



KEYINVEST
49 Gawler Place Adelaide
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South Australia 5000
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NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of KeyInvest Ltd (**KeyInvest** or the **Company**) will be held at Level 6, 49 Gawler Place, Adelaide SA 5000 on Tuesday, 23 June 2020 at 10.00 am.

Additional information concerning the proposed resolutions is contained in the Explanatory Notes which accompany and form part of this Notice of General Meeting.

COVID-19 ARRANGEMENTS

As at the date of the Notice of General Meeting, KeyInvest is unable to allow members to physically attend the General Meeting so that it can comply with government restrictions and public health advice to practice social distancing, which is also necessary to keep people safe and slow down the spread of COVID-19.

The General Meeting will be held and broadcast via teleconference to members from KeyInvest's offices at Level 6, 49 Gawler Place, Adelaide on Tuesday, 23 June 2020 at 10.00 am. Instructions to join the teleconference will be published on the KeyInvest website (www.keyinvest.com.au).

All resolutions at the General Meeting will be decided on a poll, based on proxies submitted before the General Meeting. Members who lodge their proxies by 10.00 am Adelaide time on Sunday, 21 June 2020 will have their votes cast at the meeting.

The business to be considered at the meeting is as follows:

BUSINESS OF THE MEETING

1. RESOLUTION 1 – CANCELLATION OF CLASS RIGHTS (GRAND LODGE)

To consider and, if thought fit, pass the following resolution as a special resolution:

“That subject to the passing of resolutions 2 – 4 inclusive, for the purposes of section 246B of the Corporations Act, rule 18 of the Constitution, and for all other purposes, the membership rights of the Grand Lodge as that term is defined in the Constitution be and are hereby cancelled on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.”

2. RESOLUTION 2 – CANCELLATION OF CLASS RIGHTS (LODGES)

To consider and, if thought fit, pass the following resolution as a special resolution:

“That subject to the passing of resolutions 1, 3 and 4, for the purposes of section 246B of the Corporations Act, rule 18 of the Constitution, and for all other purposes, the membership rights of the Lodges as that term is defined in the Constitution be and are hereby cancelled on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.”



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3. RESOLUTION 3 – CANCELLATION OF CLASS RIGHTS (LODGE MEMBERS)

To consider and, if thought fit, pass the following resolution as a special resolution:

“That subject to the passing of resolutions 1, 2 and 4, for the purposes of section 246B of the Corporations Act, rule 18 of the Constitution, and for all other purposes, the membership rights of the Lodge Members as that term is defined in the Constitution be and are hereby cancelled on the terms set out in the Explanatory Memorandum accompanying this Notice of General Meeting.”

4. RESOLUTION 4 – ADOPTION OF NEW CONSTITUTION

To consider and, if thought fit, pass the following resolution as a special resolution:

“That subject to the passing of resolutions 1 – 3 inclusive, for the purposes of section 136(2) of the Corporations Act, rule 18 of the Constitution, and for all other purposes, the constitution submitted to this meeting and signed by the Chairman of this meeting for the purposes of identification be adopted with effect from the conclusion of this meeting as the constitution of the Company in substitution for and to the exclusion of the existing constitution of the Company.

By Order of the Board

Dion Silvy
Company Secretary

Notes:

1. Voting Rights – under rule 15.9 of the Constitution a member is entitled to vote at the meeting if, and only if, the member has a current interest in a Benefit Fund and has been a member of that Benefit Fund for a period of at least one hundred and eighty-five (185) days immediately preceding the meeting. Please note with joint memberships only the first named member on the members' register is entitled to vote.
2. Proxies - a member has the right to vote on the above resolutions by proxy. A Proxy Form is enclosed with this Notice of Meeting, together with instructions on how to vote using the Proxy Form. Please read these instructions carefully.

