

# *CFMG Land & Opportunity Fund*

ARSN 602 610 006

## Supplementary Product Disclosure Statement

This Supplementary Product Disclosure Statement ('SPDS') supplements the Product Disclosure Statement dated 29 November 2016 for the Trust issued by the Responsible Entity. Together, the PDS and this SPDS contain all of the information about the Offer of Class A Units ('Solander Units') in the Trust.

Capitalised terms used in this SPDS have the meaning given to those terms as set out in the Glossary of the PDS.

Custodian Equity and Income Funds Limited ACN 112 753 876 (Responsible Entity), the holder of Australian Financial Services Licence (AFSL) no. 291390, is the responsible entity of CFMG Land and Opportunity Fund ARSN 602 610 006 (Trust).



## Overview

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The information presented below in this SPDS outlines an offer to acquire Solander Units in the Trust to facilitate the Trust investing in a minimum of 1,500,000 and in up to a maximum of 4,000,000 class A preference shares in Solander Syndicate Limited A.C.N 603 309 995 ('Solander SPV').

The Solander Units have a targeted return of 12.0% per annum, which is based on the preferential rate of return on the class A preference shares to be issued by the Solander SPV less the Asset Identification and Negotiation Fee, Management Fee and administrative fees and costs we are entitled to be reimbursed for in operating the Trust.

The preference shares issued by the Solander SPV to the Trust will have a fixed return of 15.2% per annum to fund up to \$4,000,000 of the capital to the Property Development.

The Property Development relates to the purchase of real property, comprising three separate allotments, being a total of 11.431 hectares with developable area of approximately 10.31 hectares from the registered owners for \$7,350,000 (excluding GST) with settlement due to take place on 28 February 2017.

It is proposed that the Property be developed into 179 residential allotments, supporting roads and other services generally in accordance with the Concept Plan in this SPDS.

The development application for the Property Development was lodged with the Local Authority on 9 September 2016. The capital of up to \$4.0m to be contributed by the Trust in exchange for the class A preference shares are to be applied to the costs associated with funding deposits paid to the registered owners, the costs associated with payment of stamp duty on the purchase contracts, the costs associated with carrying out due diligence, the costs associated with obtaining the development approvals and for working capital associated with the Property Development.

The fixed return of 15.2% per annum is required to be paid on the redemption of the class A preference shares which is anticipated to take place at the end of the Property Development. Please note that whilst Solander SPV is required to make this 15.2% per annum payment the return is not guaranteed, is totally dependent on the successful completion and sale of the Property Development and therefore this investment should be considered highly speculative.

The Solander Units have a targeted return of 12.0% per annum, which is based on the preferential rate of return on the class A preference shares to be issued by the Solander SPV less the Asset Identification and Negotiation Fee, Management Fee and administrative fees and costs we are entitled to be reimbursed for in operating the Trust

In the event the Solander SPV makes the preferential return on the class A preference shares then the Responsible Entity will waive payment of any fees and costs we are entitled to be reimbursed in the event the incurring of those fees and costs result in the Solander Units not achieving the targeted return of 12.0% per annum

The specific risks associated with this investment are disclosed in this Supplementary Product Disclosure Statement.





# The Investment Proposal

<b>Solander Units</b>	The Trust is offering a minimum of 1,500,000 and up to 4,000,000, Solander Units, to be issued at a price of \$1.00 per unit, to raise up to \$4,000,000, which the Trust will invest in the Property Development.
<b>Trust Structure</b>	The Trust is a registered managed investment scheme. This SPDS relates to the Offer of Solander Units which will have a beneficial interest in class A preference shares to be issued by the Solander SPV to the Trust. The class A preference shares to be issued by the Solander SPV will carry a preferential rate of return of 15.2% per annum. The return is not guaranteed, is totally dependent on the successful completion and sale of the Property Development and therefore this investment should be considered highly speculative.
<b>Asset identification and negotiation fee</b>	4.4% of the capital raised by the issue of Solander Units will be paid to the Responsible Entity.
<b>Anticipated Distribution Rate</b>	<p>Solander Units are anticipated to have a distribution rate of up to 12.0% per annum (pre tax and net of fees) over the life of the investment. For the timing of distribution payments please refer to the table on page 10 of this SPDS.</p> <p>For example, for each \$25,000 you invest in the Trust, the anticipated income distribution you will receive is \$3,000 per annum. Payment of any distribution is totally dependent on the Trust receiving a return on the Solander SPV 'A' class preference shares held by the Trust.</p>
<b>Minimum Investment</b>	<p>Applications for Solander Units must be for a minimum investment of \$25,000 and then in multiples of \$5,000. The Responsible Entity reserves the right to accept lower amounts.</p> <p>The Solander Units will be issued for \$1.00 each.</p>
<b>Likely term of your Investment</b>	<p>The Property Development is currently anticipated to be completed by June 2019 .</p> <p>Accordingly, the Solander Units are intended to be on issue for a fixed term of three (3) years, however the directors of the Responsible Entity have the ability to:</p> <ol style="list-style-type: none"> <li>extend the term for an additional 12 months; or</li> <li>reduce the term provided that the Solander Units are on issue for twelve (12) months.</li> </ol> <p>Unitholders may not withdraw their investment before the end of the term (although transfers are permitted subject to the Constitution at the risk of the Unitholder).</p>
<b>Income Distribution</b>	<p>The targeted return for the Solander Units is up to 12.0% per annum, which is based on the preferential rate of return on the class A preference shares issued by the Solander SPV less the Asset Identification and Negotiation Fee, Management Fee and administrative fees and costs we are entitled to be reimbursed for in operating the Trust.</p> <p>The Responsible Entity does not, and its related parties, associates, officers and employees do not, guarantee Unitholders will receive any, or a particular rate of, return on their investment.</p> <p>Interim distributions are intended to be paid in June 2017, June 2018 and June 2019 and a final distribution to be paid at the end of the completion and sale of the Property Development from the redemption proceeds of the class A preference shares paid to the Trust by the Solander SPV.</p> <p>The interim distributions are intended to be paid by the Trust retaining an amount from the subscription price for the A Class Preference Shares which will be applied progressively to make the interim distributions. Interim distributions will be made by electronic funds transfer to the Unitholder's nominated Australian bank account.</p> <p>The final distributions for the financial years FY 19/20 (and FY 20/21 if the term is extended for an additional 12 months) will be totally dependent on Solander SPV complying in full and on time with its obligations under the terms of the A Class Preference Shares.</p> <p>A forecast Application, Sources, Income and Distribution Statement is set out on page 10 of this SPDS which has been prepared on the basis that capital of \$4.0m is raised by the issue of Solander Units. The forecast Application, Sources, Income and Distribution Statement is provided for illustrative purposes only and is not represented as being necessarily indicative of the Trust's future position or outcomes.</p> <p>Following the redemption of the class A preference shares by the Solander SPV the Trust will redeem Your Units by electronic funds transfer to the Unitholder's nominated Australian bank account.</p> <p>Income distributions will only be made from realised income. Distributions will not be made from borrowings or unrealised gains.</p>





## DETAILS OF SOLANDER SPV (SPV DEVELOPER)

Solander SPV is a special purpose vehicle incorporated for the sole purpose of acquiring the Property and carrying out the Property Development.

