



CFMG
Funds
Management

CFMG Land & Opportunity Fund

ARSN 602 610 006

Supplementary Product Disclosure Statement

CFMG Equity and Income Funds Limited ACN 112 753 876, 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).

This Supplementary Disclosure Statement ('SPDS') is dated 30 June 2022. This Supplementary Product Disclosure Statement ('SPDS') supplements the Product Disclosure Statement ('PDS') dated 15 October 2021 for the Trust issued by the Responsible Entity. Together, the PDS and this SPDS contain all of the information about the Offer of Class V Units ('Arbourwood II Units') in the Trust and individual subclasses of those Class V Units (eg. V1, V2, etc, etc).

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



Overview

The information presented below in this SPDS outlines an offer to acquire Arbourwood II Units in the Trust to facilitate the Trust loaning up to \$3,250,000 to Arbourwood Projects Pty Ltd A.C.N 656 179 789 ('Arbourwood II SPV') to carry out the Property Development ('Loan'). The loan agreement between the Trust (as lender) and Arbourwood II SPV (as borrower) ('Loan Agreement') will require interest at the fixed rate of 13.38% per annum payable on the loan amounts advanced ('Principal'). The Principal advanced to Arbourwood II SPV will be used to fund the Property Development.

The Property Development relates to the purchase of real property, comprising approximately 4.44 hectares (2.5791 useable), situated in Morayfield approximately 39 kilometres north of the Brisbane CBD ('Property').

The Arbourwood II SPV has contracted with the registered owner of the Property to pay \$3,400,000 (inclusive of any GST) with settlement due to be completed on 29 July 2022.

Arbourwood II SPV intends to develop the Property into 43 residential allotments, supporting roads and other services generally in accordance with the Concept Plan in the SPDS. An application for a development approval to reconfigure the Property into 43 residential allotments is intended to be lodged shortly with the local authority.

Subject to receipt of a development approval it is intended to develop the Property into approximately 43 residential allotments generally in accordance with the Concept Plan in this SPDS.

The Loan of up to \$3.25m to be advanced by the Trust to Arbourwood II SPV is to be applied to the costs associated with payment of stamp duty on the purchase contract, towards payment of the purchase price to the registered owner of the Property under the purchase contract, towards the development costs associated with the Property Development and to funding associated working capital.

A fixed interest rate of 13.38% per annum on the Principal is contractually required to be paid to the Trust by Arbourwood II SPV under the Loan Agreement.

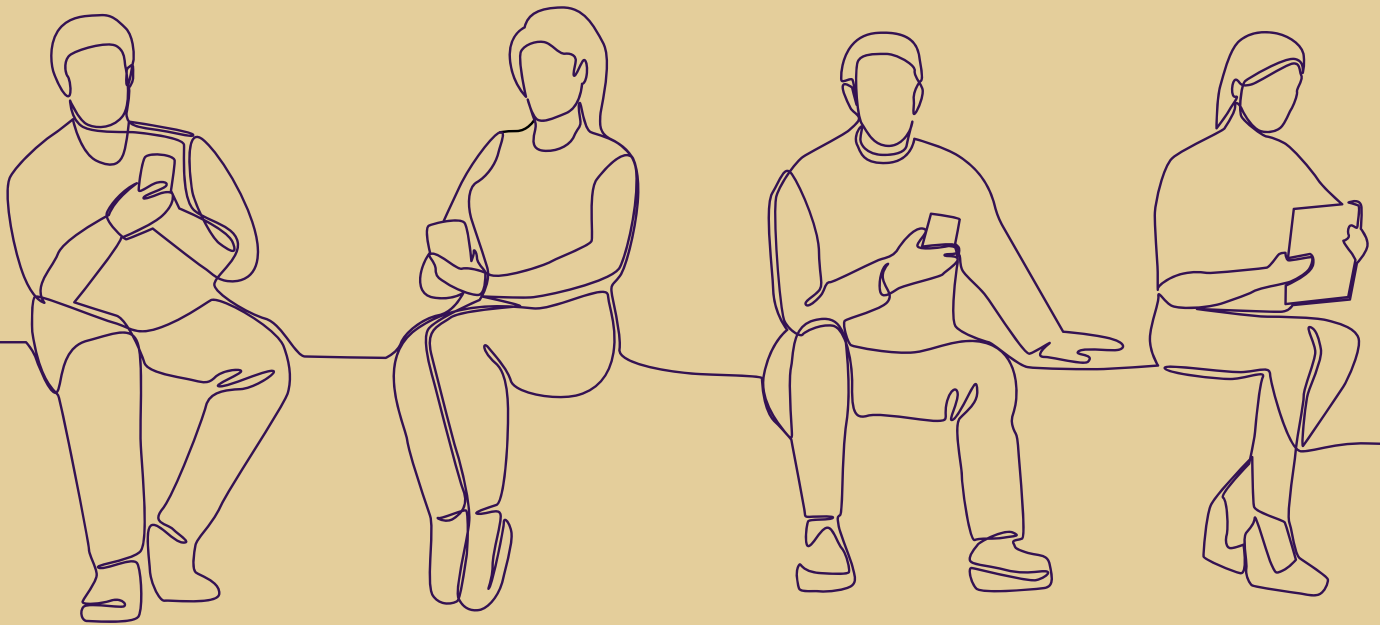
The repayment of the Principal by Arbourwood II SPV is to be paid on completion of the Property Development and sale of the Property. Please note that whilst Arbourwood II SPV, upon repayment of the Loan is required to make an interest payment to the Trust calculated at 13.38% per annum on the Principal over the term of the Loan Agreement, the return is not guaranteed by the Responsible Entity, and Arbourwood II SPV's ability to make these payments is totally dependent on successful completion of the Property Development and sale of the Property.

