

8 July 2014

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The Manager
Company Announcements Office
ASX Limited
Level 4
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

ACQUISITION OF RESI MORTGAGE CORPORATION AND CAPITAL RAISING

Yellow Brick Road Holdings Limited (ASX: YBR) (“**YBR**” or the “**Company**”) announced today that it has entered into a conditional agreement to acquire the privately-owned mortgage manager and originator RESI Mortgage Corporation Pty Ltd (“**Resi**”).

YBR’s Executive Chairman, Mark Bouris, said: “The acquisition of Resi is another important milestone in our strategy to become a leader in the ‘Non-Bank’ segment. Resi will provide YBR with:

- Enhanced scale and national presence in its mortgage distribution channel;
- A complementary business model in mortgage origination and management, including a credit team;
- Significant opportunities for growth of YBR’s comprehensive suite of financial services products and services through the Resi network;
- A reputable brand established over an almost 30 year history of operation;
- A strong management team and committed franchise network;
- A profitable business that earns commissions from its growing franchise distribution network and from its loan book.”

Resi's Business

Resi is one of the very few remaining non-bank lenders of scale which is not owned by a “Big 4” bank. As a mortgage manager and originator, Resi sources wholesale funds from lending institutions and offers its own Resi-branded mortgage products to retail and commercial borrowers through its network of Resi-branded franchise offices, authorised representatives and non-aligned brokers, in addition to its in-house sales team. In consideration for these services, Resi earns up-front and trailing commissions and margins from the lending institutions in respect of loans introduced by its franchisees and other brokers and managed by Resi.

Resi has a network of franchises and territories throughout Australia, with a solid growth pipeline.

Yellow Brick Road Holdings Limited | ABN 44 119 436 083

Acquisition Terms

The aggregate consideration agreed to be paid for Resi is \$36 million, made up as follows:

- \$28 million payable in cash at settlement;
- The issue on settlement of \$5.5 million in fully paid ordinary shares in YBR ("**YBR Shares**"), at an agreed issue price of \$0.70 each, being a total of 7,857,144 YBR Shares. The 7,857,144 YBR Shares to be issued will be subject to a 12 month voluntary escrow; and
- Subject to satisfying certain earn-out conditions, a deferred amount of up to \$2.5 million in cash payable on the first anniversary of settlement.

The acquisition of Resi remains subject to a number of conditions precedent, including YBR shareholders passing various approval resolutions required under the ASX Listing Rules and the Corporations Act. A general meeting of YBR shareholders is expected to be convened for late August 2014 to consider, amongst others, these resolutions ("**General Meeting**"). A notice of meeting and accompanying documents will be forwarded to YBR shareholders shortly.

Assuming the conditions are satisfied, settlement of the acquisition of Resi is expected to occur on 29 August 2014. This is also the date on which settlement of YBR's previously announced proposed acquisition of Vow Financial Holdings Pty Limited ("**Vow**") is expected to occur.

Support for the Resi Acquisition

YBR's Executive Chairman, Mark Bouris, said: "We welcome the Resi franchisees, management and staff to the YBR group and look forward to leveraging our marketing platforms to significantly increase Resi's lead flow as part of our combined group. The complementary skills and relative strengths of the YBR, Vow and Resi brands and businesses will combine to provide Resi franchisees, YBR Branch licensees and Vow brokers with unparalleled opportunities to build revenues and market position as we progress our strategy to be a leader in the "non-bank" sector."

Resi Director and founding shareholder, Peter James, said: "This is a sound strategic move for the Resi business. YBR's marketing and wealth management capabilities and partners should greatly assist Resi and its franchisees through the next exciting phase of its development."

CAPITAL RAISING

YBR is pleased to announce that it has secured firm commitments to raise approximately A\$42.05 million via private placements by the issue of 60,071,429 ordinary fully paid shares in the capital of the Company ("**Placement Shares**") at an issue price of A\$0.70 per share (the "**Placement**"). The Company had gone to market to raise \$38 million in total, but with oversubscriptions, was successfully able to raise the total of \$42.05 million. The Placement Shares will be issued to a combination of existing major shareholders and prominent Australian institutional investor clients of Lead Manager Bell Potter Securities Limited, as follows:

- Macquarie Bank Limited ("**Macquarie**"), a listed Australian financial institution, currently a 14.84% shareholder and which is a supplier of mortgage and other products to YBR;
- Pink Platypus Pty Limited ("**Pink Platypus**"), a wholly owned subsidiary of Nine Entertainment Co., currently a 16.65% shareholder and strategic marketing partner of YBR;

Subscriber	# New Shares	Price per New Share	\$ Amount to be Subscribed
Macquarie	17,142,858	\$0.70	\$12,000,000.60
Pink Platypus	17,142,858	\$0.70	\$12,000,000.60
Institutional Investors	25,785,713	\$0.70	\$18,049,999.10
Total	60,071,429	\$0.70	\$42,050,000.30

Funds raised via the Placement will be used to pay, in part, the cash component of the purchase consideration for the Resi and Vow acquisitions and to provide general working capital for the Company.

