

NOTICE OF GENERAL MEETING (M-CLASS SHAREHOLDERS) AND STATEMENT OF INFORMATION

Federation Alliance Limited

ACN 155 709 809 (Company)

Date: 24 September 2018
Time: 11:00am
Location: 14th Floor, 114 Albert Road
South Melbourne
Victoria 3205

Federation Alliance Limited ACN 155 709 809

Notice of General Meeting (M-Class Shareholders) and Statement of Information

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Letter from the Chairman

Dear Shareholder,

I am writing to you to inform you that a general meeting for M Class Shareholders of the Company will be held on 24th September 2018 (**General Meeting**). The purpose of the General Meeting is to consider a resolution to reduce its capital which is proposed to be passed as a special resolution (**Special Resolution**).

The Directors support the Special Resolution and encourage you to participate in the vote.

Opportunity to realise value and exit

The Company would like to offer you an opportunity to realise the value of, and exit from, your investment in the Company, at a fitting time and expedient manner.

The Company has decided to provide this opportunity through reducing its capital in the proposed reduction and subsequent cancellation of all M Class Shares (**Capital Reduction**). The Directors believe that the proposed initiatives will be fair and reasonable to the Company's shareholders as a whole and unanimously recommend that you vote in favour of the Special Resolution.

The Directors have considered alternatives to the Capital Reduction, including if the M Class Shares were subject to the scheduled Conversion event or if the Company was wound up at this time prior to the Conversion event.

In considering those alternatives, the Directors have taken into account the nature and status of the Company's business. In particular, the Company is party to a Promotion Agreement with Australian Unity Funds Management Limited (AUFM). This Promotion Agreement comprises the fundamental source of revenue and purpose for the Company. The Promotion Agreement was due to expire on 26 June 2018 but had provision for its extension for a further term. This Promotion Agreement, however, has been extended on a month-by-month term basis only and is anticipated to end before the end of 2018.

In light of the proximity of the anticipated end of the Promotion Agreement in 2018 and limited prospects for other avenues for revenue, the Company's future commercial prospects and financial viability are significantly diminished.

The Capital Reduction offers M Class Shareholders an opportunity to realise their investment and to exit (what is otherwise a relatively illiquid investment) and provide FedInvest (as sole remaining shareholder post Conversion) with the ability to more efficiently and effectively determine the affairs of the Company in the short to medium term (including by way of wind up if appropriate), with the M Class Shareholders having had their share capital returned to them.

Moreover, in the Directors' view, the proposal equitably shares the current assets of the Company with those who have contributed to its profits to date and in a manner consistent with its operations and governance to date.

The Notice of Meeting and Statement of Information contain important information that will assist you in making a decision about how to vote on the Special Resolution at the General Meeting. You may cast your vote either by attending the General Meeting in person, or by completing the proxy form accompanying the enclosed documents.

It is important that results of the vote are appropriately representative of the wishes of shareholders, including you. Your vote is valued and we strongly encourage you to participate.

If you require any further information or support, please consult your financial, tax or professional adviser. You may also contact the Share Registry Boardroom Pty Limited, phone 1300 737 760.

On behalf of the Directors, I urge you to take the time to read this document in its entirety, and recommend that you vote in favour of the Special Resolution.

Yours faithfully

A handwritten signature in black ink, appearing to read 'J. Smith', is positioned above the printed name of the Chairman.

Chairman
Federation Alliance Limited

Important Information

The Shareholders should read this Notice of Meeting and Statement of Information in full before making a decision on if and how to vote on the Special Resolution to be considered at the General Meeting. The Statement of Information accompanies, and forms part of, the Notice of Meeting.

Not investment or financial product advice

This Notice of Meeting and accompanying Statement of Information is not investment advice. You should consider whether you need to obtain your own financial, tax and professional advice before making any decision on how to exercise your vote at the meeting. The Statement of Information provides the Shareholder with information which will assist them in evaluation of the Special Resolution and the share reduction referred to in this Notice of Meeting.