The Arbourwood II Units have a targeted rate of return of 9.20% per annum, which is based on the fixed interest rate payable under the Loan Agreement by the Arbourwood II SPV less the Asset Identification and Negotiation Fee, Management Fee and administrative fees and costs the Responsible Entity is entitled to be reimbursed for in operating the Trust.

The payment of any returns to Unit Holders are totally dependent on Arbourwood II SPV meeting its interest and Principal repayment obligations. An interim distribution by the Trust is expected to be paid in June 2023. This interim repayment is intended to be funded by a component of the advanced Principal being retained by the Trust and not provided to Arbourwood II SPV.

The Responsible Entity will waive payment of any fees and costs it is entitled to be reimbursed in the event the incurring of those fees and costs result in the Arbourwood II Units not achieving the targeted return of 9.20% per annum.

The specific risks associated with this investment are disclosed in this SPDS. These risks should be read in conjunction with the risks disclosed in the PDS.



Real people.

The Investment Proposal

Arbourwood II Units	The Trust is offering a minimum of 100,000 and up to 3,250,000, Arbourwood II Units, to be issued at a price of \$1.00 per Unit, to raise up to \$3,250,000, which the Trust will loan to the Arbourwood II SPV.
Arbourwood II SPV	<p>Arbourwood II SPV is a special purpose vehicle incorporated for the sole purpose of acquiring the Property and carrying out the Property Development.</p> <p>Arbourwood II SPV currently has one director serving on its board, Scott Watson. Scott Watson is also a director of the Responsible Entity. Details of this director are set out below.</p> <p>The sole shareholder of Arbourwood II SPV is CFMG Land Limited ACN 127 663 414 ('CFMG Land'). CFMG Land has also been engaged by Arbourwood II SPV to provide it with project management functions and administrative and company secretarial functions. The ultimate holding company of CFMG Land, Arbourwood II SPV and the Responsible Entity is CFMG Capital Limited.</p>
Director of Arbourwood II SPV	<p>The Arbourwood II SPV currently has one director serving on its board, Scott Watson. Details of Scott Watson, his background and experience is:</p> <p>Scott Watson</p> <p>Scott is a founding Director of both the residential communities and income fund businesses of CFMG.</p> <p>After five years as a solicitor in private practice advising a wide range of clients including State Government departments, publicly listed and private companies, Scott joined a private development and financial services group where his responsibilities included management of the group's legal requirements and obligations, project management and broad acre acquisitions.</p> <p>From 2008, Scott has been actively involved in overseeing the governance and compliance obligations in relation to residential land development companies.</p> <p>Scott holds Bachelor degrees in Law and Accountancy, a Graduate Diploma in Urban and Regional Planning and has more than 12 years broad experience in the property development and finance industries.</p>
Trust Structure	The Trust is a registered managed investment scheme. This SPDS relates to the offer of Arbourwood II Units which will have a beneficial interest in the Loan Agreement. For each drawdown the Trust provides to the Arbourwood II SPV under the Loan Agreement the Trust will issue a separate and corresponding tranche of Arbourwood II Units, each of a separate subclass such that there will be a subclass of Units in respect of each drawdown amount under the Loan Agreement. Each subclass of Arbourwood II Units will have its own beneficial interest in the amount due to the Trust arising out of the corresponding drawdown. The Loan Agreement between the Trust and the Arbourwood II SPV will require Arbourwood II SPV to pay the Trust interest of 13.38% per annum on the Principal over the term of the Loan. As each tranche of the Loan is drawn down under the Loan Agreement a subclass of Units will be issued.
Fees and other costs	<p>See section 5 of the PDS.</p> <p>An asset identification and negotiation fee of 4.4% of the capital raised by the issue of Arbourwood II Units will be paid to the Responsible Entity on the issue of units in the Trust.</p>
Anticipated Distribution Rate	<p>Arbourwood II Units have a targeted distribution rate of up to 9.20% per annum (pre tax and net of fees) over the life of the investment. For the timing of distribution payments please refer to the forecast application, sources, income and distribution statement on page 9 of this SPDS.</p> <p>For example, for each \$25,000 you invest in the Trust, the anticipated income distribution you will receive is \$2,300 per annum. An interim distribution by the Trust is expected to be paid in June 2023. This interim distribution will be funded by a small component of the advanced Principal being retained by the Trust and not provided to Arbourwood II SPV.</p>
Minimum Investment	<p>Applications for Arbourwood II 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 Arbourwood II Units will be issued for \$1.00 each.</p>

