

ERSKINE+OWEN

INFORMATION MEMORANDUM

LADIES MILE PROPERTY SYNDICATE

29 MAY 2018

**OFFER RESTRICTED TO "WHOLESALE INVESTORS"
UNDER CLAUSES 3(2) AND 3(3)(A) OF SCHEDULE 1 TO
THE FINANCIAL MARKETS CONDUCT ACT 2013**



KEY DETAILS OF OFFER

PROPERTY

497 FRANKTON-LADIES MILE HIGHWAY, QUEENSTOWN

SYNDICATE STRUCTURE

LIMITED PARTNERSHIP

PURCHASE PRICE

NZ\$5,100,000 (FIVE MILLION AND ONE HUNDRED THOUSAND NEW ZEALAND DOLLARS)

LOAN TO VALUE RATIO

UP TO 40% OF THE PURCHASE PRICE

MINIMUM INVESTMENT

NZ\$100,000

INCREMENTAL INVESTMENT

NZ\$50,000

OFFER CLOSURE DATE

28 SEPTEMBER 2018 OR UNLESS SUBSCRIBER NUMBERS FILLED PRIOR

SUMMARY PROPERTY PROFILE

- + 4.59 HECTARE SITE BETWEEN FRANKTON AND LAKE HAYES IN QUEENSTOWN
- + 2 MODERN SUBSTANTIAL HOMES CURRENTLY OPERATING AS AN UP-MARKET LODGE

IMPORTANT NOTICE

This Information Memorandum has been prepared by Erskine and Owen Limited (E+O) for E+O Property Syndication Limited. E+O believes all the information contained in this Information Memorandum is correct at the time of publication. E+O has approved and authorised the distribution of this Information Memorandum, subject to the restrictions referred to below. However, neither E+O, its shareholders, directors, employees, advisors or agents shall be responsible for any error, omission or misstatement contained in this Information Memorandum.

This Information Memorandum has been prepared solely for general information purposes and not as specific advice to any particular prospective investor or investors. It is not intended to be, and does not in any manner whatsoever constitute, a recommendation, expressed or implied, by E+O for E+O Property Syndication Limited as the Offeror that any person subscribe for interests each, (an **Interest**) in the Limited partnership (**Limited Partnership**) offered under this Information Memorandum.

This Information Memorandum does not purport to contain all of the information a prospective investor may require.

Prospective investors must determine whether the investment is appropriate having regard to their own investment objectives and financial situation. Investors are encouraged to seek independent advice on these matters.

An Interest in the Limited Partnership is a "financial product", and more particularly a "managed investment product", for the purposes of the Financial Markets Conduct Act 2013 (**FMCA**). The Limited Partnership is also a "managed investment scheme" but not a "registered scheme" for the purposes of the FMCA.

As a consequence of this offer of Interests in the Limited Partnership being restricted to selected investors only (who must all be "*wholesale investors*" within the meaning set out in clauses 3(2) and 3(3)(a) of Schedule 1 of the FMCA) and of the Limited Partnership not being a registered scheme, this offer of Interests in the Limited Partnership is not a "regulated offer" under the FMCA. Accordingly, no "product disclosure statement" is required under the FMCA in relation to this offer and the Interests in the Limited Partnership will not be a "regulated product" within the meaning of the FMCA.

E+O and its related companies identify, promote and manage investment opportunities.

E+O, on behalf of E+O Property Syndication Limited, reserves the right to reject any application to subscribe for Interests in the Limited Partnership offered under this Information Memorandum at its sole discretion. In particular, E+O may reject an application where:

- + E+O has knowledge that this Information Memorandum contravenes laws or regulations analogous to the New Zealand Financial Markets Conduct Act 2013 in the overseas jurisdiction of the potential investor or where participation by such investor would result in an offshore jurisdiction imposing on E+O as the Offeror additional regulations or compliance above and beyond that imposed and required under New Zealand law; or
- + E+O has reason to believe the investment is being funded by proceeds that infringe New Zealand's Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) regulatory regime; or
- + to accept such an application would result in E+O, on behalf of E+O Property Syndication Limited or any of their respective shareholders, directors, employees or agents breaching any law, including in circumstances where a potential investor has not provided the required certification that they are a *Wholesale Investor* under clause 3(2) or clauses 3(3)(a) and 41 of Schedule 1 to the Financial Markets Conduct Act 2013.

None of E+O, E+O Property Syndication Limited their respective shareholders, directors, employees, advisors or agents is responsible for any costs or disbursements incurred by any prospective investor in connection with its or his or her review of this Information Memorandum and any associated documents or materials or otherwise in connection with its or his or her application for an Interest in the Limited Partnership.

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1. EXECUTIVE SUMMARY

1.1. WHAT IS A PROPERTY SYNDICATION?

A property syndication is a group of investors who are pooled together to purchase one or more properties.

1.2. WHY PROPERTY SYNDICATION?

Property syndication offers you the opportunity to invest in residential property and own a stake in the property. Investors subsequently receive a proportionate share of any net rental income via distributions made by the syndicate.

1.3. WHAT ARE THE ADVANTAGES OF AN E+O SYNDICATION?

- + Opportunity to gain access to the property market when you may currently be unable to invest otherwise.
- + Exposure to the property market with sensible leverage.
- + Access to potentially higher value, higher growth freehold property.
- + Potential risk mitigation: with funding up to 50%, the bank will not require personal guarantees and has recourse only to the property/ies.
- + Leverage Erskine + Owen's considerable buying and negotiating experience.
- + Exposure to potential high yield property with one investment.

1.4. SYNDICATED PROPERTY

E+O Property Syndicate Limited as general partner (**GP**) and qualifying investors as limited partners will establish a Limited Partnership (**Limited Partnership**) to purchase 497 Frankton-Ladies Mile Highway, Queenstown together (the **Property**). Qualifying investors are being offered the opportunity to purchase Interests in a Limited Partnership which will own the Property.