Solander SPV was incorporated in Queensland on 10 December 2014 as a public company under the name Kinross Road Syndicate Limited. On 14 August 2015 its name was changed to Solander Syndicate Limited.

The Solander SPV currently has three directors serving on its board. Scott Watson, Graeme MacLaren and Jason Matigian. Details of each of these directors are set out in section 2 of the PDS

The Solander SPV, pursuant to a management agreement, will draw on the resources of Custodian Land Syndicate Limited ACN 127 663 414 (**'Custodian Land'**) for project management functions and administrative and company secretarial functions.

## DETAILS OF SOLANDER CORPORATE AND PROJECT MANAGEMENT

Custodian Land provides management and administrative services to the Solander SPV and is also the project manager of the Property Development for the Solander SPV.

Custodian Land will earn management fees as set out below.

### Project Management Fees

The Solander SPV has agreed to pay Custodian Land a project management services fee in consideration for Custodian Land endeavoring to do all things it may deem necessary, prudent and desirable for carrying out the efficient, businesslike and proper management of the Property Development.

The project management fee:

- a. comprises an amount equal to 2.0% plus GST of the gross sales price received by the Solander SPV from any sale and/or similar transaction relating to the Property; and
- a. is payable on the date of settlement of the sale by the Solander SPV of any allotment developed or created from the Property.

### Company and Asset Management Services Fee

The Solander SPV has agreed to pay Custodian Land a company and asset management services fee in consideration for Custodian Land endeavoring to do all things it may deem necessary, prudent and desirable for carrying out the efficient and proper management of the Solander SPV, the Property and the Property Development.

The company and asset management fee:

- a. comprises an amount equal to 3% plus GST of the gross sales price received by the Solander SPV for any sale and/or similar transaction in respect of the Property; and
- b. is payable by the Solander SPV as lot sales are finalised.

### Company Secretarial Services Fee

The Solander SPV has agreed to pay Custodian Land a company secretarial services fee in consideration for Custodian Land endeavoring to do all things it may deem necessary, prudent and desirable for carrying out the efficient administration of the Solander SPVs secretarial affairs.

The company secretarial services fee:

- a. is \$60,000 plus GST per annum (on a pro-rata basis); and
- a. is payable monthly on a pro-rata basis in arrears.

The Solander SPV must reimburse Custodian Land for any:

- a. disbursements paid or incurred by Custodian Land in the course of performing its duties under the management agreement; and
- b. disbursements or payments made by Custodian Land on behalf of the Solander SPV in respect of the acquisition of the Property, the capital raising and administration of the Solander SPV not otherwise covered by the management agreement.

Custodian Land acts as the manager of a number of syndicated residential property development companies.

Custodian Land draws from extensive experience as the manager of syndicated residential property development companies. The board of directors have backgrounds in banking, funds management and property development, and use this experience to assess opportunities based on location, population growth and demographics, infrastructure suitability, and community development plans.

While Custodian Land has undertaken projects in the past, past performance is not an indication of future performance on similar projects.

## DETAILS OF SOLANDER PROPERTY DEVELOPMENT

### Overview

The Solander SPV has contracted to purchase 11.431 hectares of land in Park Ridge, situated approximately 26 kilometres south of the Brisbane CBD ('Property').

It is intended that the Property be developed into 179 residential allotments, supporting roads and other services generally in accordance with the Concept Plan in this SPDS.

### The Locality

Located 26 kilometres south of the Brisbane CBD, the Property Development is intended to provide a range of new housing opportunities.

The surrounding area is characterised by rural residential, bushland, Claremont Resort over 50's facility to the east and a number of new estates currently under construction.

The Property has direct access to the Mount Lindsay Highway

The Loganlea railway station is located within 8 kilometres to the north east and there are council bus services which operate within 4 kilometres to the north at Crestmead.

### The Property

The Property comprises three separate allotments situated at 409, 415 and 429 Park Ridge Road, Park Ridge and is more particularly described as lots 1 and 2 on RP835896 and lot 1 on RP157662 having certificate of title reference numbers 18236212, 18236211 and 15731049.