Likely term of your Investment	<p>The Property Development is currently anticipated to be completed by December 2023.</p> <p>Accordingly, the Arbourwood II Units are intended to be on issue for a minimum term of eighteen (18) months. Unitholders may not withdraw their investment (although transfers are permitted subject to the Constitution).</p>
Income Distribution	<p>The targeted rate of return for the Arbourwood II Units is up to 9.20% per annum, which is based on the interest rate payable under the Loan Agreement by the Arbourwood II SPV less the Asset Identification and Negotiation Fee, Management Fee and administrative fees and costs the Responsible Entity is entitled to be reimbursed for in operating the Trust (see section 5 of the PDS for the calculated examples of annual fees and costs for 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>An interim distribution is intended to be paid by the Trust in June 2023. This interim distribution will be funded by some of the advanced Principal under the Loan Agreement being retained by the Trust and not provided to Arbourwood II SPV. Interim distributions will be made by electronic funds transfer to the Unitholder's nominated Australian bank account.</p> <p>A final distribution is to be paid on completion of the Property Development and sale of the Property and upon repayment of the Principal and interest under the Loan Agreement.</p> <p>The final distributions for the financial year FY2024 will be totally dependent on Arbourwood II SPV complying in full and on time with its obligations under the Loan Agreement.</p> <p>A forecast Application, Sources, Income and Distribution Statement is set out on page 9 of this SPDS which has been prepared on the basis that capital of \$3.25m is raised by the issue of Arbourwood II 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 repayment of the Principal and payment of the interest under the Loan Agreement by the Arbourwood II SPV in respect of each respective tranche of drawdown, the Trust will redeem your Arbourwood II Units by electronic funds transfer to your nominated Australian bank account.</p>



DETAILS OF ARBOURWOOD II SPV (SPV DEVELOPER)

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

Arbourwood II SPV was incorporated in Queensland on 20 December 2021 as a proprietary company and currently has one director serving on its board, Scott Watson. Details of this director are set out in section 2 of the PDS.

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

The directors serving on the board of CFMG Land are Scott Watson, Jason Matigian, Wayne Hamburger and Ross Stiles.

DETAILS OF ARBOURWOOD II PROPERTY DEVELOPMENT

Overview

Arbourwood II SPV has contracted to purchase 4.4 hectares (2.5791 useable) of land, situated in Morayfield approximately 39 kilometres north of the Brisbane CBD ('Property').

Subject to a development permit being granted the Arbourwood II SPV intends to develop the Property into 43 residential allotments, road ways and other services generally in accordance with the Concept Plan in this SPDS.

The Locality

Located within the established suburb of Morayfield approximately 39 kilometres north of the Brisbane CBD.

Immediately surrounding the Property is predominantly existing residential consisting large residential allotments, traditional lot subdivisions and several large mobile home park style projects.

The Property is located in proximity to a range of retail services. Morayfield shopping centre situated one kilometre to the north east is a recognised bulky goods retail precinct which includes major occupants including Amart Furniture, Officeworks, The Good Guys, Autobarn and BCF.

Morayfield East State School and Morayfield State High School are situated three kilometres north-east of the Property.

The Property

The Property is situated at 14 Clark Road, Morayfield in the State of Queensland and is more particularly described as lot 4 on RP96335 and having certificate of title reference number 13841219.

Market Demographics

Market conditions are buoyant across a variety of property segments with price growth for completed product evident in the subject catchment.

Several macro level drivers are underpinning the current market conditions including record low interest rates, higher levels of household savings and demographic shift to lifestyle locations resulting in unprecedented inter-state migration from New South Wales and Victoria into Queensland and historically low vacancy rates of 0.7% to March 2022 across Brisbane City and 0.4% for Morayfield.

