

BELL FINANCIAL GROUP LTD
ABN 59 083 194 763

NOTICE OF GENERAL MEETING
PROXY FORM
AND
EXPLANATORY MEMORANDUM

Date of Meeting

12 August 2009

Time of Meeting

11am

Place of Meeting

Shangri-La Hotel,
176 Cumberland Street,
The Rocks NSW 2000

BELL FINANCIAL GROUP LTD
ABN 59 083 194 763

Notice of General Meeting

Notice is given that the General Meeting of Bell Financial Group Ltd (“**BFG**” or the “**Company**”) ABN 59 083 194 763 will be held at the Shangri-La Hotel, 176 Cumberland Street, The Rocks NSW 2000 on 12 August 2009 at 11am Australian Eastern Standard Time for the purposes of transacting the following business.

The attached Explanatory Memorandum contains information in relation to each of the following resolutions and should be read in conjunction with this Notice of General Meeting.

BUSINESS

THE CONSOLIDATION OF SHARES AS PART OF THE AMENDMENT TO THE TERMS OF THE ACQUISITION OF SOUTHERN CROSS EQUITIES LIMITED

Resolutions – Consolidation of Shares

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

1. *“That the A Class, B Class and C Class shares in the capital of the Company held by each shareholder be converted into a smaller number of shares by multiplying the number of A Class, B Class and C Class shares held by each shareholder by a conversion factor of 0.716506630315, with the resulting number of A Class, B Class and C Class shares respectively held by each such shareholder rounded up to the nearest whole number.”*

2. *“That the terms of the A Class, B Class and C Class shares set out in Schedule 3 of the Share Sale Deed dated 29 September 2008 be amended by deleting the following definitions:*

***Original A Class Shares** means the number of A Class Shares issued on the Completion Date;*

***Original B Class Shares** means the number of B Class Shares issued on the Completion Date;*

***Original C Class Shares** means the number of C Class Shares issued on the Completion Date*

and replacing them with the following new definitions:

***Original A Class Shares** means 10,446,681 A Class Shares;*

***Original B Class Shares** means 10,446,681 B Class Shares;*

***Original C Class Shares** means 10,446,681 C Class Shares.”*

NOTES TO NOTICE OF MEETING

For the purposes of this General Meeting, persons holding BFG shares quoted on the Australian Securities Exchange at 7:00pm Australian Eastern Standard Time on 10 August 2009 are taken to hold those shares at the time of the Meeting. A shareholder

entitled to attend and vote at the meeting may appoint one or two proxies to attend and vote instead of the shareholder.

To appoint a proxy the shareholder must use the proxy form attached or online at www.investorvote.com.au. A proxy does not have to be shareholder of BFG.

If a shareholder appoints two proxies, each proxy must be appointed to represent a specified number or proportion of the shareholder's voting rights. If a number or proportion is not specified, then each proxy is entitled to exercise half of the voting rights. If a shareholder does not state a number or proportion of their voting rights on a proxy form, each proxy may exercise half of the votes regardless of any proportion stated on any other form.

To be treated as valid, the proxy form and any authority under which the form is signed must be received by 11am Australian Eastern Standard Time on 10 August 2009 (i.e. 48 hours before the Meeting) at:

(a) Online – Investor Vote

Lodge an electronic proxy online by visiting www.investorvote.com.au and following the prompts; or

(b) BFG's Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067, Australia
Fax number: (03) 9473 2555; or

(c) BFG's registered office:

Bell Financial Group Ltd
Level 29, 101 Collins Street,
Melbourne, Victoria 3000, Australia
Fax number: (03) 9235 1850
Attention: Paul Vine

A copy of the signing authority certified as a true copy may be lodged with the proxy form instead of the original authority. Please see the reverse of the attached proxy form for more information on the appointment of proxies.

Voting Exclusion Statement

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on the Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Ordinary securities, if the resolution is passed, and an associate of that person.

However, the entity need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By order of the Board.



Paul Vine
Company Secretary
Date: 13 July 2009

Explanatory Memorandum

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the resolution contained in the accompanying Notice of General Meeting of Bell Financial Group Ltd (“**BFG**” or the “**Company**”).

1. Overview

On 29 September 2008 the Company acquired the capital of Southern Cross Equities Limited (“**SCE**”) from the shareholders of SCE (“**SCE Vendors**”) for a purchase price calculated by reference to a multiple of normalised SCE financial year 2008 net profit after tax (“**Completion**”).