1.5. SYNDICATE STRUCTURE

- + The Limited Partnership will hold the title to the Property.
- + Investors will have an interest in the Property by purchasing an Interest in the Limited Partnership and becoming a Limited Partner (**LP**) in the Limited Partnership pursuant to a limited partnership agreement (**Limited Partnership Agreement**) to be entered into between the LPs and the GP of the Limited Partnership.
- + The Limited Partnership is made up of the GP and the LPs. The GP runs the Limited Partnership on the behalf of the LPs. The GP will arrange the finance, engage third parties (solicitors, accountants, valuers) as required and will coordinate annual and special meetings.
- + The GP in this case will be E+O Property Syndication Limited (a company whose directors and shareholders are the same as E+O).
- + The property manager and buying agent are appointed by the GP. In this case the property manager will be Point Property and Portfolio Management Limited (a company whose directors and shareholders are the same as Erskine and Owen Limited) and the buying agent will be E+O.
- + LPs cannot take over or interfere with the running of the partnership. Doing so puts the Limited Partnership at risk of losing its Limited status.

- + LPs are only liable to the extent of their capital contributions. This is on the proviso that they do not take part in the management of the limited partnership (known as the 'control rule').
- + Limited Partnerships are a common business and investment vehicle used in many western countries, and are internationally recognised.
- + Limited Partnerships were introduced to New Zealand under the Limited Partnerships Act 2008.

1.6. ADVANTAGES OF A LIMITED PARTNERSHIP STRUCTURE

- + Efficiency in contracting - The general partner contracts on behalf of the limited partnership.
- + Limited liability protection - Subject to certain conditions, limited partners are protected from liability for any losses and claims that arise out of the activities of the limited partnership.
- + Continuity and succession - The limited partnership continues despite any exit of an individual limited partner.
- + While a limited partnership must be registered with the Companies Office, details of the limited partners, their respective capital contributions and the accounts of the limited partnership are not disclosed to the public.
- + Accounts must be prepared, but they do not need to be filed with the Companies Office.
- + The general partner can be a limited company.
- + Limited partners do not have to be New Zealand residents.
- + The Limited Partnership may invest in more than one property. A separate vehicle is not required.
- + The profits of the business of the limited partnership are taxed as if the business was carried on by the limited partners in partnership, known as 'flow through' tax status. Profits and losses from the limited partnership flow through (on a pre-tax basis) directly to the limited partners to the extent of the limited partner's interest in the limited partnership.

1.7. DISTRIBUTIONS

- + Any profits will be returned to LPs via distribution.
- + Distributions will be made at the GP's discretion and pro-rated to a LP's capital contribution.

1.8. INTERESTS OFFERED

- + The Offeror is offering 3,600,000 Interests in the Limited Partnership of NZ\$1 each (the Offer).
- + An investor must subscribe for a minimum of 100,000 Interests of NZ\$1 each ('Minimum Investment').
- + An investor may subscribe for additional Interests of NZ\$1 each above the Minimum Investment in incremental amounts of 50,000 Interests up to a maximum of 1,400,000 Interests of NZ\$1 each.

1.9. NUMBER OF LIMITED PARTNERS

The number of LPs will be a minimum of three and a maximum of 36.

1.10. OFFER FULLY UNDERWRITTEN

- + E+O has arranged with third parties (being Wholesale Investors) (Underwriters) to underwrite the offer in full.
- + If the Offer is not fully subscribed by 30 September 2018, the Underwriters shall subscribe for the balance of Interests by no later than the 15th of November 2018 to the extent that no other person (being a Wholesale Investor) agrees to subscribe for the balance by that date.

1.11. FINANCE STRUCTURE

- + The purchase price of the Property and the establishment costs (costs incurred in raising capital, obtaining loan finance and acquiring the Property) will be funded from the subscription proceeds of NZ\$3,600,000 and from a bank loan (secured over the Property) of up to 40% of the purchase price.
- + The loan will be non-recourse – the lender may only pursue recourse against the Limited Partnership and no personal guarantees are provided by investors.

1.12. REGISTRATION OF THE LIMITED PARTNERSHIP

If, by 28 September 2018, or earlier as notified by the GP (the **Offer Closure Date**), the Offer is fully subscribed (total subscription proceeds of NZ\$3,600,000) then the GP has the power to instruct the solicitor for the Limited Partnership to register the Limited Partnership with the Companies Office.

1.13. SETTLEMENT OF THE PROPERTY

The Property is subject to an unconditional agreement for sale and purchase in the name of E+O as purchaser. E+O will nominate the Limited Partnership as the purchaser on settlement.

1.14. NATURE AND USE OF PRINCIPAL ASSET OF THE LIMITED PARTNERSHIP

The Limited Partnership will hold the title to the Property.

1.15. WHAT HAPPENS TO MY CAPITAL CONTRIBUTION BEFORE THE LIMITED PARTNERSHIP COMMENCES?

- + Your capital contribution will be deposited to the trust account of the solicitor to the Limited Partnership.
- + An amount equal to the costs incurred to the date of the establishment of the Limited Partnership will be distributed to the bank account of the Limited Partnership for the GP to pay amounts owing.
- + The remaining capital shall remain in the solicitor's trust account until the Limited Partnership commences.
- + The capital will earn interest which will be allocated against the costs of the Limited Partnership.

1.16. WHAT ARE THE RISKS?

There are several risks that could impact on the performance and financial returns of the Limited Partnership and the value of the investment to, and potential liabilities of, LPs. LPs should seek independent advice. The intention of the structure underlying this property syndicate is to minimise the risk of any liability to LPs. Potential risks include, but are not limited to, the following:

- + The Property is sold at a loss and LPs not being able to recover the full amount of their original investment.
- + The tenants of the Property failing to pay the rental and outgoings.
- + Interest rates increasing (and consequently increasing the mortgage repayments due from the Limited Partnership to the bank).
- + The Property is destroyed and the event not being covered by the insurer of the Property.
- + LPs needing to contribute further funds beyond their initial investment, including in relation to repairs and maintenance.
- + The Property Manager increasing its fees over the life of the Limited Partnership.
- + LPs being unable to find a buyer for their Interests should they wish to exit the Limited Partnership before the Property is sold.