Demand for development sites is improving commensurate with the overall improvement of residential market conditions. Greater demand for residential stock in Queensland and strong price growth observed throughout 2021 and into 2022 bodes well for potential improvement in site values, albeit tempered by escalating construction costs.

Due to the current strong market conditions, englobo land remains tightly held, resulting in a lack of recent englobo land transactions in the surrounding locality and broader South-East Queensland market.

Purchase of the Property

The contract to purchase 14 Clark Road, Morayfield between the Arbourwood II SPV and the registered owner was entered into on 24 December 2021.

The registered owner of 14 Clark Road, Morayfield is unrelated to the Arbourwood II SPV, to CFMG Land Limited, to CFMG Capital Limited, to CFMG Equity and Income Funds Limited as Responsible Entity or any of their directors or shareholders.

The key commercial terms of the contract to purchase 14 Clark Road, Morayfield are as follows:

- (a) Settlement is due to be completed on 29 July 2022;
- (b) the purchase price payable by Arbourwood II SPV is \$3,400,000 (inclusive of GST);
- (c) a deposit of \$340,000 has been paid by CFMG Land on behalf of Arbourwood II SPV to the registered owner of the Property.

The Development Concept

The Concept Plan set out on page 15 of this SPDS illustrates the proposed development concept.

The proposed development is intended to comprise a total of 43 residential allotments supporting roads and other services.

The allotments proposed to be developed range from 262m² to 586m² with an overall average land area of approximately 383m².

The Property Development involves the development of the Property as residential allotments for on-sale as sites for residential housing.

Marketing and Distribution

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.

It is proposed that the Arbourwood II SPV will be direct 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 commencement of the development works and will continue during construction with allotments to be pre-sold subject to titles being created.

While the Arbourwood II SPV anticipates that the above marketing and distribution strategy is appropriate the directors of the Responsible Entity or the Arbourwood II 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 Arbourwood II SPV including property market conditions, supply and demand, interest rates and buyer sentiment.

Indicative Property Development Timing

Based on the likely time frames for development approval of the Concept Plan and then engineering plan approvals, it is currently anticipated that the construction works for the Property Development could commence in or about March 2023 and the development could be completed by December 2023.

Marketing is anticipated to commence prior to the construction of the development works, with allotments to be pre-sold subject to titles being created and then continue following completion of the development works and titling process.

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

Settlement of Property	July 2022
Subdivision Works	March 2023 to September 2023
Registration of Allotments	October 2023
Settlement of Allotments	November 2023 to December 2023

* Dates indicative only and subject to change.

Whilst the above timing is how the Arbourwood II SPV anticipates the Property Development could progress, there is no guarantee that the assumptions above will be met. The director of the Arbourwood II SPV is 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 Arbourwood II SPV is not guaranteed and an investment in the Loan is considered a speculative investment.

Property Development Finance

The Trust will contribute the capital raised by the issue of Arbourwood II Units (less the amounts retained from the Principal to pay management fees to the Responsible Entity and to be applied to make the interim distribution in June 2023) to the Property Development by advancing the Principal under the Loan Agreement to Arbourwood II SPV.

The Arbourwood II SPV will apply the funds received from the Trust towards costs associated with payment of transfer duty on the

purchase contract, towards payment of the purchase price to the registered owners of the Property under the purchase contract, towards the development costs associated with the Property Development, to repayment to CFMG Land Limited of the deposit of \$340,000 paid to the registered owners of the Property under the purchase contracts and to funding associated working capital.

In addition to the amount raised through the Trust, it is anticipated that approximately a total of \$7.55m of debt finance is required in order to complete the Property Development.

Based on the experience of CFMG Land Limited as manager of the Arbourwood II SPV in sourcing debt finance from major lending institutions on other similar projects Arbourwood II SPV considers that debt finance can be secured and may be applied towards the development costs and other working capital for the Property Development. Based on that expectation the Arbourwood II SPV considers that debt finance can be obtained to fund the development costs and other working capital to an amount up to 60% of the total assessed gross realizations from the Property Development.

It is anticipated the funding from a major lending institution will be subject to a number of terms and conditions. Whilst the Arbourwood II SPV expects to satisfy the terms and conditions applying to the expression of interest, there is no guarantee that such conditions will be met.

LOAN AGREEMENT

The Trust's investment in Arbourwood II SPV is by way of the Loan Agreement.

The Loan Agreement sets out the terms on which the Trust loans the Principal to the Arbourwood II SPV and the rights and obligations of the parties to that agreement.

The Loan Agreement also includes key matters such as the conditions precedent (and subsequent) to the Trust drawing down the advanced Principal to the Arbourwood II SPV, undertakings by the Arbourwood II SPV to the Trust, representations and warranties by the Arbourwood II SPV and the terms of the operation of the Arbourwood II SPV (including the interest entitlements under the Loan Agreement, the waterfall of payments relating to distribution of Property Development proceeds and other matters relating to the payment of funds by the Arbourwood II SPV).

