SOME GENERAL QUESTIONS AND ANSWERS ON AUSTRALIAN JOINT VENTURE OPPORTUNITIES.

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INTRODUCTION

We have researched investing in various Australian property funds, syndication and joint venture (“JV”) opportunities for our own understanding and private use, and summarised some of the key and pertinent items in this FAQ of the first project that AIP will be investing in itself.

Therefore, this FAQ document is made solely for our company’s own use and understanding and should not be relied upon by any other person.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than our own company and the company’s members as a body, for this FAQ, for this report, or for any opinions we have formed or any information given in this FAQ.

This FAQ is intended to be a general guide and cannot be a substitute for professional advice. Neither the authors nor the publisher NOR Citylife International Realty, Aurient Investment Partners Limited, Perri Projects, their directors, staff, agents or employees accept any responsibility for loss occasioned to any person acting or refraining from acting as a result of material contained in this publication.

This FAQ document should also be read in conjunction with the Disclaimer at the end of the FAQ.

HOW DOES IT WORK?

AIP will making an investment in a JV with a developer of a mid-sized commercial-office property in South Melbourne, a location identified by AIP as being suitable for such an investment.

In addition to AIP making a placement itself, AIP intends to manage other placement funds to provide equity and opportunities for private investors.

The intention is to develop a custom built and designed commercial office building in a prime location in South Melbourne with the aim of selling strata offices off the plan and on completion, in order to provide preservation of capital and provide above average returns.

This FAQ presents the opportunities afforded by the JV. Private developments are not top loaded with fees, can get projects off the ground faster and return investors capital with potentially greater profits, in a shorter period of time, than we have found with the larger funds and private equity companies.

The assets AIP will invest in are physical property of a commercial nature. As a result AIP will hold an indirect interest in the Property. There will be full information available provided that will specifically detail the structure, track record, how it works, the legal structure, and the management.

AIP intends to make a capital contribution of around AU$400,000, representing approx. 5% of the capital to be raised.

The total development and construction cost is expected to total around AU$25 million making this the **“sweet spot”** for this type of investment, as the amount is too small for major property funds to consider and too large for most private investors.

WHAT IS BEING OFFERED?

- There will be a capital raising from a leading bank of approx. 65% of the total construction and development costs.
- Equity of approx. 35% of the total required capital will be raised, with the developer and AIP between them expected to contribute approx. 15% of this amount.
- The balance of funding required can be raised from other private investors.

HOW LONG IS THE INVESTMENT?

There is no fixed timeframe. The estimated term of the JV will be stated in the information document, however we are targeting an investment period of approx. 24-30 months.

However, we will not invest ourselves unless we believe the estimated time frame to be **under 36 months** from the time of the capital call up.

This differentiates the JV opportunity from most private equity funds, real estate funds and investment companies that seem to trend toward requiring their investors to have having a long term, passive investment approach.

WHAT MAKES THIS ATTRACTIVE AS AN INVESTMENT?

1. The opportunity will allow AIP and selected partners to invest in commercial offices, one of the strongest segments of the Australian real estate market at present, thereby mitigating risk by not been exposed to just one segment of the market, such as residential.

2. By raising capital from private investors, the JV will be ‘capital ready’, not having to rely on major banks, finance companies or private equity funds for the balance of funding, and have less delays and red tape.

3. The JV will be managed by the same developer that has delivered a Net IRR to investors averaging 23.2% as at 31 December 2019, across a portfolio of properties ranging from both residential to commercial projects.

4. When the individual strata offices have been sold, the monies will be distributed to investors.

5. The monies will not be re-cycled into acquiring new properties, but returned to investors.

6. The focus is to develop a mid-size commercial property in a key strategic location, with the intention of developing from the ground up strata title offices that will be **sold individually off the plan or on completion**, in order to deliver maximum medium term investor returns.

7. Our own research has convinced AIP that there is scarcity of this type of offering with the unique services provided by this project.

WHAT PROPERTY HAS BEEN TARGETTED FOR PURCHASE?

- A commercial site in South Melbourne has been secured.
- Located in an established strategic location.
- A DA (development approval) has been granted in late 2019.
- Has been acquired at or below land value.
- Commercial 1 Zoning (C1Z), enabling a wide range of uses by right including residential, commercial and retail. This is the most preferred zoning in Melbourne.
- Target equity Net IRR of greater than 15% to investors (while still using conservative assumptions).

WHO IS THE DEVELOPER?

- The developer is Perri Projects Proprietary Limited.
- A specialist private Australian property developer.
- Currently has more than A$2 billion of mixed residential, commercial, industrial and hotel properties around Australia either being developed or in the pipeline.

IS THERE A TRACK RECORD?

- The joint-venture seeks to provide investors with a Net IRR in excess of 15% (based on conservative assumptions). Strict purchase criteria, extensive due diligence and strong governance is central to each property acquisition.
- The developer has a **proven performance** track record of success.
- **Previous performance** has resulted in investors averaging 23.2% as at 31 December 2019, across a portfolio of properties ranging from both residential to commercial projects, some of which were low rise and some high rise.

HOW IS AIP DIFFERENT FROM OTHER COMPANIES?

We are NOT a technology platform a fund or a REIT. We are a real estate **investment company** focused on investing in what we consider to be exceptional properties in growth markets and then inviting selected high net worth private investors to join with us to **reap all the potential benefits** of investing in developing real property.