EXPLANATORY NOTES

Introduction and summary of resolutions

1. This Notice of Meeting seeks member approval (pursuant to resolutions 1 – 3 inclusive) to cancel the membership and therefore the membership rights of the following members of the Company:
 - 1.1 the Grand Lodge;
 - 1.2 Lodges; and
 - 1.3 Lodge Members.
2. The Company is required to obtain member approval for the purposes of section 246B of the Corporations Act. Approval is also required under the Constitution of the Company. To be effective, member approval is conditional on the approval of 75% of the members in each class.
3. As part of the cancellation of rights process, KeyInvest has entered into an agreement with the members of each relevant class (**Agreement**) pursuant to which each class has consented to the cancellation of their rights (**class approval**). As class approval has already been obtained, the approval of members at this Meeting, if granted, will be unconditional. A summary of the principal terms of the Agreement is set out in sections 16 – 17 of this Explanatory Memorandum.
4. At the same time, if approval of the members at this Meeting is granted, it is necessary to adopt a new constitution for the Company. The Corporations Act requires the Company to obtain member approval to adopt a new constitution. Member approval to adopt the new constitution is the subject of resolution 4 in the Notice of Meeting. A summary of the key provisions of the new constitution is provided in section 34.

Background

5. KeyInvest started life in 1878 as the Grand Lodge of South Australia Independent Order of Odd Fellows by grant of charter from the Grand Lodge of Australasia Independent Order of Odd Fellows dated 25 September 1878 (**Charter**).
6. Over time KeyInvest became an incorporated entity, a friendly society and now a public company under the Corporations Act limited by shares and guarantee. Those changes were often as a consequence of changes to the legislation that applied to KeyInvest which of course the Company was required to comply with.
7. Throughout that history KeyInvest has maintained the Independent Order of Odd Fellows (**IOOF**) in South Australia (**Order**) and its fraternal objects of friendship, love and truth.
8. Those fraternal objects are pursued through a number of lodges of the Order.
9. KeyInvest has for many years maintained a fund of money required to be appropriated towards defraying the expenses of the Lodges and for the promotion of the lawful objects of the IOOF (**Lodge Funds**).



10. As time has elapsed the number of members of those Lodges has declined substantially. Today Lodge membership numbers total 20 people.
11. At the same time KeyInvest has built a substantial financial services and retirement living business with over 19,000 Benefit Fund Members.
12. As a consequence of that history KeyInvest has, under its Constitution, several classes of members:
 - 12.1 the Grand Lodge;
 - 12.2 Lodges;
 - 12.3 Lodge Members; and
 - 12.4 Benefit Fund Members.

Class Rights

13. Each class of membership carries with it different rights under the KeyInvest Constitution. The principal rights are summarised as follows:
 - 13.1 members have the right as set out in the Constitution to receive notice of and to attend General Meetings of the Company and to receive copies of any reports required to be provided to members under the Corporations Act or other law;
 - 13.2 at a General Meeting, only a member who is a Benefit Fund Member and has been a Member of that Benefit Fund for a period of at least one hundred and eighty-five (185) days immediately preceding the meeting is entitled to vote;
 - 13.3 the Grand Lodge and Lodges have priority rights in respect of a winding up of the Company.

Cancellation of Membership and Class Rights

14. The Notice of Meeting proposes resolutions that if passed would cancel all membership classes other than Benefit Fund Members.
15. Correspondingly the rights of those members, as set out above, would be cancelled forever. The rights of Benefit Fund Members will not be altered by the passing of the resolutions set out in the Notice of Meeting.

Agreement

16. As noted in section 3, as part of the cancellation of rights process KeyInvest has entered into the Agreement.
17. In summary, the Agreement provides for separation of the Grand Lodge, Lodges and Lodge Members from the Company, to be implemented by (in addition to the cancellation of class rights):
 - 17.1 the Company surrendering the Charter to the Grand Lodge of Australasia Independent Order of Odd Fellows;
 - 17.2 the Grand Lodge of South Australia Independent Order of Odd Fellows Incorporated (**Association**) accepting a new charter in ostensibly the same terms as the Charter from the Grand Lodge of Australasia Independent Order of Odd Fellows and agreeing to be bound by the new charter and any further conditions imposed on the Association by the Grand Lodge of Australasia Independent Order of Odd Fellows;
 - 17.3 the Company transferring the Lodge Funds to the Association;

- 17.4 the Association agreeing to receive the Lodge Funds and to exclusively use such funds towards defraying the expenses of the Lodges and for the promotion of the lawful objects of the IOOF.

