

16 July 2018

Dear Shareholder

We **enclose** a notice of special meeting (**Notice of Meeting**) of shareholders of Mykco Limited (**Mykco**) to be held on 31 July 2018 at **Raffles Room, Stamford Plaza Auckland, 22-26 Albert Street, Auckland, 1010** starting at 1.00pm.

Resolutions

The 3 resolutions (**Resolutions**) being put to the meeting seek approval for:

- (a) A transaction (**Transaction**) to acquire all the shares in Corporate Holdings Limited (**CHL**) except for those Mykco already owns;
- (b) A Management Agreement (**Management Agreement**) to be entered into with Brent Douglas King on completion of the Transaction;
- (c) An increase in the Directors' remuneration fee pool.

All Resolutions are interdependent. This means that unless all Resolutions are approved, none of them will be considered to have passed.

The Transaction

Resolution 1 seeks approval for the Transaction whereby Mykco:

- (a) Acquires all the 6,512,000 shares in CHL except for the 100,000 shares it already owns (**Shares in CHL to be Acquired**) for a total purchase price of \$6,132,436.80 (**Purchase Price**); and
- (b) Satisfies the Purchase Price by issuing to the owners of the Shares in CHL to be Acquired (**Vendors**) 104,323,240 fully paid ordinary shares in Mykco (**Mykco Shares to be issued to the Vendors**).

The Transaction is in substance a merger of Mykco and CHL. It will result in the Vendors becoming the holders of a majority of the shares in Mykco. Mykco's existing shareholders will retain their shares in Mykco. However, the Transaction will substantially dilute the proportion of the shares in Mykco held by Mykco's existing shareholders due to the issue of shares under the Transaction.

The Transaction will result in the essential nature of Mykco's business changing, as it will result in Mykco being the holding company for a group comprising CHL (an intermediate holding company) and its subsidiaries:

- (a) General Finance Limited (**General Finance**), a non-bank deposit taker, which operates as a finance company; and
- (b) Investment Research Group Limited (**IRG**), a corporate advisory and financial research company, which is an NZX Sponsor and NXT Advisor and the publisher of the Investment Yearbook.

The Notice of Meeting should be read in conjunction with the **enclosed** Independent Adviser Report which assesses the merits of the Transaction, and the **enclosed** Disclosure Document which describes Mykco and its subsidiaries after the Transaction (collectively **Mykco Group**) and the business plan to be pursued by the Mykco Group following the Transaction.

Transaction Consideration

Mykco will satisfy the Purchase Price through the issue of the Mykco Shares to be issued to the Vendors.

The valuations relevant to the Transaction are:

- (a) The Shares in CHL to be Acquired are valued at \$6,132,436.80, which is the Purchase Price.
- (b) Mykco is valued at \$1,152,957.

Based on these valuations, the existing shareholders of Mykco will have approximately a 15.8% shareholding interest in Mykco upon completion of the Transaction.

Each Vendor will receive 16.27 shares in Mykco for each share in CHL.

The multiplier of 16.27 represents:

- (a) 95.64 cents, being the net assets per share of CHL derived from management accounts of CHL prepared as at 31 January 2018; divided by
- (b) 5.88 cents, being the net assets per share of Mykco as at 30 September 2017 based on unaudited interim accounts of Mykco as at that date.

Benefits of the Transaction

The Board of Mykco considers that the Transaction will produce benefits to shareholders because the Transaction:

- (a) Introduces established business operations and growth prospects into a Mykco Group (comprising Mykco, CHL, General Finance and IRG) with a focus on the finance company sector (through General Finance) and the complimentary corporate advisory and financial advisory sector (through IRG).
- (b) Provides Mykco with new substantial shareholders who have business experience in the areas in which Mykco (through subsidiaries) operates following the Transaction.
- (c) Potentially increases liquidity by increasing the number of shareholders.

- (d) Provides Mykco with a platform to seek further capital and expand the operations of its subsidiaries.

The Board considers that the Transaction provides growth opportunities for Mykco and believes the Transaction is in the best interests of shareholders under current circumstances.

The key positive and negative aspects of the Transaction are outlined in the Independent Adviser Report in section 2.2 on pages 8 to 10.