Key conditions precedent required before the Trust will draw down any Principal to the Arbourwood II SPV under the Loan Agreement, include:

- approval by the board of the Responsible Entity to entry into and completion of the Loan Agreement;
- the grant of and entry into a general security over the Arbourwood II SPV in favour of the Trust which ranks behind other lenders to Arbourwood II SPV;
- receipt of an expression of interest from a secured funder to provide property finance and a construction debt facility to Arbourwood II SPV outlining the terms and basis on which development finance may be provided to the Property Development on terms satisfactory to the Arbourwood II SPV and 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.

The Arbourwood II SPV must not, without the Responsible Entity'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 may rank equally or take priority to the Loan Agreement with the Trust);
- 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 Arbourwood II SPV (other than in relation to raising the third party equity that ranks equally or take priority to repayment of the Loan)
- amend the management agreement with CFMG Land in a manner which materially impacts the Trust.

Under the Loan Agreement, the application by the Arbourwood II SPV of surplus cashflow of the Arbourwood II 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 Arbourwood II SPV; then

fourthly, to pay any fees to CFMG Land for services provided to the Arbourwood II SPV in accordance with the terms of the management agreement; then

fifthly, in respect of each tranche of the Principal drawn down, to repay that tranche of Principal to the Trust under the Loan Agreement; then

sixthly, to pay the interest to the Trust under the Loan Agreement (in respect of the corresponding tranche of Principal) until all Principal Interest has been paid Loan Agreement; then

finally, balance of Property Development profits to the Arbourwood II SPV

(the "Property Development Cashflow Waterfall")

ABOUT THE LOAN AGREEMENT BETWEEN THE TRUST AND ARBOURWOOD II SPV

The Loan is to be made on the following basis:

Type of Loan	The Loan Agreement will be between the Trust and Arbourwood II SPV .
Interest Payable	An interest payment of 13.38% per annum is payable in arrears (when the loan is repaid) on the Principal advanced under the Loan Agreement.
Distributions by the Trust	The Responsible Entity intends to make an interim repayment in June 2023 with the final distribution after the Arbourwood II SPV repays the Principal and interest under the Loan Agreement
Voting Rights	There will be no entitlement to receive notice of, to attend or to vote at, any general meetings of the Arbourwood II SPV or to vote on any written resolution of members of the Arbourwood II SPV.
Property Development Cashflow Waterfall	Repayment of the Principal and interest under the Loan Agreement is subject to the Property Development cashflow waterfall set out in this SPDS.
Repayment Date	The Principal and interest in respect of each tranche drawn down under the Loan Agreement is repayable on the date which is eighteen (18) months after that tranche of the Loan funds are advanced or earlier at the election of the Arbourwood II SPV (provided that such repayment will not occur until at least 12 months after the drawdown of the relevant Principal). The Responsible Entity may agree with the Arbourwood II SPV to agree to extend a repayment date by up to 12 months.

FORECAST APPLICATION, SOURCES, INCOME AND DISTRIBUTION STATEMENT

The forecast application, sources, income and distribution statement assumes that capital of \$3.25 million is raised by the issue of Arbourwood II 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 2023 and 30 November 2023:

	June 2023	November 2023	Total
Income/Capital			
Units	\$3,250,000		\$3,250,000.00
Fixed Return - 13.38% pa	\$469,400	\$182,280	\$651,679
Sub-total	\$3,719,400	\$182,280	\$3,901,679
Distributions			
Asset Identification & Negotiation Fee - 4%	\$130,000		\$130,000
Management Fee of units on issue - 1%	\$35,208	\$13,542	\$48,750
Annual Fund Expenses - 0.5%	\$17,604	\$6,771	\$24,375
Sub-total	\$182,813	\$20,313	\$203,125
Funds available for distribution	\$3,536,587	\$3,612,578	
Unitholder Distributions	\$85,976	\$3,612,578	\$3,698,554
Per Unit Distribution	\$0.03	\$1.11	\$1.14
Surplus/shortfall	\$3,450,611		

* The interim distribution of June 2023 will be funded by the Trust retaining an amount from the Principal advanced under the Loan Agreement. Whilst the Trust will be entitled to the full 13.38% per annum interest on the amount raised, the Principal proportion retained by the Trust will be sufficient to pay for the fees and expenses of the Trust and the interim distribution for financial year FY23. The final distributions for the financial year FY2024 will be totally dependent on the Arbourwood II SPV complying in full and on time with its obligations under the terms of the Loan Agreement.

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.

RISK FACTORS

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 15 October 2021.

