

Second Supplement

We would like to thank you for your continued interest in the COMPASS SIB.

We are continuing to receive a lot of interest in COMPASS and have received a number of queries. The purpose of this supplement is to provide additional guidance and updates in relation to some of the main topics of inquiry that we have received. These are:

- Legal documentation
- Potential tax treatment of an investment in COMPASS
- Clarification of the role of CBA

Update on Documentation

By making an investment into COMPASS, investors will be entering into a suite of documentation with Compass Leaving Care Limited. This "Documentation Suite" consists of:

- Loan Note Deed Poll;
- Loan Note Subscription Agreement;
- Escrow Agreement; and
- General Security Deed.

These documents have been prepared by our legal advisers (Corrs Chambers Westgarth) and are in an advanced state of draft.

Under our Implementation Agreement with the State, the State has a right to review the Documentation Suite prior to its finalisation and execution by investors. This review process is currently under way and we have been advised by the State that this review will likely be completed throughout the week ending 27 July 2018.

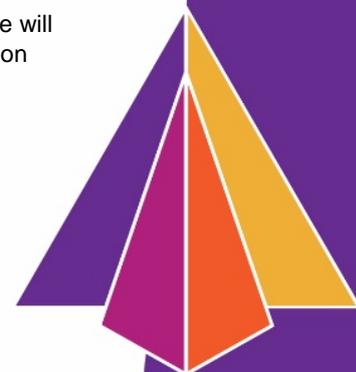
We acknowledge that this timing will not provide investors with sufficient time to adequately review the documentation suite prior to submitting a binding application. As such, we wish to provide investors an additional week to review the documentation suite prior to providing a binding commitment to COMPASS. The revised timeline for applications is summarised below:

	Original Date	Amended Date
Investors to provide Expressions of Interest	N/A	27 July 2018
Documentation Review	N/A	From 30 July 2018
Investors to provide binding commitment	27 July 2018	03 August 2018
Financial Close	10 August 2018	10 August 2018

We request that Investors submit an expression of interest by way of completing the application form that was provided alongside the Information Memorandum, in line with the timeline provided to prospective investors in the first Supplement (dated 21 June 2018). On receipt of your application form, we intend to commence the "Validation Process" (as described in Section 5 of the Application Form) with assistance from CBA. We will also send you a copy of the documentation suite as soon as the review by the State has been completed.

Any application forms received will not be considered as legally binding until **03 August 2018** and are subject to the Validation Process. Any potential Investor that has delivered its Application Form prior to the circulation of the Documentation Suite to Investors will be required to confirm that they have reviewed and understood the Documentation Suite and re-confirm their application by email to applications@compassleavingcare.org.au on or prior to 03 August 2018. If your application is successful and subject to the completion of the Validation Process of your application, we will circulate a set of Transaction Documents for your execution. Please forward original signed documents to us as soon as possible thereafter.

Please note, there is no change to the target Financial Close Date of **10 August 2018**, at which time we will issue a "utilisation request", (as described in the "Initial Settlement" section of Section 5 of the Application Form), under which investors will be required to remit funds within 72 hours.



Income Tax Considerations

As outlined in Section 7.5 of the Information Memorandum, it is anticipated that the Notes will be classified as equity interests for income tax purposes. Returns to investors, such as the fixed cash Coupon and some Outcome Payments are likely to be characterised as non-share dividends for Australian income tax purposes and taxed as ordinary income at such time the cash proceeds are received. Retirements of capital (or principal) up to the issue price of the Notes (\$14.2m) should not be subject to income tax in the investors' hands.

We have provided additional guidance below in relation to the indicative return profile to investors and the respective income tax treatment. We note that these comments are of a general nature only. We encourage prospective investors to seek independent tax advice in relation to the tax treatment of their investment into COMPASS.

Coupons

Fixed cash Coupons paid periodically are likely to be treated as non-share dividends for Australian income tax purposes and taxed as ordinary income at the time of receipt.

Outcome Payments

It is anticipated that the *first* \$14.2m of Outcome Payments made by COMPASS derived from any source (either the net proceeds of sale of a property, or Outcome Payments received from the State) will likely be treated as a retirement of capital. It is intended that this will be reflected in the terms of the Loan Note Deed Poll which should contain wording to that effect (currently being reviewed by the State). Outcome Payments made to investors in excess of the \$14.2m should be characterised as non-share dividends income for Australian income tax purposes and taxed as ordinary income at the time of receipt.

Other Payments

Payments received on redemption of the Notes (including an early termination payment), should be treated as a retirement of capital up to the \$14.2m issue price (i.e., to the extent that previous returns of capital received by the investors has not met or exceeded the \$14.2m). Payments received on redemption of the Notes in excess of the \$14.2m should be characterised as non-share dividends income for Australian income tax purposes and taxed as ordinary income at the time of receipt.

