the Property Manager.

The Property Manager is also entitled to recover:

- staff salaries, benefits, leasing and operational bonuses and other incentive compensation payments, including payroll taxes, insurance, worker's compensation, required licences, retirement plans and other employee benefits of on-site staff;
- the cost of printed forms, ledgers, journals, checks and other supplies required for operation of the property;
- miscellaneous direct on-site expenses such as photocopies, postage, delivery, and long distance telephone calls;
- expenses for on-site computer software and computer support;
- bank charges;
- travel and other related expenses incurred by the Property Manager in training, regional management and other support of the on-site employees at the property; and
- any other expenses or costs incurred by the Property Manager and third party consultants in performing their duties under the Property Management Agreement.

#### 12.5.5. INDEMNITIES

The Owner must release the Property Manager from all liability or responsibility to the Owner for losses covered by the Owner's or the Property Manager's insurance, regardless of the negligence, misconduct or other fault of the Property Manager. The Owner must also indemnify the Property Manager against all claims, expenses, liability or other cause relating to the ownership or operation of the property, except to the extent caused by the gross negligence or wilful misconduct of the Property Manager.

## 12.6. Summary of the Debt Facilities

Mortgaged Loans in the U.S. are loans to fund the purchase of commercial real property or to construct improvements on, or operate at, commercial real property. Mortgaged Loans are typically secured by a mortgage or deed of trust (depending on the state) on such real property.

In the U.S., commercial mortgaged loans are typically non-recourse to the borrower, meaning the borrower has no personal liability for repayment of the loan and the lender must look for repayment to the proceeds of the sale of the real property. However, most loan documents include certain provisions (so-called "non-recourse carveouts"), pursuant to which the borrower (or a more credit worthy guarantor, typically a parent of the borrower) may only be personally liable for breaches of certain provisions of the loan documents involving misrepresentation, deception, fraud or other similar bad acts on the part of the borrower and representations and covenants relating to environmental matters.

Upon a default under a mortgaged loan, the lender will have the right to sell the real property through a foreclosure and apply the proceeds of such sale to the amount due it. Depending on the state, foreclosure may be pursuant to a court order after which the real property is sold at a public auction, or by non-judicial foreclosure, pursuant to which the lender may proceed directly to a public auction of the real property without a court proceeding unless the borrower objects under applicable law.

#### 12.6.1. DISCLOSURE OF DEBT FACILITIES

SQ Property Opportunity Holdco, LLC (HoldCo) has existing debt facilities with U.S. Lenders Greystone Funding Corporation (Greystone), Walker & Dunlop, LLC (Walker & Dunlop) and M&T Realty Capital Corporation (M&T Realty). The REIT will be acquiring the entities which hold the debt at the conclusion of the Offer and upon Listing.

- The HoldCo has an existing debt facility with Greystone that is intended to remain in place post-completion of the Offer (Greystone Debt Facility). The Greystone Debt Facility has a limit of US\$20,396,500.00 million and a maturity date of September 2051, unless repaid earlier. The interest rate on any outstanding principal is 3.18% per annum, payable in monthly instalments of US\$80,559.20 over the term of the loan.
- The HoldCo has an existing debt facility with Walker & Dunlop that is intended to remain in place post-completion of the Offer (Walker & Dunlop Debt Facility). The Walker & Dunlop Debt Facility has a limit of US\$19,676,000.00 million and a maturity date of June 2027. An adjustable interest rate of 3.275% per annum (or US\$53,699.08) is payable until June 2025, after which monthly instalments on the outstanding principal calculated as US\$85,901.40 per month is payable with interest of 2.28% per annum plus "LIBOR".
- The HoldCo has existing debt facilities with M&T Realty that are intended to remain in place post-completion of the Offer (M&T Realty Debt Facilities). The M&T Realty Debt Facilities have a combined limit of US\$24,698,800.00 million and a weighted average maturity date of December 2024. The interest rate is a fixed rate of 3.94% across all M&T Realty Debt Facilities. Monthly repayments on the M&T Realty Debt Facilities have been extracted below:
  - Debt Facility: SQ OLE MISS II VILLAGE WALK, LLC
     From January 2022 onwards, US\$20,695.58 will be payable in monthly instalments with interest of 3.94%.
  - Debt Facility: SQ OLE MISS I TRADITIONS, LLC
     From January 2022 onwards, US\$19,023.44 will be payable in monthly instalments with interest of 3.94%.
  - Debt Facility: SQ OLE MISS IV 607 SOUTH, LLC
     From January 2022 onwards, US\$17,406.28 will be payable in monthly instalments with interest of 3.94%.
  - Debt Facility: SQ MISSISSIPPI STATE I BALCONY, LLC
     From January 2022 onwards, US\$27,040.05 will be payable in monthly instalments with interest of 3.94%.
  - Debt Facility: SQ OLE MISS III WEST 100, LLC
    From January 2022 onwards, US\$16,448.88 will be payable in monthly instalments with interest of 3.94%.

### 12.7. Summary of Registry Services Agreement

The Responsible Entity has entered into a Registry Services Agreement (**Registry Agreement**) with Boardroom Pty Limited (**Boardroom**) on 26 November 2021.

#### **12.7.1. SERVICES**

The Responsible Entity has appointed Boardroom to exclusively provide services (**Services**) for the Responsible Entity. Under the Registry Agreement, it is agreed that Boardroom will deliver the following Services<sup>32</sup>:

## Compliance Services:

- carry out the Services in accordance with ASX Listing Rules, ASX Settlement Operating Rules, applicable ASIC Policy Statements and Regulatory Guides, applicable provisions of the Corporations Act, applicable provisions of the Australian Privacy laws, and applicable provisions of Australian Taxation legislation; and
- maintain accreditation and connectivity to CHESS or any system implemented by ASX to replace CHESS.

#### IP0 Services:

- make available sufficient appropriately trained resources to respond to Unitholder enquiries;
- receive and respond to phone calls, faxes, emails and written enquiries from brokers, investors, institutions and general public;
- liaise with brokers, corporate advisors, lawyers and any other parties notified by the Responsible Entity, throughout the course of the IPO;
- 32. The below is not intended to be an exhaustive list of the Services provided by Boardroom under the Registry Agreement.

- establish the IPO details in the registry system, including the Chairman's lists, employee offers, and priority offers and establishment of escrow classes (both ASX Restricted and Voluntary), if required;
- provision of a website for use by potential investors; and
- establish an "in trust for" bank account for receipt of application monies.

#### General and Maintenance Services:

- maintain a register of complaints and provide a monthly report detailing all complaints including complaint history and status;
- develop and maintain a calendar of critical dates for meetings and distributions;
- attend monthly meetings, including providing an agenda, managing the action list, and providing feedback on industry developments; and
- undertake general liaison and reporting to ATO, ASX and any other statutory authorities as required.

#### Records Management Services:

- maintain a Unitholder register;
- process registry transactions;
- store Unitholder transaction data and maintain an online audit trail accessible by the Responsible Entity
  of all communications by investor; and
- facilitate any statutory audit that may be required under ASX Settlement Operating Rules and/or any legislation and provide audit confirmation letter when requested by the Responsible Entity.

Boardroom will also provide dividend services and will participate and plan in the annual general meeting.

### 12.7.2. TERM AND TERMINATION

The Registry Agreement commences on the Listing Date (i.e. on or around 16 February 2022). The initial term of the agreement is 3 years and is automatically renewed for additional periods of 12 months (**Renewal Term**) unless terminated by either party.

Either party may terminate the Registry Agreement by providing the other party 120 days prior written notice, before the end of the initial term or a Renewal Term.

Either party may terminate the Registry Agreement immediately if:

- the other party breaches any material provision (Material Provision) of the Registry Agreement (which shall include any provision requiring payment of any amount by the Responsible Entity to Boardroom) and fails to remedy the breach within 10 days after receiving notice requiring it to do so; or
- the other party breaches a material provision of the Registry Agreement where that breach is not capable of remedy; or
- a party enters into any form of insolvency administration of any kind.

Where the breach relates to a Material Provision of the Registry Agreement, Boardroom may instead suspend the performance of its obligations under the Registry Agreement until the relevant breach is remedied.

#### 12.7.3. FEES

Boardroom are entitled to receive fees for the following Services:

#### IPO management fees:

- consulting fees, attendance at meetings, liaising with brokers, advisors, lawyers etc. throughout the course of the IPO, assistance with design of forms, daily banking of funds, tracking broker details, daily summary report and weekly detailed reports, and setting up of priority offers; and
- IPO application processing.