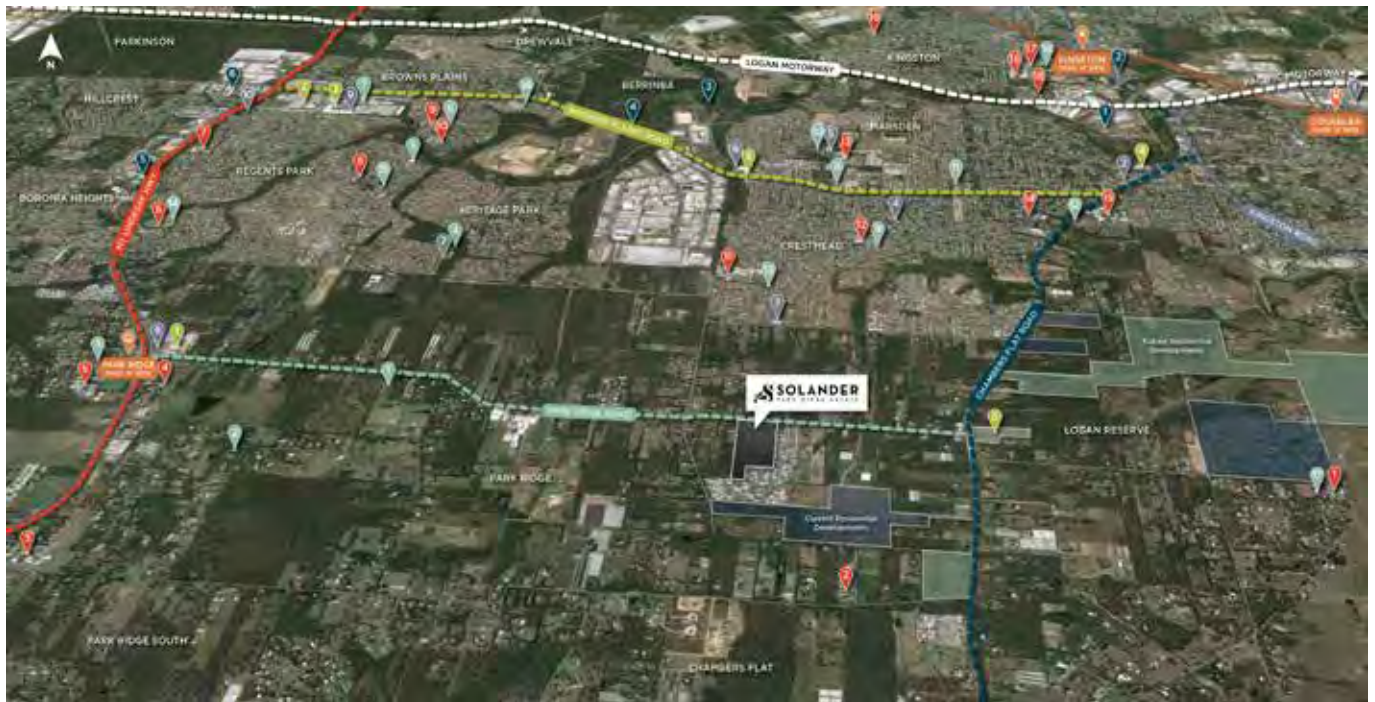
### Market Demographics

The Park Ridge Master Plan Area was adopted by Logan City Council in 2011 and sets out a clear plan for an integrated, well planned urban community and employment area with extensive environment, parks and waterway networks.

This structure plan will form the basis for new communities which will bring quality dwellings along with new infrastructure and amenity. The Property forms part of this precinct structure plan.

Almost \$400 million of new infrastructure is currently under construction, planned or recently completed within the area and the Park Ridge catchment is forecast to grow by around 25,000 residents over the next 20 years, and see jobs growth of around 8,000 to 13,000.

The Property has been identified to capitalize on these existing and future opportunities.



### Infrastructure

A total of \$394.3 million of major infrastructure projects are under construction, planned or recently completed across the Logan Local Government Area. The largest project in the planning is the \$200 million Logal Central Master Plan which will be a purpose built precinct comprising commercial buildings, schools, retail, health and social services, along with retirement, aged care and residential buildings of five to eight storeys around a central town square. The recently completed expansion and refurbishment to the Logan Hospital have taken it from a 48 bed hospital in 1990 to a 316 bed hospital catering for the growing resident population and making it a significant employer in the area.

In addition to this, infrastructure contributions associated with residential uses in the Park Ridge Master Plan could attract around \$280 million which will be used to further enhance amenity and infrastructure in the area.



### Purchase of the Property

The contract to purchase 409 Park Ridge Road, Park Ridge between the Solander SPV and the registered owners was entered into on 2 February 2016.

The key commercial terms of the 409 Park Ridge Road, Park Ridge contract are as follows:

- the contract for sale is due to settle on 28 February 2017;
- the price payable by the Solander SPV under the 409 Park Ridge Road, Park Ridge contract is \$2,250,000.00;
- a non-refundable deposit of \$225,000.00 was paid and released to the registered owners.

The contract to purchase 415 Park Ridge Road, Park Ridge between the Solander SPV and the registered owners was entered into on 27 October 2015.

The key commercial terms of the 415 Park Ridge Road, Park Ridge contract are as follows:

- the contract for sale is due to settle on 28 February 2017;
- the price payable by the Solander SPV under the 415 Park Ridge Road, Park Ridge contract is \$2,900,000.00;
- a non-refundable deposit of \$145,000.00 was paid and released to the registered owners.

The contract to purchase 429 Park Ridge Road, Park Ridge between the Solander SPV and the registered owners was entered into on 27 October 2015.

The key commercial terms of the 429 Park Ridge Road, Park Ridge contract are as follows:

- the contract for sale is due to settle on 28 February 2017;
- the price payable by the Solander SPV under the 429 Park Ridge Road, Park Ridge contract is \$2,200,000.00;
- a non-refundable deposit of \$110,000.00 was paid and released to the registered owners.

The deposits paid pursuant to the terms of the contracts of sale were paid by Custodian Land on behalf of the Solander SPV and are intended to be repaid to Custodian Land from the funds raised under this offer of the Solander Units.

### The Development Concept

The Concept Plan set out on this page illustrates the proposed development concept.

It is proposed that the Property be developed into 179 residential allotments, supporting roads and other services.

The allotments proposed to be developed range from 300m<sup>2</sup> to 600 plus m<sup>2</sup> and are intended to be developed in three stages. The Property Development involves the development of the Property as residential allotments for on-sale as sites for residential housing.

A pre-lodgement meeting was held with the Logan City Council on 21 January 2016 and the development application was lodged on 9 September 2016.

### Marketing and Distribution

The anticipated pricing for the allotments intended to be developed in the Property Development ranges from \$159,000 (inc. GST) to \$235,000 (inc. GST) at an average price of \$198,296.

The marketing strategy for the residential allotments is intended to include a mix of direct selling to individual buyers and also selling to the local home builders, who on sell the allotments to their clients.

An 'on site' sales presence will be established together with the Solander SPV directly marketing allotments through a project web site, real estate marketing sites and other media campaigns.

It is anticipated that marketing of the allotments will commence prior to settlement of the purchase of the Property and will continue during construction with allotments to be pre-sold subject to titles being created.

While the Solander SPV anticipates that the above marketing and distribution strategy is appropriate the directors of the Responsible Entity or the Solander SPV are not able to forecast land sales prices or rates.

Sales rates and selling prices can be influenced by a number of factors which are outside the control of either the Responsible Entity or the Solander SPV including property market conditions, supply and demand, interest rates and buyer sentiment.

### Concept Plan



### Indicative Property Development Timing

Based on the likely time frames for development and engineering plan approvals, it is currently anticipated that the construction works for the first stage of the Property Development could commence during the first half of calendar year 2017 and the Property Development could be completed by June 2019.

Marketing is anticipated to commence prior to the construction of each stage with allotments to be pre-sold subject to titles being created.

Provided that the key assumptions anticipated by the Solander SPV hold true then the anticipated timing for the carrying out of the Property Development is expected to be as follows:

Settlement of Property	February 2017
Stage 1 -Subdivision Works	July 2017 – December 2017
Stage 1 - Registration of Allotments	December 2017
Settlement of Stage 1 Allotments	March 2018 – May 2018
Stage 2 -Subdivision Works	January 2018 – June 2018
Stage 2 - Registration of Allotments	June 2018
Settlement of Stage 2 Allotments	September 2018 – November 2018
Stage 3 -Subdivision Works	July 2018 – January 2019
Stage 3 - Registration of Allotments	January 2019
Settlement of Stage 3 Allotments	April 2019 – June 2019

\* Dates indicative only and subject to change.