Benefits of Cancellation

18. Over time the financial services business of KeyInvest and the pursuit of the fraternal objects of the Order have become less relevant to one another. KeyInvest no longer considers the fraternal pursuits of the IOOF are relevant to the pursuit of its strategy to focus on the growth of its business divisions together with the pursuit of strategic initiatives. The maintenance of the fraternal Order has no relevance to KeyInvest's business or strategy today.
19. Management resources and time are involved in continuing to run the fraternal aspects of the Order which have nothing to do with the Company's financial services and retirement living business. The Company believes those resources could be better directed elsewhere to deliver on its business strategy.

Detriments of Cancellation

20. The members whose membership and rights are cancelled will lose those rights as referred to in section 13 above.
21. Those members have, however, had the opportunity to agree or otherwise to the cancellation of rights and as discussed in section 3 their consent in writing has already been obtained.
22. The detriment to Benefit Fund Members in cancelling the rights referred to relates to money being paid away by KeyInvest as part of this process, if approved.
23. At 30 June 2019 the Lodge Funds totalled \$627,000.
24. The Agreement requires the Lodge Funds be paid to the Association at settlement on 29 June 2020, after deducting the Fraternal expenses for the 2019-20 financial year (forecast to be \$91,472) and adding a \$60,000 contribution by KeyInvest.
25. The Lodge Funds form part of the working capital of KeyInvest. Having said that, these funds must be applied by the Board of KeyInvest on the terms set out in section 9 above. On that basis, whilst the funds form part of the working capital of the Company they cannot be used for general Company purposes or any other purpose inconsistent with a stipulated Lodge Fund purpose.
26. Accordingly, whilst working capital of the Company will be reduced if approval is granted, it will be reduced in relation to capital that can only be applied for specific purposes which purposes are not consistent with or relevant to the strategy of KeyInvest.

Pro-forma Statement of Financial Position

27. Set out in Annexure A is a pro-forma consolidated statement of financial position of the Company taking into account the proposed reduction in the Company's capital base.
28. The pro-forma statement of financial position illustrates the effect of the reduction in the Company's capital base as if it had occurred on 31 December 2019.

APRA

29. Certain aspects of KeyInvest's activities are regulated by the Australian Prudential Regulation Authority (**APRA**).
30. APRA's Prudential Standard LPS 110 Capital Adequacy requires KeyInvest to obtain the prior written approval of APRA to any planned reduction in its capital base. The transfer of the Lodge Funds to the Association constitutes a reduction in the Company's capital base.
31. APRA's approval for the reduction in the Company's capital base was provided in writing on 25 February 2020.

Ongoing Order

32. The effect of the Agreement is that the Order will continue in South Australia under the direction of the Association. The Association will have control of the Lodge Funds and is required to apply them for exactly the same purposes as is KeyInvest today. Lodges as currently formed will continue to exist and be part of the Order and Lodge Members will continue as members of the Order and their respective Lodges to pursue the fraternal aspects of the Order uninterrupted.

Not Unfairly Prejudicial

33. Based on the foregoing the Board of KeyInvest has determined the cancellation of membership and member rights is in the best interests of the Company as a whole and is not unfairly prejudicial to any member or any class of member.

Adoption of New Constitution – Membership Changes

34. The Company's existing Constitution was adopted when there were several classes of members including the Grand Lodge, the Lodges and Lodge Members. Given the proposal to cancel the membership and therefore the membership rights of these members, the Constitution requires significant amendment to ensure, amongst other things, that it reflects the changes to the membership classes.
35. At the same time the Board decided to propose a refreshed and modernised Constitution for the Company.
36. In light of the number of changes required to various parts of the existing Constitution, the Board decided that it was most appropriate to adopt a wholly new constitution rather than approving numerous amendments to the existing Constitution.
37. It is not practical to list all the changes to the Constitution in this Explanatory Memorandum. The most significant amendments arising from cancelling the membership and therefore the membership rights of the Grand Lodge, the Lodges and Lodge Members. This has resulted in material changes to the existing Constitution to remove all references to these classes of members.
38. Under the new constitution, certain APRA governance requirements regarding a minimum number of:
- 38.1 directors
 - 38.2 independent directors; and
 - 38.3 non-executive directors,
- have been incorporated.