### Ongoing Registry Services with respect to the following Services:

- ongoing registry maintenance for active and inactive users;
- processing ongoing registry transaction services;
- ad hoc and/or audit reporting;
- dividend processing; and
- electronic communications to parties.

On termination of the Registry Agreement, the Responsible Entity is responsible for reasonable costs and expenses Boardroom incurs by assisting the Responsible Entity to transfer its registry to another provider.

#### 12.7.4. INDEMNITIES

Subject to the limitations of the Registry Agreement, the Responsible Entity is liable for, and indemnifies Boardroom against all claims suffered or incurred by Boardroom arising from, or in connection with:

- any problems with or failures in respect of the Services or to the extent that they have been caused by the Responsible Entity's failure to fully, accurately and efficiently comply with its responsibilities as described in the Registry Agreement;
- the conduct of the Services by Boardroom in accordance with any rules or regulations, or any action taken by Boardroom in accordance with the Registry Agreement, or in accordance with any direction given by the Responsible Entity;
- the infringement of any third party's intellectual property rights or rights of privacy, confidentiality or any other rights of a third party by any use of materials;
- an act or omission of fraud, dishonesty or negligence, or misrepresentation or misleading or deceptive conduct by the Responsible Entity or its personnel or a Unitholder or any third party in relation to the registers and securities; and
- any actions or inactions by the Responsible Entity, its personnel, a Unitholder or any third party in relation to the registers and securities.

The liability of Boardroom for loss or damage arising from or in relation to the Services or additional services under the Registry Agreement, whether arising from breach of contract, tort or otherwise (including negligence), is limited to a liability cap as described in the Registry Agreement.

## 12.8. Summary of Acquisition Agreements

## 12.8.1. "CHERRY STREET APARTMENTS" (PROPERTY)

Document Type	Contract of sale (Contract of Sale)
Parties	Cherry Street Apartments, Ltd., a Texas limited partnership ( <b>Seller</b> ), and SQ Properties LLC, a Delaware limited liability company ( <b>Purchaser</b> or <b>Buyer</b> )
<b>Contract Date</b>	14 October 2021
Deposit	US\$135,000 (to be held in escrow)
Purchase Price	US\$27 million
Effective Date	The <b>Effective Date</b> of the Contract of Sale shall be the date that a fully executed copy of the Contract of Sale is received and acknowledged by Fidelity National Title Agency, Inc as the Title Company as provided below: 19 October 2021
Seller Warranties	The Contract sets out various Seller warranties including, but not limited:
	<ul> <li>as to the corporate personality of the Seller, including the power of the Seller to execute and deliver the Contract of Sale;</li> </ul>
	<ul> <li>as to the Seller's good and indefeasible title to the Property;</li> </ul>
	<ul> <li>that to the best of Seller's current knowledge and belief, during the Seller's ownership of the Property, the Property has not been used for the storage or disposal of any hazardous substance or toxic materials;</li> </ul>
	<ul> <li>that the seller is not aware of any dispute, arbitration or litigation affecting the Property; and</li> </ul>
	<ul> <li>that no person or party, other than Purchaser has any right or option to acquire the Property, or an interest in the Property.</li> </ul>

## 12.8.2. "THE VUE ON WALNUT" (PROPERTY)

Document Type	Contract of sale (Contract of Sale)
Parties	Walnut Development Partners, LLC, a Missouri limited liability company ( <b>Seller</b> ) and SQ Properties LLC, a Delaware limited liability company ( <b>Buyer</b> )
Contract Date	15 October 2021
Deposit	US\$130,000
Purchase Price	US\$25.7 million
Effective Date	The <b>Effective Date</b> of the Contract of Sale shall be the date that a fully executed copy of the Contract of Sale is made and entered into: 15 October 2021
Seller Warranties	The Contract sets out various Seller warranties including, but not limited:
	<ul> <li>as to the corporate personality of the Seller, including the power of the Seller to enter into and execute the Contract of Sale;</li> </ul>
	<ul> <li>that except as disclosed by Seller during the Inspection Period, Seller has no knowledge that the Property, including, without limitation, all improvements, building systems and structural components are not in reasonably good condition and repair, or that there are any material defects in the Property;</li> </ul>
	<ul> <li>that the seller is not aware of any dispute, arbitration or litigation affecting the Property; and</li> </ul>
	<ul> <li>that no person or party, other than Purchaser has any right or option to acquire the Property, or an interest in the Property.</li> </ul>

# 12.8.3. "THE FARM PROPERTY", "THE ESTATE PROPERTY", "THE BOUNDARY PROPERTY" AND "THE 109 COLLEGE PROPERTY" (PROPERTIES)

Document Type	Contract of sale (Contract of Sale)
Parties	Farm at Clemson, LLC, a South Carolina limited liability company; Estate at Clemson, LLC, a South Carolina limited liability company and Boundary at Clemson, LLC a South Carolina limited liability company (Sellers) and SQ Properties LLC, Delaware limited liability company (Purchaser)
Contract Date	17 September 2021
Deposit	US\$191,250 (Initial Deposit)
	US\$191,250 (Additional Deposit)
Purchase Price	US\$25.5 million
Effective Date	The <b>Effective Date</b> of the Contract of Sale is the date the Sale of Contract is entered into: 17 September 2021
Seller Warranties	The Contract sets out various Seller warranties including, but not limited:
	<ul> <li>as to the corporate personality of the Seller, including the power of the Seller to sell the Properties and execute the Contract of Sale;</li> </ul>
	<ul> <li>that the Seller represents and warrants that the Seller has not brought any hazardous materials onto the Properties during the Seller's ownership of the Properties;</li> </ul>
	<ul> <li>that the seller is not aware of any dispute, arbitration or litigation affecting the Property; and</li> </ul>
	<ul> <li>that no person or party, other than Purchaser has any right or option to acquire the Property, or an interest in the Property.</li> </ul>

## 12.8.4 "THE LOFTS ON 8TH" (PROPERTY)

Document Type	Contract of sale (Contract of Sale)
Parties	8th Street Developers, LLC, an Indiana limited liability company ( <b>Seller</b> ) and SQ Properties LLC, a Delaware limited liability company ( <b>Buyer</b> )
Contract Date	1 December 2021
Deposit	US\$100,000 (Initial Deposit)
Purchase Price	US\$16.65 million
Effective Date	The <b>Effective Date</b> of the Contract of Sale is the date the Sale of Contract is entered into: 1 December 2021
Seller Warranties	The Contract sets out various Seller warranties including, but not limited:
	<ul> <li>as to the corporate personality of the Seller, including the power of the Seller to sell the Property and execute the Contract of Sale;</li> </ul>
	<ul> <li>that to the best of the Seller's knowledge, no hazardous substances have been disposed of, or identified on, under or at the Property in violation of applicable environmental laws</li> </ul>
	<ul> <li>that the Seller is not aware of any dispute, arbitration or litigation affecting the Property; and</li> </ul>
	<ul> <li>that no person or party, other than Purchaser has any right or option to acquire the Property, or an interest in the Property.</li> </ul>

## 12.9. Summary of Offer Management Agreement

The Offer Management Agreement has been entered into by the Responsible Entity, the Investment Manager and the Lead Manager.

Under the Offer Management Agreement, the Responsible Entity appoints the Lead Manager on an exclusive basis to arrange and manage, and act as bookrunner for the Offer, and to provide settlement support for the Institutional Offer and Broker Firm Offer on the terms and conditions of the Offer Management Agreement. The Lead Manager has not agreed to underwrite the Offer or any part of it or a guarantee that the Offer will be successful.

#### 12.9.1. FEES AND COSTS

#### Management and selling fees

On the settlement date, the Responsible Entity must pay from the assets of the REIT the Lead Manager in immediately available funds:

- (a) a total management fee of 2% of the Total Offer Proceeds; and
- (b) a total selling fee of 2% of each of the Broker Firm Offer Proceeds and the Institutional Offer Proceeds, where:

**Total Offer Proceeds** means the amount determined by multiplying the Offer Price by such number of Offer units issued pursuant to the Offer on the Allotment Date.

**Broker Firm Offer Proceeds** means the amount determined by multiplying the Offer Price by the number broker firm units.

**Institutional Offer Proceeds** means the amount determined by multiplying the Offer price by the number of institutional units

#### (c) Incentive fee

The Responsible Entity may pay (from the assets of the REIT) the Lead Manager an incentive fee of up to 0.75% of the Total Offer Proceeds payable in immediately available funds within 7 days of the Settlement Date.

The incentive fee is payable at the absolute discretion of the Responsible Entity and the Investment Manager (acting in good faith).

### Co-lead manager, co-manager and Broker fees

Any broker firm fees payable to any brokers appointed in relation to the Offer are payable by the Lead Manager. Broker firm fees will be 2% of the Total Offer Proceeds in respect of the allocations of co-lead managers and co-managers to retail investors.