Whilst the above timing is how the Solander SPV anticipates the Property Development could progress, there is no guarantee that the assumptions above will be met. The directors of the Solander SPV are not able to forecast land sales rates or other delays which may be experienced with the timing of the Property Development.

Accordingly, the financial performance or returns which may be generated by the Solander SPV is not guaranteed and an investment in the class A preference shares in the Solander SPV is considered a speculative investment

### Property Development Finance

The Trust will contribute up to \$4.0m of capital to the Property Development by taking up class A preference shares in the Solander SPV.

The Solander SPV will apply the funds received from the Trust to refunding to Custodian Land the deposits paid to the registered owners of the Property, the costs associated with payment of stamp duty on the purchase contracts, the costs associated with carrying out due diligence, the costs associated with obtaining the development approvals and for working capital associated with the Property Development

In addition to the amount raised through the Trust, it is anticipated that approximately a total of \$9.5m in third party equity will need to be contributed together with approximately \$17.0m of debt finance to complete the Property Development.

As at the date of this SPDS, the Solander SPV has received an expression of interest from a major lending institution advising how debt finance can be secured and may be applied towards the funding of part of the purchase price to be paid for the Property and the development costs for the Property Development on a staged basis.

Based on the expression of interest, the Solander SPV considers that debt finance can be obtained to fund 40% of the purchase price to be paid for the Property and the development costs on a staged basis to an amount equal to 60% of the total budgeted development costs.

The expression of interest is subject to a number of terms and conditions. Whilst the Solander SPV expects to satisfy the terms and conditions applying to the expression of interest, there is no guarantee that such conditions will be met

### **PLANNED FURTHER CAPITAL RAISING BY SOLANDER SPV**

In the immediate future, the Solander SPV will need to raise further funds to complete the contracts for the purchase of the Property.

Specifically, the Solander SPV will require funds of at least \$7.35m to fund the purchase price to be paid for the Property from the registered owners on 28 February 2017.

The Solander SPV intends to raise a minimum of \$9.5m in third party equity, inclusive of the capital intended to be contributed by the Trust, through the issue of further preference shares and to secure debt finance to complete the purchase of the Property.

**The abovementioned information is important. This offer of Solander Units should be considered a highly speculative investment opportunity. Completion of the purchase of the Property from the registered owners (and the development of the Property Development) is dependent on both the securing of debt finance and the raising of at least \$9.5m in third party equity to fund payment of the purchase price for the Property.**

**If the further capital raising is not successful, the Solander SPV may be unable to redeem the class A preference shares issued to the Trust in turn meaning the Solander Units may have minimal or little value.**

### **SUBSCRIPTION AGREEMENT**

The Trust's investment in the Solander SPV is by way of a subscription agreement. Upon entering into the subscription agreement the Trust will be issued with class A preference shares in the Solander SPV.

The subscription agreement sets out the terms on which the Trust subscribes for and is issued the class A preference shares and the rights and obligations of the parties to that agreement.

The subscription agreement also includes key matters such as the conditions precedent (and subsequent) to the Trust subscribing for the class A preference shares, the Trust's step in rights, undertakings by the Solander SPV to the Trust, representations and warranties by the Solander SPV and the terms of the class A preference shares (including the return entitlements attached to the class A preference shares, the waterfall of payments relating to distribution of Property Development proceeds and other rights attaching to the class A preference shares.)

Key conditions precedent required before the Trust will subscribe for the class A preference shares in the Solander SPV under the subscription agreement, include:

- approval by the board of the Responsible Entity to entry into and completion of the subscription agreement;
- the grant of and entry into a general security over the Solander SPV in favour of the Trust which ranks behind the secured senior lender providing the construction debt facility for the Property Development;
- receipt of an expression of interest from a secured funder to provide property finance and a construction debt facility outlining the terms and basis on which development finance may be provided to the Property Development on terms satisfactory to the Responsible Entity;



- Confirmation as to the status of the development approvals required to be able to carry out the Property Development to the satisfaction of the Responsible Entity; and
- Receipt of an independent valuation confirming the value of the Property.

Should the Solander SPV default under the subscription agreement (or the management agreement with Custodian Land) and not remedy the default, the Trust may exercise step in rights.

The Solander SPV must not, without the Trust's prior written consent:

- create any liability by way of further financial indebtedness in relation to the Property Development (except in relation to the secured senior debt and the third party equity that ranks equally with the class A preference shares to dividends and/or on winding up);
- create any mortgage, charge or other security interest affecting or relating to the Property Development (other than in relation to the construction debt facility for the Property Development);
- issue or redeem new shares or other securities in the Solander SPV other than in relation to raising the third party equity that ranks equally with the class A preference shares to dividends and/or on winding up; or
- amend the management agreement with Custodian Land in a manner which materially impacts the Trust.

Under the subscription agreement, the application by the Solander SPV of surplus cashflow of the Solander SPV is to be made in the following order:

**firstly**, to repay the secured funder and interest; then

**secondly**, to pay all taxes and other statutory imposts; then

**thirdly**, to pay all other outstanding costs, expenses and liabilities incurred in the operations of the Solander SPV; then

**fourthly**, to pay any fees to Custodian Land for services provided to the Solander SPV in accordance with the terms of the management agreement; then

**fifthly**, to redeem class A preference shares, *pari passu* amongst the holders of any other preference shares in the Solander SPV; then

**sixthly**, to pay the preferred dividend payable on the class A preference shares, *pari passu* as between the preferred dividends payable to the holders of all preference shares in the Solander SPV; then

**seventhly**, balance of Property Development profits to the Solander SPV.



## ABOUT THE CLASS A PREFERENCE SHARES IN THE SOLANDER SPV

The class A preference shares are to be issued on the following basis:

<b>Issue Price</b>	\$1.00 per class A preference share.
<b>Type of Shares</b>	A class of redeemable preference shares in the Solander SPV.
<b>Return Payable</b>	A return of 15.2% per annum on the Trust's investment, payable on redemption of the class A preference shares.
<b>Voting Rights</b>	There will be no entitlement to receive notice of, to attend or to vote at, any general meetings of the Solander SPV or to vote on any written resolution of members of the Solander SPV.
<b>Property Development Cashflow Waterfall</b>	Class A preference shares are subject to the Property Development cashflow waterfall set out on page 9 of this SPDS.
<b>Redemption Date</b>	Each class A preference share is redeemable on the date which is 36 months after the issue of the class A preference share or earlier at the election of the Solander SPV (provided that such redemption will not occur until at least 12 months after the class A preference share is issued). The Responsible entity may agree with the Solander SPV to agree to extend the redemption date by up to 12 months.
<b>Redemption Price</b>	\$1.00 per class A preference share

## FORECAST APPLICATION, SOURCES, INCOME AND DISTRIBUTION STATEMENT

The forecast application, sources, income and distribution statement assumes that capital of \$4.0m is raised by the issue of Solander Units.