ASIC Lodgement

The Notice of Meeting (including the Statement of Information) and other documents have been lodged with ASIC in accordance with section 257D(3) of the *Corporations Act 2001* (Cth). ASIC takes no responsibility for their contents.

Date

The Notice of Meeting and Statement of Information are dated 29 August 2018.

Terms

Terms used in this document will, unless the context otherwise requires, have the same meaning given to them in the Glossary contained in section 0 of the Statement of Information.

Notice of Meeting

Notice is given that a general meeting of the M Class Shareholders of the Company will be held at the offices of the Company at Level 14, 114 Albert Road, South Melbourne VIC 3025 at 11:00am (Melbourne, Australia time) on 24 September 2018.

The business to be considered at the General Meeting is set out below. Information to explain the proposed Special Resolution and to help you consider the business is contained in the accompanying Statement of Information, which we strongly encourage you to read.

1. Special business

Special Resolution – Selective share reduction

To consider and, if thought fit, to pass the following resolution as a special resolution:

'That for the purpose of section 256C(2) of the *Corporations Act 2001* (Cth), and for all other purposes, the shareholders approve the selective reduction of shares in Federation Alliance Limited (**Company**) by the reduction and cancellation of all M Class Shares in the Company at a price per M Class Share equal to its original issue price, which was \$1 per share for the initial subscription of 250 shares, and \$0.01 per share for subsequent shares acquired under the Dividend Reinvestment Plan.'

2. Voting entitlement

For the purposes of the General Meeting and in accordance with section 256C(2) of the *Corporations Act 2001*, the members entitled to attend and vote at the General Meeting shall be those persons who are recorded as M Class Shareholders on the register of members at 11.00am (Melbourne, Australia time) on 22 September 2018.

3. Proxies

Any member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote on their behalf. The person or persons so appointed need not necessarily be members of the Company.

A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. Where two proxies are appointed, each proxy should be appointed to represent a specified portion or number of the member's voting rights (failing which each appointee will be entitled to cast half the member's votes).

A proxy form is enclosed. Please ensure that your proxy instructions are received not later than 11:00am (Melbourne, Australia time) on Saturday 22 September 2018.

Proxy forms may be lodged:

Online at: www.investorserve.com.au/

By mail to the following address:

Boardroom Pty Limited

GPO Box 3993

Sydney NSW 2001 Australia

By fax: +61 2 9290 9655

By hand delivery to:

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000 Australia

A body corporate member may elect to appoint a representative, rather than appoint a proxy, in accordance with section 250D of the Corporations Act. Where a body corporate appoints a representative, the Company requires written proof of the representative's appointment to be lodged with or presented to the Company before the meeting.

If you appoint the Chair of the Meeting as your proxy (including by signing the Proxy Form without designating a proxy) and you do not provide any direction on how to vote on the Proxy Form, you will be taken to have expressly authorised the Chair of the Meeting to exercise your proxy. The Chair of the Meeting intends to vote undirected proxies in favour of the Special Resolution.

By **order** of the Board

A handwritten signature in blue ink, appearing to read 'Emma Rodgers', with a horizontal line extending to the right.

Emma Rodgers
Company Secretary

29 August 2018

Statement of Information

1. Introduction

This Statement of Information has been prepared to assist you to understand the business that will be put to M Class shareholders at the forthcoming General Meeting, as specified in the Notice of Meeting.

2. Proposal

2.1 Overview

(a) **Realisation of value:** The Company is seeking approval from shareholders to reduce the capital in the Company by reducing and cancelling the M Class Shares, in accordance with section s256B of the Corporations Act (**Capital Reduction**). The Company proposes to do so with payment to the M Class Shareholders of the original issue price per M Class Share, which was \$1 per share for the initial subscription of 250 shares, and \$0.01 per share for subsequent shares acquired under the Dividend Reinvestment Plan. The Board considers this basis for the capital reduction payment to be the most equitable outcome for the M Class Shareholders as a whole in the circumstances, the reasons for which are further described in paragraph 2.3(b).

