



ASX Announcement

3Q Holdings Limited
ABN 42 089 058 293

Syndicate of Investec Bank (Australia) Limited and key associated individuals agree to \$3.3m strategic investment in 3Q

- A syndicate which includes Investec Bank (Australia) Limited and a number of individuals including Larry Nestadt and Gary Burg, have agreed to a strategic cornerstone investment in 3Q
 - Initial investment of up to \$2.4m will be drawn down by the Company
 - Option for the Company to draw down a further \$900k subject to shareholder approval if drawn down within certain period
- Investment made on the basis of a shared vision of growth for 3Q, both organically and by acquisition where appropriate
- 3Q Board approved appointment of Gary Burg to Board of directors to occur soon after execution
- The investment will be by way of a Convertible Note in the Company:
 - Conversion rights in the first two years, at 10c/share
 - Five year maturity, if not converted
 - Interest payable if not converted, at existing rate of senior Australian dollar bank debt
 - Second ranking security behind NAB, senior financier

Friday 23 March 2012: The Board of 3Q Holdings Limited (ASX: TQH) today announced that the Company has secured agreement to be able to draw down on a strategic investment of \$3.3million from a syndicate which includes individuals active in the finance and corporate advisory arena. The individuals include Larry Nestadt and Gary Burg, the founders of Global Capital Pty Ltd, a Private Equity operation operating successfully in Australia and South Africa.

The syndicate shares management's view of the future growth of 3Q Holdings, both organically and by acquisition, and has agreed to invest the funds to support that future growth strategy.

The initial investment makes available to the Company a first tranche of \$2.4million, with a second tranche of \$900,000 to be drawn down at the option of the Company. 3Q and the syndicate anticipate that further investment to fund acquisitions will be required and those funds will be made available at least in part by the syndicate (although the Company advises that no terms have been agreed for any such future investment at this time).

The current investment will be made by way of an issue of convertible notes in the Company. The key terms of the Convertible Notes are set out in the attachment to this announcement.

The funds invested may be used by the Company for any purpose determined by the Board.

The Board continues to review the overall capital structure of the Company, and opportunities to best undertake further expansion and growth of the business. The Board has previously identified that it would pursue a strategy of inorganic expansion in the appropriate circumstances, where targets meet the demanding criteria established by management. With this strategic imperative as background, the ongoing effectiveness of the underlying business and the improving retail sector particularly in the US and UK, the Board anticipates that this calendar year will be an appropriate time to take further action on this front.

Commenting on the investment, Shaun Rosen (3Q's executive Chairman) said "I am very excited to have concluded arrangements for this strategic investment into the Company. I have personally worked with Gary Burg on a number of deals, and to have him and Larry Nestadt joined by Investec Bank is testament to our Company's very strong future.'

"The most exciting element of the deal for me is the shared vision we have with the syndicate for the growth of the Company over the near term. With the financial capacity of the syndicate members backing us, and the ongoing excellent operating performance of the Company, 3Q is in a better position than ever before to capitalise on the opportunities it can find in the market."

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About 3Q Holdings

3Q Holdings Limited (ASX: TQH) has been listed on the ASX in its current form since 28 December 2005. It originally acquired 100% of QQQ Systems, a software company that provides software applications to the retail industry in Australia and New Zealand – with both point of sale (POS) and head office solutions into a wide range of retail clients operating in the fashion, electronics, furniture, general merchandise and discount variety industries.

In March 2006 the company acquired the San Diego based Applied Retail Solutions business (ARS). ARS has been providing software and services to mid-sized and large retailers in the United States since 1987. Its core product "OnePointe" provides a Post to Host solution in market segments such as apparel, footwear, entertainment, discount and variety, giving TQH an excellent entry into the US retail software and services market.

New Zealand based AdvanceRetail Technology was acquired by TQH in March 2007, and is a leading retail solutions provider with offices in Auckland, Sydney and Brisbane and representation in Malaysia, China and Singapore – giving it a high quality customer base in Australia, New Zealand and Asia. The company has a range of strategic alliances through which the Company takes its products and services to market, including industry leaders that include SAP, Microsoft and IBM.

In December 2007 the company acquired Island Pacific, which provides access to market leading retail merchandising, store operations, CRM, and multi-channel software solutions internationally. With offices in the United States and the United Kingdom, TQH not only has better access to those markets, but has the advantage of a springboard into the broader European markets. Island Pacific was founded in 1978 and has developed a reputation for delivering high-quality, high-reliability software to the retail industry. The company is headquartered in Irvine, California.

Convertible Note Key Terms

- a. Convertible Notes may be converted into shares (at 10c per share) by the syndicate at any time within two years from the initial subscription.
- b. The Convertible Notes have a five year term for repayment assuming there is no conversion (maturing on the fifth anniversary of the subscription date for the first tranche).
- c. Interest is payable on the outstanding balance once the Convertible Notes are no longer convertible (that is, from the earlier of two years from the initial investment, and the time at which the Syndicate waives its right to convert). At the time interest becomes payable, a payment of interest in arrears must be made.
- d. No interest is payable if the Convertible Notes are converted into Shares in the Company.
- e. The interest rate is set at the current fixed NAB loan rate for the Company's AUD loans.
- f. The Syndicate will take a second ranking charge (behind NAB) over the assets of the Company. The Syndicate and NAB entered into a Deed of Priority to regulate their relationship in connection with the charges over the Company.