Set out below are the forecast application and sources of Trust funds together with the income and distribution statements of the Fund for the periods ending 30 June 2017, 30 June 2018, 30 June 2019 and February 2020:

	Jun-17	Jun-18	Jun-19	Feb-20	
Income/Capital					
Class A Preference Shares	\$4,000,000.00				
Fixed Return - 15.2% pa	\$248,197.26	\$608,000.00	\$608,000.00	\$358,136.99	
<b>Sub-total</b>	<b>\$4,248,197.26</b>	<b>\$608,000.00</b>	<b>\$608,000.00</b>	<b>\$358,136.99</b>	
Distributions and Expenses	\$160,000.00				\$160,000.00
Asset Identification & Negotiation Fee - 4%					
Management Fee of units on issue - 1%	\$16,666.67	\$40,000.00	\$40,000.00	\$23,333.33	\$120,000.00
Annual Fund Expenses - \$30,000 pa	\$12,500.00	\$30,000.00	\$30,000.00	\$17,500.00	\$90,000.00
<b>Sub-total</b>	<b>\$189,166.67</b>	<b>\$70,000.00</b>	<b>\$70,000.00</b>	<b>\$40,833.33</b>	<b>\$370,000.00</b>
Unitholder Distributions	\$17,709.18	\$161,400.00	\$161,400.00	\$5,111,825.07	<b>\$5,452,334.25</b>
Per Unit Distribution	\$0.004*	\$0.04*	\$0.04*	\$1.28	<b>\$1.36</b>

\*These interim distributions will be funded by the Trust retaining an amount from the subscription price for the A Class Preference Shares. Whilst the Trust will be entitled to the full 15.2% per annum on the amount raised, the funds retained by the Trust will be sufficient to pay for the fees and expenses of the Trust and the interim distributions for the financial years FY17, FY18 and FY19. The final distributions for the financial years FY19/20 and FY20/21 will be totally dependent on the Solander SPV complying in full and on time with its obligations under the terms of the A Class Preference Shares.

The forecast application, sources, income and distribution statement is provided for illustrative purposes only and is not represented as being necessarily indicative of the Trust's future financial position or outcomes



## SPECIFIC RISKS

All investments involve some risk, as investments can decline as well as increase in value. Details of the risks relating to an investment in the Trust are set out in the PDS dated 29 November 2016.

An investment in the offer of Solander Units also involves specific risks relating to the Property Development to be carried out by the Solander SPV which is the purchase and development of the Property. These risks are common when undertaking property development. By undertaking a process of due diligence, key Property Development risks are where possible identified and management strategies put in place. This reduces the risk that the Property Development will not perform as anticipated but does not eliminate all risk. Some of the key risks (and potential mitigating factors) are summarised below.

Before deciding whether to subscribe for Units, you should carefully consider the principal risks to which you are exposed and whether the purchase of Units is a suitable investment for you.

If you are in doubt as to whether you should apply for Units, you should first seek advice on the matters contained in this SPDS from a professional adviser.

RISK	RISK MANAGEMENT
<b>Planning Risks</b> There are risks associated with planning for the Property Development, particularly in relation to obtaining and satisfying conditions relating to a development approval.	<ul style="list-style-type: none"> <li>Professional town planning consultants have been engaged by the Solander SPV to advise in relation to the planning for the Property Development.</li> <li>The professional town planning consultants engaged by the Solander SPV have advised that a pre-lodgement meeting was held with the Logan City Council and the feedback was that the proposal is supported in principle.</li> <li>The professional town planning consultants engaged by the Solander SPV have advised that a development application was lodged on 9 September 2016.</li> </ul>
<b>Development Approval Risk</b> There are risks associated with property development projects including in relation to obtaining a development approval and any resulting conditions	<ul style="list-style-type: none"> <li>Professional town planning consultants have been engaged by the Solander SPV to advise in relation to the planning for the Property Development.</li> <li>The professional town planning consultants engaged by the Solander SPV have advised that a request for information has been received from the Logan City Council and a response to that information request has been provided.</li> <li>The professional town planning consultants engaged by the Solander SPV have advised that public notification in relation to the development application commenced on 28 October 2016 and will end on 8 December 2016.</li> </ul>
<b>Market Risk</b> The Property Development is exposed to changes in the supply and demand for residential dwellings and the values of residential dwellings.	<ul style="list-style-type: none"> <li>A marketing strategy has been developed for the marketing and sale of the allotments intended to be developed in the Property Development.</li> <li>It is anticipated that marketing of the allotments will commence prior to settlement of the purchase of the Property and will continue during construction with allotments to be pre-sold subject to titles being created.</li> </ul>
<b>Settlement Risk</b> Once allotments are sold there is a risk that buyers do not settle on their purchase. There are risks associated with the validity and enforceability of the sales contracts and satisfying foreign investment laws and regulations.	<ul style="list-style-type: none"> <li>The marketing strategy for the residential allotments is intended to include a mix of direct selling to individual buyers and also selling to the local home builders, who then sell the allotments to their clients.</li> <li>A law firm will be engaged to review and advise on the sale contracts and conveyancing process.</li> </ul>
<b>Construction Costs Risk</b> Budgeted construction costs may be materially different to actual costs incurred by the Property Development.  Cost overruns or changes to anticipated costs may result in additional equity or debt funds being required, which may dilute or extinguish returns to Unitholders.	<ul style="list-style-type: none"> <li>Professional engineering consultants have provided the Solander SPV with an opinion on costs for the Property Development.</li> <li>It is anticipated that the civil contractor will enter into a fixed-time, fixed price construction contract with the Solander SPV to reduce the risk to the Property Development.</li> </ul>
<b>Additional Funding Risk</b> Should the development costs increase, further debt and/or equity may be required to complete the Property Development.	<ul style="list-style-type: none"> <li>Professional engineering consultants have provided the Solander SPV with an opinion on costs for the Property Development.</li> </ul>
<b>Construction Delay Risk</b> If construction is delayed, then this may lead to increased interest costs, reduced returns to Unitholders and a delay in those returns	<ul style="list-style-type: none"> <li>It is anticipated that the Solander SPV will seek to avoid delay risks in its construction contract with the civil contractor by entering into a contract which is fixed-time and fixed-price.</li> </ul>