Adoption of New Constitution – Mutual Capital Instruments

39. In April 2019 the Corporations Act was amended to allow mutual companies, like KeyInvest, to issue mutual capital instruments (**MCIs**). MCIs are shares issued by the Company to allow it to raise capital without prejudicing its mutual status.
40. The inclusion of provisions in the new constitution allowing for the issue of MCIs by KeyInvest, if approved, will allow KeyInvest to raise capital through an issue of shares rather than debt. In appropriate circumstances this will allow the Company to better manage its capital position and provide flexibility in how capital is raised to continue to grow the Company and the services and benefits we provide to our members.
41. The Corporations Act imposes certain rules and requirements regarding the issue of MCIs. KeyInvest complies with those rules and meets those requirements.



42. Given the advantages the Board sees in having the ability to raise capital through MCIs it has proposed at this meeting amendments to the Constitution of the Company that, if approved, will allow it to do so.
43. The amendments to the Constitution regarding MCIs:
 - 43.1 provide the Board with power to issue MCIs;
 - 43.2 provide the Board with power to determine the rights attaching to MCIs;
 - 43.3 allow the Board to determine the number of MCIs to be issued;
 - 43.4 provide that holders of MCIs will be members of the Company entitled to attend general meetings and vote like other members of the Company;
 - 43.5 gives the Board power to determine the rate and basis of dividends to be paid on MCIs;
 - 43.6 gives the Board power to determine that holders of MCIs be given priority on a winding up in terms of any dividend accrued and unpaid and amounts limited to the issue price of the MCIs.
44. A copy of the proposed new constitution will be made available for inspection upon request.

Future Direction for the Company if the Resolutions are Not Passed

45. If resolutions 1 – 4 (inclusive) are not passed the cancellation of membership and member rights and planned reduction in the capital base of the Company will not proceed. In this circumstance the Company will continue with its present membership base.

Voting Recommendation

46. The Board of KeyInvest recommends you vote in favour of all resolutions.

GLOSSARY

\$ means Australian dollars;

Board means the current board of directors of KeyInvest Ltd;

Code of Laws means the “Code of Laws” of the Grand Lodge dated 21 November 2016;

Constitution means the KeyInvest Ltd constitution;

Corporations Act means the Corporations Act 2001 Cth;

Explanatory Memorandum means the explanatory memorandum accompanying the Notice;

General Meeting or **Meeting** means the meeting convened by the Notice of Meeting;

Grand Lodge means the Grand Lodge of South Australia, Independent Order of Odd Fellows and the term Grand Lodge and Company refer to the same entity;

KeyInvest or the **Company** means KeyInvest Ltd ACN 087 649 474;

Lodge Members means each person who has been admitted and is a current member of a Lodge in good standing;

Lodges means each Chartered Lodge of the Grand Lodge within the meaning of the Constitution and Code of Laws;

Notice, Notice of Meeting or **Notice of General Meeting** means this notice of general meeting including the Explanatory Memorandum and the Proxy Form; and

Proxy Form means the proxy form accompanying the Notice.

Appendix A

KEYINVEST LTD GROUP - CONSOLIDATED BALANCE SHEET			
	KeyInvest Ltd Group 31/12/2019	Capital Reduction	KeyInvest Group post Capital Reduction
CURRENT ASSETS			
Cash	38,933	(6,506)	32,427
Cash - Short term money market	2,841,206	(25,090)	2,816,116
Receivables	602,507		602,507
Financial assets - Term deposit investments	598,610	(578,610)	20,000
Other assets	51,853		51,853
Investment property	39,955,101		39,955,101
Property, plant & equipment	728,508		728,508
Intangible assets	440,000		440,000
Deferred tax assets	8,288,869		8,288,869
Life investment contract policy holder assets	219,450,911		219,450,911
TOTAL ASSETS	272,996,499	(610,206)	272,386,293
LIABILITIES			
Payables	(2,337,106)		(2,337,106)
Financial liabilities	(8,122,514)		(8,122,514)
Provisions	(1,970,161)		(1,970,161)
Deferred tax liabilities	(9,547,933)		(9,547,933)
Life investment contract policy holder liabilities	(219,450,911)		(219,450,911)
TOTAL LIABILITIES	(241,428,624)	0	(241,428,624)
NET ASSETS	31,567,875	(610,206)	30,957,669
EQUITY			
Retained earnings	(31,567,875)	610,206	(30,957,669)
TOTAL EQUITY	(31,567,875)	610,206	(30,957,669)