1.17. WHO IS INVOLVED?

Offeror and General Partner:	E+O Property Syndication Limited (a company whose directors and shareholders are the same as Erskine and Owen Limited).
Buying Agent:	Erskine and Owen Limited
Property Manager:	Point Property and Portfolio Management Limited (a company whose directors and shareholders are the same as Erskine and Owen Limited)

1.18. QUALIFICATIONS AND EXPERIENCE - ERSKINE AND OWEN LIMITED

E+O has been providing property investment advice and property acquisition services for 10 years. E+O is licensed by the Real Estate Agents Authority of New Zealand

1.19. EXCLUSIONS FROM THE FINANCIAL MARKETS CONDUCT ACT 2013 FOR OFFERS TO "WHOLESALE INVESTORS"

This offer of financial products (in the form of interests in the Limited Partnership which constitute "managed investment products") is being made only to persons who are "*wholesale investors*" under clauses 3(2) and 3(3)(a) of Schedule 1 of the Financial Markets Conduct Act 2013.

Under clause 3 of Schedule 1 to the Financial Markets Conduct Act 2013 a person is a "*wholesale investor*" if the person is one or more of the following:

- (a) a **large** investor (clauses 3(2)(c) and 39 of Schedule 1 to the Act); or
- (b) an **eligible investor** (clauses 3(3)(a) and 41 of Schedule 1 to the Act); or
- (c) an **investment business** (clauses 3(2)(a) and 37 of Schedule 1 to the Act); or
- (d) meets the **investment activity criteria** (clauses 3(2)(b) and 38 of Schedule 1 to the Act).

LARGE INVESTOR

You are a “*wholesale investor*” because you are *large* (as defined in clauses 3(2)(c) and 39 of Schedule 1 to the Act) if one or both of the following applies:

- + the net assets of you and of entities controlled by you exceeded \$5,000,000 at the end of each of your last two financial years; or
- + the total consolidated turnover of you and entities controlled by you exceeded \$5,000,000 in each of your last two financial years.

ELIGIBLE INVESTOR

You are a “*wholesale investor*” because you are an eligible investor (as defined in clauses 3(3)(a) and 41 of Schedule 1 to the Act) on the grounds that you certify in writing that:

- (a) your previous experience in acquiring or disposing of financial products allows you to assess:
 - + the merits of the transaction (including assessing the value and the risks of the financial products involved in the transaction);
 - + your own information needs in relation to the transaction;
 - + the adequacy of the information provided to you in relation to the transaction; and
- (b) you understand the consequences of certifying yourself to be an eligible investor for the purposes of the Act.

You must state in your certificate the grounds for your certification, that you have previous experience in acquiring or disposing of financial products. An authorised financial adviser, a qualified statutory accountant or lawyer, must confirm your certification.

INVESTMENT BUSINESS

You are a “*wholesale investor*” because you are an investment business, as defined in clauses 3(2)(a) and 37 of Schedule 1 to the Act on the grounds that:

- + your principal business consists of 1 or more of the following:
 - investing in financial products
 - acting as an underwriter
 - providing a financial adviser service in relation to financial products
 - providing a broking service in relation to financial products
 - trading in financial products on behalf of other persons
- + you are a registered bank; or
- + you are a Non-Bank Deposit Taker; or
- + you are a licensed insurer; or
- + you are a manager of a registered scheme, or a discretionary investment management service, that holds a market services licence; or
- + you are a derivatives issuer that holds a market services licence; or
- + you are a Qualified Financial Entity (QFE) or an Authorised Financial Adviser (AFA).

INVESTMENT ACTIVITY CRITERIA

You are a “*wholesale investor*” because you satisfy the investment activity criteria in clauses 3(2)(b) and 38 of Schedule 1 to the Act on the grounds that at least one of the following applies:

- + you own, or at any time in the last two years have owned, a portfolio of specified financial products of a value of at least \$1 million; or
- + you have, in the last two years, carried out one or more transactions to acquire specified financial products where the amount payable (in aggregate) is at least \$1 million; or
- + you are an individual who has been employed or engaged in an investment business within the last 10 years, and for at least two years during that 10 year period, you have participated to a material extent in investment decisions made by the investment business.

WHOLESALE INVESTOR CERTIFICATION AND ELIGIBLE INVESTOR CONFIRMATION

In Appendix 5.1 is a template Subscriber Certificate that will be attached as a schedule to the Application and Subscription Deed. This must be completed by you when you sign the Application and Subscription Deed to confirm you are a wholesale investor as defined in clause 3(2) or clauses 3(3)(a) and 41 of Schedule 1 to the Act.

If you will be certifying that you are a “*wholesale investor*” on the grounds that you are an eligible investor then the Confirmation of Certification attached to the Subscriber Certificate must be completed by an authorised financial adviser, a qualified statutory accountant or lawyer, to confirm your certification.

1.20. WHO DO YOU CONTACT IF YOU HAVE QUERIES?

Email Erskine + Owen: syndication@erskineowen.co.nz

2. ABOUT THE PROPERTY

2.1. PROPERTY INTRODUCTION

SUMMARY

Title:	Freehold Title
Land:	4.5941 ha*
Total Floor Area:	325m ² and 200m ² (more or less)*
Purchase Price:	\$5,100,000

* information sourced from Colliers Real Estate Queenstown

WHY THIS PROPERTY

- + A 4.5941 ha landholding in a residential area
- + Wide mountain views
- + Boutique 5 bedroom lodge
- + Separate 4 bedroom managers home

A substantial five bedroom, five bathroom dwelling constructed over two levels and a similar style self-contained four bedroom, two bathroom second dwelling is detached to the west. This property is currently operating as an up-market lodge.