Below are specific risks associated with an investment in Arbourwood II Units.

SPECIFIC RISKS

An investment in the offer of Arbourwood II Units also involves specific risks relating to the Property Development to be carried out by the Arbourwood II SPV which is the 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
Planning Risks 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">Professional town planning consultants have been engaged by the Arbourwood II SPV to advise in relation to the planning for the Property Development.An application for a development approval to reconfigure the Property into 43 residential allotments is anticipated to be lodged with the local authority for approval.
Development Approval Risk 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">Professional town planning consultants have been engaged by the Arbourwood II SPV to advise in relation to the planning for the Property Development.An application for a development approval to reconfigure the Property into 43 residential allotments is anticipated to be lodged with the local authority for approval.
Service Risk Trunk sewer does not currently reach the development site and the property development is dependant on the site being able to connect to trunk sewer.	<ul style="list-style-type: none">Professional engineering consultants have been engaged by the Arbourwood II SPV to advise as to the most efficient and other potential means of connecting trunk sewer and other services to the Property Development.Arbourwood II SPV's engineering consultants have identified trunk sewer is available nearby the property development site and can be connected in a cost efficient manner to the site by running the necessary pipes through one adjoining property.
Market Risk 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">A marketing strategy has been developed for the marketing and sale of the allotments intended to be developed in the Property Development.Marketing is anticipated to commence prior to the construction of the development works, with allotments to be pre-sold subject to titles being created and then continue following completion of the development works and titling process.

<p>Market and Site Sentiment</p> <p>The residential market throughout the growth corridors in South East Queensland is in part driven by interstate and foreign investment as opposed to purely local market fundamentals.</p>	<ul style="list-style-type: none"> • A marketing strategy has been developed for the marketing and sale of the allotments intended to be developed in the Property Development. • Marketing is anticipated to commence prior to the construction of the development works, with allotments to be pre-sold subject to titles being created and then continue following completion of the development works and titling process. • 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. • It is proposed that the Arbourwood II SPV will direct market allotments through a project web site, real estate marketing sites and other media campaigns.
<p>Sales Risk</p> <p>The price achieved for the sale of the residential allotments intended to be developed from the Property may be insufficient to deliver the interest payable and the repayment of the Principal under the Loan Agreement.</p>	<ul style="list-style-type: none"> • A sales and marketing strategy has been developed by the Arbourwood II SPV which includes a mix of direct selling to individual buyers and also selling to the local home builders, who on sell the allotments to their clients. • It is anticipated that marketing of the allotments will commence prior to settlement of the purchase of the Property and will continue during development with allotments to be pre-sold subject to titles being created.
<p>Settlement Risk</p> <p>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. The sale and marketing to foreign buyers is considered to be a higher settlement risk than to domestic owner occupiers due to the lending criteria applied to different categories of buyers.</p>	<ul style="list-style-type: none"> • 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. • A law firm will be engaged to review and advise on the sale contracts and conveyancing process.
<p>Development Costs Risk</p> <p>Budgeted development costs may be materially different to actual costs incurred by the Property Development.</p> <p>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.</p>	<ul style="list-style-type: none"> • Arbourwood II SPV has engaged professional engineering consultants to provide an opinion on costs for the Property Development. • It is anticipated that the civil contractor will enter into a fixed-time, fixed price construction contract with the Arbourwood II SPV to reduce the risk to the Property Development.
<p>Additional Funding Risk</p> <p>Should the development costs increase, further debt and/or equity may be required to complete the Property Development.</p>	<ul style="list-style-type: none"> • Arbourwood II SPV has engaged professional engineering consultants to provide an opinion on costs for the Property Development. • It is anticipated that the civil contractor will enter into a fixed-time, fixed price construction contract with the Arbourwood II SPV to reduce the risk to the Property Development.
<p>Development Delay Risk</p> <p>If development is delayed, then this may lead to increased interest costs, reduced returns to Unitholders and a delay in those returns</p>	<ul style="list-style-type: none"> • It is anticipated that the Arbourwood II 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. • A delay in the settlement of the Property sales may have an adverse impact on the Project returns and ultimately the interest paid to Unitholders.