(b) **Participation and exit by all M Class Shareholders:** The Special Resolution contained in the Notice of Meeting must be passed by M Class Shareholders as a special resolution, which means that at least 75% of the M Class Shares present at the meeting (in person or by proxy) must vote in favour of the proposed Capital Reduction.

Under the Capital Reduction proposed, the entire class of M Class Shares will be reduced and cancelled and if that proposal is approved, you will no longer own any shares in the Company. The Company will then be owned by the holders of Foundation Shares and Ordinary Shares only, being FedInvest Pty Ltd.

The Capital Reduction proposal will not affect the Foundation Shares or Ordinary Shares which will continue to be held by FedInvest. Accordingly, if the Capital Reduction proposal is effected, FedInvest will be the sole shareholder in the Company.

(c) **Recommended alternative to the scheduled review:** There is an upcoming Conversion event (defined below) for M Class Shares and Foundation Shares. Conversion refers to the conversion of all M Class Shares (including those acquired through the Dividend Reinvestment Plan) and the Foundation Shares into Ordinary Shares in the Company (**Conversion**), such that after Conversion all shareholders would then hold Ordinary Shares with equal (pari passu) rights and entitlements per share in relation to dividends, voting and other matters. Whilst the Conversion would include the conversion of all M Class Shares previously acquired through the Dividend Reinvestment Plan, the Directors have recently determined to suspend the Dividend Reinvestment Plan effective 23 August 2018, and accordingly no further M Class Shares will be issued under the Dividend Reinvestment Plan at this time.

Under the Constitution, the Conversion event is scheduled to occur 30 Business Days following the issue of the Company's audited accounts for the financial year ended 30 June 2018 (**Trigger Date**). Customarily, this would be expected to be around the end of October 2018.

As set out in your initial offer documentation for the M Class Shares, it has been the intention of the Company to review appropriate options to realise the value of the Company for the benefit of its Shareholders in mid-2018, prior to this planned Conversion event. The Directors have subsequently determined to recommend the Capital Reduction proposed here as an alternative for investors.

(d) ***Recommended after consideration of a range of other alternatives:***

The Directors have considered alternatives to the Capital Reduction, including if the M Class Shares were subject to the scheduled Conversion event (outlined above) or if the Company was wound up at this time prior to the Conversion event.

In considering those alternatives, the Directors have taken into account the nature and status of the Company's business. In particular, the Company is party to a Promotion Agreement with AUFM. This Promotion Agreement comprises the fundamental source of revenue and purpose for the Company.

The Promotion Agreement was due to expire on 26 June 2018 but had provision for its extension for a further term. This Promotion Agreement, however, has been extended on a month-by-month term basis only and is anticipated to end before the end of 2018. AUFM is intending to directly resume the activities previously outsourced to the Company under the Promotion Agreement, in light of the limited scale of the products and services that are its subject.

While the Directors have not resolved to wind-up the Company following the end of the Promotion Agreement, in the circumstances, a wind-up of the Company in the next 6 to 12 months cannot be ruled out.

Having regard to the anticipated financial return, liquidity, potential risks, the Company's likely level of business activities going forward, equity and fairness among shareholders and potential impost on M Class Shareholders to consider and approve further resolutions over time, among other factors, the Directors unanimously recommend the Capital Reduction as an equitable and preferred alternative for M Class Shareholders, based on the information and circumstances described in this Statement of Information.