The property has extensive landscaping around the main dwelling and extensive planting to the remainder of the site. The boundaries have been extensively planted with conifers while there is a tree lined driveway along the eastern boundary leading to a large parking and turning area.

This 4.5941 ha rural site sits at the foot of Slopehill between Frankton and Lake Hayes. The property fronts the Frankton – Lake Hayes Highway and is approximately ten kilometres northeast of central Queenstown and around one and a half kilometres to the east of Lake Hayes.

AERIAL VIEW OF PROPERTY



LOCATION MAP



497 Frankton-Ladies Mile Highway is located opposite the Lake Hayes Estate.

DWELLING AND CONDITION



This large land holding has two existing modern dwellings and it is currently operating as an up-market lodge.

PHOTOS OF THE PROPERTY



DISCLAIMER The contents of this document are formed from information supplied by the sales agent, industry databases and Trade Me and our own viewing of the property. While to the best of our knowledge the information is correct, we do not take responsibility for its accuracy and purchasers should rely on the independent reports obtained by the respective authorised parties during the course of due diligence.

2.2. PROPERTY OVERVIEW

It is proposed that the syndicate purchase 497 Frankton-Ladies Mile Highway, Queenstown. This property contains a substantial five bedroom, five bathroom dwelling constructed over two levels and a similar style self-contained four bedroom, two bathroom second dwelling is detached to the west. It is currently operating as an up-market lodge.

2.3. PURCHASE PRICE

The purchase price of the property is NZ\$5,100,000.

2.4. INVESTMENT OBJECTIVE

The primary objective of the syndication is long term rental income.

No. of interests in Partnership	Capital per interest in LP	Estab. fees/ working capital	Limited Partnership capital	Max LVR	Purchase price (excl. costs)
3,600,000	\$1	\$500,000	\$3,600,000	40%	\$5,100,000

2.5. ANNUAL ACCOUNTS

- + Financial statements of the Limited Partnership will be prepared annually and audited.
- + The GP will obtain a registered valuation of the property annually.
- + The GP will furnish LP's with a set of the financial statements, including any report of the auditors and a statement of accounting policies, together with any relevant tax information in connection with the Limited Partnership annually.

2.6. FINANCIAL ANALYSIS

RETURN ON INVESTED CAPITAL

Total partnership capital	3,600,000
Earnings after interest	120,900
Return	3.36%

ESTIMATED PURCHASING COSTS AND FUNDING

		\$'s
Purchase price	5,100,000	
Establishment costs and working capital	500,000	
Total	5,600,000	
To be funded by:		
LLP capital	3,600,000	
Bank loan	2,000,000	
Total	5,600,000	
LVR		39%
Establishment Capital		
Legal fees	10,000	
Establishment fee	200,000	
Building due diligence report fee	2,000	
Valuation fee	4,000	
Administration fee	5,000	
Bank Financing fee	31,000	
Underwriters fee	110,000	
Brokerage and Marketing fees	85,000	
Working capital	53,000	
Total Establishment Capital	500,000	
Capital Analysis		
Equity per initial share	100,000	
Number of partners if @ \$100k per partner	36	
Partnership Capital	3,600,000	
Notes		
All costs are GST exclusive		

DISCLAIMER: This report does not provide any guarantees, warranties or undertakings in relation to the amounts entered. No warranty or representation is made in respect of whether the revenue, expenses, or any capital appreciation in the future will be actually achieved. Prospective investors should obtain their own independent valuation, legal, accounting and income tax advice in respect to their own individual circumstances. Actual results are likely to be different to the forecasts since anticipated events frequently do not occur as expected and the variation may be significant.

FORECAST PROFIT AND LOSS – 40% LEVERAGE

	\$'s	Notes
Gross Rental Income	360,000	1
Property Operating Expenses		2
Property Management Fee	20,000	3
Repairs and Maintenance	17,500	
Rates	7,000	
Insurance	5,000	
Cleaning and Linen	20,000	
Power and Utilities	8,000	
Other property operating expenses	19,100	
Total Property Operating Expenses	96,600	
Net Rental Income	263,400	
Administration Expenses		2
Corporate Management Fee	20,000	3
Valuation fee	3,500	
Accounting and Audit	6,000	
Other Administration Expenses	1,000	
Total Administration Expenses	30,500	
Net Operating Income	232,900	
Interest	112,000	4
Earning After Interest	120,900	

Notes

1. Rental income GST exclusive
2. All costs are GST exclusive
3. The Manager has agreed to a reduced fee in the first year of operation
4. 5.60% on funds borrowed (interest only loan)

Estimated Gross Yield per annum on Syndicate Equity	%
Yield	3.36%

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POTENTIAL PORTFOLIO VALUE

	Yr 5 \$'s	Yr 10 \$'s	Notes
Forecast Portfolio Value			
Portfolio purchase price	5,100,000	5,100,000	
Forecast portfolio value	6,824,950	9,133,323	1
Estimated Portfolio Value Created	1,724,950	4,033,323	
Forecast capital growth rate	6%	6%	
Capital Structuring			
Leverage	29%	22%	
Borrowings	2,000,000	2,000,000	
Initial partnership capital	3,600,000	3,600,000	
Forecast Return on Investment			
1 share - \$ value	100,000	100,000	
1 share - % value	2.78%	2.78%	
\$ value of share of portfolio	189,582	253,703	
\$ value of share of borrowings	55,556	55,556	
Gain - net of establishment costs	34,026	98,148	2
Value of Investment	134,026	198,148	
Return on investment	34.0%	98.1%	3 & 4
Average annual return	6.8%	9.8%	

Note

1. An annual capital growth rate of 6% has been used
2. No account has been made for any sale costs in the event of a winding up
3. The return on investment calculation has accounted for establishment costs
4. No account has been made of any operating profits as they are assumed to have been paid out annually.