## Other Costs

The Responsible Entity must pay from the assets of the REIT, or reimburse the Lead Manager for, the costs of and incidental to the Offer (regardless of whether completion, meaning when all of the offer units have been allotted and issued by the Responsible Entity in accordance with the Offer, occurs) incurred by the Lead Manager, including but not limited to:

- all reasonable costs (including all legal fees up to \$40,000 (excluding GST) and disbursements, bookbuild expenses, travel and accommodation expenses, printing and courier expenses) that the Lead Manager incurs in respect of Offer Management Agreement and any aspect of the Offer provided that the Lead Manager must seek the prior approval of the Responsible Entity and the Investment Manager before incurring any individual cost which exceeds \$2,000 (excluding GST);
- reasonable fees of any public relations advisers and printers engaged directly by the Responsible Entity (or by
  the Lead Manager, with the consent of the Responsible Entity), any listing, quotation or registration fees, and any
  reasonable expenses incurred in connection with the qualification of the Units for issue or sale under the laws of
  the relevant jurisdictions outside Australia as agreed between the Responsible Entity and the Lead Manager in
  which the offer units are offered, issued, transferred or sold;

- any stamp duty, transfer taxes, withholding taxes or similar taxes payable in respect of the Offer Management
   Agreement, the Offer and any other costs in respect of the Offer and the allocation and issue of the offer units; and
- all reasonable costs (including executive time charged on an hourly basis) in connection with or in respect of any review of offer documents undertaken by ASX, ASIC or any other regulatory body.

#### 12.9.2. REPRESENTATIONS AND WARRANTIES

The Responsible Entity's representations and warranties to the Lead Manager include, but are not limited to:

- that the REIT is a validly subsisting trust and is registered in accordance with Chapter 5C of the Corporations Act.
  The REIT has not been terminated, nor is there any proposal or requirement to wind up, deregister, terminate,
  reconstitute or resettle the REIT;
- that the Responsible Entity has the power to enter into and perform its obligations under the Offer Management Agreement;
- that all approvals and authorities that may be required to permit the Responsible Entity to enter into the Offer
  Management Agreement and to perform its obligations under the Offer Management Agreement in accordance
  with its terms and enable it to carry on its business have been obtained and remain valid and subsisting;
- that the Offer Management Agreement is a valid and binding obligation on the Responsible Entity, and enforceable against it in accordance with the terms of the Offer Management Agreement; and
- that the Responsible Entity is a company limited by shares, it has been duly incorporated in accordance with the laws in its place of incorporation and is validly existing under those laws.

The Lead Manager's representations and warranties to the Responsible Entity and the Investment Manager include, but are not limited to:

- that the Lead Manager is a company limited by shares, validly existing under the laws of its place of incorporation;
- that the Lead Manager has power to enter into and comply with all of the terms and conditions of the Offer Management Agreement;
- that all approvals and authorisations that may be required to permit the Lead Manager to enter into the Offer Management Agreement and to perform its obligations under the Offer Management Agreement in accordance with its terms have been obtained and remain valid and subsisting; and
- that the Offer Management Agreement is a valid and binding obligation on the Lead Manager, enforceable against it in accordance with the terms of the Offer Management Agreement.

#### 12.9.3. INDEMNITIES

The Responsible Entity and the Investment Manager unconditionally and irrevocably agrees to jointly indemnify and hold harmless the Lead Manager and its Representatives (Indemnified Parties) from and against all losses directly suffered or incurred by the Indemnified Parties in connection with the Offer, the appointment of the Lead Manager pursuant to the Offer Management Agreement including, without limitation, losses incurred directly as a result of (including, but not limited to):

- the distribution of offer documents, undertaking the roadshow, and the making of the Offer and the conduct of the bookbuild;
- undertaking the restructure (as defined in the Offer Management Agreement) and carrying out, or failing to carry out, any steps under the restructure documents;
- the subscription for and allotment and issue of the offer units;
- the offer documents, including, without limitation:
  - any misleading or deceptive statement in the offer documents; or
  - any omission from the offer documents of material required by the Corporations Act or any other applicable law,
- a breach by the Responsible Entity of its obligations under the Offer Management Agreement or any other binding obligations in respect of any offer document, or the Offer, including any of the representations and warranties by the Responsible Entity contained in the Offer Management Agreement not being true and correct.

Subject to the Offer Management Agreement, the indemnity does not extend to, and is not to be taken to be an indemnity against, any losses of an Indemnified Party that has resulted directly from the gross negligence, fraud, recklessness or wilful misconduct of any Indemnified Party, if any amount in respect of which the indemnity would be illegal, void or unenforceable under any applicable law, and for a criminal penalty or fine which that Indemnified Party is required to pay for any contravention of the Corporations Act or any other applicable law.

#### 12.9.4. TERMINATION

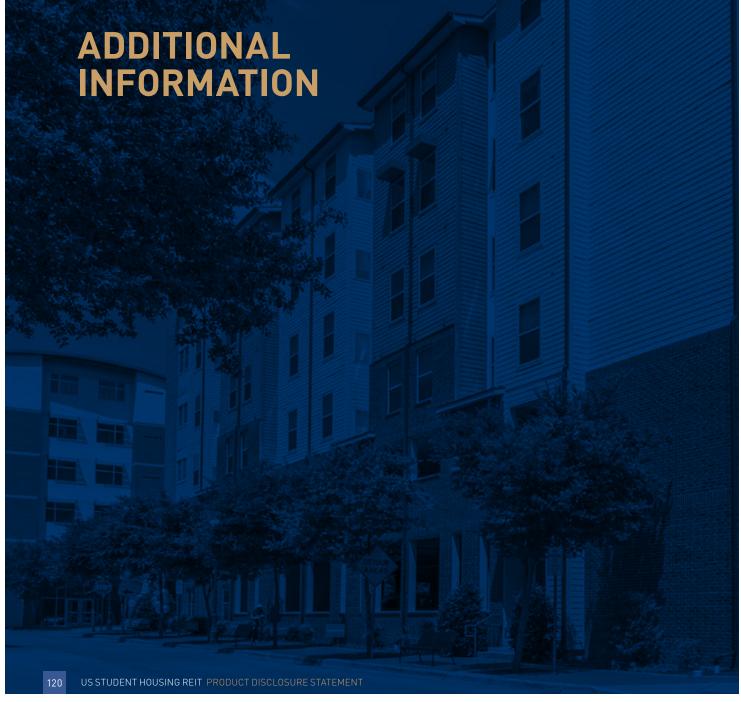
If a termination event (**Termination Event**) has occurred or occurs at any time from the date of the Offer Management Agreement until on or before 2pm on the Settlement Date or at any other time, the Lead Manager may terminate without cost or liability by notice to the Responsible Entity.

Termination events include, but are not limited to:

- new circumstance that arise after the PDS is lodged that would have been required to be included in the PDS if it had arisen before lodgement;
- any forecast (including without limitation, any financial forecast) that appears in the offer documents is, or becomes (in the reasonable opinion of the Lead Manager) incapable of being met within the relevant forecast period;
- the Responsible Entity or any of its respective directors or officers (as those terms are defined in the Corporations Act) are engaging in, or have engaged, in any fraudulent conduct or activity whether or not in connection with the Offer;
- the Responsible Entity withdraws a PDS or the Offer; and
- any of the Responsible Entity, the REIT or the REIT's subsidiaries at completion, becomes insolvent, or there is an act or omission which is likely to result in a Group Member becoming insolvent.

Under certain conditions, the Lead Manager will be immediately relieved of its obligations under the Offer Management Agreement and the Responsible Entity and the Investment Manager will be immediately relieved of any obligation to pay to the Lead Manager any management and selling fees which as at the date of the termination are not yet accrued.





## 13. ADDITIONAL INFORMATION

## 13.1. Corporate Structure

The REIT's structure involves separate wholly-owned passthrough entities that hold interests in the assets of the Portfolio. Each passthrough entity is a special purpose vehicle that is, in each case, an indirectly wholly-owned entity with oversight by Equity Trustees Limited as Responsible Entity.

The nature of the business of each of these sub-entities is to act as asset level holding vehicles for property interests in the Portfolio.