2.2 Summary of the details of the Capital Reduction

- (a) ***Participation in the Capital Reduction:*** The Capital Reduction (if approved) will apply to all shareholders holding M Class Shares in the Company.
- (b) ***Price:*** The Company will reduce and cancel M Class Shares at a price that reflects payment to the M Class Shareholders of the original issue price per M Class share, which was \$1 per share for the initial subscription of 250 shares, and \$0.01 per share for subsequent shares acquired under the Dividend Reinvestment Plan. Accordingly, the price to be paid to each M Class Shareholder in the Capital Reduction is based on the total capital each M Class Shareholder contributed for the M Class Shares held by that shareholder.
- (c) ***Selective reduction:*** The Company will reduce the M Class Shares only if the Shareholder Resolutions are passed, and in that event, the entire class of M Class Shares will be reduced and cancelled. The Company will then be owned by

the holders of Foundation Shares and Ordinary Shares only, being FedInvest Pty Ltd. As the Capital Reduction is proposed in respect of all of the M Class Shares, but not of any other classes of shares in the Company, it is considered a selective capital reduction under the Corporations Act (and regulated accordingly, see section 2.8). ASIC will be notified of the passage of the Shareholder Resolutions and the share cancellation in accordance with sections 256C(3) and 254Y of the Corporations Act.

- (d) **Maximum Number of Shares:** The maximum number of M Class Shares in the Company reduced under the proposed Capital Reduction will be 100% of the M Class Shares (representing approximately 71.5% of the total paid up share capital in the Company).
- (e) **Conditions to Capital Reduction:** The Capital Reduction is conditional on the Shareholder Resolutions referred to in section 2.9 (c) being passed. That is, the Capital Reduction must be approved by:
 - (i) a resolution of the Company's sole ordinary shareholder (being FedInvest); and
 - (ii) a special resolution of the M Class Shareholders, as proposed here.

2.3 Reasons for the proposed Capital Reduction

The Company is proposing the Capital Reduction for M Class Shareholders to consider for the following reasons:

(a) Prospects of the Company

In light of the proximity of the anticipated end of the Promotion Agreement in 2018 and limited prospects for other avenues for revenue, the Company's future commercial prospects and financial viability are significantly diminished. While the Directors have not resolved to wind-up the Company, in the circumstances, a wind-up of the Company in the next 6 to 12 months cannot be ruled out.

The Capital Reduction offers M Class Shareholders an opportunity to realise their investment and to exit (what is otherwise a relatively illiquid investment) in these circumstances.

(b) Commitment to you

The Company made a commitment to M Class Shareholders, under the initial offer documents, to review appropriate options for realising the value of their shareholding in the Company around mid-2018, acknowledging the M Class Shares are largely illiquid.

Having done so, Directors believe the proposal is in the interest of shareholders generally and appropriate to recommend to you to consider.

If the Capital Reduction does not occur, all of the M Class Shares will be converted into Ordinary Shares on or shortly after the Trigger Date. A consequence of Conversion is that the method for calculating Shareholders' dividend entitlements changes. Each Shareholder's entitlement to dividends would be in proportion to the level of their shareholding of Ordinary Shares and not a function of the level of the Shareholder's investment on the Platform (which is the current basis upon which M Class Shareholders' dividend entitlements are determined).

The Directors have determined that the consideration paid for the Capital Reduction will be the capital amounts that each M Class shareholder has contributed towards acquiring M Class Shares (including through the Dividend Reinvestment Plan).

The Directors believe that this is a more equitable basis than paying the consideration based on the number of M Class Shares each shareholder holds, in light of the significant difference in the amount of capital contributed in the initial subscription for M Class Shares when compared to the capital amount contributed in issuing M Class Shares under the Dividend Reinvestment Plan. In addition, the Capital Reduction will provide M Class Shareholders with a more certain investment outcome than the Conversion of the M Class Shares.

The Company's share structure (and Dividend Reinvestment Plan) was envisaged in circumstances where the Platform and the Company's promotion business would expand materially beyond where it is today. Returns to M Class Shareholders to date (in the form of dividends) have been based on their level of participation on the Platform and not based on the number of M Class shares held by the Shareholder. The proposed terms of the Capital Reduction are consistent with this approach.