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3. TERMS OF PROPOSED INVESTMENT

3.1. DEFINITIONS

- + Application and Subscription Deed – the deed an investor must complete and sign to participate in the syndication.
- + Buying Agent – Erskine and Owen Limited.
- + E+O – Erskine and Owen Limited.
- + GP – General Partner of the Limited Partnership E+O Property Syndication Limited (a company whose directors and shareholders are the same as Erskine and Owen Limited).
- + Limited Partner or LP – a Limited partner in the Limited Partnership.
- + Limited Partnership – the Limited Partnership established under the Limited Partnership Agreement.
- + Limited Partnership Agreement – agreement between the GP and all of the LPs of the Limited Partnership.
- + Interest – interests in the Limited Partnership issued to the Limited Partners.
- + Management Agreement – agreement between the Manager and the Limited Partnership.
- + Manager – Point Property and Portfolio Management Limited, as the property manager appointed by the GP to manage the Property.
- + Minimum and Maximum Total Subscriptions – 3,600,000 Interests.
- + Offeror – E+O Property Syndication Limited.
- + Offer Closure Date – 28 September 2018 or earlier as may be notified by the GP if the Offer is fully subscribed.
- + Property – the land and buildings, to be owned by the Limited Partnership.
- + Settlement Date – the date you deposit the full amount of your capital contribution (in cleared funds) in the Limited Partnership’s solicitor’s trust account, which must be no later than 28 September 2018.
- + Underwriter – a person who agrees to underwrite the Offer to the extent that it is not fully subscribed.

3.2. LEGAL STRUCTURE

- + Limited Partnership.
- + E+O Property Syndication Limited (a company whose directors and shareholders are the same as Erskine and Owen Limited) will act as GP.
- + The GP can only be removed with a unanimous vote of the LPs.
- + Any LP who is related in any way to E+O will not be able to vote on a decision to remove the GP.
- + The Limited Partnership will have a minimum of three and a maximum of 36.

3.3. ESTABLISHMENT OF LIMITED PARTNERSHIP

The Limited Partnership will be established by registering the Limited Partnership with the Companies Office.

3.4. ENTRY

- + Minimum of NZ\$100,000 capital to be contributed by each LP.
- + Must be a “*wholesale investor*” as set out in clause 3(2) or 3(3)(a) of Schedule 1 of the Financial Markets Conduct Act 2013.

- + Number of LPs limited to maximum of 36.

3.5. EXIT

A LP can terminate their interest in the Limited Partnership by selling their Interests in accordance with the Limited Partnership Agreement provided that:

- + All monies owed by the LP to the Limited Partnership have been paid; and
 - The GP has approved the purchaser in writing. Approval cannot be unreasonably withheld.
 - The LP must pay to the GP all reasonable costs incurred by the GP in transferring the LP's Interests.
- + Determination of sale price
 - Sale price of a LP's Interests to be that of a current registered valuation of the Property, pro rata based on the proportion that the Limited Partner's Interests bear to the total Interests in the Limited Partnership.
 - There will be no valuation cost incurred by the selling LP where the sale price of a LP's Interests is determined based on the current registered valuation of the Property held by the Limited Partnership. The selling LP must pay to the GP the cost of any registered valuation obtained by the Limited Partnership at the selling LP's request.
- + Pre-emptive rights
 - Existing Limited Partners have the first right of refusal to purchase the selling LP's Interests in the Limited Partnership first, as long as the acquisition does not result in the purchasing LP holding more than 40% of total Interests in the Limited Partnership.
- + Secondary market
 - If none of the pre-emptive rights are exercised, the selling LP's Interests in the Limited Partnership will be offered to the secondary market. The secondary market will be a pool of buyers E+O will attract through its database and ongoing marketing. E+O will facilitate secondary market transactions but does not act as a broker nor does it provide financial advice to any party.
 - Where an LP transfers Interests on the secondary market offered by E+O, an administration fee equivalent to 1.5% of the transaction value will be payable to E+O.
 - E+O makes no representations that a secondary market is available.

3.6. TERMINATION OF THE LIMITED PARTNERSHIP

- + It is intended that the Limited Partnership's investment in the property will be a long-term investment.
- + A decision to sell the Property and dissolve the Limited Partnership requires the agreement of LPs holding at least 75% of the Partnership Interests to a partnership resolution at a properly constituted meeting of the Limited Partnership.
- + If a LP breaches any material obligation of the Limited Partnership Agreement, including if the LP fails to advance funds or pay capital contributions as required under the Limited Partnership Agreement, and fails to remedy the breach within 20 business days of being notified of it, then the defaulting LP must offer all of its Partnership Interests to the Limited Partnership for them to purchase at a purchase price equal to 75% of fair value.

3.7. TENANCY

- + The Manager will be responsible for tenancing the Property.
- + The GP will approve tenant applications.

3.8. MANAGEMENT

- + Point Property and Portfolio Management Limited will be engaged by the Limited Partnership to manage the Property.
- + The term of the management arrangement (regardless of who occupies the position of Manager) is for the duration of ownership of the Property by the Limited Partnership.
- + The Manager has the management powers specified in the Management Agreement between the Limited Partnership and the Manager.
- + The Manager must follow the instructions of the GP – refer powers of the GP below.

3.9. OUTGOINGS

- + Each LP is liable to pay all outgoings and costs associated with the Property (to the extent that they are not recovered from the tenant(s)). If there is a shortfall between money received from the tenants of a Property and the expenses, fees and liabilities payable by the Limited Partnership, then that shortfall is recoverable by the GP from LPs (pro rata to each LP's Interest in the Limited Partnership).
- + Any liability between LPs is shared proportionate to the Interest of each LP.

3.10. FEES

PROPERTY MANAGEMENT FEE

- + Payable by the Limited Partnership to the Manager.
- + Up to 25% plus GST of rent collected.
- + Up to 8% plus GST of any repairs and maintenance, utilities and rates coordinated.
- + The Manager has agreed to a reduced property management fee in the first year of operation.

CORPORATE MANAGEMENT FEE

- + Payable by the Limited Partnership to the Manager.
- + Up to 0.50% plus GST of the value of the property.
- + The Manager has agreed to a reduced corporate management fee in the first year of operation.