<b>Property Development Debt Financing Risk</b> There are risks with raising the use of debt finance to fund part of the costs of delivering the Property Development. The use of debt funding can increase investment losses.  The Solander SPV has not yet secured debt funding for the Property Development.	<ul style="list-style-type: none"> <li>• A condition precedent to the Trust subscribing for the class A preference shares in the Solander SPV are that the Responsible Entity be satisfied with the basis on which development finance may be secured for the Property Development.</li> </ul>
<b>Interest Rate Risk</b> There are risks associated with increases in interest rates impacting the cost of anticipated borrowings over the term of the Property Development.	<ul style="list-style-type: none"> <li>• A condition precedent to the Trust subscribing for the class A preference shares in the Solander SPV are that the Responsible Entity be satisfied with the basis on which development finance may be secured for the Property Development.</li> </ul>
<b>Counterparty Risk</b> There are risks associated with counterparties fulfilling their obligations including the potential for disputes between the Solander SPV and the manager.	<ul style="list-style-type: none"> <li>• The principals of Custodian Land are experienced in managing the delivery of developments such as the Property Development and operating the Solander SPV.</li> <li>• The Responsible Entity will closely monitor the progress of the Property Development.</li> </ul>
<b>Conflict of Interest Risk</b> A number of related parties are providing services to the Property Development and receiving fees creating a potential for conflicts of interest.	<ul style="list-style-type: none"> <li>• Responsible Entity has a conflict of interest policy for dealing with conflicts of interest.</li> <li>• Should an event of default arise under the subscription agreement and the Solander SPV does not remedy that default then the Responsible Entity will take action to recover the money owed.</li> <li>• Both the Responsible Entity and its directors have a statutory duty to place the interests of Unitholders above their own interests where there is a conflict.</li> <li>• The Responsible Entity will keep both the Unitholders and the independent compliance committee informed of the actions being taken.</li> </ul>
<b>Rectification Risk</b> Upon the completion of the Property Development, there are risks associated with defects in the residential allotments requiring rectification which may prove costly.	<ul style="list-style-type: none"> <li>• Under the intended form of civil construction contract, the obligations of rectification works will rest with the contractor.</li> <li>• The Solander SPV is intended to have recourse to the contractors bank guarantees to use towards rectification costs should the contractor not meet its obligations.</li> </ul>
<b>Documentation Risk</b> The interlocking arrangements involved in the Property Development and arrangements between the Trust and the Solander SPV are governed by a set of legal documents and contracts which include the Subscription Agreement and Corporate Project and Asset Management Agreement. The risk of dispute over the interpretation or enforceability of the documentation may have a materially negative impact on the Property Development and distributions under the Solander Units..	<ul style="list-style-type: none"> <li>• The Responsible Entity has engaged professional advisers including in the fields of law to assist in interpreting the agreements.</li> </ul>

## TOWN PLANNING ASSESSMENT

Professional town planning consultants have been engaged by the Solander SPV as the consulting town planners for the Property Development.

The directors of the Responsible Entity note:

- a development application for the proposed development was lodged with the Logan City Council on 9 September 2016;
- the directors consider the proposed development of the Property is consistent with the town planning scheme and that feedback from the council officers is that the proposal is supported in principle; and
- based on the statutory time frames for the Logan City Council to assess the development application that a decision to the application for development approval by the Solander SPV can be expected by 24 February 2017.



## ENGINEERING ASSESSMENT

Professional engineering consultants have been engaged by the Solander SPV to advise on the civil engineering, budgeted development costs, civil design and the servicing and development requirements for the Property.

## RELATED PARTY ARRANGEMENTS

Custodian Land and the Solander SPV are each related parties of the Responsible Entity as they share common directors with the Responsible Entity.

A common risk of related party transactions is that in the event of default, the Responsible Entity (or the Solander SPV) may not enforce its rights against a related party. See sections 3, 8.19 and 8.20 of the PDS for information about our Conflicts Policy that governs the related party transactions we may enter.

Should an event of default arise under the subscription agreement and the Solander SPV does not remedy that default the Responsible Entity will take action to recover the money owed. Both the Responsible Entity and its directors have a statutory duty to place the interests of Unitholders above their own interests where there is a conflict. The Responsible Entity will keep both the Unitholders and the independent compliance committee informed of the actions being taken.

The Responsible Entity has not sought member approval to transact with the Solander SPV. The terms of the subscription agreement intended to be entered between the Trust and the Solander SPV has been benchmarked to market and are believed to be in line with industry practice. On this basis, the Responsible Entity is of the opinion that the terms of the subscription agreement are on terms no less favourable than they would have been had the terms been negotiated between non-related entities dealing at arms length.

## CONSENTS

The following parties have given and not withdrawn their consent to be named in this SPDS in the form and context in which they are named:

- a. Solander Syndicate Limited ACN 603 309 995; and
- b. Custodian Land Syndicate Limited ACN 127 663 414.

# Taxation

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The class A preference shares being issued by Solander SPV to the Trust will qualify as debt instruments with the following taxation implications for Unitholders in the Trust:

- a. returns on the preference shares will be in the nature of interest and the Directors recommend to Unitholders that their taxation return should disclose the returns at the 'interest' label on the tax return;
- b. the interest will be included in the relevant Unitholder's assessable income;
- c. Unitholders who are classified as residents for tax purposes will be taxed on this interest income at their relevant marginal tax rate;

- d. returns paid to non-residents will be subject to interest withholding tax at 10%, or the amount specified in the double tax-agreement between Australia and the country of residence of the Unitholder – this is a final tax; and
- e. where the beneficiary of a trust is a non-resident for tax purposes, the trustee is liable for the withholding tax on the distribution.

The Responsible Entity will provide Unitholders with a tax statement after the end of each financial year.