The issue of the Placement Shares is subject to shareholder approval to be sought at the General Meeting mentioned above.

After completion of the Placement and the issue of the YBR Shares in consideration for part payment for the Resi and Vow acquisitions, the issued capital of the Company will comprise 272,060,641 ordinary fully paid shares, with a market capitalisation of approximately A\$190.44 million based on the issue price of 70 cents per YBR Share.

YBR's Executive Chairman, Mark Bouris, said: "There was strong support for the Placement from both our major shareholders and from several highly respected Australian institutional investors, some of whom will be new to our share register, and we welcome them to the Company. This is a strong endorsement of YBR Group's strategy to be a leader in the "Non-Bank" segment."

Settlement of the subscription and the issue of the Placement Shares is expected to be completed on or about 29 August 2014. The Placement Shares to be issued will rank pari passu with all other ordinary shares on issue and application will be made for them to be officially quoted on the ASX.

EXTENSION OF CONSULTANCY AGREEMENT WITH YBR EXECUTIVE CHAIRMAN

YBR is also pleased to announce that the Executive Chairman, Mark Bouris, has agreed to enter into a new consultancy agreement with the Company for a 5 year term to 31 July 2019 ("**New Arrangements**"). This represents a 4 year extension of the term of his current consultancy agreement between YBR and Golden Wealth Holdings Pty Limited ("**GWH**"), a company controlled by Mark Bouris, which was otherwise due to expire on 30 June 2015.

The Independent Directors of YBR (the "**Independent Directors**") have approved the proposed terms of the New Arrangements, which are subject to a formal contract being agreed and entered into between YBR, GWH (and the Executive Chairman). In addition, as the New Arrangements include the issue of new equity securities to GWH, the approval of YBR shareholders under ASX Listing Rule 10.11 is required and will be sought at the forthcoming General Meeting.

In approving the terms of the New Arrangements, the Independent Directors engaged the services of independent remuneration experts, Egan Associates Pty Limited ("**Egan Associates**"), who have concluded that the proposed New Arrangements constitute reasonable remuneration for the purposes of the related party transactions in Chapter 2E of the Corporations Act.

The material terms of the New Arrangements are:

- (i) Term: 5 years to July 2019;
- (ii) Non-Compete Restriction: A 12 month non-compete restriction shall apply following termination of the contract;
- (iii) Base Salary: The annual remuneration of the Executive Chairman will be \$1,125,000, subject to an annual claw back of up to \$225,000 in the event of annual business plans and targets to be set by YBR's board of directors not being met.
- (iv) Lock-In/Lock-Out Agreement: The Executive Chairman is to be issued 6 million new YBR ordinary shares ("**Lock-In/Lock-Out Shares**") in consideration for his agreement to a Lock-In/Lock-Out arrangement. Under this arrangement, the term of the contract is to be extended to 31 July 2019, the Executive Chairman is to agree to an exclusive commitment to the YBR group of companies for the extended term (including the Resi and Vow businesses and any future business acquired by YBR) (**Lock-In**) and is to agree to not be involved in any other executive role during that extended term (other than continuing his existing roles at TZ Limited and Anteo Diagnostics Limited) (**Lock-Out**). The Lock-In/Lock-Out will in effect prevent Mr Bouris from being able to participate in any new executive role that may be offered to him during that extended term anywhere in the world.

The issue of the Lock-In/Lock-Out Shares is subject to the following conditions being satisfied:

- a. YBR shareholder approval being obtained under ASX listing rule 10.11 at the forthcoming General Meeting; and
- b. The acquisitions of Vow and Resi being completed by September 2014.

The Lock-In/Lock-Out Shares will be subject to voluntary escrow, with 1.5 million of the Lock-In/Lock-Out Shares being released from escrow at the end of each year following the date of issue.

- (v) Long Term Incentive Plan: Subject to YBR shareholder approval being obtained under ASX Listing Rule 10.11 at the forthcoming General Meeting, 10 million YBR share rights to be issued to the Executive Chairman, with a zero exercise price. Each share right will be exercisable into one ordinary YBR Share if and when vested. The rights will vest in 4 equal tranches, 2,500,000 on 30 June 2016 (Tranche 1), 2,500,000 on 30 June 2017 (Tranche 2), 2,500,000 on 30 June 2018 (Tranche 3) and 2,500,000 on 30 June 2019 (Tranche 4), provided that for each tranche the following respective share price hurdle is satisfied:
 - a. Tranche 1: if the YBR share price exceeds \$1.01 (based on a 30 day VWAP period)
 - b. Tranche 2: if the YBR share price exceeds \$1.21 (based on a 30 day VWAP period)
 - c. Tranche 3: if the YBR share price exceeds \$1.45 (based on a 30 day VWAP period)
 - d. Tranche 4: if the YBR share price exceeds \$1.74 (based on a 30 day VWAP period).

Yours faithfully,

YELLOW BRICK ROAD HOLDINGS LIMITED

A handwritten signature in blue ink, appearing to read 'Richard Shaw'.

Richard Shaw
Company Secretary

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