<p>Property Development Debt Financing Risk</p> <p>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.</p> <p>The Arbourwood II SPV has not yet secured debt funding for the Property Development.</p>	<ul style="list-style-type: none"> • A condition precedent to the Trust advancing any Principal under the Loan Agreement to Arbourwood II SPV is that the Responsible Entity be satisfied with the basis on which development finance may be secured for the Property Development.
<p>Interest Rate Risk</p> <p>There are risks associated with increases in interest rates impacting the cost of anticipated borrowings over the term of the Property Development.</p>	<ul style="list-style-type: none"> • A condition precedent to the Trust advancing any Principal under the Loan Agreement to Arbourwood II SPV is that the Responsible Entity be satisfied with the interest rate management on which development finance may be secured for the Property Development.
<p>Counterparty Risk</p> <p>There are risks associated with counterparties fulfilling their obligations including the potential for disputes between the Arbourwood II SPV and the manager.</p>	<ul style="list-style-type: none"> • The principals of CFMG Land are experienced in managing the delivery of developments such as the Property Development and operating the Arbourwood II SPV. • The Responsible Entity will closely monitor the progress of the Property Development.
<p>Conflict of Interest Risk</p> <p>A number of related parties are providing services to the Property Development and receiving fees creating a potential for conflicts of interest.</p>	<ul style="list-style-type: none"> • The Responsible Entity has a conflict of interest policy for dealing with conflicts of interest. • Should an event of default arise under the Loan Agreement and the Arbourwood II SPV does not remedy that default then the Responsible Entity will and is required to 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 the Unitholders informed of the actions being taken.
<p>Rectification Risk</p> <p>Upon the completion of the Property Development, there are risks associated with defects in the residential allotments requiring rectification which may prove costly.</p>	<ul style="list-style-type: none"> • Under the intended form of civil construction contract, the obligations of rectification works will rest with the contractor. • The Arbourwood II SPV is intended to have recourse to the contractor's bank guarantees to use towards rectification costs should the contractor not meet its obligations.
<p>Documentation Risk</p> <p>The interlocking arrangements involved in the Property Development and arrangements between the Trust and the Arbourwood II SPV are governed by a set of legal documents and contracts which include the Loan 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 Arbourwood II Units.</p>	<ul style="list-style-type: none"> • The Responsible Entity will engage professional advisers including in the fields of law to assist in interpreting the agreements.
<p>Risk arising out of or exacerbated by COVID 19</p> <p>The uncertain economic outlook arising out of the COVID 19 outbreak and the effect that it may or will have on matters concerning some of the specific areas of risk discussed above (including adverse market sentiment, lessened demand and sales, settlement risk, and funding risk) may have negative impact on the Property Development, the Loan Agreement and distributions under the Arbourwood II Units.</p>	<ul style="list-style-type: none"> • There is no way of determining the extent if any, to which COVID 19 will exacerbate or heighten these specific areas of risk (discussed above) due to the uncertainty as to the impact, extent and duration of conditions caused by COVID 19

TOWN PLANNING ASSESSMENT

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

An application for a development approval to reconfigure the Property into 43 residential allotments is anticipated to be lodged shortly with the local authority for approval.

ENGINEERING ASSESSMENT

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

The directors of the Responsible Entity are satisfied that in their opinion that there are existing services available to the Property or close to the Property to provide connections to storm water drainage, water reticulation, electricity and telecommunications.

A sewer servicing strategy has been formulated which contemplates bringing sewerage reticulation to the Property through three neighbouring properties.

RELATED PARTY ARRANGEMENTS

CFMG Land and the Arbourwood II 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 Arbourwood II SPV) may not enforce its rights against a related party. See sections 3, 9.17 and 9.18 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 Loan Agreement and the Arbourwood II 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 the Unitholders informed of the actions being taken.

Should an event of default arise under the Loan Agreement and the Arbourwood II 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 the Unitholders informed of the actions being taken.

The Responsible Entity has not sought member approval to transact with the Arbourwood II SPV. The intended terms of the Loan Agreement has been benchmarked to market and are in line with industry practice. On this basis, the directors of the Responsible Entity are satisfied the terms of the Loan 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. Arbourwood Projects Pty Ltd ACN 656 179 789; and
- b. CFMG Land Limited ACN 127 663 414.

Taxation

The following is a general summary of the expected taxation consequences for Unitholders, in holding Units in the Trust. The Responsible Entity is not licensed to provide taxation advice and cannot provide advice to specific Unitholders, Unitholder should seek advice on the taxation consequence of their investment which takes into account their personal circumstances, from a suitably qualified adviser.

On the basis that the sole activity and income of the Trust will be the granting of debt funding via Loan to the Arbourwood II SPV, the Trust should qualify as a 'flow through' trust for taxation purposes.

Under the terms of the Constitution of the Trust, the Responsible Entity must distribute the 'distributable income' of the Trust to Unitholders each year. Accordingly where the Trust has recognised income in excess of expenses for a year Unitholders should have an entitlement to their respective share of the net (taxable) income of the Trust at year end.

In such cases taxation will not be payable at the Trust level but rather each Australian Resident Unitholder will be subject to tax on their share of the net (taxable) income of the Trust, and will be required to include this in their own returns.