ESTABLISHMENT FEE

- + Payable by the Limited Partnership to the Manager a fee of \$200,000.

3.11. LIMITED PARTNERSHIP CAPITAL

- + An investor must subscribe for a minimum of 100,000 Interests of NZ\$1 each ('Minimum Investment').
- + An investor may subscribe for additional Interests of NZ\$1 each above the Minimum Investment in incremental amounts of 50,000 Interests up to a maximum of 1,400,000 Interests of NZ\$1 each.

- + By the Offer Closure Date, each LP is required to deposit to the trust account of the solicitor to the Limited Partnership NZ\$1 for each Interest in the Limited Partnership the LP is subscribing for.
- + Further capital contributions may be required if the revenue of the Limited Partnership is less than the outgoings.
- + Upon termination of the Limited Partnership Agreement net capital proceeds will be distributed to the LPs in proportion to their Interest in the Limited Partnership.

3.12. ANNUAL COSTS

The Limited Partnership will bear all fees, costs and expenses associated with forming and conducting the business of the Limited Partnership, including:

- + Accounting fees, including for preparation of annual accounts and tax returns.
- + Audit and certification fees.
- + Valuation fees.
- + Legal fees of the Limited Partnership including those arising from rent reviews and those relating to any necessary ongoing compliance costs for the GP and the Limited Partnership.
- + Bank fees.
- + Interest charges payable in relation to the loan.
- + Property Management.
- + Repairs and maintenance.
- + Utilities.
- + Rates.
- + Insurance.
- + Regulatory costs.
- + Reporting costs.
- + The costs of the Limited Partnership's administration.
- + All costs of the General Partner.

3.13. FEES ON SALE OF A PROPERTY

- + Fees payable to a licensed real estate agent to sell a Property.
- + Legal fees in relation to sale of a Property and repayment of the bank loan.
- + Early repayment fee to the bank in the event a Property is sold prior to the maturation of the loan.

3.14. DISTRIBUTIONS

- + The GP is responsible for distributing the operating cashflows of the Limited Partnership to LPs of such amounts as the GP deems to be appropriate.
- + Monies can be withheld for capital expenditure as the GP deems fit.
- + The Manager is responsible for collecting and disbursing monies as agreed in the Management Agreement or as directed by the GP.
- + The GP is authorised to instruct the Manager to undertake repairs, maintenance or improvements on the Property up to the value of NZ\$25,000 excluding GST.
- + Any individual expense, in excess of NZ\$25,000 excluding GST must be authorised by LPs who collectively hold no less than 50% of the Interests in the Limited Partnership.

3.15. FINANCE

- + The GP on behalf of the Limited Partnership has the power to borrow up to 50% of the lesser of the purchase price or valuation.

- + Security:
 - A first registered mortgage over the Property.
- + Loan term:
 - An initial period of five years.
- + Interest to be paid monthly in arrears.
- + Principal repayments: nil during the term of the loan. The loan is repayable in full at the end of the loan term.
- + Personal guarantees:
 - No personal guarantees by individual LPs.
 - The GP will enter into a loan agreement on behalf of the Limited Partnership. The bank's recourse under the loan agreement will be against the GP and limited to the security provided by the GP.

3.16. ACCOUNTING AND TAX

- + The Limited Partnership will be GST registered.
- + Accounts and a tax return will be completed for the Limited Partnership within three months of each financial year ending 31 March.
- + The GP is responsible for arranging for the accounts to be completed and sent to each LP

3.17. GENERAL PARTNER RESPONSIBILITIES AND POWERS

POWERS INCLUDE:

- + Arrange the mortgage finance.
- + Refinance if an alternative financing arrangement is considered more favourable to the Limited Partnership.
- + Appoint the Manager and the Buying Agent.
- + Enter into a sale and purchase agreement relating to any Property to be purchased on behalf of the Limited Partnership, approve as satisfactory the due diligence reports relating to the Property, declare the sale and purchase agreement unconditional and attend to settlement.
- + Collect and recover rent owing and other amounts due.
- + Collect and recover any shortfall from LPs.
- + Negotiate all contracts relating to the Property and the Limited Partnership.
- + Approve the assignment of the management contract to a third party without consent of the LPs.
- + Issue new Interests in the Limited Partnership.

RESPONSIBILITIES INCLUDE:

- + Must keep accounts and distribute profits at such times and of such amounts as the GP deems to be appropriate.
- + Is authorised to retain monies for any future expenditure the GP deems necessary to comply with the terms of a tenancy agreement or the Limited Partnership Agreement, or to maximise the value of the investment.
- + Must comply with all relevant legislation.
- + Must insure the Property upon acquisition and maintain such insurance at all times.
- + Can undertake maintenance and/or improvement of the Property at its sole discretion if any individual expense does not exceed \$25,000 excluding GST. Any single item of maintenance and/or improvement with a cost exceeding \$25,000 excluding GST can only be undertaken with the approval of LPs who collectively hold no less than 50%

of the Interests in the Limited Partnership. The Manager, however, may undertake maintenance and/or improvement necessary to comply with the terms of a tenancy agreement or the Residential Tenancies Act, where the cost of that maintenance and/or improvement is payable by the tenant under such agreement or provision.

- + The Limited Partnership will hold an annual meeting.

3.18. GENERAL PARTNER APPOINTMENT AND REMOVAL

- + An agreement of 100% of LPs can remove the GP.
- + An agreement of 100% of LPs can appoint a new GP.

3.19. VOTING

A LP shall have one vote for each Interest held.

3.20. TERMS NOT EXHAUSTIVE

The terms set out in paragraphs 3.1 to 3.19 above summarise the key terms of the Limited Partnership Agreement and the Application and Subscription Deed but are not the only terms of those agreements. All proposed LPs should read, consider carefully and take legal advice, in relation to both agreements before committing to invest in the Limited Partnership.

3.21. DISCLAIMER

No officer, director, employee, agent or adviser of or to E+O or any other person guarantees the performance of the Limited Partnership or guarantees any return on investment in the Limited Partnership.