For completeness, the Directors considered an alternative approach to the Capital Reduction consideration as an amount on a per M Class Share basis. Because M Class Shares were issued under the Dividend Reinvestment Plan at an effective price of \$0.01 per share, paying the consideration on a per share basis would mean that shareholders who participated in the Dividend Reinvestment Plan would receive (in the Directors' view) a disproportionately higher return of capital relative to the amount of capital actually paid and in the circumstances and for the reasons given above, the Directors do not believe that this alternative approach would be the most equitable approach.

In assessing the proposal for the Capital Reduction, Shareholders should also bear in mind the Directors' views as to the future profitability and viability of the Company, as commented on above and below.

(c) **Change in alignment of shareholder interests**

M Class Shares were issued by the Company to investors in the Platform that the Company promoted. This offered investors and the Company the opportunity to share aligned interests, with Platform members being given the opportunity to participate in the ownership of the Company.

When the Promotion Agreement ends, there will no longer be a naturally aligned relationship between the M Class Shareholders (as Platform members) and the activities of the Company.

(d) **Capital Management**

Given the importance of the Promotion Agreement to the Company's business and the relatively short duration of its expected residual term, the Company needs to re-evaluate its future strategy including its capital management. The scale of the Company's business does not warrant its current capital supply and the Company cannot easily utilise such capital efficiently.

While the Directors have not resolved to wind-up the Company, in the circumstances, a wind-up of the Company in the next 6 to 12 months cannot be ruled out. In context of the revised business conditions and operations of the

Company that are anticipated, the Capital Reduction proposal is intended to provide M Class Shareholders with a certain investment outcome and provide the Company with a more efficient capital structure going forward; and in a manner that is transparent and in the interests of its shareholders.

For the reasons given above and in this section 2.3, and sections 2.4 and 2.6, the Directors believe the Capital Reduction will be fair and reasonable to the Company's shareholders as a whole.

2.4 Consideration paid and impact for shareholders if the Shareholder Resolutions are passed

- (a) If the Shareholder Resolutions are passed, Conversion will not occur for the M Class Shareholders. Instead, M Class Shareholders will receive payment of the consideration from the Company for the Capital Reduction as described above and cancellation of their M Class Shares. You will no longer be a shareholder in the Company.
- (b) The consideration paid will be a return of the capital contributed being the original issue price per M Class share, which was \$1 per share for the initial subscription of 250 shares, and \$0.01 per share for subsequent shares acquired under the Dividend Reinvestment Plan.
- (c) The Foundation Shares and the Ordinary Shares in each case held by FedInvest are not being reduced or cancelled as part of the Capital Reduction. If the Shareholder Resolutions are passed:
 - (i) the Ordinary Shares will continue to be held by FedInvest Pty Ltd;
 - (ii) the Foundation Shares will still convert to ordinary shares on the Trigger Date and will be held by FedInvest Pty Ltd, and
 - (iii) accordingly, FedInvest will be the sole shareholder in the Company.
- (d) The consideration for the Capital Reduction will be paid out of the Company's capital account as a debit to the share capital account. The Capital Reduction will result in a capital gains tax event for each M Class Shareholder. Given the consideration from the Company for the Capital Reduction will equal the amount subscribed by each M Class Shareholder, it is expected that no capital gain or capital loss will arise as a result of the Capital Reduction. The Company has received tax advice that to the extent that the Capital Reduction is debited against the share capital account it is not a dividend.

That is, payment of the Capital Reduction consideration to you would be considered a capital return and not a dividend.

The information in this section is intended as a discussion in general terms of the payment and tax implications of the Capital Reduction. It is not intended to be relied on as advice and shareholders are encouraged to consult with their own professional, tax or financial advisor.

2.5 Share capital details and financial effect on the Company if the Shareholder Resolutions are passed

- (a) As at the date of this Statement of Information, the Company had on issue:
 - (i) 55,000 Foundation Shares;
 - (ii) 2,000 Ordinary Shares; and
 - (iii) 232,536 M Class Shares.