The Role of CBA

We have received a number of queries in relation to the role of CBA as our transaction administration support provider and wish to provide additional clarity as to what this role entails.

We wish to inform potential Investors that CBA has been appointed to provide certain administrative functions pursuant to the terms of the Loan Note Deed Poll and the Documentation Suite. Further, we wish to confirm that CBA's roles in respect of the COMPASS SIB shall be limited to the following:

- Book Runner (which role shall be limited to assisting the Issuer with receiving Application Forms and assisting with the Validation Process only, and has not and will not involve any arranging, structuring, offer, sale, distribution or allocation activities);
- Note Agent;
- Security Trustee;
- Registrar; and
- Escrow Agent.

CBA has not undertaken any other roles in connection with the development of the COMPASS Program, or the Notes, and potential investors should not expect involvement by CBA other than in the roles described above, as such roles are provided for pursuant to the terms of the Loan Note Deed Poll and the Loan Note Subscription Agreement. In particular, notwithstanding any statement to the contrary in the Information Memorandum, the First Supplement or the 'application form' referred to therein, CBA has not been appointed to act, and will not be acting, as arranger to COMPASS or in respect of the Notes, and will not perform any arranging, structuring, offer, sale, distribution or allocation activities. Accordingly, queries related to the

COMPASS Program, the Loan Notes or the application requirements and process should be directed to: info@compassleavingcare.org.au.

We further wish to advise that any decisions with respect to allocations of COMPASS SIBs to potential investors following receipt of application forms shall be made by Compass Leaving Care Limited in its absolute discretion.

The Information Memorandum (including each supplement thereto) has been prepared by and issued with the authority of the Compass Leaving Care Limited. Compass Leaving Care Limited accepts sole responsibility for it.

The Information Memorandum (and each supplement thereto) has not been prepared, verified, or authorised by CBA. Accordingly, to the fullest extent permitted by law, CBA does not make any representation, warranty or undertaking, express or implied, and accepts no responsibility or liability for the issue of the Information Memorandum (or any supplement thereto), including as to the accuracy, authenticity, origin, validity or completeness of, or any errors, or omissions from, or any information or statement contained in the Information Memorandum (or any supplement thereto). CBA does not guarantee the performance of any Notes, the interest rate, the return of capital to investors, any particular rate of return or any taxation consequences of any investment made in any Notes.

CBA has not had, and will not have, any role in the arrangement of, or the structuring of the terms of, the COMPASS SIB or the preparation of the Information Memorandum (or any supplement thereto), and potential investors should not expect that they have structured the terms of the COMPASS SIB.

CBA accordingly disclaims all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of the Information Memorandum (or any supplement thereto), or any information incorporated by reference into the Information Memorandum. CBA have acted pursuant to the terms of its engagement, have not authorised or caused the issue of, and take no responsibility for the Information Memorandum (or any supplement thereto) and do not make, and should not be taken to have verified, any statement or information in the Information Memorandum (or any supplement thereto) (other than in respect of its name, address and other details in the directory of the Information Memorandum).

The Information Memorandum (and each supplement thereto) contains only summary information with respect to the COMPASS SIB and Issuer. Neither the information contained in the Information Memorandum nor any other information supplied in connection with the COMPASS SIB is intended to provide the basis of any credit or other evaluation and should not be considered or relied on as a recommendation or a statement of opinion (or a report of either of those things) by Compass Leaving Care Limited or CBA that any recipient of this Information Memorandum or any other information supplied in connection with the COMPASS SIB's should subscribe for, purchase or otherwise deal in any Notes or any rights in respect of any Notes.

Each investor contemplating subscribing for, purchasing or otherwise dealing in any Notes or any rights in respect of any Notes should:

- a. make and rely upon (and shall be taken to have made and relied upon) its own independent investigation of the financial condition and affairs of Compass Leaving Care Limited and the Notes, and its own appraisal of the likelihood of the Issuer to meet the Outcome Measures and ability of the Issuer to make payments (including Outcome Payments) and to perform its other obligations with respect to the Compass Program;
- b. determine for themselves the relevance of the information contained in the Information Memorandum and any other information supplied in connection with the Notes or the issue of the Notes (including the terms of each relevant agreement with respect to the Notes, including the Loan Note Deed Poll, the Loan Note Subscription Agreement and the Transaction Documents referred to in the Loan Note Subscription Agreement);
- c. must base their investment decision solely upon their independent assessment and such investigations as they consider necessary; and
- d. consult their own tax advisers concerning the application of any tax laws applicable to their particular situation.

CBA has not undertaken, and will not undertake, to review the financial condition or affairs of Compass Leaving Care Limited, or its ability to meet the Outcome Measures or make payments (including Outcome Payments) or perform its other obligations with respect to the Compass Program, at any time or to inform any holder of the Notes or potential investor of information about Compass Leaving Care Limited, or the Notes coming to its attention and makes no representation about the ability of the Issuer to comply with its obligations under the Notes.