The potential purchase price was \$145,800,000 (subject to performance benchmarks being met in 2009, 2010 and 2011) (“**Purchase Price**”).

The Purchase Price is subject to adjustment in following years if certain performance benchmarks are not met and is payable to the SCE Vendors as to 50% in cash and as to 50% in BFG shares.

The agreements between BFG and the SCE Vendors in relation to the acquisition of SCE contained terms in relation to the commissions available for payment to SCE advisers, research and corporate employees (“**Front Office Employees**”). In summary, SCE adopted a remuneration plan for the purpose of total remuneration for Front Office Employees not exceeding 40% of SCE revenue (less certain adjustments), less Front Office Employee on costs.

Completion of the acquisition occurred following the Company’s General Meeting on 18 September 2008 which approved resolutions issuing new A, B and C Class shares in the Company.

The cash component of the Purchase Price was to be payable in four instalments. The first payment of \$18,225,000 was made on Completion, with three further payments to be paid after the first, second and third anniversaries of Completion in 2009, 2010 and 2011 respectively, subject to certain performance benchmarks being met.

The scrip component of the consideration was issued at \$1.25 per BFG share and was satisfied by the issue to the SCE Vendors of the following shares on Completion:

- (a) 14,580,000 Ordinary shares in the Company;
- (b) 14,580,000 A Class shares in the Company;
- (c) 14,580,000 B Class shares in the Company; and
- (d) 14,580,000 C Class shares in the Company.

The A, B and C Class shares have the rights and entitlements described in the Explanatory Memorandum to the General Meeting held on 18 September 2008.

2. Proposed Amendments to the Purchase Price and Terms

BFG and the SCE Vendors have agreed to vary the Front Office Employee remuneration potentially payable by SCE described in section 1. Subject to the passing of the special resolutions outlined in the notice of meeting, from 1 July 2009 SCE will be entitled to pay

total remuneration to Front Office Employees of up to 50% of SCE revenue (less certain adjustments), less Front Office Employee on costs.

This amendment to the acquisition terms will provide SCE with a model that is very attractive for the hiring of further experienced staff, to the mutual benefit of BFG and the SCE Vendors. BFG and SCE are also confident that the amended agreement is in the long-term interests of the Group, creating an attractive model for the hiring and retention of key people for the future growth of the Group.

The consideration for the amendment to the commission arrangements is the reduction in the total potential purchase price payable by BFG for SCE from \$145.8 million to \$114.8 million ("**Revised Purchase Price**"). This reduction is reflected in a reduction in potential cash and share based earn out payments over the next three years as set out in Appendix 1.

These arrangements operate from 1 July 2009 and are not retrospective. The revenue earn out hurdles set out in section 3 do not change and need to be met before any future payments are paid.

Appendix 2 shows how the potential Revised Purchase Price will be paid.

3. Conversion of A, B and C Class shares

The A Class, B Class and C Class shares will convert to Ordinary shares following the first, second and third anniversaries of Completion respectively in 2009, 2010 and 2011 ("**Conversion Dates**"), subject to the following performance benchmarks being met.

- (a) If Southern Cross group revenue ("**Revenue**") for financial year 2009 exceeds \$57,400,000 ("**Base Revenue**") then all A Class shares will be converted to Ordinary shares on a one for one basis on the 2009 Conversion Date.
- (b) Likewise, if Revenue for financial years 2010 and 2011 exceeds Base Revenue, all B and C Class shares will be converted to Ordinary shares on a one for one basis on the 2010 and 2011 Conversion Dates respectively.
- (c) If Revenue for financial years 2009, 2010 or 2011 does not exceed Base Revenue, a smaller number of A, B and C Class shares will convert to Ordinary shares on a one for one basis in accordance with the table in Appendix 2.
- (d) Any excess in Base Revenue in financial years 2009 and 2010 can be carried forward to Revenue earned in 2010 and 2011. Further, any shortfall in Base Revenue in financial years 2009 and 2010 can be recouped in financial years 2010 and 2011 to the extent that the Revenue for those subsequent years exceeds Base Revenue. This is shown in Appendix 2.
- (e) If the performance benchmarks have not been satisfied in full, any remaining A, B and C Class shares following conversion on the 2011 Conversion Date will each convert into 0.0001 Ordinary shares such that no A, B and C Class shares will remain on issue.