The Loan Agreement between the Arbourwood II SPV and the Trust will be classified as debt for taxation purposes and any interest payable on the Loan will retain that character for Australian income tax purposes.

The Trustee would normally be assessed and pay tax on behalf of unitholders of the Trust who are not resident in Australia for tax purposes in respect of each non resident unitholder's share of the net (taxable) income. However, where the sole income derived by the Trust is interest, the Trustee will instead deduct interest withholding tax (generally, at a rate of 10%) from interest paid to non-resident unitholders as a final tax.

Unitholders that are tax residents, or are otherwise subject to taxation in other countries, should seek specific advice from a qualified advisor on foreign taxation implications.

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

Directors' Assessment of the Property to be developed

Property Address	14 Clark Road, Morayfield Queensland 4509
'As is' or market valuation	\$3.4 million (exclusive of GST)
'As if approved'	\$3.6 million (exclusive of GST)
'Gross Realisation as if complete' including GST	\$13,260,000 (inclusive of GST)
'Gross Realisation as if complete' excluding GST	\$12,363,636 (exclusive of GST)
The Directors based on their experience in the property development business assess the Property – assuming approved with the proposed development approval to be worth approximately \$3.6 million (excluding GST).	

Concept Plan



Application Form

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

CFMG Land and Opportunity Fund ARSN 602 610 006 – Arbourwood II 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.
- ☐ You agree to us using your personal information in the way the Product Disclosure Statement describes.
- | | |
|--|---|
| <input type="checkbox"/> I wish to apply for Arbourwood II Subclass 1 Units | <input type="checkbox"/> I wish to apply for Arbourwood II Subclass 6 Units (if offered) |
| <input type="checkbox"/> I wish to apply for Arbourwood II Subclass 2 Units (if offered) | <input type="checkbox"/> I wish to apply for Arbourwood II Subclass 7 Units (if offered) |
| <input type="checkbox"/> I wish to apply for Arbourwood II Subclass 3 Units (if offered) | <input type="checkbox"/> I wish to apply for Arbourwood II Subclass 8 Units (if offered) |
| <input type="checkbox"/> I wish to apply for Arbourwood II Subclass 4 Units (if offered) | <input type="checkbox"/> I wish to apply for Arbourwood II Subclass 9 Units (if offered) |
| <input type="checkbox"/> I wish to apply for Arbourwood II Subclass 5 Units (if offered) | <input type="checkbox"/> I wish to apply for Arbourwood II Subclass 10 Units (if offered) |

Note: Select only one Subclass you wish to apply for. We will contact you if that Subclass allocation has already been exhausted.

1. INVESTMENT DETAILS

Unitholder 1 - Mr/Mrs/Ms/Miss	Given Names	Surname	Date of Birth
<input type="text"/>		<input type="text"/>	<input type="text"/>
Unitholder 2 - Mr/Mrs/Ms/Miss	Given Names	Surname	Date of Birth
<input type="text"/>		<input type="text"/>	<input type="text"/>
Corporate Trustee (If applicable)			
<input type="text"/>			
Trust/Trust/Superannuation or other incorporated bodies			
<input type="text"/>			
Controllers of company Unitholder			
<input type="text"/>			

2. INVESTMENT CONTACT DETAILS

UNIT HOLDER/DIRECTOR 1 - Residential Address/Registered Office Address			
<input type="text"/>			
Suburb/City	State	Postcode	Country (for company, insert country of incorporation)
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Postal address (if different) - Unit/PO Box/House Number/Street Name			
<input type="text"/>			
Telephone during business hours	Telephone after business hours	Email address	
<input type="text"/>	<input type="text"/>	<input type="text"/>	
UNIT HOLDER/DIRECTOR 2 - Residential Address/Registered Office Address			
<input type="text"/>			
Suburb/City	State	Postcode	Country (for company, insert country of incorporation)
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Postal address (if different) - Unit/PO Box/House Number/Street Name			
<input type="text"/>			
Telephone during business hours	Telephone after business hours	Email address	
<input type="text"/>	<input type="text"/>	<input type="text"/>	

3. TAX FILE/AUSTRALIAN BUSINESS NUMBER(S)

Applicant 1: TFN

Applicant 2: TFN

SMSF ABN/TFN

SMSF ABN/TFN

4. BANKING DETAILS

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 and Supplementary Product Disclosure Statement for the Arbourwood II Units 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

Units Applied for: \$

Price per unit: A\$1.00

Application money: \$

How to complete the application form

- ☐ 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 – Arbourwood II 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

Bank: ANZ

BSB: 012 003

Account No: 8384 05706

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.

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. 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 Capital:

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

P: 1800 155 526
E: investorrelations@cfmgcapital.com.au
W: cfmgcapital.com.au





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Funds
Management

Real people.

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