

DomaCom Equity Release Product

ERP Qualified Adviser



DomaCom.com.au

DomaCom Equity Release Product

Adviser Accreditation Program

Course Overview

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Acknowledgement

DomaCom Limited gratefully acknowledges the support of the following organisations in the development and delivery of this adviser qualification program:



Eligibility for Course Enrolment

The DomaCom Equity Release Product is based on a regulated and fully advised transaction that is exclusively delivered through an intermediated distribution network.

In order to participate in this network, financial advisers are required to gain accreditation as an **ERP Qualified Adviser**.

The accreditation program will be delivered on either an In-House Workshop, Public-Offer Workshop or On-Line basis, as appropriate.

The pre-requisite minimum requirements for participation in the program will be:

- Authorisation under an Australian Financial Services Licence to provide financial product advice for any class or classes of financial products (either as the licensee or an authorised representative),
- Membership of the Australian Financial Complaints Authority (AFCA), and
- Currency of Internal Dispute Resolution procedures, of the kind referred to in subparagraph 912A(2)(a)(i) of the Corporations Act 2001, that covers any financial services provided to an ERP client in relation to the ERP product.


Competency Assessment

Competency Assessment will be determined via an online assessment comprised of a series of multiple-choice questions and scenario-based case studies drawn from each of the key learning areas.

Maintaining Accreditation

In order to maintain DomaCom Accreditation as an ERP Qualified Adviser, you will be required to:

- Undertake a minimum level of relevant Continuing Professional Development ("CPD") activity (i.e. As part of your existing Industry Association membership obligation), and
- Provide evidence of your continuing membership of an approved Industry Association.



Course Scope

- 01 Equity Release Product Suitability
- 02 The DomaCom Equity Release Product (ERP)
- 03 Cash Flow and Home Equity Outcomes
- 04 Stakeholder Impact and Long-Term Implications
- 05 Client/Adviser Communication & Conduct

The DomaCom ERP Adviser Qualification program presents an introduction to the market dynamics that support demand for the DomaCom Equity Release Product 'ERP' and five study modules which, are required by ASIC to be assessed for competency to advise an ERP Client, as follows:

1. How the DomaCom Equity Release Product structure works at a general level, for both ERP clients and investors who provided funding to support the product;
2. How the fee structure works and the potential impact on long term equity that the ERP client has in the ERP property;
3. How the DomaCom Equity Release Product will work in a range of scenarios depending on an ERP client's individual circumstances;
4. The risks and long term cash flow implications of acquiring the DomaCom Equity Release Product; and
5. The impacts on Centrelink entitlements and estate outcomes when using the DomaCom Equity Release Product.



IMPORTANT:

Take particular note of these competencies.

These are the key learning areas of the DomaCom ERP Qualified Adviser program that will form the basis of your competency assessment and ASIC's expectation of your professional conduct.

Introduction

A. The Market Opportunity

DomaCom Business Concept

The key objective of the Company is to provide a solution to the investment markets need for access to direct and specific property exposure through relatively small transactions by enabling investors to purchase “fractional interests” in specific properties (FPI) of their choosing using a managed investment structure (MIS), combined with an online platform.

DomaCom has developed a new concept in property investment that will benefit investor clients and provide a next generation equity release product for Senior Australians. DomaCom draws the synergy of these markets together in a single platform.

The concept of Fractionalised Property Investment (“FPI”) enables property owners to separate their “Right to Occupy” from their “Economic Interests”, such as rent and capital, in their property in order to provide the opportunity for investors to gain access to a fractional interest in their property, rather than selling the whole property to those investors.

The mutual benefit is that the property owner can release cash from an otherwise illiquid and indivisible asset and the investor can both scale their investment to meet their particular asset allocation objectives and diversify their risk through an individually selected property portfolio.

Fractionalised Property Investment (“FPI”)

DomaCom has developed a property investment fund which simulates the investment experience (including risk and returns) of trading in company shares, but instead be linked to specific investment properties.