Investors’ funds get invested into the properties and unlike REITS and other structures we do not pay outside broker’s commissions allowing more of your money to work for you. Please be aware that AIP charges certain fees for managing this process.

DO I HAVE TO PAY STAMP DUTY, GST, FOREIGN BUYER TAXES OR FIRB FEES, ON MY INVESTMENT?

No.

DO I HAVE TO PAY CAPITAL GAINS TAX OR LAND TAX ON MY INVESTMENT?

No.

CAN I GET OUT OF MY INVESTMENT EARLY?

The joint-venture is wound up upon the sale of the final strata units and therefore you cannot withdraw during the investment term. However, if you would like to sell before the end, you may arrange for your own private sale of your investment, however, the developer has discretion to refuse to register transfers and the developer may charge a fee equal to 4% (plus GST) of the gross consideration for the transfer of units by an investor that disposes of units by private sale.

WILL THE JOINT-VENTURE BORROW FROM THE BANK AND USE GEARING?

Yes, to maximise returns, the joint-venture will typically borrow some percentage of the development costs of the project.

Property acquisitions are likely to be funded by a mixture of senior debt from a major bank, investor's capital, and seed equity from the developer.

All senior debt raised will be "non-recourse" to the Investors.

WHAT HAPPENS IF THERE IS A NEED FOR ADDITIONAL CAPITAL IN THE JOINT-VENTURE AND THERE IS NO SURPLUS CAPITAL OR CONTINGENCY MONEY AVAILABLE?

The developer's hope and expectation is that because of their continued conservative approach the need to raise additional capital for the joint-venture property will be unlikely.

Nevertheless, if exceptional circumstances occur where there is no surplus capital available, and the need for additional capital arises and if the developer determines that it is in the best interest of investors, the developer can then make a call on raising more capital to meet the capital requirements.

Accordingly, it is important that Investors understand the circumstances in which a call can be made. If the need for additional capital arises, existing investors may be offered the opportunity to provide the additional capital based on their respective proportional interest.

No Investor is obliged to take up the offer, which means that investors cannot be forced to provide additional capital if they choose not to.

In the event a future capital call is made that the developer will be obliged to contribute their agreed share in all additional raisings.

The most likely reason or extra capital is shortfall in debt funding. The developer's assumption is around 65% LTC (loan to total cost ratio). This is well within normal senior bank lending and at or below the amount that the developer regularly seeks in its projects.

In the event that the senior bank debt could not be sourced at around 65% the developer also has the option of a small mezzanine loan from outside debt investors before coming back to investors.

Finally, the need for extra equity for investors is very unlikely in that the cost estimate of major components (i.e. land, professional fees, and construction) are all on a fixed fee scope arrangements.

If there is still a shortfall in the amount which the developer is seeking to raise, then the Developer can offer the investment opportunity to new investors, which may dilute returns to you.

WHAT IS THE EXIT STRATEGY?

Simply put, the developer intends to sell the office units individually to owner occupiers and investors with a freehold strata title.

The developer's research and advice is that the offices should be in strong demand.

We have seen the developer's risk mitigation document and believe this provides adequate coverage.

WHAT ARE THE RISKS?

Like any investment, there are risks associated with investing in this model.

Many of these risks are outside the control of the developer and cannot be completely mitigated.

Where risks eventuate, returns may be lower than expected or may be suspended and/or the capital value of your investment could fall. Distributions are not guaranteed and neither is the return of capital.

Please see the separate document prepared by the developer explaining the risks and their mitigation strategies.

WHAT ARE THE FEES AND CHARGES?

The project feasibility includes allowance for all fees, charges, costs and expenses expected in the development process.

AIP will be entitled to a Placement Fee of 1% of capital raised at the time of investment inception. For this service AIP provides.

1. Deal and Investment Sourcing on behalf of investors
2. Due Diligence and market research and positioning papers for investors
3. Manage the JV negotiations with the Developer on behalf of investors
4. Manage the inception administration and project set up on behalf of investors.

AIP is entitled to an annual investment management fee of 1% of capital managed per annum, paid 6 monthly to cover:

1. Asset and investment management services as the representative on the JV management committee
2. Regular investor updates and reports against project budget and underwrite
3. Administration and liaison services

4. Management of project finances and capital calls
5. Liaison with nominated investor service providers
6. Regular inspection of project progress and construction
7. Marketing services for the sale of the end units.

The developer is entitled to a Performance Fee above certain parameters.

The Developer's Performance Fee is calculated based on the overall performance of the whole joint-venture.

Refer to the Information sheets for a detailed list of the fees.

WHAT TAXES ARE PAYABLE?

Investors should seek professional tax advice relating to their own situation as investing is likely to have tax consequences. It is recommended that non-resident investors obtain their own professional and independent taxation advice before investing.

Your taxation position will depend on your individual circumstances and place of residency. For countries with a Double Tax Agreement ("DTA") with Australia, the tax rate should be a flat 15% withholding tax.

An investment in the joint venture should be regarded as speculative and may not be appropriate for everyone. You should seek appropriate professional advice before investing. An investment is subject to risk, including the risk that income will not be earned and capital invested will be lost.

Neither Citylife International Realty Limited, Aurient Investment Partners Limited, the developers, Perri Projects Proprietary Limited, or any of their directors, officers, employees, advisors (including financial, accounting and legal advisors) or representatives, guarantee any rate of return or performance of the investment, the meeting of the objectives of the joint venture, nor the repayment of capital invested.