US Student Housing REIT (REIT) is the 100% member of SQ Property Opportunities HoldCo LLC (HoldCo) which was incorporated in Delaware, United States of America. HoldCo is the 100% member/owner of the following child entities:

SQPO – The Edge, LLC	
Place of incorporation	Delaware, United States of America
Nature of entity's business	Holds 90% equity interests in The Edge
REIT's holding in the entity	100% via HoldCo
SQPO – Clemson Living, LLC	
Place of incorporation	Delaware, United States of America
Nature of entity's business	Holds 95% equity interest in Clemson
Nature of entity's business	Holds 75% equity interest in Clemson
REIT's holding in the entity	100% via HoldCo
SQPO – Edgewood, LLC	
Place of incorporation	Delaware, United States of America
Nature of entity's business	Established in anticipation of the proposed restructure to hold 100% equity interest in Edgewood
REIT's holding in the entity	100% via HoldCo
SQPO - Chisholm, LLC	
Place of incorporation	Delaware, United States of America
Nature of entity's business	Established in anticipation of the proposed restructure to hold 100% equity interest in Balcony MSU, Traditions, Village Walk, West 100 and 607 South
REIT's holding in the entity	100% via HoldCo

## 13.2. Foreign Selling Restrictions

As at the date of this PDS, no action has been taken to register or qualify the Units or the Offer or to otherwise permit a public offering of the Units outside Australia or New Zealand.

The distribution of this PDS (including an electronic copy) outside Australia or New Zealand may be restricted by law. If you come into possession of this PDS outside Australia or New Zealand, then you should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may violate securities laws. This PDS does not constitute an Offer or invitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an Offer or invitation.

## 13. ADDITIONAL INFORMATION CONTINUED

The Units may be offered in a jurisdiction outside Australia or New Zealand where such offer is made in accordance with the laws of that jurisdiction.

Each person submitting an Application Form will be deemed to have acknowledged that it is aware of the restrictions referred to in this Section 13.2 and to have represented and warranted that it is able to apply for and acquire the Units in compliance with those restrictions.

This document does not constitute an offer of new ordinary units (**Units**) of the REIT in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Units may not be offered or sold, in any country outside Australia except to the extent permitted below.

#### **HONG KONG**

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance [Cap. 571] of the Laws of Hong Kong (the **SF0**). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Units have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Units has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Units which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

#### **NEW ZEALAND**

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (the **FMC Act**).

The Units are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

### **SINGAPORE**

This document has not been registered as a prospectus with the Monetary Authority of Singapore [MAS] and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 of Singapore (the SFA) in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The REIT is not a collective investment scheme authorised under Section 286 of the SFA or recognised by the MAS under Section 287 of the SFA and the Units are not allowed to be offered to the retail public.

This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Units may not be circulated or distributed, nor may the Units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" or "accredited investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined under the SFA) or (ii) an "accredited investor" (as defined under the SFA). In the event that you are not an "institutional investor" or "accredited investor", please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Units being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### 13.3. ASX Waivers and Confirmations

In order to conduct the Offer, the Responsible Entity has sought, and been granted, certain in principle waivers and confirmations to the Listing Rules by ASX, including:

- confirmation under Listing Rule 1.1 (condition 2) that the REIT's Constitution is not inconsistent with the Listing Rules;
- confirmation that the REIT will not be required to provide accounts for a period longer than for the last financial year ended 30 June 2021 under Listing Rules 1.3.5(a);
- confirmation that the REIT provide a reviewed consolidated pro forma statement of financial position of the REIT as at the completion date of the Offer in satisfaction of Listing Rule 1.3.5(d);
- confirmation that accounts for the last two financial years in relation to the Additional Properties are not required for the purpose of listing rule 1.3.5(c);
- confirmation that the terms of the Units comply with the requirements of Listing Rule 2.1 (Condition 1);
- confirmation that the terms of the Units as set out in the Constitution are appropriate and equitable for the purposes of Listing Rule 6.1;
- a waiver from Listing Rule 6.24 in respect of clause 1 of Appendix 6A to the extent necessary that the rate of a distribution need not be advised to ASX when the distribution record date attaching to that distribution is announced, on condition that an estimated distribution rate is advised to ASX at the time of the announcement and the actual rate is advised to ASX as soon as it becomes known;
- confirmation that the restrictions in clauses 1, 2, 3, 4, 6 and 7 of Appendix 9B of the Listing Rules will not apply to the REIT for the purposes of Listing Rule 9.2; and
- confirmation that Listing Rule 15.16 does not apply to the management agreements entered into for the REIT.

## 13.4. ASIC Relief

The Responsible Entity has also sought, and obtained, confirmation from ASIC that the Financial Information provided in this PDS is sufficient for the purpose of section 1013E of the Corporations Act.

#### 13.5. Interests of the Responsible Entity Directors

Other than as set out in this PDS, no Director or proposed Director of the Responsible Entity holds, or held at any time during the last two years any interest in:

- the formation or promotion of the REIT; or
- property acquired or proposed to be acquired by the REIT in connection with either of their formation or promotion with the Offer and no person had paid or agreed to pay, or given or agreed to give, any benefit to a director or proposed director of the Responsible Entity to induce them to become, or to qualify as, a director of the Responsible Entity; or
- for services provided by a Director or proposed Director of the Responsible Entity in connection with either the formation or promotion of the REIT or with the Offer.

### 13.6. Interests of Experts and Advisers

Other than as set out in this PDS, no person named in this PDS as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this PDS and no promoter of the REIT or Lead Manager of the Offer or financial services licensee named in this PDS as a financial services licensee involved in the Offer, holds at the date of this PDS, or has held in the two years prior to that date, an interest in the formation or promotion of the REIT, any property acquired or proposed to be acquired by the REIT in connection with its formation or promotion or the Offer, nor has anyone paid or agreed to pay any amount, or given or agreed to give any benefit, to such persons for services provided in connection with the formation or promotion of the REIT or the Offer.

## 13. ADDITIONAL INFORMATION CONTINUED

## 13.7. Consents to be Named and Lodgement of PDS

The persons listed in the table below have given and have not, before the lodgement of this PDS with ASIC, withdrawn their written consent to:

- (a) be named in this PDS in the form and context in which they are named;
- (b) the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this PDS; and
- (c) the inclusion of other statements in this PDS which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included:

Name of person	Named as	Reports or statements
Citigroup Global Markets Australia Pty Limited	Financial Adviser	Not applicable
Bell Potter Securities Limited	Lead Manager	Not applicable
Shaw and Partners Limited	Co-Manager	Not applicable
Baker McKenzie	Legal Advisor	Not applicable
BDO Corporate Finance (East Coast) Pty Ltd	Investigating Accountant	Investigating Accountant's Report in Section 9
BD0 Services Pty Ltd	Taxation Advisor	Section 10
CBRE, Inc	Valuer	Not applicable
Mainstream Fund Services Pty Limited	Custodian	Not applicable
Student Quarters LP	Asset Manager	Not applicable
Auctus Asset Management Pty Ltd	Investment Manager	Not applicable
Boardroom Pty Ltd	Registry	Not applicable

Each Director has given and has not, before lodgement of this PDS with ASIC, withdrawn their consent to be named in this PDS as a director in the form and context in which they are named and for the statements made by and on behalf of him or her to be included in this PDS.

None of the persons referred to above has made any statement that is included in this PDS or any statement on which this PDS is based, other than any statement or report included in this PDS with the consent of that person as specified above.

Each of the persons referred to above:

- (a) has not authorised or caused the issue of this PDS, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this PDS; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS other than references to its name or a statement or report included in this PDS with the consent of that person as specified above.

## 13.8. Directors' consent to lodgement

Each Director of the Responsible Entity as at the date of this PDS has consented to the lodgement of this PDS with ASIC.

## 13.9. Litigation

Neither the Responsible Entity nor the REIT is a party to any current litigation material to the financial standing of the Responsible Entity or the REIT and the Directors have no such knowledge of any such potential litigation.

### 13.10. Environment, Ethical and Social Considerations

The Responsible Entity does not take into account labour standards or environmental, social or ethical considerations when making investment decisions.

## 13.11. Exercise of Pricing Discretions

The Responsible Entity has elected that ASIC Class Order CO 13/655 will apply to pricing of Units in the REIT. The Offer Price has been calculated in accordance with the Constitution of the REIT as a fixed price equal to the Issue Price in the PDS. Details of any discretion which will be applied to the pricing of Units following listing is accessible on the REIT's website www.usq-reit.com free of charge.

## 13.12. Privacy and Personal Information

The Application Form requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988* (Cth) (as amended) (**Privacy Act**). The Responsible Entity as the responsible entity of the REIT (and the Registry on its behalf) collects, holds and uses that personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and to administer the REIT. The Corporations Act requires certain particulars of Unitholders to be collected and maintained in a public register.