# Directors' Valuation and Property Assessment

<b>Property Address</b>	409 - 429 Park Ridge Road, Park Ridge Queensland 4125
<b>'As is' or market valuation</b>	\$8.25 million
<b>Market - Site</b>	<b>Overall Risk – Medium High</b>
	<p><b>Sentiment</b></p> <ul style="list-style-type: none"> <li>Buyer demand and sale activity for development sites in the subject locality has increased since mid-2014, with strong upward price movement demonstrated and a number of private and public developers (small to large) currently in an acquisition phase.</li> <li>The market for medium to large subdivision sites is considered to be at, or nearing, its peak. Subdivision sites are considered medium to high risk in the current market and, given upward price movement over the past few years, are more susceptible to market fluctuations than other forms of real estate. Medium sized development sites, such as the subject, have downside (price) risk in the current market.</li> <li>The residential market throughout the growth corridors of South East Queensland is in part driven by interstate and foreign investment as opposed to purely local market fundamentals. As a consequence, the market is susceptible to changes in government policy and/or fluctuations in the domestic economies of the countries of origin of foreign investment, as well as to traditional local market factors. Should the now of interstate and foreign investment into South East Queensland slow or cease, then it is likely that the development site market would be adversely affected, as would the market for completed product.</li> </ul> <p><b>Liquidity – related to property disposal</b></p> <ul style="list-style-type: none"> <li>Estimated selling period of up to 6 months in the currently buoyant market, assuming a professional marketing campaign.</li> <li>Should there be a weakening of the economy and/or credit rationing causing a market downturn, it is expected that sale rates would reduce as would gross realisation values. Consequently, this would negatively impact demand for, and values of englobo land, particularly larger assets such as the subject.</li> <li>The market value assessment reflects current market conditions and market sentiment. Given the market is considered to be at, or near, the top of the cycle, and the strong demand for development sites in the surrounding area the Directors consider there would be moderate demand for this property.</li> <li>The Directors consider this property asset in this location to be medium to high risk. There is no holding income generated from the property and therefore debt servicing would be a function of independent sources and the sell down of the completed lots.</li> </ul>
	<p><b>Buyer Profile</b></p> <ul style="list-style-type: none"> <li>The likely buyer profile for the subject is anticipated to be medium scale developers with the capability to develop a multi-stage proposal such as that of the subject.</li> <li>The main competing estates (Allerton Park and The Rise) have demonstrated reasonably strong end product demand for the past 12 months and there have been a number of transactions of similar scale subdivision sites, that have occurred over the past 12 months within the surrounding region, which indicates reasonable demand/activity and a degree of confidence in the land subdivision market at present.</li> </ul>
	<p><b>Other</b></p> <p>Local agents within Park Ridge and the surrounding area are reporting improved market conditions and interest for development sites at present. This improvement is considered to be generally reflective of increased confidence in broader residential market conditions, with interest being generated from both local and interstate developers.</p>

Market - Product	Overall Risk – Medium High
	<b>Demand</b> <ul style="list-style-type: none"> <li>Local agents within the area have reported good demand for vacant residential lots since early 2014, which has been improving throughout 2015 and into 2016. Agents are reporting that there is currently a good mixture of purchasers including interstate/overseas investors, and local buyers including a mix of first home buyers and investors, with some lots being purchased by local builders catering for house and land packages. Furthermore, agents are reporting that there has been a steady increase in selling prices for vacant residential land over the past 12 months.</li> <li>Current buoyant demand for residential lots within greater Brisbane's southern corridor as a result of historically low interest rates and heightened buyer sentiment.</li> <li>Government grant or \$15,000 for newly constructed dwellings, providing incentive for first home buyers.</li> </ul>
	<b>Supply</b> <ul style="list-style-type: none"> <li>Demand for large developable sites has significantly increased, and as a result we are now witnessing a large supply of residential lots to the market.</li> <li>Within Park Ridge and the surrounding suburbs of Logan Reserve and Crestmead, there is a significant number of residential subdivision projects either within the planning phase, under construction or recently completed.</li> </ul>
	<b>Pre-sales</b> <ul style="list-style-type: none"> <li>The Directors have been advised by the developer that formal marketing has not yet commenced and therefore no presales have been obtained.</li> <li>A number of projects recently released to the market have achieved a relatively high proportion of pre-sales, although there are a number of new projects in the application/approval phase which will add to supply.</li> </ul>
	<b>Buyer Profile</b> Likely buyer profile for the proposed lots comprises a mixture of investors, owner occupiers and local builders catering for house and land packages.
Asset	Overall Risk – Medium High
	<b>Profile</b> <ul style="list-style-type: none"> <li>Well located site in relatively close proximity to shopping facilities and schools.</li> <li>Comprises an 11.431 hectare near regular shaped development site, currently improved with a number of lowset older style residential dwellings, ancillary buildings and sheds. All urban services are currently available for connection.</li> </ul>
	<b>Environmental</b> <ul style="list-style-type: none"> <li>Asbestos containing materials were identified in the improvements.</li> </ul>
	<b>Other</b> <ul style="list-style-type: none"> <li>The Directors consider the highest and best use of the site to be for a residential subdivision, generally in accordance with the proposed plans.</li> <li>The property is situated in a designated growth area of South East Queensland.</li> </ul>
Management	Overall Risk – Medium High
	<b>Profile</b> A medium sized development site with a proposed 179 lot residential subdivision development. Considered to require minimal ongoing management in its current state, however professional project management will be required to bring the development to fruition.
Other considerations	Overall Risk – Medium High
	<b>Other</b> <ul style="list-style-type: none"> <li>The current uplift in the residential market is not being driven by broad based economic growth (particularly employment growth) and was largely initiated by the low interest rate environment as well as foreign investment in residential property in Australia that has become somewhat self-perpetuating with some hope that the resultant construction phase will provide future benefits to the economy. Cycles of this nature, if not followed by more broadly based economic growth, provide an uncertain outlook.</li> <li>Should the flow of foreign investment into Australia slow or cease, then it is likely that the development site market would be adversely affected as would the market for completed product.</li> <li>A reversion of interest rates toward longer term averages would likely have an adverse effect on the market for completed product as well as the development site market.</li> </ul>



# Application Form

Custodian Equity and Income Funds Limited ACN 112 753 876, AFSL 291390

CFMG Land and Opportunity Fund ARSN 602 610 006 – Solander Units



Please see next page for instructions on how to complete this application form

- ☐ Read the Product Disclosure Statement and the Supplementary Product Disclosure Statement before investing – it contains important investment information.
- ☐ Each unit will be issued at \$1.00.
- ☐ No units will be issued on receipt of an Application Form which was not attached to or accompanied by the Product Disclosure Statement and Supplementary Product Disclosure Statement or generated by software accessible by the same means as the Product Disclosure Statement and Supplementary Product Disclosure Statement.
- ☐ You agree to us using your personal information in the way the Product Disclosure Statement describes.