If the Shareholder Resolutions are passed, the number of Shares the Company will have on issue after the Capital Reduction will be:

- (i) 55,000 Foundation Shares; and
- (ii) 2,000 Ordinary Shares.

The Foundation Shares will subsequently convert into Ordinary Shares on the Trigger Date (as those shares are not being reduced or cancelled).

- (b) The financial effect of the Capital Reduction on the Company will be that:
 - (i) its net assets will be reduced to the extent of the amount to be paid to give effect to the Capital Reduction; and
 - (ii) the Company will continue to have the capacity to pay its current debts as they fall due.
- (c) The Directors do not believe the Capital Reduction will materially prejudice the Company's ability to pay its creditors or satisfy its liabilities.
- (d) The Directors advise that the Capital Reduction will not result in the Company being insolvent at the time of the reduction or becoming insolvent as a result of the reduction. The Company will continue to have positive net assets. The consideration for the Capital Reduction will be paid out of the Company's capital account as a debit to the share capital account.

2.6 Reasons to vote in favour of the Special Resolution

The Directors have identified the following advantages to M Class Shareholders of carrying out the Capital Reduction:

- (a) **Preserves value** – The residual term for the Promotion Agreement is limited. Accordingly, revenue and future commercial prospects for the Company are significantly diminished and unlikely to provide sustenance of dividend levels commensurate with recent periods. If the Shareholders Resolutions are not passed, M Class Shares (which will convert into Ordinary Shares when the Conversion occurs) assume the risk of future operations and/or costs of a potential liquidation of the Company eroding the current value (of the class). On that basis it is reasonably estimated by the Company that M Class shareholders would not receive a materially higher return under an alternative approach.
- (b) **Provides liquidity** – The Capital Reduction provides an opportunity for M Class Shareholders to realise their investment and exit what is otherwise a relatively illiquid investment. As noted in the offer documentation for the M Class Shares, there is no market for the M Class Shares. Furthermore, if the Shareholders Resolutions are not passed and Conversion event occurs, there is also no market for the Ordinary Shares (nor do the Directors expect there to be one in future).
- (c) **Fair and equitable** – In the Directors' view, the proposal equitably shares the current assets of the Company with those who have contributed to its profits to date and in a manner consistent with its operations and governance to date. As noted earlier, the Directors believe that the consideration payable for the Capital Reduction is an equitable outcome for all M Class Shareholders by returning their respective capital contributions (including made through the Dividend Reinvestment Plan).

2.7 Reasons to not vote in favour of the Special Resolution

The Directors have identified the following possible disadvantages to M Class Shareholders of carrying out the Capital Reduction:

- (a) Individual M Class Shareholders may have particular personal reasons for remaining as an M Class Shareholder.
- (b) M Class Shareholders (including those that participated in the Dividend Reinvestment Plan) may wish for their M Class Shares to convert to Ordinary Shares in the Company on the Trigger Date (as explained previously in the offer documentation for the M Class Shares). This is because they will receive Ordinary Shares as a result of the Conversion and their dividend and wind up entitlements will be based on the number of Ordinary Shares held and not a function of the level of investment in the Platform (the basis for the current M Class Shares' entitlement to dividends). However, M Class Shareholders should note the Directors' views regarding future prospects of the Company and anticipated dividend levels (noted above).

2.8 Likely outcomes if the Shareholder Resolutions are not passed

If the Shareholder Resolutions are not passed, M Class Shareholders can expect the following:

1. The M Class Shares will convert on the Trigger Date to Ordinary Shares with equal rights and entitlements per share in relation to dividends, voting and other matters.
2. There is no market presently for Ordinary Shares and the Directors do not expect there to be a market for Ordinary Shares.
3. The Company reasonably estimates that, as a class, the M Class Shareholders would obtain a slightly worse outcome if the Shareholder Resolutions are not passed, the Conversion event occurs and the Company is wound up (being approx. \$10,000 - \$20,000 worse off in aggregate).
4. While the Directors have not resolved to wind-up the Company, in the circumstances, a wind-up of the Company in the next 6 to 12 months cannot be ruled out.