4. HOW DO YOU INVEST?

4.1. STEP 1

EXPRESS YOUR INTEREST

1. Email syndication@erskineowen.co.nz to confirm with E+O that you wish to invest in the syndication.
2. We will then email you the following syndication documentation for you to review, sign and complete:
 - Application and Subscription Deed, including the Subscriber Certificate
 - Limited Partnership Agreement

A sample of the Subscriber Certificate can be found in Appendix 5.1. and must be completed when you sign the Application and Subscription Deed to confirm you are a “*wholesale investor*” as defined in clause 3(2) or clauses 3(3)(a) and 41 of Schedule 1 to the Act.

If you are certifying that you are a wholesale investor on the grounds that you are an ‘eligible investor’ then the Confirmation of Certification attached to the Subscriber Certificate must be completed by an authorised financial adviser, a qualified statutory accountant, or a lawyer in order to confirm your certification.

Please also note that to comply with the Anti-money Laundering and Countering Financing of Terrorism Act 2009 (AML/CFT Act) and associated regulations you may need to complete other forms/information requests.

4.2. STEP 2

SIGN AND RETURN THE APPLICATION AND SUBSCRIPTION DEED, INCLUDING THE SUBSCRIBER CERTIFICATE

1. Sign the Application and Subscription Deed, completing the Subscriber Certificate attached as Schedule 1 to the Deed and return it to us by emailing syndication@erskineowen.co.nz or fax +64 9 306 0426.
2. The General Partner will then sign the Application and Subscription Deed and return an original to you.

4.3. STEP 3

DEPOSIT YOUR CAPITAL CONTRIBUTION TO LIMITED PARTNERSHIP'S SOLICITOR'S TRUST ACCOUNT

1. You can then arrange to deposit your capital contribution to the Limited Partnership's solicitor's interest bearing trust account.
2. You must deposit the full amount of your capital contribution (in cleared funds) in the Limited Partnership's solicitor's trust account no later than 28 September 2018. If you do not meet this deadline the Offer is terminated.
3. Your capital contribution will be held in the Limited Partnership's solicitor's trust account pending all of the conditions set out in the Application and Subscription Agreement being satisfied, at which time the General Partner will:
 - a. sign The Limited Partnership Agreement on your behalf (as provided for in the Application and Subscription Agreement);
 - b. issue Interests in the Limited Partnership to you; and
 - c. apply fund in accordance with the terms and conditions of the Limited Partnership Agreement.
4. If the syndication does not proceed, your capital contribution plus any interest earned on the same, will be returned to you.

5. APPENDICES

5.1. TEMPLATE SUBSCRIBER CERTIFICATE – CERTIFYING THE SUBSCRIBER IS A “WHOLESALE INVESTOR”

SUBSCRIBER CERTIFICATE

FULL NAME(S) OF SUBSCRIBER _____ **(Subscriber)**

DATE _____

Warning

The law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors make an informed decision.

If you are a wholesale investor, the usual rules do not apply to offers of financial products made to you. As a result, you may not receive a complete and balanced set of information.

You will also have fewer other legal protections for these investments.

Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

Offence

It is an offence to give a certificate knowing that it is false or misleading in a material particular. The offence has a penalty of a fine not exceeding \$50,000.

Certification

- 1 The Subscriber hereby certifies to Erskine + Owen Limited and to E+O Property Syndication Limited that:
 - a the Subscriber is a “wholesale investor” within the meaning of clause 3(2) or clause 3(3)(a) of Schedule 1 of the Financial Markets Conduct Act 2013 (**FMCA**) as detailed in clause 2 below; and
 - b the Subscriber understands the consequences of certifying himself, herself, or itself to be a wholesale investor.
- 2 The Subscriber hereby certifies that (*please tick the applicable box*):
 - ☐ it is an investment business within the meaning of clause 37 of Schedule 1 of the FMCA; or
 - ☐ it meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMCA; or
 - ☐ it is "large" within the meaning of clause 39 of Schedule 1 of the FMCA; or

- ❑ in relation to the financial products offered to the Subscriber, it is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMCA and that:
 - it has previous experience in acquiring or disposing of financial products that allows it to assess:
 - the merits of the transaction or class of transactions (including assessing the value and the risks of the financial products involved; and
 - its own information needs in relation to the transaction or those transactions; and
 - the adequacy of the information provided by any person involved in the transaction or those transactions; and
 - it understands the consequences of certifying himself, herself, or itself to be an eligible investor.

and the Subscriber sets out below the grounds on which the Subscriber claims the above applies:

(please set out the grounds on which the Subscriber claims the above applies)

SAMPLE

**Use this execution block if the Subscriber is an individual*

SIGNED by

Name(s) of Subscriber

Name:

Name:

Witness Signature

Occupation

Address

**Use this execution block if the Subscriber is a company*

SIGNED by

Name(s) of Subscriber

Director Name:

Director Name:

Witness Signature

Occupation

Address

**Use this execution block if the Subscriber is a trust*

SIGNED by

Name(s) of Subscriber

Trustee Name:

Trustee Name:

Trustee Name:

Witness Signature

Occupation

Address

CONFIRMATION OF CERTIFICATION

*If the Subscriber has ticked the box in the Subscriber Certificate stating that it is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMCA, an authorised financial adviser, a qualified statutory accountant, or a lawyer (**Confirmer**) must confirm the certification of the Subscriber as follows.*

I, _____ *[insert name]*,

an authorised financial adviser/qualified statutory accountant/lawyer *[strike out as applicable]*:

(a) refer to the certificate dated _____ given by

[insert subscriber's name] (Subscriber);

(b) having considered grounds for the certification given by the Subscriber:

(i) am satisfied that the Subscriber has been sufficiently advised of the consequences of the certification; and

(ii) have no reason to believe that the certification is incorrect or that further information or investigation is required as to whether or not the certification is correct.