Access to information may also be provided to other REIT entities and to the Responsible Entity's agents and service providers, in circumstances including:

- the Lead Manager, in order to assess your Application and for ongoing administration;
- the Registry, to deal with your holding and organise mail-outs and other essential services;
- printers and mail companies, to prepare and distribute statements and reports to you;
- professional advisers, in relation to specific or general questions of the Responsible Entity, the REIT, or in response
  to enquiries or disputes;
- market research and support companies of the REIT, for product development and planning, as well as analysing
  the Unitholder base of the REIT; and
- service companies (such as those which may provide the services of management or a Director, or the Compliance
  Officer), in respect of any relevant matter relating to the Responsible Entity or the REIT, may process your information,
  provide services that you request, and inform you about products and services (including future offers of securities)
  for the REIT or other subsidiaries of the REIT,

on the basis that they deal with such information in accordance with the REIT's privacy policy and otherwise as required by law. If you do not provide the information requested of you in the Application Form, the Responsible Entity, the Lead Manager, and Registry may not be able to process, deal with, or otherwise accept your Application for Units appropriately. Those entities may not be able to administer your Unitholding going forward and/or send information about the REIT or other managed investment schemes or services of Group, including any future offers of securities.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) the Responsible Entity. You can request access to your personal information by telephoning or writing to the Registry.

## 13.13. Application Form

Returning a completed Application Form will be taken to constitute a representation by the Applicant that they:

- have received a printed or electronic copy of the PDS (and any supplementary or replacement document) accompanying the Application Form and have read them all in full;
- agree that their Application is completed and lodged in accordance with this PDS and subject to the declarations and statements on the Application Form;
- declare and confirm that all details and statements in the Application Form are complete and accurate;
- declare and confirm that their signature (particularly where a corporate or trust/trustee) is valid and binding on them;
- acknowledge that once the Application Form is returned it may not be withdrawn;

## 13. ADDITIONAL INFORMATION CONTINUED

- agree to being issued the number of Units referable to the value they apply for (or a lower number issued in accordance with this PDS):
- if natural persons, are at least 18 years old and do not suffer from any legal disability preventing them from applying for Units; and
- authorise the Responsible Entity and the Lead Manager and their respective officers or agents, to do anything on their behalf necessary for Units to be issued to them, including to act on instructions received by the Registry using the contact details in the Application Form.

## 13.14. Cooling-Off Period

Cooling-off rights do not apply to an investment in Units pursuant to this Offer. This means that, in most circumstances, Applicants cannot withdraw their Application once it has been accepted.

### 13.15. Access to Information

The Responsible Entity will provide regular communication to Unitholders, including publication of:

- the REIT's half yearly reports which provides an update on the investments held, operation of the REIT and performance for the period;
- the REIT's annual report including audited financial statements for each financial year ending 30 June;
- half yearly distribution statements;
- annual taxation statements; and
- any periodic reports or continuous disclosure notices given by the REIT in accordance with the Corporations Act or ASX Listing Rules.

This information will be accessible on the REIT's website www.usq-reit.com.

The Responsible Entity, as a disclosing entity, will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the REIT Trusts may be obtained from, or inspected at, an ASIC office (or may be available through the REIT's website), and will also be lodged with ASX as required, and available through the ASX website.

You also have the right to obtain a copy of each annual report, half yearly report and any periodic reports or continuous disclosure notices from the REIT free of charge.

As at the date of this PDS, the REIT has not lodged with ASIC any annual report or half year report and has not given any periodic reports or continuous disclosure notices to ASX.

## 13.16. Anti-Money Laundering/Counter-Terrorism Financing Act 2006

The Responsible Entity (and the Registry on its behalf) may be required to collect certain customer identification information and verify that information in compliance with the *Anti-Money Laundering/Counter-Terrorism Financing Act 2006* (Cth) (the **AML/CTF Act**) and AML/CTF Rules before it can issue Units to Applicants.

Customer identification information may include detailed know your customer (KYC) information in relation to the Applicant such as, for an individual Applicant, name, address, and date of birth and for an Applicant that is a business entity, details of directors and beneficial owners, and where the Applicant is a trustee, details of the trust and beneficiaries. The Responsible Entity may require further KYC information such as information concerning business activities, structure and source of funds of Applicants and from time to time may require an Applicant to provide updated or additional information.

The Responsible Entity may refuse to accept an application or decline to issue Units to an Applicant until it has satisfactorily concluded a customer identification procedure in relation to the Applicant.

The Responsible Entity may delay or refuse any request or transaction, including by suspending the issue or redemption of Units in the REIT if the Responsible Entity is concerned that the request or transaction may cause the Responsible Entity to contravene the AML/CTF Act. The Responsible Entity will incur no liability to the Applicant if it does so.

## 13.17. Copies of Documents

The following documents are available for inspection at the offices of the Responsible Entity between 9:00am and 5:00pm (AEST) on Business Days in Sydney NSW. Alternatively, a copy of the following documents may be requested (to be provided free of charge) by contacting the Responsible Entity on 1300 133 472:

- the Constitutions;
- Compliance Plans; and
- the REIT's policy regarding the exercise of discretions under the Constitutions which affect Unit price calculations, valuation policy, and other matters.

## 13.18. Complaints

If you have a complaint about the REIT or the Responsible Entity in connection with your investment in the REIT you can write to the Compliance Officer at:

Equity Trustees Limited Level, 575 Bourke St Melbourne, VIC, 3000

The Compliance Officer will acknowledge your complaint within one business day or as soon as practicable, and will investigate it and report back to you as soon as practicable, and in any event, within 30 days.

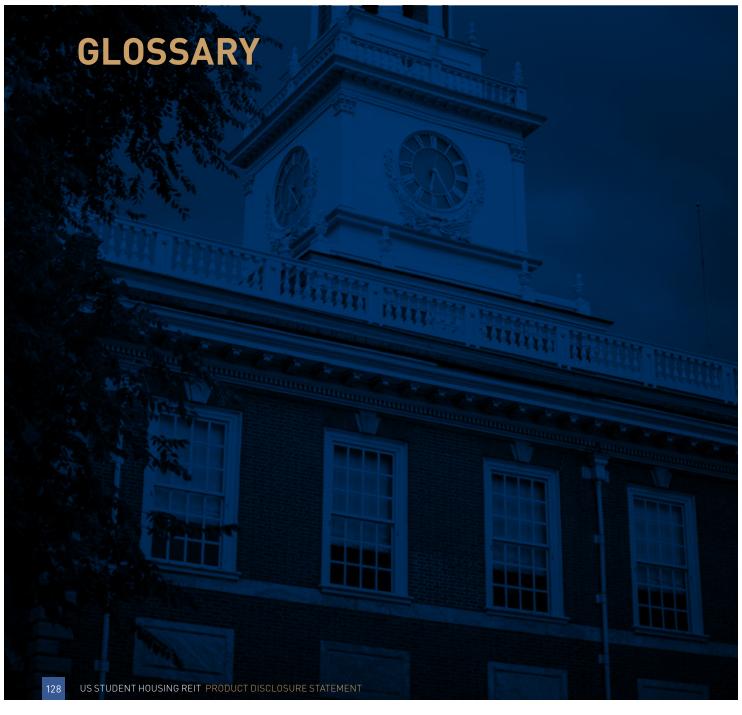
If you are dissatisfied with the response or the complaint is not resolved within 30 days, you may raise the matter directly with the Australian Financial Complaints Authority Limited (AFCA). The AFCA's contact details are:

GPO Box 3

Melbourne VIC 3001 Telephone: 1800 931 678 Email: info@afca.org.au

If you are after investment advice you should contact your financial adviser.





## 14. GLOSSARY

Defined term	Meaning
A\$	Australian dollars.
AAS or Australian Accounting Standards	The Australian Accounting Standards and other authoritative announcements issued by the AASB.
AASB	Australian Accounting Standards Board.
ABN	Australian Business Number.
Additional Properties	Collectively refers to the three properties that will settle post Allotment date and will therefore form part of the Portfolio post Completion of the Offer.
AFCA	Australian Financial Complaints Authority Limited.
Allotment	The allotment of Units following acceptance of an Application.
Allotment Date	The date on which Allotment occurs, expected to be 7 February 2021.
AML/CTF Act	The Anti-Money Laundering/Counter-Terrorism Financing Act 2006 (Cth).
Anticipated Refinance	Refinance of the M&T Realty Debt Facilities at current rates. Refinance assumed to take place prior to 1 January 2021, delaying amortisation of M&T Realty Debt Facilities to after CY2022.
Applicant	A person who submits a valid Application Form pursuant to this PDS.
Application	An application for Units under the Offer as described in this PDS.
Application Form	The relevant form attached to, or accompanying this PDS pursuant to which Applicants apply for Units.
Application Monies	The money paid by an Applicant in respect of being transferred Units under this PDS.
ASU	Arizona State University.
ARSN	Australian Registered Scheme Number.
ASIC	Australian Units and Investments Commission.
Assets	As defined in the Constitution.
Asset Manager	Student Quarters LP.
ASX	Australian Units Exchange.
ASX Guidelines	ASX Corporate Governance Principles and Recommendations as amended from time to time.
ATO	The Australian Taxation Office.
AMIT	Attribution Managed Investment Trust.
Auditor	The auditor of the REIT from time to time, being at the date of this PDS, BDO Audit Pty Ltd.
Australasia	Australia and New Zealand.
Board	The Board of Directors of the Responsible Entity.
Broker	A broker appointed by the Lead Manager to act as a participating broker to the Offer.
Broker Firm Offer	The broker firm offer set out in Section 8 of this PDS.