Fractional interests give investors exposure to income stream and capital growth (or loss) of the underlying properties in direct proportion to the fractional interest purchased. For example if an investor acquires 10 units in a sub-fund with an investment in a specific property they will receive 10% of the net income yield and 10% exposure to the capital value of the property.

The “Direct Property” asset class has been poorly served in the investment community due to the fact that for a majority of investors, it has not been possible to meet their “Direct Property” asset allocation needs because of the large transactional size associated with direct investment in property when compared with the asset allocation need.

We believe that there is currently nothing in the Australian market that enables investors to acquire fractional ownership of specific property interest using an online and scalable platform.

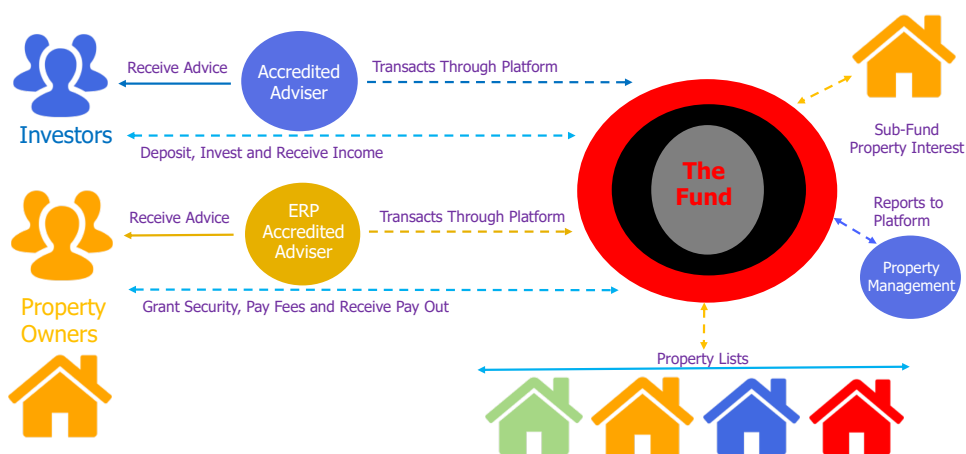
Current alternatives are based on one-off property syndicates which have high set-up costs and do not deliver the control over investment decisions that, for example, SMSF Trustees are seeking.

The Fund and Related Parties

The Fund is a registered managed investment scheme managed by DomaCom with an independent responsible entity and custodian.

The Fund brings property owners and property investors together in a way that is designed to allow property owners to sell interests in their Property to Investors through the Fund.

DomaCom Business Concept



The related parties are:

Investment Manager

DomaCom Australia Ltd ABN 33 153 951 770 (AFSL No. 444365) is the investment manager of the Fund (Investment Manager or DomaCom).

DomaCom's responsibilities primarily include managing the Fund's assets and the promotion, marketing and management of the Fund. DomaCom's management responsibilities include the supervision of all the key service providers to the Fund. DomaCom is also responsible for providing the technology for, and the management of, the Platform.

Responsible Entity

The Responsible Entity is the trustee and operator of the Fund. The Responsible Entity is responsible for the operation of the Fund. The responsibility of the Responsible Entity includes holding the Fund's property on trust for Investors, managing and investing the Fund's property and ensuring that the Fund's property is managed pursuant to the Constitution and the provisions of the Corporations Act.

The Responsible Entity, in its discretion, may change the Custodian or Administrator from time to time or appoint additional service providers, in accordance with the terms of the Constitution. The Responsible Entity's rights and obligations as responsible entity are also contained in the

Constitution and the Corporations Act. These duties include the duty to act honestly, exercise due care and diligence, avoid conflicts and treat Investors equally.

Custodian

The Custodian is responsible for holding legal title to the Fund's assets on behalf of the Responsible Entity.

The Custodian enters into the Equity Release Deed attached to the Property only as the agent of the Responsible Entity and is indemnified by the Responsible Entity for any expenses incurred by the Custodian in paying costs associated with the ownership of the Property.

Administrator

The Administrator is in charge of receiving and disbursing all payments due by the parties to each other under the Equity Release Deeds.

The Administrator may invest its income in a range of investment into cash accounts, term deposits, bank bills and property sub-funds within the Fund.