If the Transaction does not proceed, Mykco would remain a listed shell company seeking suitable investment and capital raising opportunities to cover its operating expenses. However, the costs associated with the Transaction mean that Mykco would be unlikely to have the cash resources to fund the costs related to any further transaction should the Transaction not be approved.

Management Agreement with Brent Douglas King

Resolution 2 seeks approval for the proposed Management Agreement between Mykco and Mr King which would extend to Mykco and its subsidiaries but otherwise be on substantially the same terms as and replace Mr King's current Management Agreement with CHL and take effect on completion of the Transaction.

Reflecting Mr King's existing Management Agreement with CHL, the proposed Management Agreement between Mykco (and what would be its main operating subsidiary, General Finance) and Mr King would provide for:

- (a) A salary of \$120,000 per annum, reviewable annually, a vehicle allowance of \$12,000 per annum, the cost of a covered carpark, and reimbursement of petrol charges for use of a motor vehicle;
- (b) Commission payments of 10% of any fees earned by Mykco or any of its subsidiaries (except fees earned by General Finance from its lending business);
- (c) A profit share equal to 8% of any amount by which the Mykco group's net profit after tax exceeds a benchmark equal to the shareholders funds of the Mykco group at the commencement of the relevant year, multiplied by the OCR plus 10% per annum.

The proposed Management Agreement will be terminable by either party on three month's written notice, and no moneys will be payable to Mr King on termination apart from any unpaid remuneration accrued up to the termination date and (in the event termination is for redundancy) the agreed redundancy payment equal to six weeks pay for the first year of service and two weeks for each subsequent year of service.

Since the proposed Management Agreement will be an employment agreement, Mykco could only give notice terminating the Management Agreement if it has substantive grounds to do so, ie. If there has been misconduct or poor performance warranting termination, or redundancy, and in exercising its right of termination Mykco would need to proceed in a manner that is procedurally fair to Mr King.

Directors' Remuneration Fee Pool

Resolution 3 seeks approval to increase the Directors' remuneration fee pool by \$150,000 from \$150,000 to \$300,000 (an explanation of Resolution 3 is set out on page 23 of the enclosed Notice of Meeting).

Shareholder action required

All Resolutions are interdependent. This means that unless all Resolutions are approved, none of them will be considered to have passed and Mykco will remain a listed shell. All Resolutions require approval from Mykco's shareholders. The Resolutions are described and the reasons for shareholder approval being required are explained in the Explanatory Notes that form part of the enclosed Notice of Meeting.

The Directors encourage you to carefully read the enclosed Notice of Meeting (including explanatory notes) together with the enclosed Independent Advisors Report and Disclosure Document and exercise your right to vote.

The enclosed shareholder voting form has detailed instructions on how shareholders may lodge their vote or appoint a proxy to vote on their behalf if they are unable to attend the meeting.

Directors' recommendation

Directors recommend that shareholders vote in favour of the Resolutions. Their responses for this recommendation are set out on pages 5 to 7 of the enclosed Notice of Meeting.

Shareholders should note that these recommendations are based on the Directors' having accepted the net asset value of CHL (including the underlying asset values) as at 31 January 2018 based on unaudited management accounts prepared and determined solely by CHL. The Directors have not commissioned or received audit or other independent review or verification of those accounts (or the asset valuations underlying them). Mykco has limited resources and the Directors did not believe this was an efficient or effective use of the remaining shareholders funds available. The Directors have accepted those accounts (and valuations) and have concluded that they are fair and reasonable to shareholders for the reasons set out above. Valuation and pricing involves judgement, in respect of which views may differ. Therefore, shareholders should ensure they make their own independent decisions, after considering all information in the enclosed Notice of Meeting and the accompanying documents, and they should not be guided solely by the recommendation of the Directors.

A description of the Directors' interests in the Resolutions is set out in a table under Directors' Recommendation on page 8 of the enclosed Notice of Meeting.

Please read all of the enclosed documentation, and consult with your financial or professional advisor if you have any questions.

I look forward to seeing you at the meeting.

Yours faithfully



Brent King
Chair