## 14. GLOSSARY CONTINUED

Defined term	Meaning
Broker Firm Offer Closing Date	The date on which the Broker Firm Offer will close, expected to be 7 February 2022.
Broker Firm Offer Opening Date	The date on which the Broker Firm Offer will open, expected to be 17 January 2022.
CHESS	Clearing House Electronic Subregister System, operated under the Corporations Act.
Closing Date	The closing date of the Offer, expected to be at 5:00pm (Sydney time) on 7 February 2022.
Co-manager	Shaw and Partners Limited.
Completion	The Offer Completion and completion of the Restructure.
Constitution	The constitution of the REIT.
CFC	Controlled Foreign Company.
Corporations Act	Corporations Act 2001 (Cth).
CPI	The All Groups Consumer Price Index, as issued by the Australian Bureau of Statistics as a general indicator of the rate of change in prices paid for consumer goods and services. CPI rental increases are based on the CPI of the eight capital cities other than for Coates Hire, Kingston which is based on CPI for the City of Brisbane alone.
Custodian	Mainstream Fund Services Pty Ltd (ACN 118 902 891).
CY22 or CY2022	Twelve months ending 31 December 2021.
Debt Facility	The REIT's investee debt facilities described in section 12 of the PDS.
Director	The directors of the Responsible Entity.
Distributions	The amount payable to Unitholders at the discretion of the Responsible Entity in accordance with the Constitution.
Distribution Yield	The rate of return derived by dividing the Distribution per Unit by the Offer Price.
EQT	Equity Trustees Limited (ACN 004 031 298).
Financial Information	Refers to the Pro Forma Consolidated Balance Sheet and the Forecast Financial Information.
FITO	Foreign Income Tax Offset.
Forecast Distribution Statements	The forecast distribution statements for the twelve months ending 31 December 2022 as set out in Section 6 of this PDS.
Forecast Financial Information	Financial information prepared by the Directors which includes a pro forma forecast income statement presented for the twelve months ending 31 December 2022, pro forma forecast Distributions for the twelve months ending 31 December 2022 and key summary metric including Distribution per Unit for the twelve months ending 31 December 2022 each as set out in Section 6.
Forecast Period	The twelve months ending 31 December 2022.
Future Acquisitions	Investment properties that may be acquired by the REIT over time.
GAV	Gross asset value, being the gross value of all the property, rights and income of the REIT, but not including application money or property in respect of which Units have not yet been issued.

Defined term	Meaning
Gearing	Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets less cash, based on the Pro Forma Consolidated Statement of Financial Position (as set out in Section 6).
GST	Goods and Services Tax.
HoldCo	SQ Property Opportunity Holdco, LLC.
IASB	International Accounting Standards Board.
IFRS	International Financial Reporting Standards.
Independent Valuations	The valuations by the Independent Valuers as set out in the Valuation Report.
Independent Valuer	CBRE, Inc.
Institutional Investor	A person to whom offers and issues of Units may lawfully be made without the need for disclosure under Part 7.9 of the <i>Corporations Act 2001</i> (Cth) or without any other lodgement, registration or approval with or by a government agency.
Institutional Offer	The offer under the PDS to certain Institutional Investors to apply for Units.
Interest Cover Ratio	In respect of any 12 month period, the ratio of EBIT divided by the interest expense of the Group of any joint venture.
Investee Companies	Companies that acquire and manage US student housing assets.
Investigating Accountant	BDO Corporate Finance (East Coast) Pty Ltd.
Investigating Accountant's Report	The Investigating Accountant's Report prepared by BDO Corporate Finance (East Coast) Pty Ltd as set out in Section 9 of this PDS.
Investment Manager	Auctus Asset Management Pty Ltd (ABN 30 610 804 263; AFSL No. 517083).
Investor	A registered holder of Units in the REIT.
КҮС	Know Your Customer.
Lead Manager	Bell Potter Securities Limited.
Lead Manager Parties	Lead Manager, their respective Related Bodies Corporate or affiliates, or any of their respective officers, directors, employees, partners, advisers or agents.
Limited Parties	Responsible Entity, any of their Related Bodies Corporate, the Lead Manager, or any of their respective officers, directors, employees, partners, advisers, representatives or agents.
	Each a Limited Party, together Limited Parties.
Listing	Official quotation of the Units on the ASX and commencement of deferred settlement trading of the Units on the ASX.
Listing Rules	The official Listing Rules of the ASX from time to time as modified by an express written confirmation, waiver or exemption given by the ASX.
Manager	Auctus Asset Management Pty Ltd (ABN 30 610 804 263; AFSL No. 517083).
MAS	Monetary Authority of Singapore.
Occupancy	The proportion of student accommodation occupied or used at a point in time.

## 14. GLOSSARY CONTINUED

Defined term	Meaning
Offer	The Public initial offer to issue Units under (and as contemplated by) this PDS.
Offer Closing Date	The date on which the Offer is expected to close, being 7 February 2022 in respect of the Offer.
	These dates may be varied without prior notice.
Offer Completion	The allotment of Units to the successful Applicants under this PDS.
Offer Period	The period between the Opening Date, being 17 January 2022 and the applicable Closing Date, being 7 February 2022 for the Broker Firm Offer.
Offer Price	Fixed price of A\$1.38 per Unit.
Official List	The official list of entities that the ASX has admitted and not removed from listing.
Owner	<ul> <li>In respect of the Property Management Agreement between SQ Property Management LLC and SQ Texas Tech – The Edge LLC dated 12 January 2021 – SQ Texas Tech – The Edge, LLC;</li> </ul>
	<ul> <li>In respect of the Property Management Agreement between SQ Property Management LLC and SQ Ole Miss III – West 100, LLC dated 30 November 2019 – SQ Ole Miss III – West 100, LLC;</li> </ul>
	<ul> <li>In respect of the Property Management Agreement between SQ Property Management LLC and SQ Ole Miss II – Village Walk, LLC dated 30 November 201 – SQ Ole Miss II – Village Walk, LLC;</li> </ul>
	<ul> <li>In respect of the Property Management Agreement between SQ Property Management LLC and SQ Ole Miss I – Traditions, LLC dated 30 November 2019 – SQ Ole Miss I – Traditions, LLC;</li> </ul>
	<ul> <li>In respect of the Property Management Agreement between SQ Property Management LLC and SQ Mississippi State I – Balcony, LLC dated 30 November 2019 – SQ Mississippi State I – Balcony, LLC;</li> </ul>
	<ul> <li>In respect of the Property Management Agreement between SQ Property Management LLC and SQ Ole Miss IV – 607 South, LLC dated 30 November 2019 – SQ Ole Miss IV – 607 South, LLC;</li> </ul>
	<ul> <li>In respect of the Property Management Agreement between SQ Caliber LLC and SQ Georgia State I, LLC dated 27 April 2017 – SQ Georgia State I, LLC,</li> </ul>
	(each an <b>Owner</b> , and together the <b>Owners</b> ).
PDS or Product Disclosure Statement	This document, being a product disclosure statement for the purposes of Part 7.9 of the <i>Corporations Act 2001</i> (Cth) (including the electronic form of this document) and any supplementary or replacement PDS (including any replacement PDS).
PDS Date	The date of the PDS, being the date that the PDS was lodged with ASIC.
PDS Lodgement	The lodgement of this PDS with ASIC.
Portfolio	All of the REIT's property assets or interests in property assets from time to time.
Pro Forma Consolidated Statement of Financial Position	The pro forma consolidated statement of financial position set out in Section 6 of this PDS.
Pro Forma Forecast Consolidated Income Statements	The pro forma forecast income statements for the period ending 31 December 2022, as set out in Section 6 of this PDS.