As soon as practicable the Company will announce achievement of the performance benchmarks and details of the conversion of the A, B and C Class shares to Ordinary shares. BFG will also disclose in each annual report for the periods in which the A, B and C Class shares remain on issue or until they have been converted:

- (a) a summary of the terms and conditions of the A, B and C Class shares;
- (b) whether any of the A, B and C Class shares have been converted during the period; and
- (c) whether any of the performance benchmarks for A, B and C Class shares to be converted have been met during the period.

4. Resolutions – Consolidation of Shares

Pursuant to the original arrangements in relation to the acquisition, if all performance benchmarks described in section 3 were fully met, the maximum number of Ordinary shares resulting from conversion of all of the A, B and C Class shares would be 43,740,000.

The reduction in the total purchase price payable by BFG for SCE is reflected in the reduction in potential cash and share based earn out payments over the next three years as set out in Appendix 1.

In order to reduce the share based portion of the total potential purchase price, the Company seeks shareholder approval to consolidate the A, B and C Class shares in the capital of the Company into 10,446,681 A Class, 10,446,681 B Class and 10,446,681 C Class shares respectively, by converting the A, B and C Class shares held by each shareholder into a smaller number of shares by multiplying the number of A Class, B Class and C Class shares held by each shareholder by a conversion factor of 0.716506630315, with the resulting number of A Class, B Class and C Class shares respectively held by each such shareholder rounded up to the nearest whole number.

The holders of A Class, B Class and C Class shares in the Company have consented in writing to the share consolidation and the proposed Special Resolutions.

Appendix 1

Purchase price:	Reduced from \$145,800,000 to \$114,800,000, payable half in cash and half in shares
Cash component:	\$57,400,000
	Paid to date: \$18,225,000
	Cash to be paid: \$39,175,000 in 3 equal instalments of \$13,058,333
Scrip component:	\$57,400,000 ÷ \$1.25 share price = 45,920,000 shares
Shares issued:	14,580,000 Ordinary, 14,580,000 A Class, 14,580,000 B Class and 14,580,000 C Class shares
Remaining shares:	45,920,000 – 14,580,000 = 31,340,000 in total
	The 3 converting classes (A, B and C) are all issued in equal numbers: 31,340,000 ÷ 3 = 10,446,666.67 A Class shares, 10,446,666.67 B Class shares and 10,446,666.67 C Class shares
	Conversion multiple: $\frac{10,446,666.67}{14,580,000} \times \frac{100}{1} = 71.6506630315 \%$
	Conversion factor = 0.716506630315

Appendix 2

Below is a summary of the way in which the Revised Purchase Price for the Acquisition will be paid and satisfied.

Purchase Price \$114.8m subject to adjustment in accordance with the Performance Benchmarks.

Payment Method **50% cash** payable in 3 further instalments over the next 3 years including 2009. The first instalment was payable on Completion (\$18.2m), with future instalments (\$13.1m) ("**Adjusted Payment**") subject to the Performance Benchmarks; and

50% BFG scrip 14.6m Ordinary shares in BFG issued, with proposal to consolidate other shares into 10.5m A Class, 10.5m B Class and 10.5m C Class shares in BFG (based on a BFG share price of \$1.25) ("**Consolidation**"). The A, B and C Class shares in the capital of BFG will convert into Ordinary shares in the capital of BFG after the first, second and third anniversaries of Completion respectively ("**Conversion Dates**"), subject to satisfaction of the Performance Benchmarks.

Performance Benchmarks The amount of cash payable as a percentage of the Adjusted Payment, and the number of A, B and C Class Shares to be converted to Ordinary Shares on a one for one basis will, as at a Conversion Date, vary according to the amount of Southern Cross Revenue earned during the immediately preceding financial year to that Conversion Date (FY 2009, FY 2010, and FY2011 respectively) according to the following table.

Any excess in Base Revenue of \$57.4m in financial years 2009 and 2010 can be carried forward to Revenue earned in 2010 and 2011.

Any shortfall in Base Revenue in financial years 2009 and 2010 can be recouped in financial years 2010 and 2011 to the extent that the Revenue for those subsequent years exceeds Base Revenue.

Southern Cross Revenue	Less than \$37.4m	\$37.4m up to but less than \$47.4m	\$47.4m up to but less than \$57.4m	\$57.4m or more
Cash Payment as a proportion of Adjusted Payment	0	1/3	2/3	1
Number of A, B and C Class shares to be converted to Ordinary shares as a proportion of the number of A, B and C Class shares on issue following Consolidation.	0	1/3	2/3	1