Equity Release Market

The largest generation within the Australian population, the so-called Baby Boomers, are rapidly approaching retirement poorly prepared for that stage of their life. They have accumulated inadequate levels of savings, with compulsory superannuation arriving too late to fund an extended retirement. Yet this generation can expect to live longer than any generation before them.

The good news is that the vast majority of Senior Australians have achieved the "Great Australian Dream" with over 71% of them owning their home. The family home now represents close to 70% of total personal wealth for those aged 65yrs and beyond.

It is this Asset Rich but Cash Poor scenario that when combined with the desire to "Stay in Place" rather than "Sell and Move Away", establishes the need for a robust Home Equity Release market in Australia.

The Global Financial Crisis adversely impacted Reverse Mortgage products with many providers having now withdrawn from the market and the recent dramatic downturn in the Australian property market is likely to subdue any significant growth in the already tightly restricted availability of Home Reversion Schemes.

There is now a strong case for the development of improved (Non-Bank) equity release products and having gained ASIC clearance, DomaCom has structured a financial product that extends the scope of Fractionalised Property Investment.

B. The DomaCom Equity Release Solution

Despite the promise of a rapidly growing market earlier in the decade. The equity release market stalled following the Global Financial Crisis. Nearly all of the reverse mortgage providers have withdrawn from the market and home reversion schemes have very limited product availability on offer.

Unlike reverse mortgages which are a credit product where interest is charged and compounded monthly or a home reversion scheme where home owners receive a discounted lump sum payment by selling a portion of their home, the DomaCom Equity Release Product (ERP) provides a new and exciting way for clients to access the equity in their homes.

The DomaCom ERP

The DomaCom Fund will acquire an equitable interest in the property by entering into the Equity Release Deed but the Fund retains the right to register its interest on title

Even if the Fund acquires 100% beneficial ownership, the property will still remain registered in the ERP Client's name whilst the Fund has not registered its interest on title.

The ERP Client will technically hold the Fund's Interest on trust for the Fund in accordance with the terms of the Equity Release Deed while the Fund has a beneficial interest in the Property but not a legal interest.

At law, the Fund and the ERP Client will become tenants in common in respect of the respective proportionate equitable interests in the Property.