Defined term	Meaning
Pro Forma Forecast Consolidated Distribution Statements	The pro forma consolidated distribution statements set out in Section 6 of this PDS.
Pro Forma Portfolio	The REIT property portfolio consists of 11 assets with a fair value of approximately US\$189 million across 8 universities in 6 states.
Property	An asset which forms part of the Portfolio from time to time.
Property Manager	<ul> <li>SQ Property Management LLC in respect of The Edge Apartments pursuant to the Property Management Agreement between SQ Property Management LLC and SQ Texas Tech – The Edge LLC dated 12 January 2021;</li> </ul>
	<ul> <li>SQ Property Management LLC in respect of certain student housing apartment complexes (West 100) pursuant to the Property Management Agreement between SQ Property Management LLC and SQ Ole Miss III – West 100, LLC dated 30 November 2019;</li> </ul>
	<ul> <li>SQ Property Management LLC in respect of certain student housing apartment complexes (Village Walk) pursuant to the Property Management Agreement between SQ Property Management LLC and SQ Ole Miss II – Village Walk, LLC dated 30 November 2019;</li> </ul>
	• SQ Property Management LLC in respect of certain student housing apartment complexes ( <b>Traditions</b> ) pursuant to the Property Management Agreement between SQ Property Management LLC and SQ Ole Miss I – Traditions, LLC dated 30 November 2019;
	• SQ Property Management LLC in respect of certain student housing apartment complexes (The Balcony – Starkville) pursuant to the Property Management Agreement between SQ Property Management LLC and SQ Mississippi State I – Balcony, LLC dated 30 November 2019;
	• SQ Property Management LLC in respect of certain student housing apartment complexes (607 South) pursuant to the Property Management Agreement between SQ Property Management LLC and SQ Ole Miss IV – 607 South, LLC dated 30 November 2019;
	<ul> <li>SQ Caliber LLC in respect of certain student housing apartment complexes (200 Edgewood) pursuant to the Property Management Agreement between SQ Caliber LLC and SQ Georgia State I, LLC dated 27 April 2017;</li> </ul>
	[each a <b>Property Manager</b> , and together the <b>Property Managers</b> ].
Property Management Agreement	<ul> <li>Property Management Agreement between SQ Property Management LLC and SQ Texas Tech – The Edge LLC dated 12 January 2021;</li> </ul>
	<ul> <li>Property Management Agreement between SQ Property Management LLC and SQ Ole Miss III – West 100, LLC dated 30 November 2019;</li> </ul>
	<ul> <li>Property Management Agreement between SQ Property Management LLC and SQ Ole Miss II – Village Walk, LLC dated 30 November 2019;</li> </ul>
	<ul> <li>Property Management Agreement between SQ Property Management LLC and SQ Ole Miss I – Traditions, LLC dated 30 November 2019;</li> </ul>
	<ul> <li>Property Management Agreement between SQ Property Management LLC and SQ Mississippi State I – Balcony, LLC dated 30 November 2019;</li> </ul>
	<ul> <li>Property Management Agreement between SQ Property Management LLC and SQ Ole Miss IV – 607 South, LLC dated 30 November 2019;</li> </ul>
	<ul> <li>Property Management Agreement between SQ Caliber LLC and SQ Georgia State I, LLC dated 27 April 2017;</li> </ul>
	[each a <b>Property Management Agreement</b> , and together the <b>Property Management Agreements</b> ].

## 14. GLOSSARY CONTINUED

Defined term	Meaning								
PSA	Purchase and Sale Agreement.								
Public Offer	The Broker Firm Offer and the Institutional Offer.								
REIT	Means the US Student Housing REIT (ARSN 655 096 629).								
Register	The registers of the Trust.								
Registry	Boardroom Pty Ltd.								
Responsible Entity	Equity Trustees Limited, Australian Financial Services Licence Number 240975).								
Restructure	US Student Housing REIT's acquisition of Edgewood, Balcony MSU, Village Walk, Traditions, 607 South and West 100.								
Restructure Assets	Asset acquired under the Restructure, being Edgewood, Balcony MSU, Village Walk, Traditions, 607 South and West 100.								
Retail Investor	A person who is a resident of Australia and New Zealand and is not otherwise treated as an Institutional Investor.								
Underlying Asset Level Gearing	Interest in Investee Company Borrowings divided by Interest in Fair Value of Investee Company Properties.								
Unit	A security in the REIT each comprising one fully paid ordinary Unit as described in Section 8.								
Unitholder	A registered holder of a Unit.								
Settlement	The settlement in respect of the Units the subject of the Offer.								
SFA	Securities and Futures Act, Chapter 289 of Singapore.								
Sophisticated Investor	An Australian resident investor who is a wholesale client within the meaning of section 761G of the Corporations Act.								
SQ	Student Quarters LP.								
Sydney time	Time observed in Sydney, Australia.								
Total assets	Total assets of the REIT adjusted for the REIT's share of the assets held in equity accounted investments.								
Total liabilities	Total liabilities of the REIT adjusted for the REIT's share of the liabilities held in equity accounted investments.								
Trade Mark Owners	Holders, owners or registered proprietors of logos and company names.								
US\$	United States dollars.								
US Securities Act	U.S. Securities Act of 1933.								

## **US Student Housing REIT**

## **Broker Firm Offer Application Form**

Applicants under the Broker Firm Offer must contact their broker for information on how to submit this Broker Firm Offer Application Form.

Broker Refere	nce – Stamp Only
Broker Code	Advisor Code

This is an Application Form for units in US Student Housing REIT and has been issued by Equity Trustees Limited (ACN 004 031 298) (AFSL 240 975) (**Responsible Entity**) as responsible entity of US Student Housing REIT on the terms set out in the Product Disclosure Statement (PDS) dated 15 December 2021. Defined terms in the PDS have the same meaning in this Application Form. You may apply for a minimum of \$2,000.00 Units. This Application Form and your cheque or bank draft must be received by **5.00pm (AEDT) on 7 February 2022**.

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The PDS dated 15 December 2021 contains information relevant to a decision to invest in the Securities of the Trust and you should read the entire PDS carefully before applying for Units.

To meet the requirements of the *Corporations Act 2001* (Cth), this Application Form must not be distributed to another person unless included in, or accompanied by the PDS dated 15 December 2021. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the PDS. The Trust will send you a free paper copy of the PDS if you have received an electronic PDS and you ask for a paper copy before the PDS the closing date of **7 February 2022**.

	nd you ask for a paper copy before the PDS the closing date of <b>7 February 2022</b> .  EASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.																													
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#### **Declaration**

#### By submitting this Application Form with your Application Monies, I/we declare that I/we:

- ✓ have read the PDS in full;
- have received this Application Form in accordance with the PDS;
- have completed this Application Form in accordance with the instructions on the form and in the PDS;
- declare that the Application Form and all details and statements made by me/us are complete and accurate;
- acknowledge that the information contained in the PDS (or any supplementary or replacement PDS) is not investment advice or a recommendation that Securities are suitable for me/us, given my/our investment objectives, financial situation or particular needs;
- agree and consent to the Trust collecting, holding, using and disclosing my/our personal information in accordance with the PDS;
- where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Trust;
- acknowledge that once the trust accepts my/our Application Form, I/we may not withdraw it;
- apply for the number of Units set out in this Application Form (or a lower number allocated in a manner allowed under the PDS);
- ✓ acknowledge that my/our Application may be rejected by the Trust in its absolute discretion;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Trust:
- authorise the Trust and its officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Units to be allocated to me/us;
- to be allocated to me/us; acknowledge that if I/we are not issued any Units or I/we are issued fewer Units than the number that I/we applied and paid for as a result of a scale back, all or some of my/our Application Monies (as applicable) will be refunded to me/us (without interest) in accordance with the Corporations Act as soon as practicable after the Units are issued;
- acknowledge that neither the Trust nor any person or entity guarantees any particular rate of return on the Units, nor do they guarantee the repayment of capital; and
- represent, warrant and agree that I/we have not received this PDS outside Australia/NZ and am/are not acting on behalf of a person resident outside Australia/NZ.

## **Guide to the Application Form**

#### YOU SHOULD READ THE PDS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

#### Instructions

- A If applying for Units insert the *number* of Securities for which you wish to subscribe at Item A (not less than \$2,000.00 Units).
- B Multiply by A\$1.38 to calculate the total Application Monies for Units and enter the *A\$amount* at Item B.
- C Write your full name. Initials are not acceptable for first names.
- D Enter your postal address for all correspondence. All communications to you from the Trust will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. NB: your registration details provided must match your CHESS account exactly.
- F Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of your TFN or ABN is not compulsory and will not affect your Application Form.
- G Complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in Item B.. If you receive a firm allocation of Units from your Broker, make your cheque payable to your Broker in accordance with their instructions.
- H Enter your contact details, including name, phone number and e-mail address, so we may contact you regarding your Application Form or Application Monies. By providing an e-mail address you are electing to receive notices of meetings, finanical reports and other communications from the trust electronically to the provided e-mail address.
- **J** Enter your *date of birth* in the format of DD/MM/YYYY.