Units Applied for:  Price per unit:  A\$1.00 Application money:

1. Unitholder 1 - Mr/Mrs/Ms/Miss Given Names Surname Date of Birth

Unitholder 2 - Mr/Mrs/Ms/Miss Given Names Surname Date of Birth

Trust/Trust/Superannuation or other incorporated bodies Trust Details

Controllers of company Unitholder

2. Residential Address/Registered Office Address

Suburb/City State Postcode Country (for company, insert country of incorporation)

Postal address (if different) - Unit/PO Box/House Number/Street Name

Telephone during business hours Telephone after business hours Email address

3. Tax File/Australian Business Number(s)  
Applicant 1: TFN or ABN or Exemption Applicant 2: TFN or ABN or Exemption

4. All Distributions to be paid to the following Account::  
Account Name  Account Number   
BSB Number  Institution  Branch



5. Declaration

I/We agree to be bound by the terms of the Product Disclosure Statement and the Constitution of the Trust as amended from time to time. I/We warrant that I/we have received in Australia and read a copy of the Product Disclosure Statement accompanied by or attached to this Application Form.

Until notice is received by any one of the Applicants, the investment can be operated by any one of the signatories below. Delete if not applicable.

**Is the individual a US citizen or resident of the US for tax purposes?**

Yes ☐ If yes, provide the individual's US Taxpayer Identification Number (TIN):

No ☐

6. Applicant signature(s)

Director/as trustee for (If applicable)

Please print full name here

Date

Director/as trustee for (If applicable)

Please print full name here

Date

FOR OFFICE USE: Applicant's identity verified as per requirements of the Anti Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (**AML/CTF Act**). The Responsible Entity reserves the right to withhold formal acceptance of an Application and to defer processing an Application unless and until sufficient identifying information for an Unitholder has been supplied to establish compliance with the AML/CTF Act and the Rules under the AML/CTF Act.

**Amount \$** \_\_\_\_\_ **Account No.** \_\_\_\_\_ **Units Issued:** \_\_\_\_\_

# *How to complete the application form*

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- ☐ complete in BLOCK LETTERS
- ☐ if you make a mistake, cross it out and initial it - do not use correction fluid
- ☐ attach your 'not negotiable' cheque payable to:  
The Trust Company (Australia) Limited ACF CFMG Land and Opportunity Fund – Solander Units
- ☐ send this form to:  
PO Box 663 FORTITUDE VALLEY QLD 4006
- ☐ EFT your application monies to:  
Account: The Trust Company (Australia) Limited ACF CFMG Land and Opportunity Fund – Solander Units  
Bank: ANZ  
BSB: 012-003  
Account No: 836965427

## THESE INSTRUCTIONS ARE CROSS REFERENCED TO EACH SECTION OF THE FORM

### 1. UNITHOLDER NAME

- |                            |  |
|----------------------------|--|
| Individuals                | Give full name – not initials  |
| Person under the age of 18 | Use name(s) of parent(s) or guardian(s) e.g. John Smith <Sam Smith A/C>                            |
| Companies                  | Use company title e.g. John Smith Pty Limited as well as inserting ACN                             |
| Trusts                     | Use the name of the Trustee and name of Trust e.g. John Smith Pty Limited <Smith Family Trust A/C> |
| Superannuation Trusts      | Use the name of the Trustee and name of Trust e.g. John Smith Pty Limited <Smith Super Trust A/C>  |

If the Unitholder is acting as a trustee, ensure the full name of the trust or fund is included in the Unitholder's description. If the trust or fund is not Australian based, identify the country in which the trust or fund was established in 'Trust Details'.

In 'Trust Details' or in an accompanying page, also insert any ABN allocated to the trust or fund and add identifying wording to identify:

1. the ARSN, if the trust or fund is ASIC registered; or
2. if the trust or fund is an ATO Self Managed Superannuation Trust, and if so, insert 'SMSF'; or
3. if the trust or fund is regulated by APRA, and if so, write 'APRA Regulated' and the APRA registration number; or
4. if none of these categories apply, insert 'Other' and applicable descriptions, such as 'Family Discretionary Trust', 'Unit Trust' or 'Other'.

For the box headed 'Controllers of company Unitholder', please supply full names of shareholders who hold more than 25% of the shares in the Company, together with their percentage holding. This information is only needed for Australian proprietary limited companies. Attach a separate page if insufficient space.

If the company Unitholder is a foreign company, but is a majority owned subsidiary of an Australian listed company, insert in the box headed: 'Controllers of company Unitholder' – words of or to the effect of 'Controlled by listed Australian company'.

If a foreign company is the Unitholder, but the company is not registered with ASIC, specify on the form or on an accompanying page if it is a public or private company, its country of origin, any identifying number similar to an ACN or ARBN and its principal business address in its country of origin. If the Applicant is a foreign private company, supply the full name of every director on an accompanying page.

If the Applicant is an association, the full names of members of its board or governing committee need to be included on an accompanying page.

If the Applicant is a registered cooperative, the full names of its chairman, secretary or equivalent officer needs to be supplied on an accompanying page.

If the Applicant is a government body, it needs to supply the name of legislation creating its establishment, identifying whether it is Commonwealth, State or foreign legislation that creates its establishment.



## **2. RESIDENTIAL AND POSTAL ADDRESS AND CONTACT DETAILS**

Enter your residential or registered office address details. Please complete the postal address if your mail is delivered to a different address. If you state your email address, all reports may be sent to you by that means.

## **3. TAX FILE NUMBER (TFN)/AUSTRALIAN BUSINESS NUMBER (ABN)**

You are not required to give us your TFN or ABN. However if you do not quote either, we are required to withhold tax (at the highest marginal rate plus Medicare Levy) from Distributions paid to you. Collection of TFN's is authorised and their use and disclosure are strictly regulated by the tax laws and Privacy Act. By quoting your TFN or ABN you authorise us to apply it to your investment and its disclosure to the Tax Office.

## **4. DISTRIBUTIONS**

Distributions are automatically reinvested. However, if you would prefer them to be paid to you, you must complete the appropriate details at this item.

## **5. DECLARATION**

Please read the Declaration, indicate whether you are a citizen of the United States of America and sign at item 6.

## **6. SIGNATURE**

The Application Form should be signed and dated by all Unitholders. Companies would be expected to sign by two directors or by one director and the company secretary. In the case of a sole director company, when signing, add wording: 'Signed as sole director and sole secretary'.

For further details please contact the investor relations team at CFMG:

PO Box 663  
Level 2, 117 McLachlan Street  
Fortitude Valley QLD 4006

P: 1800 155 526  
E: [investorrelations@cfmgcapital.com.au](mailto:investorrelations@cfmgcapital.com.au)  
W: [cfmgcapital.com.au](http://cfmgcapital.com.au)

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