DomaCom Equity Release Product

- Financial Product with Property-related Service Fees

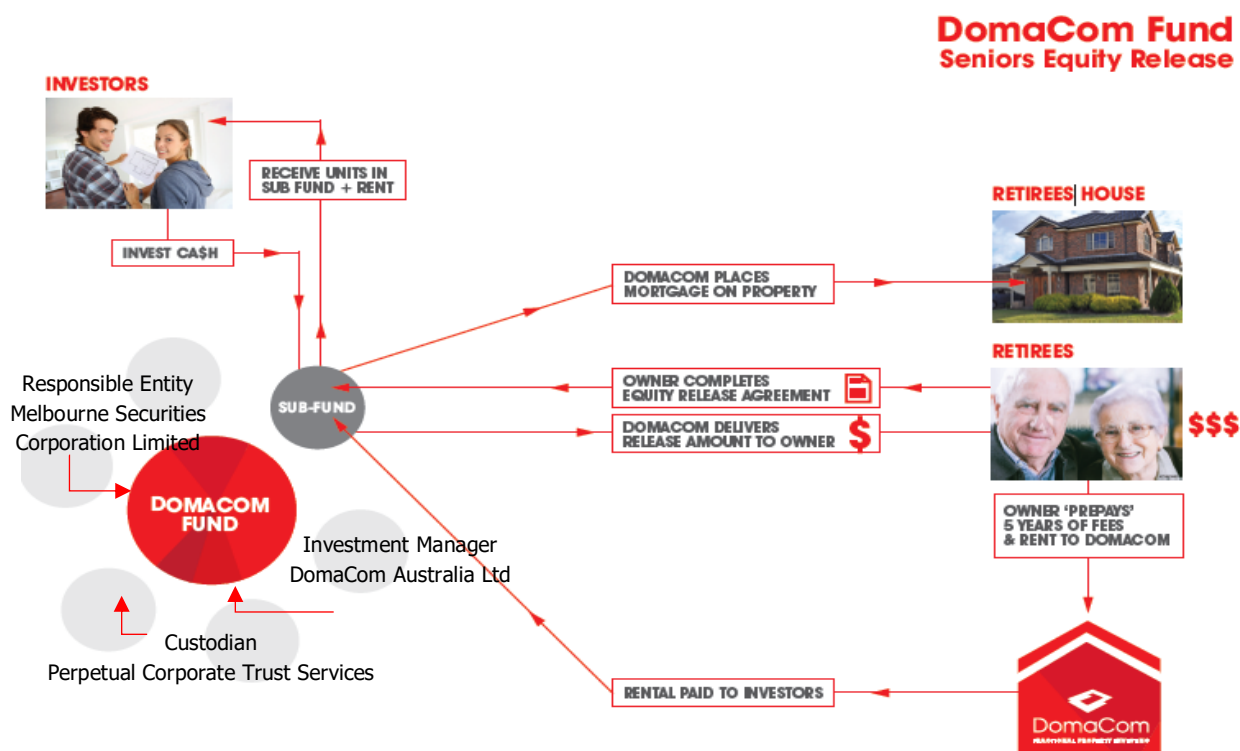
Reverse Mortgages

- Credit Product with Compounding Interest Charges

Home Reversion Schemes

- Real Estate Transaction with Discounted Proceeds

The DomaCom ERP Structure



The Fund offers the opportunity to access a cash payment without the need to take out a loan. This is achieved through the Fund acquiring an interest in the ERP Client's Property.

ERP Client's retain the right to live in their property (or determine who does) throughout their lifetime, until the Equity Release Deed is terminated.

The Equity Release Deed is an agreement between the ERP Client and the Fund under which the ERP Client agrees to sell an agreed interest in their property to the Fund. In exchange for the initial sale of the interest in their Property, they will receive a cash payment.

The ERP Client will be required to pay certain ongoing fees and costs which they will need to fund by selling additional interests in their property to the Fund.

Once a Statement of Offer and an Equity Release Deed are signed, the Fund will seek to raise money from investors that are interested in buying, through the Fund, an interest in the ERP Client's property. If there is insufficient interest from investors, the Fund will terminate the Equity Release Deed.

If sufficient interest from Investors is secured, 'Settlement' will occur which means that the money raised from Investors will be paid to the ERP Client and they will sell an interest in their Property to the Fund. Once Settlement has occurred, the Fund will become a co-owner of the Property with the ERP Client.

C. Key Learning Areas



Remember:

In order to gain accreditation as an ERP Qualified Financial adviser and meet the competency standards required by ASIC for advising ERP Clients, you will need to successfully complete the assessment of each Key Learning Area in this program.

Key Learning Areas of the DomaCom ERP Qualified Financial Adviser program:

- ✓ DomaCom Equity Release Product Structure
- ✓ Fee Structure and impact on Long Term Equity
- ✓ Client Circumstances and Scenario Projections
- ✓ Risks and long term Cash Flow Implications
- ✓ Centrelink Entitlements and Estate Outcomes



Track your progress:

Be sure to track your competency in these Key Learning Areas as you progress through the five core modules of the DomaCom ERP Qualified Adviser program:



Caution: Authority to Provide Equity Release Advice.

Financial planners need to exercise caution and check licensing requirements before giving advice on the various equity release options, including the Pension Loans Scheme.

ASIC has confirmed that the Pension Loans Scheme will come under credit licensing rules.

Unless you are authorised under an Australian credit licence you cannot provide advice on the equity release options that are subject to credit licensing rules (e.g. Reverse Mortgages etc.) and will be limited to strategy advice on the use of these equity release options in general.

This means you cannot mention the product as an option in advice documents unless you have the correct authorisations.

If not authorised and clients wish to investigate which product is appropriate (including the use of the Pension Loans Scheme) you can refer them to the Centrelink Financial Information Service (FIS), although FIS will only be able to provide advice on the Pension Loans Scheme and not alternative specific equity release products.