#### **Correct Form of Registrable Title**

Note that ONLY legal entities can hold the Units. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Trust. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title							
Individual Use given names	Mr John David Smith	J D Smith							
Company Use Company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co							
Joint Holdings Use full and complete names	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith							
Trusts Use the trustee(s) personal name(s)	Mr John David Smith <j a="" c="" d="" family="" smith=""></j>	John Smith Family Trust							
Deceased Estates Use the executor(s) personal name(s)	Mr Michael Peter Smith <est a="" c="" john="" late="" smith=""></est>	John Smith (deceased)							
Partnerships Use the partners' personal names	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son							
Superannuation Funds Use the name of the trustee of the fund	John Smith Pty Limited <j a="" c="" fund="" smith="" super=""></j>	John Smith Superannuation Fund							

#### **Lodgment instructions**

The Broker Firm Offer closes at 5:00pm (AEDT) on 7 February 2022, unless varied in accordance with the Corporations Act and ASX Listing Rules.

It is not necessary to sign or otherwise execute the Application Form. Applicants under the Broker Firm Offer must contact their broker for information on how to submit this Broker Firm Offer Application Form.

#### **Privacy Statement**

Boardroom Pty Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form

## **US Student Housing REIT**

## **Broker Firm Offer Application Form**

Applicants under the Broker Firm Offer must contact their broker for information on how to submit this Broker Firm Offer Application Form.

Broker Refere	nce – Stamp Only
Broker Code	Advisor Code

This is an Application Form for units in US Student Housing REIT and has been issued by Equity Trustees Limited (ACN 004 031 298) (AFSL 240 975) (**Responsible Entity**) as responsible entity of US Student Housing REIT on the terms set out in the Product Disclosure Statement (PDS) dated 15 December 2021. Defined terms in the PDS have the same meaning in this Application Form. You may apply for a minimum of \$2,000.00 Units. This Application Form and your cheque or bank draft must be received by **5.00pm (AEDT) on 7 February 2022**.

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The PDS dated 15 December 2021 contains information relevant to a decision to invest in the Securities of the Trust and you should read the entire PDS carefully before applying for Units.

To meet the requirements of the *Corporations Act 2001* (Cth), this Application Form must not be distributed to another person unless included in, or accompanied by the PDS dated 15 December 2021. A person who gives another person access to this Application Form must, at the same time and by the same means, give the other person access to the PDS. The Trust will send you a free paper copy of the PDS if you have received an electronic PDS and you ask for a paper copy before the PDS the closing date of **7 February 2022**.

	nd you ask for a paper copy before the PDS the closing date of <b>7 February 2022</b> .  EASE FOLLOW THE INSTRUCTIONS TO COMPLETE THIS APPLICATION FORM (SEE REVERSE) AND PRINT CLEARLY IN CAPITAL LETTERS USING BLACK OR BLUE PEN.																													
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С	Write the name(s) you wish to register the Units in <i>(see reverse for instructions)</i> Applicant #1 – Surname/Company Name																													
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G	Cheque payment details — ▶ PIN CHEQUE(S) HERE       Please enter details of the cheque(s) that accompany this application.         Name of drawer of cheque       Cheque no.       BSB no.       Account no.       Cheque Amount A\$																													
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#### **Declaration**

#### By submitting this Application Form with your Application Monies, I/we declare that I/we:

- ✓ have read the PDS in full;
- have received this Application Form in accordance with the PDS;
- have completed this Application Form in accordance with the instructions on the form and in the PDS;
- declare that the Application Form and all details and statements made by me/us are complete and accurate;
- acknowledge that the information contained in the PDS (or any supplementary or replacement PDS) is not investment advice or a recommendation that Securities are suitable for me/us, given my/our investment objectives, financial situation or particular needs;
- agree and consent to the Trust collecting, holding, using and disclosing my/our personal information in accordance with the PDS;
- where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Trust;
- acknowledge that once the trust accepts my/our Application Form, I/we may not withdraw it;
- apply for the number of Units set out in this Application Form (or a lower number allocated in a manner allowed under the PDS);
- ✓ acknowledge that my/our Application may be rejected by the Trust in its absolute discretion;
- ✓ am/are over 18 years of age;
- ✓ agree to be bound by the constitution of the Trust:
- authorise the Trust and its officers and agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Units to be allocated to me/us;
- to be allocated to me/us; acknowledge that if I/we are not issued any Units or I/we are issued fewer Units than the number that I/we applied and paid for as a result of a scale back, all or some of my/our Application Monies (as applicable) will be refunded to me/us (without interest) in accordance with the Corporations Act as soon as practicable after the Units are issued;
- acknowledge that neither the Trust nor any person or entity guarantees any particular rate of return on the Units, nor do they guarantee the repayment of capital; and
- represent, warrant and agree that I/we have not received this PDS outside Australia/NZ and am/are not acting on behalf of a person resident outside Australia/NZ.

## **Guide to the Application Form**

#### YOU SHOULD READ THE PDS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS. These instructions are cross-referenced to each section of the Application Form.

#### Instructions

- A If applying for Units insert the *number* of Securities for which you wish to subscribe at Item A (not less than \$2,000.00 Units).
- B Multiply by A\$1.38 to calculate the total Application Monies for Units and enter the *A\$amount* at Item B.
- C Write your full name. Initials are not acceptable for first names.
- D Enter your postal address for all correspondence. All communications to you from the Trust will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E If you are sponsored in CHESS by a stockbroker or other CHESS participant you may enter your CHESS HIN if you would like the allocation to be directed to your HIN. NB: your registration details provided must match your CHESS account exactly.
- F Enter your Australian tax file number (TFN) or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of your TFN or ABN is not compulsory and will not affect your Application Form.
- G Complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in Item B.. If you receive a firm allocation of Units from your Broker, make your cheque payable to your Broker in accordance with their instructions.
- H Enter your contact details, including name, phone number and e-mail address, so we may contact you regarding your Application Form or Application Monies. By providing an e-mail address you are electing to receive notices of meetings, finanical reports and other communications from the trust electronically to the provided e-mail address.
- **J** Enter your *date of birth* in the format of DD/MM/YYYY.

#### **Correct Form of Registrable Title**

Note that ONLY legal entities can hold the Units. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Trust. At least one full given name and surname is required for each natural person. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title							
Individual Use given names	Mr John David Smith	J D Smith							
Company Use Company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co							
Joint Holdings Use full and complete names	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith							
Trusts Use the trustee(s) personal name(s)	Mr John David Smith <j a="" c="" d="" family="" smith=""></j>	John Smith Family Trust							
Deceased Estates Use the executor(s) personal name(s)	Mr Michael Peter Smith <est a="" c="" john="" late="" smith=""></est>	John Smith (deceased)							
Partnerships Use the partners' personal names	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son							
Superannuation Funds Use the name of the trustee of the fund	John Smith Pty Limited <j a="" c="" fund="" smith="" super=""></j>	John Smith Superannuation Fund							

#### **Lodgment instructions**

The Broker Firm Offer closes at 5:00pm (AEDT) on 7 February 2022, unless varied in accordance with the Corporations Act and ASX Listing Rules.

It is not necessary to sign or otherwise execute the Application Form. Applicants under the Broker Firm Offer must contact their broker for information on how to submit this Broker Firm Offer Application Form.

#### **Privacy Statement**

Boardroom Pty Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your security holding and if some or all of the information is not collected then it might not be possible to administer your security holding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form

## **CORPORATE DIRECTORY**

## Responsible Entity's registered office

## **EQUITY TRUSTEES LIMITED**

Level 1, 575 Bourke Street Melbourne VIC 3000

## Lead Manager

### **BELL POTTER SECURITIES LTD**

Level 29, 101 Collins Street Melbourne VIC 3000

## **Co-Managers**

### **SHAW AND PARTNERS LIMITED**

Level 7, Chifley Tower 2 Chifley Square Sydney NSW 2000

## Legal Adviser

## **BAKER & MCKENZIE**

Tower One – International Towers Sydney Level 46, Barangaroo Avenue Sydney NSW 2000

## Financial Adviser

# CITIGROUP GLOBAL MARKETS AUSTRALIA PTY LIMITED

Level 16, 120 Collins Street Melbourne VIC 3000

## **Share Registry**

#### **BOARDROOM PTY LIMITED**

Level 1, 575 Bourke Street Melbourne VIC 3000