2.9 Requirements of the Corporations Act

- (a) Under the Corporations Act, the Company must include with the Notice of Meeting all information known to it that is material to the decision whether to accept the offer of the Capital Reduction. This Statement of Information is given for that purpose and the Directors believe that this Statement of Information contains all information material and necessary for members to make an informed decision.
- (b) Section 256B of the Act provides that the Company may reduce its share capital if the reduction:
 - (i) is fair and reasonable to the Company's shareholders as a whole;
 - (ii) does not materially prejudice the Company's ability to pay its creditors; and
 - (iii) is approved by shareholders under section 256C of the Act.
- (c) Section 256C(2) of the Corporations Act requires the approval of a selective reduction by way of:
 - (i) resolution of the Company's sole ordinary shareholder; and
 - (ii) a special resolution of the M Class Shareholders, (collectively, the **Shareholder Resolutions**).

The Directors believe these requirements will be met should the Shareholder Resolutions be passed as recommended.

2.10 Related party transactions considerations

As has been noted in the offer documentation for the M Class Shares, FedInvest holds shares in the Company, and is a service provider to the Company under a Promotion Services Agreement. Australian Unity (through a subsidiary) also holds shares in FedInvest; and AUFM (which has appointed the Company under the Promotion Agreement) is an Australian Unity Group company. An entity associated with the Company's Executive Director as at 29 August 2018 also holds shares in FedInvest. The Company and FedInvest also share some common directors.

As has been noted previously, therefore, there are some contractual arrangements between related parties as part of the overall promotion structure of the Platform. Related party arrangements can carry the potential risk that they may not be supervised or assessed as often or in as much detail as other arrangements. All transactions that the Company enters into, including those with related parties, such as FedInvest and AUFM, are on arm's length commercial terms. The Company has procedures in place for the purposes of supervising and monitoring all related party transactions.

Each of AUFM and FedInvest has given, and has not withdrawn as at the date of this document, its written consent to be named, in the form and context in which it is named.

2.11 Directors' recommendation

The Directors unanimously recommend that M Class Shareholders vote in favour of the Special Resolution to approve the Capital Reduction as described in the Notice of Meeting and this Statement of Information.

2.12 Lodgement

A copy of the Notice of Meeting and Statement of Information has been lodged with ASIC, along with ASIC Form 2560 (Notification of reduction in share capital), in accordance with section 256C(5) of the *Corporations Act*. ASIC takes no responsibility for their contents.

3. Further information

If you have any questions or need more information about the Special Resolution or anything contained in the Notice of Meeting and this Statement of Information above, please contact the Company's Share Registry, Boardroom Pty Limited on:

Telephone: 1300 737 760
Fax: +61 2 9290 9655
Email: fedalliance@boardroomlimited.com.au

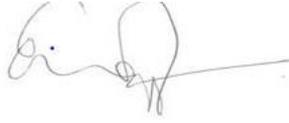
4. Glossary

Unless the context otherwise requires, the singular includes the plural and vice versa, and the following terms will have the following meaning:

- (a) **ASIC** means the Australian Securities and Investments Commission.
- (b) **AUFM** means Australian Unity Funds Management Limited.
- (c) **Company** means Federation Alliance Limited ACN 155 709 809.
- (d) **Constitution** means the constitution of the Company.
- (e) **Conversion** has the meaning given to that term in section 2.1(c) of this Statement of Information.
- (f) **Corporations Act** means the *Corporations Act 2001* (Cth), as amended from time to time.
- (g) **Directors** means the directors of the Company as at the date of this Notice of Meeting and Statement of Information.
- (h) **Dividend Reinvestment Plan** means the dividend reinvestment plan available to M Class Shareholders as more specifically described in the offer documents for the M Class Shares.
- (i) **FedInvest** means FedInvest Pty Ltd.
- (j) **Foundation Shares** means redeemable convertible preference shares in the capital of the Company as described further in the Company's Constitution.
- (k) **General Meeting** means the general meeting of the members of the Company to which the Notice of Meeting and Statement of Information relates.
- (l) **M Class Shares** means redeemable convertible preference shares in the capital of the Company as described further in the Company's Constitution.
- (m) **Notice of Meeting** means the notice of general meeting to which this Statement of Information is annexed.
- (n) **Ordinary Shares** means ordinary shares in the capital of the Company.
- (o) **Platform** means the platform comprising:
 - (i) Federation Managed Accounts, an Investor Directed Portfolio Service (IDPS) structured as an IDPS-like registered managed investment scheme, issued by its responsible entity AUFM; and
 - (ii) Federation Alliance Superannuation Fund (Federation SuperTM), a regulated superannuation fund issued by Diversa Trustees Limited.
- (p) **Promotion Agreement** means the promotion agreement dated 26 June 2013 between AUFM and the Company.
- (q) **Promotion Services Agreement** means the promotion services agreement dated 26 June 2013 between the Company and FedInvest.
- (r) **Shareholder Resolutions** has the meaning given to that term in section 2.9(c) of this Statement of Information.
- (s) **Special Resolution** means the resolution set out in the Notice of Meeting and explained in the Statement of Information.

- (t) **Statement of Information** means the statement of information in this document to which the Notice of Meeting is annexed.
- (u) **Trigger Date** has the meaning given to that term in section 2.1(c) of this Statement of Information.

Date 29 August 2018

A handwritten signature in black ink, appearing to read 'Emma Rodgers', written over a horizontal line.

Signed

Emma Rodgers, **Company Secretary**

Proxy form

The Secretary

Federation Alliance Limited ACN 155 709 809

I/We

.....
(please print)

of

.....
(please print)

being a member(s) of Federation Alliance Limited ACN 155 709 809 appoint:

Name of Proxy

Address of Proxy

.....
.....

or, in his/her absence:

Name of Proxy

Address of Proxy

.....
.....

for a single meeting appointment or if I/we have not nominated a proxy or if the nominee is absent from the meeting, the Chairperson of the meeting as my/our proxy to vote on my/our behalf in accordance with the following instructions (or if no instructions are given, as the proxy sees fit) at the meeting of Federation Alliance Limited ACN 155 709 809 to be held on 24 September 2018 and at any adjournment of that meeting.

This proxy is authorised to

exercise votes/ % of my/our total voting rights.

Directing your Proxy

To instruct your proxy how to vote, insert 'X' in the appropriate column against each item of business set out below. If you do not instruct your proxy how to vote on a resolution, your proxy may vote as he/she thinks fit or abstain from voting.

I/We instruct my/our proxy to vote as follows (the resolution is numbered as in the notice of meeting):

	For	Against	Abstain
1. Selective Share Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you do not wish to direct your proxy how to vote, please place a mark in the box

By marking this box, you acknowledge that the Chairperson (if he or she is your proxy) may exercise your proxy even if he or she has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

This proxy must be signed by each appointing member (or the member's attorney). Proxies given by a company must be executed in accordance with section 127 of the Corporations Act 2001 (Cth) or signed by a duly authorised officer or attorney.

Dated

Executed by

_____ in the presence of

Signature

Signature of witness

Name (print)

Name of witness (print)

The proxy form and the power of attorney or other authority (if any) under which it is signed (or a certified copy) must be received by the company by 11.00am (Melbourne, Australia time) on Saturday 22 September 2018 at:

Online at: www.investorserve.com.au/

By mail to the following address:

Boardroom Pty Limited

GPO Box 3993

Sydney NSW 2001 Australia

By fax: +61 2 9290 9655

By hand delivery to:

Boardroom Pty Limited

Level 12, 225 George Street

Sydney NSW 2000 Australia