

Lodged with the ASX Online

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

Dear Sir/Madam

SALE AND STRATEGIC ALLIANCE INVOLVING YBR WEALTH

Yellow Brick Road Holdings Limited (ASX:YBR) (**YBR** or the **Company**) announces that it has today entered into a sale agreement and strategic alliance with Sequoia Financial Group Limited (ASX:SEQ) (**Sequoia Group**) in relation to the head office operational and business functions that comprise its Yellow Brick Road Wealth Division (**YBR Wealth**). YBR Wealth operates under two Australian Financial Services Licences (**AFSLs**).

The transaction involves:

- (i) The sale to Interprac Pty Ltd, a wholly owned subsidiary of Sequoia Group, of YBR Wealth's share of the rights to the recurring revenue streams derived from its wealth advice and life insurance distribution businesses;
- (ii) The transfer by mutual agreement of YBR's current Wealth advisers to become licenced advisers of InterPrac Financial Planning Pty Ltd, the holder of an AFSL within the Sequoia Group, following each transferring adviser entering into a new agreement with Sequoia and completing an onboarding process. As part of this process, YBR Wealth advisers who transfer to the Sequoia Group will continue to provide wealth advice and services to their existing clients (under Interprac's AFSL) and will retain their rights to income from their client books;
- (iii) YBR Wealth advisers who do not transfer to the Sequoia Group will be assisted in selling their rights to income from their client book to other transferring YBR Wealth advisers or other advisers in the Sequoia Group;
- (iv) The purchase price is payable to YBR in cash in four equal half yearly payments with the first payment due on completion. The total purchase price will be approximately \$2.5million, if all YBR Wealth advisers transfer on completion, otherwise the purchase price will reduce pro rata for any non-transferring revenue streams. Other potential adjustments may be made to the final purchase price depending upon whether:
 - the YBR Super book is ultimately included in the transaction;
 - any advisers are terminated for cause by Sequoia Group during an 18 month period post-completion, subject to certain mitigation requirements; and
 - the expected income of Sequoia from the books of any transferring wealth advisers is reduced by any failure to comply with law prior to completion, the risks of which remains with YBR.
- (v) Sequoia Group making offers of employment to employees of YBR Wealth; and

- (vi) A Cross-Referral agreement between the parties, where Sequoia Group will act as the preferred referral partner of wealth advice and services for YBR's 1,200-odd strong mortgage broking network (including YBR, Resi and Vow brands), and YBR will be the preferred referral partner of mortgage origination advice and services to the Sequoia Group, with its network of in excess of 250 advisers and accountants, making it one of the top 5 dealer groups in Australia.

Completion of the transaction is expected to occur in early 2020 following the transfer of advisers and finalisation of other implementation aspects of the Transaction.

The sale does not affect the YBR mortgage distribution business or its Australian credit licence (**ACL**), and all YBR franchisees remain operative under their existing YBR franchise / licence agreements.

YBR Executive Chairman, Mark Bouris, said: "The decision to exit the management of YBR's wealth business was driven by YBR's recent strategic pivot away from wealth management, in which it lacked scale in an increasingly regulated environment, to focus on the mortgage market.

The selection of Sequoia was made after a long marketing, evaluation and negotiating process. Sequoia is an ASX listed company that provides financial planners, equity advisers, corporate advisers and accountants with licensing, compliance, education, sales management and administration functions in a manner YBR determined as market leading and culturally aligned to YBR.

We are confident that Sequoia shares our values and commitment for excellent service to clients and will provide YBR's advisers with high quality education, research and technical information, together with robust systems and operational support, so that they can deliver the very best advice possible.

YBR is 100% focused on its mortgage business and is committed to the implementation of its mortgage securitisation initiative."

For and on behalf of
YELLOW BRICK ROAD HOLDINGS LIMITED



Mark Bouris
Executive Chairman

ENDS