DATED

SIGNED by

Signature of Confirmer

5.2. CONTACTS

Offeror and General Partner of the Limited Partnership

E+O Property Syndication Limited
C/- Erskine and Owen Limited
Level 4, 149 Parnell Road
Parnell, Auckland 1052

Limited Partnership's Solicitor

Brown Partners Lawyers
Level 3, 18 Shortland Street, Auckland 1140

Property Manager

Point Property and Portfolio Management Limited
Level 4, 149 Parnell Road
Parnell, Auckland 1052

Buying Agent

Erskine and Owen Limited
Level 4, 149 Parnell Road
Parnell, Auckland 1052

Accountants

BDO New Zealand
120 Albert St
PO Box 2219, Auckland City 1140

Ladies Mile Syndication

Introduction and FAQs

Key points:

- Queenstown is a fast growing town/city. Tourism forecast data is very strong. Population set to keep growing. Queenstown airport has bought land by Wanaka airport as it is approaching its noise limits faster than anticipated
- Supply is limited, and there are natural constraints – think the lake, rivers and mountains.
- On this basis we think this land can only become more valuable
- Equity portion is fully underwritten by wholesale investors
- Queenstown is beautiful...

There is an early bird offer:

- First \$500k gets 5% discount
- Second \$500k gets 3% discount
- Offer closes the earlier of first \$1m subscribed or 30 June
- E+O pays for the cost of this fee – it is not charged to the syndicate

Operational

- **How is the property management fee set?** 25% is a standard property management fee for holiday accommodation. This can be benchmarked with other operators.
- **Is there a risk a loss will be incurred from year 2 onwards, given the fee that could be taken?** Property management fee can only be taken to the extent that the LP will not be in a loss situation on an earnings before depreciation basis. This is documented in the partnership agreement.
- **What are the key forecast assumptions?** Revenue is based on 65% occupancy and an average room rate of \$320 – incl GST. In the winter the lodge will be let on a whole house basis. This has been factored in to the average room rate. The room rate has been benchmarked with other lodges. Experience tells us that if the room rate is competitive we can increase occupancy. We believe the occupancy can be lifted over time. We manage a lodge on Queenstown Hill with occupancy well in excess of 80%. While Queenstown lodge is further out of town, we still believe there will be good demand, based on researching comparable lodges.
- **Who will the lodge be run on a day to day basis?** We are currently negotiating with the current on site managers to stay on. They will be incentivised to grow profits. The current managers have experience running motels. We also have another strong candidate we have interviewed. We will also advertise the role as back up.
- **Will be a sinking fund be run to cover major R&M costs?** Most of the R&M has been accounted for. The majors would be a repaint/ re roof. Our preference with these larger costs is that we prepare a business case and borrow the required funds against the increased value – where possible, and the P&L can tolerate it. This would be done in consultation with the LPs.
- **Will the interest bank loan be on a floating basis or will you look at this closer to the time as appropriate?** The forecast is based on a 2 year fixed rate. As General Partner (GP) our job is to ensure interest costs are well managed.
- **Clause 3.4 states a maximum of 12 LPs whereas elsewhere it talks about 3 to 36 LPs.** This is an error. It is a maximum of 36.
- **If directors of E+O, or senior staff, are also an LP, is there potential conflict of interest?** 14.2 – of partnership agreement puts voting restrictions on and LP with

interest in GP. 13.4 – of partnership agreement allows an LP to an request information, so for example if you are concerned that we as GP will be slow to ensure an LP with interest in the GP pays up on a capital call, then you can request information to check it is being done in a timely manner.

- **How are returns calculated – See IM – clause 2.6 page 17.** We have used a simple average return calculation to derive our returns on page 17. These should not be interpreted as an IRR. If we were to use a CAGR type calculation the return would be approx. 7.07% p.a.
- **Section 3.12 of IM – last bullet point – “LP will bear all costs of GP” – is this not quite wide ranging?** This is covered in section 7 of the partnership agreement. A copy is attached of the last syndication we did. There is perhaps room to tighten 7.1.1. to say all reasonable costs. However, there are controls in place:
 - The accounts will be audited.
 - Directors Lisa Phillips and Alan Henderson own the GP and are liable as directors. If they spend partnership money inappropriately, there is potential liability. Read clause 8.3 for liability
 - The partners can vote to remove the GP
 - Clause 13.4 – An LP can request information
- **Section 3.15 of IM – shouldn’t the GP be able to borrow against the future value of the property?** Yes, and it can. In the partnership agreement, Section 1, Definitions – Limited Partner Reserved Matters – includes incurring debt....in excess of a debt to asset ratio greater than 50%. Then in same section see “Partnership Resolution” – point (d)
- **3.14 of IM – Could the GP spend multiple \$25k amounts or annually spend up to the \$25k.** There is a limited amount of working capital and if we exploited this provision we would end up having to raise more capital. Also note that the GP has liability, as per partnership agreement.

Fees

- **What are the underwrite fees for?**
 - The bank will not provide a letter of offer unless we can demonstrate we can settle the deal. Clearly at the date the contract for purchase was declared unconditional we did not have the equity subscribed. By getting the deal underwritten we can prove that we can settle the deal, if need be, without any subscription
 - Investors also want to know, and should ask, if we can settle the deal. An underwrite provides confidence
- **What are the Finance fees for?** includes bank fees and fees to funders providing deposit capital
- **What is the Establishment fee for?** This is the fee to E+O for sourcing the property and offering it to the market. Is this value for money? Consider this...we (Directors, CFO and support staff) have worked since February to secure this deal. What you don’t see are the many other negotiations we have been through to secure this one property. We have invested four months of work, committed to (and paid) due diligence costs. This is done with no guarantee of a result. We do this work leveraging our knowledge and networks. On this property the DD and negotiations were significant.
- **What are brokerage fees for?** To pay for the efforts to bring on board subscription – some of which is external, e.g. financial advisors.
- **Early bird discount fee.** This fee is not paid for by the partnership – it comes out of the E+O establishment fee.